



REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION

The SEC Headquarters
7907 Makati Avenue, Salcedo Village,
Barangay Bel-Air, Makati City, 1209, Metro Manila

COMPANY REG. NO. 141994

CERTIFICATE OF FILING
OF
AMENDED ARTICLES OF INCORPORATION

KNOW ALL PERSONS BY THESE PRESENTS:

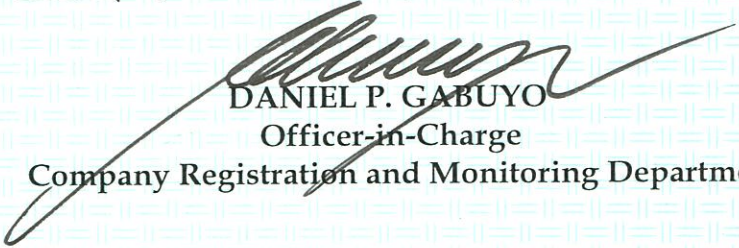
THIS IS TO CERTIFY that the amended articles of incorporation of the

MAXICARE HEALTHCARE CORP.
(Amending Article VII and deletion of Article XI thereof)

copy annexed, adopted on May 17, 2022 and October 12, 2022 by a majority vote of the Board of Directors and by the vote of the stockholders owning or representing at least two-thirds of the outstanding capital stock, and certified under oath by the Secretary and a majority of the Board of Directors of the corporation was approved by the Commission on this date pursuant to the provision of Section 15 of the Revised Corporation Code of the Philippines, Republic Act No. 11232, which took effect on February 23, 2019 and copies thereof are filed with the Commission.

Unless this corporation obtains or already has obtained the appropriate Secondary License from this Commission, this Certificate does not authorize it to undertake business activities requiring a Secondary License from this Commission such as, but not limited to acting as: broker or dealer in securities, government securities eligible dealer (GSED), investment adviser of an investment company, close-end or open-end investment company, investment house, transfer agent, commodity/financial futures exchange/broker/merchant, financing company, pre-need plan issuer, general agent in pre-need plans and time shares/club shares/membership certificates issuers or selling agents thereof. Neither does this Certificate constitute as permit to undertake activities for which other government agencies require a license or permit.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of this Commission to be affixed to this Certificate at The SEC Headquarters, 7907 Makati Avenue, Salcedo Village, Barangay Bel-Air, Makati City, 1209, Metro Manila, Philippines, this 16th day of March, Twenty Twenty Three.


DANIEL P. GABUYO
Officer-in-Charge
Company Registration and Monitoring Department

COVER SHEET

for Applications at COMPANY REGISTRATION AND MONITORING DEPARTMENT

Nature of Application

Amendment of Articles of Inco

SEC Registration Number

1 4 1 9 9 4

Former Company Name

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

AMENDED TO:
New Company Name

Principal Office (No./Street/Barangay/City/Town)Province)

M A X I C A R E T O W E R , 2 0 3 S A L C E D O S T
L E G A S P I V I L L A G E , M A K A T I C I T Y
ZIP CODE

COMPANY INFORMATION

Company Email Address

ExecutiveOffice@maxicare.com.ph

Company's Telephone Number/s

N/A

Mobile Number

0917-559-1488

CONTACT PERSON INFORMATION

*The designated person **MUST** be a Director/Trustee/Partner/Officer/Resident Agent of the Corporation*

Name of Contact Person

Anna Katrina Singcol

Email Address

anna.singcol@divinalaw.com

Telephone Number/s

8822-0808

Mobile Number

091731619292

Contact Person's Address

DivinaLaw 8th Floor Pacific Star Building Sen. Gil Puyat Avenue corner Makati Avenue, Makati City

To be accomplished by CRMD Personnel

Date

Signature

Assigned Processor _____

Document I.D.

Received by Corporate Filing and Records Division (CFRD)

Forwarded to:

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- Corporate and Partnership Registration Division
- Green Lane Unit
- Financial Analysis and Audit Division
- Licensing Unit
- Compliance Monitoring Division

AMENDED ARTICLES OF INCORPORATION

OF

MAXICARE HEALTHCARE CORPORATION

[formerly PHILIPPINE HEALTHCARE PROVIDERS, INC.]

KNOW ALL MEN BY THESE PRESENTS:

WE, a majority of whom are residents of the Philippines, have this day voluntarily associated together for the purpose of forming a corporation under the laws of the Philippines.

AND WE HEREBY CERTIFY THAT:

FIRST: The name of the Corporation will be MAXICARE HEALTHCARE CORPORATION [formerly, PHILIPPINE HEALTH CARE PROVIDERS, INC.]¹ (*As amended on 01 December 2003*)

SECOND: The purposes for which the Corporation is formed are:

PRIMARY PURPOSE

To establish, maintain, conduct and operate a prepaid group practice health care delivery system or a health maintenance organization to take care of the sick, diseased and disabled persons who are enrolled in the health care plan and to provide for the administrative, legal, and financial responsibilities of the organization.

SECONDARY PURPOSES

a. To own, purchase, lease or sell properties such as lands, buildings, vehicles, warehouses, machineries, medical equipment, and other properties as may be necessary or incidental to the conduct of the corporate business;

b. To purchase, lease, or hire such rights, leases, licenses, franchises, agency, certificates of such local or foreign medical products or scientific

¹As amended on 01 December 2003.

medical equipment and other facilities for distribution, use, and sale in the Philippines;

c. To engage the services of licensed practitioners, professionals, technicians, and such other employees as may aid in the management, operation, and dispensation of services of the Corporation;

d. To engage in the importation of drugs, patent, medicines, chemicals, and their derivatives as may be needed in the dispensation of the services of the Corporation;

e. To operate, manage, control, or establish private hospitals, clinics and healthcare service centers on its own or in joint operation with other similar entities, groups, corporation or associations;

f. To apply for, register, purchase, or otherwise acquire, use, protect and renew any patents, patent rights, licenses, concessions, trademarks, tradenames, inventions, formulae, and processes used or capable of being used in connection with any of the business of the Corporation or the acquisition of which may directly or indirectly benefit the Corporation, and to use, exercise, develop, sell, assign, or otherwise dispose of, or grant licenses, in respect of the property, rights, trademarks, or other information acquired, and to spend money in experimenting upon, testing, and improving, any patents, inventions or rights which the Corporation may acquire or propose to acquire;

g. To hold, purchase or otherwise acquire, or be interested in and to sell or otherwise dispose of, shares of capital stock, bond, debentures, or other evidences of indebtedness issued or created by any other corporation, and while the holder thereof, to assist or to guarantee the obligations of, and to exercise all the rights and privileges of ownership in such corporation;

h. To borrow money and to make, issue and sell or pledge, notes, bonds, debentures or other obligations and evidences of indebtedness, and to secure the same by mortgage, deed of trust, pledge or otherwise in such amounts as the business of the Corporation requires;

i. To acquire the goodwill, rights, property, and assets of all kinds and to undertake the whole or any part of the liabilities of any person, firm, association or corporation, and to pay for the same in cash, stock, bonds, debentures, or other securities of this Corporation, provided, that it will not engage in the financing business;

j. To have one or more branch offices and to carry on all or any part of its operations and business, and unlimitedly and without restriction, to conduct its operations and business in the Philippines and in any foreign country or place, subject to the laws therein;

k. To enter into, make, perform, and carry out contracts of every sort and kind with any person, firm, association or corporation, whether private, public or municipal, or body government or politic, and to act as commercial broker or business agent insofar as permitted by law;

l. To use and apply its surplus earnings or accumulated profits to the purchase or acquisition of property and to the purchase or acquisition of its own stock, from time to time, to such extent and in such manner and upon such terms that its Board of Directors shall determine;

m. To cause or allow the legal title, estate, and interest in any property or business acquired, established, or carried on by the Corporation to remain or be vested or registered in the name of, or carried on by, any other company or companies, foreign or domestic, or to be formed, and either upon trust for, or as agents or nominees of the Corporation, or upon any terms or conditions which the Board of Directors may consider for the benefit of the Corporation, and to manage the affairs, or take over and carry on the business, of such company or companies so formed or to be formed, either by acquiring the shares of stocks or other securities thereof or otherwise howsoever, and to exercise all or any of the powers of holders of shares of stocks or securities thereof, and to receive and distribute as profits the dividends and interest on such shares of stock or securities; and

n. To do everything necessary, suitable or proper for the accomplishment of any purpose or the attainment of any object or the furtherance of any power hereinbefore set forth as principal, agent or otherwise, either alone or in association with corporations, firms, or individuals, and to do every other act or thing incidental or appurtenant to or growing out of or connected with the aforesaid business or purposes, objects or powers, or any part or parts thereof, provided the same be not inconsistent with the laws under which the Corporation is organized.

THIRD. The principal office of the Corporation is to be established or located at Maxicare Tower, 203 Salcedo Street, Legaspi Village, Makati City, Philippines².

FOURTH. That the term for which the Corporation is to exist is fifty (50) years from and after the date of incorporation.

² As amended on 14 January 2015.

FIFTH. The names, nationalities and residences of the incorporators of the Corporation are as follows:

<u>Name</u>	<u>Nationality</u>	<u>Residence</u>
Chester G. Babst	Filipino	29 Molave Street, Valle Verde, Pasig, M.M.
Roberto K. Macasaet	Filipino	13 Molave Street, Forbes Park, Makati, M. M
Francisco C. Pascual, Jr.	Filipino	8 Aurelio P. Reyes Street, BF Homes, Parañaque, M.M.
Jose P. Caedo, Jr.	Filipino	31 Wilson Street, Greenhills, San Juan, M.M.
Gertrudo L. Mirasol	Filipino	18 Coconut St., Valle Verde IV, Pasig, M.M.

SIXTH. The number of directors of the Corporation shall be fifteen (15) and the names, nationalities and residences of the first thirteen of the directors who are to serve until their successors are elected and qualified as provided by the By-Laws are as follows:

<u>Name</u>	<u>Nationality</u>	<u>Residence</u>
Benjamin S. Santos	Filipino	137 Sarangani St., New Alabang Village, Las Pinas, M.M.
Felicito C. Payumo	Filipino	125 Cambridge Circle, North Forbes, Makati, M.M.
Jose R. San Gabriel	Filipino	2330 Robert St., Pasay City
Gertrudo L. Mirasol	Filipino	18 Coconut St., Valle Verde IV, Pasig, M.M.
Jose P. Caedo, Jr.	Filipino	31 Wilson Street, Greenhills, San Juan, M.M.
Vicente Q. Arguelles	Filipino	23 Magallanes Ave, Magallanes Village, Makati, MM
Francisco C. Pascual, Jr.	Filipino	8 Aurelio P. Reyes, BF Homes, Pque, MM
Godofredo B. Banzon	Filipino	36 Hamburg, Merville, Paranaque, MM
Chester G. Babst	Filipino	29 Molave Street, Valle Verde, Pasig, Metro Manila
Peter Sen	Filipino	1000 J. Bacobo St., Cor. T.M. Kalaw, Ermita Manila
Raul Concepcion	Filipino	17 Tanguile St., North Forbes Park, Makati, M.M.
Federico Leelin	Filipino	23 Purdue St., Greenhills, San Juan, Metro Manila
Roberto K. Macasaet	Filipino	13 Molave Street, Forbes Park, Makati, M. M

SEVENTH: That the authorized capital stock of the Corporation is THREE BILLION PESOS (₱3,000,000,000.00) and said capital stock is divided into TEN MILLION (10,000,000) Common Shares with par value of ONE HUNDRED PESOS (₱100.00) per share and TWENTY MILLION (20,000,000) Preferred Shares with par value of ONE HUNDRED PESOS (₱100.00) per share.³

The Preferred Shares shall have the following terms and features:

1. The Preferred Shares shall be redeemable in whole or in part, at the sole option of the Corporation equal to its issue price plus any accrued and unpaid preferential dividends, upon notice to the

³ As further amended and approved by at least a majority vote of the Board of Directors at a meeting of the Board of Directors held on 12 October 2022 and by the vote of stockholders representing two-thirds (2/3) of the outstanding capital stock at a stockholders' meeting likewise held on 12 October 2022. Last amended per SEC Certificate dated 31 January 2019.

holders of the Preferred Shares. The Preferred Shares so redeemed by the Corporation shall not be considered retired and may be re-issued by the Corporation, but shall not be re-classified or converted into Common Shares.

2. The Preferred Shares shall bear preferential dividends to be computed using BVAL 1-year rate plus 150-basis points on the date of investment in the Preferred Shares, with a floor rate of 2.50% per annum.
3. The preferential dividends are cumulative. There shall be no obligation to pay the dividends under the following circumstances: (i) there are no unappropriated retained earnings, (ii) absence of sufficient net profits for the year, and (iii) if the regulatory ratios are not met.
4. In the event of liquidation, dissolution, bankruptcy, or winding up of the affairs of the Corporation, the holders of the Preferred Shares shall be entitled to be paid in full or ratably to the extent that the remaining assets of the Corporation will permit, an amount equivalent to all accumulated preferential dividends up to the then current dividend period before any amount may be paid or asset distributed to the holders of Common Shares. Thereafter, the holders of the Preferred Shares shall be entitled to participate and share with the holders of the Common Shares in the distribution of the remaining assets of the Corporation.
5. The holders of Preferred Shares shall not be entitled to vote except in those cases expressly provided by law.⁴

EIGHT. The amount of capital stock which has been actually subscribed is FIVE MILLION ONE HUNDRED THOUSAND PESOS (₱5,100,000.00) and the following persons have subscribed for the number of shares and amount of capital stock set out after their respective names:

<u>Name</u>	<u>Nationality</u>	<u>No. of Shares</u>	<u>Amount of Capital Stock Subscribed</u>
Benjamin S. Santos	Filipino	3,400	₱340,000.00
Felicito C. Payumo	Filipino	3,400	₱340,000.00
Jose R. San Gabriel	Filipino	3,400	₱340,000.00
Gertrudo L. Mirasol	Filipino	3,400	₱340,000.00
Jose P. Caedo, Jr.	Filipino	3,400	₱340,000.00
Vicente Q. Arguelles	Filipino	3,400	₱340,000.00

⁴ As amended and approved by at least a majority vote of the Board of Directors at a meeting of the Board of Directors held on 12 October 2022 and by the vote of stockholders representing two-thirds (2/3) of the outstanding capital stock at a stockholders' meeting likewise held on 12 October 2022.

Francisco C. Pascual, Jr.	Filipino	3,400	₱340,000.00
Godofredo B. Banzon	Filipino	3,400	₱340,000.00
Chester G. Babst	Filipino	3,400	₱340,000.00
Peter Sen	Filipino	3,400	₱340,000.00
Raul Concepcion	Filipino	3,400	₱340,000.00
Federico Leelin	Filipino	3,400	₱340,000.00
Roberto K. Macasaet	Filipino	3,400	₱340,000.00
Medical Doctors, Inc.	Filipino	<u>6,800</u>	<u>₱680,000.00</u>
		51,000	₱5,100,000.00

NINTH: The following persons have paid on the shares of capital stock for which they have subscribed the amounts set out after their respective names:

<u>Name</u>	<u>Nationality</u>	<u>Amount Paid on Subscription</u>
Benjamin S. Santos	Filipino	₱85,000.00
Felicito C. Payumo	Filipino	₱85,000.00
Jose R. San Gabriel	Filipino	₱85,000.00
Gertrudo L. Mirasol	Filipino	₱85,000.00
Jose P. Caedo, Jr.	Filipino	₱85,000.00
Vicente Q. Arguelles	Filipino	₱85,000.00
Francisco C. Pascual, Jr.	Filipino	₱85,000.00
Godofredo B. Banzon	Filipino	₱85,000.00
Chester G. Babst	Filipino	₱85,000.00
Peter Sen	Filipino	₱85,000.00
Raul Concepcion	Filipino	₱85,000.00
Federico Leelin	Filipino	₱85,000.00
Roberto K. Macasaet	Filipino	₱85,000.00
Medical Doctors, Inc.	Filipino	₱170,000.00
		₱1,275,000.00

TENTH: JOSE R. SAN GABRIEL has been elected by the subscribers as Treasurer of the Corporation to act as such until his successor is duly elected and qualified in accordance with the By-laws, and as such Treasurer, he has been authorized to receive for, and in the name, and for the benefit of the Corporation all subscriptions.⁵

IN WITNESS WHEREOF, we have hereunto set our hands this 28th day of April 1987 in Makati, Metro Manila, Philippines.

⁵ Eleventh Article was deleted as amended and approved by at least a majority vote of the Board of Directors at a meeting of the Board of Directors held on 17 May 2022 and by the vote of stockholders representing two-thirds (2/3) of the outstanding capital stock at a stockholders' meeting likewise held on 17 May 2022.

(SGD) ROBERTO R. MACASAET

(SGD) FRANCISCO C. PASCUAL, JR.

(SGD) JOSE P. CAEDO, JR.

(SGD) GERTRUDO L. MIRASOL

(SGD) CHESTER G. BABST

SIGNED IN THE PRESENCE OF:

(SGD) LUISA C. VIRATA

(SGD) MA. CARIDAD D. GONZALES

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
MAKATI, METRO MANILA) S.S.

On this 28th day of April 1987, before me, a Notary Public for and in Makati, Metro Manila, personally appeared the following:

Name	Res. Cert. No.	Date/Place of Issue
Roberto K. Macasaet	6188751	01/30/87 – Makati, MM
Francisco C. Pascual, Jr.	6200483	02/06/87 – Makati, MM
Jose P. Caedo, Jr.	3711090-E	01/12/87 – Batangas
Gertrudo L. Mirasol	26045-F	02/03/87 – Manila
Chester Babst	621502-F	02/16/87 – Makati, MM

known to me and known to be the same persons whose names are subscribed and who executed the foregoing Articles of Incorporation, and each of them acknowledged to me that they freely and voluntarily executed the same.

WITNESS MY HAND AND SEAL on the place and date first above written.

Doc. No. 446;

(SGD) PERRY L. PE

Page No. 81;
Book No. II;
Series of 1987

Notary Public



**DIRECTORS' CERTIFICATE
OF AMENDMENT OF ARTICLES OF INCORPORATION AND BYLAWS OF
MAXICARE HEALTHCARE CORPORATION**

We, the undersigned members of the Board of Directors of **MAXICARE HEALTHCARE CORPORATION** (the "**Corporation**"), a corporation duly organized and existing under and by virtue of the laws of the Philippines, do hereby certify that:

1. At the meetings of the Board of Directors and stockholders respectively held on 17 May 2022 and 12 October 2022, duly called for the purpose, with the meeting on 17 May 2022 held at Sapphire A, 4th Floor, Crowne Plaza, Ortigas Avenue corner Asian Development Bank Avenue, Quezon City, and the meeting on 12 October 2022 held at the Corporation's principal office, all with quorum acting throughout, the following resolutions were approved and adopted by at least a majority vote of the members of the Board of Directors, and by the vote of the stockholders representing at least two-thirds (2/3) of the Corporation's outstanding capital stock:

"RESOLVED, AS IT IS HEREBY RESOLVED, that **MAXICARE HEALTHCARE CORPORATION** (the '**Corporation**'), be authorized to increase its authorized capital stock from **ONE BILLION PESOS (₱1,000,000,000.00)**, divided into Ten Million (10,000,000) Common Shares with par value of One Hundred Pesos (₱100.00) per share to **THREE BILLION PESOS (₱3,000,000,000.00)**, divided into **Ten Million (10,000,000) Common Shares** with par value of One Hundred Pesos (₱100.00) per share and **Twenty Million (20,000,000) Preferred Shares** with par value of One Hundred Pesos (₱100.00) per share;

"RESOLVED, FURTHER, that the Corporation be authorized and empowered to amend **SEVENTH ARTICLE** of its Articles of Incorporation to effect the foregoing increase in its authorized capital stock, wherein it shall read as follows:

SEVENTH: That the authorized capital stock of said corporation is THREE BILLION PESOS (₱3,000,000,000.00), divided into Ten Million (10,000,000) Common Shares with par value of One Hundred Pesos (₱100.00) per share and Twenty Million (20,000,000) Preferred Shares with par value of One Hundred Pesos (₱100.00) per share.

The Preferred Shares shall have the following terms and features:

1. The Preferred Shares shall be redeemable in whole or in part, at the sole option of the Corporation equal to its issue price plus any accrued and unpaid preferential dividends, upon notice to the holders of the Preferred Shares. The Preferred Shares so redeemed by the Corporation shall not be considered retired and may be re-issued by the Corporation, but shall not be re-classified or converted into Common Shares.
2. The Preferred Shares shall bear preferential dividends to be computed using BVAL 1-year rate plus 150-basis points on the date of investment in the Preferred Shares, with a floor rate of 2.50% per annum.
3. The preferential dividends are cumulative. There shall be no obligation to pay the dividends under the following circumstances: (i) there are no unappropriated retained earnings, (ii) absence of sufficient net profits for the year, and (iii) if the regulatory ratios are not met.
4. In the event of liquidation, dissolution, bankruptcy, or winding up of the affairs of the Corporation, the holders of the Preferred Shares shall be entitled to be paid in full or ratably to the extent that the remaining assets of the Corporation will permit, an amount equivalent to all accumulated preferential dividends up to the then current dividend period before any amount may be paid or asset distributed to the holders of Common Shares. Thereafter, the holders of the Preferred Shares shall be entitled to participate and share with the holders of the Common Shares in the distribution of the remaining assets of the Corporation.
5. The holders of Preferred Shares shall not be entitled to vote except in those cases expressly provided by law.

(As amended on 12 October 2022 by a majority vote of the Board of Directors and by vote of the stockholders representing at least two-thirds [2/3] of the outstanding capital stock on even date.)

“RESOLVED that, MAXICARE HEALTHCARE CORPORATION (the ‘Corporation’) hereby approves the amendment of the ELEVENTH ARTICLE of the Corporation’s Articles of Incorporation to read in its entirety as follows:

~~‘ELEVENTH: All shares of the Corporation shall be governed by the following provisions:~~

~~A. All of the stockholders of the Corporation shall be denied and may not claim pre-emptive right to subscribe to any and all issuances or disposition of shares of any class of the Corporation.~~

~~B. In case of transfer (whether directly, indirectly, or voluntarily by purchase, donation or otherwise, or involuntarily by court order/decreed or otherwise) of any shares in the Corporation (whether common or preferred shares) to another stockholder or any third Party/ies (the “transfer” while the Transferee/s shall be referred to as “transferee” or “Third Party”),~~

~~(a) The incumbent Board of Directors shall have the authority by majority vote of those present in the meeting called for the purpose, provided there is a quorum, to determine whether or not the Transfer shall not be beneficial or shall be detrimental to the interests of the Corporation. Without limiting the generality of the foregoing, the Board may take into consideration the fact that in its determination, the Transferee:~~

~~(i) from time to time has been specified as unsuitable in a resolution/s of the Board;~~

~~(ii) lacks good business reputation (with respect to the business of the Corporation or in any other respects);~~

~~(iii) is engaged in a business directly competitive to that of the Corporation or any of its subsidiaries or affiliates;~~

~~(iv) is an adverse party in any suit, action, or proceeding (of whatever nature, whether civil, criminal, administrative or judicial) which has been actually filed by or against the Corporation;~~

~~(v) is an adverse party in any suit, action or proceeding (of whatever nature, whether civil, criminal, administrative or judicial) which has been actually filed against any director of the Corporation, where such suit, action or proceeding relates to or affects the Corporation;~~
or

~~(vi) is an adverse party in any suit, action or proceeding (of whatever nature, whether civil, criminal, administrative or judicial) which has been actually filed against any stockholder of the Corporation, where such suit, action or proceeding relates to or affects the Corporation;~~
or

~~(vii) as determined by the Board of Directors, in the exercise of its judgment in good faith, is a nominee, officer, trustee, adviser or legal counsel, of any entity set forth in (i) thru (vi) hereof; or~~

~~(viii) as determined by the Board of Directors, in the exercise of its judgment in good faith, shall not serve the best interest of the Corporation.~~

~~(b) Upon determination by the incumbent Board that the Transfer shall not be beneficial to the Corporation, the incumbent Board may, by resolution of the majority specified in ELEVENTH B (a) above, allow the other stockholders of record of the Corporation (other than the Transferee or Third Party) as of record date to be determined by the incumbent Board, to subscribe out of the unissued shares of the Corporation at a ration of three (3) shares for every one (1) share held as of declared record date and valued at par.~~

~~(c) Upon the discretion of the incumbent Board of Directors, any other person/s, whether juridical or natural, who is/are not existing stockholders of the Corporation, but who, upon judgment of the Board, shall promote the best interest of the Corporation may be allowed, by resolution of the majority specified in ELEVENTH (B) (a), to subscribe out of the unissued shares of the Corporation at a ration of three (3) shares for every share transferred to the Transferee, and valued at par.~~

~~(d) The incumbent Board of Directors shall have the authority by majority vote specified in ELEVENTH B (a) above, to increase or decrease the ration of shares to be subscribed under the immediately succeeding Articles ELEVENTH B (b) and ELEVENTH B (c).~~

~~(e) In the event that the unissued shares of the Corporation be insufficient to allow for the full and complete subscription by all the other stockholders (other than the Transferee or Third Party) or any other person/s, in accordance with the ratio of 3:1, or such ratio as may be determined by the Board, then the right to subscribe to shares granted under Articles ELEVENTH B (b) and ELEVENTH B (c) shall be without prejudice to the right to subscribe to additional shares out of any increase in authorized capital stock. For this purpose, the incumbent Board by the same majority vote and by 2/3 affirmative vote of stockholders as of declared record date, authorize the increase in authorized capital stock.~~

~~(f) If the Transfer to another stockholder or Third Party, as the case may be, shall fail or be not completed or consummated, then the right granted to the stockholders under Article ELEVENTH B (b) above shall likewise cease to take effect without need for any approval by the Board or the stockholders.~~

~~C. Any transfer of shares in violation of the foregoing provisions shall be null and void and~~

~~shall not be recorded in the books of the Corporation.~~

~~D. The foregoing provisions and restrictions shall be printed on all certificates of stock of the Corporation.~~

~~E. — No transfer of stock or interest which will reduce the ownership of Filipino citizens to less than the required percentage of the subscribed capital shall be allowed or permitted to be recorded in the stock and transfer book, and this restriction shall be indicated in all stock certificates.'~~

(As amended on 17 May 2022 by a majority vote of the Board of Directors and by vote of the stockholders representing at least two-thirds [2/3] of the outstanding capital stock on even date.)

“RESOLVED That, MAXICARE HEALTHCARE CORPORATION (the ‘Corporation’) hereby approves the amendment of the Corporation’s By-Laws to insert a new [Article IX] to read in its entirety as follows:

ARTICLE IX Definitions

1.1 “Affiliate” when used with reference to a specified Person, means any Person that directly or indirectly through one or more intermediaries Controls, is Controlled by or is under common Control with the specified Person.

1.2 “Annual Budget” means the annual budget (operating and capital) of the Corporation and, as the case may be, its Subsidiaries, as amended, modified, updated, supplemented or replaced from time to time.

1.3 “Applicable Law” shall mean, with respect to any Person, any statute, law, regulation, ordinance, rule, judgment, order, decree, award, Governmental Authorization, concession, grant, franchise, license, agreement, directive, guideline, policy, requirement, or other governmental restriction or any similar

form of decision of, or determination by, or any interpretation or administration of any of the foregoing by, any Governmental Authority, whether in effect as of the date hereof or thereafter and in each case as amended, applicable to such Person, its Subsidiaries or Affiliates or their respective assets.

1.5 "Business Day" means any day other than a Saturday, Sunday or legal holiday in Metro Manila, or any other day on which commercial banking institutions in Metro Manila are authorized or required to close.

1.6 "Entity" means any company, partnership (limited or general), joint venture, trust, association, economic interest group or other organization, enterprise or entity.

1.7 "Fiscal Year", when used with respect to the Corporation, means any period of twelve (12) consecutive calendar months ending on December 31st; references to a Fiscal Year with a number corresponding to any calendar year refer to the Fiscal Year ending on December 31st of such calendar year.

1.8 "Governmental Authority" means any Philippine domestic, foreign or supranational court or other judicial authority or governmental, administrative or regulatory body, department, agency, commission, authority or instrumentality whether local, national or supranational.

1.9 "Minimum Threshold" means at least 25% of the issued and outstanding stock of the Corporation.

1.10 "Person" means any natural person, Entity or Governmental Authority.

1.11 "Share" means any outstanding share (whether ordinary or preferred share) issued by, and being part of the share capital of, the Corporation.

1.12 "Shareholder" means any party which is a registered holder of a security.

1.13 "'Subsidiary" when used with reference to a specified Person, means any incorporated Entity of which more than 50% of the voting rights exercisable at a shareholders meeting are at the time owned, directly or indirectly through one or more intermediaries, or both, by such Person.

(As amended on 17 May 2022 by a majority vote of the Board of Directors and by vote of the stockholders representing at least two-thirds [2/3] of the outstanding capital stock on even date.)

"RESOLVED That, MAXICARE HEALTHCARE CORPORATION (the 'Corporation') hereby approves the amendment of ARTICLE III of the Corporation's By-Laws to read in its entirety as follows:

**ARTICLE III
Stockholders**

3.1 Shareholders Meetings.

(a) Annual Meeting.

The regular annual meetings of the stockholders of the Corporation shall be held on the second Tuesday of May of each calendar year, if not a legal holiday, and if a legal holiday, then on the next business day following, for the purpose of electing directors and for the transaction of such other business as may be properly brought before the meeting.

Subject to the notice requirements below, a special meeting of the shareholders may at any time be called by any of the following: (i) the Board of Directors, at its own instance, or at the written request of shareholders representing at least the Minimum Threshold, (ii) Chairman, or (iii) President & CEO. The Chairman of the Board of Directors, or in his/her absence, the President, shall preside over the meetings of the shareholders.

(b) Notice.

- (i) Each notice of a shareholders meeting shall specify a reasonably detailed agenda and be accompanied by such relevant papers as are available at the time notice is served.
- (ii) No decision shall be made at any shareholders meeting on a matter that is not referred to in the agenda unless all of the shareholders unanimously agree in writing to the matter being considered at such meeting.
- (iii) Unless the shareholders unanimously agree in writing to hold shareholder meetings on shorter notice, notices shall be given to all the shareholders, not less than twenty-one (21) days' notice for the annual meeting, and not less than ten (10) days' notice for special meetings, of the shareholders (in electronic form if so required) specifying the date, time and place of the meeting and the business to be transacted at it. If a lesser period of notice is given, this shall not

invalidate proceedings if each shareholder waives the failure to give proper notice in writing.

(c) Quorum and Meeting Proceedings.

- (i) No business shall be transacted at any meeting of the shareholders (including, for the avoidance of doubt, any adjourned meeting) unless a quorum is present. The quorum at a shareholders meeting shall be shareholders representing the majority of the shares present or represented (which must include Pin-An and JE) unless the Applicable Law requires a greater quorum.
- (ii) The shareholders shall use all reasonable endeavours to procure that their respective representatives attend each meeting of the shareholders and that a quorum is present throughout each meeting.
- (iii) If a quorum is not present within half an hour of the time appointed for the meeting or ceases to be present, the shareholders present shall adjourn the meeting to a specified place and time at least two (2) Business Days after the original date.
- (iv) Each shareholder shall have one vote for each share held by it (whether those votes are cast on a poll, on a show of hands at a meeting or are recorded in a written resolution of the shareholders).

(d) Conduct and Minutes.

The Chairman of the Board, or in his/her absence, the President & CEO, shall preside over the meetings of the shareholders.

All decisions of the shareholders shall be minuted in writing, and such minutes shall also detail any decisions that have not been carried. Within ten (10) Business Days of each meeting of the shareholders, the Chairman shall procure that the minutes of the meeting are prepared for

such meeting and submitted to the shareholders.

(e) Voting and Shareholders' Decisions.

All shareholders' decisions shall be taken by a simple majority vote of the shareholders present or represented at a duly convened meeting of shareholders at which at least the shareholders representing the majority of the outstanding shares shall be present or represented, unless it is a Reserved Matter or the Applicable Law provides for a greater quorum or vote.

A shareholder may vote in person, by proxy executed in writing by the shareholder or his duly authorized attorney-in-fact, or by remote communication or *in absentia*.

In case of proxy, unless otherwise provided, it shall be valid only for the meeting at which it has been presented to the Corporate Secretary; provided, that, no proxy shall be valid and effective for a period longer than five (5) years at any one time. All proxies must be submitted to the Corporate Secretary five (5) days before the date of the meeting for validation purposes. Such proxies filed with the Corporate Secretary may be revoked by the shareholders either in an instrument in writing duly presented and recorded with the Corporate Secretary prior to a scheduled meeting or by their personal presence at the meeting.

Voting through remote communication or *in absentia* shall be conducted under Applicable Laws that may be duly issued by the relevant Governmental Authority. A Shareholder who participates through remote communication or *in absentia*, shall be deemed present for purposes of quorum.

(As amended on 17 May 2022 by a majority vote of the Board of Directors and by vote of the stockholders representing at least two-thirds [2/3] of the outstanding capital stock on even date.)

“RESOLVED That, MAXICARE HEALTHCARE CORPORATION (the ‘Corporation’) hereby approves the amendment of ARTICLE IV of the Corporation’s By-Laws to read in its entirety as follows:

ARTICLE IV

The Board of Directors

4.1 The Board of Directors

- (a) Role. The Board of Directors shall be responsible for the management of the Corporation. The purpose of the Board of Directors shall also be to decide on important decisions and on the Reserved Matters referred to below.
- (b) Powers of the Board. Unless otherwise provided by Applicable Law, the corporate powers of the Corporation shall be exercised, all business conducted, and all property of the Corporation controlled and held by the Board of Directors. Without prejudice to such general powers and such other powers as may be granted by Applicable Law, the Board of Directors shall have the following express powers:
 - (i) To oversee the development of and approve the Corporation’s business objectives and strategy, and monitor their implementation, in order to sustain the Corporation’s long-term viability and strength;
 - (ii) To select and appoint officers who are qualified to administer the Corporation’s affairs effectively and soundly and to establish an adequate selection process for all personnel, including the application of fit and proper standards on key personnel;
 - (iii) To conduct the affairs of the Corporation with a high degree of integrity;
 - (iv) To establish and ensure compliance with sound written policies;

- (v) To prescribe a clear assignment of responsibilities and decision-making authorities, incorporating a hierarchy of required approvals from individuals to the Board of Directors;
- (vi) To effectively supervise the Corporation's affairs;
- (vii) To monitor, assess and control the performance of management;
- (viii) To adopt and maintain adequate risk management policies;
- (ix) To constitute committees, including but not limited to, the following: executive, audit risk and management, compensation, board medical advisory, service fulfillment, marketing, related party transaction, and IT software review committees;
- (x) To oversee the overall responsibility in ensuring that there is a group-wide policy and system governing Related Party Transactions and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality;
- (xi) To meet regularly;
- (xii) To keep individual members of the Board of Directors and the Shareholders informed;
- (xiii) To ensure that the Corporation has beneficial influence on the economy;
- (xiv) To establish an effective performance management framework that will ensure that the Management, including the President & CEO, and personnel's performance is at par with the standards set by the Board and Senior Management;
- (xv) To oversee that an appropriate internal control system is in place, including setting up a mechanism for monitoring and managing

potential conflicts of interest of management, Board members, and Shareholders;

(xvi) To oversee that a sound enterprise risk management framework is in place to effectively identify, monitor, assess and manage key business risks. The risk management framework should guide the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies;

(xvii) To keep their authority within the powers of the Corporation as prescribed in the Articles of Incorporation, By-Laws and Applicable Laws;

(xviii) From time to time, to make and change rules and regulations consistent with these By-Laws for the management of the Corporation's business and affairs;

(xix) To purchase, receive, take or otherwise acquire in any lawful manner, for and in the name of the Corporation, any and all properties, rights, interest or privileges, including securities and bonds of other corporations, as the transaction of the business of the Corporation may reasonably or necessarily require, for such consideration and upon such terms and conditions as the Board may deem proper or convenient;

(xx) To the extent allowed by Applicable Laws, to invest the funds of the Corporation in another corporation or business or for any other purposes other than those for which the Corporation was organized, whenever in the judgment of the Board of Directors the interests of the Corporation would thereby be promoted, subject to such Shareholders' approval as may be required by Applicable Laws;

(xxi) To incur such indebtedness as the Board may deem necessary and, for such purpose, to make and issue evidence of such indebtedness including, without limitation, notes, deeds of trust, instruments, bonds, debentures, or

securities, and/or pledge, mortgage, or otherwise encumber all or part of the properties and rights of the Corporation, subject to such Shareholders' approval as may be required by Applicable Laws;

(xxii) To the extent allowed by Applicable Laws, to guarantee, for and in behalf of the Corporation, obligations of other Corporations or entities in which it has lawful interest;

(xxiii) To make provisions for the discharge of the obligations of the Corporation as they mature, including payment for any property, or stocks, bonds, debentures, or other securities of the Corporation lawfully issued for the purpose;

(xxiv) To sell, lease, exchange, assign, transfer or otherwise dispose of any property, real or personal, belonging to the Corporation whenever, in the Board's judgment, the Corporation's interest would thereby be promoted;

(xxv) To establish pension, retirement, bonus, profit sharing, provident fund, or other types of incentives or compensation plans for the employees, including Officers and Directors of the Corporation, and to determine the persons to participate in any such plans and the amount of their respective participations;

(xxvi) To prosecute, maintain, defend, compromise or abandon any lawsuit in which the Corporation or its officers are either plaintiffs or defendants in connection with the business of the Corporation and likewise, to grant installment for the payments or settlement of whatsoever debts are payment to the Corporation;

(xxvii) To delegate, from time to time, any of the powers of the Board which may lawfully be delegated in the course of the current business or businesses of the Corporation to any standing or special committee or to any officer or agent and to appoint any persons to be agents of the

Corporation with such powers (including the power to sub-delegate), and upon such terms, as may be deemed fit; and

(xxviii) To implement these By-Laws and to act on any matter not covered by these By-Laws, provided, however, that such matter does not require the approval or consent of the Shareholders under Applicable Laws.

(c) Election, Number and Composition of the Board of Directors.

The Board of Directors shall consist of fifteen (15) members. Each of JE Holdings, Inc. (JE) and Pin-An Holdings Corporation (Pin-An) shall have the right to designate, remove (with or without cause) and replace four (4) regular directors and two (2) independent directors (subject to any adjustment to the number of directors as may be required by Applicable Law or Governmental Authority). The minority shareholder group of the Corporation shall have the right to designate, remove (with or without cause) and replace two (2) regular directors (subject to any adjustment to the number of directors as may be required by Applicable Law or the relevant Government Authority/ies). The President of the Corporation shall be a regular director.

(i) The Board of Directors shall have three (3) Advisers to the Board. Each of JE, Pin-An, and the minority shareholder group of the Corporation shall have the right to designate one (1) Board Adviser each.

(ii) Notwithstanding anything to the contrary contained herein, the number of Board members appointed by each of the nominating parties shall be appropriately adjusted to reflect such Party's relative shareholding and capital contributions in the Corporation.

(d) Organization and Quorum.

(i) The Board of Directors shall hold (a) regular meetings once every two months, upon not less than seven (7) Business Days' prior written notice from the Chairman, the President & CEO, any of its directors, or the Corporate Secretary, and (b) special meetings upon request by the Chairman, the President & CEO, or at least three (3) directors, or of any shareholder that holds the Minimum Threshold (as defined below) which notice shall (a) indicate the date, time and place for the meeting, (b) set forth a proposed agenda of items for discussion, and (c) include all documentation useful for the consideration of the items listed in the agenda.

(iii) Meetings of the Board of Directors may be held by telephone conference, video conference, or any other communications equipment which allows the participants to hear and speak to each other.

(iv) Where a majority of the number of directors is required to constitute a quorum pursuant to the Amended Articles of Incorporation or the Relevant Agreement(s), there shall be no quorum unless such meeting is attended by at least one (1) regular director representing Pin-An and one (1) regular director representing JE.

(v) Should at the beginning or in the course of any such meeting of the Board of Directors, the quorum of the majority of all the directors that includes at least one (1) of the regular directors nominated by JE and Pin-An not be met, and, therefore, the Board of Directors would not be able to take any decisions, the Chairman of the Board of Directors may call for another Board meeting which shall take place not earlier than three (3) and not later than ten (10) calendar days after the adjourned Board meeting. On the reconvened meeting (the "Second Meeting"), if the quorum of the majority of all the directors that includes at least one (1) of the regular directors nominated by JE and Pin-

An is again not met, and, therefore, the Board of Directors would not be able to take any decisions, the Chairman of the Board of Directors may call for another Board meeting which shall take place not earlier than three (3) and not later than ten (10) calendar days after the adjourned Second Meeting. At the reconvened Board meeting (the "Third Meeting"), the quorum required shall only be a majority of all directors. No action shall be taken at the Second Meeting or Third Meeting unless notice was given, or unless waiver of such notice was given by each director entitled to such notice to whom such notice was not given.

(vi) The Chairman of the Board shall be alternately nominated by Pin-An and JE on an annual basis from the regular directors that they nominated to the Board of Directors, as long as the appointing Party owns the Minimum Threshold.

4.2 Qualified Majority Required Board Approvals

(a) Voting.

Any decision of the Board of Directors (other than with respect to any Reserved Matter) must be approved by a majority of the Directors, at a meeting at which the quorum is satisfied (a "Simple Majority"). Any decision of the Board of Directors or board committees in respect of a Reserved Matter set forth in Annex "A" hereof must be approved by a majority of the directors at a meeting at which the quorum is satisfied and shall include the favorable vote of at least one (1) regular director designated by each of the shareholders that owns the Minimum Threshold (a "Qualified Majority"). "Minimum Threshold" means at least 25% of the issued and outstanding stock of the Corporation.

(i) Reserved Matters. - The shareholders shall take all reasonable actions within its control to procure that none of the Corporation and, as the case may be, its Subsidiaries shall effect, or agree to effect, any action with respect

to Reserved Matters without the prior approval of a Qualified Majority of the Board of Directors.

(ii) Hold-over Budget. – The shareholders agree that if no Annual Budget for the next year is approved by a Qualified Majority, the current year’s Annual Budget shall be carried over for the next year.

xxx xxx xxx

(As amended on 17 May 2022 by a majority vote of the Board of Directors and by vote of the stockholders representing at least two-thirds [2/3] of the outstanding capital stock on even date.)

“RESOLVED That, MAXICARE HEALTHCARE CORPORATION (the ‘Corporation’) hereby approves the amendment of ARTICLE V of the Corporation’s By-Laws to read in its entirety as follows:

ARTICLE V

Executive Committee

(a) **Number and Qualifications.**

There shall be an Executive Committee (the “Excom”) composed of the President of the Corporation, two (2) directors nominated by JE, two (2) directors nominated by Pin-An, as long as a Party owns the Minimum Threshold, and one (1) director nominated by the minority shareholder group of the Corporation.

The Board of Directors may also establish other committees and such other committees as may be consistent with Applicable Law or necessary for good corporate governance practice (each a “Board Committee” and, together with the ExCom, the “Board Committees”), provided that here shall always be, at all times, equal representation of Pin-an and JE in the Board Committees (including the Excom).

Notwithstanding anything to the contrary contained herein, the number of Excom and other committee members appointed by each Party shall be appropriately adjusted to reflect such Party's relative shareholding and capital contributions in the Corporation.

(b) Meetings and Voting

There is no quorum for meetings of the Excom and other Board Committees unless such meeting is attended by at least one (1) member representing Pin-An and one (1) member representing JE.

Should at the beginning or in the course of any such meeting of the Board Committees (including the Excom), the quorum of the majority of all the directors that includes at least one (1) of the directors nominated by JE and Pin-An not be met, and, therefore, the committee would not be able to take any decisions, the chairman of the committee may call for another committee meeting which shall take place not earlier than three (3) and not later than ten (10) calendar days after the adjourned committee meeting.

On the reconvened meeting (the "Second Meeting"), if the quorum of the majority of all the directors that includes at least one (1) of the directors nominated by JE and Pin-An is again not met, and, therefore, the committee would not be able to take any decisions, the chairman of the committee may call for another committee meeting which shall take place not earlier than three (3) and not later than ten (10) calendar days after the adjourned Second Meeting. At the reconvened committee meeting (the "Third Meeting"), the quorum required shall only of a majority of all committee members. No action shall be taken at the Second Meeting or Third Meeting unless notice was given, or unless waiver of such notice was given by each committee member entitled to such notice to whom such notice was not given.

The Board Committees (including the Excom) may act by majority vote of its members on such matters as may have been assigned to it by the Board provided such matters are within the competence of the Board Committee or allowed by Applicable Laws to be assigned to the relevant Board Committee. Any decision of a Board Committee (including the Excom) in respect of a Reserved Matter must be approved by a majority of the directors at a meeting at which the quorum is satisfied and shall include the favorable vote of the Qualified Majority.

The Chairman and Vice-Chairman of the Excom shall be jointly nominated by the Pin-An and JE, as long as the appointing parties own the Minimum Threshold.

(As amended on 17 May 2022 by a majority vote of the Board of Directors and by vote of the stockholders representing at least two-thirds [2/3] of the outstanding capital stock on even date.)

“RESOLVED That, MAXICARE HEALTHCARE CORPORATION (the ‘Corporation’) hereby approves the amendment of ARTICLE VI of the Corporation’s By-Laws to read as follows:

xxx

3. President – xxx

The President shall be jointly nominated by Pin-An and JE, as long as the appointing parties own the Minimum Threshold.

xxx

5. Treasurer – xxx

The Treasurer shall be jointly nominated by Pin-An and JE, as long as the appointing parties own the Minimum Threshold.

xxx

6. Assistant Treasurer – xxx

The Assistant Treasurer shall be jointly nominated by Pin-An and JE, as long as the appointing parties own the Minimum Threshold.

(As amended on 17 May 2022 by a majority vote of the Board of Directors and by vote of the stockholders representing at least two-thirds [2/3] of the outstanding capital stock on even date.)

“RESOLVED That, MAXICARE HEALTHCARE CORPORATION (the ‘Corporation’) hereby approves the amendment of ARTICLE VII of the Corporation’s By-Laws to read in its entirety as follows:

ARTICLE VII

Shareholders’ Rights and Finances

(a) Anti-Dilution and Pre-Emptive Rights.

Each Shareholder shall have the right to subscribe for or to purchase or to have offered for subscription or purchase in proportion to its shareholding percentage in the Corporation, any un-issued or re-issued stock of any class, any additional shares of any class to be issued by reason of any increase of the authorized capital stock of any class of the Corporation, or any securities convertible to shares of the Corporation or any rights or options to acquire any such shares.

(b) Fiscal Year.

The Fiscal Year of the Corporation will commence on the first (1st) of January and end on the thirty-first (31st) of December of each year.

(c) Inspection Rights.

The Corporation shall permit its shareholders, or their authorized representatives, to visit and inspect the properties of the Corporation, including its corporate and financial records,

and to discuss its business and finances with officers of the Corporation, during normal business hours following reasonable notice and as often as may be reasonably requested.

(d) Regular Cash Dividend Payout Policy.

The Corporation shall make regular dividend distributions to its shareholders in the amount of at least 50% of the previous year's net income less reserves established by the Board of Directors to fund the Corporation's operations, unless otherwise mutually agreed by the Parties, provided that the Corporation maintains an Acid Test Ratio of 1.0 or higher and is compliant with other regulatory requirements in relation to declaration and payment of dividends.

(As amended on 17 May 2022 by a majority vote of the Board of Directors and by vote of the stockholders representing at least two-thirds [2/3] of the outstanding capital stock on even date.)


“RESOLVED FINALLY, That the Corporate Secretary, acting singly or through an Attorney-in-Fact duly authorized by virtue of a Special Power of Attorney issued by the Corporate Secretary for that purpose, be authorized and empowered to arrange for the submission to and approval of the Securities and Exchange Commission of the Amended Articles of Incorporation and By-Laws of the Corporation, and to that end, to sign, execute and deliver any and all documents, and to do any and all acts, necessary and proper, to implement the foregoing resolutions.”

2. We further certify that the Amended Articles of Incorporation hereto attached as *Annexes “A”* and *“B”* are true and correct copies thereof.

3. The requirements of Sections 16, 37, and 47 of the Revised Corporation Code of the Philippines have been complied with.

MAR 01 2023

IN WITNESS WHEREOF, we have hereunto set our hand this ___ day of October 2022 in Makati City.


ROBERTO M. MACASAET, JR.
Chairman
TIN 100-232-246


ANTONIO L. GO
TIN 100-929-712


CHRISTIAN S. ARGOS
President/ Chief Executive Officer
TIN 201-222-363


LANCE YGOKONGWEI
TIN 116-312-586

VICENTE Q. ARGUELLES
TIN 104-715-797

BRIAN M. GO
TIN 112-954-374


ESTHER WILEEN S. GO
TIN 109-906-995


EDUARDO J. KATIGBAK, JR.
TIN 135-553-855


ELFREN ANTONIO S. SARTE
TIN 107-790-157


EDGAR J. SIA II
TIN 192-003-450


CHRISTINE C. TUERES
TIN 597-645-024


TERESITA M. ALEGRE
TIN 156-483-361


ENRICO S. CRUZ
TIN 106-968-932

RIZALINA G. MANTARING
TIN 108-112-169


TEODORO M. PANGANIBAN
TIN 106-905-644


Attested by:


ATTY. DANNY E. BUNYI
Corporate Secretary
TIN 123-368-882

MAR 01 2023
SUBSCRIBED AND SWORN to before me this ___ day of October 2022 in Makati City, affiants exhibiting to me their Tax Identification Number, to wit:

Name	TIN
Roberto M. Macasaet, Jr.	100-232-246
Antonio L. Go	100-929-712
Christian S. Argos	201-222-363
Lance Y. Gokongwei	116-312-586
Vicente Q. Arguelles	104-715-797
Brian M. Go	112-954-374
Esther Wileen S. Go	109-906-995
Eduardo J. Katigbak, Jr.	135-553-855
Elfren Antonio S. Sarte	107-790-157
Edgar J. Sia, II	192-003-450
Christine O. Tueres	597-645-024
Teresita M. Alegre	156-483-361
Enrico S. Cruz	106-968-932
Rizalina G. Mantaring	108-112-169
Teodoro M. Panganiban	106-905-644
Danny E. Bunyi	123-368-882

Doc. No. 246 ;
Page No. 51 ;
Book No. II ;
Series of 2023.


VAUPETROANJI J. PEÑA
NOTARY PUBLIC FOR MAKATI CITY
Appointment No. M-315
Until 31 December 2023
Roll of Attorneys No. 73249
IBP No. 249371/ 09 January 2023/ Makati City
PTR No. 9569208/ 06 January 2023/ Makati City
MCLE Compliance No. VII-0023568/ 20 June 2023
8th Floor, Pacific Star Building, Sen. Gil Puyat
Avenue corner Makati Avenue, Makati City

ANNEX "A"

RESERVED MATTERS

1. Any change in the nature and/or scope of the business for the time being of the Corporation or any Group Corporation¹ not being ancillary or incidental to, or an extension of the scope of operation of, the business of the Group Corporation;
2. The approval of, or any amendment to, the Business Plan² of the Group Corporation;
3. The approval of, or any amendment to, the Annual Budget exceeding 10% variance (which shall include the remuneration of the officers of a Group Corporation);
4. The approval of capitalization (whether in the form of equity or debt) of a Group Corporation, and the form thereof;
5. Any plan or agreement of merger, de-merger, acquisition, consolidation, reorganization or spin-off or similar reorganization, including any amendment thereof of a Group Corporation;
6. Any sale, lease, exchange, mortgage, pledge, transfer, acquisition or disposition, by any means, of assets of a Group Corporation unless already provided for in the Annual Budget, or if transferred to an employee as part of an existing or duly-approved compensation or benefit plan;
7. The conclusion or termination of any shareholders' agreement or joint venture agreement of a Group Corporation;
8. Any reduction, consolidation, subdivision or reclassification or other alteration of a Group Corporation's capital structure;
9. The variation of any rights attaching to any shares in the capital of a Group Corporation;
10. The sale of shares or any other type of securities issued by the Corporation to a competitor of Pin-An or JE included in its negative list;
11. The change in the authorized number of directors of a Group Corporation;

¹ Means each of the Corporation and/or its Subsidiaries.

² Means the business plan of the Corporation in the agreed form and as updated and approved from time to time by the Pin-An and JE as a Reserved Matter.

12. The investment of funds by a Group Corporation in another corporation or business or for any purpose other than the primary purpose for which it was organized;
13. Guaranteeing by a Group Corporation of the debt of third parties;
14. Borrowing by a Group Corporation of any sum or granting any security interest;
15. Incurring, creation or increase of a Group Corporation's bonded indebtedness;
16. Establishing or increasing a Group Corporation's bank credit line facility;
17. Approval of issuance of the Group Corporation's shares of stock in exchange for property needed for corporate purposes or in payment of previously contracted debt;
18. The liquidation, dissolution, winding up or filing of voluntary bankruptcy proceedings of a Group Corporation, and any other Liquidity Event to which a Group Corporation is a party;
19. Save for the issuance of shares or the grant of options in connection with or pursuant to any duly approved and established Employee Stock Option Plan ("ESOP") of a Group Corporation:
 - (i) any increase in the share capital of a Group Corporation;
 - (ii) the issue of any new class of shares in the capital of a Group Corporation;
 - (iii) any issue or grant of any option over the unissued share capital of a Group Corporation or any issue of any security convertible into any equity securities of a Group Corporation;
20. Any agreement to exceptions to the non-compete obligations of the Pin-An and JE;
21. The establishment, terms (and amendment to such terms) or termination of any employee share option scheme or phantom employee share option scheme of a Group Corporation (including the establishment or amendment of the ESOP);
22. Related-party transactions (with the conflicted director/shareholder not participating in the discussion and/or voting);

23. Appointment, removal, or change of external auditor of a Group Corporation;
24. Remuneration of the President, CEO, CFO, Treasurer, Corporate Secretary, and any other key officer of a Group Corporation;
25. Declaration of dividends (in any form) by a Group Corporation;
26. Amendments of the corporate purpose and/or articles/ by-laws of a Group Corporation;
27. Approval of any sale, license or other transfer of any intellectual property of any Group Corporation, other than licenses in the ordinary course of business; and
28. Any Initial Public Offering³ and any action required to be taken by a Group Corporation in connection therewith.⁴

³ Means the official publication (or other formal disclosure in accordance with its regulations) by any competent authority of an official listing or formal authorization for public trading of the shares issued by the Corporation or any of its Subsidiaries on any regulated stock exchange or public market for equity securities in any country.

⁴ As amended and approved by at least a majority vote of the Board of Directors at a meeting of the Board of Directors held on 17 May 2022 and by the vote of stockholders representing two-thirds (2/3) of the outstanding capital stock at a stockholders' meeting likewise held on 17 May 2022.

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

SECRETARY'S CERTIFICATE

I, **DANNY E. BUNYI**, of legal age, Filipino, and with business address at 8th Floor Pacific Star Building, Sen. Gil Puyat Avenue corner Makati Avenue, Makati City, after having been sworn to in accordance with law, do hereby depose and state that:

1. I am the incumbent Corporate Secretary of **MAXICARE HEALTHCARE CORPORATION** (the "**Corporation**"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office address at Maxicare Tower, 203 Salcedo Street, Legaspi Village, Makati City, Philippines.

2. I hereby certify that to the best of my knowledge, no action or proceeding has been filed or is pending before any court involving an intra-corporate dispute and/or claim by any person or group against the Board of Directors, individual directors and/or major corporate officers of the Corporation in their capacity as duly elected and/or appointed directors or officers or vice versa.

27 OCT 2022


IN WITNESS WHEREOF, I signed this certificate this ___ day of October 2022 in Makati City, Metro Manila.


DANNY E. BUNYI
Corporate Secretary

27 OCT 2022

SUBSCRIBED AND SWORN to before me this ___ day of October 2022, affiant exhibiting to me his TIN 123-368-882 issued by the Bureau of Internal Revenue.

Doc. No. 108 ;
Page No. 23 ;
Book No. II ;
Series 2022.


TIMOTHY FRANCIS T. YEE
Notary Public for Makati City
Appointment No. M-176
Until 31 December 2022
Roll of Attorneys No. 74981
IBP No. 177930/ 11 February 2022 / Makati City
PTR No. 8856547 / 06 January 2022 / Makati City
Admitted to the Bar on 2020
8th Floor, Pacific Star Building, Sen. Gil Puyat
Avenue corner Makati Avenue, Makati City



SEC Main Office
Ground Floor, Secretariat Building, PICC Complex, Pasay City, Metro Manila

electronic Official Receipt

Transaction Details

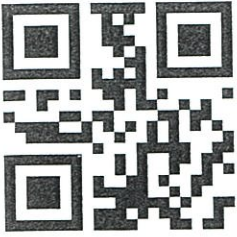
eOR Number	20221114-PM-0034291-70
Transaction Number	231802020001
Payment Date	November 14, 2022 10:30 AM
Payment Scheme	master-card
Status	COMPLETED
Payment Status	PAYMENT_SUCCESS

Payment Assessment Details

PAF No.	20221111-6292644
PAF Date	2022-11-11 15:36:11
Payor Name	MAXICARE HEALTHCARE CORP.
Payor Address	MAKATI CITY

#	Nature of Collection	Account Code	Amount
1	Penalties/Fines	4020114000(609)	8,000.00
TOTAL			8,000.00

Total amount indicated herein does not include the convenience/service fee of the selected payment channel.



Machine Validation:



Republic of the Philippines
 DEPARTMENT OF FINANCE
 SECURITIES AND EXCHANGE COMMISSION
 Secretariat Building, PICC Complex
 Roxas Boulevard, Pasay City, 1307



PAYMENT ASSESSMENT FORM

No. 20221111-6292644

DATE 11/11/2022	RESPONSIBILITY CENTER CRMD
PAYOR: MAXICARE HEALTHCARE CORP. MAKATI CITY	

NATURE OF COLLECTION	QUANTITY	ACCOUNT CODE	AMOUNT
Penalties/Fines		4020114000 (609)	8,000.00
----NOTHING FOLLOWS----			
TOTAL AMOUNT TO BE PAID			Php 8,000.00
Assessed by: gbongon		Amount in words: EIGHT THOUSAND PESOS AND 00/100	
Remarks:			

Payment Options

- Online payment thru SEC Payment Portal
 - <https://espaysec.sec.gov.ph>
- Over the Counter Payments
 - SEC Cashier Office
 - Selected Landbank Branches

SEC BIR Accounts - DST

SEC Clearing Account	SEC Office
3752-1002-75	Head Office / NCR
0072-1178-59	Tarlac
0222-1003-48	Baguio
0132-1123-98	Legazpi
3302-1046-88	Iloilo
3162-1098-20	Bacolod
0142-1085-85	Cebu
0192-0639-30	Zamboanga
0152-1090-08	Cagayan De Oro
0162-1090-73	Davao

SEC BTR Accounts - LRF

SEC Clearing Account	SEC Office
3402-2319-20	Head Office / Tarlac
3402-2319-38	Baguio
3402-2319-46	Legaspi
3402-2319-54	Iloilo / Bacolod
3402-2319-62	Cebu
3402-2319-70	Zamboanga
3402-2319-89	Cagayan De Oro
3402-2319-97	Davao

Breakdown Summary

FUND ACCOUNT	AMOUNT	ACCOUNT #
SEC RCC Current Account	8,000.00	3752-1001-43
TOTAL	Php 8,000.00	

Notes:

- This form is valid for forty-five (45) calendar days from the date of Payment Assessment Form (PAF)
- Accepted modes of payment at SEC Main Office, Pasay City:
 - Cash
 - Manager's/Cashier's Check
 - Postal Money Order
- Accepted modes of payment at selected Landbank branches:
 - Cash
 - Manager's/Cashier's Check payable to the Securities and Exchange Commission
- For check payment, please prepare separate checks per fund account as indicated on the breakdown summary. All checks must be payable to Securities and Exchange Commission
- For over the counter payment at LandBank, preparation of oncoll payment or deposit slip shall be per fund account as indicated on the breakdown summary.
 - If fund code is BTR, use an oncoll payment slip.
 - If fund code is BIR, REIT, SRC or RCC, use a regular deposit slip.
 - Send through email the copy of the machine-validated oncoil payment slip / deposit slip to the issuer of this PAF to confirm that payment has been made.
- For National Capital Region, payments are only allowed through the following Landbank Branches: EDSA Greenhills, EDSA Congressional, Araneta EO, YMCA, DOTC, Ortigas EO, Muntinlupa, and North Avenue
- ANY ALTERATIONS WILL INVALIDATE THIS FORM**



Republic of the Philippines
Department of Finance
Securities and Exchange Commission

Company Registration and Monitoring Department
Compliance Monitoring Division

MONITORING SHEET

Corporate Name	MAXICARE HEALTHCARE CORP.		
Registration No.	141994	Date of Registration	JUNE 30, 1987
Term of Existence	50 YEARS	Annual Meeting	2 ND TUESDAY OF MAY
Principal Office	MAXICARE TOWER, 203 SALCEDO ST., LEGASPI VILLAGE, MAKATI CITY	Actual Meeting	MAY 17, 2022
No. of Directors/Trustees	15	Fiscal Year	DECEMBER 31

<input checked="" type="checkbox"/> STOCK CORPORATION	<input type="checkbox"/> NON-STOCK CORPORATION
Authorized Capital Stock P1,000,000,000.00	Equity/Fund Balance P
Retained Earnings P1,878,183,133.00	Negative Fund Balance P
Deficit P	Fiscal Year ended
Capital Deficiency P	Fine: P per year, per report
Fiscal Year ended DECEMBER 31, 2021	
Fine: P10,000.00 per year, per report	

COMPUTATION OF FINES					
YEAR	General Information Sheet		Financial Statements		FINE
2018	Monitored	03.14.19	OT		
2019	OT		OT		
2020	OT		OT		
2021	OT		OT		
2022	OT		NYD		
Additional charges: (% , violation)					
Stock and Transfer/Membership Book W/ORDER					
Violation of M.C. #8 s. 2009, material deficiency in AFS 2021 - No Statement of Reconciliation of Retained Earnings Available for Dividend Declaration in the first filed AFS 2021 (2 nd offense)					8,000.00
COMPLIANCE WITH SEC MEMORANDUM CIRCULAR NO. 28 SERIES OF 2020 - OT					
TOTAL					P8,000.00

OT - On Time NF - Not Filed	Assessed By:		DATE: 10.05.22/10.18.22/ 10.25.22/11.11.2022	OR NO.	
				DATE OF PAYMENT	
FL/RL -Filed/Registered Late					

✓ Certification Issuance System-Unified Reference Database - CLEARED as November 11, 2022

☺ PLEASE RETURN TO CMD AFTER PAYMENT.

The findings/assessment is based on the documents/reports available in the SEC database and the documents presented by the party to the monitor as of: _____

Representative
Signature Over Printed Name

Confirmation of Payment of Fines:

ATTY. KENNETH JOY A. QUIMIO
Assistant Director
_____ 2022.

Note:

This assessment does not constitute as waiver of any fine or penalty for deficiencies in reportorial requirements due from, or may hereafter be assessed against, the corporation nor does it preclude the institution of any action against the corporation for violation of any of the provisions of the Corporation Code of the Philippines, the Securities Regulation Code, and its implementing rules and regulations, and other pertinent laws, rules and regulations implemented by the Commission.

This Monitoring Sheet is good for updating until the first working day of January of the following year. Further SEC is not estopped from assessing the corporation additional penalties, fees and charges should it turn out that the previous assessment is erroneous.



1st ENDORSEMENT
14 November 2022

Respectfully endorsed to the Securities and Exchange Commission, SEC Headquarters, 7907 Makati Avenue, Salcedo Village, Barangay Bel-Air, Makati City, 1209 the attached amended Articles of Incorporation & By-Laws of **MAXICARE HEALTHCARE CORPORATION (Formerly: PHILIPPINE HEALTHCARE PROVIDERS, INC.)** with office address at Maxicare Tower, 203 Salcedo Street, Legaspi Village, Makati City, Philippines with the advise that the Insurance Commission has no objection to its registration with the Securities and Exchange Commission.

AMENDED ARTICLES OF INCORPORATION

SEVENTH: That the authorized capital stock of the Corporation is **THREE BILLION PESOS (P3,000,000,000.00)** and said capital stock is divided into **TEN MILLION (10,000,000) Common Shares with par value of ONE HUNDRED PESOS (P100.00) per share and TWENTY MILLION (20,000,000) Preferred Shares with par value of ONE HUNDRED PESOS (P100.00) per share** (As amended and approved by the Board of Directors at a special meeting of the Board of Directors held on 08 May 2018 and stockholders at a stockholders' meeting likewise held on 08 May 2018; Last amended per SEC Certificate dated 14 December 2011.) (As further amended and approved by the Board of Directors at a meeting of the Board of Directors held on 12 October 2022 and stockholders at a stockholders' meeting likewise held on 12 October 2022.

The Preferred Shares shall have the following terms and features:

- 1. The Preferred Shares shall be redeemable in whole or in part, at the sole option of the Corporation equal to its issue price plus any accrued and unpaid preferential dividends, upon notice to the holders of the Preferred Shares. The Preferred Shares so redeemed by the Corporation shall not be considered retired and may be re-issued by the Corporation, but shall not be re-classified or converted into Common Shares.**
- 2. The Preferred Shares shall bear preferential dividends to be computed using BVAL 1-year rate plus 150-basis points on the date of investment in the Preferred Shares, with a floor rate of 2.50% per annum.**
- 3. The preferential dividends are cumulative. There shall be no obligation to pay the dividends under the following circumstances: (i) there are no unappropriated retained earnings, (ii) absence of sufficient net profits for the year, and (iii) if the regulatory ratios are not met.**
- 4. In the event of liquidation, dissolution, bankruptcy, or winding up of the affairs of the Corporation, the holders of the Preferred Shares shall be entitled to be paid in full or ratably to the extent that the remaining assets of the Corporation**

will permit, an amount equivalent to all accumulated preferential dividends up to the then current dividend period before any amount may be paid or asset distributed to the holders of Common Shares. Thereafter, the holders of the Preferred Shares shall be entitled to participate and share with the holders of the Common Shares in the distribution of the remaining assets of the Corporation.

5. The holders of Preferred Shares shall not be entitled to vote except in those cases expressly provided by law. *(As amended and approved by the Board of Directors at a meeting of the Board of Directors held on 12 October 2022 and stockholders at a stockholders' meeting likewise held on 12 October 2022.)*

AMENDED BY-LAWS

Article II

Stock

2. Transfers of Stock – xxx and the terms, conditions and undertakings contained in the relevant shareholders' agreement entered into by and between stockholders of the Corporation (the Relevant Agreement(s))" xxx *(As amended and approved by the Board of Directors at a meeting of the Board of Directors held on 17 May 2022 and stockholders at a stockholders' meeting likewise held on 17 May 2022.)*

ARTICLE III

Stockholders

3.1 Shareholders Meetings.

(a) Annual Meeting.

The regular annual meetings of the stockholders of the Corporation shall be held on the second Tuesday of May of each calendar year, if not a legal holiday, and if a legal holiday, then on the next business day following; for the purpose of electing directors and for the transaction of such other business as may be properly brought before the meeting.

Subject to the notice requirements below, a special meeting of the shareholders may at any time be called by any of the following: (i) the Board of Directors, at its own instance, or at the written request of shareholders representing at least the Minimum Threshold, (ii) Chairman, or (iii) President & CEO, The Chairman of the Board of Directors, or in his/her absence, the President, shall preside over the meetings of the shareholders.

(b) Notice.

- (i) Each notice of a shareholders meeting shall specify a reasonably detailed agenda and be accompanied by such relevant papers as are available at the time notice is served.
- (ii) No decision shall be made at any shareholders meeting on a matter that is not referred to in the agenda unless all of the shareholders unanimously agree in writing to the matter being considered at such meeting.
- (iii) Unless the shareholders unanimously agree in writing to hold shareholders meetings on shorter notice, notices shall be given to all the shareholders, not less than twenty-one (21) days' notice for the annual meeting, and not less than ten (10) days' notice for special

meetings, of the shareholders (in electronic form if so required) specifying the date, time and place of the meeting and the business to be transacted at it. If a lesser period of notice is given, this shall not invalidate proceedings if each shareholder waives the failure to give proper notice in writing.

(c) Quorum and Meeting Proceedings.

- (i) No business shall be transacted at any meeting of the shareholders (including, for the avoidance of doubt, any adjourned meeting) unless a quorum is present. The quorum at a shareholders meeting shall be shareholders representing the majority of the shares present or represented (which must include Pin-An and JE) unless the Applicable Law requires a greater quorum
- (ii) The shareholders shall use all reasonable endeavours to procure that their respective representatives attend each meeting of the shareholders and that a quorum is present throughout each meeting.
- (iii) If a quorum is not present within half an hour of the time appointed for the meeting or ceases to be present, the shareholders present shall adjourn the meeting to a specified place and time at least two (2) Business Days after the original date.
- (iv) Each shareholder shall have one vote for each share held by it (whether those votes are cast on a poll, on a show of hands at a meeting or are recorded in a written resolution of the shareholders).

(d) Conduct and Minutes.

The Chairman of the Board, or in his/her absence, the President & CEO, shall preside over the meetings of the shareholders.

All decisions of the shareholders shall be minuted in writing, and such minutes shall also detail any decisions that have not been carried. Within ten (10) Business Days of each meeting of the shareholders, the Chairman shall procure that the minutes of the meeting are prepared for such meeting and submitted to the shareholders.

(e) Voting and Shareholders' Decisions.

All shareholders' decisions shall be taken by a simple majority vote of the shareholders present or represented at a duly convened meeting of shareholders at which at least the shareholders representing the majority of the outstanding shares shall be present or represented, unless it is a Reserved Matter or the Applicable Law provides for a greater quorum or vote.

A shareholder may vote in person, by proxy executed in writing by the shareholder or his duly authorized attorney-in-fact, or by remote communication or *in absentia*.

In case of proxy, unless otherwise provided, it shall be valid only for the meeting at which it has been presented to the Corporate Secretary; provided, that, no proxy shall be valid and effective for a period longer than five (5) years at any one time. All proxies must be submitted to the Corporate Secretary five (5) days before the date of the meeting for validation purposes. Such proxies filed with the Corporate Secretary may be revoked by the shareholders either in an instrument in writing duly presented and recorded with the Corporate Secretary prior to a scheduled meeting or by their personal presence at the meeting.

Voting through remote communication *in absentia* shall be conducted under Applicable Laws that may be duly issued by the relevant Governmental Authority. A Shareholder who participates through remote communication or *in absentia*, shall be deemed present for purposes of quorum. (As amended and approved by the Board of Directors at a meeting of the Board of Directors held on 17 May 2022 and stockholders at a stockholders' meeting likewise held on 17 May 2022.)

ARTICLE IV

The Board of Directors

4.1 The Board of Directors

- (a) Role. The Board of Directors shall be responsible for the management of the Corporation. The purpose of the Board of Directors shall also be to decide on important decisions and on the Reserved Matters referred to below.
- (b) Powers of the Board. Unless otherwise provided by Applicable Law, the corporate powers of the Corporation shall be exercised, all business conducted, and all property of the Corporation controlled and held by the Board of Directors. Without prejudice to such general powers and such other powers as may be granted by Applicable law, the Board of Directors shall have the following express powers:
 - (i) To oversee the development of and approve the Corporation's business objectives and strategy, and monitor their implementation, in order to sustain the Corporation's long-term viability and strength;
 - (ii) To select and appoint officers who are qualified to administer the Corporation's affairs effectively and soundly and to establish an adequate selection process for all personnel, including the application of fit and proper standards on key personnel;
 - (iii) To conduct the affairs of the Corporation with a high degree of integrity;
 - (iv) To establish and ensure compliance with sound written policies;
 - (v) To prescribe a clear assignment of responsibilities and decision-making authorities, incorporating a hierarchy of required approvals from individuals to the Board of Directors;
 - (vi) To effectively supervise the Corporation's affairs;
 - (vii) To monitor, assess and control the performance of management;
 - (viii) To adopt and maintain adequate risk management policies;
 - (ix) To constitute committees, including but not limited to the following; executive, audit risk and management, compensation, board medical advisory, service fulfillment, marketing, related party transaction, and IT software review committees;
 - (x) To oversee the overall responsibility in ensuring that there is a group-wide policy and system governing Related Party Transactions and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality;

- (xi) To meet regularly;
- (xii) To keep individual members of the Board of Directors and the Shareholders informed;
- (xiii) To ensure that the Corporation has beneficial influence on the economy;
- (xiv) To establish an effective performance management framework that will ensure that the Management, including the President & CEO, and personnel's performance is at par with the standards set by the Board and Senior Management;
- (xv) To oversee that an appropriate internal control system is in place, including setting up a mechanism for monitoring and managing potential conflicts of interest of management, Board members, and Shareholders;
- (xvi) To oversee that a sound enterprise risk management framework is in place to effectively identify, monitor, assess and manage key business risks. The risk management framework should guide the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies
- (xvii) To keep their authority within the powers of the Corporation as prescribed in the Articles of Incorporation, By-Laws and Applicable Laws;
- (xviii) From time to time, to make and change rules and regulations consistent with these By-Laws for the management of the Corporation's business and affairs;
- (xix) To purchase, receive, take or otherwise acquire in any lawful manner, for and in the name of the Corporation, any and all properties, rights, interest or privileges, including securities and bonds of other corporations, as the transaction of the business of the Corporation may reasonably or necessarily require, for such consideration and upon such terms and conditions as the Board may deem proper or convenient;
- (xx) To the extent allowed by Applicable Laws, to invest the funds of the Corporation in another corporation or business or for any other purposes other than those for which the Corporation was organized, whenever in the judgment of the Board of Directors the interests of the Corporation would thereby be promoted, subject to such Shareholders' approval as may be required by Applicable Laws;
- (xxi) To incur such indebtedness as the Board may deem necessary and, for such purpose, to make and issue evidence of such indebtedness including, without, limitation, notes, deeds of trust, instruments, bonds, debentures, or securities, and/or pledge, mortgage, or otherwise encumber all or part of the properties and rights of the Corporation, subject to such Shareholders' approval as may be required by Applicable Laws;
- (xxii) To the extent allowed by Applicable Laws, to guarantee, for and in behalf of the Corporation, obligations of other Corporations or entities in which it has lawful interest;
- (xxiii) To make provisions for the discharge of the obligations of the Corporation as they mature, including payment for any property, or stocks, bonds, debentures, or other securities of the Corporation lawfully issued for the purpose;

- (xxiv) To sell, lease, exchange, assign, transfer or otherwise dispose of any property, real or personal, belonging to the Corporation whenever, in the Board's judgment, the Corporation's interest would thereby be promoted;
- (xxv) To establish pension, retirement, bonus, profit sharing, provident fund, or other types of incentives or compensation plans for the employees, including Officers and Directors of the Corporation, and to determine the persons to participate in any such plans and the amount of their respective participations;
- (xxvi) To prosecute, maintain, defend, compromise or abandon any lawsuit in which the Corporation or its officers are either plaintiffs or defendants in connection with the business of the Corporation and likewise, to grant instalment for the payments or settlement of whatsoever debts are payment to the Corporation.
- (xxvii) To delegate, from time to time, any of the powers of the Board which may lawfully be delegated in the course of the current business or businesses of the Corporation to any standing or special committee or to any officer or agent and to appoint any persons to be agents of the Corporation with such powers (including the power to sub-delegate), and upon such terms, as may be deemed fit; and
- (xxviii) To implement these By-Laws and to act on any matter not covered by these By-Laws, provided, however, that such matter does not require the approval or consent of the Shareholders under Applicable Laws.

(c) Election, Number and Composition of the Board of Directors.

The Board of Directors shall consist of fifteen (15) members. Each of JE Holdings, Inc. (JE) and Pin-An Holdings Corporation (Pin-An) shall have the right to designate, remove (with or without cause) and replace four (4) regular directors and two (2) independent directors (subject to any adjustment to the number or directors as may be required by Applicable Law or Governmental Authority). The minority shareholder group of the Corporation shall have the right to designate, remove (with or without cause) and replace two (2) regular directors (subject to any adjustment to the number of directors as may be required by Applicable Law or the relevant Government Authority/ies). The President of the Corporation shall be a regular director.

(i) The Board of Directors shall have three (3) Advisers to the Board. Each of JE, Pin-An, and the minority shareholder group of the Corporation shall have the right to designate one(1) Board Adviser each.

(i) Notwithstanding anything to the contrary contained herein, the number of Board members appointed by each of the nominating parties shall be appropriately adjusted to reflect such Party's relative shareholding and capital contributions in the Corporation.

(d) Organization and Quorum.

(i) The board of Directors shall hold (a) regular meetings once every two months, upon not less than seven (7) Business Days' prior written notice from the Chairman, the President & CEO, any of its directors, or the Corporate Secretary, and (b) special meetings upon request by the Chairman, the President & CEO, or at least

three (3) directors, or of any shareholder that holds the Minimum Threshold (as defined below) which notice shall (a) indicate the date, time and place for the meeting, (b) set forth a proposed agenda of items for discussion, and (c) include all documentation useful for the consideration of the items listed in the agenda.

- (iii) Meetings of the Board of Directors may be held by telephone conference, video conference, or any other communications equipment which allows the participants to hear and speak to each other.
- (iv) Where a majority of the number of directors is required to constitute a quorum pursuant to the Amended Articles of Incorporation or the Relevant Agreement(s), there shall be no quorum unless such meeting is attended by at least one (1) regular director representing Pin-An and one (1) regular director representing JE.
- (v) Should at the beginning or in the course of any such meeting of the Board of Directors, the quorum of the majority of all the directors that includes at least one (1) of the regular directors nominated by JE and Pin-An not be met, and, therefore, the Board of Directors would not be able to take any decisions, the Chairman of the Board of Directors may call for another Board meeting which shall take place not earlier than three (3) and not later than ten (10) calendar days after the adjourned Board meeting. On the reconvened meeting (the "Second Meeting"), if the quorum of the majority of all the directors that includes at least one (1) of the regular directors nominated by JE and Pin-An is again not met, and, therefore, the Board of Directors would not be able to take any decisions, the Chairman of the Board of Directors may call for another Board meeting which shall take place not earlier than three (3) and not later than ten (10) calendar days after the adjourned Second Meeting. At the reconvened Board meeting (the "Third Meeting"), the quorum required shall only be a majority of all directors. No action shall be taken at the Second Meeting or Third Meeting unless notice was given, or unless waiver of such notice was given by each director entitled to such notice to whom such notice was not given.
- (vi) The Chairman of the Board shall be alternately nominated by Pin-An and JE on an annual basis from the regular directors that they nominated to the Board of Directors, as long as the appointing Party owns the Minimum Threshold.

4.2 Qualified Majority Required Board Approvals

(a) Voting.

Any decision of the Board of Directors (other than with respect to any Reserved Matter) must be approved by a majority of the Directors, at a meeting at which the quorum is satisfied (a "Simple Majority"). Any decision of the Board of Directors or board committees in respect of a Reserved Matter set forth in the Relevant Agreement(s) must be approved by a majority of the directors at a meeting at which the quorum is satisfied and shall include the favorable vote of at least one (1) regular director designated by each of the shareholders that owns the Minimum Threshold (a "Qualified majority"). "Minimum Threshold" means at least 25% of the issued and outstanding stock of the Corporation.

- (i) Reserved Matters. – The shareholders shall take all reasonable actions within its control to procure that none of the Corporation and, as the case may be, its Subsidiaries shall effect, or agree to effect, any action with respect to Reserved Matters without the prior approval of a Qualified Majority of the Board of Directors.
- (ii) Hold-over Budget. – The shareholders agree that if no Annual Budget for the next year is approved by a Qualified Majority, the current year's Annual Budget shall be carried over for the next year. *(As amended and approved by the Board of Directors at a meeting of the Board of Directors held on 17 May 2022 and stockholders at a stockholders' meeting likewise held on 17 May 2022)*

ARTICLE V

Executive Committee

(a) Number and Qualifications.

There shall be an Executive Committee (the "Excom") composed of the President of the Corporation, two (2) directors nominated by JE, two (2) directors nominated by Pin-An, as long as a Party owns the Minimum Threshold, and one (1) director nominated by the minority shareholder group of the Corporation.

The Board of Directors may also establish other committees and such other Committees as may be consistent with Applicable Law or necessary for good corporate governance practice (each a "Board Committee" and, together with the ExCom, the "Board Committees"), provided that here shall always be, at all times, equal representation of Pin-an and JE in the Board Committees (including the Excom).

Notwithstanding anything to the contrary contained herein, the number of Excom and other committee members appointed by each Party shall be appropriately adjusted to reflect such Party's relative shareholding and capital contributions in the Corporation.

(b) Meetings and Voting

There is no quorum for meetings of the Excom and other Board Committees unless such meeting is attended by at least one (1) member representing Pin-An and one (1) member representing JE.

Should at the beginning or in the course of any such meeting of the Board Committees (including the Excom, the quorum of the majority of all the directors that includes at least one (1) of the directors nominated by JE and Pin-An not be met, and, therefore, the committee would not be able to take any decisions, the chairman of the committee may call for another committee meeting which shall take place not earlier than three (3) and not later than ten (10) calendar days after the adjourned committee meeting.

On the reconvened meeting (the "Second Meeting"), if the quorum of the majority of all the directors that includes at least one (1) of the directors nominated by JE and Pin-An is again not met, and, therefore, the committee would not be able to take any decisions, the chairman of the committee may call for another committee meeting which shall take place not earlier than three (3) and not later than ten (10) calendar days after the adjourned Second Meeting. At the reconvened committee meeting (the "Third Meeting"), the quorum required shall only of a majority of all committee members. No action shall be taken at the Second Meeting or Third Meeting unless notice was given, or unless waiver of such notice was given by each committee member entitled to such notice to whom such notice was not given.

The Board Committees (including the Excom) may act by majority vote of its members on such matters as may have been assigned to it by the Board provided such matters

are within the competence of the Board Committee or allowed by Applicable Laws to be assigned to the relevant Board Committee. Any decision of a Board Committee (including the Excom) in respect of a Reserved Matter must be approved by a majority of the directors at a meeting at which the quorum is satisfied and shall include the favorable vote of the Qualified Majority.

The Chairman and Vice-Chairman of the Excom shall be jointly nominated by the Pin-An and JE, as long as the appointing parties own the Minimum Threshold. ((As amended and approved by the Board of Directors at a meeting of the Board of Directors held on 17 May 2022 and stockholders at a stockholders' meeting likewise held on 17 May 2022.))

ARTICLE VI

Officers

3. President. – xxx The President shall be jointly nominated by Pin-An and JE, as long as the appointing parties own the Minimum Threshold xxx (As amended and approved by the Board of Directors at a meeting of the Board of Directors held on 17 May 2022 and stockholders at a stockholders' meeting likewise held on 17 May 2022.)

4. Vice President. – xxx The other Vice Presidents shall have such powers and duties as the Board of Directors may from time to time delegate or assign to them. xxx (As amended and approved by the Board of Directors at a meeting of the Board of Directors held on 17 May 2022 and stockholders at a stockholders' meeting likewise held on 17 May 2022.)

5. Treasurer. – xxx The Treasurer shall be jointly nominated by Pin-An and JE, as long as the appointing parties own the Minimum Threshold xxx (As amended and approved by the Board of Directors at a meeting of the Board of Directors held on 17 May 2022 and stockholders at a stockholders' meeting likewise held on 17 May 2022.)

6. Assistant Treasurer. – xxx The Assistant Treasurer shall be jointly nominated by Pin-An and JE, as long as the appointing parties own the Minimum Threshold xxx (As amended and approved by the Board of Directors at a meeting of the Board of Directors held on 17 May 2022 and stockholders at a stockholders' meeting likewise held on 17 May 2022.)

ARTICLE VII

Shareholders' Rights and Finances

(a) Anti-Dilution and Pre-Emptive Rights.

Each Shareholder shall have the right to subscribe for or to purchase or to have offered for subscription or purchase in proportion to its shareholding percentage in the Corporation, any un-issued or re-issued stock of any class, any additional shares of any class to be issued by reason of any increase of the authorized capital stock of any class of the Corporation, or any securities convertible to shares of the Corporation or any rights or options to acquire any such shares.

(b) Fiscal Year.

The Fiscal Year of the Corporation will commence on the first (1st) of January and end on the thirty-first (31st) of December of each year.

(c) Inspection Rights.

The Corporation shall permit its shareholders, or their authorized representatives, to visit and inspect the properties of the Corporation, including its corporate and financial records, and to discuss its business and finances with officers of the Corporation, during normal business hours following reasonable notice and as often as may be reasonably requested.

(d) Regular Cash Dividend Payout Policy.

The Corporation shall make regular dividend distributions to its shareholders in the amount of at least 50% of the previous year's net income less reserves established by the Board of Directors to fund the Corporation's operations, unless otherwise mutually agreed by the Parties, provided that the Corporation maintains an Acid Test Ratio of 1.0 or higher and is compliant with other regulatory requirements in relation to declaration and payment of dividends. (As amended and approved by the Board of Directors at a meeting of the Board of Directors held on 17 May 2022 and stockholders' meeting likewise held on 17 May 2022.)

ARTICLE IX

Definitions

- 1.1 "Affiliate" when used with reference to a specified Person, means any Person that directly or indirectly through one or more intermediaries Controls, is Controlled by or is under common Control with the specified Person.
- 1.2 "Annual Budget" means the annual budget (operating and capital) of the Corporation and, as the case may be, its Subsidiaries, as amended, modified, updated, supplemented or replaced from time to time.
- 1.3 "Applicable Law" shall mean, with respect to any Person, any statute, law, regulation, ordinance, rule judgment, order, decree, award, Governmental Authorization, concession, grant, franchise, license, agreement, directive, guideline, policy, requirement, or other governmental restriction or any similar form of decision of, or determination by, or any interpretation or administration of any of the foregoing by, and Governmental Authority, whether in effect as of the date hereof or thereafter and in each case as amended, applicable to such Person, its Subsidiaries or Affiliates or their respective assets.
- 1.5 "Business Day" means any day other than a Saturday, Sunday or legal holiday in Metro Manila, or any other day on which commercial banking institutions in Metro Manila are authorized or required to close.
- 1.6 "Entity" means any company, partnership (limited or general), joint venture, trust, association, economic interest group or other organization, enterprise or entity.
- 1.7 "Fiscal Year", when used with respect to the Corporation, means any period of twelve (12) consecutive calendar months ending on December 31st; references to a Fiscal Year with a number corresponding to any calendar year refer to the Fiscal Year ending on December 31st of such calendar year.
- 1.8 "Governmental Authority" means any Philippine domestic, foreign or supranational court or other judicial authority or governmental, administrative or regulatory body, department, agency, commission, authority or instrumentality whether local, national or supranational.
- 1.9 "Minimum Threshold" means at least 25% of the issued and outstanding stock of the Corporation
- 1.10 "Person means any natural person, Entity, or Governmental Authority.

- 1.11 “Share” means any outstanding share (whether ordinary or preferred share) issued by, and being part of the share capital of, the Corporation.
- 1.12 “Shareholder” means any party which is a registered holder of a security.
- 1.13 “Subsidiary” when used with reference to a specified Person, means any incorporated Entity of which more than 50% of the voting rights exercisable at a shareholders meeting are at the time owned, directly or indirectly through one or more intermediaries, or both, by such Person.

This Endorsement should be submitted to the SEC by the applicant together with the same documents as presented to this Commission.

By Authority of the Insurance Commissioner:


FERDINAND GEORGE A. FLORENDO
Deputy Insurance Commissioner

4 January 2023

Dir. Gerardo F. Del Rosario

Company Registration and Monitoring Department
SECURITIES AND EXCHANGE COMMISSION (SEC)
7907 Makati Avenue
Bel-Air, Makati

Subject: Management Representation Letter in compliance with SEC
Memorandum Circular No. 6, series of 2008
Maxicare Healthcare Corporation

Gentlemen:

In connection with the application of Maxicare Healthcare Corporation (the "**Corporation**") for amendment of its Articles of Incorporation and Bylaws, as well as increase of its Authorized Capital Stock thru creation of preferred shares, the undersigned hereby declare under oath the following:

- (1) All information and representations contained in the submitted application and its supporting documents are true and correct;
- (2) The verification procedures required by the SEC were conducted by an independent auditor who issued a report thereon in accordance with the auditing standards in force;
- (3) The items/account/s subject of the application are authorized, valid and legal; and
- (4) The shares of stock to be issued are not watered

The Management hereby authorized the SEC to examine anytime, even after the approval of the application, the Corporation's books of accounts and records to determine the validity and accuracy of the transaction.

Thank you.

Very truly yours,



CHRISTIAN S. ARGOS
President and Chief Executive Officer




MARIA TERESITA A. ESPALLARDO
Treasurer and Chief Finance and Treasury Officer

SUBSCRIBED AND SWORN TO before me in Makati City, on 4 January 2023, affiants exhibiting to me the following:

NAME	COMPETENT EVIDENCE OF IDENTITY
Christian S. Argos	Tax Identification Number 201-222-363
Maria Teresita A. Espallardo	Tax Identification Number 123-046-704

Doc. No. 380 ;
Page No. 77 ;
Book No. I ;
Series of 2023.


VAUPETROANJI J. PEÑA
Notary Public for Makati City
Appointment No. M-315
Until 31 December 2023
Roll of Attorneys No. 73249
IBP No. 201097/ 31 January 2022/ Makati City
PTR No. 8856540/ 06 January 2022 / Makati City
MCLE Compliance No. VII-0021568/ 20 June 2022
8th Floor, Pacific Star Building, Sen. Gil Puyat
Avenue corner Makati Avenue, Makati City

December 9, 2022

Dir. Gerardo F. Del Rosario

Company Registration and Monitoring Department
SECURITIES AND EXCHANGE COMMISSION (SEC)
7907 Makati Avenue
Bel-Air, Makati

Subject: Independent Auditor's Cover Letter in compliance with SEC
Memorandum Circular No. 6, series of 2008

Gentlemen:

In connection with the application of Maxicare Healthcare Corporation (the "**Corporation**") for amendment of its Articles of Incorporation and Bylaws, as well as increase of its Authorized Capital Stock thru creation of preferred shares, the undersigned hereby declares:

- (1) As an external auditor engaged by the Corporation, we conducted the verification procedures required under Section 2 of the *Guidelines on On-Site Verification of Financial Records Relative to Certain Applications Filed with the Commission*, and that we observed all the requirements of existing auditing standards and practices applicable to the said engagement; and
- (2) Since the foregoing engagement does not involve an audit or review of the Corporation's financial statements but only the conduct of a set of agreed-upon procedures and issuance of a report of the factual findings thereon, we gave a "no assurance" statement in our 9 December 2022 report attached to this letter. We understand, however, that the "no assurance" statement in our report does not exempt us from responsibility over the conduct of the said procedures and the factual findings stated therein.

Very truly yours,

CRUZ MAROHOMBSAR AND COMPANY

By:



David Ernesto V. Cruz

CPA Certificate No. 0110671

Tax Identification No. 300-933-746

SEC Accreditation No. 110671-SEC, Group A, issued on April 30, 2020
effective until April 24, 2024

BOA Accreditation No. 9289, issued on July 6, 2021,
effective until January 12, 2024

BIR Accreditation No. 08-008047-000-2022, issued on March 14, 2022
effective until March 13, 2025

PTR No. 0194794

Issued January 26, 2022, City of Manila

MAXICARE HEALTHCARE CORP

REPORT OF FACTUAL FINDINGS

December 9, 2022

December 9, 2022

MAXICARE HEALTHCARE CORP.

Maxicare Tower, 203 Salcedo St.
Legaspi Village, Makati City

Gentlemen:

We have performed the procedures agreed to by management with respect to the payments on subscriptions to the proposed increase in authorized capital stock of MAXICARE HEALTHCARE CORP. (the Company) by authorizing preferred stock amounting to Php2,000,000,000 divided into 20,000,000 shares with par value of Php100 per share, as provided under Section 2 of the SEC Memorandum Circular No. 6, Series of 2008, "Guidelines on On-Site Verification of Financial Records relative to certain Applications File with the Securities and Exchange Commission (SEC)." Our engagement was undertaken in accordance with Philippine Standards on Related Services (PSRS) 4400, *Engagements to Perform Agreed-Upon Procedures regarding Financial Information*. The procedures were performed solely to assist the Company with its application with the SEC for the increase in authorized capital stock.

The agreed-upon procedures are summarized below.

1. Obtained from the Company the minutes of meetings of the Board of Directors and Stockholders approving the increase in authorized capital stock by authorizing preferred stock amounting to Php2,000,000,000 divided into 20,000,000 preferred shares with par value of Php100 per share. The Company's stockholder, Pin-An Holdings Corporation subscribed Php1,000,000,000, divided into 10,000,000 preferred shares with par value of Php100.00 per share, from the proposed increase in authorized capital stock. The subscription represents more than 25% of the proposed increase in authorized capital stock.
2. Obtained from the Company a schedule of cash received for subscriptions to the proposed increase in the authorized capital stock of the Company. There was a cash payment amounting to Php250,000,000 received on October 27, 2022. The payment for the subscriptions to the proposed increase in authorized capital stock was made through a fund transfer to the savings account of the Company with Equicom Savings Bank. Details of the transfer are as follows:
 - Date: October 27, 2022
 - Credit Memo reference number: FT22300QGZTF
 - Account name: Maxicare Healthcare Corp.
 - Account number: 2000001697
 - Amount: Php250,000,000
 - Acknowledgement Receipt number: 00003446

Examined the bank statement, credit memo and acknowledgement receipt and found everything in order. No exception was noted.

3. Traced the cash received for the subscriptions to the proposed increase in authorized capital stock of the Company to the general ledger as at October 27, 2022. No exception was noted.
4. Examined the corporate secretary's certificate which certified that the Company's Board of Directors and Stockholders, on their meetings dated October 12, 2022, passed a resolution to increase the Company's authorized capital stock by authorizing Php2,000,000,000 preferred stock, divided into 20,000,000 preferred shares with par value of Php100 per share. No exception was noted.
5. Compared the cash received for the proposed increase in authorized capital stock to the bank account of the Company through the bank statement with Equicom Savings Bank. Traced the cash received to the copy of the acknowledgement receipt and cash receipts books of the Company. No exception was noted.
6. Examined entries in the Company's cash disbursements books for any prior disbursements made by the Company to its stockholder that can be linked or associated with the stockholder's payments for subscriptions.

Examined all the entries in the cash disbursements books of the Company for any subsequent disbursements, advances or loans granted to the stockholder.

A cash count of the Company's funds was conducted as at the date of examination and worked back up to the month immediately preceding the date of the meeting when the stockholders approved the increase in capital stock of the Company.

Obtained a summary of cash in the bank accounts of the Company and bank reconciliation statements as at the end of the month immediately preceding the submission of the application.

We have not noted any prior and subsequent disbursements, advances or loans made by the Company to its stockholder that are associated with the stockholder's payment for subscription.

No exception was noted in the foregoing procedures.

7. Checked the mathematical accuracy of the summary and bank reconciliation statements; traced the receipts, disbursements and other transactions in the summary and bank reconciliation statements to entries in the general ledger; and compared the balances shown in the summary and bank reconciliation statements with the balances per books and bank statements. No exception was noted as a result of the procedures performed.

The sufficiency of the procedures is solely the responsibility of the Company. Consequently, we make no representation regarding the sufficiency of the procedures either for the purpose for which this report has been requested or for any other purpose.

Because the procedures do not constitute either an audit or a review made in accordance with Philippine Standards on Auditing or Philippine Standards on Review Engagements, we do not express assurance on the financial statements of the Company taken as a whole.

Had we performed additional procedures or performed an audit or a review of the financial statements in accordance with Philippines Standards on Auditing or Philippine Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report, for your information and is not to be used for any other purpose or to be distributed to any other parties. This report relates only to items specified in the foregoing and does not extend to any financial statements of the Company taken as a whole.

Very truly yours,

CRUZ MAROHOMBSAR AND COMPANY



David Ernesto V. Cruz

CPA Certificate No. 0110671

Tax Identification No. 300-933-746

SEC Accreditation No. 110671-SEC, Group A, issued on April 30, 2020
effective until April 24, 2024

BOA Accreditation No. 9289, issued on July 6, 2021,
effective until January 12, 2024

BIR Accreditation No. 08-008047-000-2022, issued on March 14, 2022
effective until March 13, 2025

PTR No. 0194794

Issued January 26, 2022, City of Manila

December 9, 2022



SECURITIES AND EXCHANGE COMMISSION

Secretariat Building, PICC Complex, Roxas Boulevard, Pasay City, 1307 Metro Manila Philippines
Tel: (632) 818-0921 Fax: (632) 818-5209 Email: mis@sec.gov.ph



The following document has been received:

Receiving: Buen Jose Mose

Receipt Date and Time: October 21, 2022 12:23:59 PM

Company Information

SEC Registration No.: 0000141994

Company Name: MAXICARE HEALTHCARE CORP.

Industry Classification: N85190

Company Type: Stock Corporation

Document Information

Document ID: OST1102120228814848

Document Type: Financial Statement

Document Code: FS

Period Covered: December 31, 2021

Submission Type: Amendment

Remarks: None

Acceptance of this document is subject to review of forms and contents

Date MAY 27 2022 TSIS

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RHEA ARAGON

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Maxicare Healthcare Corp.
Maxicare Tower, 203 Salcedo Street
Legaspi Village, Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Maxicare Healthcare Corp. (the Company), which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company 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 financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, 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.

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



Date MAY 27 2022 TSIS

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- 2 -

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company'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 Company's ability 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 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 the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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.





Building a better
working world

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION

Date MAY 27 2022 TSB

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- 3 -

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 34 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Maxicare Healthcare Corp. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Bernalette L. Ramos

Bernalette L. Ramos

Partner

CPA Certificate No. 0091096

Tax Identification No. 178-486-666

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 0926-AR-3 (Group A)

July 25, 2019, valid until July 24, 2022

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-081-2021, February 1, 2021, valid until January 31, 2024

PTR No. 8854354, January 3, 2022, Makati City

April 6, 2022



Date MAY 27 2022 TSIS

MAXICARE HEALTHCARE CORP.
STATEMENTS OF FINANCIAL POSITION

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	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6 and 30)	₱2,402,632,187	₱3,573,143,476
Short-term investments (Note 7)	3,134,655,545	2,158,847,979
Trade and other receivables (Notes 9 and 30)	6,810,330,125	6,515,613,084
Prepaid expenses and other current assets (Note 12)	518,882,335	108,479,991
	₱12,866,500,192	₱12,356,084,530
Noncurrent Assets		
Available-for-sale investments (Note 8)	139,276,675	139,276,675
Investment in associates (Note 10)	8,952,369	18,809,429
Investment in subsidiary (Note 11)	200,000,000	-
Property and equipment (Note 13)	903,165,929	981,835,905
Software cost (Note 15)	142,405,366	90,449,037
Investment property (Note 14)	114,712,957	115,114,178
Deferred tax assets (Note 29)	483,179,344	587,289,415
Other noncurrent assets (Note 16)	68,475,316	76,139,656
	2,060,167,956	2,008,914,295
	₱14,926,668,148	₱14,364,998,825
LIABILITIES AND EQUITY		
Current Liabilities		
Healthcare plan liabilities (Note 17)	₱8,408,312,509	₱7,864,744,483
Accrued liabilities and other payables (Note 18)	3,544,080,461	2,635,040,409
Lease liabilities - current portion (Note 28)	47,276,060	75,587,135
Income tax payable (Note 29)	123,569,346	446,778,052
	₱12,123,238,376	₱11,022,150,079
Noncurrent Liabilities		
Loans payable (Note 19)	100,000,000	100,000,000
Retirement liability - net (Note 27)	81,060,863	78,338,985
Lease liabilities - non-current portion (Note 28)	67,523,226	104,951,363
Other noncurrent liabilities	51,512,606	51,519,625
	300,096,695	334,809,973
	₱12,423,335,071	₱11,356,960,052
Equity (Note 20)		
Capital stock	598,029,500	577,698,100
Capital paid in excess of par value	26,766,604	26,766,604
Treasury stock	(36,702,230)	(36,698,230)
Subscribed capital	100,493,975	-
Share in remeasurement gain on retirement liability of an associate (Note 11)	319,939	760,087
Remeasurement loss on retirement plan (Note 27)	(63,757,844)	(104,350,392)
Retained earnings		
Appropriated	257,377,882	560,711,265
Unappropriated	1,620,805,251	1,983,151,339
	2,503,333,077	3,008,038,773
	₱14,926,668,148	₱14,364,998,825

See accompanying Notes to Financial Statements.



MAXICARE HEALTHCARE CORP.
STATEMENTS OF INCOME

Date MAY 29 2022 TSIS

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RHEA ARAGON

	Years Ended December 31	
	2021	2020
REVENUE (Note 21)		
Membership fees from medical plans - net (Notes 17 and 30)	₱18,217,499,136	₱17,593,334,759
Administrative services only and application fees (Note 21)	183,196,439	176,649,190
	18,400,695,575	17,769,983,949
COST AND EXPENSES		
Healthcare benefits, claims and commissions (Note 22)	14,446,311,563	10,865,842,128
General and administrative expenses (Note 23)	1,712,042,796	2,553,391,011
Selling and marketing expenses (Note 24)	508,490,096	514,132,785
	16,666,844,455	13,933,365,924
OTHER INCOME (EXPENSE)		
Interest income (Notes 6, 7, 9 and 30)	61,412,564	51,482,584
Interest expense (Notes 19)	(2,605,032)	(14,695,180)
Others - net (Notes 9, 13, 14 and 28)	49,469,988	34,230,306
	108,277,520	71,017,710
INCOME BEFORE SHARE IN NET INCOME OF ASSOCIATES	1,842,128,640	3,907,635,735
SHARE IN NET INCOME (LOSS) OF ASSOCIATES (Note 10 and 30)	(9,416,912)	2,161,434
INCOME BEFORE INCOME TAX	1,832,711,728	3,909,797,169
PROVISION FOR INCOME TAX (Note 29)	461,391,199	1,583,171,664
NET INCOME	₱1,371,320,529	₱2,326,625,505

See accompanying Notes to Financial Statements.



MAXICARE HEALTHCARE CORP.
STATEMENTS OF COMPREHENSIVE INCOME

Date MAY 27 2022 TSIS

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RHEA ARAGON

	Years Ended December 31	
	2021	2020
NET INCOME	¥1,371,320,529	2,326,625,505
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX		
Item that may not be reclassified to profit or loss:		
Change in remeasurement loss on retirement plan (Note 27)	40,592,548	(53,825,229)
Share in remeasurement gain on retirement liability of an associate (Note 10)	(440,148)	-
TOTAL COMPREHENSIVE INCOME	¥1,411,472,929	2,272,800,276

See accompanying Notes to Financial Statements.



MAXICARE HEALTHCARE CORP.

STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 20)	Capital Paid in Excess of Par Value (Note 20)		Treasury Stock (Note 20)	Subscribed Capital (Note 20)	Stock Dividend Distributable (Note 20)	Share in Remeasurement Gain on Retirement Liability of an Associate (Note 11)		Remeasurement Loss on Retirement Plan (Note 27)	Appropriated Retained Earnings (Note 20)	Unappropriated Retained Earnings (Note 20)	Total
		Par Value	(Note 20)				Retirement Liability of an Associate	Share in Remeasurement Gain on Retirement Liability of an Associate				
Balance at January 1, 2021	₱577,698,100	₱26,766,604	₱26,766,604	(₱36,698,230)	₱-	₱-	₱760,087	(₱104,350,392)	₱560,711,265	₱1,983,151,339	₱3,008,038,773	
Distribution of cash dividend	-	-	-	-	-	-	-	-	-	(2,037,000,000)	(2,037,000,000)	
Issuance of subscribed capital	20,331,400	-	-	-	100,493,975	-	-	-	-	-	120,825,375	
Treasury shares acquired during the year	-	-	-	(4,000)	-	-	-	-	(303,333,383)	303,333,383	(4,000)	
Reversal of appropriated retained earnings	-	-	-	-	-	-	(440,148)	-	-	1,371,320,529	1,411,472,929	
Total comprehensive income for the year	-	-	-	-	-	-	(440,148)	40,592,548	-	-	-	
Balance at December 31, 2021	₱598,029,500	₱26,766,604	₱26,766,604	(₱36,702,230)	₱100,493,975	₱-	₱319,939	(₱63,757,844)	₱257,377,882	₱1,620,805,251	₱2,503,333,077	
Balance at January 1, 2020	₱502,694,600	₱26,766,604	₱26,766,604	(₱36,698,230)	₱10,000,000	₱-	₱760,087	(₱50,525,163)	₱1,500,000,000	₱249,237,099	₱852,234,997	
Distribution of cash dividend	-	-	-	-	-	-	-	-	-	(182,000,000)	(182,000,000)	
Issuance of subscribed capital	75,003,500	-	-	-	(10,000,000)	-	-	-	-	(410,711,265)	65,003,500	
Appropriation of retained earnings	-	-	-	-	-	-	-	(53,825,229)	-	2,326,625,505	2,272,800,276	
Total comprehensive income for the year	-	-	-	-	-	-	-	(53,825,229)	-	-	-	
Balance at December 31, 2020	₱577,698,100	₱26,766,604	₱26,766,604	(₱36,698,230)	₱-	₱-	₱760,087	(₱104,350,392)	₱560,711,265	₱1,983,151,339	₱3,008,038,773	

See accompanying Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION

Date MAY 27 2022 TSIS

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RHEA ARAGON



Date MAY 27 2022 TSIS

MAXICARE HEALTHCARE CORP.
STATEMENTS OF CASH FLOWS

RECEIVED
RHEA ARAGON

	Years Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱1,832,711,728	₱3,909,797,169
Adjustments for:		
Provision for credit and other losses (Note 23)	196,538,143	878,000,000
Provision for (reversal of provision for) contingency (Note 23)	(77,391,686)	275,697,520
Depreciation and amortization (Note 26)	285,363,508	210,340,883
Retirement and interest cost (Note 27)	66,783,409	49,963,127
Interest expense (Notes 19 and 28)	12,625,385	28,581,296
Loss (gain) on sale of property and equipment (Note 13)	(72,543)	85,694
Share in net loss (income) of associates (Note 10)	9,416,912	(2,161,434)
Dividend income (Note 8 and 10)	-	(7,364,583)
Interest income (Notes 6, 7, 9 and 30)	(61,412,564)	(51,482,584)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Trade and other receivables	(489,909,788)	743,050,779
Prepaid expenses and other current assets	(410,444,434)	426,245,204
Other noncurrent assets	7,706,432	(33,405,439)
Increase (decrease) in:		
Healthcare plan liabilities	543,568,026	108,295,953
Accrued liabilities and other payables	170,361,537	644,041,719
Other noncurrent liabilities	(7,019)	(7,986,200)
Net cash generated from operations	2,085,837,046	7,171,699,104
Retirement fund contribution (Note 27)	-	(209,720,777)
Income taxes paid	(703,958,817)	(1,118,850,700)
Net cash provided by operating activities	1,381,878,229	5,843,127,627
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Short-term investments (Note 7)	(6,992,018,241)	(2,158,847,979)
Investment in subsidiary (Note 11)	(200,000,000)	-
Property and equipment (Note 13)	(155,748,771)	(354,674,573)
Investment property (Note 14)	-	(107,616,070)
Software cost (Note 15)	(86,868,005)	(55,011,667)
Proceeds from same/maturities of:		
Property and equipment	1,341,894	714,752
Short-term investments	6,016,210,674	-
Interest received	60,067,169	40,546,801
Dividends received	-	7,364,583
Net cash used in investing activities	(1,357,015,280)	(2,627,524,153)
CASH FLOWS FROM FINANCING ACTIVITIES		
Availment of loans payable (Note 19)	-	590,000,000
Payments of:		
Loans payable (Note 19)	-	(820,000,000)
Interest	(2,605,032)	(14,695,180)
Dividends (Note 20)	(1,220,929,799)	(159,066,725)
Lease liabilities (Note 28)	(92,660,782)	(77,510,298)
Proceeds from capital stock subscription (Note 20)	120,821,375	65,003,500
Net cash used in financing activities	(1,195,374,238)	(416,268,703)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,170,511,289)	2,799,334,771
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,573,143,476	773,808,705
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	₱2,402,632,187	₱3,573,143,476

See accompanying Notes to Financial Statements.



MAXICARE HEALTHCARE CORP.
NOTES TO FINANCIAL STATEMENTS

Date MAY 27 2022 TSIS

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1. Corporate Information

Maxicare Healthcare Corp. (the Company) was incorporated in the Philippines on June 30, 1987. Its primary purpose is to establish, maintain, conduct and operate a prepaid group practice healthcare delivery system. It provides medical plan members with integrated medical/dental and preventive healthcare services, facilities and assistance through its network of medical/dental specialists or hospitals. Upon enrolment, members become eligible to avail medical services covered by a plan.

The Company is 84.63% owned by Pin-An Holdings Corporation (the Parent Company), its ultimate parent company. On March 30, 2022, the Parent Company and JE Holdings, Inc. executed a Share Purchase Agreement (SPA) to sell 4,164,908 common shares held by the Parent Company which represent 42.31% ownership in the Company. The SPA will be consummated when the sale and purchase transaction is approved by the Insurance Commission and other conditions as stated in the SPA are met. On March 31, 2022, the Company's Board of Directors approved the sale of common shares held by the Parent Company to JE Holdings, Inc. (see Note 33).

The Company's registered office address is Maxicare Tower, 203 Salcedo Street, Legaspi Village, Makati City.

2. Summary of Significant Accounting Policies

Basis of Preparation

The financial statements of the Company have been prepared on a historical cost basis, except for quoted available-for-sale (AFS) investments which are measured at fair value. The Company's financial statements are presented in Philippine Peso (₱), which is the Company's functional and presentation currency. Amounts are rounded to the nearest peso unless otherwise indicated.

The Company, a subsidiary of the Parent Company, elected not to prepare consolidated financial statements under the exemption provided under Philippine Financial Reporting Standards (PFRS) 10, *Consolidated Financial Statements*. The Parent Company, which was incorporated in the Philippines, prepares consolidated financial statements which are in accordance with PFRS and which may be obtained from 30th floor, Equitable Bank Tower, Paseo de Roxas, Makati City.

Statement of Compliance

The accompanying financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2021. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Company.



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- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*
The amendment provides 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:
 - The rent concession is a direct consequence of COVID-19;
 - 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;
 - Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
 - 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 amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

The Company adopted the amendment beginning April 1, 2021. The decrease in lease payments due to rental concessions amounted to ₱3.2 million as of December 31, 2021.

- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Company shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The Company adopted the amendments beginning January 1, 2021.

Future Changes in Accounting Policies

The Company intends to adopt the following standards when they become effective. Unless otherwise indicated, the Company does not expect the adoption of these new and amended standards to have a significant impact on its financial statements.



Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.



- *Annual Improvements to PFRSs 2018-2020 Cycle*

- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

- Circular Letter (CL) 2022-20, *Amendment to the transitory provisions under Circular Letter No. 2020-100 on "Implementation requirements for Circular Letter No. 2020-22 Valuation Standards for HMO agreement liabilities and quarterly and annual reporting for HMOs."*

This circular prescribes the following:

- Section 2 of CL No. 2020-100 is amended whereby the requirements during the initial years of implementation of CL No. 2020-22 will be as follows:

- *Discount Rates*

For 2021, companies shall be allowed to use a discount rate not exceeding the lower of (a) yield rate or series of yield rates that are expected to be earned from the assets of the funds that back-up the corresponding actuarial reserves over the remaining term of the contracts involved, or (b) six percent (6%) per annum in calculating the reserve liabilities for HMO products not in accordance with the products defined



under CL No. 2017-19 for which the HMOs have outstanding liabilities. Starting 2022, the discount rate shall be determined in accordance with Section 5.5 of the Addendum to the Valuation Standards for Health Maintenance Organization Agreement Liabilities under CL No. 2020-22.

- HMOs that have issued products that are not in accordance with the products defined under IC Circular Letter No. 2017-19 for which the HMOs have outstanding liabilities shall submit a quantitative impact assessment report consisting of the comparative balance sheet (statement of financial position) / income statement of the HMO, with and without regulatory relief. The report shall be duly certified and signed by the accountant and IC-accredited HMO actuary together with the Chief Financial Officer (CFO) or its equivalent.

This circular shall take effect immediately.

Effective beginning on or after January 1, 2023

- *Amendments to PAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

- *Amendments to PAS 8, Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted.

- *Amendments to PAS 1 and PFRS Practice Statement 2, Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures



The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.



- Circular Letter (CL) 2022-12, *Application of PFRS 17 for HMOs*

This circular prescribes the following:

- PFRS 17 shall be applied to HMO agreements with membership fee-based benefits or where the fixed prepaid fee is in the form of a membership fee where the risks are borne by the HMO. PFRS 17 shall be applied to HMO agreements with membership fee-based benefits or where the fixed prepaid fee is in the form of a membership fee where the risks are borne by the HMO.
- An HMO agreement with a combination of membership fee-based and fund-based benefits shall be bifurcated.

This circular shall be applied for the quarterly and annual reporting starting January 1, 2025.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Accounting Standards Effective but not yet Adopted

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

Qualifying for temporary exemption from PFRS 9

The Company applied the temporary exemption from PFRS 9 as permitted by the amendments to PFRS 4 Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts issued in September 2016. The temporary exemption permits entities whose activities are predominantly connected with insurance to continue applying PAS 39 rather than PFRS 9 for annual periods beginning before January 1, 2025.

The assessment for whether a reporting entity's activities are predominantly connected with insurance is based on the liabilities connected with insurance in proportion to the entity's total liabilities. An entity may elect the temporary exemption if, and only if:

- The carrying amount of its liabilities arising from contracts within the scope of PFRS 4 is significant compared to the total carrying amount of all its liabilities; and



- The percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all of its liabilities is:
 - Greater than 90 percent; or
 - Less than or equal to 90 percent but greater than 80 percent, and the insurer does not engage in a significant activity unconnected with insurance.

The predominance assessment is performed using the carrying amounts of liabilities reported on the statement of financial position at the annual reporting date December 31, 2015 and before December 31, 2021. Applying the requirements, the Company performed the predominance assessment using the Company's statement of financial position as of December 31, 2015.

The Company concluded that it qualified for the temporary exemption from PFRS 9 because its activities are predominantly connected with insurance. As at December 31, 2015, the Company's gross liabilities arising from contracts within the scope of PFRS 4 represented a significant portion of the total carrying amount of all its liabilities, and the Company did not engage into any significant activities not connected with insurance. Since December 31, 2015, there has been no change in the activities of the Company that requires reassessment of the use of the temporary exemption.

Summary of Significant Accounting Policies

Product Classification

For purposes of complying with the provisions of PFRS 4, the Company classifies its health care products as insurance contracts on a product per product basis. Under PFRS 4, insurance contracts are defined as those contracts under which the Company (the insurer) accepts significant insurance risk from another party (the members) by agreeing to compensate the members if a specified uncertain future event (the insured event) adversely affects the member. As a general guideline, the Company measures the significance of insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or have expired.

As provided under PFRS 4, this product classification exercise is solely for accounting purposes and does not make the Company an insurance company for statutory or regulatory purposes. The Company is an HMO duly licensed by the IC and as such, it is authorized to underwrite, offer and sell HMO products. Under existing IC regulations, HMO products are defined as pre-agreed or designated healthcare services to the enrolled members for a fixed pre-paid fee for a specified period of time through the use of a selected network of health care providers. An HMO product provides a wide array of medical, surgical and hospital services that include preventive care and wellness programs and generally does not require initial cash-out from members. As such, the Company's HMO agreements and products although accounted as insurance contracts should not be deemed as contracts to compensate its members should an insured event/s occur adversely affecting its members.

Foreign Currency Translation

For financial reporting purposes, monetary assets and liabilities denominated in foreign currency are translated into their equivalents in Philippine Peso based on the Bankers Association of the Philippines (BAP) closing rate prevailing at the end of the year and foreign currency-denominated income and expenses, at the BAP weighted average rate for the year. Foreign exchange differentials arising from foreign currency transactions and restatements of foreign currency-denominated assets



and liabilities are credited to or charged against current operations in the period in which the rates change.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Fair Value Measurement

For measurement and disclosure purposes, the Company determines the fair value of an asset or liability at initial measurement date or at each statement of financial position date. 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 measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

If an asset or a liability measured at fair value has a bid price and an ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company 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.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

Financial instruments are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition of financial instruments

All financial instruments, including trading and investment securities and loans and receivables, are initially measured at fair value. Except for financial assets and liabilities at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Company classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS investments, and loans and receivables. Financial liabilities are classified into liabilities at FVPL and other financial liabilities at amortized cost. The classification depends on the purpose for which the investments were acquired and whether they were quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every statement of financial position date.



As of December 31, 2021 and 2020, the Company has no financial assets and liabilities at FVPL and HTM investments.

'Day 1' difference

Where the transaction price in a non-active market is different with the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the statement of income unless it qualifies as some other type of asset. In cases where the transaction price used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' difference amount.

Cash and cash equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of up to three months or less and that are subject to an insignificant risk of change in value.

Short-term investments

Short-term investments are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of more than ninety (90) days but less than one year from dates of placement. These earn interests at the respective short-term investment rates.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS investments or financial assets at FVPL. This accounting policy relates to the Company's statement of financial position captions 'Trade and other receivables'.

Medical plans receivables are recognized when the Company becomes a party to the contract and represents the total membership fees stated in the HMO Agreement which is uncollected as at the statement of financial position date, net of recognized and outstanding Client Experience Refund (CER). Administrative Services Only (ASO) receivables, excess utilization and other trade receivables arise when the Company provides money and goods, and renders services directly to a debtor.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less any allowance for credit and impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization is included in 'Interest income' in the statement of income. The losses arising from impairment of such loans and receivables are recognized in the statement of income.

AFS investments

AFS investments are those non-derivative financial assets that are designated as such or do not qualify as financial assets at FVPL, HTM investments or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. They include government debt securities, equity instruments and other debt instruments.



After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses being recognized directly in equity as other comprehensive income (OCI) under 'Net unrealized gain or loss on AFS investments'. When the investment is disposed of, the cumulative gain or loss previously recorded in OCI is recognized in the statement of income. Interest earned on the investment is reported as interest income using the EIR method. Dividends earned on investments are recognized in the statement of income when the right to receive has been established.

These financial assets are classified as noncurrent assets unless there is intention to dispose of such assets within twelve (12) months from the statement of financial position date.

When the fair value of AFS investments cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost.

Other financial liabilities at amortized cost

Issued financial instruments or their components, which are not designated as at FVPL are classified as other financial liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to pay in cash or another financial asset for a fixed number of own equity shares.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are integral part of the EIR. Any effects on restatement of foreign currency-denominated liabilities are recognized in the statement of income.

This accounting policy applies primarily to statement of financial position captions 'Healthcare plan liabilities', 'Accrued liabilities and other payables' and, 'Lease liabilities' 'Loans payable' and 'Other non-current liabilities', that meet the above definition (other than liabilities covered by other accounting standards, such as retirement liability, income tax payable and deferred tax liabilities). Financial liabilities under financial statement caption 'Healthcare plan liabilities' are composed of Due and unpaid claims and ASO funds. Financial liabilities under 'Accrued liabilities and other payables' caption include trade payables, accrued expenses and dividends payable.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Derecognition of Financial Assets and Liabilities

Financial assets

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

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor



retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Impairment of Financial Assets

The Company assesses at each statement of financial position whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

For financial assets carried at amortized cost, the Company first assesses at each statement of financial position date whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for individually assessed financial assets, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment.

Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the statement of income. Interest income continues to be recognized based on the original EIR of the asset. Trade and other receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized. If, in



a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a write-off is later recovered, any amounts formerly charged are credited to 'Provision for credit and other losses' included under the 'General and administrative expenses' in the statement of income.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as type of borrower, past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period in which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows reflect and are directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

A provision for credit and other losses is made when there is objective evidence based on specific and collective assessment (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account.

AFS investments

For AFS investments, the Company assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. In case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of income is removed from OCI and recognized in the statement of income. Impairment losses on equity investments are not reversed through the statement of income. Increases in fair value after impairment are recognized directly in equity as OCI.

In the case of debt instruments classified as AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of 'Interest



income' in the statement of income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of income, the impairment loss is reversed through the statement of income.

Prepaid expenses and other current assets

Prepaid expenses

Prepaid expenses are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as these are consumed in operations or expire with the passage of time depending on the terms of the related agreements, if covered by a contract. These include prepayments for utilities, rent, and others.

Other current assets

Other current assets are composed of advances to BIR, advances made to the counterparties for the vaccines, property taxes and recurring services including repairs and maintenance.

Creditable withholding taxes

Creditable withholding taxes represent amounts withheld by the Company's counterparties in relation to the fees paid. Subsequently, these amounts are applied against the Company's income tax due.

Property and Equipment

Except for land, which is not depreciated, all property and equipment is carried at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization are computed on a straight-line basis over the expected useful life (EUL) of the assets. The EUL of the assets follows:

Building	20-25 years
Office condominium	20 years
Transportation equipment	5 years
Medical equipment	5 years
Office equipment	3-5 years
Furniture and fixtures	3 years
Computer and peripherals	3 years
Leasehold improvements	5 years or the term of the lease, whichever is shorter

The EUL, residual value and depreciation method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of property and equipment.



The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

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

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use) and as part of property and equipment. Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term or the estimated useful lives of the assets, as follows:

Clinic space	1-5 years
Office space	1-15 years
Motor vehicles	3-5 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section Impairment of non-financial assets.

Software Cost

Costs that are directly associated with identifiable and unique software controlled by the Company and will generate economic benefits exceeding costs beyond one year are recognized as intangible assets. Software cost includes computer software to be used in operations which are accounted for under the cost model.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Costs associated with maintaining computer software are expensed as incurred. Subsequently, software is measured at cost less accumulated amortization and accumulated impairment losses, if any.

Research costs associated with acquiring the computer programs are recognized as expenses when incurred.

Software costs are amortized on a straight-line basis over the EUL of five (5) years as these intangible assets are considered finite.



Investment Property

Properties held for long term rental yields or for capital appreciation or for both, are classified as investment property. These properties are initially measured at cost, which includes transaction costs. Replacement cost is capitalized if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be reliably measured. Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation and impairment losses, if any.

Depreciation of investment properties is computed using the straight-line method over its EUL. The EUL of the depreciable investment properties which pertain to building and improvements is 20 to 25 years.

The EUL and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties. Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

Investment properties are derecognized when either disposed of or permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss on the retirement or disposal of investment properties is recognized in the statement of income in the year of derecognition.

Rental income from investment properties is recognized in the statement of income on a straight-line basis over the lease term. Expenses related to investment properties are treated as ordinary operating expenses and are recognized when incurred.

For those right-of-use assets that qualify as investment properties, i.e., those land and buildings that are subleased by the Company, these are classified under investment properties in accordance with paragraph 48 of PFRS 16. Consistent with the Company's policy regarding the measurement of investment properties, these assets are subsequently measured at cost less amortization and impairment in value.

Investments in Associates

Associate pertains to an entity over which the Company has significant influence but not control, generally accompanying a shareholding of between 20.0% and 50.0% of the voting rights. If the Company holds, directly or indirectly, 20.0% or more of the voting power of the investee, it is presumed that the Company has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the Company holds, directly or indirectly, less than 20.0% of the voting power of the investee, it is presumed that the Company does not have significant influence, unless such influence can be clearly demonstrated.

In the financial statements, investments in associates are accounted for under the equity method of accounting. Under the equity method, investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Company's share of the net assets of the associates. Goodwill relating to an associate is included in the carrying value of the investment and is not amortized. The Company's share in an associate's post-acquisition profits or losses is recognized in the statement of income, and its share of post-acquisition movements in the associate's OCI is recognized directly in equity as OCI. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the



associate. Unrealized gains and losses resulting from transactions between the Company and an associate are eliminated to the extent of the interest in the associate.

When an investment ceases to be an associate and is accounted for in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, the fair value of the investment at the date when it ceases to be an associate shall be regarded as its fair value on initial recognition as a financial asset in accordance with PAS 39.

Investment in subsidiaries

Investment in shares of stock of subsidiaries is accounted for using the cost method. Under this method, investments are recognized at cost and income from investment is recognized in profit or loss only to the extent that the investor receives distribution from accumulated profits of the investee arising after the acquisition date. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

Impairment of Non-Financial Assets

Prepaid expenses, Property and equipment, Investment property, Investment in associates, and other current and non-current assets

At each statement of financial position date, the Company assesses whether there is any indication that its assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Company makes a formal estimate of the recoverable amount. Recoverable amount is the higher of an asset's (or cash-generating unit) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit). An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset.

An assessment is made at each statement of financial position date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Software cost

Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired.



Leases

Company as lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

ii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of equipment and the room accommodation of some employees (i.e., those leases that have a lease term of less than 12 months from the commencement date and do not contain a purchase option). It also applies to the lease of low-value assets recognition exemption to leases of office equipment that is considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expenses on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Healthcare Plan Liabilities

Membership Fee Reserves

Membership Fee Reserves is the higher of the Unearned Membership Fee Reserves (UMFR) and Unexpired Risk Reserves (URR).



UMFR and URR

UMFR pertains to the unexpired portion of the membership fees of In-force Agreements as at the statement of financial position date and calculated using the 1/365th method. UMFR is presented net of taxes and prepaid and deferred commissions. The change in this account is credited to or charged against membership fee from medical plans over the remaining period of the agreement.

Prepaid commissions pertain to commissions not yet incurred but paid in advance to agents and brokers as a percentage of membership fees collected relative to In-force Agreements while deferred commissions are commissions that are neither paid nor incurred as at the statement of financial position date and relate to the remaining period of the In-force Agreements. These are deferred to the extent that they are recoverable out of future revenue margins. Subsequent to initial recognition, these are amortized to the extent of revenue recognized using the 1/365th method. Amortization is charged against the statement of income.

URR represents the best estimate of future claims and expenses to be incurred during the remaining period of the agreement and after the statement of financial position date, with adjustments for Margin for Adverse Deviation (MfAD). Future claims and expenses shall include estimated claims, agreement maintenance expenses and claims management expenses.

Provision for URR

If URR is greater than UMFR, the difference should be recorded as Provision for URR (an expense) and as additional Membership Fee Reserves.

Claims Reserves and Margin for Adverse Deviation (MfAD)

Claims reserves includes due and unpaid, claims in the course of settlement (ICOS) and those which are incurred but not reported (IBNR) as well as expenses related to settling all outstanding claims, whether reported and unreported, as of statement of financial position date.

Due and unpaid claims pertain to the liabilities for claims that have been received, adjudicated and processed but are not yet paid as at the statement of financial position date. This is included as part of "Due and unpaid claims" under "Accrued Liabilities and Other Payables" in the statement of financial position.

ICOS pertains to the liabilities for which claims have already been received from hospitals, doctors and other healthcare providers but are neither adjudicated nor paid as at the statement of financial position date. This is included as part of "Claims reserves" under "Healthcare plan liabilities" in the statement of financial position.

Accrued IBNR claims are based on the estimated ultimate cost of all claims incurred but not reported as at the statement of financial position date. These costs include estimates of the Company's obligation for healthcare services that have been rendered to its members, but for which the related claims have not yet been received from hospitals, doctors and other healthcare providers. The Company develops estimates for healthcare costs incurred but for which the related claims have not yet been received using an actuarial process. The actuarial models consider factors such as from the date the services were rendered to claims receipt, claim backlogs and other factors affecting the claims amount such as healthcare provider contract rate changes, healthcare consumption and other healthcare cost trends. This is included as part of "Claims reserves" under "Healthcare plan liabilities" in the statement of financial position.



The Company estimates the MfAD using Bootstrapping method to bring the actuarial best estimate of the HMO Agreement liabilities at the 75th percentile level of sufficiency. The purpose of MfAD is to allow for inherent uncertainty of the best estimate of the HMO Agreement Reserves and to consider the variability of claims experience in the best estimate.

Claims handling expense reserve is also calculated to cover estimated expenses in settling all claims incurred, both reported and unreported, outstanding as the statement of financial position date. This is included as part of "Claims Reserve" under "Healthcare plan liabilities" in the statement of financial position.

At each statement of financial position date, the Company re-examines previously established provisions for claims based on actual claim submissions and other changes in facts and circumstances. As the recorded estimated liability in prior period is actualized, the Company adjusts this estimated liability by increasing or decreasing it accordingly.

ASO funds

ASO funds pertain to the contributions of clients which are held and managed by the Company for the purpose of defraying the medical and hospitalization expenses of its enrolled member of the client under ASO Agreement. ASO Funds are presented, net of ASO receivables from clients

Equity

Capital stock is measured at par value and is classified as equity for all shares issued and subscribed. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of stocks issued. When the shares are sold at a premium, the difference between the proceeds and par value is credited to 'Capital paid in excess of par value', net of direct costs incurred related to the equity issuance. If 'Capital paid in excess of par value' is not sufficient, the excess is charged against surplus.

Retained earnings represent accumulated earnings of the Company less any dividends declared.

Appropriation of retained earnings is recognized based on the provisions of the Corporation Code of the Philippines and by approval of the Company's Board of Directors (BOD). The Company's BOD releases retained earnings from the appropriation when the purpose of such appropriation has been completed or changed.

Dividend Distribution

A dividend distribution to the Company's shareholders is accounted for as a deduction from retained earnings. A proposed cash dividend is recognized as a liability in the period in which it is approved by the BOD. A proposed stock dividend is recognized as an addition to capital stock.

Treasury Stock

Treasury stock is recorded at cost and is presented as a deduction from equity. Any consideration paid or received in connection with treasury shares are recognized directly in equity.

When the shares are retired, the capital stock account is reduced by its par value. The excess of cost over par value upon retirement is debited to the following accounts in the order given:

- (a) capital paid in excess of par value to the extent of the specific or average additional paid-in capital when the shares were issued; and
- (b) retained earnings



When shares are sold, the treasury stock account is credited and reduced by the weighted average cost of the shares sold. The excess of any consideration over the cost is credited to capital paid in excess of par value.

Transaction costs incurred, such as registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties (net of any related income tax benefit) in relation to issuing or acquiring the treasury shares are accounted for as reduction from equity, which is disclosed separately.

No gain or loss is recognized in the statement of income on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Revenue Recognition

Revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.

Administrative fees

The Company holds and manages corporate funds for medical and hospitalization expenses referred to as ASO funds. Administrative fees are mainly a percentage of the ASO fund utilization, which is recognized upon billing and upon the transfer of services to customers. Other rider fees are recognized upon billing and upon the transfer of services such as dental, accidental death and dismemberment (AD&D), and retainer services.

Network access fees

Network access fees are one-time access fees which are recognized immediately.

Revenues outside the scope of PFRS 15

Membership fees

Membership fees represent the expired portion of the total contract value of the HMO Agreement recognized as earned membership fees net of Client Experience Refund (CER) and are determined using 1/365th method. The change in unearned membership fee reserves is credited to membership fees while the recognized CER is charged to membership fees. CER is the share of the client in the favorable result of the HMO Agreement where the total actual claims and expenses processed as at a given date after the expiry of the HMO Agreement is lower than the agreed minimum total claims and expenses under the HMO Agreement. As provided under the HMO Agreement, the agreed minimum total claims and expenses is determined by multiplying the agreed Loss Ratio, which represents the pre-agreed rate of the total claims and expense over the total membership fee earned, to the total membership fees earned. The Company is liable for CER if the HMO Agreement is renewed and all membership fees are paid by the client. CER is deducted from the clients' outstanding membership fee receivables once recognized. However, CER varies depending on agreement between parties.

Interest income

Interest income is recognized using the effective interest rate method.

Rental income

Rental income from investment property is recognized in the statement of income on a straight-line basis over the lease term. Lease incentives are recognized as an integral part of the total rent income. Rental income is presented under 'Other Income' in the statement of income.



Dividend income

Dividend income is recognized when the shareholder's right to receive the payment is established. Dividend income is presented under 'Other Income' in the statement of income.

Penalty charges

Penalty is imposed upon default of payment subject to commercial and business consideration of management. Penalty is recognized when collection is probable and amount can be measured reliably. Penalty is presented under 'Other Income' in the statement of income.

Expense Recognition

Expenses are recognized when it is probable that decrease in future economic benefits related to decrease in asset or an increase in liability has occurred and that the decrease in economic benefits can be measured reliably. Expenses that may arise in the course of ordinary activities of the Company include costs for operating, general and administrative expenses, and selling and marketing expenses.

Healthcare benefits and claims

Healthcare benefits and claims include all claims incurred, including estimates of healthcare services that have been rendered to members, but for which the related claims have not yet been received, claims handling expenses, MfAD and liabilities to physicians, hospitals and other medical cost disputes.

Commissions

Commissions are expensed using the 1/365th method based on the total contract value. Unamortized balance is recognized as 'Prepaid commissions' for those contracts which membership fees have been collected while 'Deferred commissions' for uncollected membership fees presented as a reduction from unearned membership fee reserves in the statement of financial position.

Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provision for CER is recognized on unexpired HMO Agreements when it is probable that CER payable will be incurred after the expiry of the HMO agreement. The provision is equivalent to the CER payable on the unexpired HMO Agreements as at the date of the statement of financial position and is computed as the share of the client in the favorable result of the HMO Agreement where the total estimated claims and expenses as at the date of the statement of financial position is lower than the estimated agreed minimum total claims and expenses under the HMO Agreement. As provided under the HMO Agreement, the estimated agreed minimum total claims and expenses is determined by multiplying the agreed Loss Ratio, which represents the pre-agreed rate of the total claims and expense over the total membership fee earned, to the total membership fees earned. The Company assessed that the HMO Agreements with recorded provision for CER will be renewed.

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

The Company need not disclose the information, but shall disclose the general nature of the dispute, together with the fact that and the reason why, the information has not been disclosed in cases where the disclosure of some or all information required can be expected to prejudice the position of the



Company in disputes with other parties in the subject matter of the provisions, contingent liabilities or contingent assets.

Retirement Cost

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the statement of financial position date reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expenses in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

The fund assets are valued by the fund manager at fair value using the market-to-market valuation. While no significant changes in asset allocation are expected in the next financial year, the plan's trustees may make changes at any time.



To efficiently manage the retirement plan, the Company ensures that the investment positions are managed in accordance with its asset-liability matching strategy to ensure that long-term investments are in line with the obligation under the retirement scheme. This strategy aims to match the plan assets to the defined benefit obligation by investing in long-term fixed interest securities (i.e., government or corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency.

The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the defined benefit obligation. In view of this, investments are made in reasonably diversified portfolios, such that the failure of any single investment would not have a material impact on the overall level of plan assets.

Income Taxes

Income tax for the year comprises current, deferred tax and final tax. Income tax is determined in accordance with Philippine tax law. Income tax is recognized in the statement of income, except to the extent that it relates to OCI items which is recognized directly in the statement of comprehensive income.

Current tax

Current tax assets and liabilities for the current and the prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute these amounts are those that have been enacted or substantively enacted as at the statement of financial position date.

Deferred tax

Deferred tax is provided on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

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

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

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes related to the same taxable entity and the same taxation authority.



Current tax and deferred tax relating to items recognized directly in equity as OCI is also recognized in equity as OCI and not in the statement of income.

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in compliance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. In the opinion of management, these financial statements reflect all adjustments necessary to present fairly the results for the periods presented. Actual results could differ from these estimates, and such estimates will be adjusted accordingly.

Judgments

a) *Distinction between investment properties and owner-occupied properties*

The Company determines whether a property will be classified as investment properties or owner-occupied properties. In making this judgment, the Company considers whether the property (land or building – or part of a building – or both) will be held to earn rentals or for capital appreciation or both (Investment properties) or whether it will be held for use in the production or supply of goods or services or for administrative purposes (owner-occupied properties). The Company considers each property separately in making its judgment. As of December 31, 2021 and 2020, the net book value of Investment Property amounted to ₱114.7 million and ₱115.1 million, respectively (see Note 14).

b) *Provisions and contingencies*

The estimate of the probable costs of the resolution of possible claims has been developed in consultation with outside counsel handling the Company's defense in these matters and is based upon an analysis of potential results. The Company is a party to certain lawsuits or claims arising from the ordinary course of business. The Company's management and legal counsel believe that the amount of provisions recognized from these lawsuits or claims is reasonable given the circumstances (see Note 31).

The Company also applies judgment in the recognition of provision for client experience refund (CER). The Company accrues provision for CER on unexpired HMO Agreements since it believes that said agreements will be renewed, hence, entitled to experience refund.

c) *Existence of lease on agreements*

The Company has entered into various agreements. Critical judgment was exercised by Management to distinguish whether an agreement contains an element of lease. An agreement or contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Failure to make the correct judgment may result in an understatement of assets and liabilities. Based on Management evaluation, other than the lease arrangements entered into by Company as lessee, all other agreements do not contain an element of a lease contract.

d) *Determining the lease term of contracts with renewal and termination options – Company as lessee*

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.



The Company has several lease contracts that include renewal and termination options. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

Based on management's judgment, the renewal and termination options are not considered in determining the lease term, since the control of renewal and termination options cannot be solely implemented by the Company as these are subject to the mutual consent of both parties.

Estimates

a) *Determination of estimated IBNR claims, claims handling expense reserve and MfAD*

These costs are actuarially determined for future payments on claims that have been incurred but have not been reported to estimate the Company's obligation for healthcare services that have been rendered to its members and re-opened claims disputes that may occur in the future. The Company's Actuarial Division developed its estimate using Chain Ladder Method, a standard actuarial methodology in calculating the IBNR reserves, which has been consistently applied and centrally controlled. The actuarial model considers the lag time factor or the difference between the date of service and claim receipt. The process is based on the principle that factors affecting payment progression for a given claim are modeled by an assumed pattern. Each period, the Company's Actuarial Division re-examines previously established IBNR claims based on actual claim submissions and other changes in facts and circumstances such as membership count changes, provider contract rate changes, medical care consumption and other medical cost trends. As the estimated liability recorded in prior period is actualized, the Company adjusts this estimated liability by increasing or decreasing it accordingly.

Estimated IBNR claims are sensitive to the key assumptions pertaining to certain utilization patterns such as preference for hospitals, hospital rates inflation, and morbidity trends of some viral infections. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding estimated claims are not known with certainty at the reporting date. Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessment of the ultimate liabilities are recognized in subsequent financial statements.

Claims handling expense pertains to the estimated amount of expenses for settling all claims incurred, both reported and unreported, outstanding as at the statement of financial position date. The estimate is based on claims handling factors determined using the standard unit costs of adjudicating and settling the various types of claims.

MfAD is estimated using Bootstrapping method to bring the actuarial best estimate of the HMO Agreement liabilities at the 75th percentile level of sufficiency.

Accrued IBNR claims as of December 31, 2021 and 2020 amounted to ₱618.5 million and ₱720.7 million, respectively (see Note 17).

b) *Estimation of projected fund withdrawal*

The Company estimates its projected fund withdrawal which is calculated using the same principles in calculating the "Claims reserves" under "Healthcare plan liabilities" in the statement of financial position.



As of December 31, 2021, and 2020, the projected fund withdrawal as of December 31, 2021 and 2020 are ₱234.7 million and ₱137.3 million, respectively (see Note 17).

c) *Client Experience Refund*

The Company accrues the client experience refund based on the best available data and estimates based on what is stipulated on the HMO agreements. This is reviewed at the end of each statement of financial position date and adjusted to reflect the current estimates. As of December 31, 2021 and 2020, accrued client experience refund netted against medical plan receivables amounted to ₱381.1 million and ₱977.2 million, respectively (see Note 9).

d) *Credit losses on trade receivables*

Provisions are made for accounts specifically identified to be doubtful of collection. The level of this allowance is evaluated by management based on past collection experience and other factors that affect the collectability of the accounts.

Carrying value of trade receivables amounted to ₱6.1 billion and ₱5.4 billion, net of allowance for credit losses of ₱1.2 billion and ₱1.3 billion, as of December 31, 2021 and 2020, respectively (see Note 9).

e) *Estimation of retirement benefits*

The cost of defined retirement pension plan and other post-employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and the long-term nature of these plans, such estimates are subject to significant uncertainty. The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of the statement of financial position date.

Net retirement liability amounted to ₱81.1 million and ₱78.3 million as of December 31, 2021 and 2020, respectively. The present value of defined benefit obligation amounted to ₱363.3 million and ₱363.5 million as of December 31, 2021 and 2020, respectively (see Note 27).

f) *Recognition of deferred tax assets*

The carrying value of deferred tax asset is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. The recognized and unrecognized deferred tax assets are disclosed in Note 29.

g) *Estimation of incremental borrowing rate*

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as to reflect the terms and conditions of the lease).



The Company's lease liabilities amounted to ₱114.8 million and ₱180.5 million with a weighted incremental borrowing rate of 3.53% and 4.59% in 2021 and 2020, respectively (see Note 28).

4. Financial Risk Management Objectives and Policies

Governance Framework

The primary objective of the Company's risk and financial management framework is to identify and address the risk facing the business thereby increasing the likelihood of successfully achieving the Company's business objectives.

Healthcare Risk

The risk underlying healthcare agreements is the risk that the medical claim will occur, including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such agreements is that the actual claims and benefit payments exceed the carrying amount of healthcare liabilities. This is influenced by the frequency of claims, severity of claims and actual benefits paid which may be greater than the original estimate. Subsequent development of long-term claims also influences such risks.

The variability of risks is improved by diversification of risk of loss through a large portfolio of healthcare agreements; a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio, as well as unexpected outcomes.

Financial Risk

The Company's principal financial instruments consist of cash in banks, short-term deposits and excess cash, which are invested mainly in government securities and low-risk commercial papers. These financial assets are substantially classified as AFS financial assets. The Company also has other financial assets and financial liabilities such as trade receivables and other receivables and trade and loans payables, which arise directly from operations and whose carrying amounts approximate their fair values because of their short-term nature. The most significant financial risks to which the Company is exposed to are described below.

Credit risk

Credit risk is the risk that the Company will incur losses because its obligors failed to discharge their contractual obligations. This risk may further be classified as pre-settlement and settlement risk (PSR and SR, respectively). PSR is the risk that the obligor will fail to meet the terms of the contract and default before the contract's settlement date, prematurely ending the contract. SR, on the other hand, is the risk that the obligor will fail to deliver the terms of a contract with the Company at the time of settlement. SR can be the risk associated with default at settlement and any timing differences in settlement between the Company and the counterparty. The management therefore carefully assesses and manages its exposures to both types of credit risk.

Maximum exposure to credit risk before collateral held or other credit enhancements

The maximum exposure to credit risk of the Company is limited to the carrying value of its financial assets as shown in the statement of financial position.

Management of credit risk

Credit risk is managed through periodic review of the status of existing accounts receivable using the aging analysis and fund balance reports.



Credit quality

The Company grades its financial assets that are neither past due nor impaired as *Standard grade* wherein the risk elements of the Company are sufficiently pronounced and counterparties could withstand normal business cycles but any prolonged unfavorable economic scenario would create an immediate deterioration beyond acceptable levels.

The table below shows the credit quality of financial assets gross of allowance, based on the Company's internal credit rating system:

	2021			Total
	Standard grade	Past due but not individually impaired	Past due and impaired	
Loans and receivables				
Cash and cash equivalents (excluding cash on hand)	₱2,399,713,293	₱-	₱-	₱2,399,713,293
Short-term investment	3,134,655,545	-	-	3,134,655,545
Trade receivables				
Medical plans*	5,448,004,474	694,865,773	1,089,898,250	7,232,768,497
ASO receivables	5,693,820	104,964,653	117,097,880	227,756,353
Excess utilization	62,277,221	26,698,609	20,714,399	109,690,229
Others	77,832,857	56,136,387	-	133,969,244
Non-trade receivables				
Deposits to healthcare providers	537,300,521	-	-	537,300,521
Due from clinics and affiliate	96,679,313	-	-	96,679,313
Bid deposits and bond securities	8,819,415	-	7,450,386	16,269,801
Accrued interest receivables	23,637,058	-	-	23,637,058
Due from officers and employees	10,872,863	-	-	10,872,863
Others	21,738,545	15,899,225	5,981,108	43,618,878
Other noncurrent assets				
Rental and lease deposits	29,676,720	-	2,761,460	32,438,180
	₱11,856,901,645	₱898,564,647	₱1,243,903,483	₱13,999,369,775

*Gross of accrued client experience refund reserve amounting to ₱381.1 million

	2020			Total
	Standard grade	Past due but not individually impaired	Past due and impaired	
Loans and receivables				
Cash and cash equivalents (excluding cash on hand)	₱3,571,700,082	₱-	₱-	₱3,571,700,082
Short-term investment	2,158,847,979	-	-	2,158,847,979
Trade receivables				
Medical plans	3,737,332,138	1,342,872,993	1,861,089,624	6,941,294,755
ASO receivables	219,071,085	36,214,612	219,120,040	474,405,737
Excess utilization	184,848,255	8,763,371	34,062,283	227,673,909
Others	612,761	5,264,290	31,286,275	37,163,326
Non-trade receivables				
Deposits to healthcare providers	565,794,553	-	-	565,794,553
Due from clinics and affiliate	376,072,963	-	-	376,072,963
Bid deposits and bond securities	8,809,477	-	7,450,386	16,259,863
Accrued interest receivables	22,291,663	-	-	22,291,663
Due from officers and employees	11,309,230	-	-	11,309,230
Others	101,366,417	14,333,180	28,560,290	144,259,887
Other noncurrent assets				
Rental and lease deposits	27,476,762	-	2,761,460	30,238,222
	₱10,985,533,365	₱1,407,448,446	₱2,184,330,358	₱14,577,312,169

*Gross of accrued client experience refund reserve amounting to ₱977.2 million



The table below shows the analysis of age of financial assets that are past due but not individually impaired:

	2021			Total
	Less than 30 days	31 to 90 days	More than 90 days	
Trade receivables				
Medical plans	₱81,482,076	₱277,908,457	₱335,475,240	₱694,865,773
ASO receivables	37,839,057	3,527,819	63,597,777	104,964,653
Excess utilization	2,692,092	5,746,215	18,260,302	26,698,609
Others	16,544,322	2,992,380	36,599,685	56,136,387
Non-trade receivables				
Others	386,609	2,838,697	12,673,919	15,899,225
	₱138,944,156	₱293,013,568	₱466,606,923	₱898,564,647

	2020			Total
	Less than 30 days	31 to 90 days	More than 90 days	
Trade receivables				
Medical plans	₱645,680,742	₱443,445,115	₱253,747,136	₱1,342,872,993
ASO receivables	17,020,029	13,911,617	5,282,966	36,214,612
Excess utilization	3,997,773	3,414,437	1,351,161	8,763,371
Others	2,598,384	1,407,274	1,258,632	5,264,290
Non-trade receivables				
Others	9,120,137	1,274,965	3,938,078	14,333,180
	₱678,417,065	₱463,453,408	₱265,577,973	₱1,407,448,446

The Company considers the existing credit term extended to customers to be sound, which are mostly corporate accounts. Payment modes are either on an annual basis or installment basis, such as semi-annual, quarterly or monthly basis, depending on the agreement and the size of the account. As services are generally on a one-year contract basis, the credit term extended to customers is being reviewed upon renewal or acquisition of a new account. In case of payment default, corresponding penalty or suspension clause in the service agreement shall apply, subject to commercial and business consideration by management.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents, AFS investments and trade and other receivables, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The maximum credit risk exposure of the Company's financial assets is the carrying amounts of the financial assets as shown in the statement of financial position. Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount. The Company's cash and cash equivalents are classified as high grade in terms of credit quality.

Management believes that the provision for credit and other losses is stated with sufficiency along with the reported receivables.

Liquidity risk

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from: (a) inability to sell financial assets quickly at their fair values; (b) counterparties failing on repayment of contractual obligations; (c) healthcare agreement liabilities falling due for payment earlier than expected; or (d) inability to generate cash inflows as anticipated.



The Company's objective is to maintain sufficient liquidity level in order to match currently maturing obligations, which is mainly to its healthcare providers and suppliers based on the standard credit term of thirty (30) days. Operating cash is deposited with banks while excess funds are invested in highly liquid, low-risk, and market-yielding outlets, which are short-term deposits. Since the services offered by the Company are rendered on a prepaid basis, the actual benefit payments for services covered under the healthcare plan may be more than the benefit payments due. A medical claim may also occur for which there is uncertainty over its amount and timing, which may exceed the carrying amount of medical plan liabilities and are influenced by, among others, the frequency and nature of claims and actual benefits paid. However, we believe that these assumed risks from some HMO Agreements are redistributed across a larger and diversified portfolio of HMO agreements which serves to mitigate said risks.

The current ratio as required by the Insurance Commission (IC), which is the Company's main basis in assessing liquidity, shows current assets exceed its currently maturing obligation as of December 31, 2021, and 2020.

The following table summarizes the maturity profile of the Company's financial instruments based on contractual undiscounted cash flows:

	2021						Total
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	
Financial Assets							
Cash and cash equivalents	₱997,619,453	₱1,405,012,734	₱-	₱-	₱-	₱-	₱2,402,632,187
Short-term investment	-	-	-	3,134,655,545	-	-	3,134,655,545
AFS investments							
Quoted equity assets	-	-	-	-	-	103,750	103,750
Unquoted equity securities	-	-	-	-	-	139,172,925	139,172,925
Trade and other receivables							
Trade receivables							
Medical plans	4,883,944,845	1,625,893,428	325,237,107	16,602,510	-	-	6,851,677,890
ASO receivables	203,326,067	24,388,442	41,844	-	-	-	227,756,353
Excess utilization	99,910,925	8,305,021	1,474,283	-	-	-	109,690,229
Others	120,152,807	13,806,659	9,778	-	-	-	133,969,244
Non-trade receivables							
Deposits to healthcare providers	537,300,521	-	-	-	-	-	537,300,521
Due from clinics and affiliates	-	96,679,313	-	-	-	-	96,679,313
Bid deposits and bond securities	12,003,105	234,483	3,391,820	50,000	590,393	-	16,269,801
Accrued interest receivables	-	23,637,058	-	-	-	-	23,637,058
Due from officers and employees	-	10,872,863	-	-	-	-	10,872,863
Others	41,804,040	1,673,959	108	140,771	-	-	43,618,878
Other noncurrent assets							
Rental and lease deposits	8,652,557	194,229	1,702,176	4,260,127	305,910	17,323,181	32,438,180
	₱6,904,714,320	₱3,210,698,189	₱331,857,116	₱3,155,708,953	₱896,303	₱156,599,856	₱13,760,474,737
Financial Liabilities							
Healthcare plan liabilities							
Due and unpaid claims	-	202,092,056	-	-	-	-	202,092,056
ASO funds	362,392,565	-	-	-	-	-	362,392,565
Trade payable	-	1,012,078,696	-	-	-	-	1,012,078,696
Commission payable	-	132,893,049	-	-	-	-	132,893,049
Lease liabilities	-	109,826	83,496	3,090,111	43,992,627	67,523,226	114,799,286
Loans payable	-	-	-	-	-	100,000,000	100,000,000
Accrued expenses	-	860,368,685	-	-	-	-	860,368,685
	₱362,392,565	₱2,207,542,312	₱83,496	₱3,090,111	₱43,992,627	₱167,523,226	₱2,784,624,337
Excess of Financial Assets over Liabilities							₱10,975,850,400



	2020						Total
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	
Financial Assets							
Cash and cash equivalents	₱845,466,061	₱2,727,677,415	₱-	₱-	₱-	₱-	₱3,573,143,476
Short-term investment	-	-	-	2,158,847,979	-	-	2,158,847,979
AFS investments							
Quoted equity assets	-	-	-	-	-	103,750	103,750
Unquoted equity securities	-	-	-	-	-	139,172,925	139,172,925
Trade and other receivables							
Trade receivables							
Medical plans	3,203,962,617	2,456,934,261	301,518,042	1,716,769	-	-	5,964,131,689
ASO receivables	255,334,652	178,419,727	40,651,358	-	-	-	474,405,737
Excess utilization	42,825,654	137,527,879	47,320,376	-	-	-	227,673,909
Others	36,550,566	-	612,760	-	-	-	37,163,326
Non-trade receivables							
Deposits to healthcare providers	565,794,553	-	-	-	-	-	565,794,553
Due from clinics and affiliates	-	376,072,963	-	-	-	-	376,072,963
Bid deposits and bond securities	11,720,501	525,793	3,153,060	307,195	553,314	-	16,259,863
Accrued interest receivables	-	22,291,663	-	-	-	-	22,291,663
Due from officers and employees	-	11,309,230	-	-	-	-	11,309,230
Others	42,893,469	101,366,418	-	-	-	-	144,259,887
Other noncurrent assets							
Rental and lease deposits	5,983,926	194,106	-	442,912	3,828,638	19,788,640	30,238,222
Rental and lease deposits	5,010,531,999	6,012,319,455	393,255,596	2,161,314,855	4,381,952	159,065,315	13,740,869,172
Financial Liabilities							
Healthcare plan liabilities							
Due and unpaid claims	-	235,289,566	-	-	-	-	235,289,566
ASO funds	333,314,418	-	-	-	-	-	333,314,418
Trade payable	-	751,937,532	-	-	-	-	751,937,532
Commission payable	-	536,062,226	-	-	-	-	536,062,226
Lease liabilities	-	5,802,916	18,318,597	18,246,670	33,328,636	104,841,679	180,538,498
Loans payable	-	16,666,667	-	-	-	83,333,333	100,000,000
Accrued expenses	-	631,700,021	-	-	-	-	631,700,021
Financial Liabilities	₱333,314,418	₱2,177,458,928	₱18,318,597	₱18,246,670	₱33,328,636	₱188,175,012	₱2,768,842,261
Excess of Financial Assets over Liabilities							₱10,972,026,911

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: foreign exchange rates (foreign currency risk), market interest rates (interest rate risk) and market prices (price risk).

a) *Foreign currency risk*

Foreign exchange is the risk to earnings or capital arising from changes in foreign exchange rates. The Company takes on exposure to effects of fluctuations at the prevailing foreign currency exchange rates on its financial and cash flows.

The Company's principal transactions are carried out in Philippine Peso and its foreign exchange risk arises primarily with respect to US dollar-denominated deposits with minimal balances equivalent to ₱26.9 million and ₱27.3 million for 2021 and 2020, respectively. The Company's financial assets are primarily denominated in the same currency as its healthcare agreements, which mitigate the foreign exchange rate risk. As of December 31, 2021 and 2020, the Company has assessed that its exposure to foreign currency risk is not significant.

b) *Interest rate risk*

As of December 31, 2021 and 2020, the Company's exposure to interest rate risk is not significant as the rates of interest-bearing assets and liabilities are primarily fixed over the term of the agreement.

c) *Price risk*

The Company's price risk exposure at year-end relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices. In 2021 and 2020, the Company has no significant exposure to price risk.



Financial Capacity Requirements

On November 12, 2015, under Executive Order 192, series of 2015, the President of the Republic of the Philippines, signed the transfer of regulation and supervision of all Health Maintenance Organizations (HMOs) from the Department of Health to the Insurance Commission (IC).

On August 13, 2016, IC Circular Letter 2016-41 Minimum Capitalization and Financial Capacity Requirements for HMOs issued by the IC took effect requiring compliance with the following:

a) *Paid-up capital*

All existing HMOs must have a minimum paid-up capital of ₱10.0 million and new HMOs shall have paid-up capital of at least ₱100.0 million. As of December 31, 2021 and 2020, the Company has complied with the said requirement.

b) *Deposit requirements*

HMOs shall deposit with the Commission or at discretion of the Commissioner, trustee bank acceptable to the Commissioner through which a custodial account is utilized, cash, treasury bills, treasury bonds, or any combination of these that are acceptable to the Commissioner which at all times shall have a value of not less than twenty percent (20%) of the HMO's actual paid-up capital as prescribed by the Circular. On December 27, 2020, the IC issued Circular Letter 2020-74 Guidelines on Security Deposit Requirements which requires that effective January 1, 2021 the security deposits shall at all times be not less than twenty five percent (25%) of the HMO's actual paid-up capital. It further requires that the security deposit shall be invested only in bonds or other instruments of debt of the Government of the Philippines or its political subdivisions or instrumentalities, or of government-owned-or-controlled corporations and entities, including the Bangko Sentral ng Pilipinas (BSP).

The investment shall at all times be maintained free from any lien or encumbrance.

The deposit shall be considered an asset of the HMOs in the determination of its unimpaired paid-up capital and or net worth.

The Company has complied with this requirement by acquiring government securities with carrying value of ₱186.7 million and ₱156.5 million as of December 31, 2021 and 2020, respectively, lodged under a non-tradeable account of the National registry of Scripless Security System and recorded as part of short-term investments (see Note 7).

c) *Risk-based capitalization*

The HMO's maximum risk on membership fees shall be determined by the paid-up capital. The Company's paid-up capital as of December 31, 2021 and 2020 is above the requirement relative to the Company's actual gross membership fees earned.

d) *Net worth requirement*

All HMOs shall have a net worth which is not less than its paid-up capital. As of December 31, 2021 and 2020, the Company complied with the above requirements.

e) *Liquidity requirement*

All HMOs shall at all times maintain an acid test ratio of at least 1.0. Acid test ratio shall be defined as current assets over current liabilities. As of December 31, 2021 and 2020, the Company's acid test ratios are 1.06 and 1.12, respectively.



Revaluation of assets

The IC accepts only appraisals from an acceptable independent appraiser recognized by the Department of Trade and Industry and/or any competent government office.

For the purpose of determining the net worth requirement, appraisal increment on property, plant and equipment is not allowed, unless with prior written approval by the Commission. As of December 31, 2021 and 2020, the Company has no appraisal increment on property and equipment in its financial statements.

f) *Declaration of dividends*

No domestic HMO corporation shall declare or distribute any dividend on its outstanding stocks unless it has met the minimum paid-up capital and net worth requirements under Circular 2016-41 and except from its profits attested in sworn statements to the Commissioner by the President and Treasurer of the corporation to be remaining on hand after retaining unimpaired: (1) the entire paid-up capital stock; and (2) net worth and liquidity requirements defined by the same circular.

As of December 31, 2021, the Company has complied with the above requirements.

5. Fair Value Measurement

As of December 31, 2021 and 2020, the carrying values of the Company's assets and liabilities as reflected in the statements of financial position and related notes approximate their respective fair values as of the statements of financial position date.

The methods and assumptions used by the Company in estimating the fair value of assets and liabilities follow:

Cash in banks and cash equivalents, Trade and other receivables, Deposit to healthcare providers, Healthcare plan liabilities (Accrued IBNR claims, Accrued ICOS claims and ASO funds), Trade payables and Accrued expenses and other payables

The carrying amounts of these accounts approximate their fair value due to their short-term maturities. This assumption is applied to liquid assets and short-term elements of all other financial assets and financial liabilities.

Quoted debt and equity securities

Fair values of quoted equity securities under 'Available-for-sale investments' are based on quoted prices published in markets.

Unquoted equity security

The carrying amount of unquoted equity securities approximates fair value due to the unpredictable nature of cash flows and the lack of suitable methods of arriving at a fair value.

Rental and lease deposits

The fair values of rental and lease deposits were estimated using the discounted cash flow methodology using interest rate for similar types of financial instruments.

Investment property

Investment property is valued using a valuation technique with significant inputs that are not based on observable inputs (Level 3).



The fair values of the investment properties were arrived at using the following methods:

<u>Method</u>	<u>Description</u>
Market Data Approach	The value is based on sales, listings and other market data of comparable property registered within the vicinity of subject property.
Cost Approach	The value is determined by deducting the estimated total accrued depreciation from the estimated total reproduction cost of similar new improvements. Adjustments are then made to reflect depreciation resulting from physical deterioration plus any functional and economic obsolescence that may exist to arrive at a reasonable valuation.

Significant increases (decreases) in price per square meter and size of investment property would result in a significantly higher (lower) fair value of the property. Significant increases (decreases) in discount would result in a significantly lower (higher) fair value of the property.

Significant Unobservable Inputs

Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of the lot size differences on land value.
Shape	Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms to the highest and best use of the property.
Location	Location of comparative properties whether on a main road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road.
Time Element	An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investor's perceptions of the market over time. In which case, the current data is superior to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.

The fair values of these assets are based on the latest appraisal report prepared by an accredited appraiser as at end of year. The fair value of investment property is based on its highest and best use, which is its current use. Management believes that there is no significant change on the fair value of these assets given that there were no events or circumstances (i.e., development in the area, expected market value, condition of the property) that would indicate a significantly different fair value.

Lease liabilities, rental deposit and lease deposit

The fair values of lease liabilities were estimated by applying the discounted cash flow method using the Company's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued.



Loans payable

The fair values of loans payable approximate the carrying values since these loans reprice on a quarterly basis or have short-term maturities.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

	2021				
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial Asset Measured at Fair Value					
AFS investments					
Equity securities	₱103,750	₱103,750	₱-	₱-	₱103,750
Assets for which Fair Values are Disclosed					
Financial asset					
Rental and lease deposits	32,438,180	-	-	32,438,180	32,438,180
Non-financial asset					
Investment property	114,712,957	-	-	114,712,957	114,712,957
	147,254,887	103,750	-	147,151,137	147,254,887
Liability for which Fair Values are Disclosed					
Financial liabilities					
Loans payable	₱100,000,000	₱-	₱-	₱94,212,251	₱94,212,251
2020					
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial Asset Measured at Fair Value					
AFS investments					
Equity securities	₱103,750	₱103,750	₱-	₱-	₱103,750
Assets for which Fair Values are Disclosed					
Financial asset					
Rental and lease deposits	30,238,220	-	-	23,599,222	23,599,222
Non-financial asset					
Investment property	115,114,177			115,114,177	115,114,177
	145,456,147	103,750		138,713,400	138,713,400
Liability for which Fair Values are Disclosed					
Financial liabilities					
Loans payable	₱100,000,000	₱-	₱-	₱94,212,251	₱94,212,251

There were no transfers among Level 1, 2 and 3 in 2021 and 2020.

AFS investments include unquoted equity securities amounting to ₱139.3 million as of December 31, 2021 and 2020, which are carried at cost less any impairment in value (see Note 8). Unquoted equity instruments include private equity shares.



6. Cash and Cash Equivalents

This account consists of:

	2021	2020
Cash equivalents (Note 4)	₱1,405,012,734	₱2,727,677,415
Cash in banks	994,700,559	844,022,667
Cash on hand	2,918,894	1,443,394
	₱2,402,632,187	₱3,573,143,476

Cash in banks earns interest at annual rates ranging from 0.062% to 0.125% in 2021 and from 0.125% to 0.250% in 2020. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Company, and earn interest at annual rates ranging from 0.50% to 1.60% in 2021 and from 0.50% to 2.50% in 2020.

In 2021 and 2020, the Company earned interest income from cash in banks and cash equivalents totaling ₱14.3 million and ₱26.9 million, respectively.

7. Short-term Investments

As at December 31, 2021 and 2020, short-term investments consist of time deposits and government securities amounting to ₱3.1 billion and ₱2.2 billion, respectively.

The time deposits are placements on various private banks with tenor of more than 90 days.

The government securities pertain to treasury bills purchased in 2021 in compliance with the IC's deposit requirements to be placed in government securities. These securities have a maturity of one (1) year.

Interest income earned from these investments amounted to ₱36.5 million in 2021 and ₱4.9 million in 2020.

8. Available-for-Sale Investments

This account consists of:

	2021	2020
Quoted equity securities	₱103,750	₱103,750
Unquoted equity securities (Note 30)	139,172,925	139,172,925
	₱139,276,675	₱139,276,675

Unquoted equity securities include investments in preferred shares of affiliates totaling ₱139.2 million as of December 31, 2021 and 2020.

Dividend income on AFS investments amounted to nil in 2021 and ₱7.4 million in 2020, presented under 'Other income' in the statements of income.



9. Trade and Other Receivables

This account consists of:

	2021	2020
Trade		
Medical plans - net (Note 30)	P6,851,677,890	P5,964,131,689
ASO receivables	227,756,353	474,405,737
Excess utilization	109,690,229	227,673,909
Others	133,969,244	37,163,326
	7,323,093,716	6,703,374,661
Less: Allowance for credit losses	(1,227,710,531)	(1,285,769,629)
	6,095,383,185	5,417,605,032
Non-trade		
Deposit to healthcare providers	537,300,521	565,794,553
Due from clinics and affiliates (Note 30)	96,679,313	376,072,963
Accrued interest receivable	23,637,058	22,291,663
Bid deposits and bond securities	16,269,801	16,259,863
Due from officers and employees	10,872,863	11,309,230
Onsite medical services	8,799,884	16,282,672
Others	34,818,994	127,977,215
	728,378,434	1,135,988,159
Less: Allowance for credit losses	13,431,494	37,980,107
	714,946,940	1,098,008,052
	P6,810,330,125	P6,515,613,084

Medical plan receivables are recognized when the Company becomes a party to the contract and represents the total membership fees stated in the HMO Agreement which are uncollected as at the statement of financial position date, net of accrued client experience refund (CER) amounting to P381.1 million and P977.2 million as of December 31, 2021 and 2020, respectively. In 2021 and 2020, client experience refund charged against earned membership fees amounted to P672.1 million and P1.1 billion, respectively (see Note 21). Credit terms are based on what was agreed in the service agreements.

ASO receivable are net of the corresponding ASO funds (Note 17), following the offsetting principle.

Excess utilization refers to receivables from members for availments in excess of covered plans that are advanced by the Company. Credit terms are based on what was agreed in the service agreements.

Due from clinics and affiliates include receivables from affiliates amounting to nil and P85.4 million as of December 31, 2021 and 2020, respectively. (see Note 30).

In 2021 and 2020, the Company earned interest income due from clinics and affiliates amounting to P10.6 million and P19.7 million, respectively.

In consideration for certain discounts being offered, the Company deposited funds to certain healthcare providers to defray for the medical and hospitalization expenses of its members. This is lodged under the account 'Deposits to healthcare providers'. After deducting billed and received hospital charges from the fund, the balance shall be restored to its original level upon reaching its threshold limit.



Accrued interest receivable relates to accrued interest on cash and cash equivalents and due from clinics and affiliates.

Others include rental, dividends and other trade receivables.

A reconciliation of the allowance for credit losses per class of trade and non-trade receivables that are collectively or individually assessed for impairment follows:

	2021				
	Trade receivables			Non-trade receivables	
	Medical plans	ASO receivables	Excess utilization	Others	Total
Balance at beginning of year	₱1,076,413,607	₱183,604,694	₱25,751,328	₱37,980,107	₱1,323,749,736
Provisions (reversals) (Note 23)	154,441,999	(58,831,269)	(4,515,770)	105,443,183	196,538,143
Write-offs	(140,957,354)	(7,675,545)	(521,159)	(129,991,796)	(279,145,854)
Balance at end of year	₱1,089,898,252	₱117,097,880	₱20,714,399	₱13,431,494	₱1,241,142,025

	2020				
	Trade receivables			Non-trade receivables	
	Medical plans	ASO receivables	Excess utilization	Others	Total
Balance at beginning of year	₱367,255,717	₱52,529,122	₱12,533,403	₱13,431,494	₱445,749,736
Provisions (Note 23)	709,157,890	131,075,572	13,217,925	24,548,613	878,000,000
Balance at end of year	₱1,076,413,607	₱183,604,694	₱25,751,328	₱37,980,107	₱1,323,749,736

10. Investment in Associates

Details of this account follow:

	2021	2020
Acquisition cost	₱2,647,900	₱2,647,900
Accumulated share in net income		
Balance at beginning of year	15,401,442	13,240,008
Share in net income (loss) during the year	(9,416,912)	2,161,434
Balance at end of year	5,984,530	15,401,442
Accumulated share in remeasurement gain on retirement liability		
Balance at beginning of year	760,087	760,087
Share in remeasurement loss during the year	(440,148)	-
Balance at end of year	319,939	760,087
	₱8,952,369	₱18,809,429

As of December 31, 2021 and 2020, total cost of investment of the Company in common shares of Equicom Shared Services, Inc. (S2), a non-listed entity, amounted to ₱1.6 million representing 22.74% ownership interest.

In 2019, S2 declared cash dividends to shareholders amounting to ₱0.3 million which is still unpaid as of December 31, 2021. There were no dividends declared in 2021 and 2020.



S2's primary purposes are to develop, operate and provide a full range of information technology (IT)-enabled business processing services to engage in the design, development and implementation of business processing outsourcing markets, value added solutions, and support services in the operational, technological, and administrative requirements of other businesses. S2 was incorporated and started commercial operations on August 1, 2012.

The following table presents the financial information of S2 as of and for the years ended December 31, 2021 and 2020, respectively.

	2021	2020
Statements of Financial Position		
Total assets	₱79,945,473	₱115,465,638
Total liabilities	54,190,744	52,331,646
Preferred stock	4,000,000	4,000,000
Common stock	30,720,000	30,720,000
Other equity items	4,965,271	28,413,992
Statements of Comprehensive Income		
Gross profit	₱5,825,956	₱12,679,343
Operating income	11,828,785	1,861,700
Net income	12,164,214	1,697,353

Significant assets of S2 include the following:

	2021	2020
Cash and cash equivalents	₱20,079,092	₱27,197,479
Trade and other receivables	45,347,044	74,634,575
Other assets	14,519,337	13,633,584

As of December 31, 2021 and 2020, total cost of investment of the Company in common shares of Associated Medical Services (AMS) amounted to ₱1.0 million representing 27.63% ownership interest.

AMS is primarily engaged in maintaining industrial and medical services for clinics, industries and other establishments requiring such medical services.

The following table presents the financial information of AMS as of and for the years ended December 31, 2021 and 2020, respectively.

	2021	2020
Statements of Financial Position		
Total assets	₱40,024,176	₱37,255,247
Total liabilities	14,910,075	18,917,405
Common stock	10,000,000	10,000,000
Other equity items	15,114,101	8,337,842
Statements of Comprehensive Income		
Gross profit	₱19,716,524	₱30,077,112
Operating income (loss)	5,219,818	(5,822,286)
Net income (loss)	5,219,818	(6,427,981)



Significant assets of AMS include the following:

	2021	2020
Cash and cash equivalents	₱1,637,352	₱3,224,110
Trade and other receivables	16,769,621	23,346,230
Other assets	21,617,203	10,684,907

11. Investment in Subsidiary

On November 12, 2020, the Company, upon approval of its Board of Directors (BOD), approved the incorporation of Maxicare Health Services, Inc. (MHSI), a wholly owned subsidiary that will undertake and carry out private, medical, dental and other health activities, consistent with and in furtherance of the Company's primary purpose. MHSI enables the Company to provide an effective and efficient primary care model, which aligns with the interests of the Company's members, healthcare services providers and the Company itself, so as to effect delivery of best healthcare services at an affordable cost.

MHSI has an authorized capital stock of ₱1.0 billion. In March 2021, the Company paid in cash the total subscribed paid-up capital amounting to ₱200.0 million.

On November 2, 2021, the Company agreed to assign, transfer, and contribute to MHSI the clinic-related assets in exchange for and as consideration for shares of common stock in MHSI, from the unissued portion of its authorized capital stock. The assignment of the assets and the corresponding issuance of the shares shall only take effect upon approval by the SEC of the valuation or transfer value agreed by the parties which is still pending with the SEC as of April 6, 2022.

12. Prepaid Expenses and Other Current Assets

This account consists of:

	December 31	
	2021	2020
Advances to counterparties	₱271,193,199	₱41,683,772
Advances to BIR (Note 31)	167,705,834	-
Creditable withholding tax	52,815,111	38,035,934
Prepaid expenses	26,329,068	30,946,497
Current portion of deferred input Value-added tax (VAT)	23,926,295	20,900,960
	541,969,507	131,567,163
Less: Allowance for credit losses	23,087,172	23,087,172
	₱518,882,335	₱108,479,991



Advances to counterparties pertain to advanced payments on vaccines, maintenance renewals and other services related to the Company's operations.

Creditable withholding tax refers to amounts withheld from income payments by clients relative to the membership due under the HMO Agreements as evidenced by creditable tax certificates which are applied against the Company's income tax due.

Prepaid expenses include insurance and various software licenses and system applications. Software licenses and systems applications are amortized over a one (1) year period. In 2021 and 2020, the total amortization of software licenses and system applications presented as 'Information and technology expenses' under 'General and administrative expenses' in the statements of income amounted to ₱26.8 million and ₱34.1 million, respectively (Note 23).



13. Property and Equipment

The composition of and movements in this account follow:

Cost	2021												Total
	Land	Building	Condominium Units	Transportation Equipment	Furniture and Fixtures	Computer and Peripherals	Office Equipment and Others	Leasehold Improvements	Medical Equipment	Construction in progress assets - Building	Right-of-use assets - Building	Right-of-use assets - Vehicles	
Balance at the beginning of the year	₱217,488,419	₱292,536,690	₱54,144,465	₱58,109,840	₱42,093,352	₱215,601,417	₱54,392,862	₱253,091,423	₱38,664,518	₱107,926,087	₱268,240,871	₱21,008,987	₱1,623,358,931
Additions	-	70,201,665	1,626,710	13,423,989	688,428	51,214,741	725,554	4,120,575	138,289	13,608,820	16,901,217	-	172,649,988
Disposals	-	-	-	(4,610,903)	-	-	-	-	-	-	-	-	(4,610,903)
Transfer from CIP	-	-	22,241,682	-	4,601,849	8,887,782	1,626,088	53,836,473	18,035,283	(109,229,157)	-	-	-
Transfer to Investment Property (Note 14)	-	(5,814,675)	-	-	-	-	-	-	-	-	-	-	(5,814,675)
Balance at end of year	217,488,419	356,923,080	78,012,857	66,982,926	47,383,629	275,703,940	56,744,504	311,048,471	56,838,090	12,305,750	285,147,088	21,008,987	1,785,583,341
Accumulated depreciation and amortization	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at the beginning of the year	-	70,052,737	54,144,465	15,066,328	37,847,604	179,721,206	42,330,661	117,346,688	3,563,997	-	111,409,594	10,040,646	641,523,026
Depreciation and amortization (Note 26)	-	15,344,423	-	12,159,349	3,895,952	34,065,409	9,670,215	80,065,273	10,925,463	-	69,204,254	8,905,598	244,235,936
Disposals	-	-	-	(3,341,550)	-	-	-	-	-	-	-	-	(3,341,550)
Balance at end of year	-	85,397,160	54,144,465	23,884,127	41,743,556	213,786,615	52,000,876	197,411,961	14,488,560	-	180,613,848	18,946,244	882,417,412
Net book value at end of year	₱217,488,419	₱271,526,520	₱23,868,392	₱43,098,799	₱5,640,073	₱61,917,325	₱4,743,628	₱113,636,510	₱42,349,530	₱12,305,750	₱104,528,240	₱2,062,743	₱903,165,929



2020

Cost	Land	Building	Condominium Units	Transportation Equipment	Furniture and Fixtures	Computer and Peripherals	Office Equipment and Others	Leasehold Improvements	Medical Equipment	Construction in progress	Right-of-use assets - Building	Right-of-use assets - Vehicles	Total
Balance at the beginning of the year	₱217,488,419	₱183,837,160	₱54,144,465	₱31,365,566	₱39,609,883	₱192,912,419	₱51,515,254	₱167,152,624	₱4,795,609	₱40,089,026	₱213,720,230	₱13,933,070	₱1,210,653,725
Additions	-	108,699,530	-	30,370,199	2,393,469	22,688,998	2,877,608	85,938,799	33,868,999	67,837,061	54,520,641	7,075,917	416,271,131
Disposals	-	-	-	(3,565,925)	-	-	-	-	-	-	-	-	(3,565,925)
Balance at end of year	217,488,419	292,536,690	54,144,465	58,169,840	42,093,352	215,601,417	54,392,862	253,091,423	38,664,518	107,926,087	268,240,871	21,008,987	1,623,358,931
Accumulated depreciation and amortization	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at the beginning of the year	-	62,687,411	54,144,465	10,170,344	33,932,648	152,257,571	30,328,797	66,328,236	159,854	-	42,483,968	3,328,540	455,821,834
Depreciation and amortization (Note 25)	-	7,365,326	-	7,661,463	3,914,956	27,463,635	12,001,864	51,018,452	3,403,243	-	68,925,626	6,712,106	188,466,671
Disposals	-	-	-	(2,765,479)	-	-	-	-	-	-	-	-	(2,765,479)
Balance at end of year	-	70,052,737	54,144,465	15,066,328	37,847,604	179,721,206	42,330,661	117,346,688	3,563,097	-	111,409,594	10,040,646	641,523,026
Net book value at end of year	₱217,488,419	₱222,483,953	₱-	₱43,103,512	₱4,245,748	₱35,880,211	₱12,062,201	₱135,744,735	₱33,101,421	₱107,926,087	₱156,831,277	₱10,968,341	₱981,835,905

The Company recognized ₱72,543 and ₱85,694 loss on sale of property and equipment, presented under 'Others' in the statement of income 2021 and 2020, respectively. As of December 31, 2021 and 2020, aggregate costs of fully depreciated property and equipment still in use amounted to ₱579.32 million and ₱484.4 million, respectively.

Construction in progress pertains to leasehold improvements and property not yet completed and turned over. These items will be transferred to the specific asset account once they are completed and turned over.



14. Investment Property

This account represents parts of the Company's building, which are being leased out to tenants. The movements of this account follow:

	2021	2020
Cost		
Balance at the beginning of the year	₱121,005,547	₱13,389,477
Transfer from Building (Note 13)	5,814,675	107,616,070
	126,820,222	121,005,547
Accumulated Depreciation		
Balance at the beginning of year	5,891,369	5,355,790
Depreciation and amortization (Note 26)	6,215,896	535,579
Balance at end of year	12,107,265	5,891,369
Net Book Value	₱114,712,957	₱115,114,178

The fair value of investment property as of December 31, 2021 and 2020 amounted to ₱136.3 million and ₱125.3 million, respectively.

In 2021 and 2020, rent income presented under 'Other income' in the statements of income amounted to ₱10.4 million and ₱6.3 million, respectively (Note 28).

15. Software Cost

The movements of this account follow:

	2021	2020
Cost		
Balance at beginning of the year	₱155,580,298	₱100,568,631
Additions	86,868,005	55,011,667
Balance at end of year	242,448,303	155,580,298
Accumulated Depreciation		
Balance at beginning of year	65,131,261	43,792,628
Amortization (Note 26)	34,911,676	21,338,633
Balance at end of year	100,042,937	65,131,261
Net Book Value	₱142,405,366	₱90,449,037

16. Other Noncurrent Assets

This account consists of:

	2021	2020
Non-current portion of deferred input VAT	₱38,798,596	₱48,662,896
Rental and lease deposits	32,438,180	30,238,220
	71,236,776	78,901,116
Less: Allowance for credit losses	2,761,460	2,761,460
	₱68,475,316	₱76,139,656



The rollforward of the allowance for credit losses on rental and lease deposits in 2021 and 2020 follows:

	2021	2020
Balance at beginning of the year	₱2,761,460	₱5,527,705
Write-off	-	(2,766,245)
Balance at end of year	₱2,761,460	₱2,761,460

17. Healthcare Plan Liabilities

This account consists of:

	2021	2020
Unearned membership fee reserves - net (Note 21)	₱7,064,393,755	₱6,428,202,240
Claims reserves:		
Accrued IBNR claims	618,492,100	720,691,799
Accrued ICOS claims	160,942,033	147,246,460
Due and unpaid claims	202,092,056	235,289,566
ASO funds	362,392,565	333,314,418
	₱8,408,312,509	₱7,864,744,483

Unearned membership fee reserves - net consist of:

	2021	2020
Unearned membership fee reserves	₱7,598,697,979	₱7,089,432,755
Prepaid commission	(401,411,175)	(305,154,943)
Deferred commission	(132,893,049)	(356,075,572)
Unearned membership fee reserves - net	₱7,064,393,755	₱6,428,202,240

Movements in the unearned membership fee reserves - net follow:

	December 31, 2021		
	Unearned Membership Fee Reserves	Prepaid Commission/ Deferred Commission	Net
Balance at beginning of year	₱7,089,432,755	(₱661,230,515)	₱6,428,202,240
Agreements during the year (Note 21)	19,398,818,056	(1,073,215,417)	18,325,602,639
Incurred (earned) during the year (Notes 21 and 22)	(18,889,552,832)	1,200,141,708	(17,689,411,124)
Balance at end of year	₱7,598,697,979	(₱534,304,224)	₱7,064,393,755



	December 31, 2020		
	Unearned Membership Fees	Prepaid Commission/ Deferred Commission	Net
Balance at beginning of year	₱6,620,647,447	(₱340,410,378)	₱6,280,237,069
Agreements during the year (Note 21)	19,174,386,099	(1,373,755,932)	17,800,630,167
Incurred (earned) during the year (Notes 21 and 22)	(18,705,600,791)	1,052,935,795	(17,652,664,996)
Balance at end of year	₱7,089,432,755	(₱661,230,515)	₱6,428,202,240

Movements in claims reserves as of December 31 follow:

	2021	2020
Balance at beginning of year	₱1,103,227,826	₱1,001,331,199
Provision for IBNR claims (Note 22)	585,791,888	751,525,099
Claims reported and processed during the year	10,799,097,091	8,264,998,926
Claims paid during the year	(11,506,590,616)	(8,914,627,399)
Balance at end of year	₱981,526,189	₱1,103,227,825

Movements in ASO Funds follow:

	2021	2020
Balance at beginning of year	₱333,314,418	₱239,550,697
Contributions during the year	1,603,129,730	2,833,325,434
Withdrawals during the year	(1,574,051,583)	(2,739,561,713)
Balance at end of year	₱362,392,565	₱333,314,418

The projected fund withdrawals as of December 31, 2021 and 2020 are ₱234.7 million and ₱137.3 million, respectively.

ASO funds pertain to funds maintained under a third-party administration program used to pay out for the medical and hospitalization services availed by the members.

Projected Fund Withdrawals refers to the estimated amount to be withdrawn from the ASO Fund to pay the cost of benefits for claims:

- a. that have been reported, adjudicated and processed, but has not been withdrawn from the fund as of the statement of financial position date;
- b. already received but not yet adjudicated, settled and paid by the Company as of valuation date;
- c. incurred but have not been reported to the Company as of the statement of financial position date; and
- d. related expenses under an ASO Agreement.



18. Accrued Liabilities and Other Payables

This account consists of:

	2021	2020
Trade payables	₱1,012,078,696	₱751,937,532
Accrued expenses	860,368,685	811,686,676
Dividends payable	840,871,563	24,801,362
Deferred output VAT	264,083,726	255,701,945
VAT payable	210,563,046	66,438,557
Commissions payable	132,893,049	356,075,571
Deposits from customers	127,876,443	291,442,918
Withholding tax payable	82,537,500	68,645,363
Others	12,807,753	8,310,485
	₱3,544,080,461	₱2,635,040,409

Trade payables consist of payables to suppliers, unreleased checks, staled checks, clearing accounts, and customer refunds. The normal credit term is 30 days.

Commissions payable consist of commission accruals for unbilled accounts. The normal credit term is 30 days upon Company's issuance of official receipts.

Accrued expenses represent the accruals on sales incentives, directors' bonus, audit fees, and provision on contingency.

Deposits from customers pertain to payments from members which have not been allocated to specific invoices.

Deferred Output VAT refers to uncollected customer billings. Others include premiums payable and employees' loans payable.

19. Loans Payable

The movements of this account follow:

	2021	2020
Balance at beginning of the year	₱100,000,000	₱330,000,000
Availments during the year	-	590,000,000
Payments during the year	-	(820,000,000)
Balance at the end of the year	₱100,000,000	₱100,000,000

Loans are made for varying periods of up to five years depending on the immediate cash requirements of the Company. In 2021 and in 2020, the loans bear interest at annual rates ranging from 4.5% to 4.5%.

Interest expense from these loans amounted to ₱2.61 million and ₱14.70 million in 2021 and 2020, respectively, presented as 'Interest expense' in the statements of income.



20. Equity

Capital Stock

Details of the Company's common stock as of December 31, 2021 and 2020 follow:

	2021		2020	
	Shares	Amount	Shares	Amount
Authorized 100 par value per share	10,000,000	₱1,000,000,000	10,000,000	₱1,000,000,000
Issued shares				
Balance at beginning of year	5,776,981	577,698,100	5,026,946	502,694,600
Issuance of subscribed share capital	203,314	20,331,400	750,035	75,003,500
Balance at end of year	5,980,295	598,029,500	5,776,981	577,698,100
Treasury shares				
Balance at beginning of year	156,054	36,698,230	156,054	36,698,230
Additional	40	4,000	-	-
Balance at end of year	156,094	36,702,230	156,054	36,698,230
Outstanding shares	5,824,201	561,327,270	5,620,927	540,999,870
Subscribed shares				
Subscribed shares at beginning of the year	-	-	750,035	75,003,500
Subscribed during the year	4,223,019	422,301,900	-	-
Subscription receivable		(301,476,525)	-	-
Issued subscribed shares	203,314	(20,331,400)	750,035	(75,003,500)
	4,019,705	₱100,493,975	-	₱-

Treasury Stock

The Company acquired 40 of its own shares on October 13, 2021 as a final resolution to the settlement of the fractional shares arising from the capital call transactions. The shares are held as 'treasury shares' and presented as a deduction from equity. The Company has the right to reissue these shares at a later date. All shares issued by the Company were fully paid.

Subscribed Capital

On October 31, 2021, the Company issued and offered for subscription its remaining unsubscribed shares from its authorized capital stock, amounting to 4,223,019 shares with a par value of ₱100 per share, to all its stockholders in proportion to their current shareholdings, fifteen working days from receipt of the Notice of Capital Call, or on or before November 12, 2021, whichever comes earlier. Thereafter, the aforementioned subscriptions shall be payable within a period of one year, or on or before November 12, 2022.

The proceeds from capital subscription amounted to ₱120.8 million and ₱65.0 million as of December 31, 2021 and 2020, respectively.

Retained Earnings

Dividends

In 2021, the BOD approved the following dividend declaration to its stockholders:

Type	Year	Date Declared	Record Date	Amount	Payment Date
Cash	2021	April 28, 2021	March 31, 2021	₱1,250,000,000	May 14, 2021
Cash	2021	December 15, 2021	December 31, 2021	787,000,000	January 10, 2022



In 2020, the BOD approved the following dividend declarations to its stockholders:

Type	Year	Date Declared	Record Date	Amount	Payment Date
Cash	2020	August 12, 2020	July 31, 2020	₱182,000,000	August 19, 2020

Appropriated Retained Earnings

On December 12, 2018, the BOD approved the appropriation of its retained earnings amounting to ₱150.0 million to fund the Company's existing and new projects for capital expenditures. As of December 31, 2021, the capital expenditure for these projects is ongoing and expected to be completed within three years.

On December 9, 2020, the BOD approved an additional ₱410.7 million appropriation to be used for business expansion purposes, specifically, for the establishment of additional PCCs and for various digital transformation projects.

On December 15, 2021, the BOD approved the release and revert of ₱303.3 million appropriated retained earnings to the unappropriated and unrestricted retained earnings, in view of the completion and/or cessation of different projects for which such amount had been previously appropriated.

As of December 31, 2021 and 2020, unappropriated retained earnings as presented in the statements of financial position is not equal to retained earnings available for distribution due to certain reconciling items in accordance with the guidelines provided by the SEC.

Capital Management

The Company's primary capital management objective is to maximize shareholder value. No substantial changes were made in the objectives, policies or processes in 2021 and 2020. The Company considers its equity as its capital, following the guidelines set by the IC (Note 4).

21. Revenue

Membership fees earned from medical plans - net

The movements in this account are as follows:

	2021	2020
Gross membership fees (Note 17)	₱19,398,818,056	₱19,174,386,099
Increase in unearned membership fee reserves (Note 17)	(509,265,224)	(468,785,308)
Membership fees earned from medical plans (Note 17)	18,889,552,832	18,705,600,791
Client experience refund (Note 9)	(672,053,696)	(1,112,266,032)
Membership fees earned from medical plans – net	₱18,217,499,136	₱17,593,334,759

Administrative Services Only (ASO) and application fees

Claims handling fees are based on fixed rates, ranging from 4.0% to 25.5% of the processed claim, that are charged to ASO accounts upon replenishment of their fund. Other rider fees include dental fees and accidental death and dismemberment fees, ranging from 49 to 1,054 per member.



Set out below is the disaggregation of administrative services and application fees:

	2021	2020
Claims handling fees		
Out-patient	₱47,746,752	₱34,117,546
In-patient	41,898,518	36,363,548
Reimbursement	6,177,054	5,120,211
Other- Bill back	2,349,642	6,686,276
Network access fee	51,246,751	61,344,576
Others	33,777,722	33,017,033
	₱183,196,439	₱176,649,190

Others pertain to rider separate fees such as dental fees, booklet charges for the list of doctors and life insurance on accidental death and dismemberment of ASO clients.

22. Healthcare Benefits and Claims and Commissions

This account consists of:

	2021	2020
Healthcare benefits		
Cost of availments	₱11,678,835,465	₱8,237,383,548
Provision for IBNR claims (Note 17)	585,791,888	751,525,099
Commissions (Note 17)	1,200,141,708	1,052,935,795
Other direct costs		
Claims processing, contractual services and PCC related expenses (Note 30)	424,917,835	397,576,491
Personnel expenses (Notes 25, 27 and 30)	308,253,985	237,508,344
Depreciation and amortization	133,936,915	109,034,511
Others	114,433,767	79,878,340
	₱14,446,311,563	₱10,865,842,128

23. General and Administrative Expenses

This account consists of:

	2021	2020
Personnel expenses (Notes 25, 27 and 30)	₱613,515,670	₱499,062,822
Provision for credit and other losses (Notes 9 and 16)	196,538,143	878,000,000
Repairs and maintenance (Note 30)	209,286,498	116,449,304
Professional and supervision fees (Note 30)	178,988,001	163,733,717
Depreciation and amortization (Note 26)	151,426,593	100,916,746
Utilities and transportation	132,388,729	111,409,091
Contractual services	87,522,453	107,693,803
Taxes and licenses	60,198,058	51,791,533
Information technology expenses (Note 12)	26,808,569	34,111,373

(Forward)



	2021	2020
Janitorial, security and other services	₱17,411,645	₱20,477,329
Rent (Notes 28 and 30)	11,569,120	16,535,257
Stationery and supplies	4,407,032	11,166,936
Association and membership dues	2,932,471	2,204,423
Entertainment, amusement and recreation	374,548	11,789,691
Provision for (reversal of provision for) contingency (Note 31)	(77,391,686)	275,697,520
Others	96,066,952	152,351,466
	₱1,712,042,796	₱2,553,391,011

Others include meetings, seminars and conferences, advertising, insurance, bank charges, notarial fees and other miscellaneous expenses.

24. Selling and Marketing Expenses

This account consists of:

	2021	2020
Personnel expenses (Notes 25, 27 and 30)	₱355,951,063	₱390,475,371
Advertising (Note 30)	137,254,669	103,273,220
Utilities and transportation	6,733,824	8,336,254
Stationery supplies	398,265	2,560,597
Depreciation and amortization (Note 26)	-	389,626
Entertainment, amusement and recreation	15,036	144,170
Others	8,137,239	8,953,547
	₱508,490,096	₱514,132,785

Others include contractual services and notarial fees.

25. Personnel Expenses

Details of personnel expenses included in the 'Healthcare benefits, claims and commissions', 'Selling and marketing expenses', and 'General and administrative expenses' follow:

	2021	2020
Salaries and wages	₱678,432,967	₱575,685,323
Other employee benefits (Notes 27 and 30)	599,287,751	551,361,214
	₱1,277,720,718	₱1,127,046,537

These personnel expenses were allocated as follows:

	2021	2020
General and administrative expenses (Note 23)	₱613,515,670	₱499,062,822
Selling and marketing expenses (Note 24)	355,951,063	390,475,371
Healthcare benefits, claims and commissions (Note 22)	308,253,985	237,508,344
	₱1,277,720,718	₱1,127,046,537



26. Depreciation and Amortization

Depreciation and amortization consists of:

	2021	2020
Property and equipment (Note 13)	₱244,235,936	₱188,466,671
Software cost (Note 15)	34,911,676	21,338,633
Investment property (Note 14)	6,215,896	535,579
	₱285,363,508	₱210,340,883

Depreciation and amortization is presented as follows:

	2021	2020
General and administrative expenses (Note 23)	₱151,426,593	₱100,916,746
Healthcare benefits, claims and commissions (Note 22)	133,936,915	109,034,511
Selling and marketing expenses (Note 24)	-	389,626
	₱285,363,508	₱210,340,883

27. Retirement Benefits

The Company has a funded non-contributory defined benefit retirement plan covering its permanent employees. Retirement benefits costs and contributions are determined in accordance with an actuarial study and are based on years of service and employees' final covered compensation.

The latest actuarial valuation of the plan is as of December 31, 2021. The principal actuarial assumptions used to determine retirement benefit costs follow:

The amount of net retirement liability recognized in the statements of financial position follows:

	2021	2020
Present value of defined benefit obligation	₱363,282,936	₱363,497,224
Fair value of plan assets	(282,222,073)	(285,158,239)
	₱81,060,863	₱78,338,985

As of December 31, 2021 and 2020, the major categories of plan assets at their fair values follow:

	2021	2020
Assets		
Deposit in banks	₱5,447,434	₱8,475
Quoted debt securities		
Government	265,110,685	245,444,150
Private	9,898,674	9,912,702
Unquoted debt securities	-	28,290,000
Equities	1,765,280	
Accrued interest receivables	-	1,683,802
	282,222,073	285,339,129
Liabilities		
	-	180,890
Net plan assets	₱282,222,073	₱285,158,239



Changes in net retirement liability follow:

	2021		
	Present Value of DBO	Fair Value of Plan Assets	Net Retirement Liability
Balance at beginning of year	₱363,497,224	₱285,158,239	₱78,338,985
Net benefit cost			
Current service cost	64,891,085	-	64,891,085
Net interest cost	13,971,119	12,078,795	1,892,324
	78,862,204	12,078,795	66,783,409
Benefits paid	3,751,608	(3,751,608)	-
	75,110,596	8,327,187	66,783,409
Remeasurement in OCI			
Return on plan assets (excluding amount included in net interest)	-	(11,263,353)	11,263,353
Actuarial changes arising from experience adjustments	350,816	-	350,816
Actuarial changes arising from changes in financial/demographic assumptions	(75,675,700)	-	(75,675,700)
	(75,324,884)	(11,263,353)	(64,061,531)
Balance at end of year	₱363,282,936	₱282,222,073	₱81,060,863
	2020		
	Present Value of DBO	Fair Value of Plan Assets	Net Retirement Liability
Balance at beginning of year	₱233,597,017	₱72,393,566	₱161,203,451
Net benefit cost			
Current service cost	42,934,638	-	42,934,638
Net interest cost	12,088,434	5,059,945	7,028,489
	55,023,072	5,059,945	49,963,127
Benefits paid	(3,579,258)	(3,579,258)	-
Contributions paid	-	209,720,777	209,720,777
	51,443,814	211,201,464	(159,757,650)
Remeasurement in OCI			
Return on plan assets (excluding amount included in net interest)	₱-	₱1,563,209	(₱1,563,209)
Actuarial changes arising from experience adjustments	5,566,552	-	5,566,552
Actuarial changes arising from changes in financial demographic assumptions	72,889,841	-	72,889,841
	78,456,393	1,563,209	76,893,184
Balance at end of year	₱363,497,224	₱285,158,239	₱78,338,985



The movements in remeasurement loss on retirement plan recognized in OCI are as follows:

	2021	2020
Balance at beginning of year gross of tax	(P149,071,989)	(P72,178,805)
Remeasurement gain on plan assets	(11,263,353)	1,563,209
Remeasurement gain (loss) on obligation	75,324,884	(78,456,393)
Balance at end of year, gross of tax	(85,010,458)	(149,071,989)
Income tax effect	(21,252,614)	(44,721,597)
Balance at end of year, net of tax	(P63,757,844)	(P104,350,392)

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

	Change in basis points (bps)	Impact	
		2021	2020
Discount rate	+100 bps	(P50,932,268)	(P55,978,572)
	-100 bps	62,847,948	69,900,516
Salary increase rate	+100 bps	61,612,786	67,646,833
	-100 bps	(50,968,596)	(55,469,676)

The Company expects to contribute at least P70.87 million to the defined benefit retirement plan in 2022.

Shown below is the maturity profile of the undiscounted benefit payments:

	2021	2020
Less than 1 year	P10,136,714	P4,972,784
More than 1 year to 5 years	72,002,569	34,654,559
More than 5 years to 10 years	162,983,471	137,180,458
More than 10 years to 15 years	340,805,505	235,482,363
More than 15 years to 20 years	553,802,437	470,837,848
More than 20 years	3,582,955,633	3,345,601,980

Average duration of the expected benefit payments as of December 31, 2021 and 2020 are 16.08 years and 16.36 years, respectively.

28. Leases

Company as lessee

The Company has entered into lease contracts for various properties for clinic space, office space and vehicles used in its operations. Leases of clinic space generally have lease terms between 1 to 5 years, office space between 1 to 15 years, while motor vehicles generally have lease terms of 3 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets.

Security deposits, net of allowances, amounting to P29.7 million and P27.5 million as at December 31, 2021 and 2020, respectively, are presented under 'Other noncurrent assets' in the statements of financial position.



The Company also has certain leases of office space with lease terms of less than 12 months and leases of office equipment with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

The rollforward of the lease liabilities follows:

	2021	2020
At January	P180,538,498	P182,566,122
Additions	16,901,217	61,596,558
Interest expense	10,020,353	13,886,116
Payments	(92,660,782)	(77,510,298)
As at December 31	P114,799,286	P180,538,498

The following are the amounts recognized in the statements of income:

	2021	2020
Depreciation expense of right-of-use assets included in property and equipment (Note 13)	P78,109,852	P75,637,732
Interest expense on lease liabilities	10,020,353	13,886,116
Expenses relating to short-term leases (Note 23)	2,287,642	2,328,336
Expenses relating to leases of low-value assets (Note 23)	9,281,478	14,206,921
Total amount recognized in the statement of income	P93,372,694	P94,644,033

At the end of each reporting period, the Company had outstanding commitments for future minimum lease payments as follows:

	2021	2020
Within one year	P52,707,642	P78,796,219
More than one year to two years	37,714,820	51,024,431
More than two years to three years	20,940,968	36,822,517
More than three years to four years	4,826,330	23,549,817
More than four years to five years	3,718,179	3,393,347
More than five years	6,457,524	9,891,199
	P126,365,462	P203,477,530

Company as lessor

The Company has entered into operating leases, consisting of a portion of its building. These leases have terms of between one (1) to five (5) years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Rental income recognized by the Company for the years ended December 31, 2021 and 2020 amounted to P10.4 million and P6.3 million, respectively. Rental income is included in 'Others' as presented in Other Income (Expense) in the statements of income.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	2021	2020
Within one year	P5,273,799	P5,299,677
After one year but not more than five years	1,195,296	4,225,498
	P6,469,095	P9,525,175



29. Income Taxes

- a. The components of net deferred tax assets follow:

	2021	2020
Recognized in the statements of income:		
<i>Deferred tax assets</i>		
Accrued IBNR claims, Accrued ICOS claims, sales incentives, employee benefits and others	₱317,995,831	₱352,785,407
Allowance for credit and impairment losses	124,016,930	159,689,369
Leases	6,302,602	5,579,556
Retirement benefit liability	13,611,367	24,513,486
	461,926,730	542,567,818
Recognized in other comprehensive income:		
<i>Deferred tax assets</i>		
Remeasurement loss on retirement plan	21,252,614	44,721,597
	₱483,179,344	₱587,289,415

As of December 31, 2021 and 2020, the Company has unrecognized deferred tax asset amounting to ₱6.2 million and ₱197.5 million pertaining to allowance for credit losses of ₱25.0 million and ₱658.5 million, respectively, since management deemed that no probable tax benefits on such temporary difference will be utilized in the future.

- b. Details of the provision for income tax follows:

	2021	2020
Current		
RCIT	₱370,454,566	₱1,559,379,118
Final	10,295,544	6,249,634
	380,750,111	1,565,628,752
Deferred	80,641,088	17,542,912
	₱461,391,199	₱1,583,171,664

- c. The reconciliation of the provision for income tax computed at the statutory tax rate to provision for income tax shown in the statements of income follows:

	2021	2020
Income tax at statutory tax rate	₱458,177,932	₱1,172,939,151
Additions to (reductions in) income tax		
Change in unrecognized deferred tax assets	6,250,000	197,550,000
Adjustment to retirement liability	19,277,817	-
Non-deductible expenses	17,827,410	107,541,568
Effect of restatement on unearned membership fees	-	60,058,963
Effect of restatement on commissions payable	-	51,212,180
Alignment of DTA (CREATE ACT)	90,427,970	-
Alignment of ITR (CREATE ACT)	(130,515,614)	-
Income subject to final tax	10,295,544	6,249,634
Tax paid and tax-exempt income	(10,349,860)	(12,379,832)
Provision for income tax	₱461,391,199	₱1,583,171,664



Non-deductible expenses pertain to provision for contingency and other expenses that did not meet the requirement of the tax code to be claimed as deductible expenses.

- d. Current tax regulations provide that the RCIT rate shall be 25.0%. Interest allowed as a deductible expense is reduced by an amount equivalent to 33.0%.

Current tax regulations also provide for rules on the imposition of 1.0% MCIT on the gross income as of the end of the taxable year beginning on the fourth (4th) taxable year immediately following the taxable year in which the Company commenced its business operations. Any excess MCIT over the RCIT can be carried forward on an annual basis and credited against the RCIT for the three (3) immediately succeeding taxable years.

- e. The optional standard deduction (OSD) equivalent to 40.0% of gross income may be claimed as an alternative deduction in computing for the RCIT. For 2021 and 2020 RCIT computation, the Company elected to claim itemized expense deductions instead of the OSD.
- f. Current tax regulations provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expenses that can be claimed as a deduction against taxable income. Under the regulation, EAR expenses allowed as deductible expenses for sellers of goods, services or properties similar to the Company are limited to the actual EAR paid or incurred but not to exceed 1.0% of net sales. EAR expenses in 2021 and 2020 are within the limit.
- g. The Company is subjected to other taxes, presented as 'Taxes and licenses' under 'General and administrative expenses' in the statements of income. Other taxes paid consist principally of license and permit fees, fringe benefit taxes, real estate taxes and documentary stamp taxes.

30. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the party in making financial and operating decisions and parties are subject to common control or common significant influence, such as affiliates. Related parties may be individual or corporate entities to an entity through a member of key management personnel. Other related parties include companies indirectly connected to the Company by reason of interlocking officers and those that is under common control such as affiliates.

The Company, in the normal course of business, enters into transactions with its related parties. The amounts and related volumes and changes are presented in the summary below. Generally, related party transactions are settled in cash. As of December 31, 2021 and 2020, outstanding balances of related party accounts are not impaired. Significant transactions with related parties are as follows:

Category	2021		Terms and Conditions
	Amount/ Volume	Outstanding Balance	
Ultimate Parent Company			
<i>Statement of financial position</i>			
Cash dividend	₱1,661,684,734	₱672,022,906	Dividend payments to shareholders
Subscribed capital stock	385,358,700	289,019,025	Receipt of payment of capital subscription
Associates			
<i>Statement of financial position</i>			
Medical plan receivables	7,602,810	1,620,525	Payable within one (1) month to six (6) months; non-interest bearing

(Forward)



Category	2021		Terms and Conditions
	Amount/ Volume	Outstanding Balance	
AFS investments	₱-	₱4,000,000	Investment in preferred shares
Investment in associates	9,857,061	8,952,369	Investment in common shares
Dividend declared	-	300,000	Share in dividend declaration
Revolving fund	4,000,000	206,540	Provider's deposit
Rental and lease deposit	-	2,000,000	Refundable lease deposit upon end of term
Other receivables	-	499,590	Payable within one (1) month to six (6) months; non-interest bearing
Other payables	-	1,775,024	Payable within one (1) month to six (6) months; non-interest bearing
Unearned membership fees	4,309,948	243,724	Unamortized portion of total contract value
Other reserve experience refund	85,588	-	Amortized portion of experience refund
<i>Statement of income</i>			
Earned membership fees	4,460,179	-	Amortized portion of the total contract value
Rental income	1,005,757	-	Rental of office space
Clinic Management	109,275,049	-	Payable in 30 days; unsecured; non-interest bearing
Utilization expense	8,346,535	1,043,149	Payable in 30 days; unsecured; non-interest bearing
Consultancy fees	29,011,875	-	Payable in 30 days; unsecured; non-interest bearing
Advertising expense	2,244,973	-	Payable in 30 days; unsecured; non-interest bearing
Vehicle service fees	13,783,038	-	Transportation of retainer nurse and doctors during COVID19 pandemic
Professional fee	2,400,000	-	Payable in 30 days; unsecured; non-interest bearing
Repairs and maintenance	673,689	-	Repairs and maintenance of computers and peripherals
Utilization discount	214,689	-	Payable in 30 days; unsecured; non-interest bearing
Subsidiary			
<i>Statement of financial position</i>			
Investment in subsidiary	200,000,000	200,000,000	100% share subscription
Prepaid Others	195,228,495	-	Purchase of covid-19 vaccines
Other payables	95,498,240	95,498,240	Payable after 15 days receipt of SOA
<i>Statement of income</i>			
Healthcare benefits	96,619,128	-	Payable after 15 days receipt of SOA
Reimbursement of fees	2,021,260	-	Reimbursement of registration fees
Other Related Parties			
<i>Statement of financial position</i>			
Cash in bank	87,116,373	180,973,087	Savings deposit with interest ranging from 0.50% to 1.00%
Time deposit	3,203,441,665	603,565,455	
Medical plan receivables	7,848,888	205,056	Payable within one (1) month to six (6) months; non-interest bearing
Other reserve experience refund	1,790,058	1,790,058	Amortized portion of experience refund
Due from affiliates	86,197,526	-	Payable within six (6) months to one (1) year; unsecured
AFS investments	-	125,000,000	Investments in preferred shares
Property and equipment	117,366,536	-	Purchase of new laptops and computers
Rental receivables	927,450	679,800	Payable within first five days of the month without need of demand
Prepayments	81,942,510	32,413,055	Payable in 30 days; unsecured; non-interest bearing
Rental deposit	1,676,189	1,713,239	Refundable upon end of the lease term
Lease liability	8,458,507	1,486,537	Rental of building
Unearned membership fees	7,007,936	1,918,182	Unamortized portion of total contract value
Other receivables	2,087,230	3,729,635	Payable in 30 days; unsecured; non-interest bearing
Other payables	20,915,064	20,264,177	Payable in 30 days; unsecured; non-interest bearing
Deposit from lessee	676,092	676,092	Refundable upon end of the lease term

(Forward)



				2021
Category	Amount/ Volume	Outstanding Balance	Terms and Conditions	
<i>Statement of income</i>				
Rental income	P2,956,486	P-	Rental income for 2021	
Miscellaneous income	2,509,701	-	Common Usage Service Area & Utilities (CUSA)	
Utilization expense	115,972,158	3,904,631	Payable in 30 days; unsecured; non-interest bearing	
Claims processing fee	74,414,001	-	Payable in 30 days; unsecured; non-interest bearing	
Contractual fee	34,586,914	2,574,196	Payable in 30 days; unsecured; non-interest bearing	
Credit card	14,235,234	729,334	Payable in 20 days; unsecured; non-interest bearing; payment for credit card availments	
Rental expense	16,489,975	1,726,153	Payable in 30 days; unsecured; non-interest bearing	
Employee's salary loan	8,246,038	-	Payable in 30 days; unsecured; non-interest bearing	
Repairs and maintenance	66,953,550	5,617,252	Payable in 30 days; unsecured; non-interest bearing	
2020				
Category	Amount/ Volume	Outstanding Balance	Terms and Conditions	
<i>Ultimate Parent Company</i>				
<i>Statement of financial position</i>				
Cash dividend	P145,536,896	P1,254,573	Dividend payments to shareholders	
Subscribed capital stock	65,003,400	-	Receipt of payment of capital subscription	
<i>Associates</i>				
<i>Statement of financial position</i>				
Medical plan receivables	3,757,463	2,116,941	Payable within one (1) month to six (6) months; non-interest bearing	
AFS investments	-	4,000,000	Investment in preferred shares	
Investment in associates	-	10,441,200	Investment in common shares	
Share in remeasurement gain on retirement liability of an associate	-	760,087	Share in remeasurement gain of an associate	
Unearned membership fees	402,159	645,313	Unamortized portion of total contract value	
<i>Statement of income</i>				
Earned membership fees	4,043,031	-	Amortized portion of the total contract value	
Clinic management	113,460,301	-	Payable in 30 days; unsecured; non-interest bearing	
Utilization expense	14,616,414	212,704	Payable in 30 days; unsecured; non-interest bearing	
Contractual services	39,338,496	58,844	Payable in 30 days; unsecured; non-interest bearing	
Advertising expense	7,514,818	-	Payable in 30 days; unsecured; non-interest bearing	
Vehicle service fees	14,197,288	-	Transportation of retainer nurse and doctors during COVID19 pandemic	
Repairs and maintenance	1,001,283	13,835	Repairs and maintenance of computers and peripherals	
Share in net income of associates	2,161,434	-	Share in net income of associates	
<i>Other Related Parties</i>				
<i>Statement of financial position</i>				
Cash in bank	76,693,309	268,089,460	Savings deposit with interest ranging from 0.50% to 1.00%	
Medical plan receivables	9,047,294	1,318,470	Payable within one (1) month to six (6) months; non-interest bearing	
Due from affiliates	285,589,873	85,404,652	Payable within six (6) months to one (1) year; unsecured	
AFS investments	-	125,000,000	Investments in preferred shares	
Property and equipment	49,308,485	1,059,172	Purchase of new laptops and computers	
Lease liability	12,817,037	6,839,295	Rental of building	
Unearned membership fees	7,768,442	2,217,667	Unamortized portion of total contract value	

(Forward)



Category	2020		Terms and Conditions
	Amount/ Volume	Outstanding Balance	
<i>Statement of income</i>			
Earned membership fees	₱7,853,634	₱-	Amortized portion of the total contract value
Dividend Income	7,364,583	-	Dividend Income for 2021
Interest income	5,595,030	1,539,415	Payable upon maturity; interest income on cash in banks and due from affiliates, officers and employees
Utilization expense	92,196,648	25,823,869	Payable in 30 days; unsecured; non-interest bearing
Claims processing fee	140,004,322	166,901	Payable in 30 days; unsecured; non-interest bearing
Contractual fee	103,326,851	-	Payable in 30 days; unsecured; non-interest bearing
Credit card	12,372,152	70,806	Payable in 20 days; unsecured; non-interest bearing; payment for credit card availments
Rental expense	20,383,633	4,078,633	Payable in 30 days; unsecured; non-interest bearing
Employee's salary loan	9,913,764	-	Payable in 30 days; unsecured; non-interest bearing
Consultancy fee	58,192,021	-	Payable in 30 days; unsecured; non-interest bearing
Advertising	111,113	-	Payable in 30 days; unsecured; non-interest bearing
Repairs and maintenance	44,651,065	-	Payable in 30 days; unsecured; non-interest bearing

Contractual fees pertain to services rendered by various affiliate companies regarding processing of medical claims, call center services, and management of computers, systems and databases.

Consultancy fee pertains to services such as payroll processing and outsource accounting.

Professional and supervision fee pertains to recruitment services for manpower requirements and general and administration services.

Remuneration of Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

In 2021 and 2020, compensation and fringe benefits of key management personnel included under 'Healthcare benefits, claims and commission', 'General and administrative expenses' and 'Selling and marketing expenses' in the statements of income follows:

	2021	2020
Short-term employee benefits	₱201,358,691	₱151,584,296
Post-employment pension benefits	10,625,028	8,577,345
	₱211,983,719	₱160,161,641

31. Commitments and Contingencies

a. VAT

In 2011, the Bureau of Internal Revenue (BIR) issued a Formal Assessment Notice (FAN) against the Company for ₱337.9 million deficiency VAT for the taxable year 2008. In issuing the VAT assessment, the BIR posits that the vatable HMO gross receipts should be the total amount of money or its equivalent actually received from members, undiminished by any amount paid or payable to owners/operators of hospitals, clinics and medical and dental practitioners. The Company timely protested the FAN but the same was denied by the BIR in 2011. The Company was forced to seek recourse with the Court of Tax Appeals (CTA) by filing a Petition for Review in 2011. After a series



of proceedings in the CTA Division and En banc, and in the Supreme Court, the case was remanded to the CTA Division for reception of additional evidence.

In 2015, the Company received a FAN assessing the Company a deficiency VAT in the amount of ₱433.95 million for taxable year 2010. Same with the 2008 VAT assessment, the BIR claims that the full amount of the HMO gross receipts should be considered as taxable. Despite the timely filing of the administrative protest, the BIR failed to issue a decision within the required reglementary period, hence, in 2016, the Company filed before the CTA a Petition for Review to assail the VAT assessment. After a series of proceedings, the case was submitted for decision of the CTA Division in 2020.

In 2015, the Company received a FAN assessing the Company for deficiency VAT in the amount of ₱419.77 million for the taxable year 2012 based on the same premise as that of the 2008 and 2010 VAT assessments. The Company timely filed its administrative protest against the VAT assessment but the same was denied by the BIR in 2015. Thus, in 2016, the Company filed before the CTA a Petition for Review to assail the VAT assessment. In January 2020, the CTA Division rendered a Decision granting the Company's petition and setting aside the VAT assessment. The BIR subsequently filed a Petition for Review before the CTA En Banc, but in November 2021, the CTA En Banc sustained the ruling of the CTA Division and held the VAT assessment as null and void. The BIR filed its motion for reconsideration. At present, the CTA En Banc is yet to issue a resolution on the motion for reconsideration of the BIR.

In December 2020, the Company signified its interest to enter into a Judicial Compromise Agreement with the BIR for the 2008 and 2010 VAT cases. The Company filed its Application for Judicial Compromise Agreement for the 2008 VAT case on March 4, 2021, while the Application for Judicial Compromise Agreement for the 2010 VAT case was filed with the BIR on March 10, 2021. In May 2021, the Company paid an amount of ₱168 million for the 2008 and 2010 VAT cases. In February 2022, the CTA Division issued a 'Notice of Judgment by Compromise Agreement' accepting the Judicial Compromise Agreement between the BIR and the Company and declaring the 2010 VAT case as closed and terminated.

As at the statement of financial position date, the Company is not expecting any further liability pertaining to the 2008 and 2010 VAT cases considering that it is just completing the requirements of the CTA for the approval of the Judicial Compromise Agreement for the 2008 VAT case and with the approval of the Judicial Compromise Agreement for the 2010 VAT case. Similarly, the Company has reversed its provision for the 2012 case considering the Decision of the CTA En Banc received in November 2021 which sustained the ruling of the CTA Division nullifying the 2012 VAT assessment.

As at December 31, 2021, the Company's remaining provision for contingency of ₱168 million for the judicial compromise settlement of the 2008 and 2010 VAT cases is presented as 'Accrued expenses' while the ₱168 million payment is presented as part of 'Prepaid expenses and other current assets' in the statement of financial position. Based on Section 7 of the said notice from the BIR, in the event the agreement is disapproved by the Honorable CTA, the amount already paid shall be deemed a tax credit which may be applied against any internal revenue taxes.

b. Other Pending Lawsuits and Claims

There are also other pending cases, lawsuits and claims involving the Company in its normal course of business.



In the opinion of management, the reversal of the provision from these claims and tax assessments is reasonable given the circumstances.

32. Notes to Statements of Cash Flows

The table below provides for changes in liabilities arising from financing activities:

	January 1, 2021	Dividend declaration	Cash flows	December 31, 2021
Loans payable	₱100,000,000	₱-	₱-	₱100,000,000
Dividends payable	24,801,362	2,037,000,000	(₱1,220,929,798)	₱840,871,563
Total liabilities from financing activities	₱124,801,362	₱2,037,000,000	(₱1,220,929,799)	₱940,871,563

	January 1, 2020	Dividend declaration	Cash flows	December 31, 2020
Loans payable	₱330,000,000	₱-	(₱230,000,000)	₱100,000,000
Dividends payable	1,868,087	182,000,000	(159,066,725)	24,801,362
Total liabilities from financing activities	₱331,868,087	₱182,000,000	(₱389,066,725)	₱124,801,362

The noncash activities of the Company include additions to right-of-use assets amounting to ₱16.9 million and ₱61.6 million in 2021 and 2020, respectively, and the transfer from Building to Investment Property in 2021 amounting to ₱5.8 million.

33. Events After the Statement of Financial Position Date

- a. Approved Judicial Compromise Agreement of the 2010 VAT case

The Joint Motion of Maxicare and BIR to render judgment based on the Compromise Agreement was already granted on February 11, 2022. The 2010 VAT case is now officially closed and terminated.

- b. Full payment received on Subscribed Capital

On March 22, 2022, the Company received full payment on the subscribed capital amounting to ₱289.0 million from its Parent Company.

- c. Sale of shares of the Company

As disclosed in Note 1, on March 30, 2022, the Parent Company and JE Holdings, Inc. executed a Share Purchase Agreement (SPA) to sell 4,164,908 common shares held by the Parent Company which represent 42.31% ownership in the Company. The SPA will be consummated when the sale and purchase transaction is approved by the Insurance Commission and other conditions as stated in the SPA are met. On March 31, 2022, the Company's Board of Directors approved the sale of common shares held by the Parent Company to JE Holdings, Inc.



d. Dividend declaration

On April 6, 2022, during its meeting, the Company's Board of Directors approved the declaration of cash dividends amounting to ₱750.0 million for stockholders on record as of April 25, 2022. Payment date will be on April 27, 2022.

34. Supplementary Information Required Under Revenue Regulations (RR) 15-2010

On November 25, 2010, the BIR issued RR 15-2010 to amend certain provisions of RR 21-2002. The Regulations provide that the notes to financial statements shall include information on taxes, duties and license fees paid or accrued during the taxable year.

The Company reported and or paid the following types of taxes in 2021:

VAT

a. Net sales/receipts and output VAT declared in the Company's VAT returns for 2021

Output VAT	₱1,538,300,423
<hr/>	
Account title used:	
Basis of the Output VAT:	
Amount subjected to VAT but not considered as sales (Cash Receipts covered by Revenue Memorandum Circular No.16-2013)	1,224,034,958
Vatable Services	11,567,876,532
Zero-rated Sales	7,991,766,384
Exempt Sales	10,758,063
Interest income	13,816,547
Leasing income	13,442,157
	<hr/>
	₱20,821,694,641

b. Input VAT for 2021

Balance at January 1	
Deferred input – Current	₱20,900,960
Deferred input – Non-current	39,681,549
	<hr/>
	60,582,509
Current year's domestic purchases/payments or importations for:	
Services lodged under cost of goods sold	352,606,066
Capital goods subject to amortization	5,739,044
Capital goods subjected to amortization from previous period	20,900,960
Total	<hr/>
	379,246,070
Claims for tax credit/adjustments	379,246,070
Balance at December 31	<hr/>
	₱-



c. Taxes and Licenses for 2021

Taxes and licenses, local and national, include real estate taxes, licenses and permit fees for 2021:

License and permit fees	₱44,707,979
Documentary stamp taxes	6,380,274
Real estate taxes	3,689,758
Fringe benefits taxes	2,339,452
Donor's tax	1,485,000
Registration fees	8,500
Others	1,587,095
Balance at December 31	₱60,198,058

d. Withholding Taxes

Details of total remittances and withholding taxes payable as of December 31, 2021 are as follows:

	Total remittances	Balance
Expanded withholding taxes	₱530,318,742	₱54,879,443
Withholding taxes on compensation and benefits	150,598,140	15,434,279
Final withholding taxes	26,394,943	12,174,797
	707,311,825	82,488,519
Final tax on fringe benefit	2,014,250	325,202
Final tax on interest income	10,295,544	—
Total final tax	₱12,309,794	₱325,202

The outstanding withholding tax payable as of December 31, 2021 represents the withholding taxes for the month of December 2021, which were remitted in January 2021.

Disclosure of on-going tax cases are disclosed in Note 31 Commitments and Contingencies.

On April 15, 2021, the Company received the BIR Letter of Authority (LOA) to examine the VAT for the taxable year 2020. On October 1, 2021, the Company received the BIR LOA for all taxes except VAT. The VAT LOA was settled on March 29, 2022, while the other taxes remain unsettled as of the opinion date.

35. Approval of the Release of the Financial Statements

The financial statements were authorized for issue by the Company's Board of Directors during its meeting held on April 6, 2022.



INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Maxicare Healthcare Corp.
Maxicare Tower, 203 Salcedo Street
Legaspi Village, Makati City

We have audited the financial statements of Maxicare Healthcare Corp. (the Company) as at and for the year ended December 31, 2021, on which we have rendered the attached report dated April 6, 2022.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the Company has fifty-nine (59) stockholders owning one hundred (100) or more shares each.

SYCIP GORRES VELAYO & CO.

Bernalette L. Ramos

Bernalette L. Ramos

Partner

CPA Certificate No. 0091096

Tax Identification No. 178-486-666

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 0926-AR-3 (Group A)

July 25, 2019, valid until July 24, 2022

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-081-2021, February 1, 2021, valid until January 31, 2024

PTR No. 8854354, January 3, 2022, Makati City

April 6, 2022



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL SCHEDULES

The Stockholders and the Board of Directors
Maxicare Healthcare Corp.
Maxicare Tower, 203 Salcedo Street
Legaspi Village, Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Maxicare Healthcare Corp. (the Company) as at and for the years ended December 31, 2021 and 2020 and have issued our report thereon dated April 6, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not part of the basic financial statements. This has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole

SYCIP GORRES VELAYO & CO.

Bernalette L. Ramos

Bernalette L. Ramos

Partner

CPA Certificate No. 0091096

Tax Identification No. 178-486-666

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 0926-AR-3 (Group A)

July 25, 2019, valid until July 24, 2022

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-081-2021, February 1, 2021, valid until January 31, 2024

PTR No. 8854354, January 3, 2022, Makati City

April 6, 2022



MAXICARE HEALTHCARE CORP.

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND
DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2021**

Unappropriated Retained Earnings, beginning		₱1,983,151,339
Adjustment:		
Recognized deferred tax assets in prior years		(542,567,817)
Equity in net income of associates		(15,401,442)
Unappropriated Retained Earnings, as adjusted, beginning		<u>1,425,182,080</u>
Add:		
Net income during the year closed to Retained Earnings		1,371,320,529
Less:		
Non-actual losses/unrealized income, net of tax		
Recognized deferred tax assets	80,641,088	
Equity in net loss of associates	<u>9,416,912</u>	90,058,000
Add (less):		
Dividend declaration for the year		(2,037,000,000)
Reversal of appropriations		303,333,383
Treasury shares		(36,702,230)
Total Retained Earnings available for dividend declaration as of December 31, 2021		<u><u>₱1,116,191,762</u></u>

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

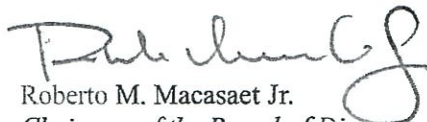
The management of Maxicare Healthcare Corp. (the "Company") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of 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 or members.

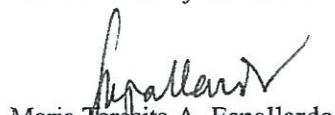
SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.



Roberto M. Macasaet Jr.
Chairman of the Board of Directors



Christian S. Argos
President / Chief Executive Officer



Maria Teresita A. Espallardo
Treasurer

Signed this 6th day of April, 2022

TREASURER'S CERTIFICATION

I, **MARIA TERESITA ESPALLARDO**, of legal age, Filipino and with address at 40 Bridgestone Drive Park Subdivision Rosario Pasig City, after being sworn in accordance with law, hereby certify that:

1. I am the Treasurer of Maxicare Healthcare Corporation, a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines under SEC Certificate of Registration 141994 with the principal office address at Maxicare Tower, No. 203 Salcedo St., Legaspi Village, Makati City;
2. The Financial Statement ("F/S") submitted contains the exact data stated in the hard copies of the F/S of the Corporation;
3. I am executing this certification to attest to the truth of the foregoing and in compliance with the reportorial requirements of the SEC.

WITNESS MY HAND on this ____ day of June 2022 at City of Makati.


Maria Teresita A. Espallardo
Treasurer

SUBSCRIBED AND SWORN to before me on this ^{JUN 17 2022} ____ day of June 2022 at City of Makati, CITY
Affiant exhibit to me SSS ID No. 03-3719063-8.

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