SECURITIES AND EXCHANGE COMMISSSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

Check the appropriate box:

☐ Preliminary Information Statement

☑ Definitive Information Statement

1. Name of Registrant as specified in its charter **MEDICAL DOCTORS, INC.**

2. Province, country other jurisdiction of incorporation or organization **PHILIPPINES**

3. SEC Identification No. **22914**

4. BIR Tax Identification No. **000-130-130-000**

5. Address of principal office **No. 2 Amorsolo St., Legaspi Village, Makati City**

   Postal Code - **1229**

6. Registrant's telephone number, including area code **02-88888-999**

7. Date, Time and Place of the meeting of security holders

   Tuesday, July 20, 2021
   5:00 PM
   Medical Doctors Inc. Website: asm2021.makatimed.net.ph

8. Approximate date on which the Information Statement is first to be sent or given to security holders
   June 28, 2021

9. Name of Person Filing the Statement: **Medical Doctors, Inc. (Makati Medical Center)**
   Address: **No. 2 Amorsolo St., Legaspi Village, Makati City**
   Telephone No.: **88888-999**

10. Outstanding Common Stock

Title of Each Class	Number of Shares of Common Stock Outstanding (as of May 31, 2021)
Common	**3,420,737**

11. Are any or all of registrant's securities listed on a Stock Exchange?

    Yes [ ] No [**X**]If yes, disclose name of the Stock Exchange and Class of securities listed therein.

NOTICE OF REGULAR MEETING
OF STOCKHOLDERS
July 20, 2021

The Annual Meeting of the Stockholders ("ASM") of Medical Doctors, Inc. (hereinafter interchangeably referred to as "MDI" or the "Company"), owner and operator of Makati Medical Center (hereinafter interchangeably referred to as "MMC" or the "Hospital") will be conducted via remote communication on Tuesday, **July 20, 2021** at **5:00 P.M**.

The Agenda of the Meeting is as follows:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting of July 21, 2020
4. Presentation of the Annual Report and approval of the 2020 Audited Financial Statements
5. Open Forum
6. Approval of the Amendments to the Articles of Incorporation and By-Laws
7. Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers
8. Election of the Board of Directors
9. Approval for the Extension of Term of Independent Director, Mr. Francisco A. Dizon
10. Appointment of External Auditors
11. Other Matters
12. Adjournment

In light of the Covid-19 pandemic, the Company will not be conducting a physical ASM. Instead, the ASM will be streamed live, and stockholders may attend and participate via remote communication and vote in absentia, using the Company website, <**asm2021.makatimed.net.ph**>. The guidelines for participation via remote communication and voting in absentia is set forth in Annex "E" of the Definitive Information Statement.

For the purpose of this meeting, only stockholders of record at the close of business on **May 31, 2021** will be entitled to attend/participate and cast their votes in absentia at the ASM. Stockholders who wish to appoint a proxy are respectfully requested to submit their duly signed proxy form together with other documentary requirements which are set forth in the Annex "E" of the Definitive Information Statement to the Finance Division, Makati Medical Center, 5th Floor Keyland Centre 143 Dela Rosa corner Adelantado St, Legaspi Village, Makati City and/or by email to mmcfinance@makatimed.net.ph not later than **5:00 P.M.** on **June 30, 2021.** MMC Finance shall submit the proxy form to the Corporate Secretary. Validation of proxies shall be held on **July 9, 2021** at 10:00 A.M. at the Board Room, Makati Medical Center, 6th Floor Keyland Centre 143 Dela Rosa corner Adelanto St. Legaspi Village, Makati City.

MEDICAL DOCTORS, INC.

By:

ATTY. GERMAN Q. LICHAUCO II
Compliance Officer and Corporate Secretary

BRIEF DESCRIPTION OF THE AGENDA ITEMS

1. **Call to Order.** The Chairman of the Board of Directors, Mr. Manuel V. Pangilinan, will call the meeting to order.

2. **Certification of Notice and Quorum.** The Corporate Secretary, Atty. German Lichauco, will certify that copies of the Notice of the Meeting were sent to Stockholders of record as of May 31, 2021 and will certify the number of attendees, whether in person or by proxy, for the purpose of determining the existence of a quorum to validly transact business.

3. **Approval of the Minutes of the Annual Stockholders held on July 21, 2020.** Copies of the Minutes are available for examination during office hours at the Finance Division, Makati Medical Center, 5th Floor Keyland Centre 143 Dela Rosa corner Adelantado St, Legaspi Village, Makati City and will be distributed to all stockholders as of record date along with the Definitive Information Statement. The resolution that will be submitted for approval of the stockholders states as follows:

   "RESOLVED, that the Stockholders of the Corporation hereby approve the Minutes of the Annual Stockholders' Meeting held on July 21, 2020."

4. **Presentation of the Annual Report and Audited Financial Statements.** The Report presents the milestones and achievements of the Company for the year 2020. The audited financial statements, highlights of which are explained in the President and Chief Executive Officer's Report and in the Definitive Information Statement, will be presented to the Stockholders for approval. Copies of the 2020 Audited Financial Statements, previously approved by the Board of Directors, were also submitted to the Securities and Exchange Commission and the Bureau of Internal Revenue. The resolution that will be submitted for approval of the stockholders states as follows:

   "RESOLVED, that the audited financial statements for the year ended December 31, 2020 be, as the same are, hereby approved."

5. **Open Forum.** Stockholders may submit any relevant question or express any appropriate comment by sending an email to mmcfinance@makatimed.net.ph not later than 3:00pm of July 20, 2021. Questions which cannot be read and answered during the meeting will be replied to by the Company through the Stockholder's email address.

6. **Approval of the Amendments to the Articles of Incorporation and By Laws.**

   Approval and ratification by the stockholders representing at least two-thirds of the outstanding capital stock will be sought to amend the Articles of Incorporation and By-laws in order to update, comply and be consistent with the requirements of the Revised Corporation Code and the Revised Manual of Corporate Governance. The Board approved the proposed amendments during its meeting on October 23, 2020. Following is a summary of the proposed amendments:

   1. Perpetual Corporate Term (AOI)
   2. Number of Independent Directors (AOI)
   3. Principal Office Address (By-Laws)
   4. Meetings via Remote Communication (By-Laws)
   5. Notice of Meetings (By-Laws)
   6. Voting in absentia (By-Laws)
   7. Closing of the stock and transfer book (By-Laws)
   8. Term of Independent Directors (By-Laws)
   9. Vacancy in the Board of Directors (By-Laws)
   10. Compliance Officer (By-Laws)
   11. Duties of the Corporate Secretary (By-Laws)
   12. Board Committees (By-Laws)
   13. Cash Dividend Declaration (By-Laws)

7. **Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers.** Ratification of the acts of the Board of Directors and Management crucial to the successful and effective performance of the Company in 2020 will be sought from the Stockholders. The resolution that will be submitted for approval of the stockholders states as follows:

> *"RESOLVED, that all acts, resolutions, and deeds of the Board of Directors and Management of the Company from the Annual Stockholders' Meeting held on July 21, 2020 up to the date of this meeting be, as they are hereby confirmed, ratified and approved."*

8. **Election of Directors for the ensuing year.** The Chairman of the Nomination and Election Committee will present to the Stockholders the nominees for election as members of Board of Directors of the Company. Copies of the *curriculum vitae* and profiles of the candidates to the Board of Directors are provided in the Information Statement for the examination of the Stockholders. For this year, the candidates to the Board of Directors are the following:

   Regular Directors

   1. Mr. Manuel V. Pangilinan
   2. Dr. Benjamin N. Alimurung
   3. Atty. Pilar Nenuca P. Almira
   4. Mr. Jose Amado A. Fores
   5. Dr. Victor L. Gisbert
   6. Mr. Jose Ma. K. Lim
   7. Dr. Conrado Gabriel Lorenzo III
   8. Ms. Ma. Susana A.S. Madrigal
   9. Mr. Augusto P. Palisoc, Jr.
   10. Mrs. Judy A. Roxas
   11. Dr. Remedios G. Suntay
   12. Dr. Michael C. Wassmer

   Independent Directors

   1. Mr. Francisco A. Dizon
   2. Mrs. Diana P. Aguilar
   3. Mr. Francisco S.A. Sandejas

   Votes cast within the period provided will be tabulated by Isla Lipana & Company and reviewed by the Chairman of the Nomination and Election Committee. The Chairman of the Nomination and Election Committee will announce the results of the election.

9. **Approval for the Extension of Term of Mr. Francisco A. Dizon.** Pursuant to the requirements of the Code of Corporate Governance for Public Companies and Registered Issuers, the extension of term of independent directors beyond the 9-year term limit require Stockholders' approval. Hence, Stockholder approval will be sought for the extension of term of Mr. Francisco Dizon as Independent Director for 2021-2022.

10. **Appointment of External Auditors.** The Company's external auditors for 2021-2022, tasked with the preparation of the annual financial statements, will be appointed by the Stockholders. This is upon favorable recommendation by the Audit Committee. The resolution that will be submitted for approval of the stockholders states as follows:

> *"RESOLVED, that Isla Lipana & Company, Certified Public Accountants, be, as they are hereby, re-appointed as external auditors of the Company for the year 2021-2022."*

11. **Other Matters.** Stockholders may be requested to consider such other issues/matters that arise after the Notice of Meeting and Agenda have been sent out or as may be raised throughout the course of the meeting.

12. **Adjournment.** After all business has been considered and resolved, the Chairman shall declare the meeting adjourned.

INFORMATION STATEMENT

PART I

A. GENERAL INFORMATION

Item 1. Date, Time and Place of Annual Meeting

The Annual Meeting of Stockholders ("ASM") of Medical Doctors, Inc., (hereinafter interchangeably referred to as "MDI" or the "Company") will be conducted virtually on **July 20, 2021** at **5:00 P.M.** The complete mailing address of the principal office of the Company is No. 2 Amorsolo St., Legaspi Village, Makati City.

The information statement and form of proxy are first to be sent to security holders approximately on **June 28, 2021.**

Item 2. Dissenters' Right of Appraisal

There are no corporate matters or actions to be taken up during the ASM that will entitle dissenting Stockholders to exercise their right of appraisal as provided in Title X of the Revised Corporation Code of the Philippines.

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

No director, nominee for election as director, associate of the nominee or executive officer of the Company at any time since the beginning of the last fiscal year has any substantial interest, direct or indirect, by security holdings or otherwise, in any of the matters to be acted upon in the meeting, other than election to office.

The Company has not received any information that an officer, director or Stockholder intends to oppose any action to be taken at the ASM.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a) As of **May 31, 2021**, the Company has the following outstanding shares of common stock:

Title of Class	No. of shares outstanding
Common Shares **Each share is entitled to one vote**	**3,420,737 shares**

(b) The record date with respect to this solicitation is **May 31, 2021**. Only Stockholders of record at the close of business on **May 31, 2021** will be entitled to vote at the meeting. Presence in person or by proxy of Stockholders owning a majority of the shares of Common Stock outstanding on the record date is required for a quorum.

(c) Manner of Voting

A Stockholder entitled to vote at the meeting has the right to vote in person or by proxy. With respect to the election of directors, in accordance with Section 23 of the Revised Corporation Code of the Philippines, a Stockholder may vote the number of shares held in his name in the Company's stock books as of **May 31, 2021**, and may vote such number of 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 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 Company multiplied by the total number of directors to be elected.

In compliance with the requirement in Section 22 of the Revised Corporation Code of the Philippines and Securities and Exchange Commission ("SEC") Memorandum Circular No. 20, Series of 2020, three (3) of the fifteen (15) directors shall be independent directors. Hence, separate elections shall be held, if appropriate, for non-independent directors and independent directors.

If there are only twelve (12) nominees for non-independent directors, all votes shall be deemed cast in their favor and they shall automatically be deemed elected. Only nominees who were nominated on or before the May 21, 2021, the deadline thereof, shall be recognized and may be voted upon during the July 20, 2021 ASM. If there are more than twelve (12) nominees for non-independent directors, an election shall be held for non-independent directors and the twelve (12) nominees with the highest number of votes shall be deemed elected. The formula in such election shall be as follows:

no. of shares held on record as of record date x 12 non-independent directors = total number of votes that may be cast

If there are only three (3) nominees for independent directors, all votes shall be deemed cast in their favor and they shall automatically be deemed elected. Only nominees who were nominated on or before the May 21, 2021, the deadline thereof, shall be recognized and may be voted upon during the July 20, 2021 ASM. If there are more than three (3) nominees for independent directors, an election shall be held for independent directors and the three (3) nominees with the highest number of votes shall be deemed elected. The formula in such election shall be as follows:

no. of shares held on record as of record date x 3 independent directors = total number of votes that may be cast

The deadline for submission of proxies is **not later than 5:00 P.M. on June 30, 2021** at the Finance Division, Makati Medical Center and/or by email to mmcfinance@makatimed.net.ph. MMC Finance shall submit the proxy form to the Corporate Secretary. Validation of proxies will be on **July 9, 2021 at 10:00 AM** at the Board Room, Makati Medical Center, 6th Floor Keyland Centre, 143 Dela Rosa corner Adelantado St. Legaspi Village, Makati City.

The proxy subject of this solicitation shall have discretionary authority to cumulate votes.

(d) Security Ownership of Certain Record and Beneficial Owners

(1) Security ownership of certain record and beneficial owners of more than 5% of the voting securities

As of **May 31, 2021**, the Company knows of no one who beneficially owns in excess of 5% of its common stock, except as set forth below:

Title of Class	**Name, Address of Record Owner and Relationship with Issuer**	**Name of Beneficial Owner and Relationship with Record owner**	**Citizenship**	**Number of Shares Held**	**Percent (%)**
Commona	Metro Pacific Hospital Holdings, Inc (MPHHI) 10th Floor, MGO Bldg. Legaspi cor dela Rosa St., Makati City MDI is an associate of MPHHI	Manuel V. Pangilinan Chairman of the Board of Metro Pacific Hospital Holdings Inc. and Medical Doctors, Inc., (Mr. Pangilinan and/or Mr. Jose Ma. K Lim are authorized to vote the shares on behalf of MPHHI)	Filipino	1,141,819	33.38%

(2) Security Ownership of Management

The following are the number of shares comprising the Company's capital stock (all of which are voting shares) owned of record by the directors, Chief Executive Officer, key officers of the Company, and nominees for election as director, as of **May 31, 2021**:

Title of Class	Name of Owner	Nature of Ownership	No. of Shares	Amount	Citizenship	Percent of Class
Common	Remedios G. Suntay	Direct	114,928	11,492,800	Filipino	3.36%
Common	Benjamin N. Alimurung	Direct	47,110	4,711,000	Filipino	1.38%
Common	Maria Susana A.S. Madrigal	Direct	9,335	933,500	Filipino	0.27%
Common	Alipio S. Abad, Jr.	Direct	4,190	419,000	Filipino	0.12%
Common	Victor L. Gisbert	Direct	2,485	248,500	Filipino	0.07%
Common	Conrado Gabriel C. Lorenzo III	Direct	1,500	150,000	Filipino	0.04%
Common	Michael C. Wassmer	Direct	1,500	150,000	Filipino	0.04%
Common	Saturnino P. Javier	Direct	1,500	150,000	Filipino	0.04%
Common	Jose Amado A. Fores	Direct	1,001	100,100	Filipino	0.03%
Common	Judy A. Roxas	Direct	1,001	100,100	Filipino	0.03%
Common	Manuel V. Pangilinan	Direct	1	100	Filipino	0.00%
Common	Jose Ma. K. Lim	Direct	1	100	Filipino	0.00%
Common	Augusto P. Palisoc	Direct	1	100	Filipino	0.00%
Common	Manolo Michael T. de Guzman	Direct	1	100	Filipino	0.00%
Common	Francisco A. Dizon	Direct	1	100	Filipino	0.00%
Common	Pilar Nenuca P. Almira	Direct	1	100	Filipino	0.00%
Common	Diana P. Aguilar	Direct	1	100	Filipino	0.00%
Common	Francisco S. A. Sandejas	Direct	1	100	Filipino	0.00%

The aggregate number of shares owned of record by the Chief Executive Officer, key officers, directors and nominees for directors as a group as of May 31, 2021 is 184,558 shares or approximately 5.40% of outstanding shares.

(e) **Changes in Control**

The Company is not aware of any change in control or arrangement that may result in a change in control of the Company since the beginning of its last fiscal year.

(3) Voting Trust Holders of 5% or more

Not Applicable

(f) **Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

No director, nominee for election as director, associate of the nominee or executive officer of the Company at any time since the beginning of the last fiscal year has any substantial interest, direct or indirect, by security holdings or otherwise, in any of the matters to be acted upon in the meeting, other than election to office.

The Company has not received any information that an officer, director or stockholder intends to oppose any action to be taken at the ASM.

Item 5. Directors and Executive Officers

(a) The Company is not aware of any pending legal proceeding of the nature required to be disclosed under Part I, paragraph (C) of Annex D with respect to nominees for directorship.

(b) The names of the incumbent and nominee directors and executive officers of the Company, and their respective ages, current positions held, periods of services and business experience during the past five (5) years, are as follows:

Incumbent Directors, Officers and/or nominees for Board of Directors

Benjamin N. Alimurung, M.D. 75, Filipino

Benjamin N. Alimurung, M.D. is a nominee for a regular director position. He has been a member of the MDI Board since 1981. He was the Medical Director of the Hospital from 2006 to May 31, 2016. He was a member of the Management Committee fromD 1983 to May 2016; Head, Cardiovascular Diagnostic Laboratory (Heart Station) since 1981; Head, Catheterization Laboratory since 1989. Director, Adult Cardiology Training Program since 1983; Active Medical Staff, MMC, 1981 to present; Adult Cardiology Fellowship, Emory University School of Medicine and Affiliated Hospitals, Atlanta, Georgia, USA, July 1976- April 1980; Interventional Cardiology, Emory University School of Medicine and Affiliated Hospitals, Atlanta Georgia, USA, November 1987 – November 1988; Co-Director, Cardiac Catheterization Laboratory and Director, Exercise Function Laboratory, Grady Memorial Hospital, Atlanta Georgia, USA, July 1979-January 1980; Instructor in Medicine (Cardiology), Emory University School of Medicine, Atlanta, Georgia, USA July 1979 – January 1980; Director, Cardiac Catheterization Laboratory, Grady Memorial Hospital, Atlanta Georgia, USA, November 1987 – November 1988; International Fellow, Council on Clinical Cardiology, American Heart Association, January 1985; Fellow, American College of Cardiology, August 25, 1997; Member Asia-Pacific Society of Interventional Cardiology, 1995; Active Medical Staff, UST 1980- 1987 and Balik-Scientist Presidential Program Awardee (for Cardiovascular Medicine), Phase-II, Philippine National Science Development Board, Manila, Philippines, 1981

Atty. Pilar Nenuca P. Almira, 68, Filipino

Pilar Nenuca P. Almira is a nominee for regular director position. She is currently the President & CEO of MDI since September 2021. Prior to joining MDI, she was the President & CEO of Cardinal Santos Medical Center and the President of Cardinal Medical Charities Foundation, Inc. since December 2012. She was also the President & CEO of Our Lady of Lourdes Hospital since August 2016.

Atty. Almira served as the Hospital Director of Manila Doctors Hospital from 2006 to 2012; Senior Vice President for Business Development, Marketing and Sales Effectiveness at St. Peter life Plan Incorporated from 2002 to 2006; Chief Operating Officer at University of Santo Tomas Hospital from 2000 to 2002; Human Resource Director for South/South

East Asia at Kraft Foods International from 1988-2000; Human Resource Director at Warner Lambert Philippines from 1978 to 1988; and Factory Personnel Manager at Nestle Philippines from 1974 to 1978.

In 1998, the Personnel Management Association of the Philippines awarded her Personnel Manager of the year.

Atty. Almira has an MBA degree from the Ateneo de Manila University in 1978, a law degree from the University of the Philippines in 1984 and a master's in health services administration degree from Ateneo de Manila University in 2004. She was also conferred a Papal Award by Pope Francis in 2015.

Jose Amado A. Fores, 60, Filipino

Jose Amado A. Fores is a nominee for a regular director position. He has been a member of the MDI Board since 2008. He is currently a member of the Clinical Risk Management, Infection Control and Medication Appropriate Use Committee of the Board. He is Vice President, Information Technology Division of ACI, Inc. from 2006 up to present; Vice President of Uniprom, Inc. (1994-2006); IT Project Team Head, Progressive Development Corporation (2000-2001); Project Proponent / VP & GM, Board Member of TicketNet, Inc.(1994-2010); President and CEO Founding Partner, Board Member, Central Network Linkages, (1987-present); and Administrative Committee Board Member, CIBO, Inc. (1999 up to present).

Victor L. Gisbert, M.D., 66, Filipino

Victor L. Gisbert, M.D. is a nominee for regular director position. He has been a member of the MDI Board since 2007. He is currently a member of the Compensation and Retirement Committee of the Board and the co-Chairman of the Clinical Risk Management, Infection Control & Medication Appropriate Use Committee. He was the Ex-Officio President of the Medical Staff Association of Makati Medical Center. He is currently President of MMC Foundation, Inc. and Philippine Asian Vascular Society; Chairman of the Health Service Department of Makati Medical Center; Vice President of the Philippine Society of vascular and vascular surgery, an active staff member at the MDI Department of Surgery; Section Chief, Peripheral Vascular Section; Member, Medical Services Committee of Makati Medical Center; Vice-President, Asian Society of Vascular Surgery; Medical Director of Guevent Group of Companies., He obtained his Vascular and Trauma Surgical Fellow and Trauma and Vascular Research Fellow at the Hennepin County Medical Center, Minneapolis, Minnesota, Vascular Fellow, Cornell Medical Center, New York, USA. Fellow, Philippine College of Surgery and American College of Surgeons, General Surgery training, at Makati Medical Center.

Jose Ma. K. Lim, 69, Filipino

Jose Ma. K. Lim is a nominee for regular director position. He has been a member of the MDI Board since 2008. He is currently a member of the Nomination and Election Committee and of the Ethics Committee of MDI. Born in the Philippines in April 1952, Mr. Lim graduated from the Ateneo de Manila University, with a Bachelor of Arts degree in Philosophy. He received his MBA degree in 1978 from the Asian Institute of Management.

Mr. Lim then worked as a senior officer for various local and foreign banking institutions from 1988 to 1995. He was Director for Investment Banking of the First National Bank of Boston from 1994 to 1995, and prior to that, Vice President of Equitable Banking Corporation.

In 1995, Mr Lim joined Fort Bonifacio Development Corporation (FBDC) as Treasury Vice President and eventually was appointed Chief Finance Officer in 2000.

In 2001, Mr. Lim assumed the position of Group Vice President and Chief Finance Officer of FBDC's parent company, Metro Pacific Corporation (MPC) on a concurrent basis . He was then elected President & CEO of MPC in June 2003.

In 2006, MPC was reorganized into Metro Pacific Investments Corporation (MPIC), where he continues to serve as President & CEO. Aside from MPIC he is also currently a Director in the following MPIC subsidiaries and affiliate companies:

Manila Electric Company; Meralco Powergen Corporation; Beacon Electric Asset Holdings Inc.; Global Business Power Corporation; Metro Pacific Tollways Corporation; NLEX Corporation; Cavitex Infrastructure Corporation; Easytrip Services Corporation; Cebu Cordova Link Expressway Corporation; AIFTollroads Holdings, Thailand; Maynilad Water Services Inc.; MetroPac Water Investments Corporation; Cagayan de Oro Bulk Water Inc.; Metropac Movers Inc; Light Rail Manila Corporation; AF Payments Inc; Metro Pacific Hospital Holdings Inc.; Medical Doctors, Inc. (owner and operator of Makati Medical Center); Cardinal Santos Medical Center (Colinas Verdes Hospital Managers Corporation); Asian Hospital; Our Lady of Lourdes Hospital; Manila Doctors Hospital Inc; Davao Doctors' Hospital; Riverside Medical Center Inc.; Metro Pacific Investments Foundation; and Pacific Global Aviation Inc.

Mr. Lim serves as Chairman of Indra Philippines; Nusantara, Jakarta Indonesia; Ecosystem Technologies International and Metpower Venture Partners Holdings Inc.

He is also a Trustee of the Asian Institute of Management and Asia Society of the Philippines and an advisory board member of the Ateneo Graduate of School of Business;

Mr. Lim has received various awards relating to Corporate Governance and Investor Relations. He was accorded the Triple A award from Asian Institute of Management for his excellent performance in his field of profession.

He is a founding member of the Shareholders Association of the Philippines and an active member in various business organizations.

Conrado Gabriel C. Lorenzo III, MD, MBA., 58, Filipino

Dr. Conrado C. Lorenzo III is a nominee for regular director position. He was elected as a member of the MDI Board in July 2017 and serves an active member of the board's Audit, Finance, Compliance and Ethics committee.

He spends majority of his time at Makati Medical Center and is likewise affiliated with Asian Hospital & Medical Center and St. Luke's Medical Center, Global City. At one given time, he was Chief of the Section of Medical Oncology of all three hospitals, and Director of the Makati Medical Cancer Center (2008-2011), positions that he held concurrently. Dr. Lorenzo completed his undergraduate studies at Boston University, Boston, Massachusetts (1982-1986) and earned his medical degree from the University of the Philippines, Philippine General Hospital (1986-1991). He completed his Internal Medicine Residency at Hahnemann University, Philadelphia (1992-1996) and his Fellowship training in Hematology & Medical Oncology at the University of Texas, Southwestern Medical Center in Dallas (1996-1999). He is a Diplomate of both the American Board of Internal Medicine and American Board of Medical Oncology. Dr. Lorenzo also holds an MBA degree from the Ateneo Graduate School of Business (2012-2015) and completed a year of advanced education at the Harvard Medical School's Southeast Asia Healthcare Leadership Program (SEAL 2018-2019). He is a member of the Board of Directors of the Philippine Cancer Society and of FamilyDoc, a subsidiary of AC Health. He is an associate member of the Philippine Society of Medical Oncology, and member of various international societies including the American Society of Clinical Oncology (ASCO), European Society of Medical Oncology (ESMO), and International Association for the Study of Lung Cancer (IASLC). He currently serves as a member of Makati Medical Center's Medical Staff Association

Ma. Susana A.S. Madrigal, 64, Filipino

Ma. Susana A.S. Madrigal is a nominee for regular director position. She has been a member of the MDI Board since 2018. She is also a member Compliance Committee and Ethic Committee of MDI. She is currently President of Aquatic Property Management & Development Corporation, Micalex Land Inc., and C. Madrigal Group of Companies. She is Chairperson & CEO of Finca Verde Corporation; Chairperson & CEO of Micalex Corporation; Director of New Alabang Commercial Corporation; and Chairperson of Sugi Management Corporation. She held various positions in the past - Chairperson of A.P. Madrigal Steamship Corporation, Vice Chairman and Director, Madrigal Wan Hai Lines

Corporation; Vice Chairperson and Director, Rizal Cement Corporation; Director, Solid Cement Corporation (now Cemex); Director, Solid Bank Corporation (now Metrobank); Shareholder, Wayfair Tours, Inc.; and was an Assistant Manager in Citibank N.A.

In 2018, she was awarded Hero of Philanthropy by Forbes Asia. In the same year, she was also conferred Cavaliere dell'Ordine della Stella d'Italia by the Embassy of Italy to the Philippines.

She earned her Master's in Business Economics from Center for Research and Communication; Owners/President Management Program at Harvard Business School in 1991. She graduated Summa Cum Laude, Bachelor of Science in Commerce major in Economics and Finance at the University of Santa Clara, U.S.A. in 1979. She was conferred a degree of Doctor of Humanities, Honoris Causa, by Palawan State University in 2006.

Manolo Michael T. De Guzman, 51, Filipino

Manolo T. Michael De Guzman became a director of MDI in 2020. He is currently a Managing Director of KKR since 2019. Mr. De Guzman served as the Country Head Philippines at Credit Suisse from 2017 to 2019. Between 1999 to 2017 he was with the Macquarie Group, where he held various roles covering Australia, Hong Kong, Taiwan and the Philippines. He has extensive experience across Asia Pacific in mergers & acquisition, leverage buyouts, principal investments, equity capital markets and general corporate finance. Mr. De Guzman has an MBA degree (Major in Finance and Accounting) from the University Of Chicago Graduate School Of Business, and a Bachelor of Engineering degree from the University of Sydney.

Augusto P. Palisoc Jr., 63, Filipino

Augusto P. Palisoc Jr. Guzman is a nominee for regular director position. He has been a member of the MDI Board since 2008. He is currently a resource person of the Compensation and Retirement Committee and Clinical Risk Management, Infection Control & Medication Appropriate Use Committee. He is a member of the Compliance Committee of the Board. He has been with the First Pacific group of companies for 36 years. He is currently an Executive Director of Metro Pacific Investments Corporation (MPIC) and is the President & CEO and a Director of Metro Pacific Hospital Holdings Inc., which is MPIC's holding company for all its hospital and healthcare investments. He is Chairman of the Board of Asian Hospital Inc., De Los Santos Medical Center, Marikina Valley Medical Center, East Manila Hospital Managers Corporation (owner and operator of the Our Lady of Lourdes Hospital), Delgado Clinic Inc. (owner and operator of the Dr. Jesus C. Delgado Memorial Hospital), Davao Doctors Hospital (Clinica Hilario Inc.), Riverside Medical Center Inc. and Riverside College Inc. in Bacolod, Central Luzon Doctors Hospital in Tarlac, Sacred Heart Hospital of Malolos Bulacan, Metro Pacific Zamboanga Hospital Corporation, St. Elizabeth Hospital Inc. in General Santos City, Manuel J. Santos Hospital in Butuan City, Los Banos Doctors Hospital, Metro Sanitas Corporation, Megaclinic Inc., and Metro Radlinks Network Inc. He is also a Board Director of Colinas Verdes Hospital Managers Corporation (owner and operator of Cardinal Santos Medical Center), Manila Medical Services Inc. (owner and operator of Manila Doctors Hospital), Davao Doctors College Inc., Tophealth Medical Clinic Inc., and Medi Linx Laboratory Inc. Prior to joining MPIC, he was the Executive Vice President of Berli Jucker Public Company Limited in Thailand from 1998 to 2001. Mr. Palisoc served as President and CEO of Steniel Manufacturing Corporation in the Philippines from 1997 to 1998. He has held various positions within First Pacific as Group Vice President for Corporate Development of First Pacific in Hong Kong, and Group Managing Director of FP Marketing (Malaysia) Sdn. Bhd. in Malaysia. Before he joined First Pacific in 1983, he was Vice President of Monte Real Investors, Inc. in the Philippines. Mr. Palisoc earned his Bachelor of Arts Degree, Major in Economics (with Honors) from De La Salle University, and his Master's in Business Management (MBM) Degree from the Asian Institute of Management. of Management.

Manuel V. Pangilinan, 74, Filipino

Manuel V. Pangilinan is a nominee for regular director position. He is the Chairman of MDI Board. He has held this position since July 2005. He is currently the Chairman of the Compensation and Retirement Committee of the MDI Board. Mr. Pangilinan founded First Pacific Company Limited in 1981 and serves as its Managing Director and Chief

Executive Officer. He was appointed Executive Chairman until June 2003, when he was named as CEO and Managing Director. Within the First Pacific Group, he holds the positions of President Commissioner of P.T. Indofood SuksesMakmurTbk, the largest food company in Indonesia. In the Philippines, he is the Chairman of the Board, President & CEO of Philippine Long Distance Telephone Company (PLDT), the country's dominant telecom company and of Smart Communications Incorporated - the largest mobile communications services provider in the Philippines and continues to serve as their Chairman concurrently. He also serves as Chairman of Manila Electric Company (MERALCO), Metro Pacific Investments Corporation, Maynilad Water Services Inc. (MAYNILAD), Mediaquest Incorporated, Associated Broadcasting Corporation (TV5), Philex Mining Corporation, Manila North Tollways Corporation, Landco Pacific Corporation, Metro Pacific Hospital Holdings, Inc., Makati Medical Center, Cardinal Santos Medical Center, Our Lady of Lourdes Hospital, Digital Telecommunications Phils., Digitel Mobile Philippines, Inc., PLDT Communications & Energy Ventures, Inc. In 2012, he was appointed as Vice Chairman of Roxas Holdings, Incorporated which owns and operates the largest sugar milling operations in the Philippines.

He is currently the Chairman of the Board of Trustees of the San Beda College. In August 2016, the Samahang Basketbol ng Pilipinas (SBP) – the National Sport Association for basketball requested Mr. Pangilinan to be its Chairman Emeritus after serving as President since February 2007. Effective January 2009, MVP assumed the Chairman of the Amateur Boxing Association of the Philippines (ABAP), a governing body of amateur boxers in the country. In October 2009, Mr. Pangilinan was appointed Chairman of the Philippine Disaster Resiliency Foundation, Incorporated (PDRF), a non-profit foundation established to formulate and implement a reconstruction strategy to rehabilitate areas devastated by floods and other calamities. Mr. Pangilinan is Chairman of Philippine Business for Social Progress (PBSP), the largest private sector social action organization made up of the country's largest corporations. In June 2012, he was appointed as Co-Chairman of the US-Philippines Business Society (USPS), a non-profit society which seeks to broaden the relationship between the United States and the Philippines in the areas of trade, investment, education, foreign and security policies and culture.

Born in the Philippines in July 1946, Mr. Pangilinan graduated cum laude in 1966 from the Ateneo de Manila University in the Philippines, with a Bachelor of Arts degree in Economics. He received his MBA degree in 1968 from the Wharton School of Finance and Commerce at the University of Pennsylvania, where he was a Procter & Gamble Fellow. After graduating from Wharton, he worked in Manila for Philippine Investment Management Consultants Inc. (the PHINMA Group) and in Hong Kong with Bancom International Limited and American Express Bank, and thereafter with First Pacific Company Limited.

Judy A. Roxas, 86, Filipino

Judy A. Roxas is a nominee for regular director position. She has been a member of the MDI Board since 2005. She is currently a member of the Compliance Committee and Compensation and Retirement Committee of the Board. She is the Vice Chairman and Director of ACI, Inc. (formerly Araneta Center Inc.) and Progressive Development Corporation; Director and Executive Vice President of Associated Holdings, Inc. (formerly Associated Sugar, Inc.), FCP Properties & Dev't Corp. (formerly Financing Corporation of the Philippines), Ma-ao Sugar Central Co., Inc., PHI Holdings, Inc. (formerly PPI), and Talisay Silay Milling Co., Inc ; She is the Chairman of Philippine Horticulture Center, Inc.; Chairman & President of Agricultural Business Venture of Capiz, Inc., Kauswagan Development Corporation, Linampungan Agricultural Corporation and Myapo Prawn Farm Corp. She also sits on the board of directors of AB Agricultural & Business Corporation, Chow Baybay, Inc., Jolly Baybay Corporation and Panedra Agricultural Inc.; and a Shareholder of Manhattan Heights, Inc., and Manhattan Plaza, Inc.;

For social development corporations, she holds the following positions: Chairman of Capiz Women Inc., Gerry Roxas Foundation Hublag Finance Foundation, United Capizenos Foundation, Inc.; President of Gerry Roxas Foundation and J. Amado Araneta Foundation; Vice-Chairman of Makati Medical Center Foundation; Director of TOYM Foundation Inc., President Manuel A. Roxas Foundation, and Assumption Alumnae Association.

Remedios G. Suntay., 94, Filipino

Remedios G. Suntay is a nominee for regular director position. She was a member of the MDI Board from 2004 to July 2017 and was re-elected in July 2018. She is currently the Treasurer of the MDI and of Computerized Imaging Institute, Inc. (CIII). She was a member of Faculty of Medicine and Surgery (Instructor) in UST in 1954; Resident in Anesthesia at Kings' Country Hospital, New York from July 1, 1956 to June 30, 1958. She passed the written and oral examination of the American College of Anesthesiologists in 1958. She was a research fellow in Anesthesiology at Queens Hospital, New York from July 1958 to June1960. She was an Instructor of the Department of Anesthesiology College of Medicine Downstate Medical Center, New York from October 1960 to September 1961. She was an Instructor in Department of Anesthesiology in UST from 1962 to 1971 and received Certificate of 30 years in service from UST Medical Association in 1983. She was Chairman of the Department of Anesthesiology at Makati Medical Center from 2002 to 2009.

Michael C. Wassmer, M.D., 56, Filipino

Michael C. Wassmer is a nominee for regular director position. He has been a member of the Board since 2018. He is also a member of Clinical Risk Management, Infection Control and Medication Appropriate Use Committee and Nomination and Election Committee.

He is currently Vice Chair, Section of Pediatric Critical Care of MDI; Diplomate, Philippine Pediatric Society; Member, MMC IRB Committee; President of MMC Medical Staff Association; President, Commcare, Inc. and Administrator, Trinity Woman and Child Hospital. He has been Section Chief, Pediatric Critical Care of Medical Doctors, Inc. and Asian Hospital and Medical Center; President of Makati Medical Center Alumni Association and Alabang Golf and Country Club.

He had his post graduate training in Pediatrics in MDI and Pediatric Critical Care at Prince of Wales Children's Hospital in Sydney, Australia. He earned his Bachelor of Science in Physical Therapy and School of Medicine and Surgery at University of Santo Tomas.

Francisco A. Dizon, 71, Filipino

Mr. Francisco A. Dizon is a nominee for independent director position. In 2005, he was elected as an independent director of the Medical Doctors, Inc. (MDI) Board, a position which Mr. Dizon holds up to this time. He is a member of the Ethics Committee, the Audit & Finance Committee, the Clinical Risk Management, Infection Control & Medication Approirate Use Committee and of the Compensation and Retirement Committee of MDI. He is also the Chairman of Pacific Northstar, Inc. since 1995. Mr. Dizon also sits as Chairman and President of Project Quest Corporation since 1995; of Fleetwood Holdings Inc. since 1999; of Capitol Star Development Corporation since 2011, and of Diz Shoreline Holdings Corporation since 2018. He is also the Chairman of Business Process Outsourcing International, Inc. since 2004 and of Phoenix One Knowledge Solutions, Inc. since 200I. He is President and CEO of Sun Savings Bank, Inc since 2011, a Director of SunStar Publishing, Inc. and trustee of Laura Vicuna Foundation since 1992. Mr. He was Chairman of Sun Savings Bank, Inc from 2011 - 2018; Chairman and Director of Philippine National Bank from 2001-2005 and was President and CEO of Rizal Commercial Banking Corporation from 1997 to 2000.

Mr. Dizon possesses the qualifications and none of the disqualifications of an independent director.

Diana P. Aguilar, 57, Filipino

Diana P. Aguilar is a nominee for independent director position. She has been a member of the MDI board since 2018. She is currently the Chairperson of Audit and Finance Committee, a member of Nomination and Election Committee and of the Compliance Committee of MDI.

She is an Investment Banker with extensive experience in Capital Markets transactions and an Entrepreneur with businesses in the fields of Information Technology and Electronic Payments, Retail Trade and Property

Management. Ms. Aguilar holds concurrent directorships in fields of Investment and Commercial Banking, Social Protection, Information Technology & E-payments, Retail and Supply Chain, Education and Property Management. She is a public servant serving as Commissioner in the Social Security System since 2010 and Chairperson of SSS' Risk and Investment Oversight Committee, which handles investments of the 500+ billion peso national pension fund. She is the Chairperson of Security Bank Capital Investment Corporation since August, 2016; Director, Security Bank Corporation since April, 2017; Vice Chairperson of SSS' Provident Fund since April, 2015; Director of Phliex Mining Corporation, since 2019; Director of PXP Energy Corporation since February, 2018, Advisor to the Board of Philippine Seven Corporation since January, 2015; Board Trustee and Treasurer, La Salle Greenhills since 2019, and Governor, Employers Confederation of the Phils (ECOP) since January, 2017.

Ms. Aguilar's academic background is in the fields of International Business, Finance, and Computer Science. She earned her Masters' Degree in International Business and Finance, with honors, at Pepperdine University, Malibu, California, and her Bachelor of Science in Computer Studies at De La Salle University, in Taft Ave, Manila.

Ms. Aguilar possesses the qualifications and none of the disqualifications of an independent director.

Francisco S.A. Sandejas, 53, Filipino

Francisco (Paco) Sandejas is a nominee for independent director. He is the Founder and Chairman of Narra Ventures, a technology holding company and boutique early-stage investment group that founded Stratpoint Technologies, Xepto Education, Narra Venture Capital as well as invested in over 40 high-technology companies, with some notable companies being Inphi (NASDAQ: MRVL), SIRF (NASDAQ: QCOM), Anulaire (TT:2241), Quintic (NASDAQ: NXPI), Calypto (NASDAQ: MENT) and Sandbridge.

He is also the Founder and CEO of Xepto Education, a system developer and integrator of the most innovative platform for the delivery of Digital Education content and tools for schools of the developing world.

He founded and chairs Stratpoint Technologies, Inc. one of SouthEast Asia’s leading software consulting firms focused on Enterprise-level Digital Transformation.

Paco also serves as Independent Director on the board of SunLife of Canada (Philippines) and is the Chairman of Philippines S&T Development Foundation. He was an independent director of Unionbank of the Philippines where he helped lead the board efforts in the transformation that made the bank the most decorated digital bank in the Philippines, serving as Chairman of the Technology Steering Committee and the Operations Risk Management Committee.

At Stanford where he completed his Ph.D. and M.S. in Electrical Engineering, he co-invented the Grating Light Valve (GLV), one of Stanford’s top IP money-makers. He was the first *summa cum laude* of University of the Philippines-Diliman’s Applied Physics program and was awarded Ten Outstanding Students of the Philippines. Paco holds 5 international patents in nanotechnology and optoelectronics.

Being Chairman of the Philippine S&T Development Foundation, co-founder of the Brain Gain Network, Paco advices various agencies of the Philippine Government, De La Salle University and the University of the Philippines. He has worked at H&Q Asia Pacific, Applied Materials and Siliscape.

Arnold C. Ocampo, 48, Filipino

Mr. Arnold C. Ocampo, Vice- President, Chief Finance Officer (CFO) & Finance Division Head. Prior to his appointment as CFO, Mr. Arnold was the Department Head of Controllership in 2010 and was designated Office-in-Charge (OIC) of Finance on Aug. 16, 2013. Mr. Ocampo has had over 20 years of work experience in Finance gained from SGV, Strategic Alliance Dev’t Corp, Stradcom Corp, SPI Technologies, Chikka Holdings, Ltd. and MakatiMed, 17 years of which he handled Financial Planning and Reporting, Budgeting and Cost Monitoring, Revenue Collections, Controllership, Financial Analysis and Project Financing.

Arlyn L. Songco, 48, Filipino

Arlyn L. Songco, Vice President & Division Head, Creative, Communications & Sales Services. Arlyn has had over 25 years of work experience in Marketing, Brand/Product Development and Management, Communications and Sales Services; 12 years experience in Marketing, PR and Communications, and Sales Services in the challenging Healthcare/Hospital industry (Makati Medical Center); 5 years experience in Sales, Marketing, and Carrier Relations in the fast-paced Information and Communications Technology industry (ePLDT/PLDT); 6 years experience in Product Management in the dynamic Telecommunications industry (Bayantel, Globe Telecom).

Marielle M. Rubio, 42, Filipino

Marielle M. Rubio, Vice President & Division Head, Service Operations. Marielle has had 20 years of work experience in Customer Service and Operations. 10 years in health care administration being responsible for the overall management of Inpatient and Outpatient units of Makati Medical Center. Prior to hospital operations, she held 8 years of various leadership roles in Operations and Customer Service with ePLDT Ventus Inc. (now SPi Global). She was responsible for multiple campaigns, planning and directing a team of operations manager.

Engr. Gerry E. Cunanan, 48, Filipino

Engr. Gerry E. Cunanan, Vice President for Facilities Management & Engineering Division. Engr. Cunanan is a licensed electrical engineer and has more than 20 years of experience in fields of facilities management, engineering design, property and project management, and energy & workplace management gained from diverse industries such as restaurant, FMCG, telecommunications, real estate & property management, and manufacturing. He has significant exposure in Building Automation Systems, Safety/Security Management, integrated facilities delivery management, waste water treatment, and centralized air-conditioning system. Prior to joining Makati Med, Gerry was the Engineering Head of PepsiCola Philippines where he led his team in providing technical support and total property management services to their Philippine Head Quarter offices, Distribution Center, Manufacturing Plant and Training Center.

(b) Term of Office

Pursuant to the Company By-Laws, the directors are elected at each annual stockholders' meeting by stockholders entitled to vote, for a term of one (1) year, and shall serve until the election and acceptance of their duly qualified successors. Any vacancies may be filled by the remaining members of the Board by a majority vote and the director/s so chosen shall serve for the unexpired term.

(c) Nominees for Election as Members of the Board of Directors

The deadline for nominees for the board of directors was last May 21, 2021. The Nomination and Election Committee of the Board of Directors of the Company has determined that the above mentioned nominees for the board of directors, including the independent directors to be elected at the stockholders' meeting, possess all of the qualifications and have none of the disqualifications for directorship set out in the Code of Corporate Governance.

For the purpose of determining the qualifications of the nominees for independent directors, the Nomination and Election Committee adopted the independence criteria set out in the Code of Corporate Governance and the Nomination and Election Committee's nomination guidelines. The nomination guidelines are based on 2015 Implementing Rules and Regulations of the Securities Regulation Code Rule 38 as further amended by SEC Memorandum Circular No. 4, Series of 2017 and Memorandum Circular No. 24, Series of 2019..

The members of the Nomination and Election Committee are as follows:

Chairman	- Atty. German Q. Lichauco II
Member	- Dr. Michael C. Wassmer

Member	- Mr. Jose Ma. K. Lim
Member	- Ms. Diana P. Aguilar
Resource Person	- Atty. Ricardo M. Pilares III
Resource Person	- Ms. Bita S. Avendano

Independent Directors

The nominees for election as independent directors of the Board of Directors on **July 20, 2021** are:

Nominee for Independent Director (a)	Person / Group recommending nomination (b)	Relation of (a) and (b)
Francisco A. Dizon	Jose Amado A. Fores	None
Diana P. Aguilar	Agripino Beng A. Javier, M.D.	None
Francisco S. A. Sandejas	First Optima Realty Corp.	None

In approving the nominations for Independent Directors, the Nominations Committee took into consideration the guidelines of the nomination of Independent Directors prescribed in SEC Memorandum Circular Nos. 4, Series of 2017, Memorandum Circular No. 24, Series of 2019 and Memorandum Circular No. 20, Series of 2020.

Under the Section 3, Article III of the Corporation's By-Laws, (i) any stockholder having at least one (1) share registered in his name may be elected Director.

All the nominees for election to the Board of Directors should have at least one (1) share registered in their names once elected.

All nominations for the election of directors by the stockholders shall be submitted in writing to the Nominations and Election Committee of the Board through the office of the Corporate Secretary on or before May 21, 2021.

(d) Significant Employees

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

(e) Family Relationships

Nominee Director, Jose Amado A. Fores is the nephew of Judy A. Roxas.

Except for the above, there are no other family relationships up to the Fourth Civil Degree either by consanguinity or affinity among the Directors, Executive Officers or persons nominated.

Certain Relationships and Related Transactions

The Parent Company and CII, its subsidiary, are collectively referred to as the "Group".

The table below summarizes the Group's transactions and balances with its related parties.

Transactions for the year ended December 31:

	Terms and conditions	Transactions for the years ended December 31			Outstanding balances as of December 31	
		2020	2019	2018	2020	2019
(A) Rental income						
Key officers	The Parent Company charges its key officers for the usage of clinic including electricity and water consumption. The rental income earned is presented as part of gross revenues (Note 13). Amounts are settled in cash on a net basis. These are unguaranteed, unsecured, non-interest bearing and are collectible on or before the 15th of the following month. The receivables from key officers are presented as part of receivables from employees and officers (Note 3).	1,071,820	634,715	574,861	473,772	1,449,778
(B) Collection on behalf of related parties						
Key officers	The Parent Company pays its key officers for professional fees collected from patients. Collections on behalf of key officers are recorded as part of professional fees collected on behalf of doctors under trade and other payables (Note 7). Amounts are settled in cash on a net basis. These are unguaranteed, unsecured, non-interest bearing and are payable on demand.	32,688,840	31,730,306	35,275,419	11,927,342	7,241,442
(C) Professional services						
Key officers	The Parent Company pays its key officers for reader's fees and professional fees included on medical packages. The amount is recognized as part of professional services presented in cost of services (Note 15).	6,155,522	2,718,855	3,120,441	-	-

	Terms and conditions	Transactions for the years ended December 31			Outstanding balances as of December 31	
		2020	2019	2018	2020	2019
(D) Dividend payments	The Parent Company paid dividends to its shareholders, net of the applicable withholding tax. Amounts are settled in cash.					
Entity with significant influence		44,922,857	78,784,307	59,808,649	-	-
Key officers	Refer further to Note 12 for details of dividend declarations and payments.	6,921,033	15,339,707	8,933,613	-	-
		51,843,890	94,124,014	68,742,262	-	-
(E) Borrowings and interest expense						
Key officer	The Parent Company availed of various loans from a key officer which are payable based on contract terms. The loans are subjected to interest at rates ranging from 5.00% to 5.30%.					
Principal		-	-	-	21,750,000	80,750,000
Interest		2,897,958	5,809,372	8,815,552	103,681	280,260
	Borrowings are interest-bearing and unsecured except for P1,250 as at December 31, 2020 (2019 - P6,250) covered by MTI and payable according to the terms and conditions of the loan agreement (Note 8).					
		2,897,958	5,809,372	8,815,552	21,853,681	81,030,260
(F) Investments in shares of stock						
Entity with significant influence	The Parent Company maintains a non-contributory retirement benefit plan administered by a trustee bank as approved by the BOD. Plan assets are invested in shares of stocks of various companies including its related party as approved by the Treasurer (Note 11).	-	354,000	2,812,768	-	-
(G) Shared expenses						
Shareholder with significant influence	The Parent Company is charged for its share in expenses on purchasing services rendered by its related party presented as part of contracted services under administrative expenses (Note 15). These are payable within fifteen (15) days after receipt of billing. Overdue balances are subject to 2% interest per month. Outstanding balances are unguaranteed, unsecured, non-interest bearing, payable on demand and are presented as part of accruals for contracted services (Note 7).	1,100,000	1,100,000	1,100,000	3,300,000	2,200,000
(H) Contributions to plan assets						
Post-employment benefit plan	The Parent Company maintains a non-contributory retirement benefit plan covering all of its regular employees (Note 11).	10,000,000	36,000,000	35,628,581	-	-

	Terms and conditions	Transactions for the years ended December 31			Outstanding balances as of December 31	
		2020	2019	2018	2020	2019
(I) Compensation of key management						
Salaries and other short-term benefits	Key management compensation covering salaries and other short-term benefits are determined based on contract of employment and payable in accordance with the Parent Company's payroll period.	28,909,098	32,649,544	44,627,271	-	-
Professional fees	Professional fees are paid to doctor consultants holding key management positions in the Hospital.	13,064,792	17,629,425	17,177,763	-	-
Retirement benefit	Retirement benefits are determined and payable in accordance with policies disclosed in Note 25.18.These were fully paid as at reporting period, except for retirement liability which will be settled upon retirement of key officers in accordance with the policies of the retirement benefit plan.	3,557,847	1,986,653	1,654,590	15,471,751	9,914,419
	The Group has not granted any share-based compensation and termination benefits to its key management personnel for each of the three years.					
		45,531,737	52,265,622	63,459,624	15,471,751	9,914,419
(J) Other income						
Shareholder with significant influence	The Parent Company recharged its related party for third-party professional services contracted on behalf of its related party. This is presented under other income, net (Note 16).	-	608,384	-	-	-

1. No transaction during the last three (3) years, or proposed transactions, to which the Group was or it is to be a party, in which any of the following persons had or is to have direct or indirect material interest.

   (a) No director or executive officer of the Group;
   (b) No nominee for election as a director;
   (c) No security holder named in response; and
   (d) No members of the immediate family (including spouse, parents, children, siblings and in-laws)

2. No information need be included for any transaction where:

   (a) No transaction involves services at rates or rates fixed by law or governmental authority;
   (b) No transaction involves services as a bank depository of funds, transfer agent, registrar, trustee under a trust indenture, or similar services;
   (c) No amount involved in the transaction or a series of similar transaction is less than P500,000.00; or
   (d) No interest of the person arises solely from the ownership of securities of the Parent Company and the person received no extra or special benefit that was not shared equally (pro rata) by all holders of securities of the class.

2. No parents of the Group showing the basis of control and as each parent;

3. No transactions with promoters, issuers organized within the last five (5) years; and

4. Not applicable.

Involvement in Certain Legal Proceedings

None of the directors, nominees for election as a director, executive officers, underwriters or control persons of the Company have been involved in any legal proceeding, including without limitation being the subject of any (a) bankruptcy petition, (b) conviction by final judgment, (c) order, judgment or decree, or (d) violation of a securities or commodities law, for the past five (5) years up to the latest date, that is material to the evaluation of his ability or integrity to hold the relevant position in the Company.

Item 6. Compensation of Directors and Executive Officers

The aggregate compensation paid or incurred during the last two years and estimated to be paid in the ensuing year to the key management of the Group are as follows:

Name & Principal Position	Year	Salary (P)	Bonus (P)	Other Annual Compensation (P)
Dra Maria Corazon C. Consunji, President & CEO Arnold C. Ocampo, VP Finance Arlyn L. Songco, VP Marketing & Sales Services Mariel M. Rubio, VP Service Operations Johne A. Gundran, VP Facilities Management & Engineering Aggregate for above named officers	2019	21,349,004	2,881,000	4,037,957
Atty. Pilar Nenuca P. Almira, President & CEO Arnold C. Ocampo, VP Finance Arlyn L. Songco, VP Marketing & Sales Services Mariel M. Rubio, VP Service Operations Kristian R. Sumabat, VP Information & Communication Technology Aggregate for above named officers	2020	29,808,121		6,250,060
	2021 (Estimate)	25,981,410	2,998,570	4,239,854
All Directors & Officers as a group unnamed.	2019	42,617,041	3,623,971	4,037,957
	2020	35,132,529		6.841,660
	2021 (Estimate)	44,747,893	3,805,170	7,183,743

Regular and advisory members of the Board of Directors and Independent Directors receive honorarium amounting to P20,000 per Director for every attendance in the board meetings. Total honorarium paid to Directors for the years 2020 and 2019 amounts to P2,198,000 and P1,700,000 respectively. There are no other agreements for which any Director receives compensation from the Company for any service provided as a Director.

General terms and condition of the employment contract of the President and the named officers above are as follows:

- Monthly compensation guaranteed up to 13th month pay.
- Performance bonus based on individual and company performance.
- Free hospitalization and consultation. 30 to 60% discount on hospitalization expenses of direct dependents.
- Group life insurance.
- Benefits to assist the officer in the discharge of his/her function such as meal, gasoline and communication allowances, car benefits, leave credits and representation allowance.

There is no agreed compensation to any of the named officers as a result of their resignation, retirement or any other termination due to a change in control in any company of the Group.

The Parent Company did not grant share-based compensation and termination benefits to its key management personnel for the years ended December 31, 2020 and 2019.

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Item 7. Independent Public Accountants

Audit and Audit Related Fees

The accounting firm of Isla Lipana & Co. (a member firm of PricewaterhouseCoopers) served as external auditors for the years ended December 31, 2020 and 2019 of the Group. The annual audit fee amounts to P2,576,000 for the year ended December 31, 2020 and 2019 which includes the consolidated financial statements of the Group and the separate financial statements of the Parent Company and CIII. The engagement partner of the Group for the year 2020 is Mr. Jan Michael L. Reyes. He is also the same partner in charge for the year 2021.

The scope includes the audit of the separate and consolidated financial statements of the Group for the purpose of expressing an opinion on the fairness at which said financial statements were prepared. The auditor's services also include a review of the company-prepared annual income tax returns and its attachment for filing with the BIR and the financial statements in a form required by the SEC. The auditors will also prepare a memorandum on major recommendations to improve the Group's internal accounting control systems as may be discovered in the conduct of the audit. The Audit Committee approves all types of engagement with external auditors. Annual Audit plans are presented for approval of the Audit Committee prior to the conduct of the audit.

The Parent Company engaged Isla Lipana to assist the office of the Corporate Secretary in obtaining independent validation of votes for the election of Directors during the ASM last July 21, 2020.

Also, the Group has not engaged, for the last two (2) years, any of the external auditors for assurance tax accounting, compliance, advice, planning and related services or for any other services other than those mentioned above and the annual audit of its financial statements for statutory and regulatory filings.

There were no disagreements with the accountants on any matter of accounting principles, or practices, financial statement disclosures, or auditing scopes or procedures.

The Group is aware of and will comply with the requirements of Revised Rule 68 of the Securities Regulation Code Part 1(3)(B)(ix) (Rotation of External Auditors) in the appointment and rotation of its external auditors or engagement partners.

Duly authorized representatives of Isla Lipana will be present at the ASM to respond to appropriate questions concerning the 2020 audited financial statements. Isla Lipana auditors will also be given the opportunity to make a representation or statement in case they decide to do so.

Item 8. Employee Compensation Plans

There are no existing or planned stock options.

Item 9. Authorization or Issuance of Securities Other than for Exchange

Not applicable

Item 10. Modification or Exchange of Securities

Not applicable

Item 11. Financial and Other Information

No action is to be taken during the Annual Stockholder's meeting with respect to any matter specified in items 9 or 10.

Item 12. Mergers, Consolidation, Acquisitions and Similar Matters

None.

Item 13. Acquisition and Disposition of Property

None.

Item 14. Restatement of Accounts

None.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

The approval of the following will be considered and acted upon at the meeting:

1. Management Report of the Company for the year ended December 31, 2020.

The audited Consolidated Financial Statements of the Company for the period ended December 31, 2020 and the accompanying notes to financial statements prepared by Isla Lipana & Co. /PWC ("Financial Statements") will be submitted for approval of the stockholders at the ASM.

The information and representation in the Consolidated Financial Statements are the responsibility of the management of the Corporation. The Consolidated Financial Statements were audited by Isla Lipana & Co. /PWC who have expressed their opinion on the fairness of the presentation in their report to the Board of Directors and Stockholders of the Corporation.

2. Minutes of the 2020 Annual Stockholders' Meeting

The Minutes of the ASM of the Company in 2020 ("Minutes") shall be presented for approval of the stockholders. Such action on the part of the stockholders will not constitute approval or disapproval of the matters referred to in said minutes since stockholders' approval and action on those items had already been obtained in that meeting and subsequently carried out.

The Minutes of the 2020 ASM include the following:

a) Approval of the Minutes of the 2019 Annual Regular Stockholders' Meeting.
b) Ratification of all acts of the Board of Directors and Officers since the 2019 Annual Stockholders' Meeting;
c) Presentation of the 2019 Annual Report and approval of the 2019 Audited Financial Statements;
d) Appointment of External Auditors;
e) Election of the Board of Directors

Item 16. Matters not required to be Submitted

Not Applicable

Item 17. Amendment of Charter, By-Laws or Other Documents

Approval and ratification by the stockholders representing at least two-thirds of the outstanding capital stock will be sought to amend the Articles of Incorporation and By-laws in order to update, comply and be consistent with the requirements of the Revised Corporation Code and the Revised Manual of Corporate Governance. The Board approved the proposed amendments during its meeting on October 23, 2020. Following is a summary of the proposed amendments:

1. Perpetual Corporate Term (AOI)
2. Number of Independent Directors (AOI)
3. Principal Office Address (By-Laws)
4. Meetings via Remote Communication (By-Laws)
5. Notice of Meetings (By-Laws)
6. Voting in absentia (By-Laws)
7. Closing of the stock and transfer book (By-Laws)
8. Term of Independent Directors (By-Laws)
9. Vacancy in the Board of Directors (By-Laws)
10. Compliance Officer (By-Laws)
11. Duties of the Corporate Secretary (By-Laws)
12. Board Committees (By-Laws)
13. Cash Dividend Declaration (By-Laws)

A copy of the Amended Articles of Incorporation and Amended By-Laws is attached hereto as **ANNEX "A"**

Item 18. Other Proposed Action

1. Minutes of the 2020 Regular Stockholders' Meeting is attached hereto as **ANNEX "B"**.

2. Summary of Acts of the Board and Management for Ratification by the Stockholders is attached hereto as **ANNEX "C"**

3. Pursuant to the requirements of the Code of Corporate Governance for Public Companies and Registered Issuers, independent directors who are to serve beyond the 9-year term limit will seek stockholders' approval. Hence, stockholder approval will be sought for the extension of term of Mr. Francisco A. Dizon as Independent Director for 2021-2022.

Item 19. VOTING PROCEDURES

(a) Voting required for Approval

If there are only twelve (12) nominees for non-independent directors, all votes shall be deemed cast in their favor and they shall automatically be deemed elected. If there are more than twelve (12) nominees for non-independent directors, an election shall be held and the twelve (12) nominees with the highest number of votes shall be deemed elected.

If there are only three (3) nominees for independent directors, all votes shall be deemed cast in their favor and they shall automatically be deemed elected. If there are more than three (3) nominees for independent directors, an election shall be held and the three (3) nominees with the highest number of votes shall be deemed elected.

For the other proposals or matters submitted to a vote, an affirmative vote of the majority of the stockholders present or represented by proxy at the meeting is necessary for the approval of such proposal.

(b) Method of Counting Votes

Each stockholder shall have one (1) vote for each share of stock entitled to vote and registered in his name at record date.

In accordance with the Revised Corporation Code of the Philippines, voting may be done by ballot in absentia, unless a stockholder requests for voting by ballot. If by ballot, each ballot shall be signed by the stockholders voting, or in his name by his proxy, if there be such proxy, and shall state the number of shares voted by him. The presiding officer of the stockholders' meeting shall be empowered to determine and provide such formalities and machinery necessary in the voting and election of directors.

Counting of the votes shall be done by the Nomination and Election Committee and/or with the assistance of the independent auditors.

(c) Proxy and Ballot Appreciation Rules

All proxies, as indicated in the Proxy Statement, shall be effective for five (5) years from date of issuance for all special or regular stockholders' meetings, including any postponement or adjournment thereof, unless revoked by the issuing stockholder through notice in writing to the Corporate Secretary. It is understood that a proxy shall be rendered ineffective for the meeting that is personally attended by the issuing stockholder.

If a stockholder intends to have only one individual acting as his/her proxy, then an issued proxy is deemed revoked by the subsequent issuance of the registered stockholder to another individual of a proxy covering the same number of shares.

If the stockholder intends to designate several proxies, the number of shares of stock to be represented by each proxy shall be specifically indicated in the proxy form. If the total number of shares covered in all the proxies issued exceed the total number of shares registered in the name of the stockholder, then the allotment of shares to each of the proxy holders shall be made on chronological order based on the time and date indicated on the faces of each of the proxies: the latest proxy shall have priority and with the oldest proxy having the least priority.

If no time and/or date is indicated in all the proxies, then they shall be deemed to have been issued all at the same time. If some of the proxies have time and/or date indicated on them, while other proxies do not have any time and/or date indicated, then it is presumed that those without time and date are dated on the date they are presented to the Corporate Secretary for registration. In such instances, the allotment of shares to each of the proxy holders shall be made on the imputed chronological order provided in the immediately preceding paragraph.

If some of the proxy forms do not indicate the number of shares, the total shareholdings of the stockholder shall be tallied and the balance thereof, if any, shall be allotted to the holders of the proxy forms on which the number of shares represented are not indicated. If all proxy forms do not indicate the number of shares designated for the proxy holder, the total shares of stock of the issuing shareholder shall be distributed equally among the proxy holders.

As provided in the Proxy Statement, if the stockholder fails to indicate his votes for the nominees for directors, the proxy holder retains full discretion to distribute the votes in a manner he deems best. If the stockholder fails to indicate his vote on other items in the proxy form or agenda indicated in the Information Statement or Proxy Statement, the proxy holder shall vote in accordance with the recommendation of Management.

As provided in the Proxy Statement, a stockholder has authorized the proxy holder in cases where the nominee/s nominated in the Proxy Statement belong to a single stockholders' group to exercise full discretion to allocate and distribute to the nominee/s nominated in said Proxy Statement, votes made in favor of a nominee or nominees who withdraw/s his or her nomination. For purposes of these Rules, a single stockholders' group is defined as the group of nominees listed in a solicited Proxy Statement. In cases where the nominee/s nominated in the Proxy Statement do not belong to a single stockholders' group, such as where the nominee/s nominated include names other than those listed in the Proxy Statement solicited, then votes in favor of a withdrawing nominee/s cannot be allocated to the remaining nominees in the Proxy Statement but shall be considered as stray votes.

There shall be a separate ballot box for individual stockholders who are voting in person. For avoidance of doubt, the ballot for individual stockholders voting in person shall contain a tick box where the stockholder shall indicate whether s/he intends to accumulate his/her votes to the remaining nominee/s indicated in the ballot should any of the nominee/s therein withdraw his/her nomination. In such a case, the votes cast by the individual stockholder shall be distributed equally among the remaining nominees. Otherwise, if the stockholder remains silent on his/her intention to accumulate votes in favor of remaining nominee/s, votes cast in favor of a withdrawing nominee/s shall be considered as stray votes.

The foregoing are subject to SRC Rule 20 of the Amended Implementing Rules and Regulations of the Securities Regulation Code, the provisions of which are incorporated herein by reference.

UNDERTAKING

The Company will provide without charge to each person solicited, on the written request of any such person, a copy of the Company's management report on SEC Form 17-A. Such written request should be directed to the Finance Division, Makati Medical Center, 5th Floor Keyland Centre 143 Dela Rosa corner Adelantado St, Legaspi Village, Makati City

PART III

SIGNATURE

After reasonable inquiry and to the best of my knowledge and behalf, 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 31, 2021.

MEDICAL DOCTORS, INC.

By:

ATTY. GERMAN Q. LICHAUCO II
Compliance Officer and Corporate Secretary

ANNEX "A"

AMENDED ARTICLES OF INCORPORATION

OF

MEDICAL DOCTORS, INCORPORATED

KNOW ALL MEN BY THESE PRESENTS:

That we, all of legal age, Filipino citizens, and residents of the Philippines, on this day have voluntarily associated ourselves together for the purpose of forming a corporation under the laws of the Philippines.

AND WE HEREBY CERTIFY THAT:

FIRST: That the name of the said Corporation is-

"**MEDICAL DOCTORS, INCORPORATED**."

SECOND: That the purposes for which said Corporation is formed are as follows:

PRIMARY

To establish, operate, manage, own, and maintain a hospital or hospitals, medical and chemical laboratories and such other enterprises which may have similar or analogous undertakings or dedicated to services in connection therewith, subject to the condition that purely professional medical or surgical services in connection therewith shall be performed by duly qualified physicians or surgeons, who may or may not be connected with the Corporation and who shall be freely and individually contracted by patients.

SECONDARY

To establish, operate, maintain and manage a school or schools of medicine, nursing and midwifery, in connection with the primary purpose stated above, and subject to the limitation imposed by existing laws.

To import, export, buy, sell or otherwise deal in, at wholesale or retail, for its own account, as principal or in a representative capacity, as manufacturer's representatives, merchandise broker, indentors, commission merchants, factors or agents upon consignment, all kinds and descriptions of drugs, medicines, pharmaceuticals products or preparations, proprietory articies, druggist's sundries, chemicals, cosmetics, perfumeries, toilet articles, surgical apparatus, and physicians' and hospitals' supplies and equipments.

To establish, adopt and maintain a system of pre-paid professional, medical and hospitalization service.

To manufacture, compound and repack drugs, medicines, chemical and pharmaceutical preparations of all kinds of and descriptions; to establish and maintain laboratories and other facilities for the manufacturer on a commercial scale of such medical and pharmaceutical and preparations or products; and to import, buy, sell and generally deal in all kinds of machinery, equipments, scientific apparatus, appliances and instruments as well as in chemicals, extracts, compounds and materials required for such manufacturing operations.

To own, manage, run and operate barber shops, beauty parlors, flower shops, magazine stands, drug stores, soda fountain, canteens, refreshment parlors and other eatery establishments, as may be necessary and convenient for the successful conduct of the main purpose.

To purchase, acquire, hold, sell, lease, exchange, mortgage or otherwise deal in real and personal property in the furtherance of the aims and purpose of the Corporation or necessary thereto.

To invest and deal with moneys and properties of the Corporation in such manner as may from time to time be considered wise and expedient for the advancement of the interests and purposes of the Corporation, and to sell, dispose of or transfer the business, goodwill, properties and undertakings of the Corporation or any part thereof for such consideration and under such terms and conditions as it shall see fit to accept.

To apply for, register, hold, own, use, sell, assign, or otherwise dispose of trademarks, trade names, patents, inventions, formulae and processes used in connection with the business of the Corporation or resulting therefrom.

To purchase, acquire, hold, dispose of and otherwise deal in and with shares, stocks, bonds and securities created by any company having objects altogether or in part similar to those of the Corporation, and while the owner and holder thereof, including the right to vote the same and receive, collect, and dispose of the interests, dividends and income derived therefrom.

Without limitation on any of the foregoing purposes and objects, to do and perform and conduct such acts and things whatsoever which are necessary or incidental for the purposes and generally to do all such acts and things and to transact all such business as may be directly or indirectly incidental or conducive to the accomplishment of the above-objects or any of them respectively, and which are legally inherent in the powers of the Corporation organized under the laws of the Philippines in general, and within the powers of the Corporation and like nature in particular.

THIRD: That the place of the principal office of the Corporation shall be located at Makati Medical Center, No. 2 Amorsolo St., Legaspi Village, Makati. (As amended by the Board of Directors on March 25, 2015 and by the stockholders on July 16 & 18, 2014)

FOURTH: That the term for which said Corporation is to exist **shall be perpetual**. ***(As amended by the Board of Directors on 23 October 2020, and by the stockholders on _____)***.

FIFTH: That the names and residences of the incorporators of said Corporation are as follows:

Name	Residence
Miss Julieta Ledesma	18 Molave Forbes Park, Makati, Rizal
Mr. Luis Araneta	52 McKinley Road, Makati, Rizal
Dr. Raul Fores	Central Boulevard, Quezon City
Dr. Constantino P. Manahan	90 Demetrio Tuazon, Quezon City
Dr. Jose Y. Fores	61 Elpo Compound, Rizal Ave. Ext.
Mr. Daniel C. Go	57 Buenos Aires, Sta. Mesa Mla.
Dr. Carlos L. Sevilla	39 Brixton Hill, Manila
Dr. Mariano M. Alimurung	16 Apo St., Manila
Dr. Manuel C. Fernandez	25 1st Street, Quezon City
Dr. Romeo H. Gustillo	Cor. Aliw-iw & Dupil Sts., Sta. Mesa
Mr. Jaime Velasquez	46 McKinley Road, Makati, Rizal

SIXTH: That the number of the members of the Board of Directors shall be FIFTEEN (15), **at least 20% of which shall be independent directors**, and that the names and residences of the Directors who are to serve as such until their successors have been duly elected and qualified as provide by the by-laws are as follows (As Amended on 24 April 2008) (***As further amended by the Board of Directors on 23 October 2020 and by the stockholders on ___________***)

Name	Residence
Miss Julieta Ledesma	18 Molave Forbes Park, Makati, Rizal
Mr. Luis Araneta	52 McKinley Road, Makati, Rizal
Dr. Raul Fores	Central Boulevard, Quezon City
Dr. Constantino P. Manahan	90 Demetrio Tuazon, Quezon City
Dr. Jose Y. Fores	61 Elpo Compound, Rizal Ave. Ext.
Mr. Daniel C. Go	57 Buenos Aires, Sta. Mesa Mla.
Dr. Carlos L. Sevilla	39 Brixton Hill, Manila
Dr. Mariano M. Alimurung	16 Apo St., Manila
Dr. Manuel C. Fernandez	25 1st Street, Quezon City
Dr. Romeo H. Gustillo	Cor. Aliw-iw & Dupil Sts., Sta. Mesa
Mr. Jaime Velasquez	46 McKinley Road, Makati, Rizal

SEVENTH: That the authorized capital stock of the Corporation is FOUR HUNDRED MILLION PESOS (P400,000,000.00) Philippine Currency, divided into 22 FOUNDER'S STOCK and 3,949,978 COMMON STOCK and 50,000 PREFERRED STOCK, all with the par value of P100.00 each;

The rights, preference, qualifications and restriction of the FOUNDER'S STOCK and COMMON STOCK are as follows:

Dividends on said FOUNDER'S STOCK and COMMON STOCK shall be payable at such time and under such terms and conditions as the Board of Directors as may from time to time determine.

Both holders of FOUNDER'S and COMMON STOCK have voting rights. However, only holder of FOUNDER'S STOCK shall have the rights to be voted for membership in the Board of Directors; provided, that in the event no dividends are declared for three (3) consecutive years from the operation of the hospital, holders of COMMON SHARES shall acquire the right to be voted as Directors of the Corporation which right shall cease after the payment of one fiscal year's dividend.

That any holder of the FOUNDER'S STOCK may sell, bequeath, convey, transfer or otherwise dispose of the said FOUNDER'S STOCK to any of his children or compulsory heirs; and in case any holder of the FOUNDER'S STOCK should decide to sell, convey, transfer or otherwise dispose of his FOUNDER'S STOCK to any person other than his children or compulsory heirs, the said FOUNDER'S STOCK must be first offered for sale, conveyance, transfer or other disposition to the Corporation at the book value of said shares which has a period of 30 days to exercise the said option from receipt by the Secretary of the Corporation of the written notice of such sale, conveyance, transfer or disposition; Provided, however, that in case the Corporation fails or refuses to exercise the option as aforementioned, the said FOUNDER'S STOCK shall then be sold, transferred, conveyed, otherwise disposed of to any stockholder of record on the books of the Corporation who is not already a holder of a FOUNDER'S STOCK. A written notice of such sale, conveyance, transfer or disposition must be given by the Secretary of the Corporation within 5 days from the lapse of the 30 days period aforesaid to the stockholders concerned, who may exercise the option with a like period of 30 days from receipt of said written notice of such sale, conveyance, transfer or other disposition from the Secretary of the Corporation.

If the Corporation or stockholders mentioned fail or refuse to buy, the same shall be sold to anybody. Any sale or transfer in violation thereof shall be null and void.

The provisions of paragraphs numbered 2,3,4 and 5, above, of the SEVENTH paragraph of the Articles of Incorporation shall not be changed or altered without the vote or written assent of the stockholders representing at least ninety (90) percent of the subscribed capital stock of both classes of the Corporation and any departure from the foregoing express condition shall give rise remedial action against the Corporation.

Stockholders of the Corporation shall have no pre-emptive right over all issues or dispositions of shares in favor of physicians credentialed by the Makati Medical Center (the "Hospital") in order for such physicians to fully comply with the requirement of the Hospital that they own a minimum number of shares of the Corporation; provided, however that the shares to be so issued without pre-emptive right shall not exceed fifteen (15%) of the resulting outstanding shares of the Corporation. (As amended by the Board of Directors in January 25, 2006, and by the written assent of stockholders.)

The provision embodied within this SEVENTH paragraph on the Articles of Incorporation shall be printed on the stock certificates of the Corporation.

EIGHT: That the amount of said capital stock which has been actually subscribed is SIX HUNDRED THIRTY THOUSAND (P630,000.00) PESOS and the following persons have subscribed persons have subscribed for the number of share opposite their respective names:

NAME	NO. OF SHARS		AMOUNT
	Founder's	Common	Founder & Common
Miss Julieta Ledesma	2	998	P100,000.00
Mr. Luis Araneta	2	998	100,000.00
Dr. Raul Fores	2	998	100,000.00
Dr. Constantino P. Manahan	2	498	50,000.00
Dr. Jose Y. Fores	2	498	50,000.00
Mr. Daniel C. Go	2	498	50,000.00
Dr. Carlos L. Sevilla	2	498	50,000.00
Dr. Mariano M. Alimurung	2	398	40,000.00
Dr. Manuel C. Fernandez	2	398	40,000.00
Dr. Romeo H. Gustillo	2	398	40,000.00
Mr. Jaime Velasquez	2	198	20,000.00
TOTAL	22	6,278	P630,000.00

NINTH: That the following persons have paid on their subscription the amount set opposite their respective names:

NAME	AMOUNT PAID ON SUBSCRIPTION 22 FOUNDER'S SHARES FULLY PAID AT P100.00 each		
Miss Julieta Ledesma	P25,000.00	P200.00	P24,800.00
Mr. Luis Araneta	25,000.00	200.00	24,800.00
Dr. Raul Fores	25,000.00	200.00	24,800.00
Dr. Constantino P. Manahan	12,500.00	200.00	12,300.00
Dr. Jose Y. Fores	12,500.00	200.00	12,300.00
Mr. Daniel C. Go	12,500.00	200.00	12,300.00
Dr. Carlos L. Sevilla	10,000.00	200.00	9,800.00
Dr. Mariano M. Alimurung	10,000.00	200.00	9,800.00
Dr. Manuel C. Fernandez	10,000.00	200.00	9,800.00

Dr. Romeo H. Gustillo	10,000.00	200.00	9,800.00
Mr. Jaime Velasquez	5,000.00	200.00	4,800.00
	P157,500.00	P12,200.00	P155,300.00

TENTH: That DR. CARLOS L. SEVILLA has been elected by the subscribers named in the foregoing Articles of Incorporation as Treasurer of the Corporation to act as such until his successor has been duly elected and qualified in accordance with the by-laws and that as such Treasurer he has been authorized by the said subscriber to receive for the Corporation and to receipt in its name for all subscriptions paid in by the subscribers.

IN WITNESS WHEREOF, we have hereunto set our hand in the City of Manila, Philippines, this 14th day of March 1963.

(Sgd.) CONSTANTINO P. MANAHAN

(Sgd.) JULIET LEDESMA

(Sgd.) LUIS ARANETA

RAUL FLORES

(Sgd.) MA. LOURDES ARANETA-FORES
(Attorney-in-fact)

(Sgd.) JOSE Y. FORES

(Sgd.) MARIANO M. ALIMURUNG

(Sgd.) CARLOS L. SEVILLA

(Sgd.) DANIEL C. GO

(Sgd.) JAIME VELASQUEZ

(Sgd.) MANUEL C. FERNANDEZ

SIGNED IN THE PRESENCE OF

ILLEGIBLE

ILLEGIBLE

REPUBLIC OF THE PHILIPPINES)
IN THE CITY OF MANILA) S.S.

ACKNOWLEDGMENT

In the City of Manila, this 14th day of March 1963 personally came and appeared before me the following person in their own capacity and one as fully authorized attorney-in-fact of Dr. Raul Fores, as evidenced by a special power of attorney executed before the faith of Notary Public, Romulo S. Gatilao as Doc. No. 207, Page 43, Book No. I, Series of 1963, with their respective Residence Tax Certificate No. as follows:

Name	Res. Cert. No.	Issued at	Issued on
Julieta Ledesma	A-1585478	San Carlos City	1/14/63
Luis Araneta	A-0158351	Manila	1/14/63
Ma.Lourdes Araneta Fores for and behalf of Dr. Raul Fores	A-4143905	Quezon City	2/11/63
Constantino P. Manahan	A-0080775	Manila	1/8/63
Jose Y. Fores	A-4123415	Quezon City	1/24/63
Daniel C. Go	A-00803067	Manila	1/24/63
Carlos L. Sevilla	A-0275827	Manila	1/21/63
Mariano M. Alimurung	A-4097764	Quezon City	1/4/63
Romeo H. Gustilo	A-0222112	Manila	1/30/63
Manuel C. Fernandez	A-393654	Makati	1/3/63
Jaime Velasquez	A-3936754	Makati	1/3/63

All known to me and to me known to be the same persons who executed the foregoing instruments which they acknowledged to me to be their free and voluntary acts and deeds.

IN WITHNESS WHEREOF, I have hereunto set my hand and impressed the seal of my officer on these presents on the date and at the place first above mentioned.

(sg)TEDDY C. GALO
Notary Public
Until December 31, 1964

Doc. No. 37;
Page No. 9;
Book No. I;
Series of 1963.

AMENDED BY-LAWS
OF
MEDICAL DOCTORS INCORPORATED

ARTICLE I

Section 1. Offices: – The principal office of the Corporation shall be located in **Makati Medical Center, No. 2 Amorsolo St. Legaspi Village, Makati**. The corporation may have branch offices, within the Philippines, as may be designated b the Board of Directors from time to time. ***(As amended by the Board of Directors on 23 October 2020 and by the stockholders on _____________)***

ARTICLE II

STOCKHOLDERS

Section 1. Place of Meetings: – All meetings of the Stockholders shall be held at the principal office of the Corporation in **Makati Medical Center, No. 2 Amorsolo St. Legaspi Village, Makati**, Philippines or in any other place designated by the Board of Directors **within Metro Manila or via remote communication or other alternative modes of communication as may be approved by the Board of Directors**. ***(As amended by the Board of Directors on 23 October 2020 and by the stockholders on _____________)***

Section 2. Annual Meeting of Stockholders: – The annual meeting of the Stockholders shall be held on the 3rd Tuesday of July of each year for the purpose of electing directors and for the transaction of such other business as may come before the meeting. If the day fixed for the annual meeting shall be a legal holiday such meeting shall be held on the next succeeding business day. If the election of directors shall not be held on the day designated herein for any annual meeting of the Stockholders, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the Stockholders as soon thereafter as conveniently may be. (As amended on March 16, 1999). **The annual meeting of Stockholders may be held via remote communication or other alternative modes of communication in accordance with applicable rules and internal procedures as may be approved by the Board of Directors. *(As amended by the Board of Directors on 23 October 2020 and by the stockholders on _____________)***

Section 3. Special Meeting: – Special meetings of the Stockholders for any purpose or purposes may be called by the President or by the Board of Directors upon request of the holders of the majority of all outstanding shares of the Corporation entitled to vote at the meeting. **Special Meetings of the Stockholders may be held via remote communication or other alternative modes of communication in accordance with applicable rules and internal procedures as may be approved by the Board of Directors. *As amended by the Board of Directors on 23 October 2020 and by the stockholders on _____________)***

Section 4. Notices: – **Except as otherwise provided by law**, written notice stating the place, day and hour of every regular meeting of the stockholders **shall be transmitted by personal delivery, mail, telegraph, cable, electronic mail or such other manner as may be allowed by law or regulation to each stockholder of record entitled to vote thereat at his physical or electronic mail address or contact details known to the Secretary of the Corporation, at least twenty-one (21) days before the date of the regular meeting or at least seven (7) days before the date of the special meeting.** ***(As amended by the Board of Directors on 23 October 2020 and by the stockholders on_____________)***

Notice of every special meeting of Stockholders shall state the date, hour and place of the meeting; and the general matter of business to be transacted thereat; and said notice shall be sent to each Stockholder registered in the books of the Corporation by **personal delivery, mail, telegraph, cable, electronic mail or such other manner as may be allowed by law or regulation at least seven (7) days** including the date of mailing, before the date of every special meeting; and said notice, shall be directed to last known address of each Stockholders in the Philippines **or his electronic mail address**. If notice of said special meeting is served personally, it shall be sufficient if it be received by the Stockholder at least to (2) days before the date of the meeting. ***(As amended by the Board of Directors on 23 October 2020 and by the stockholders on _____________)***

Except where expressly required by law, no notice of any meeting be published in any newspaper or in any other publication. ***(As amended by the Board of Directors on 23 October 2020 and by the stockholders on _____________)***

If all Stockholders entitled to vote, either in person or by attorney, personally appointed in writing, waive notice of any meeting either annual or special, no notice may be sent and the meeting held pursuant to such waiver shall be valid and binding.

In case of annual or special meetings of Stockholders conducted by remote communication, each notice of meeting shall further be accompanied by the following:

- **(a) The agenda for the meeting;**
- **(b) A proxy form which shall be submitted to the Secretary within a reasonable time prior to the meeting;**
- **(c) When attendance, participation, and voting are allowed by remote communication or in absentia, the requirements and procedures to be followed when a stockholder or member elects either option;**
- **(d) Manner of casting the votes and the period during which votes by remote communication or in absentia will be accepted;**
- **(e) Contact information of the Secretary or office staff with whom the stockholder may notify regarding his or her elected mode of participation and voting at the meeting;**
- **(f) When the meeting is for the election of directors or trustees, the requirements and procedure for nomination and election.**
- (g) **The fact that there will be a visual and/or audio-recording of the meetings (for future reference).** ***(As amended by the Board of Directors on 23 October 2020 and by the stockholders on _____________)***

Section 5. Quorum: – The holders of a majority of the outstanding shares of the Corporation entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of Stockholders. **Stockholders who participate through remote communication or in absentia shall be deemed present for purposes of quorum.** If less than majority of the outstanding shares are represented at a meeting, a majority of the shares so represented may adjourn the meeting from time to time without further notice. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. The Stockholders present in a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough Stockholders to leave less than a quorum. A majority of the shares of stock represented shall be necessary to decide any matter that may come before a meeting, except as otherwise provided by Law. (***As amended by the Board of Directors on 23 October 2020 and by the stockholders on _____________)***

Section 6. Proxies: – At all meetings of Stockholders, any Stockholder may be represented by proxy and the person holding the same may vote the proxy as if the Stockholders so represented were present in person. The proxy must be executed in writing by the Stockholder or by his duly authorized attorney-in-fact and must be submitted to the Secretary on or before the date of the meeting; substantially conforming to the following form:

"I hereby make, constitute and appoint ______________________________ my proxy to act and vote for me at the ________________ meeting of the Stockholders of the Medical Doctors Inc. that will be held at Makati, Province of Rizal, Philippines, on the _____ day of _____________ 19 ___ or at any adjournment thereof, in the transaction of any and all business that may properly come up before said meeting or meetings according to the number of votes I would be entitled to cast if personally present."

In witness whereof, I have hereunto set my hand this ____ day of _________ 19 ___, in the City of ______________/Municipality, Philippines.

____
Stockholders signature

Witness:

____________________________________ ____________________________________

Section 7. Voting of Shares: – Subject to the provisions of Section 8 of this Article II, each outstanding share entitled to vote shall be entitled to one vote upon each matter submitted to a vote at a meeting of Stockholders.

Section 8. Cumulative Voting: – At each election for membership in the Board of Directors every Stockholder entitled to vote at such election shall have the right to vote, in person or by proxy, **or by remote communication or in absentia in accordance with applicable laws and internal procedures established by the Board of Directors**, the number of shares owned by him for as many persons as there are directors to be elected and for whose election he has a right to vote, or cumulate his votes by giving one candidate as many votes as the number of such directors multiplied by the number of his shares shall equal, or by distributing such votes on the same principle among any number of candidates. ***As amended by the Board of Directors on 23 October 2020 and by the stockholders on _____________)***

Section 9. Voting of Shares by Certain Holders: – Shares standing in name of another Corporation may be voted by such officer, agent, or proxy as the by-laws of such Corporation may prescribe, or, in the absence of such provision, as the Board of Directors of such Corporation may determine.

Shares held by an administrator, executor or guardian may be voted by him, either in person or by proxy, without a transfer of such shares into his name. Shares standing in the name of a trustee may be voted by him, either in person or by proxy, but no trustee shall be entitled to vote the shares held by him without a transfer of such shares into his name.

Shares standing in the name of a receiver may be voted by such receiver, and shares held by or under the control of a receiver may be voted by such receiver without the transfer thereof into his name if authority so to do be contained in an appropriate order of the court by which such receiver was appointed.

A Stockholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

Share of its own stock belonging to the Corporation or held by it in a fiduciary capacity shall not be voted, directly or indirectly, at any meeting, and shall not be counted in determining the total number of outstanding shares at any given time.

Section 10. Closing of Transfer Books: – The stock transfer book of the Corporation shall be closed at least twenty (20) days for regular meetings and seven (7) days for special meetings preceding the date of any meeting of stockholders as record date for the determination of the stockholders entitled to notice of and to vote at any such meeting, or entitled to receive payment of any dividend, allotment of rights, or to exercise the rights in respect of any change, conversion or exchange of the capital stock, and in each such case only such stockholders as shall be stockholders of record on the date so fixed shall be entitled to notice of or to vote at such meeting, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights, as the case may be, notwithstanding any transfer of any stock on the books of the Corporation after such record date as aforesaid. (*As amended by the Board of Directors on 23 October 2020 and by the stockholders on _____________)*

Section. 11. Meetings through Remote Communication: – A stockholder may participate in and vote at regular or special stockholders' meetings by remote communication (such as teleconference, computer conference, videoconference or any other manner as may be allowed by law or regulation) or in absentia.

The Board shall establish the appropriate requirements and procedures for voting through remote communication or in absentia, taking into account the Corporation's scale, number of shareholders, structure and other factors, consistent with the basic right of corporate suffrage.

If a stockholder intends to participate in the meeting through remote communication or in absentia, he/she shall notify in advance the President and the Secretary of his or her intention and the Secretary shall note such fact in the minutes of the meeting.

The said notice shall be submitted within the same period as may be stated in the notice of meeting. At all instances, the Secretary shall have the sole discretion to decide if the stockholder will be allowed to participate via remote communication.

(As amended by the Board of Directors on 23 October 2020 and by the stockholders on _____________)

ARTICLE III

BOARD DIRECTORS

Section 1. General Powers: - The business and affairs of the Corporation shall be managed by its Board of Directors.

Section 2. Specific Powers: - The Board of Directors shall have the power to elect or appoint all necessary officers and committees, to employ agents, factors and clerks, to require any of the same to give bond for the faithful discharge of their duties, to fix the compensation of employees and to prescribe their duties, to dismiss any appointed officers or employees of the Corporation.

In addition to the powers and authority which by-laws expressly conferred upon it, the Board of Directors may exercise all the powers of the Corporation and do all such lawful acts and things as are not by laws, or by the Articles of Incorporation, or by these by-laws prohibited; and those which are not directed or required to be exercised or done by the Stockholders.

Section 3. Number, Qualification and Tenure: - The corporate powers of the Corporation shall be exercised, and the property and business of the Corporation shall be managed by a Board of **Fifteen (15)** Directors who, in accordance with the Articles of Incorporation, shall be elected by the Stockholder at the annual meeting each year for a term of one (1) year, and shall serve until the election and acceptance of duly qualified successors.

The Board of Directors shall have Independent Directors constituting at least twenty percent (20%) of the members of the Board, who shall serve for a maximum cumulative term of nine (9) years, unless extended subject to meritorious grounds and duly approved by the stockholders of the Corporation. (As amended by the Board of Directors on 23 October 2020 and by the stockholders on _____________)

An Independent Director shall mean a person who (a) is neither an officer or employee of the corporation, its parent or subsidiaries or any other individual having a relationship with the corporation, (b) apart from his fees and shareholdings, is independent of management and free from any business or other relationship that could, or could reasonably be perceived to materially interfere with the exercise of independent judgment in carrying out the responsibilities of a director, and (c) meets all the independence criteria enumerated in the Corporation's Manual on Corporate Governance and such other criteria provided under applicable laws, rules or regulations or determined

by the Board of Directors. (As amended by the Board of Directors on 23 October 2020 and by the stockholders on _____________)

A majority of the Directors must be residents of the Philippines.

Section 4. Regular Meeting: - A regular meeting of the Board of Directors shall be held without other notice than this by-laws required immediately after the annual meeting of Stockholders.

A director can attend and participate in the regular meeting in person or through remote communication (such as teleconference, computer conference, or videoconference) in accordance with the Corporation's internal procedures and policy. If a director intends to participate in a meeting through remote communication, he/she shall notify in advance the Chairman of the Board and the Secretary of his/her intention and the Secretary shall note such fact in the minutes of the meeting. The Secretary shall make the necessary confirmation of attendance as may be required by applicable rules. ***(As amended by the Board of Directors on 23 October 2020 and by the stockholders on _____________)***

The Board of Directors may provide, by resolutions, the time and place for the holding of additional regular meetings without other notice than such resolution.

Section 5. Vacancies: - If the office of any Director or Directors become vacant by reason of death, resignation, retirement, disqualification, **or any other cause, except by removal or expiration of term**, the remaining Directors **constituting a quorum**, in a special meeting, shall choose a successor or successors who shall hold office until the next annual election or until a successor or successors shall have been duly qualified. ***(As amended by the Board of Directors on 23 October 2020 and by the stockholders on _____________)***

When the vacancy arises as a result of removal by the Stockholders, the election may be held on the same day of the meeting authorizing the removal and this fact must be so stated in the agenda and notice of said meeting. A director elected to fill a vacancy shall be referred to as replacement director and shall serve only for the unexpired term of the predecessor in office. ***(As amended by the Board of Directors on 23 October 2020 and by the stockholders on _____________)***

In case the vacancy prevents the remaining directors from constituting a quorum and emergency action is required to prevent grave, substantial, and irreparable loss or damage to the Corporation, the vacancy may be temporarily filled from among the officers of the Corporation by unanimous vote of the remaining directors. The action by the designated director shall be limited to the emergency action necessary, and the term shall cease within a reasonable time from the termination of the emergency or upon election of the replacement director, whichever comes earlier. The Corporation must notify the Commission within three (3) days from the creation of the emergency board, stating therein the reason for its creation. ***(As amended by the Board of Directors on 23 October 2020 and by the stockholders on _____________)***

Section 6. Special Meeting: - Special meetings of the Board of Directors may be called by or at the request of the President, or any three (3) Directors, at any time and place. Special meetings may be held at any time without previous notice if all the Directors are present or if those not present waive notice of the meeting in writing either before or after the meeting. ***Directors may attend and participate at the special meeting by remote communication in accordance with the Corporation's internal procedures and policy. (As amended by the Board of Directors on 23 October 2020 and by the stockholders on _____________)***

Section 7. Notice: - Notice of any special meeting shall be given at least two days (2) previously thereto by written notice delivered personally or mailed to each director at his business address or residence or by telegram **or by electronic mail or messaging service or such other manner as may be approved by the Board of Directors.** If notice be given by telegram, such notice shall be deemed delivered when the telegram is delivered to the telegram company. Notices of special meetings shall state the purpose or purposes of the same, **date, time and place of the meeting and any other information as may be required by applicable laws**. In all cases, notices of special meetings shall be sent by the Secretary. Any Director may waive notice of any meeting. The attendance of a Director at a meeting shall constitute a waiver of notice of such meeting except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. ***(As amended by the Board of Directors on 23 October 2020 and by the stockholders on _____________)***

No failure or irregularity of notice of meeting shall invalidate any regular meeting or proceeding thereat; provided, a quorum of the Board is present, nor of any special meeting; provided all Directors are present.

Section 8. Quorum: - A majority of the number of Directors fixed in Section 3 of this Article shall constitute a quorum for the transaction of business at any meeting of the Board of Directors except when otherwise provided by law, but if less than such majority is present in a meeting, a majority of the Directors present may adjourn the meeting from time to time and the meeting may be held without further notice. **For the avoidance of doubt, a director who participates through remote communication shall be deemed present for purposes of quorum.** ***(As amended by the Board of Directors on 23 October 2020 and by the stockholders on _____________)***

Section 9. Manner of Acting: - The act of the majority of the Directors present in a meeting at which a quorum is present shall be the act of the Board of Directors. **Directors participating in the meeting via remote communication may cast his vote through electronic mail, messaging service or in such other manner as may be permitted by the Board of Directors in accordance with the Corporation's internal procedures and policy.** ***(As amended by the Board of Directors on 23 October 2020 and by the stockholders on _____________)***

Section 10. Compensation: - By resolution of the Board of Directors, the Directors may be paid their expenses, if any, for attendance at each meeting of the Board of Directors, and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as Director; or likewise to give out or authorize the giving out of bonuses to person or persons whom the Board may deem fit and deserving of receiving such extra consideration. No such payment shall preclude any Director from serving the Corporation in any other capacity and receiving compensation thereof.

ARTICLE IV

OFFICERS

Section 1. Number: - The executive officers of the Corporation shall be a President, one or more Vice President (the number thereof to be determined by the Board of Directors), a Secretary and a Treasurer, and **a Compliance Officer,** each of whom shall be elected by the Board of Directors. Such other officers and assistant officers as may be deemed necessary may be elected or appointed by the Board of Directors. Any two or more offices may be held by the same person, unless there is incompatibility between the offices to be held. Specifically the President cannot be a Vice President or Secretary **or Treasurer** or vice versa, at the same time, nor the Vice President be a Secretary and vice versa. ***(As amended by the Board of Directors on 23 October 2020 and by the stockholders on _____________)***

Section 2. Election and Term of Office: - The officers of the Corporation to be elected by the Board Directors shall be elected annually at the first board meeting held after each annual meeting of the Stockholders. If the election of the officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until his successor shall have been duly elected and shall have qualified or until his death or until he shall resign or shall have been removed in the manner hereinafter provided.

Section 3. Removal: - Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. In the case of executive officers mentioned in the first part of Section 1 of this Article, a vote of two thirds (2/3) of all the members of the Board shall be necessary; in other officers, a majority vote of all those present constituting a quorum is sufficient for their removal.

Section 4. Vacancies: - A vacancy in any office resulting from death, resignation, removal, disqualification or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

Section 5. Chairman of the Board: – To be elected as Chairman of the Board, he must be a member of the Board of Directors.

The Chairman of the Board's primary role is to preside in all board meetings. He shall also exercise such powers and perform such duties as the Board of Directors may assign to him. (As amended on 28 July 2006).

Section 6. President, Qualification and Powers: - To be elected as President of the Corporation, he must be a member of the Board of Directors.

The President shall be the Chief Executive Officer of the Corporation and subject to the control of the Board of Directors, shall in general supervise and control all the business and affairs of the Corporation. He shall, when present, preside at all meetings of the Stockholders and all other meetings except meetings of the Board of Directors. He may sign, with the Secretary or any other proper officer of the Corporation thereunto authorized by the Board of Directors, certificates of stocks of the Corporation, any deeds, mortgages, bonds, contracts, or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these by-laws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed; and in general shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time. (As amended on 28 July 2006).

Section 7. Vice-President, Qualification and Powers: – To be elected as Vice-President of the Corporation, he need not be a member of the Board of Directors.

In the absence of the President or in the event of his death, or inability or refusal to act, the Vice-President (or in the event that there be more than one Vice-Presidents, the Vice-President in the order designated at the time of their election, or in the absence of any designation, then in the order of their election), shall perform the duties of the President, and when so acting, shall have all the powers of and subject to all the restrictions upon the President. The Vice-President may likewise perform such other duties as from time to time may be assigned to him by the President or by the Board of Directors. (As amended on 28 July 2006).

Section 8. Secretary: - The Secretary of the Corporation may or may not be a member of the Board of Directors. The Secretary shall:

a) Attend and keep the minutes of the Stockholders' meeting and of the Board of Directors' meetings in one or more books provided for that purpose;
b) See that all notices are duly given in accordance with the provisions of these by-laws as required by law;
c) Be custodian of the Corporate records and of the seal of the Corporation and see that the seal of the Corporation is affixed to all documents, the execution of which on behalf of the Corporation under its seal, is duly authorized;
d) Sign with the President, or Vice-President, certificates of stocks of the Corporation, the issuance of which shall have been authorized by the resolution of the Board of Directors;
e) **To coordinate and arrange for the provision of suitable equipment and facilities are available for the conduct of meeting by remote communication in accordance with applicable rules, to ensure the uninterrupted flow of the meeting and that the attendees are able to hear and see the other participants clearly during the course of the meeting; *(As amended by the Board of Directors on 23 October 2020 and by the stockholders on ______________)***

f) **To coordinate the safe-keeping and perpetuation of any visual and audio recordings that have been required by applicable rules for any meeting**; ***(As amended by the Board of Directors on 23 October 2020 and by the stockholders on _____________)***

g) In general, perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the President or by Board of Directors. (As amended on 28 July 2006).

Section 9. The Treasurer: - The Treasurer shall be elected by the Board and must likewise be a member of the Board of Directors.

If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Bond shall determine. He shall:

a) Have charge and custody of and be responsible for all funds and securities of the Corporation, received and give receipts for moneys due and payable to the Corporation from any source whatsoever, and deposit all such moneys in the name of the Corporation in such banks, trust companies, or other depositories as shall be selected in accordance with the provisions of Article V of these by-laws; and
b) In general, perform all the duties incident to the office of Treasurer and such other duties from time to time may be assigned to him by the President or by the Board of Directors. Furthermore, the Treasurer shall render to the President and to the Board of Directors whenever they may require, an account of all his transactions as Treasurer and of the financial condition of the Corporation. (As amended on 28 July 2006).

Section 10. The Compliance Officer: – The Compliance Officer of the Corporation, who shall hold a position of Senior Vice President and is not a member of the Board of Directors, shall be elected by the Board. The Compliance Officer shall:

a. Ensure proper onboarding of new directors (i.e. orientation on the Corporation's business, charter, articles of incorporation and by-laws, among others);
b. Monitor, review, evaluate and ensure the compliance by the Corporation, its officers and directors with the relevant laws, this Code, rules and regulations and all governance issuances of regulatory agencies;
c. Report to the Board if violations are found and recommend the imposition of appropriate disciplinary action;
d. Ensure the integrity and accuracy of all documentary and electronic submissions as may be allowed under SEC rules and regulations;
e. Appear before the SEC when summoned in relation to compliance with this Code and other relevant rules and regulations;
f. Collaborate with other departments within the Corporation to properly address compliance issued, which may be subject to investigation;
g. Identify possible areas of compliance issues and works towards the resolution of the same;
h. Ensure the attendance of the board members and key officers to relevant trainings; and
i. Perform such other duties and responsibilities as may be provided by the Board and applicable rules.

(As amended by the Board of Directors on 23 October 2020 and by the stockholders on _____________)

Section 11. Compensation: - The salaries of the officers shall be fixed from time to time by the Board and no officer shall be prevented from receiving such salary by reason of the fact that he is also a Director of the Corporation. (As amended on 28 July 2006).

ARTICLE V

STOCKS

Section 1. Certificates of Stocks: – Certificates representing shares of the Corporation shall be in such form as shall be determined by the Board. Such certificates shall be signed by the President or Vice-President and by the Secretary or an Assistant Secretary. All certificates of stocks shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer book of the Corporation. All certificates surrendered to the Corporation shall be issued until the former certificate for a like number of shares shall have been surrendered and cancelled.

Section 2. Transfer of Stocks: – Transfer of shares of the Corporation shall be made on the stock transfer books of the Corporation by the holder of records thereof or by his legal representative, who shall furnish proper evidence of authority to transfer, or by his attorney thereunto authorized by power of attorney duly executed and filed with the Secretary of the Corporation, and on surrendered for cancellation of the certificate for such shares. The person in whose name the shares stand on the books of the Corporation shall be deemed by the Corporation to be the owner thereof for all purposes.

The foregoing provision relative to transfer of stock shall not, however, have an application to the mode of transfer of FOUNDER'S STOCK the transfer of which shall be mainly governed by the manner setforth in the provision of paragrapah seventh (7) of the Articles of Incorporation.

Section 3. Loss of Destruction of Certificate: – The Board of Directors may direct a new certificate of stock to be issued in place of any certificate therefore issued and alleged to have been lost or destroyed, in accordance with the provisions Rep Act. 201.

The registered owner of certificates of stock or his legal representative shall file an affidavit in triplicate with the Corporation setting forth, if possible, the circumstances as to how, when and where said certificates were lost, stolen or destroyed, the number of shares represented by each certificate, the serial numbers of the certificate and name of the Corporation. He shall also submit such other information and evidence which he may deem necessary.

After verifying the affidavit and other information and evidence with the books of the Corporation, the Corporation shall publish a notice, in a newspaper of general circulation in the Philippines published in the City of Manila, once a week for three consecutive weeks at the expense of the registered owner of the certificates of stock which have been lost, stolen or destroyed. The notice shall state the name of the Corporation, the name of the registered owner and serial number of the said certificates, and the number of shares represented by each certificate, and that after the expiration of one year from the date of the last publication, if no contest has been presented to the Corporation regarding said ceritificates stock, the right to make such contest shall be barred and the Corporation shall cancel in its books the certificates of stock which have been lost, stolen, and destroyed and issue in lieu thereof new certificates of stocks, unless the registered owner files a bond or other security in lieu thereof as may be required running for a period of one year for a sum and such form and with such securities as may be satisfactory to the Board of Directors in which case a new certificate may be issued even before the expiration of one year period provided herein. Provided, that if a contest has been presented to the Corporation or if an action is pending in court regarding the ownership of said certificates of stock which have been lost, stolen, or destroyed, the issuance of the new certificates of stock in lieu thereof shall be suspended until final decision of the court regarding the ownership said certificates of stock.

ARTICLE VI

COMMITTEES

The Board of Directors may, by resolution or resolutions passed by the affirmative vote of at least majority of those present, designate one or more committees which, to the extent delegated in said resolution or resolutions

or in the Articles of Incorporation or applicable laws, shall have and may exercise any of the powers of the Board of Directors in the management of the business and affairs of the Corporation by a majority vote of all its members, on such specific matters within the competence of the board. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors. Each committee shall keep regular minutes of its proceedings and report the same to the Board when required. The Board of Directors shall have the power to change the members of any such committee at any time, to fill vacancies and to discharge any such committee either with or without cause.
(As amended by the Board of Directors on 23 October 2020 and by the stockholders on _____________)

ARTICLE VII

DIVIDENDS

Section 1. Dividends: – Dividends shall be declared only from surplus profits and shall be payable at such time and in such amounts as the Board of Directors shall determine; provided, however, that no stock dividend shall be issued without the approval of the Stockholders representing not less than two-thirds of all stock then outstanding entitled to vote at a general meeting of the Corporation or at a special meeeting called for that purpose. **Any cash dividends due on delinquent stock shall first be applied to the unpaid balance on the subscription plus costs and expenses, while stock dividends shall be withheld from the delinquent Stockholders until their unpaid subscription is fully paid.** No dividend shall be declared that will impair the capital of the Corporation. ***(As amended by the Board of Directors on 23 October 2020 and by the stockholders on _____________)***

ARTICLE VIII

FINANCES

Section 1. Depositories: – The Board of Directors shall select such depositories as it may deem proper for the funds of the Corporation. It shall determine who shall be authorized, in the name and on behalf of the Corporation, to sign bills, notes, receipts, acceptances, endorsements, checks, releases, contracts, documents and other instruments.

Section 2. Fiscal Year: – The fiscal year of the Corporation shall begin on January 1, and end on December 31, of each year, unless otherwise provided by the Board of Directors.

ARTICLE IX

WAIVER OF NOTICE

Section 1. Waiver of Notice: – Whenever any notice is required to be given to any shareholder or director of the Corporation under the provisions of these by-laws or under the provisions of the Articles of Incorporation, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the given of such notice.

ARTICLE X

SEAL

Section 1. Corporate Seal: – The Board of Directors shall provide the Corporation with a corprate seal which shall be circular in form and shall have inscribed thereon the following:

MEDICAL DOCTORS INCORPORATED

1963

MAKATI, RIZAL, PHILIPPINES

ARTICLE XI

AMENDMENTS

Section 1. Amendments: – The owners of a majority of the subscribed capital stock may at a regular or special meeting duly called for the purpose, amend or repeal these by-laws or adopt new by-laws. The owners of two-thirds of the subscribed capital stock may delegate to the Board of Director the power to amend or repeal these by-laws or to adopt new by-laws; provided, however, that any power delegated to the Board of Directors to amend or repeal these by-laws or to adopt new by-laws shall be considered as revoked whenever a majority of the Stockholders shall so vote at a regular or special meeting called for the purpose.

ARTICLE XII

GENERAL PROVISIONS

Section 1. All matters not covered by these by-laws shall be governed by the provision of the Corporation Law.

CERTIFICATION

KNOW ALL MEN BY THESE PRESENTS:

The foregoing By-Laws were adopted by the unanimous consent of all the owners of a majority of the outstanding stock of the Medical Doctors Incorporated at the first meeting of the shareholders held in Makati, Province of Rizal, Philippines, on May 13, 1963.

IN WITNESS WHEREOF, we the undersigned shareholders present at the said meeting and voting thereat in favor of the adoption of said By-Laws, have hereunto subscribed our names, and with Chairman of the meeting and the Secretary of the same as likewise with out signature attest:

(Sgd.) CONSTANTINO P. MANAHAN
On his Personal Capacity and/as Attorney-In-Fact of
JULIETA LEDESMA

(Sgd.) LUIS ARANETA

(Sgd.) JOSE Y. FORES

(Sgd.) DANIEL C. GO

(Sgd.) CARLOS L. SEVILLA

(Sgd.) MARIANO M. ALIMURUNG

(Sgd.) MANUEL C. FERNANDEZ
On his Personal Capacity and/or Attorney-In-Fact of
MR. ROMEO H. GUSTILLO

(Sgd.) JAIME VELASQUEZ

Countersigned By:

____
(SGD.) CONSTANTINO P. MANAHAN
Chairman

____
(SGD.) MARIANO M. ALIMURUNG
Secretary

ANNEX “B”

MINUTES OF THE MEDICAL DOCTORS, INC. (MDI)
2020 REGULAR STOCKHOLDERS’ MEETING
21 July 2020, 5:00pm
Via remote communication
Through <asm.makatimed.net.ph>

I. CALL TO ORDER / CERTIFICATION OF NOTICE AND QUORUM

Mr. Manuel V. Pangilinan, Chairman, welcomed the stockholders and guests to the Annual Stockholders’ Meeting. He informed the stockholders that, in light of the Covid-19 pandemic, the Board of Directors decided to conduct the 2020 Regular Stockholders’ Meeting via remote communication accessed through <asm.makatimed.net.ph> in order to ensure everyone’s safety and health, as well as to continue with company’s best practices. Further, the Chairman assured the stockholders that through the online format, stockholders have the opportunity to participate remotely and cast their vote *in absentia.* Thereafter, he called the meeting to order and presided.

Atty. German Q. Lichauco II, Corporate Secretary, upon the request of the Chairman, confirmed that the notice and agenda of the meeting were delivered by mail or messengerial service, electronic mail and published in the business section of two (2) newspapers of general circulation, in print and online format, for two (2) consecutive days, to all stockholders of record as of 31 May 2020, the record date fixed by the Board of Directors. Atty. Lichauco further confirmed that the Definitive Information Statement was made available in the company website. Thereafter, he certified the existence of quorum based on the record of attendance and proxy report, which shows that holders of 3,081,646 common shares representing 90.1% of the Company’s total outstanding capital stock were present in person or by proxy. There being a quorum, the Chairman declared the meeting duly convened and open for the transaction of business.

The Chairman further requested the Corporate Secretary to confirm that the stockholders have been informed on the voting procedure. Atty. Lichauco confirmed that the stockholders have been informed on the manner of voting for the meeting. Stockholders or their proxies, who have successfully registered and have been notified via email may cast their vote *in absentia* by accomplishing the print-out of MDI’s ballot form, which can be accessed and downloaded from <asm.makatimed.net.ph>. Once the ballot form is completed, the stockholder or his proxy may submit the ballot by uploading the file to <asm.makatimed.net.ph> or sending it by email to <asm2020@makatimed.net.ph> not later than 3:00 P.M. on 20 July 2020.

Atty. Lichauco informed the stockholders that more than a majority of the total outstanding voting stocks have cast their vote in favor of the specified agenda items, including the election of the 15 nominees to the Board of Directors.

II. APPROVAL OF THE MINUTES OF THE REGULAR STOCKHOLDERS’ MEETING OF 16 JULY 2019

The Chairman then announced the next item on the agenda, which is the reading and approval of the minutes of the Regular Meeting of the Stockholders held on 16 July 2019. He informed the stockholders that a copy of the minutes of the Regular Meeting of the Stockholders of the Company held on 16 July 2019 was made available to all stockholders of record, together with the Definitive Information Statement, for approval.

He then requested the Corporate Secretary to advise the stockholders of the result of the voting of this Agenda item.

Atty. Lichauco reported that, considering that stockholders holding more than a majority of the entire outstanding voting stocks of MDI voted in favor of this matter, the minutes of the Regular Meeting of Stockholders held on 16 July 2019 is approved.

III. PRESENTATION OF THE 2019 ANNUAL REPORT AND THE 2019 AUDITED FINANCIAL STATEMENTS

The Chairman proceeded to the next item on the Agenda. He informed the stockholders that the Medical Director, Dr. Saturnino P. Javier, will present the Medical Director's Report for 2019, as well as an update for the first half of 2020 while Mr. Arnold C. Ocampo, Chief Finance Officer, will follow to present the 2019 Audited Financial Statements and share to the stockholders MDI's 2020 half-year financial position.

Dr. Javier then presented the 2019 Annual Report.

He discussed and enumerated the educational collaborations undertaken by Makati Medical Center ("MMC") with Asia Pacific Hospice Palliative Care Network, Parkway Hospital Singapore and Hong Kong Integrated Oncology Centre, as well as, the training programs conducted. Dr. Javier further discussed the successful research collaborations MMC has participated in, the clinical protocols undertaken in MMC and its Awards and Recognitions.

Next in the presentation were the updates for the 1st half of 2020. The following points were discussed:

- How MMC coped with Covid-19 pandemic [including highlights]
- Impact of the pandemic on the HCW, operational capabilities and financial fundamentals;
- Resumption of Clinics/Hospital Operations in the "new normal"; and
- Covid-19 status update and the challenges.

Mr. Arnold C. Ocampo, Chief Finance Officer, then followed with the 2019 Financial Report and the 2020 update.

The presentation started with the 2019 hospital profile. This part detailed the occupancy rate in the hospital, average length of stay, average daily admissions, and average daily outpatient visits. He reported that the Room Occupancy increased as compared to previous year, particularly on Medicine, Pediatrics and Surgery for General Services and, Medical ICU and PICU for Special Services. Inpatient Census grew by 5% while Outpatient Census grew by 13% in 2019.

Mr. Ocampo also presented the 2019 financial highlights. Some of the salient points were:

- Gross revenues increased by Php685 Million, yielding a 10% revenue growth exceeding past years annual average of 8%;

- Core net profit grew by PhP31 Million or 6%;

- Operating Cash Flows increased by Php215 Million or 20%, mainly due to the increase of its EBITDA by 9% or Php122 Million; and

- Capital Expenditures spending for the year decreased by Php31 Million or 6% compared to last year.

For the 1st half of 2020, the YTD revenue was lower by 24% with a net loss of Php69 Million as compared to last year due to the implementation of the Enhanced Community Quarantine response to Covid-19. The following measures were reported to address the losses:

- Continue to implement more safety measures in the hospital;
- Additional revenue generating initiatives;
- Cost cutting initiatives without sacrificing service quality;
- Capex prioritization on initiatives that can bring immediate revenues.

After the presentations of Dr. Javier and Mr. Ocampo, the Chairman informed the stockholders that the MDI will proceed to answer the questions emailed by the stockholders to <asm2020@makatimed.net.ph>, and requested the Corporate Secretary to facilitate.

Atty. Lichauco informed the stockholders that the time allotted for the Q&A is 15 minutes. He then proceeded to read the questions submitted by the stockholders.

The first question was submitted by Dr. Nora F. Santos. She asked how the hospital is addressing the present surge of Covid-19 and whether MMC can handle the surge. Dr. Javier responded that MMC's declaration of full capacity was basically a recognition that the hospital already reached its threshold in terms of responding to the pandemic. Nonetheless, MMC remains in a position to further stretch the limits in managing the influx of Covid-19 patients coming into the emergency room.

Dr. Agripino Beng Javier also asked what measures MMC are taking to adjust and have a positive position by end of 2020 given the losses due to Covid-19. Mr. Ocampo responded that MMC has undertaken new revenue initiatives to increase revenue for the 2nd half of the year such as Covid-19 testing, offering home care services and basic rehabilitation services. There is also the drive thru laboratory, diagnostic packages for Covid-19 and treatment diagnostics for Covid-19. In addition, cost cutting measures have been adopted.

Dr. Alfred M. Apostol submitted a question with regard to the plans of the Women's Center and the expected completion date for the bridgeway. Mr. Ocampo responded that the Women's Center has already been completed in terms of construction. However, there is a plan to delay the operations by the 4th quarter of 2020 since the units that are supposed to move in have low census due to the ECQ period. As for the bridgeway, there is an encountered delay in construction due to design issues raised by the Ayala North Exchange. Construction is expected to resume in August 2020.

A related question was submitted by Dr. Gabriel G. Gabriel on the hospital master planning that was previously presented. Mr. Ocampo answered that the master plan will have to be prioritized and reviewed given the low census and net losses that the company has incurred as a result of the pandemic. However, those that have been completed or in the process of construction will be completed subject to delays and extensions due to the pandemic.

After the time allotted, Atty. Lichauco turned over the floor to the Chairman.

The Chairman informed the stockholders that, considering that the stockholder/s holding more than a majority of the outstanding voting stocks of MDI voted in favor of adopting and approving the 2019 Annual Report and the 2019 Audited Financial Statements, the same are hereby declared adopted and approved.

IV. RATIFICATION OF THE ACTS AND PROCEEDINGS OF THE BOARD OF DIRECTORS AND CORPORATE OFFICERS

The Chairman proceeded to the next item on the agenda. The acts and proceedings of the Board of Directors and Corporate Officers of the Company for the year 2019 as set forth in the minutes of the meetings of the Board of Directors held during the same period have been provided and summarized in the Definitive Information Statement for ratification and confirmation. The Chairman requested the Corporate Secretary to advise the stockholders of the results of the voting on this matter. Atty. Lichauco reported that stockholders holding more than a majority of the outstanding voting stocks of the Company voted in favor of the matter, therefore all acts of the Board of Directors and Corporate Officers for the year 2019 are hereby ratified and confirmed.

V. APPOINTMENT OF EXTERNAL AUDITORS

The Chairman proceeded with the appointment of the external auditors and requested the Corporate Secretary to advise the stockholders of the voting result.

Atty. Lichauco advised that stockholders holding more than a majority of the outstanding voting stocks of MDI voted to approve the re-appointment of Isla Lipana & Company as the company's external auditors, and the corresponding scope of services and applicable audit fees.

VI. ELECTION OF DIRECTORS AND INDEPENDENT DIRECTORS

The Chairman proceeded to the election of the Board of Directors. He requested the Corporate Secretary to enumerate the persons nominated as directors for the year 2020.

Atty. Lichauco reported that the following are the nominees for election as directors for the ensuing year:

Regular Directors

1. Mr. Manuel V. Pangilinan
2. Dr. Benjamin Alimurung
3. Mr. Jose Amado A. Fores
4. Dr. Victor L. Gisbert
5. Mr. Jose Ma. K. Lim
6. Dr. Conrado Gabriel Lorenzo III
7. Ms. Ma. Susana A.S. Madrigal
8. Mr. Augusto P. Palisoc, Jr.
9. Mrs. Judy A. Roxas
10. Dr. Remedios G. Suntay
11. Dr. Michael C. Wassmer
12. Atty. Pilar Nenuca P. Almira
13. Mr. Manolo Michael T. De Guzman

Independent Directors

1. Mr. Francisco A. Dizon
2. Mrs. Diana Pardo Aguilar

Atty. Lichauco, head of the Nominations and Election Committee (the "Committee"), further confirmed that the Committee has reviewed and evaluated the background information of the nominees for election as directors and independent directors. Based on the criteria set out in the Code of Corporate Governance and the Committee's nomination guidelines, the nominees possess all of the qualifications and have none of the disqualifications for directorship in the Company. Also, the Committee has determined that Mr. Francisco A. Dizon and Mrs. Diana Pardo Aguilar meet the independence criteria set out in SRC Rule 38 and are qualified for election as independent directors. He advised that since there are as many nominated directors as there are fifteen (15) seats for regular and independent directors, all the fifteen (15) nominees are qualified to be elected as directors of MDI.

Considering that majority of the votes were cast in favor of all the nominees for directors, the Chairman declared the following directors elected:

1. Mr. Manuel V. Pangilinan
2. Dr. Benjamin Alimurung

3. Mr. Jose Amado A. Fores
4. Dr. Victor L. Gisbert
5. Mr. Jose Ma. K. Lim
6. Dr. Conrado Gabriel Lorenzo III
7. Ms. Ma. Susana A.S. Madrigal
8. Mr. Augusto P. Palisoc, Jr.
9. Mrs. Judy A. Roxas
10. Dr. Remedios G. Suntay
11. Dr. Michael C. Wassmer
12. Atty. Pilar Nenuca P. Almira
13. Mr. Manolo Michael T. De Guzman
14. Mr. Francisco A. Dizon
15. Mrs. Diana Pardo Aguilar

The Chairman congratulated the duly elected directors of MDI for the year 2020-2021. He also took the opportunity to introduce the two (2) new directors: Mr. Michael de Guzman, Country Head of KKR in the Philippines, and Atty. Pilar Nenuca P. Almira, who will be taking the helm as MDI's President and Chief Executive Officer starting September 1, 2020. He invited Atty. Almira to say a few word to the stockholders.

Atty. Almira proceeded to address the stockholders to express her gratitude for the trust and confidence conferred to her and that she takes pride in embracing the noble heritage of the hospital. She expressed her commitment to safeguard lives, to strengthen MMC so that it can continue to lead and serve as a model and to re-commit everyone to live the mission of the hospital, that is to care and heal covid and non-covid.

The Chairman thanked Atty. Almira and mentioned that he is looking forward to her steering MDI through the Covid-19 crisis so that the company can be of better service to the community.

VII. ADJOURNMENT

The Chairman asked the Corporate Secretary if there are any other matters that should be taken up by the body, to which the Corporate Secretary answered that there are no other matters for discussion.

The Chairman then announced that, there being no other business to transact, considering that stockholder/s holding more than a majority of the total outstanding capital stock are present or represented and have voted in this meeting, all matters so far taken up by the stockholders during this Regular Meeting are hereby approved and carried and the meeting is hereby adjourned.

CERTIFIED TRUE AND CORRECT:

ATTY. GERMAN Q. LICHAUCO II
Corporate Secretary

MANUEL V. PANGILINAN
Chairman

ANNEX "C"

SUMMARY OF RELEVANT RESOLUTIONS APPROVED BY THE BOARD OF DIRECTORS
(For the period 23 Oct 2020 to 21 May 2021)

REGULAR BOARD MEETING
23 October 2020

1. The Board approved the nominees to the following Committees, as well as MDI's nominee directors and officers to the CII Board.

MDI Board Officers:

1. Chairman	-	Mr. Manuel V. Pangilinan
2. President & CEO	-	Atty. Pilar Nenuca P. Almira
3. Vice Presidents:		
a) Finance	-	Mr. Arnold C. Ocampo
b) Service Operations	-	Ms. Marielle M. Rubio
c) Human Resource Management & Development	-	Ms. Bita S. Avendano
d) Marketing & Sales	-	Ms. Arlyn L. Songco
e) Facilities Management & Engineering	-	Engr. Gerry E. Cunanan
4. Treasurer	-	Dr. Remedios G. Suntay
5. Assistant Treasurer	-	Mr. Arnold C. Ocampo
6. Investor Information Officer	-	Ms. Arlyn L. Songco
7. Corporate Secretary & Compliance Officer	-	Atty. German Q. Lichauco II

Advisory Board:

Dr. Vicente Q. Arguelles
Dr. Roberto K. Macasaet
Dr. Jaime O. Sevilla
Dr. John Vincent G. Pastores
Dr. Alipio S. Abad Jr.

The recommended officers and members for the Committees are

Nomination and Election Committee:

Chairman	-	Atty. German Q. Lichauco II
Member	-	Dr. Michael C. Wassmer
Member	-	Mr. Jose Ma. K. Lim
Member	-	Ms. Diana P. Aguilar
Resource Person	-	Atty. Ricardo M. Pilares III
Resource Person	-	Ms. Bita S. Avendano

Compensation and Retirement Committee:

Chairman	-	Mr. Manuel V. Pangilinan
Member	-	Ms. Judy A. Roxas

Member	-	Dr. Victor L. Gisbert
Member	-	Mr. Francisco A. Dizon
Resource Person	-	Mr. Augusto P. Palisoc, Jr

Audit and Finance Committee:

Chairman	-	Ms. Diana P. Aguilar
Member	-	Mr. Francisco A. Dizon
Member	-	Dr. Conrado Gabriel C. Lorenzo III
Member	-	Mr. Manolo Michael T. De Guzman
Resource Person	-	Mr. Arnold C. Ocampo
Resource Person	-	Mr. Reymundo S. Cochangco

Clinical Risk Management, Infection Control & Medication Appropriate Use Committee:

Chairman	-	Dr. Benjamin N. Alimurung
Co-Chairman	-	Dr. Victor L. Gisbert
Member	-	Mr. Jose Amado A. Fores
Member	-	Dr. Michael C. Wassmer
Member	-	Mr. Francisco A. Dizon
Member	-	Atty. Pilar Nenuca P. Almira
Resource Person	-	Mr. Augusto P. Palisoc, Jr
Resource Person	-	Dr. Saturnino P. Javier
Resource Person	-	Dr. Janice C. Caoili
Resource Person	-	Ms. Hazel Faye R. Docuyanan, RPh,MS

Compliance Committee:

Chairman	-	Atty. German Q. Lichauco II
Member	-	Mr. Augusto P. Palisoc, Jr.
Member	-	Dr. Conrado Gabriel C. Lorenzo III
Member	-	Ms. Judy A. Roxas
Member	-	Ms. Ma. Susana A.S. Madrigal
Member	-	Ms. Diana P. Aguilar
Resource Person	-	Dr. Mary Milagros D. Uy

Ethics Committee:

Chairman	-	Mr. Francisco A. Dizon
Member	-	Dr. Alipio S. Abad, Jr.
Member	-	Dr. John Vincent G. Pastores
Member	-	Ms. Ma. Susana A.S. Madrigal
Member	-	Dr. Conrado Gabriel C. Lorenzo III
Member	-	Mr. Jose Ma. K. Lim

MDI Subsidiary Board Computerized Imaging Institute, Inc.

MDI

1.	Chairman & President	-	Atty. Pilar Nenuca P. Almira
2.	Treasurer	-	Dr. Remedios G. Suntay
3.	Director and Vice President	-	Dr. Saturnino P. Javier, M.D.
4.	Director	-	Mr. Arnold C. Ocampo
5.	Director	-	Dr. Jackson D. Uy, MD
5.	Corporate Secretary	-	Atty. German Q. Lichauco II

2. Approved drawdown of P100 million short term loan.
3. Approved the following terms of the CBA:
    a) 4.5% salary increase and lump sum payment of P4,500 to P10,000 for 2020, 4.75% salary increase with no lump sum payment for 2021
    b) Payment of overtime pay beyond 20 minutes, increase of hazard pay to P300 per month and increased group life insurance
    c) Employees who are on call but not engaged would receive P200 per day
    d) Loyalty award of P11,000 in cash for employees who had 40 years of service
    e) Other agreed terms without financial impact
4. Approved updated Manual of Corporate Governance.
5. Approved proposed amendments to the Corporation's Articles of Incorporation (AOI) and By-Laws

    AOI:
    a) Perpetual Corporate Term
    b) Number of Independent Directors

    By-Laws:
    a) Principal Office Address
    b) Meeting via Remote Communication
    c) Notice of Meetings
    d) Voting in absentia
    e) Closing of the Stock & Transfer Book
    f) Term of Independent Directors
    g) Vacancy in the Board of Directors
    h) Compliance Officer
    i) Board Committees
    j) Cash Dividends Declaration
6. Approved the medical staff member's upgrade of status, renewal and non-renewal of membership
7. Authorized Arnold C. Ocampo and Joel S. Navarro as its representatives and signatories in the Application for refund from MERALCO, and to receive the check for the refund from MERALCO.
8. Authorized Bita S. Avendano, Kristian R. Sumabat, and Arnold C. Ocampo as its representatives and signatories in the Corporations transactions and contracts with PLDT, Inc.
9. Authorized Bita S. Avendano, Kristian R. Sumabat, and Arnold C. Ocampo as its representatives and signatories in the Corporations transactions and contracts with SMART Communications, Inc.
10. Authorized Arlyn L. Songco as its representative and signatory in its contract with the Social Security System.
11. Authorized Eng. Ronan A. Ugalina as its representative and signatory for the renewal of Fire Safety Inspection Certifications (FSIC) for Towers 1, 2 & 3.
12. Approved the need to update the check signatories for each bank to reflect President Atty. Almira's assumption of her post.

    Unionbank, Security Bank, RCBC, Metrobank, Landbank, Equicom, Chinabank, BPI, and BDO
13. Approved the need to appoint a representative and signatory for availment of BDO's Digital Payment Facility
14. Authorized the following persons as the Corporation's authorized representative (s) with SEC for the purpose of compliance with SEC MC No. 28 Series of 2020:

    1) Arnold C. Ocampo
    2) Armyla B. Palomar

REGULAR BOARD MEETING
11 December 2020

1. Approved the bonus of the employees. A P1,000 token to be given to each employee, along with the traditional package of ham, cheese and groceries.
2. Approved the proposed 2021 budget.

3. Approved the medical staff member's upgrade of status, renewal and non-renewal of membership
4. Authorized Eng. Gerry E. Cunanan as its representative and signatory for the application for certain projects with the Makati City Engineering Office:
    a) Renal Care Expansion at 1st floor Tower 2
    b) Central Registration Project at 1st floor Tower 1
    c) Relocation of Blood Bank Project at 2nd floor Tower 2
    d) Doctors' clinic renovations

REGULAR BOARD MEETING
18 March 2021

1. Approved the Corporation's separate and consolidated financial statements for the year 2020, and the write off of receivables amounting to P120.3 million.
2. Approved the medical staff member's upgrade of status, renewal and non-renewal of membership
3. Approved to issue a proxy to Arnold C. Ocampo as its representative for all MDI shares in CII in the upcoming CII shareholder's meeting
4. Authorized Arnold C. Ocampo or Hazel Faye R. Docunayan as its representative and signatory in its application with the Food and Drugs Administration, Department of Trade and Industry, and Bureau of Internal Revenue, in connection with its construction and establishment of a medical store along Dela Rosa Street
5. Authorized Arnold C. Ocampo or Armyla B. Palomar as its representative and signatory in the SEC Online Submission Tool (OST).
6. Authorized Atty. Pilar Nenuca P. Almira to present, transact and negotiate and to sign all documents with respect to the Corporation's energy requirements under the Retail Competition and Open Access (RCOA) regime
7. Authorized MERALCO MPOWER to register, negotiate and transact for and in behalf of the Corporation with the Philippine Electricity Market Corporation (PMEC) and/or Independent Electricity Market Operator of the Philippines, Inc. (IEMOP)
8. Authorized Atty. Pilar Nenuca P. Almira as its representative and signatory in its contract with the Privatization Management Office for the Amorsolo Laboratory Drive Thru Project.
9. Authorized Atty. Pilar Nenuca P. Almira as its representative and signatory in the renewal of its contract with Ricoh Philippines.
10. Authorized Arlyn L. Songco as its representative and signatory in its contract with East Manila Hospital Managers Corporation.
11. Authorized Arlyn L. Songco as its representative and signatory in its contract with Phoenix Petroleum Philippines, Inc.
12. Authorized Fleurdeliz C. Atienza as its representative and signatory for the renewal of Certificate of Accreditation as Importer, and in the Import Entries.
13. Authorized Reinaldo Baltero, as its representative and signatory in transactions and activities with the Optical Media Board.
14. Authorized Eng. Gerry E. Cunanan as its representative and signatory for the application for certain projects with the Makati City Engineering Office:
    a) MedExpress Satellite Pharmacy, Ground Floor Tower 1
    b) Delivery and Ultrasound Room Registration Area, 5th Floor Tower 1
    c) Histopathology Reconfiguration, 2nd Floor Tower 1
15. Authorized the following persons as the Corporation's authorized representative (s) with SEC for the purpose of compliance with SEC MC No. 28 Series of 2020:

    1) Arnold C. Ocampo
    2) Armyla B. Palomar

REGULAR BOARD MEETING
21 May 2021

1. Approved the conduct of the Annual Stockholder Meeting on July 20, 2021 using remote communication and voting in absentia pursuant to SEC Memorandum No. 6, Series of 2020.

2. Authorized Atty. Pilar Nenuca P. Almira and/or Arnold C. Ocampo as representatives to sign sign, execute, and deliver for and in behalf of the Corporation contracts, documents, agreements, and other writings of whatever nature, kind and description, with G-XCHANGE, INC.

3. Authorized Atty. Pilar Nenuca P. Almira and/or Arnold C. Ocampo as representatives to sign, execute, and deliver any and all applications, contracts, documents, forms and other writings as may be necessary or proper with PayMaya Philippines

4. Authorized Eng. Gerry E. Cunanan as its representative and signatory for the application for certain projects with the Makati City Engineering Office:
    a) Relocation of Bone Marrow Transplant Project at 7^{th} Floor, Tower 2
    b) Relocation of Maxicare office at 1^{st} Floor, Tower 2

5. Authorized Bita S. Avendano, Isidro M. Perfecto and Arnold C. Ocampo as representatives to enter into transactions and contracts with, and/or avail of products, facilities, services of or through the representation of Globe Telecom Incorporated.

SPECIAL BOARD MEETING
23 June 2021

1. Authorized Medical Doctors, Inc. to register for the establishment of the COVID-19 Vaccination Site as a requirement of Makati City under City Ordinance No. 2021-094.
2. Authorized Dr. Saturnino P. Javier as representative to:
    a) Process the application for the Vaccination Site Registration
    b) Sign, execute, and deliver any and all documents necessary to process the aforementioned application for registration

ANNEX "D"

MANAGEMENT REPORT

Business Development

Medical Doctors, Inc. (the "Parent Company") was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on April 23, 1963, primarily to operate, manage and own a hospital or hospitals, medical and chemical clinics and/or laboratories and such other enterprises that may have similar undertakings. The Parent Company operates under the trade name of Makati Medical Center (the "Hospital").

On December 31, 1970, the Parent Company attained its status of being a "public company". The Parent Company is considered a public company under Rule 3.1 of the Implementing Rules and Regulations of the Securities Regulation Code, which, among others, defines a public corporation as any corporation with assets of at least P50 million and having 200 or more shareholders, each of whom holds at least 100 shares of its equity securities. As of December 31, 2020, the Parent Company has 1,109 shareholders (2019 - 1,123) each holding at least 100 shares of the Parent Company's common shares.

The Company's major shareholders consist of local companies and individual medical practitioners, with percentages of ownership as follows:

	As at December 31	
	2020	2019
Metro Pacific Hospital Holdings, Inc. (MPHHI)	33.38%	33.01%
Associated Sugar, Inc.	4.76%	4.76%
Dr. Remedios Suntay	3.27%	3.10%
San Miguel Corporation	2.44%	2.44%
Dr. Raul G. Fores	2.09%	2.09%
	45.94%	45.40%

As of December 31, 2020, the remaining 54.06% (2019 - 54.60%) of the Company's issued and outstanding shares are held by private individuals, local companies and practicing doctors of the Hospital. Of the total 3,420,737 outstanding shares in 2020, 191,884 shares or 5.61% are owned by the Company's directors, officers and employees (2019 - 3,419,237 outstanding shares, 190,522 shares or 5.57%).

The Parent Company is a pillar in the healthcare industry. It is equipped with the most modern facilities, some of which are the first of its kind in the Philippines and Asia and are comparable with those in the leading centers of Europe and the United States.

As of December 31, 2020, CII remains to be the sole subsidiary of the Parent Company with the same percentage of ownership.

The subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the Parent Company does not differ from the proportion of ordinary shares held. The Parent Company further does not have any shareholdings in the preferred shares of subsidiary undertaking included in the Group.

The Group has not filed any bankruptcy, receivership or similar proceedings and neither has there been any material reclassification, merger, consolidation or purchase or sale of a significant amount of assets in the ordinary course of business.

Business of Issuer

The Parent Company is engaged primarily to establish, operate, manage and own a hospital or hospitals, medical and chemical clinics and/or laboratories and such other enterprises that may have similar undertakings. The Parent Company operates under the trade name of Makati Medical Center.

The principal products or services offered by the Parent Company includes anesthesia, dermatology, cellular therapeutics, emergency medicine, legal medicine, medicine, neurosciences, nuclear medicine, obstetrics and gynecology, ophthalmology, orthopedic surgery, otorhinolaryngology, pathology, pediatrics, physical medicine and rehabilitation, radiology and surgery. It also offers emergency, operating, delivery, nursery room services and intensive care units. Specialty centers and medical packages are also offered to attract patients and enhance profitability.

The Parent Company's sole subsidiary, Computerized Imaging Institute, Inc. (CIII), is engaged primarily to establish, operate, manage, own and maintain a Computed Tomography Center and such other enterprises which may have similar or analogous undertakings or dedicated to services in connection therewith, subject to the condition that purely professional medical or surgical services in connection therewith shall be performed by duly qualified radiologist who may and individually be contracted by patients. CIII basically offers alternative radiology services to patients of the Parent Company. On October 5, 2018 the Board of Directors of CIII approved the cessation of operations of CIII effective December 31, 2018 based on its deteriorating financial situation.

The Group derives its revenues mainly from the delivery of healthcare services to patients of its hospital which comprises about 92% of its total gross revenues. Other sources of revenues includes the operation of an outpatient pharmacy which is about 7% of its gross revenues and the remaining 1% is from rental income for the leasing of some of its spaces in the hospital to concessionaires and doctors clinics. The Group does not have revenues derived from foreign sources and all of its products and services are delivered within its hospital located at the central business district of Makati City.

The Group's main competitors includes St. Luke's Hospital in Quezon City and Global City, Fort Bonifacio; The Medical City hospital in Pasig; and Asian Hospital in Alabang, Muntinlupa City.

Industry trend for the Group's competitors is to increase their network geographically by establishing new hospitals and clinics. St. Luke's has hospitals in Quezon City and Fort Bonifacio, while The Medical City has hospitals in Pasig City, Clark and several satellite clinics all over the metro.

The Group does not also depend upon a single or a few suppliers for essential pharmaceutical products, medical supplies, medical equipment and other hospital items. Among its major suppliers include Zuellig Pharma Corporation, Metro Drug Inc., United Laboratories Inc., Rebmann Inc. and Biosolutions Inc.

The Group is not dependent upon any single customer or few customers as sources of its revenues. Among its major customers include Maxicare, Medicard, Intelllicare, Philcare, PLDT and ADB. In addition, private paying patients still comprises more than half of its total gross revenues.

The Group's transactions with and/or dependence on related parties is discussed on Item 12 pages 31-33.

The Group does not have any patents, trademarks, copyrights, licenses, franchises, concessions, and royalty agreements held.

The Group is compliant with all government licensing/permit, particularly from the Department of Health (DOH), Bureau of Food and Drug (BFAD) and such other regulatory agencies on the operation of a hospital or clinic including compliance with environmental laws for air, water and hospital waste. The Group also complies with laws governing the granting of senior citizen discount, person with disability discount and other related laws.

Other than the development of new services as listed below, the Group does not have significant spending on research and development activities. However, the Group is engaged in clinical trials which are mostly sponsored by pharmaceutical companies. These companies are required to pay fees prior to the start of the clinical trials and the revenues derived from such over the past three years are as follows:

	2020	**2019**	**2018**
Clinical Trial Fees	1,361,367	1,092,523	838,247
Gross Hospital Revenues	6,308,103,477	7,771,476,950	7,086,385,931
% to Gross Hospital Revenues	0.02%	0.01%	0.01%

The following are new services of Makati Medical Center that have either been launched in 2020 or are being developed for the following year:

- In February 2020, the hospital introduced a procedure known as PELD (Percutaneous Endoscopic Lumbar Discectomy) which is the removal of an intervertebral disc herniation ("slipped disc") from the spine through a minimally invasive approach.

- MakatiMed opens its PET (Positron Emission Tomography and Computed Tomography System) Imaging Center in the first half of 2020.

- On October 15, 2020, the hospital opened the MakatiMed Wellness Center in Ayala North Exchange in Makati City. It offers various diagnostic imaging services, skin and laser procedures and health screening services.

- In April 2020, the Department of Health (DOH) certified Makati Medical Center, along with 16 other health institutions, as a testing center for COVID-19 in the country. The Section of Molecular Pathology then started offering RT-PCR test for SARS-CoV-2 on April 15, 2020.

- On December 4, 2020 the Department of Nuclear Medicine announced that the new GE Discovery 860 SPECT/CT for Molecular Imaging is ready to accept patients. The revolutionary machine combines SPECT imaging with CT for enhanced resolution, small lesion detection, low dose optimization, reduction of scanning time for improved clinical performance.

The COVID-19 pandemic and the community quarantines that were implemented in the city has affected the revenues and patient census of the Group. The Group's strategy and focus throughout 2020 has been on taking care of COVID-19 patients seeking medical attention in the hospital and on creating a safe environment to encourage all other patients to return to the hospital for their healthcare needs. Major achievement and activities of the Group in 2020 includes:

- From March to December 2020, Makatimed attended to more than 52,700 suspect COVID-19 cases, with the highest peak in the months of July and August. Out of these cases, a total of 6,645 individuals were confirmed positive. The case fatality rate of Makatimed was 2.4%, while the clinical recovery rate was nearly 97%. Since its accreditation as COVID-19 PCR testing facility in April 2020, the Center had performed 66,643 tests. Makatimed had consistently allocated 20% of its bed capacity to COVID-19 cases since March 2020. To date, Makatimed had only one physician or healthcare worker mortality from community-acquired COVID-19 infection.

- At the height of community quarantines in the city, MakatiMed launches home and drive-thru services for laboratory, adult vaccination and other homecare services.

- In a race to develop an effective treatment for COVID-19 pandemic, Makati Medical Center joined other hospitals in the Philippines for a worldwide Solidarity Trial by the World Health Organization (WHO).

- On November 12, 2020 MakatiMed received a Certificate of Recognition for Commitment to Excellence from the Philippine Society for Quality (PSQ) for the hospital's best practices in addressing the challenges of the COVID-19 pandemic.

- MakatiMed won the Asian Hospital Management Awards (AHMA) Excellence Award for its MMC: Beyond Malasakit – the Hospital with a Stronger Heart for best practices in its COVID-19 response. The International Hospital Federation (IHF) Beyond the Call of Duty for COVID-19 program.

The Group has 2,786 regular employees as of December 31, 2020 as follows:

	Number of Employees
Operational	2,181
Administrative	605
Total	2,786

The Group also recognizes the Union as the sole and exclusive collective bargaining agent of all its regular rank and file employees. In 2017, the Parent Company successfully completed negotiation with the Union for the renewal of the CBA agreement for another 5 years. The new agreement was signed on May 19, 2017 and covers the period March 1, 2017 to February 28, 2022.

No major risk/s involved in the business at present except for the following.

(a) Market price risk

a. Foreign exchange risk - The Group is exposed to foreign exchange risk primarily with respect to its cash deposits maintained in U.S. Dollar and EURO and certain importation of professional equipment which are payable in U.S. Dollar. The Group's financial position and results of operations are affected by the movement in the U.S. Dollar and EURO to Philippine Peso exchange rate. Based on management's assessment, foreign exchange risk arising from its foreign denominated accounts is not considered significant.

b. Interest rate risk - The Group has no significant financial assets and liabilities that are exposed to interest rate risk. Long-term borrowings issued at fixed rates and measured at amortized cost are not affected by cash flow or fair value interest rate risk.

(b) Credit risk - The Group is primarily exposed to credit risks because the Hospital is required to attend to emergency medical needs of individual patients without considering their capability to pay.

(c) Liquidity risk - The Group's ability to make payments on its indebtedness and to fund its operations depend on its future performance and financial results. Currently, the Group generates significant cash from its operating activities and is able to meet all of its financial covenants included in the credit agreement with its lenders. Historically, the Group's liquidity position is strong due to profitable operations. To manage liquidity, the Group projects monthly cash flows from its operating, investing and financing activities and evaluates actual cash flow information to ensure that the immediate requirements of the Hospital are covered to. Working capital requirements are also reviewed on a monthly basis and reported to the BOD.

(d) Medical errors –Similar to other hospitals, Makati Medical Center considers the occurrence of medical errors as a potential major risk in its operations. Medical errors are failures in the process of care either in the diagnostic, treatment, preventive or other procedures performed on the patient. The result of an error is classified as either a near miss event, an adverse event or a sentinel event. A sentinel event is an unanticipated occurrence involving death or serious physical or psychological injury. Makati Medical Center established a Culture of Safety Quality and Compliance Program which represents Management's commitment to enhance the culture of safety, proactive risk reduction, continuous performance improvement and compliance to hospital programs, policies and procedures. The program encompasses all hospital systems, processes and structures that may directly or indirectly affect safety of patients, visitors and employees, and quality of patient care and environment.

Additional Requirements as to Certain Issues or Issuers

1. Debt Issues - The Group's net worth exceeds P25 million.

2. Investment Company Securities - Not Applicable

Properties and Lease Agreements

1. **Properties**

(a) Mortgaged Properties

On August 13, 1993, the Parent Company executed a Mortgage Trust Indenture (MTI) with a local bank as trustee whereby it agrees to deliver to the trustee a real estate mortgage on certain Parent Company properties as collateral for the prompt and full payment of its loan obligations to its lenders. Supplemental indentures were executed on various dates from December 1993 following the Parent Company's availment of additional loans from various lenders.

In accordance with the implementation of the loan restructuring effective on May 18, 2007, all of the restructured loans were secured by Mortgage Trust Indenture (MTI). Subsequent loan availments made in 2013, 2014 and 2016 with various banks and a related party are also secured by MTI. The proceeds of these loans were used partially to fully settle the restructured loans and finance the capital expenditures of the hospital. As at December 31, 2020, the fair value of the land as appraised by an independent appraiser amounted to P4,063,136.

(b) Appraisal of land and building and building improvements

The Parent Company's land in Makati City where the Hospital is located has original cost of P600,000. Total land area is approximately 12,320 square meters. The land is carried at fair value as appraised on various dates as follows:

Date of appraisal	Appraised value (in million Pesos)
May 1, 1990	739
October 11, 2001	3,080
December 5, 2003	2,464
January 2, 2007	2,464
October 31, 2008	2,464
November 17, 2011	2,661
November 15, 2016	2,957
October 17, 2019	4,063

The fair values of the land and buildings and building improvements were based on the latest appraisal report dated October 17, 2019 determined by Cuervo Appraisers, Inc. using combination of market and cost approach.

Based on the latest appraisal report, the appraised value for the Parent Company's buildings and building improvements amounted to P2,911,761,000. The appraisal is recognized as addition to revaluation surplus in the statements of total comprehensive income and in the statements of changes in equity for the year ended December 31, 2019. If the buildings and building improvements (both carried at revalued amounts) were stated at historical cost, the net carrying values as at December 31, 2020 would amount to P2,516,358,248 (2019 - P2,544,758,143).

The revaluation surplus from the foregoing assets, shown net of DIT liability, included in equity at December 31 is as follows:

	2020	2019
Land	2,843,775,200	2,843,775,200
Buildings	247,815,258	256,901,396
	3,091,590,458	3,100,676,596

(c) Construction in Progress

Construction-in-progress consists of costs incurred for the renovation of the Hospital's main building and various improvements of its leased office space.

There were no capitalized borrowing costs as at December 31, 2020 and 2019 as the ongoing constructions of the Group are not considered as qualifying assets.

2. **Lease Agreements**

(a) *When the Parent Company is the lessee*

The Parent Company entered into various lease agreements with a third-party lessor. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests of the lessor. None of the leased properties were used as security for borrowing purposes.

(i) Clinical facilities, back office and parking spaces

On June 17, 2014, the Parent Company entered into a non-cancellable lease agreement with Adelantado Corporation covering certain floors at Keyland Centre to serve as additional clinical facilities of the Parent Company, its back office and parking spaces with a term of 5 years beginning April 15, 2014 until April 14, 2019. In 2015, the lease term was amended and extended to 10 years beginning from its original commencement date until April 14, 2024. The lease is renewable upon mutual agreement by both parties. The lease agreement includes provision for rent-free period and an escalation rate during term of the lease.

The foregoing lease agreement requires the Parent Company to pay refundable security deposit amounting to P13,374,760. The carrying amount of the refundable deposit approximates its fair value as the effect of discounting is immaterial. This is presented as part of other non-current assets.

(ii) Wellness center and parking spaces

In 2019, the Parent Company entered into lease agreements with various lessors covering office space to serve as the new wellness center of the Company and several parking lots. The lease agreements have various terms and renewable upon mutual agreement. Following is the summary of the leases:

Lessor	Location	Area/Parking stalls	Original term
Ayala Land, Inc.	Ayala North Exchange Tower 1	1,638.45 sqm.; 21 parking stalls	February 1, 2019 to January 31, 2024
Ayala Land, Inc.	City Gate	101 parking stalls	January 1, 2019 to December 31, 2029
One Dela Rosa Property Development, Inc.	Ayala North Exchange Tower 1	28 parking stalls	May 1, 2019 to December 31, 2029

The Parent Company paid refundable security deposit in relation to the above lease agreements as at December 31, 2020 and 2019 amounting to P9,473,220. The carrying amount of the refundable deposit approximates its fair value as the effect of discounting is immaterial. This is presented as part of other non-current assets.

(iii) Others

The Parent Company has various operating non-cancellable lease agreements for the use of equipment, office furniture and other vehicles. Rent expense for the year ended December 31, 2020 on short-term leases and low-value assets are presented under cost of services and administrative expenses amounted to P8,340,015 (2019 - P13,453,441). Accrued rent relating to leases of short-term and low-value assets as at December 31, 2020 amounted to P566,750 (2019 – P1,327,342 under PAS 17).

(iv) Amounts recognized in the consolidated statement of financial position

Following the adoption of PFRS 16, the leased assets are presented as part of the property and equipment in the consolidated statement of financial position. The consolidated statements of financial position show the following amounts relating to leases.

	December 31, 2020	December 31, 2019
Right-of-use asset, net		
Office and parking spaces	303,549,782	384,785,763
Lease liabilities		
Current	86,298,617	73,811,980
Non-current	253,887,287	340,185,903
	340,185,903	413,997,884
Deferred tax asset on:		
Right-of-use asset	110,740,119	132,883,713
Lease liabilities	(91,064,935)	(115,435,429)
	19,675,184	17,448,284

There were no additions to the right of use assets for the year ended December 31, 2020 (2019 -P207,094,388)

The movements in lease liabilities are as follows:

	2020	2019
Beginning of the year	413,997,884	288,464,461
Additions during the year	-	207,094,388
Principal and interest payments	(103,461,567)	(107,652,340)
Accretion of interest	29,649,588	26,091,374
End of the year	340,185,904	413,997,884

(iv) Amounts recognized in the consolidated statement of total comprehensive income

The consolidated statement of total comprehensive income show the following amounts relating to leases:

	2020	2019
Depreciation of right-of-use assets		
Office and parking spaces	81,234,981	78,614,856
Interest expense (included in finance costs)	29,649,588	26,091,374
Expense relating to leases of low-value assets not shown as short-term leases (included in cost of services and administrative expenses)	8,340,015	13,453,441
	119,224,583	118,159,671

The total cash outflow for leases, including short-term leases and leases of low-value assets, as at December 31, 2020 is P112,562,250 (2019 - P119,778,000).

(v) Discount rate

The lease payments for all leased assets are discounted using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Critical estimates in determining incremental borrowing rate

To determine the incremental borrowing rate, the Parent Company used a single incremental borrowing rate lifted from the Parent Company's recent loan which is adjusted based on the movement of the comparable BVAL or PDST-R2 rates from the date of the loan to the date of the adoption of the new lease standards. The discount rate applied by the Parent Company is 7.41%.

(vi) Extension and termination options

Extension and termination options are included in the lease agreements of the Parent Company. These are used to maximize operational flexibility in terms of managing the assets used in the Parent Company operations. The extension and termination options are exercisable only upon written agreement by the Parent Company and the lessor under terms and conditions acceptable to both parties.

Accounting judgment in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Parent Company considers the factors as the most relevant in assessing the options:

- If there are significant penalties to terminate (or not extend), the Parent Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Parent Company is typically reasonably certain to extend (or not terminate).
  Otherwise, the Parent Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in leases have not been included in the lease liability because renewal is unlikely given that there are no economic incentives present upon renewal, and/or there are no significant leasehold improvements in the leased premises. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

(vii) Reconciliation of operating lease commitments and lease liability

The reconciliation between the operating lease commitments disclosed in applying PAS 17 at December 31, 2018 discounted using the Parent Company's incremental borrowing rate and the lease liability recognized as at January 1, 2019 is as follows:

	Amount
Operating lease commitments, December 31, 2018	367,776,427
Less: discounting effect	(79,311,966)
Lease liability, January 1, 2019	288,464,461

The effects of adoption of PFRS 16 on the Group's financial statements as at January 1, 2019 are as follows:

	Increase (decrease)
Lease liabilities	288,464,461
Property and equipment, net	256,305,231
Deferred tax asset on accrued lease (straight-lining)	(15,735,000)
Prepaid expenses	(20,292,000)
Accrued rent	(52,451,000)

Where the Group is the lessor

The Parent Company has various non-cancellable agreements for leases of clinics and commercial spaces located within the Hospital to doctors and concessionaires for a period of not more than 1 year and with renewal options for another year as mutually agreed by both parties. Refundable deposits from these lease agreements amounted to P4,344,665 as at December 31, 2020 (2019 - P4,087,348) which is presented as part of other current liabilities in the consolidated statements of financial position.

Rent income arising from these lease agreements amounted to P82,070,622 for the year ended December 31, 2020 (2019 - P106,696,105; 2018 – P103,241,8110). Rent receivable as at December 31, 2020 amounted to P18,237,989 (2019 – P12,918,948).

Capital Commitments

Capital expenditures which are relating to the on-going renovation of the buildings and equipment purchases contracted for at December 31, 2020 but not yet incurred amounted to P262,012,031 (2019 – P440,160,661).

Legal Proceedings

The Group is a plaintiff or defendant in various cases now pending before the courts and those arising out of its normal course of operations. In the opinion of management, based on advice of its legal counsels, the ultimate disposition of these cases will not have any significant effect on the Group's financial position, results of operations and cash flows as at December 31, 2020, 2019 and 2018.

The Group is not a party to any single legal proceeding involving a claim that would exceed 10% of the group's current assets.

Directors and Executive Officers

(a) The Company is not aware of any pending legal proceeding of the nature required to be disclosed under Part I, paragraph (C) of Annex C with respect to nominees for directorship.

(b) The names of the incumbent and nominee directors and executive officers of the Company, and their respective ages, current positions held, periods of services and business experience during the past five (5) years, are as follows:

Benjamin N. Alimurung, M.D. 75, Filipino

Benjamin N. Alimurung, M.D. is a nominee for a regular director position. He has been a member of the MDI Board since 1981. He was the Medical Director of the Hospital from 2006 to May 31, 2016. He was a member of the Management Committee from 1983 to May 2016; Head, Cardiovascular Diagnostic Laboratory (Heart Station) since 1981; Head, Catheterization Laboratory since 1989. Director, Adult Cardiology Training Program since 1983; Active Medical Staff, MMC, 1981 to present; Adult Cardiology Fellowship, Emory University School of Medicine and Affiliated Hospitals, Atlanta, Georgia, USA, July 1976- April 1980; Interventional Cardiology, Emory University School of Medicine and Affiliated Hospitals, Atlanta Georgia, USA, November 1987 – November 1988; Co-Director, Cardiac Catheterization Laboratory and Director, Exercise Function Laboratory, Grady Memorial Hospital, Atlanta Georgia, USA, July 1979-January 1980; Instructor in Medicine (Cardiology), Emory University School of Medicine, Atlanta, Georgia, USA July 1979 – January 1980; Director, Cardiac Catheterization Laboratory, Grady Memorial Hospital, Atlanta Georgia, USA, November 1987 – November 1988; International Fellow, Council on Clinical Cardiology, American Heart Association, January 1985; Fellow, American College of Cardiology, August 25, 1997; Member Asia-Pacific Society of Interventional Cardiology, 1995; Active Medical Staff, UST 1980- 1987 and Balik-Scientist Presidential Program Awardee (for Cardiovascular Medicine), Phase-II, Philippine National Science Development Board, Manila, Philippines, 1981

Atty. Pilar Nenuca P. Almira, 68, Filipino

Pilar Nenuca P. Almira is a nominee for regular director position. She is currently the President & CEO of MDI since September 2021. Prior to joining MDI, she was the President & CEO of Cardinal Santos Medical Center and the President of Cardinal Medical Charities Foundation, Inc. since December 2012. She was also the President & CEO of Our Lady of Lourdes Hospital since August 2016.

Atty. Almira served as the Hospital Director of Manila Doctors Hospital from 2006 to 2012; Senior Vice President for Business Development, Marketing and Sales Effectiveness at St. Peter life Plan Incorporated from 2002 to 2006; Chief Operating Officer at University of Santo Tomas Hospital from 2000 to 2002; Human Resource Director for South/South East Asia at Kraft Foods International from 1988-2000; Human Resource Director at Warner Lambert Philippines from 1978 to 1988; and Factory Personnel Manager at Nestle Philippines from 1974 to 1978.

In 1998, the Personnel Management Association of the Philippines awarded her Personnel Manager of the year.

Atty. Almira has an MBA degree from the Ateneo de Manila University in 1978, a law degree from the University of the Philippines in 1984 and a master’s in health services administration degree from Ateneo de Manila University in 2004. She was also conferred a Papal Award by Pope Francis in 2015.

Jose Amado A. Fores, 60, Filipino

Jose Amado A. Fores is a nominee for a regular director position. He has been a member of the MDI Board since 2008. He is currently a member of the Clinical Risk Management, Infection Control and Medication Appropriate Use Committee of the Board. He is Vice President, Information Technology Division of ACI, Inc. from 2006 up to present; Vice President of Uniprom, Inc. (1994-2006); IT Project Team Head, Progressive Development Corporation (2000-2001); Project Proponent / VP & GM, Board Member of TicketNet, Inc.(1994-2010); President and CEO Founding

Partner, Board Member, Central Network Linkages, (1987-present); and Administrative Committee Board Member, CIBO, Inc. (1999 up to present).

Victor L. Gisbert, M.D., 66, Filipino

Victor L. Gisbert, M.D. is a nominee for regular director position. He has been a member of the MDI Board since 2007. He is currently a member of the Compensation and Retirement Committee of the Board and the co-Chairman of the Clinical Risk Management, Infection Control & Medication Appropriate Use Committee. He was the Ex-Officio President of the Medical Staff Association of Makati Medical Center. He is currently President of MMC Foundation, Inc. and Philippine Asian Vascular Society; Chairman of the Health Service Department of Makati Medical Center; Vice President of the Philippine Society of vascular and vascular surgery, an active staff member at the MDI Department of Surgery; Section Chief, Peripheral Vascular Section; Member, Medical Services Committee of Makati Medical Center; Vice-President, Asian Society of Vascular Surgery; Medical Director of Guevent Group of Companies., He obtained his Vascular and Trauma Surgical Fellow and Trauma and Vascular Research Fellow at the Hennepin County Medical Center, Minneapolis, Minnesota, Vascular Fellow, Cornell Medical Center, New York, USA. Fellow, Philippine College of Surgery and American College of Surgeons, General Surgery training, at Makati Medical Center.

Jose Ma. K. Lim, 69, Filipino

Jose Ma. K. Lim is a nominee for regular director position. He has been a member of the MDI Board since 2008. He is currently a member of the Nomination and Election Committee and of the Ethics Committee of MDI. Born in the Philippines in April 1952, Mr. Lim graduated from the Ateneo de Manila University, with a Bachelor of Arts degree in Philosophy. He received his MBA degree in 1978 from the Asian Institute of Management.

Mr. Lim then worked as a senior officer for various local and foreign banking institutions from 1988 to 1995. He was Director for Investment Banking of the First National Bank of Boston from 1994 to 1995, and prior to that, Vice President of Equitable Banking Corporation.

In 1995, Mr Lim joined Fort Bonifacio Development Corporation (FBDC) as Treasury Vice President and eventually was appointed Chief Finance Officer in 2000.

In 2001, Mr. Lim assumed the position of Group Vice President and Chief Finance Officer of FBDC’s parent company, Metro Pacific Corporation (MPC) on a concurrent basis . He was then elected President & CEO of MPC in June 2003.

In 2006, MPC was reorganized into Metro Pacific Investments Corporation (MPIC), where he continues to serve as President & CEO. Aside from MPIC he is also currently a Director in the following MPIC subsidiaries and affiliate companies:

Manila Electric Company; Meralco Powergen Corporation; Beacon Electric Asset Holdings Inc.; Global Business Power Corporation; Metro Pacific Tollways Corporation; NLEX Corporation; Cavitex Infrastructure Corporation; Easytrip Services Corporation; Cebu Cordova Link Expressway Corporation; AIFTollroads Holdings, Thailand; Maynilad Water Services Inc.; MetroPac Water Investments Corporation; Cagayan de Oro Bulk Water Inc.; Metropac Movers Inc; Light Rail Manila Corporation; AF Payments Inc; Metro Pacific Hospital Holdings Inc.; Medical Doctors, Inc. (owner and operator of Makati Medical Center); Cardinal Santos Medical Center (Colinas Verdes Hospital Managers Corporation); Asian Hospital; Our Lady of Lourdes Hospital; Manila Doctors Hospital Inc; Davao Doctors’ Hospital; Riverside Medical Center Inc.; Metro Pacific Investments Foundation; and Pacific Global Aviation Inc.

Mr. Lim serves as Chairman of Indra Philippines; Nusantara, Jakarta Indonesia; Ecosystem Technologies International and Metpower Venture Partners Holdings Inc.

He is also a Trustee of the Asian Institute of Management and Asia Society of the Philippines and an advisory board member of the Ateneo Graduate of School of Business;

Mr. Lim has received various awards relating to Corporate Governance and Investor Relations. He was accorded the Triple A award from Asian Institute of Management for his excellent performance in his field of profession.

He is a founding member of the Shareholders Association of the Philippines and an active member in various business organizations.

Conrado Gabriel C. Lorenzo III, MD, MBA., 58, Filipino

Dr. Conrado C. Lorenzo III is a nominee for regular director position. He was elected as a member of the MDI Board in July 2017 and serves an active member of the board's Audit, Finance, Compliance and Ethics committee.

He spends majority of his time at Makati Medical Center and is likewise affiliated with Asian Hospital & Medical Center and St. Luke's Medical Center, Global City. At one given time, he was Chief of the Section of Medical Oncology of all three hospitals, and Director of the Makati Medical Cancer Center (2008-2011), positions that he held concurrently. Dr. Lorenzo completed his undergraduate studies at Boston University, Boston, Massachusetts (1982-1986) and earned his medical degree from the University of the Philippines, Philippine General Hospital (1986-1991). He completed his Internal Medicine Residency at Hahnemann University, Philadelphia (1992-1996) and his Fellowship training in Hematology & Medical Oncology at the University of Texas, Southwestern Medical Center in Dallas (1996-1999). He is a Diplomate of both the American Board of Internal Medicine and American Board of Medical Oncology. Dr. Lorenzo also holds an MBA degree from the Ateneo Graduate School of Business (2012-2015) and completed a year of advanced education at the Harvard Medical School's Southeast Asia Healthcare Leadership Program (SEAL 2018-2019). He is a member of the Board of Directors of the Philippine Cancer Society and of FamilyDoc, a subsidiary of AC Health. He is an associate member of the Philippine Society of Medical Oncology, and member of various international societies including the American Society of Clinical Oncology (ASCO), European Society of Medical Oncology (ESMO), and International Association for the Study of Lung Cancer (IASLC). He currently serves as a member of Makati Medical Center's Medical Staff Association

Ma. Susana A.S. Madrigal, 64, Filipino

Ma. Susana A.S. Madrigal is a nominee for regular director position. She has been a member of the MDI Board since 2018. She is also a member Compliance Committee and Ethic Committee of MDI. She is currently President of Aquatic Property Management & Development Corporation, Micalex Land Inc., and C. Madrigal Group of Companies. She is Chairperson & CEO of Finca Verde Corporation; Chairperson & CEO of Micalex Corporation; Director of New Alabang Commercial Corporation; and Chairperson of Sugi Management Corporation. She held various positions in the past - Chairperson of A.P. Madrigal Steamship Corporation, Vice Chairman and Director, Madrigal Wan Hai Lines Corporation; Vice Chairperson and Director, Rizal Cement Corporation; Director, Solid Cement Corporation (now Cemex); Director, Solid Bank Corporation (now Metrobank); Shareholder, Wayfair Tours, Inc.; and was an Assistant Manager in Citibank N.A.

In 2018, she was awarded Hero of Philanthropy by Forbes Asia. In the same year, she was also conferred Cavaliere dell'Ordine della Stella d'Italia by the Embassy of Italy to the Philippines.

She earned her Master's in Business Economics from Center for Research and Communication; Owners/President Management Program at Harvard Business School in 1991. She graduated Summa Cum Laude, Bachelor of Science in Commerce major in Economics and Finance at the University of Santa Clara, U.S.A. in 1979. She was conferred a degree of Doctor of Humanities, Honoris Causa, by Palawan State University in 2006.

Manolo Michael T. De Guzman, 51, Filipino

Manolo Michael T. De Guzman became a director of MDI in 2020. He is currently a Managing Director of KKR since 2019. Mr. De Guzman served as the Country Head Philippines at Credit Suisse from 2017 to 2019. Between 1999 to 2017 he was with the Macquarie Group, where he held various roles covering Australia, Hong Kong, Taiwan and the Philippines. He has extensive experience across Asia Pacific in mergers & acquisition, leverage buyouts, principal investments, equity capital markets and general corporate finance. Mr. De Guzman has an MBA degree (Major in Finance and Accounting) from the University Of Chicago Graduate School Of Business, and a Bachelor of Engineering degree from the University of Sydney.

Augusto P. Palisoc Jr., 63, Filipino

Augusto P. Palisoc Jr. Guzman is a nominee for regular director position. He has been a member of the MDI Board since 2008. He is currently a resource person of the Compensation and Retirement Committee and Clinical Risk Management, Infection Control & Medication Appropriate Use Committee. He is a member of the Compliance Committee of the Board. He has been with the First Pacific group of companies for 36 years. He is currently an Executive Director of Metro Pacific Investments Corporation (MPIC) and is the President & CEO and a Director of Metro Pacific Hospital Holdings Inc., which is MPIC's holding company for all its hospital and healthcare investments. He is Chairman of the Board of Asian Hospital Inc., De Los Santos Medical Center, Marikina Valley Medical Center, East Manila Hospital Managers Corporation (owner and operator of the Our Lady of Lourdes Hospital), Delgado Clinic Inc. (owner and operator of the Dr. Jesus C. Delgado Memorial Hospital), Davao Doctors Hospital (Clinica Hilario Inc.), Riverside Medical Center Inc. and Riverside College Inc. in Bacolod, Central Luzon Doctors Hospital in Tarlac, Sacred Heart Hospital of Malolos Bulacan, Metro Pacific Zamboanga Hospital Corporation, St. Elizabeth Hospital Inc. in General Santos City, Manuel J. Santos Hospital in Butuan City, Los Banos Doctors Hospital, Metro Sanitas Corporation, Megaclinic Inc., and Metro Radlinks Network Inc. He is also a Board Director of Colinas Verdes Hospital Managers Corporation (owner and operator of Cardinal Santos Medical Center), Manila Medical Services Inc. (owner and operator of Manila Doctors Hospital), Davao Doctors College Inc., Tophealth Medical Clinic Inc., and Medi Linx Laboratory Inc. Prior to joining MPIC, he was the Executive Vice President of Berli Jucker Public Company Limited in Thailand from 1998 to 2001. Mr. Palisoc served as President and CEO of Steniel Manufacturing Corporation in the Philippines from 1997 to 1998. He has held various positions within First Pacific as Group Vice President for Corporate Development of First Pacific in Hong Kong, and Group Managing Director of FP Marketing (Malaysia) Sdn. Bhd. in Malaysia. Before he joined First Pacific in 1983, he was Vice President of Monte Real Investors, Inc. in the Philippines. Mr. Palisoc earned his Bachelor of Arts Degree, Major in Economics (with Honors) from De La Salle University, and his Master's in Business Management (MBM) Degree from the Asian Institute of Management. of Management.

Manuel V. Pangilinan, 74, Filipino

Manuel V. Pangilinan is a nominee for regular director position. He is the Chairman of MDI Board. He has held this position since July 2005. He is currently the Chairman of the Compensation and Retirement Committee of the MDI Board. Mr. Pangilinan founded First Pacific Company Limited in 1981 and serves as its Managing Director and Chief Executive Officer. He was appointed Executive Chairman until June 2003, when he was named as CEO and Managing Director. Within the First Pacific Group, he holds the positions of President Commissioner of P.T. Indofood SuksesMakmurTbk, the largest food company in Indonesia. In the Philippines, he is the Chairman of the Board, President & CEO of Philippine Long Distance Telephone Company (PLDT), the country's dominant telecom company and of Smart Communications Incorporated - the largest mobile communications services provider in the Philippines and continues to serve as their Chairman concurrently. He also serves as Chairman of Manila Electric Company (MERALCO), Metro Pacific Investments Corporation, Maynilad Water Services Inc. (MAYNILAD), Mediaquest Incorporated, Associated Broadcasting Corporation (TV5), Philex Mining Corporation, Manila North Tollways Corporation, Landco Pacific Corporation, Metro Pacific Hospital Holdings, Inc., Makati Medical Center, Cardinal Santos Medical Center, Our Lady of Lourdes Hospital, Digital Telecommunications Phils., Digitel Mobile Philippines, Inc., PLDT Communications & Energy Ventures, Inc. In 2012, he was appointed as Vice Chairman of Roxas Holdings, Incorporated which owns and operates the largest sugar milling operations in the Philippines.

He is currently the Chairman of the Board of Trustees of the San Beda College. In August 2016, the Samahang Basketbol ng Pilipinas (SBP) – the National Sport Association for basketball requested Mr. Pangilinan to be its Chairman Emeritus after serving as President since February 2007. Effective January 2009, MVP assumed the Chairman of the Amateur Boxing Association of the Philippines (ABAP), a governing body of amateur boxers in the country. In October 2009, Mr. Pangilinan was appointed Chairman of the Philippine Disaster Resiliency Foundation, Incorporated (PDRF), a non-profit foundation established to formulate and implement a reconstruction strategy to rehabilitate areas devastated by floods and other calamities. Mr. Pangilinan is Chairman of Philippine Business for Social Progress (PBSP), the largest private sector social action organization made up of the country's largest corporations. In June 2012, he was appointed as Co-Chairman of the US-Philippines Business Society (USPS), a non-profit society which seeks to broaden the relationship between the United States and the Philippines in the areas of trade, investment, education, foreign and security policies and culture.

Born in the Philippines in July 1946, Mr. Pangilinan graduated cum laude in 1966 from the Ateneo de Manila University in the Philippines, with a Bachelor of Arts degree in Economics. He received his MBA degree in 1968 from the Wharton School of Finance and Commerce at the University of Pennsylvania, where he was a Procter & Gamble Fellow. After graduating from Wharton, he worked in Manila for Philippine Investment Management Consultants Inc. (the PHINMA Group) and in Hong Kong with Bancom International Limited and American Express Bank, and thereafter with First Pacific Company Limited.

Judy A. Roxas, 86, Filipino

Judy A. Roxas is a nominee for regular director position. She has been a member of the MDI Board since 2005. She is currently a member of the Compliance Committee and Compensation and Retirement Committee of the Board. She is the Vice Chairman and Director of ACI, Inc. (formerly Araneta Center Inc.) and Progressive Development Corporation; Director and Executive Vice President of Associated Holdings, Inc. (formerly Associated Sugar, Inc.), FCP Properties & Dev't Corp. (formerly Financing Corporation of the Philippines), Ma-ao Sugar Central Co., Inc., PHI Holdings, Inc. (formerly PPI), and Talisay Silay Milling Co., Inc ; She is the Chairman of Philippine Horticulture Center, Inc.; Chairman & President of Agricultural Business Venture of Capiz, Inc., Kauswagan Development Corporation, Linampungan Agricultural Corporation and Myapo Prawn Farm Corp. She also sits on the board of directors of AB Agricultural & Business Corporation, Chow Baybay, Inc., Jolly Baybay Corporation and Panedra Agricultural Inc.; and a Shareholder of Manhattan Heights, Inc., and Manhattan Plaza, Inc.;

For social development corporations, she holds the following positions: Chairman of Capiz Women Inc., Gerry Roxas Foundation Hublag Finance Foundation, United Capizenos Foundation, Inc.; President of Gerry Roxas Foundation and J. Amado Araneta Foundation; Vice-Chairman of Makati Medical Center Foundation; Director of TOYM Foundation Inc., President Manuel A. Roxas Foundation, and Assumption Alumnae Association.

Remedios G. Suntay, 94, Filipino

Remedios G. Suntay is a nominee for regular director position. She was a member of the MDI Board from 2004 to July 2017 and was re-elected in July 2018. She is currently the Treasurer of the MDI and of Computerized Imaging Institute, Inc. (CIII). She was a member of Faculty of Medicine and Surgery (Instructor) in UST in 1954; Resident in Anesthesia at Kings' Country Hospital, New York from July 1, 1956 to June 30, 1958. She passed the written and oral examination of the American College of Anesthesiologists in 1958. She was a research fellow in Anesthesiology at Queens Hospital, New York from July 1958 to June1960. She was an Instructor of the Department of Anesthesiology College of Medicine Downstate Medical Center, New York from October 1960 to September 1961. She was an Instructor in Department of Anesthesiology in UST from 1962 to 1971 and received Certificate of 30 years in service from UST Medical Association in 1983. She was Chairman of the Department of Anesthesiology at Makati Medical Center from 2002 to 2009.

Michael C. Wassmer, M.D., 56, Filipino

Michael C. Wassmer is a nominee for regular director position. He has been a member of the Board since 2018. He is also a member of Clinical Risk Management, Infection Control and Medication Appropriate Use Committee and Nomination and Election Committee.

He is currently Vice Chair, Section of Pediatric Critical Care of MDI; Diplomate, Philippine Pediatric Society; Member, MMC IRB Committee; President of MMC Medical Staff Association; President, Commcare, Inc. and Administrator, Trinity Woman and Child Hospital. He has been Section Chief, Pediatric Critical Care of Medical Doctors, Inc. and Asian Hospital and Medical Center; President of Makati Medical Center Alumni Association and Alabang Golf and Country Club.

He had his post graduate training in Pediatrics in MDI and Pediatric Critical Care at Prince of Wales Children's Hospital in Sydney, Australia. He earned his Bachelor of Science in Physical Therapy and School of Medicine and Surgery at University of Santo Tomas.

Francisco A. Dizon, 71, Filipino

Mr. Francisco A. Dizon is a nominee for independent director position. In 2005, he was elected as an independent director of the Medical Doctors, Inc. (MDI) Board, a position which Mr. Dizon holds up to this time. He is a member of the Ethics Committee, the Audit & Finance Committee, the Clinical Risk Management, Infection Control & Medication Approirate Use Committee and of the Compensation and Retirement Committee of MDI. He is also the Chairman of Pacific Northstar, Inc. since 1995. Mr. Dizon also sits as Chairman and President of Project Quest Corporation since 1995; of Fleetwood Holdings Inc. since 1999; of Capitol Star Development Corporation since 2011, and of Diz Shoreline Holdings Corporation since 2018. He is also the Chairman of Business Process Outsourcing International, Inc. since 2004 and of Phoenix One Knowledge Solutions, Inc. since 200I. He is President and CEO of Sun Savings Bank, Inc since 2011, a Director of SunStar Publishing, Inc. and trustee of Laura Vicuna Foundation since 1992. Mr. He was Chairman of Sun Savings Bank, Inc from 2011 - 2018; Chairman and Director of Philippine National Bank from 2001-2005 and was President and CEO of Rizal Commercial Banking Corporation from 1997 to 2000.

Mr. Dizon possesses the qualifications and none of the disqualifications of an independent director.

Diana P. Aguilar, 57, Filipino

Diana P. Aguilar is a nominee for independent director position. She has been a member of the MDI board since 2018. She is currently the Chairperson of Audit and Finance Committee, a member of Nomination and Election Committee and of the Compliance Committee of MDI.

She is an Investment Banker with extensive experience in Capital Markets transactions and an Entrepreneur with businesses in the fields of Information Technology and Electronic Payments, Retail Trade and Property Management. Ms. Aguilar holds concurrent directorships in fields of Investment and Commercial Banking, Social Protection, Information Technology & E-payments, Retail and Supply Chain, Education and Property Management. She is a public servant serving as Commissioner in the Social Security System since 2010 and Chairperson of SSS' Risk and Investment Oversight Committee, which handles investments of the 500+ billion peso national pension fund. She is the Chairperson of Security Bank Capital Investment Corporation since August, 2016; Director, Security Bank Corporation since April, 2017; Vice Chairperson of SSS' Provident Fund since April, 2015; Director of Phliex Mining Corporation, since 2019; Director of PXP Energy Corporation since February, 2018, Advisor to the Board of Philippine Seven Corporation since January, 2015; Board Trustee and Treasurer, La Salle Greenhills since 2019, and Governor, Employers Confederation of the Phils (ECOP) since January, 2017.

Ms. Aguilar's academic background is in the fields of International Business, Finance, and Computer Science. She earned her Masters' Degree in International Business and Finance, with honors, at Pepperdine University, Malibu, California, and her Bachelor of Science in Computer Studies at De La Salle University, in Taft Ave, Manila.

Ms. Aguilar possesses the qualifications and none of the disqualifications of an independent director.

Francisco S.A. Sandejas, 53, Filipino

Francisco (Paco) Sandejas is Founder and Chairman of Narra Ventures, a technology holding company and boutique early-stage investment group that founded Stratpoint Technologies, Xepto Education, Narra Venture Capital as well as invested in over 40 high-technology companies, with some notable companies being Inphi (NASDAQ: MRVL), SIRF (NASDAQ: QCOM), Anulaire (TT:2241), Quintic (NASDAQ: NXPI), Calypto (NASDAQ: MENT) and Sandbridge.

He is also the Founder and CEO of Xepto Education, a system developer and integrator of the most innovative platform for the delivery of Digital Education content and tools for schools of the developing world.

He founded and chairs Stratpoint Technologies, Inc. one of SouthEast Asia's leading software consulting firms focused on Enterprise-level Digital Transformation.

Paco also serves as Independent Director on the board of SunLife of Canada (Philippines) and is the Chairman of Philippines S&T Development Foundation. He was an independent director of Unionbank of the Philippines where he helped lead the board efforts in the transformation that made the bank the most decorated digital bank in the Philippines, serving as Chairman of the Technology Steering Committee and the Operations Risk Management Committee.

At Stanford where he completed his Ph.D. and M.S. in Electrical Engineering, he co-invented the Grating Light Valve (GLV), one of Stanford's top IP money-makers. He was the first *summa cum laude* of University of the Philippines-Diliman's Applied Physics program and was awarded Ten Outstanding Students of the Philippines. Paco holds 5 international patents in nanotechnology and optoelectronics.

Being Chairman of the Philippine S&T Development Foundation, co-founder of the Brain Gain Network, Paco advices various agencies of the Philippine Government, De La Salle University and the University of the Philippines. He has worked at H&Q Asia Pacific, Applied Materials and Siliscape.

Arnold C. Ocampo, 48, Filipino

Mr. Arnold C. Ocampo, Vice- President, Chief Finance Officer (CFO) & Finance Division Head. Prior to his appointment as CFO, Mr. Arnold was the Department Head of Controllership in 2010 and was designated Office-in-Charge (OIC) of Finance on Aug. 16, 2013. Mr. Ocampo has had over 20 years of work experience in Finance gained from SGV, Strategic Alliance Dev't Corp, Stradcom Corp, SPI Technologies, Chikka Holdings, Ltd. and MakatiMed, 17 years of which he handled Financial Planning and Reporting, Budgeting and Cost Monitoring, Revenue Collections, Controllership, Financial Analysis and Project Financing.

Arlyn L. Songco, 48, Filipino

Arlyn L. Songco, Vice President & Division Head, Creative, Communications & Sales Services. Arlyn has had over 25 years of work experience in Marketing, Brand/Product Development and Management, Communications and Sales Services; 12 years experience in Marketing, PR and Communications, and Sales Services in the challenging Healthcare/Hospital industry (Makati Medical Center); 5 years experience in Sales, Marketing, and Carrier Relations in the fast-paced Information and Communications Technology industry (ePLDT/PLDT); 6 years experience in Product Management in the dynamic Telecommunications industry (Bayantel, Globe Telecom).

Marielle M. Rubio, 42, Filipino

Marielle M. Rubio, Vice President & Division Head, Service Operations. Marielle has had 20 years of work experience in Customer Service and Operations. 10 years in health care administration being responsible for the overall management of Inpatient and Outpatient units of Makati Medical Center. Prior to hospital operations, she held 8 years of various leadership roles in Operations and Customer Service with ePLDT Ventus Inc. (now SPi Global). She was responsible for multiple campaigns, planning and directing a team of operations manager.

Engr. Gerry E. Cunanan, 48, Filipino

Engr. Gerry E. Cunanan, Vice President for Facilities Management & Engineering Division. Engr. Cunanan is a licensed electrical engineer and has more than 20 years of experience in fields of facilities management, engineering design, property and project management, and energy & workplace management gained from diverse industries such as restaurant, FMCG, telecommunications, real estate & property management, and manufacturing. He has significant exposure in Building Automation Systems, Safety/Security Management, integrated facilities delivery management, waste water treatment, and centralized air-conditioning system. Prior to joining Makati Med, Gerry was the Engineering Head of PepsiCola Philippines where he led his team in providing technical support and total property management services to their Philippine Head Quarter offices, Distribution Center, Manufacturing Plant and Training Center.

(b) Term of Office

Pursuant to the Company By-Laws, the directors are elected at each annual stockholders' meeting by stockholders entitled to vote, for a term of one (1) year, and shall serve until the election and acceptance of their duly qualified successors. Any vacancies may be filled by the remaining members of the Board by a majority vote and the director/s so chosen shall serve for the unexpired term.

(c) Nominees for Election as Members of the Board of Directors

The deadline for nominees for the board of directors was last May 21, 2021. The Nomination Committee of the Board of Directors of the Company has determined that the above mentioned nominees for the board of directors, including the independent directors to be elected at the stockholders' meeting, possess all of the qualifications and have none of the disqualifications for directorship set out in the Code of Corporate Governance.

For the purpose of determining the qualifications of the nominees for independent directors, the Nomination Committee adopted the independence criteria set out in the Code of Corporate Governance and the Nomination Committee's nomination guidelines. The nomination guidelines are based on Securities Regulation Code Rule 38.1 as further amended by SEC Memorandum Circular No. 4 & 5 Series of 2017.

The members of the Nomination and Election Committee are as follows:

Chairman	- Atty. German Q. Lichauco II
Member	- Dr. Michael C. Wassmer
Member	- Mr. Jose Ma. K. Lim
Member	- Ms. Diana P. Aguilar
Resource Person	- Atty. Ricardo M. Pilares III
Resource Person	- MDI HR Head

Independent Directors

The nominees for election as independent directors of the Board of Directors on **July 20, 2021** are:

Nominee for Independent Director (a)	Person / Group recommending nomination (b)	Relation of (a) and (b)
Francisco A. Dizon	Jose Amado A. Fores	None
Diana P. Aguilar	Agripino Beng A. Javier, M.D.	None
Francisco S. A. Sandejas	First Optima Realty Corp.	None

In approving the nominations for Independent Directors, the Nominations Committee took into consideration the guidelines of the nomination of Independent Directors prescribed in SEC Memo Circular 4 &5, S. 2017.

Under the Section 3, Article III of the Corporation's By-Laws, (i) any stockholder having at least one (1) share registered in his name may be elected Director.

All the nominees for election to the Board of Directors should have at least one (1) share registered in their names once elected.

All nominations for the election of directors by the stockholders shall be submitted in writing to the Nominations and Election Committee of the Board through the office of the Corporate Secretary on or before May 21, 2021.

(d) Significant Employees

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

(e) Family Relationships

Nominee Director, Jose Amado A. Fores is the nephew of Judy A. Roxas.

Except for the above, there are no other family relationships up to the Fourth Civil Degree either by consanguinity or affinity among the Directors, Executive Officers or persons nominated.

Market for Issuer's Common Equity and Related Shareholder Matters

Market Information

The Parent Company's shares are not listed/traded in the stock exchange. Total authorized capital stock of the Parent Company is 4,000,000 shares of P100 par value per share, composed of 50,000 Preferred Shares and 3,950,000 Common Shares. As of May 31, 2021, none of the Preferred Shares have been issued.

As at May 31, 2021, the Parent Company has the following outstanding shares of common stock:

Title of Class	Number of Shareholders	Number of shares outstanding
Common Shares	**1,465**	**3,420,737**

Holders

The top twenty (20) shareholders and the respective number of shares held by each shareholder are as follow:

Rank	Name of Stockholders	Kind of Stock	Total No. of Shares	of total O/S
1	Metro Pacific Hospital Holdings, Inc.	Common	1,141,819	33.38%
2	Associated Holdings, Inc.	Common	162,872	4.76%
3	Suntay, Remedios G.	Common	114,928	3.36%

4	San Miguel Corporation	Common	83,379	2.44%
5	Fores, Raul G., MD (Deceased)	Common	71,367	2.09%
6	Alimurung, Benjamin N., MD	Common	47,110	1.38%
7	First Optima Realty Corporation	Common	32,016	0.94%
8	Antonio, Cristina, MD	Common	31,332	0.92%
9	Progressive Development Corporation	Common	29,492	0.86%
10	Manahan, Constantino JR. L.	Common	17,954	0.52%
11	Fuerte Holdings, Inc.	Common	17,708	0.52%
12	Cabrera, Alvin Gubat	Common	12,266	0.36%
13	A. E. Cruz, Inc.	Common	10,890	0.32%
14	Revilla, Vicente G.	Common	10,741	0.31%
15	Philippine Air Lines	Common	10,164	0.30%
16	Madrigal, Ma. Susana A.S.	Common	9,335	0.27%
17	Richardsons Realty Corporation	Common	9,289	0.27%
18	Araneta,Luis Ma. (Deceased)	Common	8,842	0.26%
19	Belek, Inc.	Common	8,820	0.26%
20	MC Engineering	Common	7,986	0.23%

Dividends

For the three years ended December 31, 2020, the Group's BOD authorized and approved the declaration and payment of cash dividends as follows:

Declaration date	Payment date	Shareholder beneficiaries as of record date	From retained earnings as at December 31	Dividend per share	Total dividends
July 17, 2018	August 30, 2018	July 31, 2018	2017	30.00	101,505,000
November 23, 2018	January 18, 2019	December 21, 2018	2017	30.00	101,684,610
July 16, 2019	August 23, 2019	July 26, 2019	2018	39.80	135,458,783
December 18, 2019	January 30, 2020	December 31, 2019	2018	39.80	136,085,433

In its meeting on July 3, 2012, the BOD of the Parent Company approved the allocation of 150,000 common shares for new and incoming physicians at P1,635/share as part of their requirements for accreditation into the hospital. Shareholders of the Parent Company shall have no pre-emptive right over all issues or dispositions of shares in favor of physicians credentialed by Makati Medical Center, provided, however, that the shares to be so issued without pre-emptive right shall not exceed 15% of the resulting outstanding shares of the company. On October 25, 2012 the SEC approved the exemption from registration of the above-mentioned common shares allocated to credentialed physicians. Subsequent issuance of shares, coming from the above-mentioned allocated common shares, to newly accredited physician of the hospital are as follows:

Year Issued	Number of Shares
2012	7,000
2013	11,360
2014	20,705
2015	18,832
2016	18,663
2017	29,272
2018	12,750
2019	29,750
TOTAL	148,332

CORPORATE GOVERNANCE

2020 was a difficult and challenging year for many reasons, primary of which is the Covid 19 Pandemic. Yet, despite these challenges, Makati Medical Center ("Makati Med") continued to strive for and sustain compliance with, the highest corporate governance principles.

In view of the passage of the Revised Corporation Code and the issuance of the Securities and Exchange Commission (SEC) Memorandum Circular No. 24 (Series of 2019), Makati Med reviewed its Articles of Incorporation, By-Laws and Manual on Corporate Governance ("Manual") to ensure that they are updated consistent with the requirements of the relevant laws and regulations.

In compliance with the foregoing, the revised Manual was approved by the Board of Directors and submitted to the SEC last September 2020. Further, during the Meeting held last October 2020, the Board of Directors also approved the amended Articles of Incorporation and By-Laws of Makati Med pertaining to (a) perpetual corporate term; (b) independent directors; (c) principal address; (d) meetings via remote communication; (e) notices; (f) voting in absentia; (g) closing of stock and transfer book; (h) vacancy in the Board of Directors; (i) Compliance Officer; (j) Board Committees; and (h) dividend declaration. These amendments are subject to the approval of the Stockholders. Thereafter, the amendments will be submitted to the SEC for approval. Makati Med is currently working on developing, compiling and updating its various internal policies and procedures to comply with and attain strict consistency with the provisions of the revised Manual. Makati Med aims to improve all its processes and policies to develop tighter and sounder governance policies.

Another important development in corporate governance is the appointment of Atty. Pilar Nenuca P. Almira as President and Chief Executive Officer of Makati Med starting 1 September 2020. During the 2020 Annual Stockholders Meeting where she was elected as Director and introduced to the Stockholders, Atty. Almira expressed her commitment to strengthen Makati Med so that it can continue to lead and serve as a model hospital, and continue the hospital's noble heritage. A new Director, Mr. Manolo Michael de Guzman, Country Head of KKR in the Philippines, was also elected during the said 2020 Annual Stockholders Meeting. Further, pursuant to the revised Manual, Ms. Arlyn S. Songco was appointed as Investor Information Officer during Makati Med's Organizational Meeting.

Makati Med also continues to work on securing the accreditation of the Joint Commission International (JCI). The hospital was surveyed last June 2020 and accreditation was supposed to take place in November 2020. However, Makati Med requested for an extension in view of the Covid 19 Pandemic. JCI agreed to hold accreditation in June 2021. In preparation for the accreditation, Makati Med will continue to improve on the various measurable elements as prescribed by JCI.

While the focus of Makati Med management is still on growth and expansion, Makati Med is taking the Covid 19 Pandemic as a reality, and is putting plans in place to maximize hospital spaces and seeking opportunities to offer off-site services, partnerships and tie-ups. Furthermore, the hospital will continue to use its resources for the benefit of patients, doctors and the community in general. To this end, Makati Med is looking to enhance its mobile services among other innovative and responsive projects in the coming year.

Management's Discussion and Analysis of
Financial Conditions and Results of Operations
(For the First Quarter of 2021)

Introduction

This discussion summarizes the significant factors affecting the consolidated statements of the financial position, statements of income, changes in equity and cash flows of Medical Doctors, Inc. and its subsidiary (the "Group") for the three months ended March 31, 2021 and 2020.

Medical Doctors, Inc. (the "Parent Company") was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on April 23, 1963 primarily to establish, operate, manage and own a hospital or hospitals, medical and chemical clinics and/or laboratories and such other enterprises that may have similar undertakings. The Parent Company operates under the trade name of Makati Medical Center (the "Hospital").

The Parent Company has 60% ownership in its subsidiary, Computerized Imaging Institute, Inc. (CIII).

I. Consolidated Profit and Loss Statements

Below is the consolidated P&L of the Group for the three months ended March 31, 2021 and 2020.

	YTD Mar 31		Variance	
	2021	**2020**	**Amount**	**%**
GROSS REVENUES	**1,876,648,279**	**1,817,790,041**	**58,858,238**	**3.2%**
DISCOUNTS AND FREE SERVICES	(235,315,119)	(209,716,152)	(25,598,967)	12.2%
NET REVENUES	**1,641,333,160**	**1,608,073,889**	**33,259,271**	**2.1%**
COST OF SERVICES	(1,030,674,528)	(1,077,764,013)	47,089,485	(4.4%)
GROSS PROFIT	**610,658,632**	**530,309,876**	**80,348,756**	**15.2%**
ADMINISTRATIVE EXPENSES	(424,807,212)	(432,222,724)	7,415,512	(1.7%)
OTHER INCOME, net	20,235,102	27,782,595	(7,547,493)	(27.2%)
PROFIT FROM OPERATIONS	**206,086,522**	**125,869,747**	**80,216,775**	**63.7%**
FINANCE COSTS, NET	(11,490,998)	(14,005,617)	2,514,619	(18.0%)
PROFIT BEFORE INCOME TAX	**194,595,524**	**111,864,130**	**82,731,394**	**74.0%**
INCOME TAX EXPENSE	(92,674,269)	(33,871,721)	(58,802,548)	173.6%
PROFIT FOR THE PERIOD	**101,921,255**	**77,992,409**	**23,928,846**	**30.7%**

For the three months ended March 31, 2021, the Group's net profit after tax amounted to P101.9 million, 30.7% (P23.9 million) higher than P77.9 million in the same period last year. This is mostly due to increase in COVID related services in the 1st quarter of the year and the gradual increase of outpatient census as the government implements a less strict community quarantine.

Despite lower patient census, inpatient revenues posted an increase by 3.2% mainly due to increase in COVID admissions requiring critical care. At the same time, outpatient revenues also grew by 2.8% due to gradual increase in patient census, of which the major contributors include laboratory, PET CT, pulmonary laboratory and renal care services.

Average bed occupancy level of the Parent Company's hospital for the three months ended March 31, 2021 and 2020 are as follows:

Particulars	2021	2020	Variance	%
Occupancy				
Parent				
Bed Capacity (Available)	435	536	(101)	-19%
Bed Occupied	249	347	(98)	-28%
Occupancy Rate	57%	65%		-12%

** To reflect a more accurate utilization of beds, closed rooms due to maintenance/renovation, social distancing, temporary space for donning and doffing of PPE, storage and other purpose were excluded in the bed capacity and beds paid for the day were included in the number of occupied beds even if patient has been discharged mid-day.*

Costs and expenses:

Combined cost of services and administrative expenses of the Group for the three months ended March 31, 2021 and 2020 are as follows:

	YTD Mar 31		Increase (Decrease)	
Account	**2021**	**2020**	**Amount**	**%**
Medicines, Dietary, Linen, Laundry & Supplies	495,566,550	546,661,788	(51,095,238)	(9%)
Salaries and Benefits	345,974,775	350,938,430	(4,963,655)	(1%)
Depreciation	164,063,685	152,628,494	11,435,191	7%
Contracted Services	121,312,648	112,955,631	8,357,017	7%
Professional Services	106,283,339	129,807,879	(23,524,540)	(18%)
Provision for Impairment of Receivables	56,216,566	27,886,076	28,330,490	102%
Utilities	40,969,626	45,988,352	(5,018,726)	(11%)
Repairs and Maintenance	38,259,118	39,760,963	(1,501,845)	(4%)
Security and Janitorial Services	30,556,012	32,566,561	(2,010,549)	(6%)
Commission	8,667,031	8,734,458	(67,427)	(1%)
Communication	3,423,370	3,292,181	131,189	4%
Advertising	2,476,730	4,820,161	(2,343,431)	(49%)
Rent	1,761,452	2,670,448	(908,996)	(34%)
Others	39,950,838	51,275,315	(11,324,477)	(22%)
Total	**1,455,481,740**	**1,509,986,737**	**(54,504,997)**	**(4%)**

Significant movements in cost and operating expenses are as follows:

1) *Medicines, Dietary, Linen, Laundry and supplies* (decreased by P51.1 million or 9%) This is partly due to increase in revenues of services with low supplies requirement like laboratory and radiology, also because of an efficient accounting of inventory utilization.

2) Depreciation (increased by P11.4 million or 7%) Mainly due to investment on new services such as the PET CT and the Wellness Center. In addition, the hospital increased its inventory of medical equipment that will allow it to take more COVID cases.

3) *Contracted services* (increased by P8.4 million or 7%) Mainly due to the increase in outsourcing fees of the clinical laboratory operations. Outsourcing fees are based on the type and volume of processed laboratory tests. These were partially offset by lower facility maintenance for the period.

4) *Professional services (*decreased by P23.5 million or 18%) Mainly due to lower professional fees paid to doctors as a result of lower availment of medical packages.

5) *Provision for impairment of receivables* (increased by P28.3 million or 102%) Due to additional provision for outstanding receivables from Philhealth and private patients.

6) *Utilities (*decreased by P5.0 million or 11%) Due energy saving measures implemented as a result of lower patient census in some units. A lower contracted rate also contributed to the decrease.

7) *Security and Janitorial services (*decreased by P2.0 million 0r 6%) Due to reduced number of guards and housekeeping personnel as part of the cost cutting initiatives of the Hospital.

8) *Advertising* (decreased by P2.3 million or 49%) Due to lower media placements for the period.

9) *Rent (de*creased by P0.9 million or 34%) Due to lower rental fee for ventilators and termination of server rental contract in 2021.

10) *Others (*decreased by P11.3 million or 22%) Due to lower representations, meeting, taxes, training, partially offset by higher services related to information technology.

II. Material Changes Per Line of Accounts

Balance Sheet (as against December 31, 2020)

Statement of Financial Position

	1Q-2021	2020	Increase (Decrease)	% Inc (Dec)
Current Assets				
Cash and cash equivalents	371,846,942	389,067,805	(17,220,863)	(4%)
Receivables, net	1,122,580,813	1,020,921,219	101,659,594	10%
Inventory, net	291,259,675	281,055,241	10,204,434	4%
Prepayment and other current assets	54,277,356	31,547,938	22,729,418	72%
Total Current Assets	**1,839,964,786**	**1,722,592,203**	**117,372,583**	**7%**
Non-Current Assets				
Property and equipment, net	9,528,434,567	9,590,247,803	(61,813,236)	(1%)
Other non-current assets	148,399,062	147,249,395	1,149,667	1%
Total Non-Current Assets	**9,676,833,629**	**9,737,497,198**	**(60,663,569)**	**(1%)**
TOTAL ASSETS	**11,516,798,415**	**11,460,089,401**	**56,709,014**	**0%**
Current Liabilities				
Trade and other payables	1,163,148,802	1,158,375,678	4,773,124	0%
Income tax payable		-	-	0%
Borrowings, current portion	282,000,000	335,500,000	(53,500,000)	(16%)

Dividends payable	30,548,002	37,052,613	(6,504,611)	(18%)
Lease liabilities, current	88,014,008	86,298,617	1,715,391	2%
Other current liabilities	15,399,416	15,237,658	161,758	1%
Total Current Liabilities	**1,579,110,228**	**1,632,464,566**	**(53,354,338)**	**(3%)**
Non-Current Liabilities				
Borrowings, net of current	90,000,000	105,000,000	(15,000,000)	(14%)
Provision for medical benefits	104,953,132	104,953,132	-	0%
Retirement benefit obligation	580,102,545	556,754,261	23,348,284	4%
Deferred income tax liabilities, net	816,778,720	1,004,532,305	(187,753,585)	(19%)
Lease liabilities, net of current portion	229,845,488	253,887,287	(24,041,799)	(9%)
Total Non-Current Liabilities	**1,821,679,885**	**2,025,126,985**	**(203,447,100)**	**(10%)**
TOTAL LIABILITIES	**3,400,790,113**	**3,657,591,551**	**(256,801,438)**	**(7%)**
Shareholders' Equity				
Paid up capital	2,044,472,149	2,044,472,149	-	0%
Treasury shares	(15,035,660)	(15,035,660)	-	0%
Revaluation surplus	3,311,730,885	3,091,590,458	220,140,427	7%
Remeasurement on retirement benefits	(176,846,597)	(165,056,841)	(11,789,756)	7%
Retained earnings	2,927,934,240	2,822,708,245	105,225,995	4%
Minority interest	23,753,285	23,819,499	(66,214)	(0%)
SHAREHOLDERS' EQUITY	**8,116,008,302**	**7,802,497,850**	**313,510,452**	**4%**
TOTAL LIABILITIES AND EQUITY	**11,516,798,415**	**11,460,089,401**	**56,709,014**	**0%**

*Receivables (*increased by P101.6 million or 10%) – This is mainly due to lower collection from Philhealth and an increase on private patient receivables.

*Prepayment and other current assets (*increased by P22.7 million or 72%) These are creditable withholding tax received for the quarter that has not yet been applied to income tax payable. Down payments for the purchase of medical equipment also contributed to the increase.

*Borrowings, current portion (*decreased by P53.5 million or 16%) due to payment of principal amortization and reclassification from noncurrent to current.

*Borrowings, net of current portion (*decreased by P15.0 million or 14%) due to reclassification to current.

*Dividends payable (*decreased by P6.5 million or 18%) due to payment of cash dividends.

*Deferred income tax liabilities, net (*decreased by P187.7 million or 19%) due to decrease in corporate tax rate as a result of CREATE bill passed into law last March 26, 2021.

Lease liabilities, net of current portion decreased by P24.0 million or 9%) due to quarterly lease payments.

Minority interest refers to the proportionate share of the owner of Computerized Imaging Institute, Inc. (CIII), a 60% owned subsidiary of the center.

II. Key Performance Indicators (March 31, 2021 vs. December 31, 2020)

	March 2021	2020
Gross Profit margin	32.5%	25.5%
Net Profit (Loss) margin	5.4%	(0.1%)
Return on Equity	1.3%	(0.1%)
Current ratio	1.17:1	1.06:1
Interest rate coverage	17.93:1	0.90:1
Debt to equity ratio	0.42:1	0.47:1
Debt ratio	0.30:1	0.32:1
Asset-to-equity ratio	1.42:1	1.47:1

The manner by which the Group calculates the above indicators is as follows:

KPI	Formula
Gross Profit margin	Gross Profit / Revenues
Net Profit margin	Net Income available to common shareholders / Revenues
Return on Equity	Net Income available to common shareholders / Shareholders' Equity
Current ratio	Current Assets / Current Liabilities
Interest rate coverage	Earnings before interest and taxes / Interest Expense
Debt to equity ratio	(Borrowings - Cash) / Shareholders' Equity
Debt ratio	EBITDA (Profit from Operation before Depreciation and Amortization)/(Loan + Interest Payment)
Asset-to-equity ratio	Total Assets / Total Equity

IV. Other Matters

a) The Group is either a plaintiff or a defendant in various cases now pending before the courts. In the opinion of management, based on advice of the company's legal counsels, the ultimate disposition of these cases will not have any significant effects on the Group's financial position, results of operations and cash flows as of March 31, 2021.

b) There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those discussed in the notes to financial statements and in the Stockholders' Equity portion of Management Discussion.

c) Funding for the Modernization plans of the Parent Company are financed from operating funds, supplier's credits and bank loans. Except for the continuing impact of the COVID-19 pandemic and the implementation of community quarantine in the NCR as disclosed in Note 1 of the interim consolidated financial statements, there are no other known trends, demands, commitments, events or uncertainties that would have material adverse effect on the Group's liquidity. Considering that the COVID-19 pandemic is continuing and evolving, the Parent Company will continue to assess its impact to its financial position, performance and cash flows.

d) In 2020, the Parent Company availed various short-term bank loans amounting to P200.o million for working capital requirements. The loans were unsecured and are payable within one year with interest ranging from 4.70% to 4.85%. Principal payments are due in June, October and November of 2021.

e) There are no off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the period.

f) The Parent Company has issued various purchase orders and commitments related to the modernization of its facilities and equipment aggregating to about P181.4 million. These are mostly contractors for renovation projects and suppliers of medical equipment which will all be funded by its operations.

g) Except for the continuing impact of the COVID-19 pandemic and the implementation of community quarantine in NCR as earlier disclosed, there are no other known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations;

h) There are no significant elements of income or loss that did not arise from the company's continuing operations.

i) There are no seasonal aspects that had a material effect on the financial condition or results of operations during the period.

j) There are no repurchases of equity securities.

k) There were no dividends declared in 2020.

l) The Parent Company, as the petitioner, filed a petition for review with the Court of Appeals vs Dr. Benjamin D. Adapon, for himself and on behalf of Computerized Imaging Institute, Inc (respondents), on the matter of an earlier notice of award issued by the Regional Trial Court of Makati (civil case no. 11-343) in favor of the respondents. On September 20, 2016, the Court of Appeals issued a Notice of Resolution effectively putting on hold the payment of the award issued by the RTC of Makati, but requiring the petitioner to post a bond equal to the award. As such the Parent Company, through Stronghold Insurance Company, Inc, has restricted cash amounting to P87,349,157.45 for purposes of posting the required bond. The bond was submitted to the court on September 29, 2016. On February 15, 2017, the Court of Appeals issued its decision vacating the Arbitration award in favor of the Parent Company. Dr. Adapon has elevated the case to the Supreme Court for further review. On August 24, 2020, the Parent Company renewed its bond valid from September 28, 2020 to September 29, 2021. The restricted cash is reflected as part of "Other non-current assets" in the balance sheet as of March 31, 2021.

m) On October 5, 2018 the Board of Directors of CIII approved the cessation of operations of CIII effective December 31, 2018 based on its deteriorating financial situation.

n) There are no changes in contingent liabilities or contingent assets since the last annual balance sheet date.

o) All approvals and resolutions made by the Board of Directors during the reporting period including all other matters requiring disclosure by SEC has been made through Form 17C within the prescribed time of reporting.

Management's Discussion and Analysis of
Financial Conditions and Results of Operations
(For the Year 2020)

The following discussion should be read in conjunction with the accompanying consolidated financial statements and notes thereto, which form part of the Report. The consolidated financial statements and notes thereto have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS).

1. Results of Operations

The Parent Company management has designed a business segmentation of the Group's operation. It has organized its reporting structure based on the grouping of similar services, resulting in two main business segments as follows:

(1) Hospital services – This segment is involved in providing healthcare services to hospital patients. Included in this segment is the Parent Company's subsidiary Computerized Imaging Institute, Inc. (CIII), a company primarily engaged in owning, operating and maintaining a tomography center and provide professional medical and surgical services and other similar undertakings.

(2) Educational services – This segment is involved in the operation of a wholly owned nursing school, known as Makati Medical Center College, Inc. (MMCCI). In 2013, the Parent Company sold its investment in MCCI to Philippine Women's University.

With the divestment of MMCCI, the Group's operations is now a single business segment. The activities of its sole subsidiary, CIII, are similar to the services being offered by the Parent Company. More particularly, CIII supplements the radiology services offered by the Parent Company. As earlier stated, the Board of Directors of CIII approved the cessation of its operations effective December 31, 2018 based on its deteriorating financial situation.

The financial information as at and for the three years ended December 31, 2020, 2019 and 2018 are as follows:

	2020	2019	2018
GROSS REVENUES	**6,308,103,477**	**7,771,476,950**	**7,086,385,931**
DISCOUNTS AND FREE SERVICES	(741,128,506)	(841,004,870)	(743,539,821)
NET REVENUES	**5,566,974,971**	**6,930,472,080**	**6,342,846,110**
COST OF SERVICES	(3,958,145,892)	(4,353,589,964)	(3,994,340,085)
GROSS PROFIT	**1,608,829,079**	**2,576,882,116**	**2,348,506,025**
ADMINISTRATIVE EXPENSES	(1,656,287,868)	(1,829,616,122)	(1,616,506,047)
OTHER INCOME, net	94,577,590	125,480,060	98,545,480
PROFIT FROM OPERATIONS	**47,118,801**	**872,746,054**	**830,545,458**
FINANCE COSTS	(52,351,170)	(59,288,232)	(47,009,064)
PROFIT(LOSS) BEFORE INCOME TAX	**(5,232,369)**	**813,457,822**	**783,536,394**
INCOME TAX EXPENSE	(363,991)	(243,473,736)	(244,639,145)
PROFIT(LOSS) FOR THE YEAR	**(5,596,360)**	**569,984,086**	**538,897,249**

Comparison of the Group's results of operations is as follows:

2020 Compared to 2019

	2020	2019	Variance Amount	%
Net Revenues- Hospital services	5,566,974,971	6,930,472,080	(1,363,497,109)	(20%)
Gross income	1,608,829,079	2,576,882,116	(968,053,037)	(38%)
EBITDA	678,543,802	1,474,121,344	(795,577,542)	(54%)
EBIT	47,118,801	872,746,054	(825,627,253)	(95%)
Net income after tax (NIAT)	(5,596,360)	569,984,086	(575,580,446)	(101%)

The implementation of an enhanced community quarantine throughout the island of Luzon on March 16, 2020 to contain the COVID-19 outbreak resulted in a lower inpatient and outpatient census as only patients with emergency cases are permitted to seek medical attention in the hospital. Selected outpatient services in the hospital were closed until the later part of the second quarter when a less strict modified enhance community quarantine was in effect. Growth in patient census was experience in the second half of the year under the general community quarantine but still below the census for the same period in the previous year.

As a result of these community quarantines, inpatient census is lower by 48% compared to same period last year. Outpatient census decreased by 41%, while emergency department census decreased by 68%. As a result, net hospital revenues decreased by P1.4 billion or 20% compared to previous year. Inpatient, outpatient and emergency department revenues decreased by 13.2%, 22.9% and 34.5% respectively.

In addition, the hospital incurred additional expenses in its fight against the pandemic such as personal protective equipment and testing for healthcare workers, medical equipment, additional allowances, meals and other supplies

Lower revenue performance and additional expenses directly accounts for the net loss for the year of P5.6 million versus the P570.0 million net profit for the same period last year.

2019 Compared to 2018

	2019	2018	Variance Amount	%
Net Revenues- Hospital services	6,930,472,080	6,342,846,110	587,625,970	9%
Gross income	2,576,882,116	2,348,506,025	228,376,091	10%
EBITDA	1,474,121,344	1,351,754,359	122,366,985	9%
EBIT	872,746,054	830,545,458	42,200,596	5%
Net income after tax (NIAT)	**569,984,086**	**538,897,249**	**31,086,837**	6%

In 2019, the hospital was able to replicate the past year performance and posted another 5% growth on inpatient census which account for 30% of the gross revenue growth. Total gross revenues for the year reached P7.7 billion or 10% higher compared to last year. The increasing doctor referrals and ER admissions drives demand for more patient rooms for which the hospital was able to cope up with improved discharge process and making available previously closed rooms. As a result, the hospital was able to absorb the additional inpatient census despite an already high occupancy rates for most of its bed zones.

Outpatient services also posted a significant census growth of 13%, compared to last year's 4%, or over 120,000 new patient census added this year. Aside from increasing referrals from doctors and HMOs, the 16% on ER patient census growth also contributed to the census growth of most diagnostic units.

Strong revenue performance is the main driver for the EBITDA growth despite higher doubtful account provision mainly due to delays in collection from Philhealth and a higher headcount in anticipation of the lower number of applicants as a result of less graduates because of the transition to the K-12 program of the Department of Education.

1. Plan of Operation

For 2021, the Group plans to continue with its program of creating and promoting a safe environment that will encourage patient to return to the hospital. This is further complemented by additional services which include:

- New cathlab machine by second quarter of 2021
- Expansion of house call services in the first quarter of 2021
- Expansion of renal care services by the second quarter of 2021.

The Group estimates that the steady increase of patient census along with the additional services above will result in gross revenues and profits to be at par with the 2019 pre-COVID performance.

2. Financial Conditions

Amounts in Philippine Peso	2020	2019
Total Assets	11,460,089,401	11,758,971,651
Total Liabilities	3,657,591,551	3,867,556,531
Shareholder's Equity	7,802,497,850	7,891,415,120

Assets:

The Group's total assets as at December 31, 2020 decreased by P298.9 billion compared to last year mainly due to the Parent Company's lower cashflow from operating activities as a result of lower patient census, debt servicing, payment of cash dividends and various payments to pharmaceutical suppliers and contractors

Borrowings:

a. On July 21, 2011, the Parent Company availed of a loan amounting to P140 million from a major shareholder and key officer to partly finance the modernization of its medical equipment. The loan is unsecured and is payable in equal quarterly installments over 10 years. Interest is at a fixed annual rate of 7% payable on a quarterly basis. Subsequently, on February 18, 2013, the parties agreed to a reduction of interest rate from 7% to 4.28%.

b. In 2013, the Parent Company entered into a P400 million 3-year term loan facility with SBC for working capital requirements of the Parent Company. The loan was made available in 5 drawdowns, at various dates in 2013. As at December 31, 2013, the bank loan has been fully drawn. The loan is secured by the lenders participation in the MTI and is payable in equal quarterly installments over 3 years bearing interest rates from 3.69% to 4.11%.

c. In 2014, the Parent Company availed of various loans amounting to P230 million from a major shareholder and key officer for general corporate purposes. Out of the total loan proceeds, P23,245,613 was used to refinance a restructured loan existing as at December 31, 2013 also with the same major shareholder. This loan is secured by the participation of the lender in the MTI. Of the total amount of loans, P5,000,000 was settled on March 31, 2015 and the balance of P225,000,000 is payable in 7 years ending in 2021 with a two year grace period on principal repayment. Interest is at a fixed annual rate of 5% to 5.3%.

d. Also in 2014, the Parent Company availed various bank loans amounting to P775 million. Out of the total loan proceeds, P317,045,454 and P272,722,596 were used to refinance the SBC loans (item b above) and an outstanding balance of restructured loans existing as at December 31, 2013, respectively. Net cash proceeds from these loans, after refinancing existing loans, amounted to P185,231,950. These loans have a term of 7 years and indicative fixed interest rates ranging from 5.30% to 5.48%. Principal payments for these loans started in the second quarter of 2016.

e. In 2016, the Parent Company availed another loan amounting to P300 million for the purchase of medical equipment. The loan is secured and is payable in equal quarterly installments over 7 years at 4.8750% fixed annual interest rate. Principal payments will start in the 3rd quarter of 2018.

f. In 2020, the Parent Company availed of various short-term bank loans amounting to a total of P200 million for working capital requirements. The loans were unsecured and are payable within one year at 4.70% and 4.85% fixed annual interest rate. Principal payments are due in June, October and November of 2021.

The credit agreements related to these bank loans provide, among others, that for as long as any loan remain outstanding, the Parent Company is subject to certain negative covenants requiring prior approval of the creditors for specified corporate acts such as: (i) assume, guarantee, endorse or otherwise become directly or contingently liable in connection with any obligation of any other person, firm or corporation; (ii) sell, lease or otherwise dispose or convey all or substantially all of the borrowers assets; (iii) make advances or loans to any borrower's affiliates, subsidiaries, stockholders, directors and officers except in compliance with formally established and existing fringe benefit program of the borrower; (iv) suspend its business operation or dissolve its affairs; (v) enter into merger or consolidation with any person, unless the Parent Company is the surviving entity; and (vi) make or permit any material change in the character of its business from that being carried as of the date hereof or engage in any business operation or activity other than as allowed by its Article of Incorporation. The Parent Company has complied with the above covenants as at December 31, 2020 and 2019.

3. Sources and Uses of Cash as at December 31:

	2020	**2019**	**2018**
Net Cash from Operating Activities	685,957,918	1,268,642,884	1,055,086,005
Net Cash Used in Investing Activities	(579,859,403)	(625,910,907)	(638,381,053)
Net Cash Used in Financing Activities	(330,298,545)	(585,469,423)	(431,683,697)
Net (Decrease) Increase in Cash	(224,200,030)	57,262,554	(14,978,745)
Cash, January 1	613,267,835	556,005,381	570,984,026
Cash, December 31	**389,067,805**	**613,267,835**	**556,005,381**

The Group's generates significant cash flows from its operating activities and is able to meet all its cash requirements for its operations. Depending on the timing of its expansion and renovation plans, the Group may take on some financing activity in the next 12 months. Other sources of funds in 2020 includes the proceeds from issuance of Parent Company's common shares amounting to P3 million (2019- P62 million; 2018– P24 million).

Significant cash outflows include capital expenditures amounting to P559 million, P603 million and P630 million for the years 2020, 2019 and 2018 respectively. In addition, the Parent Company paid interest and principal amortization on its outstanding loans amounting to P300 million for the years 2020 and 2019 and P278 million for the years 2018. Finally, the Parent Company paid dividends amounting to P130 million, P230 million and P178 million for the years 2020, 2019 and 2018 respectively.

4. Material Changes per Line of Account

Statement of Financial Position

	2020	2019	Increase (Decrease)	%
Current Assets				
Cash and cash equivalents	389,067,805	613,267,835	(224,200,030)	(37%)
Receivables, net	1,020,921,219	904,783,948	116,137,271	13%
Inventory, net	281,055,241	355,755,493	(74,700,252)	(21%)
Other current assets	31,547,938	37,025,378	(5,477,440)	(15%)
Total Current Assets	**1,722,592,203**	**1,910,832,654**	**(188,240,451)**	**(10%)**
Non-Current Assets				
Property and equipment, net	9,590,247,803	9,679,717,483	(89,469,680)	(1%)
Other non-current assets	147,249,395	168,421,514	(21,172,119)	(13%)
Total Non-Current Assets	**9,737,497,198**	**9,848,138,997**	**(110,641,799)**	**(1%)**
TOTAL ASSETS	**11,460,089,401**	**11,758,971,651**	**(298,882,250)**	**(3%)**
Current Liabilities				
Trade and other payables	1,158,375,678	1,112,948,284	45,427,394	4%
Income tax payable	-	80,408,529	(80,408,529)	(100%)
Borrowings, current portion	335,500,000	274,000,000	61,500,000	22%
Dividends payable	37,052,613	167,406,450	(130,353,837)	(78%)
Lease liabilities, current portion	86,298,617	73,811,980	12,486,637	17%
Other current liabilities	15,237,658	14,980,339	257,319	2%
Total Current Liabilities	**1,632,464,566**	**1,723,555,582**	**(91,091,016)**	**(5%)**
Non-Current Liabilities				
Borrowings, net of current	105,000,000	240,500,000	(135,500,000)	(56%)
Provision for Doctor's benefits	104,953,132	103,922,560	1,030,572	1%
Retirement benefit obligation	556,754,261	360,438,723	196,315,538	54%
Deferred income tax	1,004,532,305	1,098,952,763	(94,420,458)	(9%)
Lease liabilities, net of current portion	253,887,287	340,186,903	(86,299,616)	(25%)
Total Non-Current Liabilities	**2,025,126,985**	**2,144,000,949**	**(118,873,964)**	**(6%)**
TOTAL LIABILITIES	**3,657,591,551**	**3,867,556,531**	**(209,964,980)**	**(5%)**
Shareholders' Equity				
Paid up capital	2,044,472,149	2,041,036,000	3,436,149	0%
Treasury stock	(15,035,660)	(15,035,660)	-	0%
Revaluation surplus	3,091,590,458	3,100,677,000	(9,086,542)	(0%)
Remeasurement	(165,056,841)	(74,407,371)	(90,649,470)	122%
Retained earnings	2,822,708,245	2,815,285,016	7,423,229	0%
Minority interest	23,819,499	23,860,135	(40,636)	(0%)
SHAREHOLDERS' EQUITY	**7,802,497,850**	**7,891,415,120**	**(88,917,270)**	**(1%)**
TOTAL LIABILITIES AND EQUITY	**11,460,089,401**	**11,758,971,651**	**(298,882,250)**	**(3%)**

*Cash and cash equivalents (*decreased by P224 million or 37%) from P613 million as of end of 2019 to P389 million as of end of 2020, mainly due to lower collection from operations, debt servicing, payment of cash dividends and payment to various pharmaceutical suppliers and contractors

Receivables (increased by P116 million or 13%) – This is mainly due to lower collection from Philhealth and other private patients.

*Inventories (*decreased by P75 million or 21%)- This is due to utilization of buffer stocks of medical supplies and PPE such as coveralls, gowns, masks purchased in 2020 in anticipation of increased cases of COVID-19.

Other current assets (decreased by P5 million or 15%) – This is due to lower prepaid expenses for the year.

Other non-current assets (decreased by P21 million or 13%)-This is due to deferral of capex plans resulting in less down payments to suppliers.

*Borrowings, current portion (*increased by P62 million or 22%) – Due to availment of short-term bank loans and reclassification from noncurrent to current.

Income tax payable (decreased by P80 million or 100%) – Due to lower income from operations.

Dividends payable (decreased by P130 million or 78%) - Due to payment of cash dividends on January 30, 2020.

Lease liabilities, current portion (increased by P12 million or 17%) Due to additional lease contract for parking and office space entered by the hospital.

*Borrowings, net current portion (*decreased by P136 million or 56%) – Due to payment of principal amortization and reclassification to current liabilities.

*Lease liabilities, net of current portion (*decreased by P86 million or 25%) Due to reclassification from noncurrent to current lease and quarterly payments.

*Retirement benefit obligation (*increased by P196 million or 54%) - Due to higher expense recognized for the year as determined by the actuarial valuation report.

Deferred income tax (decreased by P94 million or 9%) Due to increase in temporary differences arising from provisions/ remeasurements recognized in other comprehensive income recorded by the Parent Company.

Remeasurements (increased by P91 million or 122%) -Due to the increase in the recognition of actuarial loss pursuant to the revised PAS 19.

Non-controlling interest refers to the proportionate share of the other owners of Computerized Imaging Institute, Inc., a 60% owned subsidiary of the Parent Company.

Cost and Expenses

The components of expenses for each of the three years in the period ended December 31 are as follows:

	2020	2019	2018
Medicines, Dietary, Linen, Laundry & Supplies	1,917,190,425	2,135,706,546	1,896,692,715
Salaries and benefits	1,240,878,137	1,345,834,496	1,251,887,114
Depreciation	631,425,001	601,375,290	521,212,401
Contracted services	440,088,943	483,209,475	449,716,881
Professional services	401,350,662	519,771,936	480,480,380
Provision for impairment of receivables	217,272,455	203,822,593	112,186,406
Utilities	169,493,978	225,242,314	225,989,168
Repairs and maintenance	131,581,052	162,221,446	150,729,295
Security and janitorial services	124,875,607	141,466,289	131,007,795
Retirement benefit	76,816,297	57,072,593	39,340,719
Taxes and licenses	51,255,485	72,878,319	51,885,177
Transportation	40,329,773	3,731,421	3,373,722
Commission	29,688,171	33,719,069	32,114,124
Communication	13,855,497	13,220,782	13,232,190
Rent	8,340,015	13,453,441	80,899,140
Advertising	8,009,660	23,554,831	19,519,341
Others	111,982,602	146,924,246	150,578,563
Total	**5,614,433,760**	**6,183,205,087**	**5,610,845,131**

Significant year-on-year variances on expenses are as follows:

2020 Compared to 2019

	December 31		Increase (Decrease)	
Account	**2020**	**2019**	**Amount**	**%**
Medicines, Dietary, Linen, Laundry & Supplies	1,917,190,425	2,135,706,546	(218,516,121)	(10%)
Salaries and benefits	1,240,878,137	1,345,834,496	(104,956,359)	(8%)
Depreciation	631,425,001	601,375,290	30,049,711	5%
Contracted services	440,088,943	483,209,475	(43,120,532)	(9%)
Professional services	401,350,662	519,771,936	(118,421,274)	(23%)
Provision for impairment of receivables	217,272,455	203,822,593	13,449,862	7%
Utilities	169,493,978	225,242,314	(55,748,336)	(25%)
Repairs and maintenance	131,581,052	162,221,446	(30,640,394)	(19%)
Security and janitorial services	124,875,607	141,466,289	(16,590,682)	(12%)
Retirement benefit	76,816,297	57,072,593	19,743,704	35%
Taxes and licenses	51,255,485	72,878,319	(21,622,834)	(30%)
Transportation	40,329,773	3,731,421	36,598,352	981%
Commission	29,688,171	33,719,069	(4,030,898)	(12%)
Communication	13,855,497	13,220,782	634,715	5%
Rent	8,340,015	13,453,441	(5,113,426)	(38%)
Advertising	8,009,660	23,554,831	(15,545,171)	(66%)
Others	111,982,602	146,924,246	(34,941,644)	(24%)
	5,614,433,760	**6,183,205,087**	**(568,771,327)**	**(9%)**

Medicines, Dietary, Linen and Laundry supplies (decreased by P218 million or 10%) Attributable to the decrease in hospital revenues and patient census.

*Salaries and Benefits (*decreased by P105 million or 8%) Mainly due to decrease in headcount driven by limited supply of nurses in the industry.

Depreciation (increased by P30 million or 5%) This is due to additional capital expenditures purchased this year.

Contracted services (decreased by P43 million or 9%) Mainly due to the decrease in outsourcing fees of the clinical laboratory operations. Outsourcing fees are based on the type and volume of processed laboratory tests. The implementation of the enhanced community quarantine for the entire Luzon resulted in lower outpatient census for the laboratory. A reduction in the headcount of outsource personnel, as part of a cost cutting plan, was also implemented starting in the month of June which partly contributed to the decrease

*Professional services (*decreased by P118 million or 23%) Mainly due to lower professional fees paid to doctors as a result of lower availment of medical packages and outpatient diagnostic procedures with reader's fees. The Outpatient centers were closed in the months of March to May due to the implementation of community quarantine in NCR.

*Provision for impairment of receivables (*increased by P13 million or 7%) Due to additional provision for outstanding receivables from Philhealth and private patients.

*Utilities (*decreased by P56 million or 25%) Due to lower consumption of electricity as a result 0f temporary closure of several outpatient centers and doctors' clinics during the enhanced community quarantine

*Repairs and maintenance (*decreased by P31 million or 19%) Mainly due to lower utilization and maintenance cost of both medical and office equipment.

*Security and Janitorial services (*decreased by P17 million or 12%) Due to reduced number of guards and housekeeping personnel as a result of limited operation of the hospital during the enhanced community quarantine.

*Retirement benefit (*increased by P20 million or 35%) Higher expense provision as determined by an actuarial report.

Taxes and licenses (decreased by P22 million or 30%) Due to settlement of local taxes that was previously accrued.

Transportation expense (increased by P37 million or 981%) Due to payment for shuttle services provided to employees.

Commission (decreased by P4 million or 12%) Due to decreased credit card transactions during the year.

*Communication (*increased by P0.6 million (or 5%) Due to upgrade of internet bandwidth.

*Rent (*decreased by P5 million or 38%) - 2019 is higher because of a one-time adjustment as part of adapting the new reporting standard (PFRS 16) which started on January 1, 2019."

Advertising (decreased by P16 million or 66%) Due to lower media placements for the year.

Others (decreased by P35 million or 24%) Due to lower representation, photocopying and training expenses for the year.

2019 Compared to 2018

Medicines, Dietary, Linen and Laundry supplies (increased by P239 million or 13%) Attributable to the increase in hospital revenues and partly due to the mix of patient cases that requires more supplies.

Salaries and Benefits increased by P94 million or 8%) Mainly due to salary adjustments pursuant to the Collective Bargaining Agreement with the employee union, additional headcount and performance-based incentives.

Depreciation (increased by P80 million or 15%) Due to higher capital expenditures from upgrades of medical equipment and the continuous renovation of hospital facilities. Additional depreciation for the right of use asset also contributed to the increase.

*Professional services (*increased by P39 million or 8%) Mainly due to higher professional fees paid to doctors as a result of higher availment of medical packages and outpatient diagnostic procedures with reader's fees. The hospital continues to work with doctors to create more treatment packages to cater to the demands of private patients. Higher retainer's fees for consultants also contributed to the increase.
Contracted services (increased by P33 million or 7%) Due to the increase in outsourcing fees of the clinical laboratory operations. Outsourcing fees are based on the type and volume of processed laboratory tests.
*Provision for impairment of receivables (*increased by P92 million or 82%) Due to additional provision for outstanding receivables from Philhealth, HMO, corporate clients and private patients following compliance with PFRS 9.

*Repairs and maintenance (*increased by P11 million or 8%) Mainly due to availment of comprehensive preventive maintenance for most of the radiology equipment.

*Security and Janitorial services (*increased by P10 million or 8%) Due to additional cost of guards and cashiers for parking operations and the impact of government mandated wage adjustments

Taxes and licenses (increased by P21 million or 40%) Due to higher business taxes paid for the year.

*Retirement benefit (*increased by P18 million or 45%) Higher expense provision as determined by an actuarial report.
Commission (increased by P2 million or 5%) due to higher credit card transactions during the year.

Advertising (increased by P4 million or 21%) due to higher agency fees and media placements paid in the 1st semester of the year.

*Rent (*decreased by P67 million or 83%) due to change in recording of long-term lease following compliance with the new reporting standard (PFRS 16), starting January 1, 2019.

Other Matters:

- Except as otherwise disclosed in the consolidated financial statements, the Group has no other material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships with unconsolidated entities or other persons created during the reporting period.

- As disclosed in Note 21 of the consolidated financial statements, commitment for purchase of capital expenditures comprising mostly of renovation of facilities and purchase of equipment amounts to **P262,012,031**. as at December 31, 2020.

- Except as otherwise disclosed in the consolidated financial statements, there are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on the net revenues or income from continuing operations.

- The Parent Company has outsourced its clinical laboratory services to its related party starting September 2017. The Parent Company has a yearly minimum commitment of P408,189,000 worth of laboratory services.

5. Key Performance Indicators

The following are the major performance measures that the Group uses. Analyses are employed by comparisons and measurements based on the financial data of the current period against the same period of previous year.

Details	**2020**	**2019**
Liquidity:		
Current Ratio	1:1:1	1:1:1
Solvency:		
Debt to Equity Ratio	0.47	0.49
Profitability:		
Return on Shareholders' Equity	(0.07%)	7.75%
Operating Efficiency:		
Revenue Growth	(19.67%)	9.26%
Operating Margin	0.85%	12.59%

The manner by which the Parent Company calculates the above indicators is as follows:

KPI	Formula
Current Ratio	Current Assets/Current Liabilities
Debt to Equity Ratio	Total Liabilities (Current + Non-Current)/Shareholders' Equity
Return on Shareholders' Equity	Net Profit for the year/ Average Shareholders' Equity
Revenue Growth	(Current period Net Revenues/Prior Period Net Revenues)-1
Operating Margin	Profit from Operations /Net Revenues

Financial Statements

The Financial Statements and the auditors' PTR, name of certifying partner and address are attached as **ANNEX "D"**.

There were no changes in and disagreements with accountants on accounting and financial disclosure.

Medical Doctors, Inc. and Subsidiary

Consolidated Financial Statements
As at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Medical Doctors, Inc. and its Subsidiary (the "Group") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018, in accordance with the prescribed financial reporting indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein and submits the same to the stockholders.

Isla Lipana & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signed under oath by the following:

MANUEL V. PANGILINAN
Chairman of the Board of Directors

ATTY. PILAR NENUCA P. ALMIRA
President & Chief Executive Officer

ARNOLD C. OCAMPO
VP Finance & Chief Finance Officer

March 18, 2021

Isla Lipana & Co.

Independent Auditor's Report

To the Board of Directors and Shareholders of
Medical Doctors, Inc.
2 Amorsolo corner dela Rosa Streets
Legaspi Village, Makati City

Report on the Audits of the Consolidated Financial Statements

Our Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Medical Doctors, Inc. (the "Parent Company") and its subsidiary (together, the "Group") as at December 31, 2020 and 2019, and their consolidated financial performance and their consolidated cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRS).

What we have audited

The consolidated financial statements of the Group comprise:

- the consolidated statements of financial position as at December 31, 2020 and 2019;
- the consolidated statements of income for each of the three years in the period ended December 31, 2020;
- the consolidated statements of total comprehensive income for each of the three years in the period ended December 31, 2020;
- the consolidated statements of changes in equity for each of the three years in the period ended December 31, 2020;
- the consolidated statements of cash flows for each of the three years in the period ended December 31, 2020; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

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Independence

We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 17-A and Annual Report for the year ended December 31, 2020 is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability of each entity within the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of each entity within the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause an entity within the Group to cease to continue as a going concern.

Isla Lipana & Co.

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

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

Isla Lipana & Co.

Jan Michael L. Reyes
Partner
CPA Cert. No. 104972
PTR No. 0011393, issued on January 5, 2021, Makati City
SEC A.N. (individual) as general auditors 104972-SEC, Category A;
valid to audit 2020 to 2024 financial statements
SEC A.N. (firm) as general auditors 0142-SEC, Category A;
valid to audit 2020 to 2024 financial statements
TIN 215-692-059
BIR A.N. 08-000745-122-2019, issued on September 18, 2019; effective until September 17, 2022
BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City
March 18, 2021

Isla Lipana & Co.

Statement Required by Rule 68,
Securities Regulation Code (SRC)

To the Board of Directors and Shareholders of
Medical Doctors, Inc.
2 Amorsolo corner dela Rosa Streets
Legaspi Village, Makati City

We have audited the consolidated financial statements of Medical Doctors, Inc. (the "Parent Company") and its subsidiary as at and for the year ended December 31, 2020, on which we have rendered the attached report dated March 18, 2021.

In compliance with SRC Rule 68 and based on the certification received from the Parent Company's corporate secretary and the results of our work done, the Parent Company has one thousand, one hundred and nine (1,109) shareholders owning one hundred or more shares each as at December 31, 2020.

Isla Lipana & Co.

Jan Michael L. Reyes
Partner
CPA Cert. No. 104972
PTR No. 0011393, issued on January 5, 2021, Makati City
SEC A.N. (individual) as general auditors 104972-SEC, Category A;
valid to audit 2020 to 2024 financial statements
SEC A.N. (firm) as general auditors 0142-SEC, Category A;
valid to audit 2020 to 2024 financial statements
TIN 215-692-059
BIR A.N. 08-000745-122-2019, issued on September 18, 2019; effective until September 17, 2022
BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City
March 18, 2021

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Isla Lipana & Co.

Statement Required by Rule 68,
Securities Regulation Code (SRC)

To the Board of Directors and Shareholders of
Medical Doctors, Inc.
2 Amorsolo corner dela Rosa Streets
Legaspi Village, Makati City

We have audited the consolidated financial statements of Medical Doctors, Inc. and its subsidiary as at and for the year ended December 31, 2020, on which we have rendered the attached report dated March 18, 2021. The supplementary information shown in the *Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration* and *Schedules A - G*, as additional components required by Rule 68 of the SRC, are presented for purposes of filing with the Securities and Exchange Commission and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to auditing procedures applied in the audit of basic financial statements. In our opinion, the supplementary information has been prepared in accordance with Rule 68 of the SRC.

Isla Lipana & Co.

Jan Michael L. Reyes
Partner
CPA Cert. No. 104972
PTR No. 0011393, issued on January 5, 2021, Makati City
SEC A.N. (individual) as general auditors 104972-SEC, Category A;
valid to audit 2020 to 2024 financial statements
SEC A.N. (firm) as general auditors 0142-SEC, Category A;
valid to audit 2020 to 2024 financial statements
TIN 215-692-059
BIR A.N. 08-000745-122-2019, issued on September 18, 2019; effective until September 17, 2022
BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City
March 18, 2021

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Medical Doctors, Inc. and Subsidiary

Consolidated Statements of Financial Position
As at December 31, 2020 and 2019
(All amounts in thousands of Philippine Peso)

	Notes	2020	2019
ASSETS			
Current assets			
Cash and cash equivalents	2	389,068	613,268
Receivables, net	3	1,020,921	904,784
Inventories, net	4	281,055	355,755
Prepayments and other current assets	5	31,548	37,026
Total current assets		1,722,592	1,910,833
Non-current assets			
Property and equipment, net	6	9,590,248	9,679,717
Other non-current assets		147,249	168,422
Total non-current assets		9,737,497	9,848,139
Total assets		11,460,089	11,758,972
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	7	1,158,376	1,112,948
Income tax payable		-	80,409
Borrowings, current portion	8	335,500	274,000
Dividends payable	12	37,053	167,407
Lease liabilities, current portion	21.2	86,299	73,812
Other current liabilities		15,238	14,980
Total current liabilities		1,632,466	1,723,556
Non-current liabilities			
Borrowings, net of current portion	8	105,000	240,500
Provision for medical benefits	10	104,953	103,923
Retirement benefit obligation	11	556,754	360,439
Deferred income tax liabilities, net	17	1,004,532	1,098,953
Lease liabilities, net of current portion	21.2	253,887	340,186
Total non-current liabilities		2,025,126	2,144,001
Total liabilities		3,657,592	3,867,557
Equity			
Equity attributable to owners of the Parent			
Share capital	12	342,862	342,712
Capital in excess of par value	12	1,701,610	1,698,324
Treasury shares	12	(15,036)	(15,036)
Revaluation surplus	19	3,091,590	3,100,677
Remeasurements on retirement benefits	11	(165,057)	(74,408)
Retained earnings		2,822,709	2,815,286
		7,778,678	7,867,555
Non-controlling interest		23,819	23,860
Total equity		7,802,497	7,891,415
Total liabilities and equity		11,460,089	11,758,972

(The notes on pages 1 to 58 are integral part of these consolidated financial statements.)

Medical Doctors, Inc. and Subsidiary

Consolidated Statements of Income
For each of the three years in the period ended December 31, 2020
(All amounts in thousands of Philippine Peso except for earnings per share)

	Notes	2020	2019	2018
Gross revenues	13	6,308,103	7,771,477	7,086,386
Discounts and free services	14	(741,129)	(841,005)	(743,540)
Net revenues		5,566,974	6,930,472	6,342,846
Cost of services	15	(3,958,146)	(4,353,590)	(3,994,340)
Gross profit		1,608,828	2,576,882	2,348,506
Administrative expenses	15	(1,656,286)	(1,829,616)	(1,616,506)
Other income, net	16	94,577	125,480	98,545
Profit from operations		47,119	872,746	830,545
Finance costs	8, 21.2	(52,351)	(59,288)	(47,009)
(Loss) profit before income tax		(5,232)	813,458	783,536
Income tax expense	17	(364)	(243,474)	(244,639)
(Loss) profit for the year		(5,596)	569,984	538,897
(Loss) profit attributable to:				
Owners of the Parent Company		(5,555)	562,420	541,632
Non-controlling interest		(41)	7,564	(2,735)
(Loss) profit for the year		(5,596)	569,984	538,897
(Loss) earnings per share on profit for the year attributable to owners of the Parent Company				
Basic and diluted earnings per share	18	(1.63)	165.32	160.06

(The notes on pages 1 to 58 are integral part of these consolidated financial statements.)

Medical Doctors, Inc. and Subsidiary

Consolidated Statements of Total Comprehensive Income
For each of the three years in the period ended December 31, 2020
(All amounts in thousands of Philippine Peso)

	Notes	2020	2019	2018
(Loss) profit for the year		(5,596)	569,984	538,897
Other comprehensive (loss) income				
Items that will not be reclassified to profit or loss				
Remeasurements on retirement benefits	11	(129,499)	(83,354)	(112,736)
Deferred tax on remeasurements on retirement benefits	11,17	38,850	25,006	33,821
Fair value gains on land and buildings and building improvements	19	-	1,099,419	-
Deferred tax on land and buildings and building improvements appraisal	19	-	(329,826)	-
Total other comprehensive (loss) income for the year		(90,649)	711,245	(78,915)
Total comprehensive (loss) income for the year		(96,245)	1,281,229	459,982
Attributable to:				
Owners of the Parent Company		(96,204)	1,273,665	462,717
Non-controlling interest		(41)	7,564	(2,735)
Total comprehensive (loss) income for the year		(96,245)	1,281,229	459,982

(The notes on pages 1 to 58 are integral part of these consolidated financial statements.)

Medical Doctors, Inc. and Subsidiary

Consolidated Statements of Changes in Equity
For each of the three years in the period ended December 31, 2020
(All amounts in thousands of Philippine Peso)

	Attributable to equity holders of the Parent Company									
						Retained earnings (Note 12)				
	Share capital (Note 12)	Capital in excess of par value (Note 12)	Treasury shares (Note 12)	Revaluation surplus (Note 19)	Remeasurements on retirement benefit (Note 11)	Appropriated	Unappropriated	Total	Non-controlling interest	Total equity
Balances as at December 31, 2019	342,712	1,698,324	(15,036)	3,100,677	(74,408)	600,000	2,215,286	7,867,555	23,860	7,891,415
Comprehensive income										
Loss for the year	-	-	-	-	-	-	(5,555)	(5,555)	(41)	(5,596)
Other comprehensive loss, net of tax										
Remeasurements on retirement benefits	-	-	-	-	(90,649)	-	-	(90,649)	-	(90,649)
Total comprehensive loss for the year	-	-	-	-	(90,649)	-	(5,555)	(96,204)	(41)	(96,245)
Depreciation transfer of revaluation surplus	-	-	-	(9,087)	-	-	12,978	3,891	-	3,891
Transactions with shareholders										
Issuance of common shares	150	3,286	-	-	-	-	-	3,436	-	3,436
Balances as at December 31, 2020	342,862	1,701,610	(15,036)	3,091,590	(165,057)	600,000	2,222,709	7,778,678	23,819	7,802,497

(The notes on pages 1 to 58 are integral part of these consolidated financial statements.)

Medical Doctors, Inc. and Subsidiary

Consolidated Statements of Changes in Equity (continued)
For each of the three years in the period ended December 31, 2020
(All amounts in thousands of Philippine Peso)

	Attributable to equity holders of the Parent Company									
						Retained earnings (Note 12)				
	Share capital (Note 12)	Capital in excess of par value (Note 12)	Treasury shares (Note 12)	Revaluation surplus (Note 19)	Remeasurements on retirement benefit (Note 11)	Appropriated	Unappropriated	Total	Non-controlling interest	Total equity
Balances as at December 31, 2018	339,737	1,639,701	(15,036)	2,340,351	(16,060)	-	2,518,398	6,807,091	16,296	6,823,387
Comprehensive income										
Profit for the year	-	-	-	-	-	-	562,420	562,420	7,564	569,984
Other comprehensive income (loss), net of tax										
Fair value gains on land and buildings and building improvements	-	-	-	769,593	-	-	-	769,593	-	769,593
Remeasurements on retirement benefits	-	-	-	-	(58,348)	-	-	(58,348)	-	(58,348)
Total comprehensive income (loss) for the year	-	-	-	769,593	(58,348)	-	562,420	1,273,665	7,564	1,281,229
Depreciation transfer of revaluation surplus	-	-	-	(9,267)	-	-	13,239	3,972	-	3,972
Transactions with shareholders										
Issuance of common shares	2,975	58,623	-	-	-	-	-	61,598	-	61,598
Appropriation of retained earnings	-	-	-	-	-	600,000	(600,000)	-	-	-
Dividends declared	-	-	-	-	-	-	(278,771)	(278,771)	-	(278,771)
Total transactions with shareholders	2,975	58,623	-	-	-	600,000	(878,771)	(217,173)	-	(217,173)
Balances as at December 31, 2019	342,712	1,698,324	(15,036)	3,100,677	(74,408)	600,000	2,215,286	7,867,555	23,860	7,891,415

(The notes on pages 1 to 58 are integral part of these consolidated financial statements.)

Medical Doctors, Inc. and Subsidiary

Consolidated Statements of Changes in Equity (continued)
For each of the three years in the period ended December 31, 2020
(All amounts in thousands of Philippine Peso)

	Attributable to equity holders of the Parent Company									
						Retained earnings (Note 12)				
	Share capital (Note 12)	Capital in excess of par value (Note 12)	Treasury shares (Note 12)	Revaluation surplus (Note 19)	Remeasurements on retirement benefit (Note 11)	Appropriated	Unappropriated	Total	Non-controlling interest	Total equity
Balances as at January 1, 2018	338,462	1,616,896	(15,036)	2,349,618	62,855	-	2,166,717	6,519,512	19,031	6,538,543
Comprehensive income										
Profit (loss) for the year	-	-	-	-	-	-	541,632	541,632	(2,735)	538,897
Other comprehensive loss, net of tax										
Remeasurements on retirement benefits	-	-	-	-	(78,915)	-	-	(78,915)	-	(78,915)
Total comprehensive (loss) income for the year	-	-	-	-	(78,915)	-	541,632	462,717	(2,735)	459,982
Depreciation transfer of revaluation surplus	-	-	-	(9,267)	-	-	13,239	3,972	-	3,972
Transactions with shareholders										
Issuance of common shares	1,275	22,805	-	-	-	-	-	24,080	-	24,080
Dividends declared	-	-	-	-	-	-	(203,190)	(203,190)	-	(203,190)
Total transactions with shareholders	1,275	22,805	-	-	-	-	(203,190)	(179,110)	-	(179,110)
Balances as at December 31, 2018	339,737	1,639,701	(15,036)	2,340,351	(16,060)	-	2,518,398	6,807,091	16,296	6,823,387

(The notes on pages 1 to 58 are integral part of these consolidated financial statements.)

Medical Doctors, Inc. and Subsidiary

Consolidated Statements of Cash Flows
For each of the three years in the period ended December 31, 2020
(All amounts in thousands of Philippine Peso)

	Notes	2020	2019	2018
Cash flows from operating activities				
(Loss) profit before income tax		(5,232)	813,458	783,536
Adjustments for:				
Provision for impairment of receivables	3,15	217,272	203,823	112,186
Provision for inventory losses	4	13,676	13,697	5,116
Reversal of provision for inventory losses	4	(13,697)	(5,116)	(2,461)
Depreciation	6, 15	631,425	601,375	521,212
Finance cost	8, 21.2	52,351	59,288	47,009
Reversal of long outstanding payables	16	(17,315)	(1,864)	-
Loss (gain) on disposal of property and equipment	16	2,148	(8,676)	500
Interest income	2, 16	(2,816)	(4,095)	(6,326)
Unrealized foreign exchange loss (gain)	20	2,038	653	(1,457)
Other assets written-off		-	794	-
Operating income before working capital changes		879,850	1,673,337	1,459,315
(Increase) decrease in:				
Receivables		(316,538)	(342,866)	(184,614)
Inventories		74,721	(45,925)	(61,166)
Prepayments and other current assets		(1,889)	(43,329)	27,547
Increase in current liabilities:				
Trade and other payables		64,054	237,301	63,080
Other current liabilities		258	2,941	164
(Increase) decrease in other non-current assets		(2,111)	(4,236)	2,169
Increase (decrease) in provision for medical benefits		1,030	2,962	(16,460)
Increase (decrease) in retirement benefit obligation	11	66,816	21,073	(3,736)
Cash from operations		766,191	1,501,258	1,286,299
Interest received		2,865	4,666	5,739
Income taxes paid		(81,059)	(236,628)	(238,150)
Net cash from operating activities		687,997	1,269,296	1,053,888
Cash flows from investing activities				
Payments for property and equipment	6	(559,271)	(603,764)	(629,803)
Advances made to suppliers for equipment		(20,740)	(44,024)	(9,713)
Proceeds from disposal of property and equipment		150	21,877	1,135
Net cash used in investing activities		(579,861)	(625,911)	(638,381)
Cash flows from financing activities				
Proceeds from borrowings	8	200,000	-	-
Borrowings paid	8	(274,000)	(274,000)	(229,000)
Payment of interest on borrowings	8	(25,918)	(35,604)	(48,931)
Dividends paid	12	(130,354)	(229,811)	(177,833)
Proceeds from issuance of share capital	12	3,436	61,598	24,080
Payment of principal portion of lease liability	21.2	(73,812)	(81,561)	-
Payment of interest on lease	21.2	(29,650)	(26,091)	-
Net cash used in financing activities		(330,298)	(585,469)	(431,684)
Net (decrease) increase in cash and cash equivalents		(222,162)	57,916	(16,177)
Cash and cash equivalents, January 1		613,268	556,005	570,984
Effect of exchange rate changes on cash and cash equivalents		(2,038)	(653)	1,198
Cash and cash equivalents, December 31	2	389,068	613,268	556,005

(The notes on pages 1 to 58 are integral part of these consolidated financial statements.)

Medical Doctors, Inc. and Subsidiary

Notes to the Consolidated Financial Statements
As at December 31, 2020 and 2019 and for each of the three years
in the period ended December 31, 2020
(In the notes, all amounts are shown in thousands of Philippine Peso unless otherwise stated)

Note 1 - General information

Medical Doctors, Inc. (the "Parent Company") was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on April 23, 1963. On April 5, 2013, the Parent Company's articles of incorporation have been amended to extend the corporate term for another fifty years from and after the expiration of its original term on April 24, 2013. Its primary purpose is to establish, operate, manage and own a hospital or hospitals, medical and chemical clinics and/or laboratories and such other enterprises that may have similar undertakings. The Parent Company operates under the trade name of Makati Medical Center (the "Hospital"). The Parent Company is registered as an "Existing and Expanding Operator of Tertiary Care Hospital", in pioneer status.

On December 31, 1970, the Parent Company attained its status of being a "public company". The Parent Company is considered a public company under Rule 3.1 of the Implementing Rules and Regulations of the Securities Regulation Code, which, among others, defines a public corporation as any corporation with assets of at least P50 million and having 200 or more shareholders, each of whom holds at least 100 shares of its equity securities. As at December 31, 2020 the Parent Company has 1,109 shareholders (2019 - 1,123) each holding at least 100 shares of the Parent Company's common shares.

The Parent Company's major shareholders consist of local companies and individual medical practitioners, with percentages of ownership as follows:

	As at December 31	
	2020	2019
Metro Pacific Hospital Holdings, Inc.	33.38%	33.01%
Associated Sugar, Inc.	4.76%	4.76%
Dr. Remedios Suntay	3.27%	3.10%
San Miguel Corporation	2.44%	2.44%
Dr. Raul G. Fores	2.09%	2.09%
	45.94%	45.40%

As at December 31, 2020, the remaining 54.06% (2019 - 54.60%) of the Parent Company's issued and outstanding shares are held by private individuals, local companies and practicing doctors of the Hospital. Of the total 3,420,737 outstanding shares in 2020, 191,884 shares or 5.61% are owned by the Company's directors, officers and employees (2019 - 3,419,237 outstanding shares, 190,522 shares or 5.57%).

At December 31, 2020 and 2019, the Parent Company owns 60% of the shares of stocks of Computerized Imaging Institute, Inc. (CIII). CIII was incorporated and registered with the Philippine SEC on February 12, 1978 primarily to establish, operate, manage, own and maintain a tomography center and provide professional medical and surgical services and other similar undertakings.

On October 5, 2018, CIII's Board of Directors (BOD) decided to cease the company's operations given the deteriorating financial situation. In 2019, the company sold its property and equipment, settled most of its payables and liquified all assets including the collection of the receivables. However, the company's operations will remain dormant until the BOD develops a more viable business model that best complements the operations of its parent company.

The Parent Company and CIII, its subsidiary, are collectively referred to as the "Group".

The Parent Company has its registered office address, which is also its principal place of business, at 2 Amorsolo corner dela Rosa Streets, Legaspi Village, Makati City. CIII's registered business address is at G/F, Makati Medical Center, 2 Amorsolo corner dela Rosa Streets, Legaspi Village, Makati City.

The Group has a total of 2,786 regular employees as at December 31, 2020 (2019 - 2,861).

These consolidated financial statements have been approved and authorized for issuance by the Parent Company's BOD on March 18, 2021.

Coronavirus disease 2019 (COVID-19)

On March 11, 2020, the World Health Organization declared COVID-19 as a pandemic. In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, unless earlier lifted or extended. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The Group responded to the government's call to help provide care to those who are suspected or are confirmed to have the virus by expanding the capacity of its emergency department and dedicating isolation rooms for patients that require hospital admissions. However, the enforcement of an enhanced community quarantine resulted in lower patient census as only emergency cases are allowed to be treated.

The COVID-19 pandemic had a pervasive impact in the 2020 financial results of the Group which saw a decrease in net revenue and corresponding expenses due to lower patient census and increase in provisions for doubtful accounts due to the expected deterioration in credit capacity of patients and guarantors and overall slowdown in the growth of the macroeconomy of the Philippines. Consequently, this also resulted to an increase in net patient receivables and lower cash balances due to delayed collections.

Additional information about the impact of COVID-19 in the Group's operations for the year ended December 31, 2020 and financial position as at the reporting date are reflected in the notes to the financial statements.

Note 2 - Cash and cash equivalents

Cash and cash equivalents as at December 31 consist of:

	2020	2019
Cash on hand	867	882
Cash in banks	388,201	505,335
Short-term cash placements	-	107,051
	389,068	613,268

Short-term cash placements as at December 31, 2019 pertain to time deposits with local banks with maturity of less than three months and earn annual interest at rates ranging from 1.70% to 6.25% in 2019.

As of December 31, 2020 all short-term cash placements were withdrawn to support liquidity requirements due to impact of COVID-19 on collections.

Interest income for cash deposits in banks, short-term cash placements and restricted cash (Note 24.1) for the year ended December 31, 2020 amounted to P2,816 (2019 - P4,095; 2018 - P6,326) (Note 16).

Restricted cash amounting to P92,988 as at December 31, 2020 (2019 - P90,877) is presented as part of other non-current assets in the consolidated statements of financial position. These are earmarked for a specific use and are therefore not available for general use by the Group.

Note 3 - Receivables, net

Receivables, net as at December 31 consist of:

	Note	2020	2019
Patient receivables		1,314,836	1,123,417
Allowance for impairment of patient receivables		(359,331)	(262,325)
Net patient receivables		955,505	861,092
Rent receivable	21.2	17,983	12,919
Receivables from pharmaceutical and medical companies		15,375	11,099
Receivables from employees and officers		14,992	8,162
Receivable from a regulatory agency		10,999	5,188
Construction bond		3,425	3,425
Interest receivable		-	48
Other receivables		3,606	3,815
		66,380	44,656
Allowance for impairment of other receivables		(964)	(964)
Net other receivables		65,416	43,692
		1,020,921	904,784

As at December 31, 2020, the carrying amount of patient receivables is net of professional fees billed on behalf of doctors as required by BIR Revenue Regulation No. 14-2013 amounting to P507,972 (2019 - P511,243). Such amounts are treated as liability upon collection and presented under professional fees collected on behalf of doctors within trade and other payables (Note 7).

Construction bond pertains to the amounts deposited to contractors on certain constructions which will be returned to the Parent Company upon completion of said projects.

Other receivables pertain mainly to the Parent Company's receivables from private companies for doctors' retainer arrangements, affiliation and training fees from practicing doctors and residents and advances to Makati Medical Center Foundation, Inc.

The Group's receivables are all denominated in Philippine Peso.

There is no concentration of credit risk with respect to patient receivables as the Group has a large number of both individual and corporate customers.

The movements in allowance for impairment of receivables for the years ended December 31 are as follows:

	Note	2020	2019
Beginning of year		263,289	129,358
Provision during the year	15	217,272	203,823
Write-off		(120,266)	(69,892)
End of year		360,295	263,289

The Parent Company has written-off fully provided patient receivables after the Parent Company has exhausted all possible means of account recovery and has determined that the patients involved no longer have capacity to pay and most of the patients have already absconded.

Critical accounting estimate: Expected credit losses (ECL) on receivables

ECLs are unbiased probability-weighted estimates of credit losses which are determined by evaluating a range of possible outcomes and taking into account past events, current conditions and assessment of future economic conditions.

The Group has used relevant historical information and loss experience to determine the probability of default of the instruments and incorporated forward-looking information, including significant changes in external market indicators which involved significant estimates and judgements.

In determining the ECL of patient receivables, the Parent Company has used four years of historical losses data to determine the loss rate and applied an adjustment against the historical loss rate based on the gross domestic product, consumer price index, unemployment rate, and inflation to reflect the current and forward-looking information.

Note 4 - Inventories, net

Inventories, net as at December 31 consist of:

	2020	2019
Pharmaceutical products	156,558	269,538
Laboratory and other hospital supplies	127,704	86,901
Office and housekeeping supplies	10,469	13,013
	294,731	369,452
Allowance for inventory losses	(13,676)	(13,697)
	281,055	355,755

The cost of inventories recognized as expense in profit or loss amounted to P1,835,719 in 2020 (2019 - P2,022,649; 2018 - P1,788,616) (Note 15).

The movements in allowance for inventory losses for the years ended December 31 are as follows:

	2020	2019
Beginning of the year	13,697	5,116
Provision during the year	13,676	13,697
Reversal/write-off	(13,697)	(5,116)
End of the year	13,676	13,697

For the year ended December 31, 2020, provision for inventory losses amounting to P13,676 (2019 - P13,697) has been recognized for expired and near expiry medicines and medical supplies and is presented as part of drugs, medicines and supplies expenses (Note 15).

Reversal/write-off pertains to expired inventories which are either disposed or returned by the Parent Company to pharmaceutical companies.

Note 5 - Prepayments and other current assets

Prepayments and other current assets as at December 31 consist of:

	2020	2019
Advances to suppliers	25,712	1,555
Prepaid taxes	5,185	2,833
Prepaid expenses	651	30,531
Short-term cash placements	-	2,107
	31,548	37,026

Prepaid expenses include payments for advance rental, employee uniforms and subscription, insurance, computer programs support and building dues.

Short-term cash placements as at December 31, 2019 pertains to time deposit with a local bank with maturity of six months and earns annual interest at rate of 1.70%. As of December 31, 2020, the short-term cash placement was withdrawn to support liquidity requirements due to impact of COVID-19 on collections.

Note 6 - Property and equipment, net

Property and equipment, net as at December 31 consist of:

	At revalued amounts		At cost					
	Land	Buildings and building improvements	Medical equipment, tools and instruments	Hospital furnishings, fixtures and office equipment	Leasehold improvements	Office and parking spaces (Note 21.2)	Construction-in-progress	Total
As at January 1, 2020								
Cost or revalued amount	4,063,136	4,818,043	3,669,428	1,613,970	159,548	463,400	192,815	14,980,340
Accumulated impairment	-	-	(13,397)	-	-	-	-	(13,397)
Accumulated depreciation and amortization	-	(1,522,809)	(2,496,688)	(1,106,029)	(83,085)	(78,615)	-	(5,287,226)
Net carrying value	4,063,136	3,295,234	1,159,343	507,941	76,463	384,785	192,815	9,679,717
Year ended December 31, 2020								
Opening net carrying value	4,063,136	3,295,234	1,159,343	507,941	76,463	384,785	192,815	9,679,717
Additions	-	3,746	236,070	79,574	-	-	235,250	554,640
Transfer and reclassification	-	110,654	86,550	37,275	107,482	-	(341,961)	-
Depreciation and amortization, at cost	-	(150,143)	(248,483)	(121,621)	(16,965)	(81,235)	-	(618,447)
Depreciation, at appraisal (Note 19)	-	(12,978)	-	-	-	-	-	(12,978)
Disposals:								
Cost	-	-	(104,310)	(2,801)	-	-	-	(107,111)
Accumulated depreciation	-	-	91,631	2,796	-	-	-	94,427
Closing net carrying value	4,063,136	3,246,513	1,220,801	503,164	166,980	303,550	86,104	9,590,248
As at December 31, 2020								
Cost or revalued amount	4,063,136	4,932,443	3,887,738	1,728,018	267,030	463,400	86,104	15,427,869
Accumulated impairment	-	-	(13,397)	-	-	-	-	(13,397)
Accumulated depreciation and amortization	-	(1,685,930)	(2,653,540)	(1,224,854)	(100,050)	(159,850)	-	(5,824,224)
Net carrying value	4,063,136	3,246,513	1,220,801	503,164	166,980	303,550	86,104	9,590,248

Note 6 - Property and equipment, net (continued)

Property and equipment, net as at December 31 consist of:

	At revalued amounts		At cost					
	Land	Buildings and building improvements	Medical equipment, tools and instruments	Hospital furnishings, fixtures and office equipment	Leasehold improvements	Office and parking spaces (Note 21.2)	Construction-in-progress	Total
As at January 1, 2019								
Cost or revalued amount	2,956,800	4,683,949	3,592,576	1,428,839	161,996	-	230,097	13,054,257
Accumulated impairment	-	-	(13,397)	-	-	-	-	(13,397)
Accumulated depreciation and amortization	-	(1,364,216)	(2,393,249)	(1,012,506)	(70,570)	-	-	(4,840,541)
Net carrying value before adoption of PFRS 16	2,956,800	3,319,733	1,185,930	416,333	91,426	-	230,097	8,200,319
Recognition of right-of-use asset (Note 21.2)	-	-	-	-	-	256,305	-	256,305
At January 1, 2019 after adoption of PFRS 16	2,956,800	3,319,733	1,185,930	416,333	91,426	256,305	230,097	8,456,624
Year ended December 31, 2019								
Opening net carrying value	2,956,800	3,319,733	1,185,930	416,333	91,426	256,305	230,097	8,456,624
Additions	-	12,043	219,053	56,600	-	207,095	243,165	737,956
Appraisal (Note 19)	1,106,336	(6,917)	-	-	-		-	1,099,419
Transfer and reclassification	-	128,968	-	151,479	-		(280,447)	-
Depreciation and amortization, at cost	-	(145,354)	(233,060)	(116,144)	(14,963)	(78,615)	-	(588,136)
Depreciation, at appraisal (Note 19)	-	(13,239)	-	-	-	-	-	(13,239)
Disposals:								
Cost	-	-	(142,201)	(22,948)	(2,448)	-	-	(167,597)
Accumulated depreciation	-	-	129,621	22,621	2,448	-	-	154,690
Closing net carrying value	4,063,136	3,295,234	1,159,343	507,941	76,463	384,785	192,815	9,679,717
As at December 31, 2019								
Cost or revalued amount	4,063,136	4,818,043	3,669,428	1,613,970	159,548	463,400	192,815	14,980,340
Accumulated impairment	-	-	(13,397)	-	-	-	-	(13,397)
Accumulated depreciation and amortization	-	(1,522,809)	(2,496,688)	(1,106,029)	(83,085)	(78,615)	-	(5,287,226)
Net carrying value	4,063,136	3,295,234	1,159,343	507,941	76,463	384,785	192,815	9,679,717

The cost of fully depreciated assets still in use by the Group at December 31, 2020 amounted to P2,537,430 (2019 - P2,441,385).

There were no finance lease transactions entered by the Group for the years ending December 31, 2020 and 2019.

Depreciation and amortization expense for each of the three years in the period ended December 31 is charged to profit or loss is as follows (Note 15):

	2020	2019	2018
Cost of services	398,624	400,009	386,591
Administrative expenses	232,801	201,366	134,621
	631,425	601,375	521,212

Details of the Group's unpaid acquisitions of property and equipment for the years ended December 31 are as follows:

	2020	2019
Beginning of the year	83,713	156,616
Acquisitions	554,640	530,861
Payments	(559,271)	(603,764)
End of the year	79,082	83,713

Unpaid acquisitions of property and equipment are disclosed as part of trade payables (Note 7).

6.1 Right-of-use assets

Additions to office and parking spaces pertaining to new leases entered into by the Parent Company for the year ended December 31, 2020 are treated as right-of-use assets in accordance with PFRS 16 (Note 21.2).

6.2 Mortgaged properties

Borrowings at December 31, 2020 and 2019 are secured by a land owned by the Parent Company through a Mortgage Trust Indenture (MTI) (Note 8). As at December 31, 2020 and 2019, the fair value of the land as appraised by an independent appraiser amounted to P4.063 billion.

6.3 Appraisal of land and buildings and building improvements

The fair values of the land and buildings and building improvements were based on the latest appraisal report dated October 17, 2019 determined by Cuervo Appraisers, Inc. using combination of market and cost approach.

The Parent Company's land in Makati City where the Hospital is located has original cost of P600. Total land area is approximately 12,320 square meters. The land is carried at fair value as appraised on various dates as follows:

Date of appraisal	Appraised value (in Million Pesos)
May 1, 1990	739
October 11, 2001	3,080
December 5, 2003	2,464
January 2, 2007	2,464
October 31, 2008	2,464
November 17, 2011	2,661
November 15, 2016	2,957
October 17, 2019	4,063

Based on the latest appraisal report, the appraised value for the Parent Company's buildings and building improvements amounted to P2,911,761. The appraisal is recognized as addition to revaluation surplus in the statements of total comprehensive income and in the statements of changes in equity for the year ended December 31, 2019. If the buildings and building improvements (both carried at revalued amounts) were stated at historical cost, the net carrying values as at December 31, 2020 would amount to P2,516,358 (2019 - P2,544,758).

The revaluation surplus from the foregoing assets, shown net of DIT liability, included in equity at December 31 is as follows (Note 19):

	2020	2019
Land	2,843,775	2,843,775
Buildings and building improvements	247,815	256,902
	3,091,590	3,100,677

Valuation techniques

Taking into account the most recent independent valuations, the Group updates their assessment of the fair value of the land and buildings and building improvements. The Group determines that the said properties were valued within a range of reasonable fair value estimates where all resulting fair value estimates are categorized as fair value measurements using significant unobservable inputs (Level 3).

Fair values of land have been derived using the market approach. In market approach, the value of the land is based on recorded sales and listings (or asking prices) of comparable property registered within the vicinity. The most significant input into this valuation approach is price per square meter. Adjustments are then made to reflect factors affecting the value such as property location, desirability, neighborhood, utility, size and the time element involved.

Fair values of buildings and building improvements have been derived using cost approach. Under this approach, an estimate is made of the current cost of reproduction of the buildings in accordance with the prevailing market prices of materials, labor, contractor's overhead, profit and fees. Adjustments are then made to reflect depreciation resulting from physical deterioration and functional or economic obsolescence.

Fair value measurements of buildings and building improvements using significant unobservable inputs (Level 3) as at December 31 are as follows:

	2020	2019
Beginning of the year	3,295,234	3,319,733
Depreciation	(163,121)	(158,593)
Additions, appraisal, transfer and reclassification	114,400	134,094
End of the year	3,246,513	3,295,234

Valuation process of the Group

The external valuations of the land and buildings and building improvements have been performed using unobservable inputs. The external valuer, in discussion with the Finance team, has adopted the Sales Comparison Approach and Modified Quantity Survey Method to estimate the value of the land and the cost of reproduction of the buildings, respectively.

The Sales Comparison Approach in estimating the market value of the land requires an analysis of the physical features of the land, the locational attributes, the availability of public services, and the quality of adjacent improvements that affect the market value of the land. Once a comparable property is identified that is similar with respect to physical, locational, and neighborhood features, an adjustment is made to compensate for any differences. Other aspects of comparability are also examined such as market conditions at the time of sale for the comparable properties, the financing used in the purchase and the property rights transferred.

The Modified Quantity Survey Method requires an analysis of the buildings by breaking them down into major components such as foundation, columns, beams, floorings, walls, roofing, etc. using workable units such as lineal meter, square meter, cubic meter or other appropriate basic unit.

Bills of quantities for each building component using the appropriate unit are prepared and related to the unit cost for each component developed on the basis of current costs of material, labor, plant and equipment prevailing in the locality to arrive at the direct costs of the buildings, whereupon indirect costs such as contractor's profit, overhead, taxes and fees and other related expenses are then added.

Valuations are performed with sufficient regularity at least once every three (3) to five (5) years enough to ensure that the fair value of the revalued asset does not differ significantly from its carrying value.

Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value as at December 31, 2020	Valuation technique	Unobservable inputs	Cost per unobservable inputs	Relationship of unobservable inputs to fair value
			Price per square meter	P450 - 489/ square meter	The higher the cost per square meter, the higher the fair value
			Locational attributes	0% to 10%	The higher the rate, the lower the fair value
Land	4,063,136	Sales comparison approach	Area of land (size)	-13% to -18%	The greater the area, the less incremental area cost to develop, the lower the fair value
Buildings and building improvements	2,836,603	Cost approach	Cost per square meter	P33/square meter	The higher the cost per unit, the higher the fair value

The sensitivity of the land and buildings and building improvements carried at fair value to changes in the significant unobservable inputs as at December 31 is as follows:

		Impact on	
	Change in cost per square meter	Property and equipment	Profit before tax
2020			
Land	+/- 5%	+/- 203,157	-
Buildings and building improvements	+/- 5%	+/- 162,326	+/- 8,156
2019			
Land	+/- 5%	+/- 203,157	-
Buildings and building improvements	+/- 5%	+/- 164,762	+/- 7,930

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Critical accounting estimate: Estimation of fair value of land and buildings and building improvements

In determining the fair value of land and buildings, the Group, through the professional services of the independent appraisers, utilized a combination of market and cost approach. In market approach, the value of the land is based on recorded sales and listings (or asking prices) of comparable property registered within the vicinity. The technique of this approach requires the establishing of comparable property by reducing reasonable comparative sales and listings to a common denominator. Meanwhile, the value of the buildings and building improvements was arrived at using the cost approach. Under this approach, an estimate is made of the current cost of reproduction of the buildings in accordance with the prevailing market prices of materials, labor, contractor's overhead, profit and fees. Adjustments are then made to reflect depreciation resulting from physical deterioration and functional or economic obsolescence.

6.4 Construction-in-progress

Construction-in-progress consists of costs incurred for the renovation of the Hospital's main building and various improvements on leased office spaces.

There were no capitalized borrowing costs as at December 31, 2020 and 2019 as the ongoing constructions of the Group are not considered as qualifying assets.

Critical accounting estimate: Estimated useful lives of property and equipment

The useful life of each item of the Group's property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar business, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and 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 asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any property and equipment would increase the recorded expenses and decrease non-current assets.

Critical judgment: Recoverability of property and equipment

The carrying value of property and equipment is reviewed and assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Changes in those assessment and judgment could have a significant effect on the carrying value of property and equipment and the amount and timing of recorded provision for any period.

Management believes, based on facts and circumstances at December 31, 2020 and 2019, that there are no indicators that the remaining carrying amount of property and equipment may not be recoverable.

Note 7 - Trade and other payables

Trade and other payables as at December 31 consist of:

	Notes	2020	2019
Trade payables		709,657	708,906
Funds collected on behalf of medical and other organizations		85,509	71,379
Patients' refunds		60,463	46,984
Professional fees collected on behalf of doctors		53,559	8,901
Payable to regulatory agencies		32,644	39,535
Accruals for:			
Contracted services		87,935	79,611
Professional services		48,383	55,410
Repairs and maintenance		39,746	35,839
Utilities		14,051	18,258
Dietary services		7,293	8,638
Interest	8	1,624	4,841
Employee benefits		1,548	7,441
Rent	21.2	567	1,327
Others		15,397	25,878
		1,158,376	1,112,948

Funds collected on behalf of medical and other organizations mainly pertain to research grants and subsidies received from medical and other organizations.

Accrued contracted services as at December 31, 2020 include purchasing services from related party amounting to P3,300 (2019 - P2,200) (Note 9.G) and various accruals for facilities and clinical technologies management and services, security and janitorial services.

Accrued professional services mainly pertain to amounts payable to doctors relating to diagnostic reader fees and medical packages.

Note 8 - Borrowings

Borrowings as at December 31 consist of:

	Note	2020	2019
Current			
Bank loans *(a)*		313,750	215,000
Loans payable - related party *(b)*	9	21,750	59,000
		335,500	274,000
Non-current			
Bank loans *(a)*		105,000	218,750
Loans payable - related party *(b)*	9	-	21,750
		105,000	240,500
		440,500	514,500

The Parent Company's borrowings are all denominated in Philippine Peso.

(a) Bank loans

Bank loans as at December 31, 2020 amounting to P218,750 (2019 - P433,750) representing interest-bearing loans secured by MTI (Note 6.2) were obtained from various local banks to fund the Parent Company's working capital requirements. These loans have terms ranging from 7 to 10 years with fixed annual interest rates ranging from 4.70% to 5.48%. The remaining P200,000 bank loans as at December 31, 2020 pertain to additional short-term working capital loans availed to augment working capital requirements due to impact of COVID-19. These loans are presented under current bank loans with interest ranging from 4.70% to 4.85%.

For the years ended December 31, 2020 and 2019, the Parent Company has complied with the imposed covenants of all its loan agreements with various local banks (Note 24.3).

(b) Loans payable - related party

On July 21, 2011, the Parent Company availed of a loan amounting to P140,000 from a major shareholder and key officer to partly finance the modernization of its medical equipment. The loan is unguaranteed, unsecured, bears a fixed interest rate of 7% and payable in equal quarterly installments over 10 years.

On February 18, 2013, the parties agreed to a reduce the interest rate from 7% to 4.28% and on February 1, 2015, the parties mutually agreed to increase the interest rate to 5.00%.

As at December 31, 2020, the outstanding balance of the loan amounted to P10,500 (2019 - P24,500) and is payable within the following year.

In 2014, the Parent Company availed of additional loans with fixed annual rate ranging from 5% to 5.3% amounting to P230,000 for general corporate purposes. Out of the total loan availments, P23,246 was used to refinance portion of the restructured loan existing as at December 31, 2013.

As at December 31, 2020, the outstanding balance from this loan amounted to P11,250 (2019 - P56,250) and is payable within the following year.

There are no significant covenants and warranties related to these loans from a related party. All related party loans are unguaranteed and unsecured, except for loans amounting to P1,250 as at December 31, 2020 (2019 - P6,250) which is covered by MTI (Note 6.2).

The components of finance costs related to borrowings for each of the three years in the period ended December 31 are as follows:

	Note	2020	2019	2018
Interest expense for:				
Bank loans		19,803	27,388	38,193
Loan from a related party	9	2,898	5,809	8,816
		22,701	33,197	47,009

The movements in borrowings presented in the consolidated statements of financial position and consolidated statements of cash flows for the years ended December 31 are as follows:

	2020	2019	2018
Beginning of the year	514,500	788,500	1,017,500
Additions during the year	200,000	-	-
Payment of bank loans	(215,000)	(215,000)	(170,000)
Payment of related party loan	(59,000)	(59,000)	(59,000)
End of the year	440,500	514,500	788,500

The movements in accrued interest presented in the consolidated statements of financial position and consolidated statements of cash flows for the years ended December 31 are as follows:

	Note	Bank loans	Loan from a related party (Note 9)	Total
2020				
Beginning of the year		4,561	280	4,841
Finance costs related to loans		19,803	2,898	22,701
Payment		(22,844)	(3,074)	(25,918)
End of the year	7	1,520	104	1,624
2019				
Beginning of the year		6,791	457	7,248
Finance costs related to loans		27,388	5,809	33,197
Payment		(29,618)	(5,986)	(35,604)
End of the year	7	4,561	280	4,841
2018				
Beginning of the year		8,536	634	9,170
Finance costs related to loans		38,193	8,816	47,009
Payment		(39,938)	(8,993)	(48,931)
End of the year		6,791	457	7,248

Note 9- Related party transactions and balances

The table below summarizes the Group's transactions and balances with its related parties:

		Transactions for the years ended December 31			Outstanding balances as of December 31	
	Terms and conditions	2020	2019	2018	2020	2019
(A) Rental income						
Key officers	The Parent Company charges its key officers for the usage of clinic including electricity and water consumption. The rental income earned is presented as part of gross revenues (Note 13). Amounts are settled in cash on a net basis. These are unguaranteed, unsecured, non-interest bearing and are collectible on or before the 15th of the following month. The receivables from key officers are presented as part of receivables from employees and officers (Note 3).	1,072	635	575	474	1,450
(B) Collection on behalf of related parties						
Key officers	The Parent Company pays its key officers for professional fees collected from patients. Collections on behalf of key officers are recorded as part of professional fees collected on behalf of doctors under trade and other payables (Note 7). Amounts are settled in cash on a net basis. These are unguaranteed, unsecured, non-interest bearing and are payable on demand.	32,689	31,730	35,275	11,927	7,241
(C) Professional services						
Key officers	The Parent Company pays its key officers for reader's fees and professional fees included on medical packages. The amount is recognized as part of professional services presented in cost of services (Note 15).	6,156	2,719	3,120	-	-

	Terms and conditions	Transactions for the years ended December 31 2020	2019	2018	Outstanding balances as of December 31 2020	2019
(D) Dividend payments	The Parent Company paid dividends to its shareholders, net of the applicable withholding tax. Amounts are settled in cash.					
Entity with significant influence		44,923	78,784	59,809	-	-
Key officers	Refer further to Note 12 for details of dividend declarations and payments.	6,921	15,340	8,934	-	-
		51,844	94,124	68,743	-	-
(E) Borrowings and interest expense						
Key officer	The Parent Company availed of various loans from a key officer which are payable based on contract terms. The loans are subjected to interest at rates ranging from 5.00% to 5.30%.					
Principal		-	-	-	21,750	80,750
Interest		2,898	5,809	8,816	104	280
	Borrowings are interest-bearing and unsecured except for P1,250 as at December 31, 2020 (2019 - P6,250) covered by MTI and payable according to the terms and conditions of the loan agreement (Note 8).					
		2,898	5,809	8,816	21,854	81,030
(F) Investments in shares of stock						
Entity with significant influence	The Parent Company maintains a non-contributory retirement benefit plan administered by a trustee bank as approved by the BOD. Plan assets are invested in shares of stocks of various companies including its related party as approved by the Treasurer (Note 11).	-	354	2,813	-	-
(G) Shared expenses						
Shareholder with significant influence	The Parent Company is charged for its share in expenses on purchasing services rendered by its related party presented as part of contracted services under administrative expenses (Note 15).	1,100	1,100	1,100	3,300	2,200
	These are payable within fifteen (15) days after receipt of billing. Overdue balances are subject to 2% interest per month. Outstanding balances are unguaranteed, unsecured, non-interest bearing, payable on demand and are presented as part of accruals for contracted services (Note 7).					
(H) Contributions to plan assets						
Post-employment benefit plan	The Parent Company maintains a non-contributory retirement benefit plan covering all of its regular employees (Note 11).	10,000	36,000	35,629	-	-

	Terms and conditions	Transactions for the years ended December 31			Outstanding balances as of December 31	
		2020	2019	2018	2020	2019
(I) Compensation of key management						
Salaries and other short-term benefits	Key management compensation covering salaries and other short-term benefits are determined based on contract of employment and payable in accordance with the Parent Company's payroll period.	28,909	32,650	44,177	-	-
Professional fees	Professional fees are paid to doctor consultants holding key management positions in the Hospital.	13,065	17,629	17,178	-	-
Retirement benefit	Retirement benefits are determined and payable in accordance with policies disclosed in Note 25.18.These were fully paid as at reporting period, except for retirement liability which will be settled upon retirement of key officers in accordance with the policies of the retirement benefit plan.	3,558	1,987	1,655	15,472	9,914
	The Group has not granted any share-based compensation and termination benefits to its key management personnel for each of the three years.					
		45,532	52,266	63,010	15,472	9,914
(J) Other income						
Shareholder with significant influence	The Parent Company recharged its related party for third-party professional services contracted on behalf of its related party. This is presented under other income, net (Note 16).	-	608	-	-	-

No provision was recognized against receivables from related parties for the years ended December 31, 2020 and 2019.

The following related party transactions and balances were eliminated for the purpose of preparing the consolidated financial statements:

	2020	2019
As at December 31		
Investment in subsidiary / share capital	835	835
Receivables, net / trade and other payables	8,411	(8,481)
For the years ended December 31		
Dividend income	-	(10,841)

Note 10 - Provision for medical benefits

Provision recognized as at December 31, 2020 and 2019 pertains to reserve liability arising from medical benefits covering certain affiliated doctors and qualified dependents. Provision is determined by an independent actuary based on the costs of medicines and supplies needed to fulfill the obligation. The provision is based on the latest actuarial report dated December 31, 2020.

The principal actuarial assumptions used as at December 31, 2020 and 2019 are as follows:

	2020	2019
Discount rate	5% compounded annually	5% compounded annually
Future increase on projected medical benefits	4%-6% annually	4%-6% annually
Average life in years	49.5 years	47.2 years
Withdrawal rates	2%-7.5%	2%-7.5%
Utilization rates	5%-40%	5%-40%

The movements in provision for medical benefits for the years ended December 31 are as follows:

	2020	2019
Beginning of the year	103,923	100,961
Provision	12,444	15,151
Actualization	(11,414)	(12,189)
End of the year	104,953	103,923

Provision recognized amounting to P12,444 for the year ended December 31, 2020 (2019 - P15,151) is presented as part of drugs, medicines and supplies account (Note 15).

Critical accounting estimate and assumptions: Provision for medical benefits

Provision for medical benefits is recognized based on management's best estimates of the likelihood that medical benefits will be realized considering the historical analysis of actualization. Management's assessment is developed in consultation with independent actuary and is based on an analysis of possible outcomes under various circumstances.

The Parent Company determines the appropriate discount rate at the end of each year. This is the discount rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the said provisions. The discount rate was determined by reference to prevailing market rate on long-term and start up investments in Philippine financing and banking industry. The discount rate is a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the provisions.

An actuarial update is to be made every two (2) years to ensure reasonableness of assumptions used based on the actual level and frequency of claims for medical benefits unless there are changes in benefits and actual pattern of medical costs that may warrant an immediate remeasurement of liabilities.

In any of the above cases, management uses estimates and judgments. While it is believed that the Parent Company's estimates are reasonable, actual results could differ from those estimates and judgments. The recorded obligation at the end of each reporting period and the amount and timing of recorded expense for any period could be materially affected by actual experience and changes in those judgments.

Based on similar assumptions used in the latest actuarial computation, the Parent Company estimated and recognized additional provision amounting P12,444 for the year ended December 31, 2020 for the medical benefits of its additional qualified affiliated doctors and their dependents. The carrying amount of provisions at December 31, 2020 amounted to P104,593 (2019 - P103,923).

Note 11 - Retirement plan

The Parent Company maintains a non-contributory retirement benefit plan covering all of its regular employees. The normal retirement age is 60. The Plan assets of the Parent Company is administered by a trustee bank, governed by local regulations and practices and approved by the BOD of the Parent Company. The retirement plan is intended to provide benefit payments to employees ranging from 24 to 48 days basic pay depending on the number of service credit years which ranges from 10 to 40. Actuarial valuation is updated by an independent actuary every year.

The amounts recognized in the consolidated statements of financial position as at December 31 are determined as follows:

	2020	2019
Present value of defined benefit obligation	897,189	700,801
Fair value of plan assets	(340,435)	(340,362)
	556,754	360,439

The movements in the present value of defined benefit obligation for the years ended December 31 are as follows:

	2020	2019
Beginning of the year	700,801	545,284
Current service cost	56,292	37,257
Interest cost	39,035	42,096
Benefits paid from plan assets	(26,059)	(37,345)
Benefits paid from book reserve	-	-
Remeasurement loss	127,120	113,509
End of the year	897,189	700,801

The movements in the fair value of plan assets for the years ended December 31 are as follows:

	2020	2019
Beginning of the year	340,362	289,272
Interest income	18,511	22,280
Contributions	10,000	36,000
Benefits paid	(26,059)	(37,345)
Remeasurement (loss) gain	(2,379)	30,155
End of the year	340,435	340,362

Plan assets as at December 31 consist of:

	2020		2019	
	Amount	Percentage	Amount	Percentage
Debt	220,994	65%	257,597	76%
Equity	71,058	21%	62,392	18%
Others	48,383	14%	20,373	6%
	340,435	100%	340,362	100%

Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. The largest proportion of assets is invested in government securities, although the Plan also invests in shares of stocks and special deposit account. The majority of listed stocks are in a diversified portfolio of blue chip entities.

Investments in shares of stock of MPIC (entity with significant influence) as at December 31, 2019 amounted to P354 (Note 9). All investment placements of funds are subject for approval by the Treasurer. The Plan recognized net gain of P118 on its investments in shares of stock of a related party for the year ended December 31, 2019. No investments in shares of stock of MPIC were made by the trustee bank as of 2020.

The amount and timing of contributions to the fund are made at the Company's discretion. The Company contributed P10,000 to the fund for the year ended December 31, 2020 (2019 - P36,000). Expected contributions to retirement benefit plan for the year ending December 31, 2021 is P33,000.

The movements in the retirement benefit obligation recognized in the consolidated statements of financial position for the years ended December 31 are as follows:

	Note	2020	2019
Beginning of the year		360,439	256,012
Retirement benefit expense recognized in profit or loss	15	76,816	57,073
Remeasurements on retirement benefits recognized in OCI		129,499	83,354
Contributions during the year		(10,000)	(36,000)
End of the year		556,754	360,439

The movements in the remeasurements on retirement benefits recognized in the consolidated statements of financial position for the years ended December 31 are as follows:

	Note	2020	2019
Beginning of the year		(74,408)	(16,060)
Remeasurements on retirement benefits recognized in OCI		(129,499)	(83,354)
Deferred tax adjustment	17	38,850	25,006
End of the year		(165,057)	(74,408)

The components of retirement benefit expense for each of the three years in the period ended December 31 are as follows:

	2020	2019	2018
Current service cost	56,292	37,257	30,299
Net interest cost	20,524	19,816	9,042
Retirement benefit expense charged to profit or loss	76,816	57,073	39,341
Remeasurement loss (gain) on defined benefit obligation			
Due to change in financial assumption	123,429	109,403	(18,807)
Due to demographic assumption	4,073	27,896	6,576
Due to experience adjustment	(382)	(23,790)	76,918
	127,120	113,509	64,687
Remeasurement (gain) loss on plan assets	2,379	(30,155)	48,049
Remeasurements on retirement benefits recognized in OCI	129,499	83,354	112,736

Retirement benefit expense is recognized in profit or loss under the following line items for each of the three years in the period ended December 31 (Note 15):

	2020	2019	2018
Cost of services	47,806	35,681	24,791
Administrative expenses	29,010	21,392	14,550
	76,816	57,073	39,341

The principal actuarial assumptions as at December 31 are as follows:

	2020	2019
Discount rate	3.71%	5.57%
Future salary increase rate	5.75%	6.00%

The discount rate assumption is based on the theoretical spot yield curve calculated from the Bankers Association of the Philippines (BAP) PHP Bloomberg BVAL Reference Rates (BVAL) benchmark reference curve for the government securities market by stripping the coupons from government bonds to create virtual zero coupon bonds and considering the average years of remaining working life of the employees as the estimated term of the benefit obligation.

Assumptions regarding future salary increase rates take into account the inflation, seniority, promotion, merit, productivity and other market factors. The salary increase rate affects all future years and not just the succeeding year. As such, the rate should be sustainable over the long-term.

Assumptions regarding future mortality rate are set based on advice from published statistics and experience in each territory.

Critical accounting estimate and assumption: Retirement benefit obligation

The determination of the obligation and cost for retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rate and rate of salary increase. Any changes in these assumptions will impact the carrying amount of the retirement benefit obligation.

The Parent Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefit obligation. In determining the appropriate discount rate, the Parent Company considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement benefit obligation.

The salary increase rate is used to project current salaries into the future to determine the amount of the salary related benefit payable at a future date considering the effects of productivity improvement, inflation and promotional increases. A higher salary increase rate will lead to a higher expected amount of benefits to be paid, and consequently, a higher retirement benefit obligation and retirement expense.

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

The sensitivity of the defined benefit obligation to changes in the weighted principal assumption as at December 31 is as follows:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
2020			
Discount rate	+/-1.00%	(80,136)	93,874
Salary increase rate	+/-1.00%	90,983	(79,399)
2019			
Discount rate	+/-1.00%	(54,808)	63,051
Salary increase rate	+/-1.00%	62,147	(55,085)

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement benefit obligation recognized within the consolidated statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Through its defined benefit retirement plan, the Parent Company is exposed to a number of risks, the most significant of which are detailed below:

- *Asset volatility* - The plan liabilities are calculated using a discount rate based on the theoretical spot yield curve calculated from the Bankers Association of the Philippines Bloomberg BVAL reference rates benchmark reference curve for government securities market by stripping the coupons from government bonds to create virtual zero coupon bonds; if plan assets underperform this yield, this will create a deficit.

As the plans mature, the Parent Company intends to reduce the level of investment risk by investing more in assets that better match the liabilities. However, the Parent Company believes that due to the long-term nature of the plan liabilities and the strength of the supporting group, a level of continuing equity investment is an appropriate element of the Parent Company's long-term strategy to manage the plans efficiently.

- *Changes in bond yields* - A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

- *Inflation risk* - Higher inflation will lead to higher liabilities. The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

- *Life expectancy* - The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.

As at December 31, 2020, the average remaining working life of the employees is 27.3 years (2019 - 28.2 years).

Expected maturity analysis of undiscounted retirement benefit payments as at December 31 is as follows:

	2020	2019
Less than a year	63,047	60,809
Between 1-2 years	136,138	136,668
Between 2-5 years	168,287	161,837
Between 5-10 years	499,004	467,701

Note 12 - Equity

Share capital, capital in excess of par value and treasury shares

Details of authorized share capital as at December 31, 2020 and 2019 in absolute amounts are as follows:

	Number of shares	Amount
Authorized share capital (P100 par value per share)		
Founders' shares	22	2,200
Common shares	3,949,978	394,997,800
Preferred shares	50,000	5,000,000
	4,000,000	400,000,000

Details of common shares issued and outstanding as at December 31 are as follows:

	2020		2019	
	Number of shares	Amount in thousands	Number of shares	Amount in thousands
Issued common shares (P100 par value per share)				
Beginning of the year	3,427,117	342,712	3,397,367	339,737
Issuance during the year	1,500	150	29,750	2,975
End of the year	3,428,617	342,862	3,427,117	342,712
Treasury shares, at cost				
Beginning of the year	7,880	15,036	7,880	15,036
Repurchased during the year	-	-	-	-
End of the year	7,880	15,036	7,880	15,036

For the year ended December 31, 2020, a total of 1,500 common shares (2019 - 29,750 common shares) were issued at P100 par value per share to practicing doctors for total consideration received of P3,436 (2019 - P61,598). The issuance resulted in the recognition of P3,286 (2019 - P58,623) capital in excess of par value in the consolidated statements of financial position in 2020.

The movements in the capital in excess of par value for the years ended December 31 are as follows:

	2020	2019
Beginning of the year	1,698,324	1,639,701
Issuance during the year	3,286	58,623
End of the year	1,701,610	1,698,324

Retained earnings; dividends payable

The Parent Company's BOD authorized and approved the declaration and payment of cash dividends as follows:

Declaration date	Payment date	Shareholder beneficiaries as of record date	From retained earnings as at December 31	Dividend per share	Total dividends
July 17, 2018	August 30, 2018	July 31, 2018	2017	30.00	101,505
November 23, 2018	January 18, 2019	December 21, 2018	2017	30.00	101,685
July 16, 2019	August 23, 2019	July 26, 2019	2018	39.80	135,459
December 18, 2019	January 30, 2020	December 31, 2019	2018	39.80	136,085

On April 30, 2019, CIII's BOD authorized and approved the declaration and payment of cash dividends amounting to P18,068 (dividend per share of P602.28). The 40% share of the non-controlling interest amounting to P7,227 is presented as part of dividends declared for the year ended December 31, 2019.

Details of unpaid amounts from the Group's dividend declarations as at December 31 are as follows:

	2020	2019
Beginning of the year	168,129	119,169
Declaration of dividends during the year	-	278,771
Payment of dividends during the year	(130,354)	(229,811)
End of the year	37,775	168,129

Dividends payable, net of final withholding tax, amounting to P37,053 (2019 - P167,407) pertains to unpaid amounts to shareholders which includes P6,505 share of non-controlling interest.

Dividends payable as at December 31, 2020 are expected to be settled in 2021.

Excess retained earnings

On March 11, 2019, the Parent Company's BOD approved the appropriation of P600 million for the expansion and renovation projects and continuous modernization of medical equipment which is expected to happen in 2019. On March 27, 2020, the Parent Company's BOD approved to retain the appropriation considering that the purposes for which the appropriation was made have yet to be completed. On March 18, 2021, the BOD further approved to retain the appropriation considering the postponement of the planned expansion projects due to impact of COVID-19. The Parent Company also plans to declare dividends in 2021.

Note 13 - Gross revenues

Disaggregated revenue information

Set out below is the disaggregation of the Group's sales of services for the years ended December 31:

	Note	2020	2019	2018
Patient revenue				
In-patient		3,480,683	4,009,655	3,788,898
Out-patient		2,377,703	3,085,890	2,743,437
Emergency		417,668	637,510	515,190
		6,276,054	7,733,055	7,047,525
Rental income from doctors	21.2	32,049	38,422	38,861
		6,308,103	7,771,477	7,086,386

The Group's revenue substantially comprises of services whose revenues are recognized over time within the fulfillment of services which is one (1) day for emergency and out-patient services and an average of six (6) days for in-patient services.

Note 14 - Discounts and free services

The components of discounts and free services for each of the three years in the period ended December 31 are as follows:

	2020	2019	2018
Regular discounts	684,511	766,614	678,015
Employees' dependents	37,618	45,938	36,408
Charity programs	19,000	28,453	29,117
	741,129	841,005	743,540

Note 15 - Expenses by nature

The nature of expenses for each of the three years in the period ended December 31 is as follows:

	Notes	2020	2019	2018
Drugs, medicines and supplies	4	1,835,719	2,022,649	1,788,616
Salaries and wages		1,039,576	1,147,732	1,078,777
Depreciation	6	631,425	601,375	521,212
Contracted services		440,089	483,209	449,717
Professional services		401,351	519,772	480,480
Provision for impairment of receivables	3	217,272	203,823	112,186
Employee benefits		201,302	198,102	173,111
Utilities		169,494	225,242	225,989
Repairs and maintenance		131,581	162,221	150,729
Security and janitorial services		124,876	141,466	131,008
Dietary, linen and laundry services		81,471	113,058	108,077
Retirement benefit expense	11	76,816	57,073	39,341
Taxes and licenses		51,255	72,878	51,885
Transportation expense		40,330	3,731	3,374
Computer programming		40,071	40,256	38,992
Entertainment and representation		30,058	44,981	35,953
Commission expense		29,688	33,719	32,114
Communication and transportation		13,855	13,221	13,232
Insurance		11,017	9,154	11,212
Rent	21.2	8,340	13,453	80,899
Advertising		8,010	23,555	19,519
Training		5,644	17,318	20,226
Photocopying		3,717	5,901	7,568
Others		21,475	29,317	36,629
		5,614,432	6,183,206	5,610,846

The following are the classification of expenses in profit or loss for each of the three years in the period ended December 31:

	2020	2019	2018
Cost of services	3,958,146	4,353,590	3,994,340
Administrative expenses	1,656,286	1,829,616	1,616,506
	5,614,432	6,183,206	5,610,846

Cost of services mainly consists of drugs, medicine, dietary, linen, salaries and professional fees of doctors and nurses, utilities, depreciation of medical equipment and repairs and maintenance expense.

Administrative expenses primarily consist of depreciation, contracted services, office supplies, utilities, taxes and licenses, communication and commission expense.

Note 16 - Other income, net

The components of other income for each of the three years in the period ended December 31 are as follows:

	Notes	2020	2019	2018
Rental income from concessionaires	21.2	50,022	68,274	64,381
Income from other services		25,867	39,628	22,578
(Loss) gain on disposal of property and equipment		(2,148)	8,676	(500)
Interest income	2	2,816	4,095	6,326
Reversal of payables		17,315	1,864	-
Scrap sales		192	417	2,124
Foreign exchange (loss) gain, net	20	(2,636)	(691)	2,087
Others		3,149	3,217	1,549
		94,577	125,480	98,545

Income from other hospital services mainly consists of parking income, affiliation and internship fees.

Reversal of payables pertains to long outstanding payables written back where no claims for payments from suppliers were received by the Group.

Note 17 - Income tax

Deferred income tax (DIT) assets and liabilities as at December 31 reflect the 30% income tax effect of the following temporary differences:

	Notes	2020	2019
DIT assets			
Retirement benefit obligation	11	167,026	108,132
Provision for impairment of receivables		104,577	75,475
Provision for medical benefits	10	31,486	31,177
Leases (PFRS 16)	21.2	19,679	17,448
Provision for inventory losses	4	4,103	4,109
Provision for impairment of property and equipment	6	4,019	4,019
		330,890	240,360
DIT liabilities			
Appraisal surplus on:			
Land	6	(1,218,761)	(1,218,761)
Buildings and building improvements	6	(116,661)	(120,552)
		(1,335,422)	(1,339,313)
DIT liabilities, net		(1,004,532)	(1,098,953)

The maturity of DIT assets and liabilities as at December 31 are as follows:

	2020	2019
DIT assets:		
DIT assets to be realized after 12 months	219,983	158,549
DIT assets to be realized within 12 months	110,907	81,811
	330,890	240,360
DIT liabilities:		
DIT liabilities to be settled after 12 months	(1,331,531)	(1,335,705)
DIT liabilities to be settled within 12 months	(3,891)	(3,608)
	(1,335,422)	(1,339,313)
DIT liabilities, net	(1,004,532)	(1,098,953)

The movements in DIT assets for the years ended December 31 are as follows:

	Note	2020	2019
Beginning of the year		240,360	164,372
Credited in profit or loss		51,680	50,982
Credited in OCI	11	38,850	25,006
End of the year		330,890	240,360

Realization of future tax benefit related to DIT assets is dependent on the Group's ability to generate future taxable income during the periods in which these are expected to be recovered. The Group has considered these factors in reaching a conclusion as to the amount of DIT assets recognized as at December 31, 2020 and 2019 and regularly reviews the recoverability of the DIT assets recognized.

For the year ended December 31, 2020, unrecognized DIT assets amounting to P9,245 (2019 - P10,929) relate to DIT assets of CIII that cannot be recovered in the near future based on management's assessment over income projection.

The movements in DIT liabilities for the years ended December 31 are as follows:

	Note	2020	2019
Beginning of the year		1,339,313	1,013,896
(Credited) debited in profit or loss		-	(437)
(Credited) debited in OCI	19	(3,891)	325,854
End of the year		1,335,422	1,339,313

The reconciliation of income tax expense computed at the statutory tax rate to the actual income tax expense for each of the three years in the period ended December 31 is as follows:

	2020	2019	2018
Income tax (benefit) expense at statutory tax rate of 30% on (loss) profit before income tax	(1,570)	244,037	235,061
Adjustments to income tax expense:			
Depreciation on appraisal increase	3,894	3,972	3,972
Non-deductible items	(1,151)	2,370	4,320
Unrecognized DIT assets	35	469	3,184
Interest income subject to final tax	(844)	(1,229)	(1,898)
Applied NOLCO	-	(6,145)	-
	364	243,474	244,639

Income tax expense for each of the three years in the period ended December 31 consists of:

	2020	2019	2018
Current	52,044	294,481	248,790
Deferred	(51,680)	(51,007)	(4,151)
	364	243,474	244,639

In compliance with the Tax Reform Act ("the Act") of 1997, the Group shall pay the higher between the normal income tax and Minimum Corporate Income Tax (MCIT) equivalent to 2% of gross income, as defined under the Act. Any excess of the MCIT over the normal income tax shall be carried forward annually and credited against the normal income tax for the next three consecutive taxable years immediately following the year the MCIT was paid. The same Act also provides for a net operating loss carry over (NOLCO) privilege which can be carried over as a deduction for the three immediately succeeding taxable years following the year such loss was incurred. However under the Republic Act No. 11494 (Bayanihan to Recover as One Act), the NOLCO for the taxable years 2020 and 2021 can be carried over as a deduction for the next five (5) consecutive taxable years immediately following the year of such loss.

In 2020, CIII incurred MCIT amounting to P1 which will expire on 2025 (2019 - P412, which will expire on 2022). As at December 31, 2020 and 2019, management, in consideration that no future taxable income is expected to be generated from operations, decided not to recognize its excess MCIT in the consolidated statements of financial position.

Optional standard deduction (OSD)

On December 20, 2008, Revenue Regulations No. 16-2008 on the OSD was published. The regulation prescribed the rules for the OSD application by corporations in the computation of their final taxable income. For corporations, OSD shall be 40% based on gross income; "cost of goods sold" and "cost of services" will be allowed to be deducted from gross sales.

The Group did not avail of the OSD for purposes of income tax calculation for each of the three years in the period ended December 31, 2020.

Note 18 - (Loss) earnings per share

The following table presents information necessary to calculate basic and diluted (loss) earnings per share for each of the three years in the period ended December 31:

	2020	2019	2018
(Loss) profit attributable to owners of the Parent Company	(5,555)	562,420	541,632
Divided by:			
Weighted average number of common shares	3,402	3,402	3,384
(Loss) earnings per share - basic and diluted	(1.63)	165.32	160.06

There are no dilutive potential common shares for each of the three years in the period ended December 31, 2020.

Note 19 - Revaluation surplus

The movements in revaluation surplus account for the period ended December 31 are as follows:

	Notes	2020	2019
Beginning of the year		3,100,677	2,340,351
Additional appraisal surplus on land and buildings and building improvements	6	-	1,099,419
Recognition of deferred tax liability on land and buildings and building improvements appraisal	17	-	(329,826)
Transfer of depreciation on appraisal to retained earnings	6	(12,978)	(13,239)
Reversal of deferred tax on depreciation	17	3,891	3,972
End of the year		3,091,590	3,100,677

Note 20 - Foreign currency denominated assets and liabilities

The Group's foreign currency denominated assets and liabilities as at December 31 is as follows:

	2020		2019	
	USD	Euro	USD	Euro
Current assets	406	174	999	174
Current liabilities	(11)	-	(11)	-
Net foreign currency denominated assets	395	174	988	174
Closing rate at December 31	48.04	58.69	50.74	56.35
Equivalents in Philippine Peso	18,976	10,212	50,131	9,805

The closing rate used by the Group approximates the closing rate prescribed by the Bangko Sentral ng Pilipinas at reporting date.

Foreign exchange (loss) gain, net for each of the three years in the period ended December 31 is as follows (Note 16):

	2020	2019	2018
Unrealized foreign exchange (loss) gain, net	(2,038)	(653)	1,457
Realized foreign exchange (loss) gain, net	(598)	(38)	630
	(2,636)	(691)	2,087

Note 21 - Commitments

21.1 Capital commitments

Capital expenditures relating to the on-going renovation of the buildings and equipment purchases contracted for at December 31, 2020 but not yet incurred amounted to P262,012 (2019 - P440,161).

21.2 Lease agreements

When the Parent Company is the lessee

The Parent Company entered into various lease agreements with a third-party lessor. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests of the lessor. None of the leased properties were used as security for borrowing purposes.

(i) Clinical facilities, back office and parking spaces

On June 17, 2014, the Parent Company entered into a non-cancellable lease agreement with Adelantado Corporation covering certain floors at Keyland Centre to serve as additional clinical facilities of the Parent Company, its back office and parking spaces with a term of 5 years beginning April 15, 2014 until April 14, 2019. In 2015, the lease term was amended and extended to 10 years beginning from its original commencement date until April 14, 2024. The lease is renewable upon mutual agreement by both parties. The lease agreement includes provision for rent-free period and an escalation rate during term of the lease.

The foregoing lease agreement requires the Parent Company to pay refundable security deposit amounting to P13,375. The carrying amount of the refundable deposit approximates its fair value as the effect of discounting is immaterial. This is presented as part of other non-current assets.

(ii) Wellness center and parking spaces

On January 25, 2019, the Parent Company entered into lease agreements with various lessors covering office space to serve as the wellness center of the Company and several parking lots. The lease agreements have various terms and renewable upon mutual agreement. Following is the summary of the leases:

Lessor	Location	Area/Parking stalls	Original term
Ayala Land, Inc.	Ayala North Exchange Tower 1	1,638.45 sqm.; 21 parking stalls	February 1, 2019 to January 31, 2024
Ayala Land, Inc.	City Gate	101 parking stalls	January 1, 2019 to December 31, 2029
One Dela Rosa Property Development, Inc.	Ayala North Exchange Tower 1	28 parking stalls	May 1, 2019 to December 31, 2029

The Parent Company paid refundable security deposit in relation to the above lease agreements as at December 31, 2020 and 2019 amounting to P9,473. The carrying amount of the refundable deposit approximates its fair value as the effect of discounting is immaterial. This is presented as part of other non-current assets.

(iii) Others

The Parent Company has various operating non-cancellable lease agreements for the use of equipment, office furniture and other vehicles. Rent expense for the year ended December 31, 2020 on short-term leases and low-value assets are presented under cost of services and administrative expenses amounted to P8,340 (2019 - P13,453) (Note 15). Accrued rent relating to leases of short-term and low-value assets as at December 31, 2020 amounted to P567 (2019 - P1,327) (Note 7).

Amounts recognized in the consolidated statements of financial position

Following the adoption of PFRS 16 on January 1, 2019, the leased assets are presented as part of the property and equipment (Note 6) in the consolidated statements of financial position. The consolidated statements of financial position show the following amounts relating to leases as at December 31:

	Notes	2020	2019
Right-of-use asset, net			
Office and parking spaces	6	303,550	384,785
Lease liabilities			
Current		86,299	73,812
Non-current		253,887	340,186
		340,186	413,998
Deferred tax asset on:			
Right-of-use asset		110,744	132,883
Lease liabilities		(91,065)	(115,435)
	17	19,679	17,448

The movements in lease liabilities are as follows:

	2020	2019
Beginning of the year	413,998	288,464
Additions during the year	-	207,095
Lease payments:		
Principal	(73,812)	(81,561)
Interest	(29,650)	(26,091)
Accretion of interest	29,650	26,091
End of the year	340,186	413,998

Amounts recognized in the consolidated statements of total comprehensive income

The consolidated statements of total comprehensive income shows the following amounts relating to leases:

	Notes	2020	2019
Depreciation of right-of-use assets			
Office and parking spaces	6	81,235	78,615
Interest expense (included in finance costs)		29,650	26,091
Expense relating to leases of low-value assets and short-term leases (included in cost of services and administrative expenses)	15	8,340	13,453
		119,225	118,159

The total cash outflow for leases, including short-term leases and leases of low-value assets, as at December 31, 2020 is P112,562 (2019 - P119,778).

(iv) Discount rate

The lease payments for all leased assets are discounted using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Critical estimates in determining incremental borrowing rate

To determine the incremental borrowing rate, the Parent Company used a single incremental borrowing rate lifted from the Parent Company's recent loan which is adjusted based on the movement of the comparable BVAL or PDST-R2 rates from the date of the loan to the date of the adoption of the new lease standards. The discount rate applied by the Parent Company is 7.41%.

(v) Extension and termination options

Extension and termination options are included in the lease agreements of the Parent Company. These are used to maximize operational flexibility in terms of managing the assets used in the Parent Company operations. The extension and termination options are exercisable only upon written agreement by the Parent Company and the lessor under terms and conditions acceptable to both parties.

Accounting judgment in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Parent Company considers the factors as the most relevant in assessing the options:

- If there are significant penalties to terminate (or not extend), the Parent Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Parent Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Parent Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in leases have not been included in the lease liability because renewal is unlikely given that there are no economic incentives present upon renewal, and/or there are no significant leasehold improvements in the leased premises. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

(vi) Reconciliation of operating lease commitments and lease liability

The reconciliation between the operating lease commitments disclosed in applying PAS 17 at December 31, 2018 discounted using the Parent Company's incremental borrowing rate and the lease liability recognized as at January 1, 2019 is as follows:

	Amount
Operating lease commitments, December 31, 2018	367,776
Less: discounting effect	(79,312)
Lease liability, January 1, 2019	288,464

The effects of adoption of PFRS 16 on the Group's financial statements as at January 1, 2019 are as follows:

	Increase (decrease)
Lease liabilities	288,464
Property and equipment, net	256,305
Deferred tax asset on accrued lease (straight-lining)	(15,735)
Prepaid expenses	(20,292)
Accrued rent	(52,451)

Where the Group is the lessor

The Parent Company has various non-cancellable agreements for leases of clinics and commercial spaces located within the Hospital to doctors and concessionaires for a period of not more than 1 year and with renewal options for another year as mutually agreed by both parties. Refundable deposits from these lease agreements amounted to P4,345 as at December 31, 2020 (2019 - P4,087) which is presented as part of other current liabilities in the consolidated statements of financial position.

Rent income arising from these lease agreements amounted to P82,071 for the year ended December 31, 2020 (2019 - P106,696; 2018 - P103,242) (Notes 13 and 16). Rent receivable as at December 31, 2020 amounted to P17,983 (2019 - P12,919) (Note 3).

21.3 Purchase commitment

The Parent Company has outsourced its clinical laboratory services to a third-party supplier starting September 2017. The Parent Company has a yearly minimum commitment of P408,189 worth of laboratory services.

Note 22 - Contingencies

In the normal course of business, the Group has contingencies, including those that may arise from suits and claims under litigation, that are presently being contested. In the opinion of management, based on advice of legal counsels, the ultimate disposition of these contingencies, individually or in aggregate, will not have any significant effect on the consolidated financial statements of the Group.

Note 23 - Critical accounting estimates, assumptions and judgments

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates, assumptions and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

23.1 Critical accounting estimates and assumptions

- Expected credit losses (ECL) on receivables (Note 3)
- Estimated useful lives of property and equipment (Note 6)
- Fair value estimation of land and building (Note 6.3)
- Principal assumptions and estimation of provisions (Note 10)
- Principal assumptions and estimation of retirement benefit obligation (Note 11)
- Determination of incremental borrowing rate for leases (Note 21.2)

23.2 Critical accounting judgments

- Recoverability of property and equipment (Note 6)
- Determination of lease term (Note 21.2)

Note 24 - Financial risk and capital management

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

The Group's management provides written principles for overall risk management as well as written policies covering specific areas of risks.

The more significant types of risks that the Group manages are market risk such as foreign currency risk and interest rate risk, credit risk and liquidity risk.

24.1 Components of financial assets and financial liabilities

Details of the Group's financial assets, classified as financial assets at amortized cost at December 31 are as follows:

	Notes	2020	2019
Cash and cash equivalents	2	389,068	613,268
Receivables, gross	3	1,370,217	1,162,885
Restricted cash and refundable deposits	2, 21.2	126,509	124,398
Short-term cash placements	5	-	2,107
		1,885,794	1,902,658

Receivables at December 31, 2020 are presented gross of provision for impairment amounting to P360,295 (2019 - P263,289) and exclusive of receivable from a regulatory agency amounting to P10,999 (2019 - P5,188).

Details of the Group's financial liabilities at amortized cost at December 31 are as follows:

	Notes	2020	2019
Trade and other payables	7	1,040,223	1,002,034
Borrowings	8	440,500	514,500
Lease liabilities	21.2	340,186	413,998
Dividends payable	12	37,053	167,407
Other current liabilities		15,238	14,980
		1,873,200	2,112,919

Trade and other payables exclude payable to regulatory agencies amounting to P32,644 (2019 - P39,535) and funds collected on behalf of medical and other organizations amounting to P85,509 (2019 - P71,379). Other current liabilities pertain to financial liabilities such as patient deposits and refundable deposits from the Parent Company's lessees (Note 21.2).

24.2 Financial risk management

The Group's financial risk management program is a continuing, proactive process that focuses on the identification and assessment of risk. To enable management to make strategic and informed decisions, the Group recognizes the importance of an effective financial risk management system.

The BOD, through the recommendation of the Audit Committee, reviews and approves policies for managing each of these risks.

The Group has no significant financial assets and liabilities that are exposed to price risk.

24.2.1 Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Group's functional currency.

The Group has no significant financial assets and liabilities that are exposed to foreign exchange risk. Details of the Group's foreign denominated assets and liabilities are shown in Note 20.

(ii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of financial assets and liabilities will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of financial assets and liabilities will fluctuate because of changes in market interest rates.

The Group has no significant financial assets and liabilities that are exposed to interest rate risk. Long-term borrowings issued at fixed rates and measured at amortized cost are not exposed to cash flow or fair value interest rate risk. The details of the Group's long-term borrowings are shown in Note 8.

24.2.2 Credit risk

The Group is exposed to credit risks arising from its cash and cash equivalents, restricted cash, refundable deposits and primarily from its patient receivables because it is required to attend to the medical needs of private individual patients prior to considering their capability to pay. The maximum exposure to credit risk at reporting periods is the carrying value of financial assets as detailed in Note 24.1. Management continuously reviews and implements more stringent credit and collection policies to limit the amount of credit exposure to any patient. Also, the credit and collection department monitors the level of receivables from patients on an ongoing basis to design collection programs.

In addition to private individual accounts, corporate accounts also comprise a significant portion of the Group's clientele. These accounts include private companies (self-managed health plan), health maintenance organizations and insurance companies where credit terms and limits are pre-established.

As at December 31, 2020, the Group's net receivables from its corporate accounts amounted to P307,586 (2019 - P365,986) comprising 32% (2019 - 43%) of its total net patient receivables (Note 3).

The Parent Company applies the PFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all patient receivables and the general approach is applied for cash and cash equivalents, other receivables and other non-current assets. The estimated impairment loss from these financial assets is deemed immaterial, except for patient receivables.

Cash and cash equivalents and short-term cash placements

To minimize credit risk exposure from cash and cash equivalents and short-term cash placements, the Group maintains cash deposits and short-term placements in reputable banks. The Group assesses that cash and cash equivalents and short-term cash placements have low credit risk considering the banks' external credit ratings.

Patient receivables

To measure the expected credit losses, patient receivables of the Parent Company have been grouped based on shared credit risk characteristics and days past due. Gross patient receivables from doctors and employees amounting to P68,248 (2019 - P74,605) were excluded in the assessment as credit risk is assessed to be insignificant for these groups. In calculating the expected credit loss rates, the Parent Company considers historical loss rates for each category of patients and adjusts for forward-looking macro-economic data. The Parent Company has identified the gross domestic product, consumer price index, unemployment rate, and inflation to be the most relevant factors, and accordingly adjusted the historical loss rates based on expected changes in these factors.

The COVID-19 pandemic caused a delay in collections as the capacity of patients and guarantors to pay were compromised which resulted to a higher gross patient receivables balance as at December 31, 2020. In addition, the negative impact on the macroeconomic conditions used resulted to a generally higher expected credit loss rates to calculate the allowance for doubtful accounts.

In determining the aging bracket of the patient receivables, management also continuously analyze the historical collection profiles of the different groups of guarantors.

For private individual patients and government accounts, management has assessed, based on the historical collection profile, that receivables are collected beyond the agreed collection period. This resulted in generally higher expected credit loss rates applied to outstanding receivables as at December 31, 2020.

For corporate accounts, management has assessed that they are most likely to settle their obligations within the agreed collection period based on the historical collection profile. This resulted in lower expected credit loss rates applied to corporate accounts as at December 31, 2020.

As at and for the years ended December 31, 2020 and 2019, the Parent Company's credit risk exposure in relation to patient receivables from private individual patients (excluding doctors and employees), corporate accounts and government agencies, which are collectively assessed for impairment, net of unapplied collections and professional fees billed on behalf of doctors are set out in the provision matrix as follows:

	Current	Within 30 days	31-60 days	61-90 days	Over 91 days	Total
2020						
Private individual patients						
Expected loss rates	30.1%	41.3%	45.8%	49.2%	47.9%	
Gross receivables	22,478	25,170	38,024	30,490	261,408	377,570
Loss allowance	6,775	10,384	17,400	14,991	125,117	174,667
Corporate accounts						
Expected loss rates	0.3%	0.6%	1.7%	4.1%	16.8%	
Gross receivables	109,508	68,702	54,253	27,844	60,225	320,532
Loss allowance	378	416	923	1,136	10,093	12,946
Government						
Expected loss rates	2.8%	1.2%	1.7%	3.1%	44.1%	
Gross receivables	16,696	44,356	47,676	64,832	354,641	528,201
Loss allowance	462	528	801	1,989	156,234	160,014
Total loss allowance	7,615	11,328	19,124	18,116	291,444	347,627
2019						
Private individual patients						
Expected loss rates	26.1%	35.7%	39.6%	42.5%	55.7%	
Gross receivables	22,363	14,945	30,543	14,400	159,174	241,425
Loss allowance	5,826	5,328	12,080	6,119	88,644	117,997
Corporate accounts						
Expected loss rates	0.4%	0.9%	3.5%	6.5%	39.6%	
Gross receivables	171,083	86,372	41,060	20,143	85,331	403,989
Loss allowance	616	812	1,449	1,309	33,817	38,003
Government						
Expected loss rates	1.5%	1.3%	1.5%	3.0%	33.7%	
Gross receivables	28,113	28,301	32,543	28,165	274,572	391,694
Loss allowance	416	363	499	858	92,485	94,621
Total loss allowance	6,858	6,503	14,028	8,286	214,946	250,621

Other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each pharmaceutical and medical companies and lessees. The credit quality is further classified and assessed by reference to historical information about each of the counterparty's historical default rates. Based on assessment of qualitative and quantitative factors that are indicative of the risk of default, the Group has assessed that the outstanding balances are exposed to low credit risk. Expected credit losses on these balances have therefore been assessed to be insignificant.

Other non-current assets

Other non-current assets include restricted cash held by a financial institution and refundable deposits for lease contracts and utility companies which are normally refundable at the end of the contract term. Credit risk exposure is not considered significant.

24.2.3 Liquidity risks

The Group's ability to make payments on its indebtedness and to fund its operations depends on its future performance and financial results. Historically, the Group's liquidity position is strong due to profitable operations. The Group generates significant cash from its operating activities and is able to meet all of its financial covenants included in the credit agreement with its lenders.

In 2020, the disruption in business brought by COVID-19 pushed management to strengthen is collection policies, reevaluate its payments terms with suppliers, shift to leaner inventory requirements, postponed capital expenditures and apply cost-cutting measures.

To manage liquidity, the Group projects monthly cash flows from its operating, investing and financing activities and evaluates actual cash flow information to ensure that the immediate requirements of the Hospital are covered. Working capital requirements are also reviewed on a monthly basis and reported to the BOD and additional working capital loans are availed, if necessary.

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows which equal their carrying balances, as the impact of discounting is considered not significant except for lease liabilities.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At December 31, 2020					
Trade and other payables	1,040,223	-	-	-	1,040,223
Borrowings	335,500	60,000	45,000	-	440,500
Lease liabilities	86,299	100,199	110,239	43,449	340,186
Dividends payable	37,053	-	-	-	37,053
Other current liabilities	15,238	-	-	-	15,238
Future interest payables on leases	23,903	17,198	44,533	8,905	94,539
Future interest payables on borrowings	13,975	4,067	1,048	-	19,090
	1,552,191	181,464	200,820	52,354	1,986,829
At December 31, 2019					
Trade and other payables	1,002,034	-	-	-	1,002,034
Borrowings	274,000	150,500	90,000	-	514,500
Lease liabilities	73,812	86,299	202,423	51,464	413,998
Dividends payable	167,407	-	-	-	167,407
Other current liabilities	14,980	-	-	-	14,980
Future interest payables on leases	29,650	23,903	58,119	12,517	124,189
Future interest payables on borrowings	16,455	12,532	1,048	-	30,035
	1,578,338	273,234	351,590	63,981	2,267,143

24.3 Capital management

The Group's objectives when managing capital, which is the total equity, (excluding revaluation surplus, non-controlling interest and remeasurements on retirement benefits) as shown in the consolidated statement of financial position, include: (i) safeguarding the Group's ability to continue as a going concern; (ii) increasing the value of shareholders' investment; and (iii) providing sustainable returns and benefits for shareholders.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. As at December 31, 2020 and 2019, the Group is not subject to any specific restrictions or capital requirements except for maintenance of certain financial ratios as required by debt covenants on existing borrowings of the Parent Company. The Parent Company shall maintain the debt service coverage ratio of not less than 1.0 to 1.25 times and debt to equity ratio below 2.5 times (Note 8).

The Parent Company has complied with the above covenants as at December 31 as follows:

	2020	2019
Debt service coverage ratio	2.26	4.76
Debt-to-equity ratio	0.47	0.49

The Parent Company is not subject to externally imposed minimum capitalization.

Note 25 - Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

25.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS, in general, includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations of Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and building improvements classified under property and equipment.

The preparation of consolidated financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are summarized in Note 23.

Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

The Group has adopted the following relevant and applicable new standards for the first time for the financial year beginning January 1, 2020:

- *Amendments to PAS 1, Presentation of financial statements and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors - Definition of material*

  The amendments clarify the definition of material and how it should be applied by including the concept of 'obscuring information' in the new definition and replaced the threshold 'could influence' with 'could reasonably be expected to influence' in the definition of 'material'. These amendments had no impact on the financial statements of the Group.

- *Amendments to the Conceptual Framework for financial reporting*

  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Group.

(b) New standards, amendments and interpretations not yet adopted

A number of new standards and amendments are effective for annual periods beginning after January 1, 2020, and have not been applied in preparing the financial statements. None of these standards are expected to be relevant or have significant effect on the financial statements of the Group, except the following set out below:

- *Amendments to PFRS 16, Leases - Covid-19 related rent concessions*

  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  a. The rent concession is a direct consequence of COVID-19;
  b. The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  c. Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
  d. There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

  The amendments are effective for annual reporting periods beginning on or after June 1, 2020. For the year ended December 31, 2020, there had been no significant rent concessions due to COVID-19. However, the effect of COVID-19 on the Group's business continues to evolve and management is currently assessing the quantitative impact of the adoption.

25.2 Consolidation

The consolidated financial statements comprise the financial statements of the Group as at and for each of the three years in the period ended December 31, 2020. The subsidiary's financial statements are prepared for the same reporting year as the Parent Company. The Group uses uniform accounting policies, any difference between the subsidiary and Parent Company are adjusted properly.

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the Parent Company does not differ from the proportion of ordinary shares held.

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is not accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

25.3 Financial assets

Classification and presentation

25.3.1 Classification

The Group classifies its financial assets in the following measurement categories: (a) those to be measured subsequently at fair value (either through OCI or through profit or loss) and (b) those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. The Group did not hold financial assets under category (a) during and as at December 31, 2020. The Group's financial assets under category (b) includes cash and cash equivalents (Note 2), receivables (Note 3), other current assets (Note 5) and other non-current assets (Notes 2 and 24.1).

25.3.2 Recognition and measurement

The Group recognizes a financial asset in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Regular-way purchases and sales of financial assets are recognized on trade date - the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Subsequently, assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method.

25.3.3 Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Loss allowances of the Group are measured on either of the following bases:

- 12-month expected credit losses (ECLs) - these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or

- Lifetime ECLs - these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified approach

The Group applies the simplified approach to provide for ECLs for all patient receivables arising from individual patients, corporate accounts, health maintenance organizations and insurance companies. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition, as well as to contract assets or trade receivables that do not constitute a financing transaction in accordance with PFRS 15.

Additionally, the Group elects an accounting policy to recognize full lifetime expected losses for all contract assets and/or all trade receivables that do constitute a financing transaction in accordance with PFRS 15.

General approach

The Group applies the general approach to provide for ECLs on non-trade receivables. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition. At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or

- the financial asset is more than 360 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

25.3.4 Measurement of ECLs

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

25.3.5 Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the counterparty;
- a breach of contract such as actual default; or
- it is probable that the borrower will enter bankruptcy or other financial reorganization.

25.3.6 Write-off

The gross carrying amount of a financial asset is written-off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written-off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

25.3.7 Derecognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Any gain or loss arising on derecognition is recognized directly in profit or loss.

25.4 Financial liabilities

25.4.1 Classification and presentation

The Group classifies its financial liabilities in the following categories: (i) at amortized cost; and (ii) at fair value through profit or loss. Financial liabilities under category (ii) comprises of two sub-categories: financial liabilities classified as held for trading and financial liabilities designated by the Group as at fair value through profit or loss. Management determines the classification of its financial liabilities at initial recognition.

The Group did not hold any financial liabilities under category (ii) during and at the end of each reporting period.

Other financial liabilities at amortized cost

Other financial liabilities at amortized cost are contractual obligations which are either to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group. They are included in current liabilities, except for maturities greater than 12 months after the reporting period which are classified as non-current liabilities.

Details of the Group's financial liabilities are disclosed in Note 24.1.

25.4.2 Initial recognition and subsequent measurement

Financial liabilities are recognized when the Group becomes a party to the contract provisions of the instrument.

Financial liabilities are initially measured at fair value plus transaction costs which normally equal its nominal amount. Financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense on financial liabilities is recognized within finance cost, at gross amount, in profit or loss.

25.4.3 *Derecognition*

The Group removes a financial liability (or a part of a financial liability) from the consolidated statement of financial position if, and only if, it is extinguished such as when the obligation specified in the contract is discharged/settled, cancelled, expired, or there is a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) resulting to extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, are recognized in profit or loss within other income.

25.5 Fair value measurement

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

The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfil an obligation.

The Group classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the asset or liability is included in Level 2. If one or more of the significant inputs is not based on observable market data, the asset or liability is included in Level 3.

The Group uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques for non-financial assets are as follows:

- Market approach - A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business.

- Income approach - Valuation techniques that convert future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.

- Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting period, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The Group has no significant financial assets and liabilities carried at fair value.

The carrying amounts of financial assets and liabilities presented in Note 24.1 approximate their fair values at reporting period, as the impact of discounting is not significant considering that financial assets and liabilities generally have short-term maturities.

Significant non-financial assets of the Group include land and buildings and building improvements which are carried at fair value under Level 3 hierarchy.

The Group has no other significant non-financial assets and liabilities carried at fair value.

25.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty. There are no financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as at December 31, 2020 and 2019.

25.7 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less from dates of acquisition. These are carried in the consolidated statement of financial position at face or nominal amount. Cash in bank earns interest at the prevailing bank deposit rate.

Restricted cash are earmarked for a specific use and are therefore not available for general use by the Group. These are carried at face or nominal amount and presented as part of non-current assets in the consolidated statement of financial position.

25.8 Receivables

Patient receivables are amounts due from patients for the services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Patient receivables with average credit term of 15 to 60 days are measured at the original invoice amount (as the effect of discounting is immaterial), less any provision for impairment.

Other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment, if any.

The relevant policies on classification, recognition, measurement, impairment and derecognition are further disclosed in Note 25.3.

25.9 Inventories

Inventories are stated at the lower of cost and net realizable value (NRV). The Parent Company determines cost using the moving-average method while the subsidiary uses specific identification method. The cost of inventories comprises of all costs of purchases and other costs incurred in bringing the inventories to their present location and condition, including any related input value-added tax (VAT) attributable to sale of goods and services that are VAT exempt. It excludes borrowing costs. NRV is the estimated selling price in the ordinary course of business, less cost of selling expenses.

Provision for inventory losses is provided for slow-moving and nearing expiry inventories based on physical inspection and management evaluation**.**

Write-offs represent the release of previously recorded provisions from the allowance account and credited to the related inventory account following the disposal of inventories. Destruction of the expired and damaged inventories is made in the presence of regulatory agencies.

Reversals of previously recorded provisions are credited to profit or loss within cost of services based on the result of management's update assessment, considering the available facts and circumstances, including but not limited to NRV at the time of disposal.

Inventories are derecognized from the consolidated statement of financial position when sold, consumed or written-off. When inventories are sold or consumed, the carrying amounts of these inventories are recognized as an expense in the period in which the related revenue is recognized.

25.10 Prepayments and other assets

Prepayments are recognized in the event that payment has been made in advance of obtaining right of access to goods or receipt of services and measured at nominal amounts. These are derecognized upon delivery of goods or when services have been rendered, through amortization over a certain period of time, and use or consumption.

Input VAT are recognized as assets to the extent it is probable that the benefit will flow to the Group. These are derecognized when applied against VAT due or when expired or written-off due to impairment.

Prepayments and other assets are included in current assets, except when the related goods or services are expected to be received or rendered more than 12 months after the reporting period which are classified as non-current assets.

25.11 Property and equipment

Property and equipment are recognized at historical cost during initial recognition. Cost includes expenditure that is directly attributable to the acquisition of the items including the cost of bringing the assets to their working condition, and any related input VAT attributable to the assets that are utilized for the supply of goods and services that are VAT exempt.

Construction in progress is stated at cost. The cost is subsequently transferred to specific property and equipment component, depending on the intended purpose of the property upon completion.
All property and equipment, except for land and buildings and building improvements, are recorded at cost less accumulated depreciation and any impairment. Land and buildings and building improvements are carried at revalued amounts, which is the fair value at the date of revaluation less any subsequent accumulated depreciation on buildings and any subsequent accumulated impairment losses. Valuations are performed with sufficient regularity at least once every three to five years, enough to ensure that the fair value of a revalued asset does not differ significantly from its carrying amount. The increase of the carrying amount of an asset as a result of a revaluation is credited to other comprehensive income and accumulated in equity under the heading of 'revaluation surplus', unless it reverses a revaluation decrease previously recognized as an expense, in which case it is credited in profit or loss. A revaluation decrease is charged directly against any related revaluation surplus reserve.

Each year the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost is transferred from revaluation surplus to retained earnings.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other property and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings and building improvements	30 years or the remaining useful life, whichever is shorter
Leasehold improvements, office and parking spaces	Lease term or useful life, whichever is shorter
Building equipment	3-15 years
Medical equipment, tools and instruments	2-10 years
Hospital furnishings, fixtures and office equipment	2-5 years

Leaseholds rights are amortized over the term of the leasehold rights while improvements thereon are depreciated over the shorter of the term of the leasehold rights and the life of the improvements.

Fully depreciated assets are retained in the property and equipment accounts until these are retired.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period.

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 (Note 25.12).

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its disposal at which time the cost and their related accumulated depreciation are removed from the accounts.

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are recognized within other income in profit or loss. On disposal of revalued asset, the related revaluation surplus included in equity is transferred directly to retained earnings.

25.12 Impairment of non-financial assets

Assets that have an indefinite useful life, such as land, are not subject to amortization and are tested annually for impairment. Other non-financial assets, mainly property and equipment are reviewed 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 carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets that have been impaired are reviewed for possible reversal of impairment at each reporting period. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

25.13 Assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. These are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognized for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the asset is recognized at the date of derecognition.

Assets are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of an asset classified as held for sale continue to be recognized.

Assets classified as held for sale are presented separately from the other assets in the consolidated statements of financial position.

25.14 Current and deferred income tax

The income tax expense for the year comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax (DIT) is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. DIT is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting period and are expected to apply when the related DIT asset is realized or the DIT liability is settled.

DIT assets are recognized for all deductible temporary difference to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized. The Group re-assesses at each reporting period the need to recognize a previously unrecognized DIT asset, if any. DIT liabilities are recognized in full for all taxable temporary differences.

DIT tax is provided on the temporary difference between the carrying amount of the revalued property and equipment and its tax base.

DIT assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the DIT assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

DIT expense or credit is recognized for changes in DIT assets and liabilities during the reporting period. Income tax expense includes income tax as currently payable and those deferred because of temporary differences in the financial and tax reporting bases of assets and liabilities, and unused tax losses and tax credits.

DIT assets and liabilities are derecognized when the related temporary differences are realized or settled.

25.15 Trade and other payables

Trade and other payables are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Group is established. These are measured at the original invoice amount (as the effect of discounting is immaterial).

Trade and other payables are classified as current liabilities if payment is due within 1 year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Trade and other payables are derecognized when the obligation under the liability is discharged or cancelled or expired.

When an existing trade payables or other current liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Refer to Note 25.4 for the initial recognition, subsequent measurement and derecognition policies on financial liabilities.

25.16 Borrowings and borrowing costs

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowings are derecognized when the obligation is settled, paid or discharged.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which these are incurred.

25.17 Provisions

Provisions, including future obligations for free medical services as discussed in Note 10, are recognized when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligations, and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

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. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as finance cost in profit or loss.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision shall be reversed and derecognized from the consolidated statement of financial position.

25.18 Employee benefits

(a) Retirement benefits

The Parent Company has retirement plan in accordance with the local conditions and practices in the Philippines. The plan is generally funded through payments to trustee-administered funds as determined by periodic actuarial calculations. A defined benefit plan is a retirement plan that defines an amount of retirement benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service or compensation.

The liability recognized in the consolidated statement of financial position in respect of defined benefit retirement plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government 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 retirement benefit obligation.

Remeasurements arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the period in which they arise.

Past-service costs are recognized immediately in profit or loss.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and fair value of plan assets. This cost is included in employee benefit expense in profit or loss.

(b) Short-term benefits

Wages, salaries, paid annual vacation and sick leave credits, and non-monetary benefits are accrued in the period in which the related services are rendered by employees of the Group. Short-term employee benefit obligations are measured on an undiscounted basis.

(c) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

25.19 Equity

Share capital and capital in excess of par value

Ordinary or common shares and preferred shares which do not have redemption features are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds, net of tax. The excess of proceeds from the issuance of shares over the par value is credited to capital in excess of par value.

Treasury shares

Where the Group purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects are included in equity attributable to the Group's equity holders.

25.20 Retained earnings; Dividend distribution

Retained earnings represent the accumulated profit or loss as a result of the operations of the Group less any dividends declared.

Dividend distribution to the Group's shareholders is recognized as a liability in the consolidated financial statements in the period in which the dividends are approved by the BOD of respective entities within the Group.

25.21 Foreign currency transactions and translations

(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 Group operates (the "functional currency"). The consolidated financial statements are presented in Philippine Peso, which is the Group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains or losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

25.22 Revenue recognition

The Group recognizes revenue as control is passed, either (i) over time when the customer simultaneously receives and consumes all of the benefits provided by the Group as the Group performs; or (ii) at a point in time when control is passed at a certain point in time as described below:

(a) Patient revenues

Patient revenue comprises the fair value of the consideration received or receivable from the sale of services in the ordinary course of the Group's activities, net of VAT (if applicable) and discounts.

The Group often provides discounts and free services to underprivileged patients, senior citizens and employees. Discounts and free services are presented within "Discounts and free services" and deducted from gross revenues in profit or loss.

The Group classifies the patient revenues as in-patient, out-patient and emergency services.

In-patient, out-patient and emergency revenues are exempted from VAT, except for the sale of drugs and medicines arising from out-patient activities which are considered vatable transactions pursuant to the relevant provisions of the Consolidated Value-Added Tax Regulations of 2005 (Revenue Regulation 16-2005).

Patient revenues are recognized in the period when the services are rendered or when the Group has delivered products to the patient and the patient has accepted the products. In-patient, out-patient and emergency medical procedures are generally completed in a very short span of time and charges are captured and billed as of close of day. By the very nature of the services, no material performance obligation will remain uncompleted at each reporting period end, and thus, measuring the progress of the performance obligation is not considered necessary.

Professional fees of doctors included in the patient billing as required by BIR Revenue Regulation No. 14-2013 are recorded in a memorandum basis only as these are not revenues of the Group.

(b) Rent income

Rent income from lease of clinics and commercial spaces to doctors and concessionaires, respectively, under operating lease agreements are recognized on a straight-line basis over the term of the relevant leases and is shown within gross revenues in profit or loss.

(c) Interest income

Interest income on bank deposits and short-term placements which is presented net of final taxes paid or withheld, is recognized on a time-proportion basis using the effective interest method.

(d) Dietary and other income

Dietary and income from other services are recognized when rendered and when it is probable that the economic benefits will flow to the Group and the amount can be measured reliably.

25.23 Costs and expenses

Costs and expenses are recognized when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Costs and expenses are recognized:

(i) on the basis of a direct association between the costs incurred and the earning of specific items of income;
(ii) on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or
(iii) immediately when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition in the statement of assets, liabilities and equity account.

Costs and expenses are presented in the profit or loss according to their function.

25.24 Leases

When the Group is the lessee

Until December 31, 2018, leases of office space, parking spaces, equipment and vehicles were classified as either finance leases or operating leases. From January 1, 2019, the Group recognizes leases as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use.

Assets and liabilities arising from a lease are initially measured on a present value basis. The interest expense is recognized in the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

i. Measurement of lease liabilities

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, if any
- amounts expected to be payable by the lessee under residual value guarantees, if any
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties, if any, for terminating the lease, if the lease term reflects the lessee exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Group’s leases, the lessee’s incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held for entities which do not have recent third party financing, and
- makes adjustments specific to the lease (i.e. term, currency and security).

Lease payments are allocated between principal and interest expense. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

ii. Measurement of right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs, if any.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

While the Group revalues its land and buildings and building improvements that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use office and parking spaces held by the Group.

iii. Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

iv. Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets (assets with value of P250,000 or less) comprise IT-equipment, vehicles, and small items of office furniture.

When the Group is the lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating lease. Operating lease payments received are recognized as an income on a straight-line basis over the lease term.

Refundable deposits

Refundable deposit to guarantee the faithful compliance of the lessee of all the terms and conditions of the contract and answer for the obligations at the end of the contract is initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

Refundable deposits are included in current assets (when the Group is the lessee) or liabilities (when the Group is the lessor), except when those are expected to be received more than 12 months after the reporting period which are classified as noncurrent assets or noncurrent liabilities.

25.25 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of common shares in issue during the year, excluding common shares purchased by the Group and held as treasury shares (Note 25.19).

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares at issue date.

25.26 Related party relationships and transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

25.27 Subsequent events (or events after the reporting date)

Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

Corporate Recovery and Tax Incentives for Enterprises Act (CREATE)

The Bicameral Conference Committee, under the 18th Congress of the Philippines, approved the reconciled version of the House Bill No. 4157 and Senate Bill No.1357 or the CREATE. The Committee report on CREATE was ratified by the Senate and House of Representatives on February 3, 2021. Among the salient provisions of CREATE include changes to the Corporate Income Tax (CIT) as follows:

1. CIT rate shall be reduced to 25% beginning July 1, 2020 for domestic corporations and resident foreign corporations (RFCs). Domestic corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million, excluding land on which the particular business entity's office, plant and equipment are situated, are subject to 20% income tax.

2. Beginning July 1, 2020 until June 30, 2023, there would be:
   a. temporary reduction on the income tax rate of proprietary educational institutions and hospitals to 1%.
   b. temporary reduction of the minimum corporate income tax rate to 1% for domestic corporations and RFCs.

3. Repeal of the optional CIT of 15% of gross income for domestic corporations and RFCs.

Under CREATE, corporate taxpayers shall prepare their annual income tax return for the calendar year 2020 (CY2020) using the pro-rated CIT rate for CY2020 reckoned from July 1, 2020 (retrospective effect).

As of December 31, 2020, the CREATE bill is still pending ratification by both the Philippine Congress and Senate, and consequently pending approval of the President of the Republic of the Philippines. As such, the Group has assessed that the proposed tax law is not enacted or substantively enacted as of December 31, 2020.

For financial reporting purposes, the enactment of CREATE after the reporting date is deemed a non-adjusting subsequent event. However, for the financial results of 2021, it is expected to result to a decrease in the Group's deferred tax assets and increase in deferred tax expense.

MEDICAL DOCTORS, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE THREE (3) MONTHS ENDED

MARCH 3, 2021 AND 2020

MEDICAL DOCTORS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of March 31, 2021
(With Comparative Audited Figures as of December 31, 2020)
(All amounts in thousands of Philippine Peso)

	Notes	2021	2020
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2.7	371,847	389,068
Receivables, net	2.8,3.2	1,122,581	1,020,921
Inventories, net	2.9	291,260	281,055
Prepayments and other current assets	2.10	54,277	31,548
Total current assets		1,839,965	1,722,592
NON-CURRENT ASSETS			
Property and equipment, net	2.11	9,528,435	9,590,248
Other non-current assets		148,399	147,249
Total non-current assets		9,676,834	9,737,497
Total assets		11,516,799	11,460,089
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables	2.14	1,094,315	1,158,376
Income tax payable		68,838	-
Borrowings, current portion	2.15	282,000	335,500
Dividends payable		30,548	37,053
Lease liabilities, current		88,014	86,299
Other current liabilities		15,399	15,238
Total current liabilities		1,579,114	1,632,465
NON-CURRENT LIABILITIES			
Borrowings, net of current portion	2.15	90,000	105,000
Provisions for medical benefits	2.16	104,953	104,953
Retirement benefit obligation	2.17	580,103	556,754
Deferred income tax liabilities, net	2.13	816,779	1,004,532
Lease liability, non-current		229,845	253,887
Total non-current liabilities		1,821,680	2,025,126
Total liabilities		3,400,794	3,657,592
EQUITY			
Equity attributable to owners of Parent			
Share capital	2.18	342,862	342,862
Capital in excess of par value	2.18	1,701,610	1,701,610
Treasury shares	2.18	(15,036)	(15,036)
Revaluation surplus		3,311,730	3,091,590
Remeasurement		(176,848)	(165,057)
Retained earnings		2,927,934	2,822,709
		8,092,252	7,778,678
Non-controlling interest		23,753	23,819
Total equity		8,116,005	7,802,497
Total liabilities and equity		11,516,799	11,460,089

MEDICAL DOCTORS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021 AND 2020
(All amounts in thousands of Philippine Peso except for earnings per share)

	Notes	2021	2020
GROSS REVENUES	2.21	1,876,648	1,817,790
DISCOUNTS		(235,315)	(209,716)
NET REVENUES		1,641,333	1,608,074
COST OF SERVICES	2.22	(1,030,675)	(1,077,764)
GROSS PROFIT		610,658	530,310
ADMINISTRATIVE EXPENSES	2.22	(424,807)	(432,223)
OTHER INCOME, net		20,235	27,783
PROFIT FROM OPERATIONS		206,086	125,870
FINANCE COSTS, net		(11,491)	(14,006)
PROFIT BEFORE INCOME TAX		194,595	111,864
INCOME TAX EXPENSE		(92,674)	(33,872)
PROFIT FOR THE PERIOD		101,921	77,992
Attributable to:			
Owners of the Parent Company		101,987	77,997
Non-controlling interest		(66)	(5)
		101,921	77,992
EARNINGS PER SHARE ON PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY		29.75	22.76

MEDICAL DOCTORS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF TOTAL COMPREHENSIVE INCOME
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021 AND 2020
(All amounts in thousands of Philippine Peso)

	2021	2020
PROFIT FOR THE PERIOD	101,921	77,992
OTHER COMPREHENSIVE INCOME		
Deferred tax adjustment on revaluation surplus	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	101,921	77,992
Attributable to:		
Owners of the Parent Company	101,987	77,997
Non-controlling interest	(66)	(5)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	101,921	77,992

MEDICAL DOCTORS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021 AND 2020
(All amounts in thousands of Philippine Peso)

	2021	2020
ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		
SHARE CAPITAL		
Issued common shares		
Balance at beginning of year	342,862	342,712
Issuance during the period	-	-
Balance at end of period	342,862	342,712
Capital in excess of par value		
Balance at beginning of year	1,701,610	1,698,324
Issuance during the period	-	-
Balance at end of period	1,701,610	1,698,324
Total paid-up capital	2,044,472	2,041,036
TREASURY SHARES		
Balance at beginning of year	(15,036)	(15,036)
Shares repurchased during the period	-	-
Balance at end of period	(15,036)	(15,036)
REVALUATION SURPLUS		
Balance at beginning of year	3,091,590	3,100,677
Net movement during the period	220,140	(2,284)
Balance at end of period	3,311,730	3,098,393
REMEASUREMENT		
Balance at beginning of year	(165,057)	(74,408)
Net movement during the period	(11,791)	-
Balance at end of period	(176,848)	(74,408)
RETAINED EARNINGS		
Appropriated	600,000	600,000
Unappropriated		
Balance at beginning of year	2,222,709	2,215,284
Profit for the period	101,987	77,997
Depreciation transfer, building	3,238	3,263
Balance at end of period	2,327,934	2,296,544
Total Retained Earnings	2,927,934	2,896,544
NON-CONTROLLING INTEREST		
Balance at beginning of year	23,819	23,860
Profit (Loss) for the period	(66)	(5)
Balance at end of period	23,753	23,855
TOTAL EQUITY	8,116,005	7,970,384

MEDICAL DOCTORS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020
(All amounts in thousands of Philippine Peso)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	194,596	111,864
Adjustments for:		
Provision for impairment of receivables and others	56,217	27,886
Provision for inventory loss	540	(2,912)
Depreciation expense	164,064	152,628
Interest expense	11,491	14,006
Provision for retirement benefits	23,348	19,092
(Gain)Loss on disposal of property and equipment	376	(22)
Interest income	(1,252)	(3,800)
Unrealized foreign exchange (gain) loss	428	(299)
Operating income before working capital changes	449,808	318,443
(Increase) decrease in:		
Receivables	(122,791)	106,189
Inventories	(10,744)	(44,805)
Prepayments and other current assets	(22,729)	(24,698)
Increase (decrease) in		
Trade and other payables	(97,592)	(83,947)
Other current liabilities	(907)	20
(Increase)decrease in noncurrent asset	19,591	41,913
Decrease(increase) in provision for medical benefits	-	(2,594)
Cash generated from operations	214,636	310,521
Interest received	1,252	3,691
Contributions to the retirement fund	-	(9,000)
Net cash from operating activities	215,888	305,212
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property and equipment	(102,678)	(160,651)
Advances made to suppliers of equipment	(20,740)	(40,133)
Proceeds from disposal of property and equipment	51	23
Net cash used in investing activities	(123,367)	(200,761)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings paid	(68,500)	(68,500)
Interest paid	(5,430)	(6,699)
Dividend payments	(6,505)	(130,347)
Lease liability paid	(28,879)	(15,778)
Net cash from (used in) financing activities	(109,314)	(221,324)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(428)	299
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(17,221)	(116,574)
CASH AND CASH EQUIVALENTS, January 1	389,068	613,268
CASH AND CASH EQUIVALENTS, March 31	**371,847**	**496,694**

Medical Doctors, Inc. and Subsidiary

Notes to the Consolidated Financial Statements
As of and for the three months period ended March 31, 2021 and 2020
(In the notes, all amounts are shown in thousands of Philippine Peso except number of shares)

Note 1 - Business information

1.1 General information

Medical Doctors, Inc. (the "Parent Company") was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on April 23, 1963. On April 5, 2013, the Parent Company's articles of incorporation have been amended to extend the corporate term for another fifty years from and after the expiration of its original term on April 24, 2013. Its primary purpose is to establish, operate, manage and own a hospital or hospitals, medical and chemical clinics and/or laboratories and such other enterprises that may have similar undertakings. The Parent Company operates under the trade name of Makati Medical Center (the "Hospital").

On December 31, 1970, the Parent Company attained its status of being a "public company". The Parent Company is considered a public company under Rule 3.1 of the Implementing Rules and Regulations of the Securities Regulation Code, which, among others, defines a public corporation as any corporation with assets of at least P50 million and having 200 or more shareholders, each of which holds at least 100 shares of its equity securities. As of March 31, 2021, the Parent Company has 1,106 shareholders (2020- 1,109) each holding at least 100 shares of the Parent Company's common shares.

The Parent Company's major stockholders consist of local companies and individual medical practitioners, with percentages of ownership as follows:

	As of March 31,	
	2021	2020
Metro Pacific Hospitals Holdings, Inc. (MPHHI)	33.38%	33.39%
Associated Sugar, Inc.	4.76%	4.76%
Dr. Remedios Suntay	3.31%	3.26%
San Miguel Corporation	2.44%	2.44%
Dr. Raul G. Fores	2.09%	2.09%
	45.98%	45.94%

As of March 31, 2021, the remaining 54.02% (2020 - 54.06%) of the Parent Company's issued and outstanding shares are held by private individuals, local companies and practicing doctors of the Hospital. Of the total 3,420,737 outstanding shares in 2021, 195,047 shares or 5.70% (2020 - 3,419,237 shares and 195,308 shares or 5.71%, respectively) are owned by the Parent Company's directors, officers and employees.

The Parent Company has its registered office address, which is also its principal place of business, at 2 Amorsolo corner dela Rosa Streets, Legaspi Village, Makati City. CIII's registered business address is at 5/F, Keyland Center, 143 Dela rosa corner Adelantado St., Legaspi Village, Makati City.

The Parent Company and its subsidiary are collectively referred to here as the "Group".

The Group has a total of 2,706 regular employees as of March 31, 2021 (2020 – 2,823)

Coronavirus disease 2019 (COVID-19)

On March 11, 2020, the World Health Organization declared COVID-19 as a pandemic. In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, unless earlier lifted or extended. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The Group responded to the government's call to help provide care to those who are suspected or are confirmed to have the virus by expanding the capacity of its emergency department and dedicating isolation rooms for patients that require hospital admissions. However, the enforcement of an enhanced community quarantine resulted in lower patient census as only emergency cases are allowed to be treated.

The COVID-19 pandemic had a pervasive impact in the 2020 financial results of the Group which saw a decrease in net revenue and corresponding expenses due to lower patient census and increase in provisions for doubtful accounts due to the expected deterioration in credit capacity of patients and guarantors and overall slowdown in the growth of the macroeconomy of the Philippines. Consequently, this also resulted to an increase in net patient receivables and lower cash balances due to delayed collections.

In 2021, the Group had implemented health and safety protocols that allowed it to provide care for both COVID-19 and non COVID-19 cases. A gradual increase in patient census has been noted in the first quarter of 2021 as the government implemented a less strict community quarantine.

Note 2 - Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The interim consolidated financial statements of Medical Doctors, Inc. have been prepared in accordance with Philippine Accounting Standards (PAS 34) – Interim Financial Reporting. These interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2020, which have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings classified under property and equipment account.

The preparation of consolidated financial statements in conformity with PAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are summarized in Note 4.

Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

The Group has adopted the following relevant and applicable new standards for the first time for the financial year beginning January 1, 2020:

- *Amendments to PAS 1, Presentation of financial statements and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors - Definition of material*

  The amendments clarify the definition of material and how it should be applied by including the concept of 'obscuring information' in the new definition and replaced the threshold 'could influence' with 'could reasonably be expected to influence' in the definition of 'material'. These amendments had no impact on the financial statements of the Group.

- *Amendments to the Conceptual Framework for financial reporting*

  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

  The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Group.

(b) New standards, amendments and interpretations not yet adopted

A number of new standards and amendments are effective for annual periods beginning after January 1, 2020, and have not been applied in preparing the financial statements. None of these standards are expected to be relevant or have significant effect on the financial statements of the Group, except the following set out below:

- *Amendments to PFRS 16, Leases - Covid-19 related rent concessions*

  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  a. The rent concession is a direct consequence of COVID-19;
  b. The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  c. Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
  d. There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

  The amendments are effective for annual reporting periods beginning on or after June 1, 2020. For the period ended March 31, 2021, there were no significant rent concessions due to COVID-19. However, the effect of COVID-19 on the Group's business continues to evolve and management is currently assessing the quantitative impact of the adoption.

2.2 Consolidation

The consolidated financial statements comprise the financial statements of the Group as at March 31, 2021 and 2020. The subsidiary's financial statements are prepared for the same reporting year as the Parent

Company. The Group uses uniform accounting policies, any difference between the subsidiary and Parent Company are adjusted properly.

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the Parent Company does not differ from the proportion of ordinary shares held.

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the recognized amounts of acquiree’s identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is not accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group’s accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2.3 Financial assets

Classification and presentation

<u>*Accounting policies applied beginning January 1, 2018*</u>

2.3.1 Classification

The Group classifies its financial assets in the following measurement categories: (a) those to be measured subsequently at fair value (either through OCI or through profit or loss) and (b) those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. The Group did not hold financial assets under category (a) during and as at March 31, 2021. The Group's financial assets under category (b) includes cash and cash equivalents, receivables, other non-current assets and other current assets.

2.3.2 Recognition and measurement

The Group recognizes a financial asset in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Regular-way purchases and sales of financial assets are recognized on trade date - the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Subsequently, assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method.

2.3.3 Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Loss allowances of the Group are measured on either of the following bases:

- 12-month expected credit losses (ECLs) - these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or

- Lifetime ECLs - these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified approach

The Group applies the simplified approach to provide for ECLs for all patient receivables arising from individual patients, corporate accounts, health maintenance organizations and insurance companies. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition, as well as to contract assets or trade receivables that do not constitute a financing transaction in accordance with PFRS 15.

Additionally, the Group elects an accounting policy to recognize full lifetime expected losses for all contract assets and/or all trade receivables that do constitute a financing transaction in accordance with PFRS 15.

General approach

The Group applies the general approach to provide for ECLs on non-trade receivables. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or

- the financial asset is more than 360 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

2.3.4 Measurement of ECLs

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

2.3.5 Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the counterparty;
- a breach of contract such as actual default; or
- it is probable that the borrower will enter bankruptcy or other financial reorganization.

2.3.6 Write-off

The gross carrying amount of a financial asset is written-off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written-off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

2.3.7 Derecognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Any gain or loss arising on derecognition is recognized directly in profit or loss.

2.4 Financial liabilities

2.4.1 Classification and presentation

The Group classifies its financial liabilities in the following categories: (I) at amortized cost; and (ii) at fair value through profit or loss. Financial liabilities under category (ii) comprises of two sub-categories: financial liabilities classified as held for trading and financial liabilities designated by the Group as at fair value through profit or loss. Management determines the classification of its financial liabilities at initial recognition.

The Group did not hold any financial liabilities under category (ii) during and at the end of each reporting period.

Other financial liabilities at amortized cost

Other financial liabilities at amortized cost are contractual obligations which are either to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group. They are included in current liabilities, except for maturities greater than 12 months after the reporting period which are classified as non-current liabilities.

2.4.2 Initial recognition and subsequent measurement

Financial liabilities are recognized when the Group becomes a party to the contract provisions of the instrument.

Financial liabilities are initially measured at fair value plus transaction costs which normally equal its nominal amount. Financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense on financial liabilities is recognized within finance cost, at gross amount, in profit or loss.

2.4.3 Derecognition

The Group removes a financial liability (or a part of a financial liability) from the consolidated statement of financial position if, and only if, it is extinguished such as when the obligation specified in the contract is discharged/settled, cancelled, expired, or there is a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) resulting to extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, are recognized in profit or loss within other income.

2.5 Fair value measurement

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

The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfil an obligation.

The Group classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the asset or liability is included in Level 2. If one or more of the significant inputs is not based on observable market data, the asset or liability is included in Level 3.

The Group uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques for non-financial assets are as follows:

- Market approach - A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business.

- Income approach - Valuation techniques that convert future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.

- Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting period, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The Group has no significant financial assets and liabilities carried at fair value.

Significant non-financial assets of the Group include land and buildings which are carried at fair value under Level 2 and 3 hierarchy.

The Group has no other significant non-financial assets and liabilities carried at fair value.

2.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty. There are no financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as at March 31, 2021 and 2020.

2.7 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less from dates of acquisition. These are carried in the consolidated statement of financial position at face or nominal amount. Cash in bank earns interest at the prevailing bank deposit rate.

Restricted cash are earmarked for a specific use and are therefore not available for general use by the Group. These are carried at face or nominal amount and presented as part of non-current assets in the consolidated statement of financial position.

2.8 Receivables

Patient receivables are amounts due from patients for the services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Patient receivables with average credit term of 15 to 60 days are measured at the original invoice amount (as the effect of discounting is immaterial), less any provision for impairment.

Other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment, if any.

The relevant policies on classification, recognition, measurement, impairment and derecognition are further disclosed in Note 2.3.

2.9 Inventories

Inventories are stated at the lower of cost and net realizable value (NRV). Cost is determined using the moving-average method. The cost of inventories comprise of all costs of purchases and other costs incurred in bringing the inventories to their present location and condition, including any related input value-added tax (VAT) attributable to sale of goods and services that are VAT exempt. It excludes borrowing costs. NRV is the estimated selling price in the ordinary course of business, less cost of selling expenses.

Provision for inventory losses is provided for slow-moving and nearing expiry inventories based on physical inspection and management evaluation.

Write-offs represent the release of previously recorded provisions from the allowance account and credited to the related inventory account following the disposal of inventories. Destruction of the expired and damaged inventories is made in the presence of regulatory agencies.

Reversals of previously recorded provisions are credited to profit or loss within cost of services based on the result of management's update assessment, considering the available facts and circumstances, including but not limited to NRV at the time of disposal.

Inventories are derecognized from the consolidated statement of financial position when sold, consumed or written-off. When inventories are sold or consumed, the carrying amounts of these inventories are recognized as an expense in the period in which the related revenue is recognized.

2.10 Prepayments and other assets

Prepayments are recognized in the event that payment has been made in advance of obtaining right of access to goods or receipt of services and measured at nominal amounts. These are derecognized upon delivery of goods or when services have been rendered, through amortization over a certain period of time, and use or consumption.

Input VAT are recognized as assets to the extent it is probable that the benefit will flow to the Group. These are derecognized when applied against VAT due or when expired or written-off due to impairment.

Prepayments and other assets are included in current assets, except when the related goods or services are expected to be received or rendered more than 12 months after the reporting period which are classified as non-current assets.

2.11 Property and equipment

Property and equipment are recognized at historical cost during initial recognition. Cost includes expenditure that is directly attributable to the acquisition of the items including the cost of bringing the assets to their working condition, and any related input VAT attributable to the assets that are utilized for the supply of goods and services that are VAT exempt.

Construction in progress is stated at cost. The cost is subsequently transferred to specific property and equipment component, depending on the intended purpose of the property upon completion.

All property and equipment, except for land and buildings, are recorded at cost less accumulated depreciation and any impairment. Land and buildings are carried at revalued amounts, which is the fair value at the date of revaluation less any subsequent accumulated depreciation on buildings and any subsequent accumulated impairment losses. Valuations are performed with sufficient regularity at least once every three to five years, enough to ensure that the fair value of a revalued asset does not differ significantly from its carrying amount. The increase of the carrying amount of an asset as a result of a revaluation is credited to other comprehensive income and accumulated in equity under the heading of 'revaluation surplus', unless it reverses a revaluation decrease previously recognized as an expense, in which case it is credited in profit or loss. A revaluation decrease is charged directly against any related revaluation surplus reserve.

Each year the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost is transferred from revaluation surplus to retained earnings.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other property and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings and building improvements	30 years or the remaining useful life, whichever is shorter
Leasehold improvements, office and parking spaces	Lease term or useful life whichever is shorter
Building equipment	3-15 years
Medical equipment, tools and instruments	2-10 years
Hospital furnishings, fixtures and office equipment	2-5 years

Leaseholds rights are amortized over the term of the leasehold rights while improvements thereon are depreciated over the shorter of the term of the leasehold rights and the life of the improvements.

Fully depreciated assets are retained in the property and equipment accounts until these are retired. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period.

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 (Note 2.12).

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its disposal at which time the cost and their related accumulated depreciation are removed from the accounts.

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are recognized within other income in profit or loss. On disposal of revalued asset, the related revaluation surplus included in equity is transferred directly to retained earnings.

2.12 Impairment of non-financial assets

Assets that have an indefinite useful life, such as land, are not subject to amortization and are tested annually for impairment. Other non-financial assets, mainly property and equipment are reviewed 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 carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets that have been impaired are reviewed for possible reversal of impairment at each reporting period. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

2.13 Current and deferred income tax

The income tax expense for the year comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax (DIT) is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. DIT is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting period and are expected to apply when the related DIT asset is realized or the DIT liability is settled.

DIT assets are recognized for all deductible temporary difference to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized. The Group re-assesses at each reporting period the need to recognize a previously unrecognized DIT asset, if any. DIT liabilities are recognized in full for all taxable temporary differences.

DIT tax is provided on the temporary difference between the carrying amount of the revalued property and equipment and its tax base.

DIT assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the DIT assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

DIT expense or credit is recognized for changes in DIT assets and liabilities during the reporting period. Income tax expense includes income tax as currently payable and those deferred because of temporary differences in the financial and tax reporting bases of assets and liabilities, and unused tax losses and tax credits.

DIT assets and liabilities are derecognized when the related temporary difference are realized or settled.

2.14 Trade and other payables

Trade and other payables are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Group is established. These are measured at the original invoice amount (as the effect of discounting is immaterial).

Trade and other payables are classified as current liabilities if payment is due within 1 year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Trade and other payables are derecognized when the obligation under the liability is discharged or cancelled or expired.

When an existing trade payables or other current liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Refer to Note 2.4 for the initial recognition, subsequent measurement and derecognition policies on financial liabilities.

2.15 Borrowings and borrowing costs

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowings are derecognized when the obligation is settled, paid or discharged.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which these are incurred.

2.16 Provisions

Provisions, including future obligations for free medical services, are recognized when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligations, and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

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. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as finance cost in profit or loss.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision shall be reversed and derecognized from the consolidated statement of financial position.

2.17 Employee benefits

(a) Retirement benefits

The Parent Company has retirement plan in accordance with the local conditions and practices in the Philippines. The plan is generally funded through payments to trustee-administered funds as determined by periodic actuarial calculations. A defined benefit plan is a retirement plan that defines an amount of retirement benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service or compensation.

The liability recognized in the consolidated statement of financial position in respect of defined benefit retirement plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government 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 retirement benefit obligation.

Remeasurements arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the period in which they arise.

Past-service costs are recognized immediately in profit or loss.
The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and fair value of plan assets. This cost is included in employee benefit expense in profit or loss.

(b) Short-term benefits

Wages, salaries, paid annual vacation and sick leave credits, and non-monetary benefits are accrued in the period in which the related services are rendered by employees of the Group. Short-term employee benefit obligations are measured on an undiscounted basis.

(c) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.18 Equity

Share capital and capital in excess of par value

Ordinary or common shares and preferred shares which do not have redemption features are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds, net of tax. The excess of proceeds from the issuance of shares over the par value is credited to capital in excess of par value.

Treasury shares

Where the Group purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects are included in equity attributable to the Group's equity holders.

2.19 Retained earnings; Dividend distribution

Retained earnings represent the accumulated profit or loss as a result of the operations of the Group less any dividends declared.

Dividend distribution to the Group's shareholders is recognized as a liability in the consolidated financial statements in the period in which the dividends are approved by the BOD of respective entities within the Group.

2.20 Foreign currency transactions and translations

(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 Group operates (the "functional currency"). The consolidated financial statements are presented in Philippine Peso, which is the Group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains or losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

2.21 Revenue recognition

The Group recognizes revenue as control is passed, either (i) over time when the customer simultaneously receives and consumes all of the benefits provided by the Group as the Group performs; or (ii) at a point in time when control is passed at a certain point in time as described below:

(a) Patient revenues

Patient revenue comprises the fair value of the consideration received or receivable from the sale of services in the ordinary course of the Group's activities, net of VAT (if applicable) and discounts.

The Group often provides discounts and free services to underprivileged patients, senior citizens and employees. Discounts and free services are presented within "Discounts and free services" and deducted from gross revenues in profit or loss.

The Group classifies the patient revenues as in-patient, out-patient and emergency services.

In-patient, out-patient and emergency revenues are exempted from VAT, except for the sale of drugs and medicines arising from out-patient activities which are considered vatable transactions pursuant to the relevant provisions of the Consolidated Value-Added Tax Regulations of 2005 (Revenue

Regulation 16-2005).

Patient revenues are recognized in the period when the services are rendered or when the Group has delivered products to the patient and the patient has accepted the products.

Professional fees of doctors included in the patient billing as required by BIR Revenue Regulation No. 14-2013 are recorded in a memorandum basis only as these are not revenues of the Group.

(b) Rent income

Rent income from lease of clinics and commercial spaces to doctors and concessionaires, respectively, under operating lease agreements are recognized on a straight-line basis over the term of the relevant leases and is shown within gross revenues in profit or loss.

(c) Interest income

Interest income on bank deposits and short-term placements which is presented net of final taxes paid or withheld, is recognized on a time-proportion basis using the effective interest method.

(d) Dietary and other income

Dietary and income from other services are recognized when rendered and when it is probable that the economic benefits will flow to the Group and the amount can be measured reliably.

2.22 Costs and expenses

Costs and expenses are recognized when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.
Costs and expenses are recognized:

(i) on the basis of a direct association between the costs incurred and the earning of specific items of income;
(ii) on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or
(iii) immediately when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition in the statement of assets, liabilities and equity account.

Costs and expenses are presented in the profit or loss according to their nature.

2.23 Leases

When the Group is the lessee

Until December 31, 2018, leases of office space, parking spaces, equipment and vehicles were classified as either finance leases or operating leases. From January 1, 2019, the Group recognizes leases as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use.

Assets and liabilities arising from a lease are initially measured on a present value basis. The interest expense is recognized in the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

i. Measurement of lease liabilities

Lease liabilities include the net present value of the following lease payments:

fixed payments (including in-substance fixed payments), less any lease incentives receivable
variable lease payment that are based on an index or a rate, if any
amounts expected to be payable by the lessee under residual value guarantees, if any
the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
payments of penalties, if any, for terminating the lease, if the lease term reflects the lessee exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Group's leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

where possible, uses recent third party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held for entities which do not have recent third party financing, and
makes adjustments specific to the lease (i.e. term, currency and security).

Lease payments are allocated between principal and interest expense. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

ii. Measurement of right-of-use assets

Right-of-use assets are measured at cost comprising the following:

the amount of the initial measurement of lease liability,
any lease payments made at or before the commencement date less any lease incentives received,
any initial direct costs, and
restoration costs, if any.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

While the Group revalues its land and buildings and building improvements that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use office and parking spaces held by the Group.

iii. Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

iv. Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets (assets with value of P250,000 or less) comprise IT-equipment, vehicles, and small items of office furniture.

When the Group is the lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating lease. Operating lease payments received are recognized as an income on a straight-line basis over the lease term.

Refundable deposits

Refundable deposit to guarantee the faithful compliance of the lessee of all the terms and conditions of the contract and answer for the obligations at the end of the contract is initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

Refundable deposits are included in current assets (when the Group is the lessee) or liabilities (when the Group is the lessor), except when those are expected to be received more than 12 months after the reporting period which are classified as non-current assets or non-current liabilities.

2.24 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of common shares in issue during the year, excluding common shares purchased by the Group and held as treasury shares.

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares at issue date.

2.25 Related party relationships and transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

2.26 Subsequent events (or events after the reporting date)

Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

Corporate Recovery and Tax Incentives for Enterprises Act (CREATE)

The Bicameral Conference Committee, under the 18th Congress of the Philippines, approved the reconciled version of the House Bill No. 4157 and Senate Bill No.1357 or the CREATE. The Committee report on CREATE was ratified by the Senate and House of Representatives on February 3, 2021. Among the salient provisions of CREATE include changes to the Corporate Income Tax (CIT) as follows:

1. CIT rate shall be reduced to 25% beginning July 1, 2020 for domestic corporations and resident foreign corporations (RFCs). Domestic corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million, excluding land on which the particular business entity's office, plant and equipment are situated, are subject to 20% income tax.

2. Beginning July 1, 2020 until June 30, 2023, there would be:
   a. temporary reduction on the income tax rate of proprietary educational institutions and hospitals to 1%.
   b. temporary reduction of the minimum corporate income tax rate to 1% for domestic corporations and RFCs.

3. Repeal of the optional CIT of 15% of gross income for domestic corporations and RFCs.

Under CREATE, corporate taxpayers shall prepare their annual income tax return for the calendar year 2020 (CY2020) using the pro-rated CIT rate for CY2020 reckoned from July 1, 2020 (retrospective effect).

CREATE was enacted to law after the issue date of the Group's 2020 audited financial statements and therefore not a subsequent event disclosure. The effect of the reduction of the corporate income tax rate from 30% to 25% on the deferred tax assets and liabilities amounted to P33.2 million and is recorded as part of the income tax expense for the first quarter of 2021.

Note 3 - Critical accounting estimates, assumptions and judgments

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates, assumptions and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

3.1 Critical accounting estimates and assumptions

- Expected credit losses (ECL) on receivables
- Estimated useful lives of property and equipment
- Fair value estimation of land and building
- Principal assumptions and estimation of provisions
- Principal assumptions and estimation of retirement benefit obligation
- Determination of incremental borrowing rate for leases

3.2 Critical accounting judgment

- Recoverability of property and equipment
- Determination of lease term

Note 4- Financial risk management

The Group's financial risk management program is a continuing, proactive process that focuses on the identification and assessment of risk. To enable management to make strategic and informed decisions, the Group recognizes the importance of an effective financial risk management system.

The BOD, through the recommendation of the Finance Committee, reviews and approves policies for managing each of these risks.

The Group has no significant financial assets and liabilities that are exposed to price risk.

4.1 Market risk

(i) Foreign exchange risk

The Group has no significant financial assets and liabilities that are exposed to foreign exchange risk.

The following table demonstrates the sensitivity to a reasonably possible change in U.S. Dollar and Euro currency rates against the Philippine Peso with all variables held constant, of the Group's pre-tax profit for the period ended March 31:

U.S. Dollar against Philippine Peso:

	2021	2020
U.S. Dollar strengthened/weakened	+/- 0.532%	+/- 1.52%
Effect on profit before tax and equity	+/-270,789	+/-477,003

Euro against Philippine Peso:

	2021	2020
Euro strengthened/weakened	+/- 5.73%	+/- 32.65%
Effect on profit before tax and equity	+/-559,051	+/- 3,208,270

The sensitivity rates used represent the rates of change between the foreign currency at March 31, 2021 and 2020 and the use of foreign currency exchange rates determined 30 days from the reporting period, by which management is expected to receive the Group's financial assets or to settle its liabilities. Based on management's assessment, foreign exchange risk arising from its foreign denominated accounts is not considered significant.

(ii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of financial assets and liabilities will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of financial assets and liabilities will fluctuate because of changes in market interest rates.

The Group has no significant financial assets and liabilities that are exposed to interest rate risk. Long-term borrowings issued at fixed rates and measured at amortized cost are not exposed to cash flow or fair value interest rate risk.

4.2 Credit risk

The Group is primarily exposed to credit risks because the Hospital business is required to attend to the medical needs of individual patients without considering their capability to pay. Management continuously reviews and implements more stringent credit and collection policies to limit the amount of credit exposure to any patient. Also, the credit and collection department monitors the level of receivables from patients on an ongoing basis to design collection programs.

In addition to private individual accounts, corporate accounts also comprise a significant portion of the Group's clientele. These accounts include private companies (self-managed health plan), health maintenance organizations and insurance companies where credit terms and limits are pre-established.

4.3 Liquidity risks

The Group's ability to make payments on its indebtedness and to fund its operations depends on its future performance and financial results. Currently, the Group generates significant cash from its operating activities and is able to meet all of its financial covenants included in the credit agreement with its lenders. Historically, the Group's liquidity position is strong due to profitable operations.

To manage liquidity, the Group projects monthly cash flows from its operating, investing and financing activities and evaluates actual cash flow information to ensure that the immediate requirements of the Hospital are covered. Working capital requirements are also reviewed on a monthly basis and reported to the BOD.

4.4 Capital management

The Group's objectives when managing capital, which is the total equity, (excluding revaluation surplus, non-controlling interest and remeasurements on retirement benefits) as shown in the consolidated statement of financial position, include: (i) safeguarding the Group's ability to continue as a going concern; (ii) increasing the value of shareholders' investment; and (iii) providing sustainable returns and benefits for shareholders.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. As at March 31, 2021 and 2020, the Group is not subject to any specific restrictions or capital requirements except for maintenance of certain financial ratios as a result of the loan agreements.

As required by debt covenants, the Company shall maintain the debt service coverage ratio of not less than 1.0 times and debt to equity ratio below 2.5 times .

The Company has complied with the above covenants as at March 31, 2021 and 2020.

The Company is not subject to externally imposed minimum capitalization.

Seasonality of operations

Revenues for hospital service operations normally follow certain seasonality brought about by various factors such as abrupt changes in weather conditions and climate patterns and availability of doctors and holiday schedules. It is at the third quarter towards early part of fourth quarter where medical censuses are at its peak. In 2021, the Group projects its revenues from hospital services to be at par with its pre-pandemic performance in 2019. This is driven by both new services and expansion of existing units. The Group has implemented health and safety protocols to allow it to service both COVID-19 and non COVID-19 cases, even as community quarantine continues to be implemented in the country.

ANNEX "E"

MEDICAL DOCTORS, INC.
ANNUAL STOCKHOLDERS' MEETING

GUIDELINES FOR PARTICIPATION IN THE ANNUAL STOCKHOLDERS' MEETING VIA REMOTE COMMUNICATION AND VOTING IN ABSENTIA

Please be advised that the Annual Stockholders' Meeting (ASM) of MEDICAL DOCTORS, INC (MDI or the Company). will be held on Tuesday, July 20, 2021, 5 p.m.

In order to ensure the safety and welfare of our stockholders in light of the COVID-19 situation, the Company will dispense with the physical attendance of stockholders at the meeting. Instead, attendance, participation and voting by stockholders shall be conducted via remote communication and in absentia pursuant to Sections 23 and 57 of the Revised Corporation Code of the Philippines and Securities and Exchange Commission (SEC) Memorandum Circular No. 6-2020.

I. REGISTRATION

1. Stockholders may participate in the ASM via remote communication, and may cast their votes in absentia by:

   (a) registering online at <**asm2021.makatimed.net.ph**> (the "Website") from June 15 to July 16, 2021; or
   (b) by sending the documentary requirements listed under Item 3 below, with transmittal letter to the Finance Division, Makati Medical Center, 5th Floor Keyland Centre 143 Dela Rosa corner Adelantado St, Legaspi Village, Makati City not later than **5:00 P.M.** on **July 16, 2021;** or
   (c) by emailing scanned copies of the documentary requirements listed under Item 3 below to mmcfinance@makatimed.net.ph not later than 5:00 P.M. on July 16, 2021.

2. Subject to validation of the documentary requirements, only Stockholders who are able to register through any of the methods provided in Item 1 will be allowed to participate in the ASM by remote communication and to cast their votes in absentia.

3. To register, the Stockholder will be required to provide the following documents and information:

   Individual Stockholders

   (a) Copy of Stockholder's valid government-issued ID (such as passport, driver's license, or unified multipurpose ID)
   (b) Stockholder's valid and active e-mail address and contact number
   (c) Stockholder's registered address
   (d) Stockholder's citizenship/nationality

   MMC Doctors

   (a) Copy of Stockholder's valid government issued ID (such as passport, driver's license, or unified multipurpose ID) and or Medical Doctors Inc. ID
   (b) Stockholder's valid and active e-mail address and contact number

(c) Stockholder’s registered address
(d) Specialty / clinic room number

Corporate Stockholders

(a) Copy of Secretary’s Certificate quoting the board resolution authorizing the corporate officer to participate by remote communication for, and on behalf of the Corporation/Partnership.
(b) Copy of the authorized representative’s valid government issued ID (such as passport, driver’s license, or unified multipurpose ID)
(c) Authorized representative’s valid and active e-mail address and contact number

The Company shall verify the information and details submitted through its online registration, via courier/personal delivery or email starting **June 21, 2021**.

After verification of complete submission of the required information and documents, the Stockholder shall receive an email through the Stockholder’s registered email address confirming the registration. Such email confirmation shall also contain the log-in details per Stockholder and instructions on how to participate in the ASM.

4. Stockholders who wish to assign a proxy for matters that will be voted upon in this meeting may download the proxy form available at the Website. Accomplished and signed proxy form may then we submitted by emailing a scanned copy to <**mmcfinance@makatimed.net.ph**>.

5. To avoid last minute changes that may lead to delay, cancellation of proxies will not be allowed from **July 16, 2021** up to the end of the Annual Stockholders Meeting on **July 20, 2021**.

6. At all times, the right of the Stockholder to the privacy of his/her personal data as provided in the Data Privacy Act shall be ensured.

Online Registration Procedure

1. Register online through the “Website”. Please ensure that you have prepared the necessary information and scanned copies of the documentary requirements such as MMC or government IDs.
2. Read the Data Privacy Notice on the Website. If you agree to its terms, please check the box signifying your consent to the processing of your personal information which shall be used only for purposes of the ASM.
3. Enter the information required in the respective fields and upload the digital copy of your valid ID. When all information and documents have been uploaded, please click the “Submit” button.
4. A Stockholder’s online registration cannot be completed if any of the mandatory requirements are not submitted.

II. PARTICIPATION VIA REMOTE COMMUNICATION

1. Only the Stockholders, or their proxies, who have successfully registered, and have logged in, to the Website may be given access to the ASM Live Portal, a livestream video service that will allow Stockholders or their proxies to participate in the ASM.

2. Video recordings of the ASM will be adequately maintained by the Company and will be made available to participating Stockholders upon request.

III. VOTING IN ABSENTIA

1. Stockholders who have successfully registered and have been notified via email of their registration may exercise their right to vote in absentia on the Agenda items by accomplishing the print-out of MDI's ballot form. The ballot form can be accessed and downloaded from the Website. Alternatively, Stockholders may also request for a ballot form by sending an email request to <mmcfinance@makatimed.net.ph>.

2. Once the MDI ASM ballot form is completed, the Stockholder or his proxy may submit the ballot by uploading the file via the Website or by emailing a scanned copy of the same to <mmcfinance@makatimed.net.ph> not later than **5:00 P.M.** on **July 20, 2021.**

IV. OPEN FORUM

During the ASM questions submitted by Stockholders will be read in an Open Forum, where representatives of the Company will endeavor to answer as many questions as time will allow.

Stockholders may send their questions in advance by sending an email with the subject "ASM 2021 Open Forum" to <mmcfinance@makatimed.net.ph> not later than **3:00 pm** on **July 20, 2021**. A section for Stockholder comments/questions or a "chatbox" shall also be provided in the livestreaming platform.

Questions/comments received but not entertained during the Open Forum due to time constraints will be addressed separately by MDI through the Stockholders' email addresses.

For any clarification or other ASM-related queries, Stockholders may contact MDI at <mmcfinance@makatimed.net.ph>.