MEDILINES DISTRIBUTORS INCORPORATED
(*incorporated in the Republic of the Philippines*)

Primary Offer of 550,000,000 Common Shares
Secondary Offer of 275,000,000 Common Shares

Offer Price of ₱2.30 per share

to be listed and traded on the Main Board of
The Philippine Stock Exchange, Inc.

Sole Issue Manager, Lead Underwriter and Sole Bookrunner

Selling Agents

Trading Participants of The Philippine Stock Exchange, Inc.

Investing in the Offer Shares involves risks. See "*Risk Factors*" beginning on page 26.

THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION.

The date of this Prospectus is November 16, 2021

MEDILINES DISTRIBUTORS INCORPORATED
No. 07 Pioneer Street corner Sheridan Street
Barangay Highway Hills, Mandaluyong City
+63 7747 1016
www.medilines.com.ph

This Prospectus (the "**Prospectus**") relates to the offer and sale to the public of 825,000,000 common shares (the "**Offer Shares**"), each common share with a par value of ₱0.25 per common share (the "**Shares**"), of Medilines Distributors Incorporated ("**we**", "**us**", "**our**", "**MDI**", the "**Company**" or the "**Issuer**"), a corporation organized and existing under Philippine law. The Offer Shares will comprise 550,000,000 unissued Shares to be offered and issued by the Company by way of primary offer (the "**Primary Shares**") and 275,000,000 issued Shares owned by Mr. Virgilio B. Villar ("**VBV**" or the "**Selling Shareholder**") to be offered by way of a secondary offer (the "**Secondary Shares**"). The offer of the Offer Shares is referred to herein as the "**Offer**."

Under its latest amended articles of incorporation approved by the Securities and Exchange Commission (the "**SEC**") on July 27, 2021, the Company has an authorized capital stock of ₱1,000,000,000.00 divided into 4,000,000,000 common shares with a par value of ₱0.25 per share, of which 2,200,000,800 common shares are issued and outstanding as of the date of this Prospectus.

The Offer Shares shall be offered at a price of ₱2.30 per Offer Share (the "**Offer Price**"). The determination of the Offer Price is described on page 56 of this Prospectus and was based on a book-building process and discussion between the Company and PNB Capital and Investment Corporation (the "**Sole Issue Manager, Lead Underwriter and Sole Bookrunner**" or the "**Underwriter**").

The Offer Shares will be listed and traded on the Main Board of The Philippine Stock Exchange, Inc. (the "**PSE**") under the trading symbol "**MEDIC**."

Upon completion of the Offer, a total of 2,750,000,800 Shares will be issued and outstanding. The Offer Shares represent 30% of the issued and outstanding capital stock of the Company.

The total gross proceeds to be raised by the Company from the sale of the Primary Shares is estimated to be ₱1,265.0 million. The net proceeds from the Primary Shares, after deduction of fees and expenses, is estimated to be approximately ₱1,204.5 million. We intend to use the net proceeds from the Primary Shares for working capital in relation to the procurement of existing products and the build-up of medical consumables inventory and debt repayment. We intend to utilize ₱507.7 million as working capital in relation to the procurement of existing products and the build-up of medical consumables inventory which are low-cost yet high-margin products that are regularly used by our customers to operate the high-value equipment that we sell. We intend to use the remaining ₱696.8 million to retire debt which were used primarily to fund our working capital requirements. We believe that pursuing this strategy will increase the overall shareholder value of the Company as this will decrease our financing cost. We further believe that we will still be able to access debt funding from our various relationship banks as the need arises. The total gross proceeds to be raised by the Selling Shareholder from the sale of the Secondary Shares is estimated to be ₱632.5 million. The net proceeds from the Secondary Shares, after deduction of fees and expenses, is estimated to be approximately ₱601.5 million. The Company will not receive any portion of the proceeds from the sale of the Secondary Shares by the Selling Shareholder. For a detailed discussion on the use of proceeds, please refer to page 59 on the "*Use of Proceeds*."

The Sole Issue Manager, Lead Underwriter and Sole Bookrunner will receive an underwriting fee from the Company and the Selling Shareholder equivalent to 2.75% of the gross proceeds from the sale of the Offer Shares. The underwriting fee includes the amounts to be paid to other participating underwriters and selling agents, if any and where applicable, as well as the commissions and fees to be paid to the trading participants of the PSE ("**PSE Trading Participants**"). For detailed discussion on the underwriting fees, please refer to the section on "*Plan of Distribution*" on page 63.

165,000,000 Offer Shares (or 20% of the Offer Shares) (the "**Trading Participants Offer Shares**") are being offered in the Philippines through the PSE Trading Participants and 82,500,000 (or 10% of the Offer Shares) (the "**Retail Offer Shares**") are being offered in the Philippines to local small investors ("**LSI**") under the Local Small Investors Program (subject to re-allocation as described below) (such shares, together, the "**Trading Participants and Retail Offer Shares**", and such offer of Trading Participants and Retail Offer Shares, the "**Trading Participants and Retail Offer**").

At least 577,500,000, or 70% of the Offer Shares (the "**Institutional Offer Shares**"), are (subject to re-allocation as described below) being offered for sale to certain qualified buyers and other investors in the Philippines, by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner (the "**Institutional Offer**").

The allocation of the Offer Shares between the Trading Participants and Retail Offer and the Institutional Offer is subject to adjustment as agreed between the Company and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner. In the event of an under-application in the Institutional Offer and a corresponding over-application in the Trading Participants and Retail Offer, Offer Shares in the Institutional Offer may be reallocated to the Trading Participants and Retail Offer. If there is an under-application in the Trading Participants and Retail Offer and if there is a corresponding over-application in the Institutional Offer, Offer Shares in the Trading Participants and Retail Offer may be reallocated to the Institutional Offer. The reallocation shall not apply in the event of over-application or under-application in both the Trading Participants and Retail Offer, on the one hand, and the Institutional Offer, on the other hand.

The Sole Issue Manager, Lead Underwriter, and Sole Bookrunner will underwrite, on a firm commitment basis, the entire Offer Shares. For a detailed discussion on the distribution of the Offer Shares and the underwriting commitment, please refer to the section on "*Plan of Distribution*" on page 63.

All of the Offer Shares have identical rights and privileges to the issued and outstanding Shares of the Company. For a detailed discussion of the rights and features of the shares of stock of the Company, including the Offer Shares, please refer to the section on "*Description of the Offer Shares*" on page 48.

Under our current dividend policy, we intend to maintain an annual dividend payment ratio of 10% to 30% of net income after tax for the preceding fiscal year. Dividends may be payable primarily in cash; however, the Board of Directors, in its discretion, may decide to declare dividends to be payable in property or shares. The declaration of dividends is subject to the requirements of applicable laws and regulations, and circumstances which restrict the payment of dividends. Our Board of Directors may declare dividends, but any stock dividends must be approved by shareholders holding at least two-thirds of our total outstanding capital stock. For further discussion, please refer to the section on "*Dividends and Dividend Policy*" beginning on page 115 of this Prospectus.

We filed a Registration Statement with the SEC on August 31, 2021 in accordance with the provisions of the Securities Regulation Code of the Philippines (Republic Act No. 8799, the "**SRC**") for the registration of all the issued and outstanding Shares of the Company and the Offer Shares. On October 12, 2021 the SEC approved the Registration Statement and issued a Pre-Effective Letter. Upon compliance with the requirements of the Pre-Effective Letter, the Company expects the SEC to issue the Order of Registration of Securities and Certificate of Permit to Offer Securities for Sale.

The listing of the Offer Shares is subject to the approval of the PSE. On September 13, 2021 the Company filed its application for the listing and trading of the issued and outstanding common shares of the Company and the Offer Shares. The SEC is expected to issue the Order of Effectivity and Permit to Sell on or about November 18, 2021. In its notice of approval dated October 18, 2021, the PSE has approved the listing application, subject to compliance with certain pre-offering and listing conditions. The PSE's approval of the listing is merely permissive and does not constitute a recommendation or endorsement of the Offer by the PSE. The PSE assumes no responsibility for the correctness of any of the statements made or opinions expressed in this Prospectus. Furthermore, the PSE makes no representation as to the completeness and expressly disclaims any liability whatsoever for any loss arising from or in reliance upon the whole or any part of the contents of this Prospectus.

Purchase of the Offer Shares in certain jurisdictions may be restricted by law. Foreign investors interested in purchasing the Offer Shares should inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally. Foreign investors, both corporate and individual, warrant that their purchase of the Offer Shares will not violate the laws of their jurisdiction and that they are allowed to acquire, purchase, and hold the Offer Shares.

The Offer Shares may be purchased and owned by any person or entity regardless of citizenship or nationality, subject to the nationality limits under Philippine law. The Philippine Constitution and related statutes set forth restrictions on foreign ownership for companies engaged in certain activities. In particular, the Philippine Constitution and other Philippine laws and regulations require that ownership of companies that own land be limited to citizens of the Philippines, or Philippine Nationals, which include corporations or associations organized under the laws of the Philippines of which at least 60% of the capital stock outstanding is owned and held by citizens of the Philippines. To the extent that we own land in the Philippines, foreign ownership in our capital stock will be limited to a maximum of 40% of our issued and outstanding capital stock. For further discussion, please refer to the section on "*Regulations*" on page 150.

We, together with the Selling Shareholder, reserve the right to withdraw the offer and sale of the Offer Shares at any time, and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner reserves the right to reject any commitment to subscribe for the Offer Shares in whole or in part and to allot to any prospective purchaser less than the full amount of the Offer Shares sought by such purchaser. If the Offer is withdrawn or discontinued, we shall make the necessary disclosures to the SEC and the PSE.

Unless otherwise indicated, all information in this Prospectus is as of the date of this Prospectus. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstance, create any implication that the information contained herein is correct as of any date subsequent to the date hereof or that there has been no change in the affairs of the Company since such date.

In making an investment decision, investors are advised to carefully consider all the information contained in this Prospectus, including risks associated with an investment in the Offer Shares. These risks include:

- risks relating to our business;
- risks relating to the Philippines;
- risks relating to the Offer and the Offer Shares; and
- risks relating to the presentation of information in this Prospectus.

For a more detailed discussion on the risks in investing, see section on "*Risk Factors*" on page 26 of this Prospectus, which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of the Offer Shares. The Offer Shares are offered solely on the basis of the information contained and the representations made in the Prospectus.

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED HEREIN ARE TRUE AND CURRENT.

MEDILINES DISTRIBUTORS INCORPORATED

By:

MARIA PATRICIA DOLOR V. YAMBING
President

Republic of the Philippines)
City of Makati) s.s.

Before me, a notary public in and for the city named above, personally appeared Maria Patricia Dolor V. Yambing, who was identified by me through competent evidence of identity to be the same person who presented the foregoing instrument and signed the instrument in my presence, and who took an oath before me as to such instrument.

Witness my hand and seal this 16 NOV 2021 at Makati City.

Doc. No. 242;
Page No. 51;
Book No. V;
Series of 2021.

KATHRINE T. TING
Appointment No. M-572
Notary Public for Makati City
Until December 31, 2020
Liberty Center-Picazo Law
104 H.V. Dela Costa Street, Makati City
Roll of Attorney's No. 73546
PTR No. 8535727/Makati City/01-05-2021
IBP No. 137919/Makati City/01-05-2021
MCLE Exempted-Admitted to the bar in 2019

The Offer Shares are offered subject to receipt and acceptance of any order by us and subject to our right to reject any order in whole or in part in consultation with the Sole Issue Manager, Lead Underwriter and Sole Bookrunner. It is expected that the Offer Shares will be delivered in book-entry form against payment thereof to the PDTC on or about December 7, 2021.

No representation or warranty, express or implied, is made by us, the Selling Shareholder or the Sole Issue Manager, Lead Underwriter and Sole Bookrunner regarding the legality of an investment in the Offer Shares under any legal, investment or similar laws or regulations. No representation or warranty, express or implied, is made by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner as to the accuracy or completeness of the information herein and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner. The contents of this Prospectus are not investment, legal or tax advice. Prospective investors should consult their own counsels, accountants and other advisors as to legal, tax, business, financial and related aspects of a purchase of the Offer Shares. In making any investment decision regarding the Offer Shares, prospective investors must rely on their own examination of us and the terms of the Offer, including the merits and risks involved. Any reproduction or distribution of this Prospectus, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Offer Shares is prohibited. Each offeree of the Offer Shares, by accepting delivery of this Prospectus, agrees to the foregoing.

THE OFFER SHARES ARE BEING OFFERED IN THE PHILIPPINES ON THE BASIS OF THIS PROSPECTUS ONLY. ANY DECISION TO PURCHASE THE OFFER SHARES IN THE PHILIPPINES MUST BE BASED ONLY ON THE INFORMATION CONTAINED HEREIN.

No person has been authorized to give any information or to make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by the Company, the Selling Shareholder or the Sole Issue Manager, Lead Underwriter and Sole Bookrunner. This Prospectus does not constitute an offer to sell or the solicitation of an offer to purchase any securities other than the Offer Shares or an offer to sell or the solicitation of an offer to purchase such securities by any person in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this Prospectus nor any sale of the Offer Shares offered hereby shall, under any circumstances, create any implication that there has been no change in our affairs since the date hereof or that the information contained herein is correct as of any time subsequent to the date hereof.

The information contained in this Prospectus relating to the Company and its operations has been supplied by the Company, unless otherwise stated herein. Each of the Company and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner has exercised due diligence to the effect that, and the Company confirms that, after having taken reasonable care to ensure that such is the case, as of the date of this Prospectus, the information contained in this Prospectus relating to the Company and its operations is true and there is no material misstatement or omission of fact which would make any statement in this Prospectus misleading in any material respect and the Company and Sole Issue Manager, Lead Underwriter and Sole Bookrunner hereby accept responsibility under and in accordance with the Securities Regulation Code for the accuracy of the material information contained in this Prospectus relating to the Company and its operations.

The distribution of this Prospectus and the offer and sale of the Offer Shares in certain jurisdictions may be restricted by law. We, the Selling Shareholder and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner require persons into whose possession this Prospectus comes to inform themselves about and to observe any such restrictions. This Prospectus does not constitute an offer of, or an invitation to purchase, any of the Offer Shares in any jurisdiction in which such offer or invitation would be unlawful. Each prospective purchaser of the Offer Shares must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers, sells or resells the Offer Shares or possesses and distributes this Prospectus and must obtain any consents, approvals or permissions required for the purchase, offer, sale or resale by it of the Offer Shares under the laws, rules and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or resales, and none of the Sole Issue Manager, Lead Underwriter and Sole Bookrunner and the Selling Shareholder or we shall have any responsibility therefor.

We, together with the Selling Shareholder, reserve the right to withdraw the offer and sale of Offer Shares at any time. In consultation with the Sole Issue Manager, Lead Underwriter and Sole Bookrunner, we reserve the right to reject any commitment to subscribe for the Offer Shares in whole or in part and to allow to any prospective purchaser less than the full amount of the Offer Shares sought by such purchaser. If the Offer is withdrawn or discontinued, we shall subsequently notify the SEC and the PSE. The Sole Issue Manager, Lead Underwriter and Sole Bookrunner and certain related entities may acquire for their own account a portion of the Offer Shares.

Each offeree of the Offer Shares, by accepting delivery of this Prospectus, agrees to the foregoing.

BASIS FOR CERTAIN MARKET DATA

Market data and certain industry data used throughout this Prospectus were obtained from market research, publicly available information, industry publications and on our own analysis and knowledge of the markets for our products. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information are not guaranteed. Similarly, industry forecasts and market research, while believed to be reliable, have not been independently verified, and neither the Company nor the Sole Issue Manager, Lead Underwriter and Sole Bookrunner makes any representation or warranty, express or implied, as to the accuracy or completeness of such information. Information in this Prospectus on the medical devices market in the Philippines is from independent market research carried out by Ken Research Private Limited ("**Ken Research**") commissioned by us, but should not be relied upon in making, or refraining from making, any investment decision.

The operating information used throughout this Prospectus has been calculated by us on the basis of certain assumptions. As a result, this operating information may not be comparable to similar operating information reported by other companies.

See the section entitled "*Industry Overview*" on page 66 of this Prospectus for information relating to the industry in which we operate.

CONVENTIONS USED IN THIS PROSPECTUS

In this Prospectus, unless otherwise specified or the context otherwise requires, all references to the "**Company**," the "**Issuer**," "**MDI**," "**we**," "**us**" or "**our**" are to Medilines Distributors Incorporated. All references to the "**BSP**" are references to Bangko Sentral ng Pilipinas, the central bank of the Philippines. All references to the "Government" are references to the government of the Republic of the Philippines. All references to "**Philippine Pesos**" or "**₱**" are to the lawful currency of the Philippines. Certain terms used herein are defined in the "**Glossary**" contained elsewhere in this Prospectus.

PRESENTATION OF FINANCIAL INFORMATION

Our financial statements are reported in Philippine Pesos and are prepared based on our accounting policies, which are in accordance with the Philippine Financial Reporting Standards ("**PFRS**") issued by the Financial Reporting Standards Council of the Philippines.

The financial information included in this Prospectus has been derived from our financial statements. Unless otherwise indicated, financial information relating to us in this Prospectus is stated in accordance with PFRS.

Figures in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown in the same item of information may vary, and figures which are totals may not be an arithmetic aggregate of their components.

Our fiscal year begins on January 1 and ends on December 31 of each year. Punongbayan & Araullo (Grant Thornton Philippines), a member firm of Grant Thornton International Ltd, has audited our financial statements as of and for the years ended December 31, 2018, 2019 and 2020 and as of June 30, 2021 and for the six months ended June 30, 2020 and 2021, in accordance with Philippine Standards on Auditing ("**PSA**").

In contemplation of the Offer and in compliance with applicable regulatory requirements of the SEC for companies seeking registration of their securities, we appointed Punongbayan & Araullo as our independent auditors in December 7, 2020. Punongbayan & Araullo issued a report with an unqualified opinion on our financial statements as of and for the years ended December 31, 2018, 2019 and 2020 and as of June 30, 2021 and for the six months ended June 30, 2020 and 2021. For more information, please refer to our audited financial statements as of and for the years ended December 31, 2018, 2019 and 2020 and as of June 30, 2021 and for the six months ended June 30, 2020 and 2021 contained elsewhere in this Prospectus.

PRESENTATION OF NON-PFRS FINANCIAL INFORMATION

This Prospectus includes certain non-PFRS financial measures, including EBITDA and EBITDA margin. References to "**EBITDA**" are to net profit before finance costs, taxes, depreciation and amortization. EBITDA is a supplemental measure of our performance and liquidity that is not required by, or presented in accordance with PFRS. Further, EBITDA is not a measurement of our financial performance or liquidity under PFRS and should not be considered as an alternative to net income, revenues or any other performance measure derived in accordance with PFRS or as an alternative to cash flow from operations or as a measure of our liquidity. We believe that EBITDA may facilitate operating performance comparisons from period to period and from company to company by eliminating potential differences caused by variations in capital structures (affecting interest expense), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses) and the age and book depreciation and amortization of tangible assets (affecting relative depreciation and amortization expenses). However, as there are various EBITDA calculation methods, our presentation of EBITDA may not be comparable to similarly titled measures used by other companies. "**EBITDA Margin**" is calculated as EBITDA divided by revenues.

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- known and unknown risks;
- uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from expected future results; and
- performance or achievements expressed or implied by forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause some or all of the assumptions not to occur or cause actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other things:

- risks relating to our businesses and operations;
- our ability to successfully implement our current and future business strategies;
- our ability to manage our expansion and growth;
- our ability to leverage on our strengths;
- our ability to anticipate and respond to consumer trends and technological advances;

- our ability to develop and maintain relationships with customers and principals;
- our ability to meet liquidity and capital requirements;
- management of inventory, maintenance and rental properties;
- our reliance on third-party service providers and suppliers;
- our reliance on government hospital as our top customers;
- potential damages to the brand name of the Company, its products, or its principals;
- compliance with all applicable laws and regulations;
- changes in financial reporting standards;
- risks relating to the Philippines;
- the condition and changes in the Philippine, Asian or global economies and future political instability in the Philippines;
- extraordinary events relating to natural catastrophes, acts of terrorism, or territorial disputes;
- changes in interest rates, inflation rates, credit ratings and the value of the Philippine Peso against the U.S. dollar and other currencies;
- changes in Government regulations, including tax laws, or licensing in the Philippines;
- competition in the medical devices industry in the Philippines;
- risks relating to the Offer and the Offer Shares; and
- risks relating to the information in the Prospectus.

Additional factors that could cause our actual results, performance or achievements to differ materially from forward-looking statements include, but are not limited to, those disclosed under "*Risk Factors*" and elsewhere in this Prospectus. These forward-looking statements speak only as of the date of this Prospectus. We and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner expressly disclaim any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions, assumptions or circumstances on which any statement is based.

This Prospectus includes statements regarding our expectations and projections for future operating performance and business prospects. The words "believe," "plan," "expect," "anticipate," "estimate," "project," "intend," "seek," "target," "aim," "may," "might," "will," "would," "could," and similar words identify forward-looking statements. Statements that describe MDI's objectives, plans or goals are forward-looking statements. In addition, all statements other than statements of historical facts included in this Prospectus are forward-looking statements. In light of the risks and uncertainties associated with forward-looking statements, investors should be aware that the forward-looking events and circumstances discussed in this Prospectus might not occur. Actual results could differ materially from those contemplated in the relevant forward-looking statement and we give no assurance that such forward-looking statements will prove to be correct or that such intentions will not change. This Prospectus discloses, under the section "*Risk Factors*" and elsewhere, important factors that could cause actual results to differ materially from our expectations. All subsequent written and oral forward-looking statements attributable to us or persons acting on behalf of us are expressly qualified in their entirety by the above cautionary statements.

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GLOSSARY

In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings setforth below.

Application	:	An application to subscribe for Offer Shares pursuant to the Offer
ASEAN Medical Device Directive	:	An agreement by the 10 members of the Association of Southeast Asian Nations to amend their laws to conform with a common standard on licensing requirements, approvals, complaint channels and fines for non-compliance with respect to medical devices.
Bayanihan Act	:	Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act
BIR	:	The Philippine Bureau of Internal Revenue
Board of Directors or Board	:	MDI's board of directors
BOC	:	Bureau of Customs
BSP	:	*Bangko Sentral ng Pilipinas*, the central bank of the Philippines
CAPEX	:	capital expenditure
CMTA	:	Customs Modernization and Tariff Act
Consumer Act	:	Philippine Republic Act No. 7394
CREATE	:	Republic Act No. 11534, or the Corporate Recovery and Tax Incentives for Enterprises Act
CT scan	:	Computerized tomography scan
Date of this Prospectus	:	November 16, 2021
DBM	:	Department of Budget and Management
D.O. 174	:	Department Order No. 174 (2017)
D.O. 198	:	Department Order No. 198, series of 2018
DOH	:	Department of Health
DOLE	:	Department of Labor and Employment
DPO	:	Data Protection Officer
ECC	:	Environmental Compliance Certificate
ECQ	:	Enhanced Community Quarantine

EIS	:	Environmental Impact Statement
EISS Law	:	Philippine Environmental Impact Statement System
EMP	:	Environmental Management Plan
Escrow Agent	:	PNB Trust
ESRD	:	end-stage renal disease
FDA	:	Food & Drug Administration
FDA Act	:	Republic Act No. 9711 otherwise known as the Food and Drug Administration Act of 2009
Foreign Investments Act	:	Republic Act No. 7042, otherwise known as the Foreign Investments Act of 1991, as amended
GCQ	:	General Community Quarantine
GoP	:	Government of the Philippines
Government	:	Government of the Republic of the Philippines and all its instrumentalities
GPRA	:	Republic Act No. 9184 or the Government Procurement Reform Act
HFEP	:	Health Facilities Enhancement Program
IATF	:	Inter-Agency Task Force
Institutional Offer	:	The offer for sale of the Institutional Offer Shares to certain qualified buyers and other investors in the Philippines, by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner
Institutional Offer Settlement Date	:	The date on which final allocation of the Institutional Offer Shares is to be made, expected to be on or about December 3, 2021, or such other date that may be agreed by the Company and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner
Institutional Offer Shares	:	At least 577,500,000 Offer Shares (or 70% of the Offer Shares) being offered pursuant to the Institutional Offer
IP Code	:	Intellectual Property Code of the Philippines
IRO	:	Investor Relations Officer
IRR	:	Implementing Rules and Regulations
Labor Code	:	Labor Code of the Philippines
LGC	:	Republic Act No. 7160, otherwise known as the Local Government Code of 1991

LGU	:	Local government unit
Listing Date	:	The date on which the trading of the Offer Shares on the PSE begins, expected to be on or about December 7, 2021
Local small investors or LSIs	:	Local small investors under the PSE's Local Small Investors Program
Local Small Investors Program	:	The requirement for companies conducting an IPO to allocate at least 10% of their offer shares to Local Small Investors
LSCP	:	List of Similar Completed Projects
LTO	:	License to Operate
Ken Research	:	Ken Research Private Limited
Manual	:	Manual on Corporate Governance
Mega Manila	:	Metro Manila and the neighboring provinces of Bulacan, Cavite, Laguna and Rizal
MDI	:	Medilines Distributors Incorporated
MECQ	:	Modified ECQ
MGCQ	:	Modified GCQ
MPO	:	Minimum Public Ownership
MRI	:	magnetic resonance imaging
NCCC	:	National Cancer Control Committee
NCD	:	non-communicable diseases
NCPCAP	:	National Cancer Prevention and Control Action Plan
NFCC	:	Net Financial Contracting Capacity
Offer	:	The offer and sale of the Offer Shares on, and subject to, the terms and conditions stated herein
Offer Price	:	₱2.30 per Offer Share
Offer Shares	:	The Primary Shares and Secondary Shares
PCD	:	The Philippine Central Depository
PDTC	:	The Philippine Depositary and Trust Corporation

PET	:	Positron emission tomography
Philhealth	:	Philippine Health Insurance Corporation
PFRS	:	Philippine Financial Reporting Standards
Philippine National	:	As defined under the Foreign Investments Act, citizen of the Philippines, or a domestic partnership or association wholly-owned by citizens of the Philippines, or a corporation organized under thelaws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines, or a corporation organized abroad and registered to do business in the Philippines under the Revised Corporation Code of the Philippines, of which 100% of the capital stock outstanding and entitled to vote is wholly-owned by Filipinos or a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine national and at least 60% of the fund will accrue to the benefit of Philippine nationals
Philippines	:	The Republic of the Philippines
PIC	:	Personal information controllers
PIP	:	Personal information processors
PITC	:	Philippine International Trading Corporation
PNB Capital	:	PNB Capital and Investment Corporation
PNB Trust	:	Philippine National Bank acting through its Trust Banking Group
PRC	:	People's Republic of China
Price Act	:	Philippines Republic Act No. 7581
Primary Shares	:	550,000,000 unissued Shares to be offered by the Company by way of primary offer
Principals	:	pertains to the major suppliers which the Company is in partnership with: B. Braun, Siemens Healthineers, and Varian Medical Systems.
PSDBM	:	Procurement Service-Department of Budget and Management
PSE	:	The Philippine Stock Exchange, Inc.
PSE EASy	:	PSE Electronic Allocation System
PSE Edge	:	The PSE Electronic Disclosure Generation Technology
PSE Trading Participants	:	Duly licensed securities brokers who are trading participants of the PSE
QIB	:	Qualified institutional buyer, as such term is defined in the SRC

R.A. No. 8792	:	Republic Act No. 8792 or the Electronic Commerce Act of 2000
Receiving Agent	:	PNB Trust
Retail Offer Shares	:	82,500,000 Offer Shares (or 10% of the Offer Shares) being offered to LSIs under the Local Small Investors Program
Retail Settlement Date	:	LSI applications and payments must be completed and settled, respectively, by 12:00 p.m. on November 26, 2021
Revised Corporation Code of the Philippines	:	Republic Act No. 11232, otherwise known as the Revised Corporation Code of the Philippines
SEC	:	The Securities and Exchange Commission of the Republic of the Philippines
SEC Circular No. 7	:	SEC Memorandum Circular No. 7 (series of 2021)
Secondary Shares	:	275,000,000 issued Shares owned by the Selling Shareholder to be offered by way of secondary offer
Selling Shareholder	:	Virgilio B. Villar
Shares	:	The common shares of MDI, par value of ₱0.25 per share
Siemens	:	Siemens Healthineers
SKU	:	Stock Keeping Unit, referring to a distinct product for sale
SLCC	:	Single Largest Completed Contract
SPECT	:	CT scanner and hybrid single-photon emission computerized tomography
Sqm	:	Square meters
SRC	:	Republic Act No. 8799, otherwise known as the Securities Regulation Code, as amended from time to time, and including the rules and regulations issued thereunder
SSS	:	Social Security System
Stock Transfer Agent	:	PNB Trust
Tax Code	:	Republic Act No. 8424, otherwise known as The National Internal Revenue Code of the Philippines, as amended
Trading Participants and Retail Offer	:	The offer for sale of the Trading Participants and Retail Offer Shares
Trading Participants and Retail Offer Shares	:	The Trading Participants Offer Shares and Retail Offer Shares

Trading Participants Offer Shares	:	165,000,000 Offer Shares (or 20% of the Offer Shares) being offered through the PSE Trading Participants
Trading Participants or TPs	:	PSE Trading Participants
Trading Participants Settlement Date	:	The date on which settlement of the Trading Participants Offer Shares is to be made, expected to be on or about November 26, 2021
TRAIN	:	Republic Act No. 10963, or the Tax Reform for Acceleration and Inclusion
Transfer Pricing Regulations	:	Regulation No. 2-2013 on Transfer Pricing Regulations
TTA	:	Technology transfer arrangements
TTRA	:	Tax treaty relief application
UHC Law	:	Universal Healthcare Law
Underwriter	:	Sole Issue Manager, Lead Underwriter and Sole Bookrunner
VBV	:	Virgilio B. Villar
WHO	:	World Health Organization

EXECUTIVE SUMMARY

The following summary is qualified in its entirety by, and is subject to, the more detailed information presented in this Prospectus, including our audited financial statements and the notes thereto, appearing elsewhere in this Prospectus.

OVERVIEW

Medilines Distributors, Inc. is an essential distributor of critical medical equipment to public and private healthcare facilities across the Philippines. We maintain a portfolio of best-in-class equipment from multinational medical device companies such as Siemens (Germany) for diagnostics imaging, B. Braun (Germany) for dialysis and Varian (USA) for cancer therapy. Our portfolio primarily caters to the leading categories of specialized medicine in the Philippines – diagnostic imaging, dialysis and cancer therapy - that collectively amounted to ₱17.0 billion in sales under the medical equipment market of the Philippines in 2020. These categories, in turn, address some of the top causes of mortality among Filipinos – cardiovascular diseases, cancer, chronic obstructive pulmonary disease, diabetes, pneumonia, and tuberculosis.

In response to the COVID-19 pandemic and the resulting acute need for timely medical care, we have supported the Philippine healthcare system through the distribution of our critical medical equipment such as computerized tomography scan ("**CT scan**") machines and x-ray machines which help in the early detection of possible COVID-19 complications. This also includes dialysis machines and portable reverse osmosis machines for the treatment of patients with COVID-19 complications in intensive care units. Our portfolio likewise includes other critical medical equipment such as linear accelerator machines, cathlabs, and mammography.

Our customers are primarily the Philippine Government through the Department of Health and Local Government Units, and private healthcare facilities such as, among others, hospitals, clinics and diagnostic centers. We sell our products to a market valued by Ken Research at ₱47.5 billion in 2020 and expected to grow to ₱82.7 billion by 2025 which translates to a CAGR of 11.6% for the Philippine medical equipment market.

For almost twenty (20) years, we have supported the development of the booming Philippine healthcare industry through the successful implementation of big ticket supply and distribution projects for both public and private healthcare facilities across the Philippines. In diagnostic imaging, where we have an 18.2% market share of the distribution segment in 2020 according to a research conducted by Ken Research, we have supplied the catheterization lab for the first Hybrid Operating Room set up in Mindanao and have successfully installed the country's first superconducting magnetic resonance imaging ("**MRI**") machine in Bohol. In dialysis, we hold a dominant position as we accounted for 50.5% of all machines that were sold under the distributor segment in 2020 according to a research conducted by Ken Research. In cancer therapy, where we are the undisputed market leader with a market share of 90.4% of the distribution segment in 2020 according to a research conducted by Ken Research, we have been awarded by DOH the first ever Nuclear Medicine Facilities project that combines a cyclotron, Positron emission tomography ("**PET**") CT scanner and hybrid single-photon emission computerized tomography ("**SPECT**") CT system in Davao City and Cebu City.

To capture the growth not only of our core market of medical equipment but of the wider medical devices market, we will employ a multi-level strategy by maintaining our existing relationships with key customer accounts, establishing new customer bases in underpenetrated local markets, expanding our product portfolio to include high-margin consumable products, strengthening further our logistics capability, and venturing into other healthcare categories in the long term. The medical devices market, which is composed of medical equipment and consumables & accessories, is expected to grow at a CAGR of 10.7% in the next five years to be worth ₱127.8 billion by 2025 from ₱77.0 billion in 2020 according to Ken Research.

We have a proven track record of growing our business. For the years ended December 31, 2018 to December 31, 2020, our consolidated revenues grew from ₱1,171 million to ₱1,467 million which translates to a CAGR of 11.9%. Our net income likewise recorded strong growth, climbing from just ₱77 million to ₱103 million during the same period which translates to a CAGR of 16.0%. Our growth momentum was boosted further by the increase in the demand for life-saving equipment amid the COVID-19 pandemic.

Moving into 2021, our revenues for the six-month period ended June 30, 2021 jumped to ₱815 million which is higher by 281% compared to ₱214 million recorded during the same period in 2020. Meanwhile, our net income during the same period in 2021 was at ₱100 million which is equivalent to almost 100% of the net income posted for the full-year 2020.

Medilines Distributors Incorporated was incorporated in the Philippines and registered with the Securities and Exchange Commission on July 12, 2002. Our Company's primary purpose is to establish, conduct and maintain business of trading and distribution of medical devices.

The principal shareholder of the Company is Mr. Virgilio Villar. Mr. Villar served as the Managing Director of B. Braun Medical Supplies, Inc. for over twenty years before deciding to join the management of the business when he recognized a significant gap in the supply chain between multinational principals and underserved Philippine hospitals that were then starting to modernize.

STRENGTHS

We believe that we have the following competitive strengths.

- Well-positioned in a large, attractive and growing Philippine healthcare industry
- Broad portfolio of core critical medical equipment to address the need of public and private healthcare facilities across the Philippines
- Strong sales and marketing capabilities with long-standing relationships with key accounts in both the private and public sectors
- Strategic partnerships with principals that are market leaders in their respective categories
- Established operational expertise in the implementation of highly specialized and high value medical equipment projects
- Demonstrated record of significant growth and profitability
- Experienced and founder-led management team with extensive knowledge in Philippine Healthcare Industry

For a full discussion on the Company's competitive strengths, see page 90 of this Prospectus.

STRATEGIES

The Company's principal strategy are as follows:

- Continue to join big ticket projects in both public and private hospitals
- Develop our customer base in fast-growing and underpenetrated markets across the Philippines
- Expand into the consumables segment of our core product categories for margin efficiency
- Continue to streamline our logistics systems
- Venture into other high-profit healthcare categories in the long-term

For a full discussion on the Company's business strategies, see page 96 of this Prospectus.

RISKS OF INVESTING

Before making an investment decision, prospective investors should carefully consider the risks associated with an investment in the Offer Shares. Certain of these risks are discussed in the section entitled "Risk Factors" and include risks relating to our businesses and operations, risks relating to the Philippines, and risks relating to the Offer and the Offer Shares.

INVESTOR RELATIONS OFFICE

The investor relations office will implement the investor relations program in order to reach out to all shareholders and keep them informed of corporate activities. The office will also handle communication of relevant information to our stakeholders as well as to the broader investor community. The investor relations office will also be responsible for receiving and responding to investor and shareholder queries relating to the Company.

Simonette M. Liutongco has been appointed by the Board as the head of the investor relations office and to serve as our Investor Relations Officer ("**IRO**"). The IRO will ensure that we comply with and file on a timely basis all required disclosures and continuing requirements of the SEC and the PSE. In addition, the IRO will oversee most aspects of the shareholder meetings, press conferences, investor briefings, and management of the investor relations portion of our website, which will contain information, including but not limited to:

(a) Company information (organizational structure, board of directors and management team);

(b) Company news (analyst briefing report, press releases, latest news, newsletters (if any));

(c) Financial report (annual and quarterly reports for the past two years);

(d) Disclosures (recent disclosures to PSE and SEC for the past two years);

(e) Investor FAQs;

(f) Investor Contact (email address and phone numbers for feedback/comments, shareholder assistance and service); and

(g) Stock Information.

The investor relations office will be located in our principal place of business with contact details as follows:

+63 7747 1016
E-mail: investorrelationsoffice@medilines.com.ph
www.medilines.com.ph

COMPANY INFORMATION

We are a Philippine corporation organized under the laws of the Philippines. Our principal office address is No. 07 Pioneer Street corner Sheridan Street, Barangay Highway Hills, Mandaluyong City, with telephone number: +63 7747 1016. Our corporate website is www.medilines.com.ph. Information on the website is not incorporated by reference into this Prospectus.

TERMS OF THE OFFER

The following does not purport to be a complete listing of all the rights, obligations, and privileges attaching to or arising from the Offer Shares. Some rights, obligations, or privileges may be further limited or restricted by other documents and subject to final documentation. Prospective investors are enjoined to perform their own independent investigation and analysis of the Company and the Offer Shares. Each prospective investor must rely on its own appraisal of the Company and the Offer Shares and its own independent verification of the information contained herein and any other investigation it may deem appropriate for the purpose of determining whether to invest in the Shares and must not rely solely on any statement or the significance, adequacy, or accuracy of any information contained herein. The information and data contained herein are not a substitute for the prospective investor's independent evaluation and analysis.

Issuer	:	Medilines Distributors Incorporated
Selling Shareholder	:	Virgilio B. Villar
Sole Issue Manager, Lead Underwriter and Sole Bookrunner	:	PNB Capital and Investment Corporation
Selling Agents	:	PSE Trading Participants
The Offer	:	Offer of 825,000,000 Offer Shares, consisting of 550,000,000 Primary Shares to be offered and issued by the Company and 275,000,000 Secondary Shares to be offered by the Selling Shareholder.
Primary Shares	:	550,000,000 unissued Shares to be offered by the Company by way of primary offer.
Secondary Shares	:	275,000,000 issued Shares owned by the Selling Shareholder to be offered by way of secondary offer.
Offer Shares	:	The Primary Shares and Secondary Shares .
Institutional Offer	:	At least 577,500,000 Offer Shares, or 70% of the Offer Shares (subject to re-allocation as described below) (the "**Institutional Offer Shares**"), are being offered and sold to certain qualified buyers and other investors in the Philippines, by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner.
Trading Participants and Retail Offer	:	247,500,000 Offer Shares are being offered at the Offer Price in the Trading Participants and Retail Offer (the "**Trading Participants and Retail Offer Shares**"). 165,000,000 Offer Shares (or 20% of the Offer Shares) (the "**Trading Participants Offer Shares**") are being allocated to all of the PSE Trading Participants and 82,500,000 Offer Shares (or 10% of the Offer Shares) (the "**Retail Offer Shares**") are being allocated to local small investors ("**LSIs**"). Each PSE Trading Participant shall initially be allocated 1,320,000 Offer Shares, subject to reallocation as may be determined by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner. Each LSI applicant may subscribe up to a maximum of 43,000 Offer Shares at the Offer Price. The Sole Issue Manager, Lead Underwriter and Sole Bookrunner shall purchase the Trading Participants and Retail Offer Shares not reallocated to the Institutional Offer or otherwise not taken up by the PSE Trading Participants or clients of the Sole Issue Manager, Lead Underwriter and Sole Bookrunner or the general public in

		the Philippines pursuant to the terms and conditions of the Underwriting Agreement. LSIs shall subscribe through the PSE Electronic Allocation System ("**PSE EASy**"). An LSI is defined as a subscriber to the Offer who is willing to subscribe to a minimum board lot or whose subscription does not exceed ₱100,000.00. In the case of this Offer, the minimum subscription of LSIs shall be 1,000 Offer Shares or ₱2,300.00, while the maximum subscription shall be 43,000 Offer Shares or ₱98,900.00. There will be no discount on the Offer Price. The procedure in subscribing to Offer Shares via PSE EASy is indicated in the Company's Implementing Guidelines for Local Small Investors to be announced through the PSE EDGE website. Should the total demand for the Offer Shares in the LSI program exceed the maximum allocation, the Sole Issue Manager, Lead Underwriter and Sole Bookrunner shall prioritize the subscriptions of small investors with amounts lower than the maximum subscription.
Offer Price	:	₱2.30 per Offer Share. The Offer Price was determined based on a book-building process and discussions amongst the Company, the Selling Shareholder, and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner.
Eligible Investors	:	The Trading Participants and Retail Offer Shares may be purchased by any natural person of legal age regardless of nationality, or any corporation, association, partnership, trust account, fund or entity organized under the laws of the Philippines or licensed to do business in the Philippines, regardless of nationality, subject to our right to reject an Application or reduce the number of the Offer Shares applied for subscription. The Institutional Offer Shares are being offered for sale to certain qualified buyers and other investors in the Philippines, by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner. Purchase of the Offer Shares in certain jurisdictions may be restricted by law. Foreign investors interested in purchasing the Offer Shares should inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally. Foreign investors, both corporate and individual, warrant that their purchase of the Offer Shares will not violate the laws of their jurisdiction and that they are allowed to acquire, purchase, and hold the Offer Shares.
Use of Proceeds	:	We intend to use the net proceeds from the sale of the Primary Shares to fund the working capital in relation to the procurement of existing products and the build-up of medical consumables inventory and debt repayment. We intend to utilize ₱507.7 million as working capital in relation to the procurement of existing products and the build-up of medical consumables inventory which are low-cost yet high-margin products that are regularly used by our customers to operate the high-value medical equipment that we sell. We intend to use the ₱696.8 million to retire debt which were used primarily to fund our working capital requirements. We believe that pursuing this strategy will increase the overall shareholder value of the Company as this will decrease our financing cost. See "*Use of*

Proceeds" beginning on page 59 of this Prospectus.

Minimum Subscription : Each application must be for a minimum of 1,000 Offer Shares, and thereafter, in multiples of 1,000 Offer Shares. Applications for multiples of any other number of Shares may be rejected or adjusted to conform to the required multiple, at the Company's discretion.

Reallocation : The allocation of the Offer Shares between the Trading Participants and Retail Offer and the Institutional Offer is subject to adjustment as determined by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner. If there is an under-application in the Institutional Offer and a corresponding over-application in the Trading Participants and Retail Offer, Offer Shares in the Institutional Offer may be reallocated to the Trading Participants and Retail Offer. If there is an under-application in the Trading Participants and Retail Offer and a corresponding over-application in the Institutional Offer, Offer Shares in the Trading Participants and Retail Offer may be reallocated to the Institutional Offer. The reallocation shall not apply in the event of over-application or under-application in both the Trading Participants and Retail Offer and the Institutional Offer. The Sole Issue Manager, Lead Underwriter and Sole Bookrunner shall purchase the Trading Participants and Retail Offer Shares not reallocated to the Institutional Offer or otherwise not taken up by the Trading Participants, LSIs or clients of the Sole Issue Manager, Lead Underwriter and Sole Bookrunner or the general public in the Philippines pursuant to the terms and conditions of the Underwriting Agreement.

Lock-up : Under the PSE Consolidated Listing and Disclosure Rules, existing shareholders who own an equivalent of at least 10% of the issued and outstanding Shares as of the Listing Date cannot sell, assign or in any manner dispose of their Shares for a minimum period of 180 days after the Listing Date. Thus, the following shall be subject to such lock-up period:

The following are covered by the 180-day lock-up requirement:

No. of Shares	Subject to 180-day Lock-up Period
Virgilio B. Villar	1,005,002,800 common shares
Ma. Theresa V. Villar	319,996,000 common shares
TOTAL	**1,324,998,800 common shares**

In addition, if there is any issuance or transfer of Shares (i.e., private placements, asset for shares swap or a similar transaction) or instruments which lead to issuance of Shares (i.e., convertible bonds, warrants or a similar instrument) completed and fully paid for within 180 days prior to the start of the Offer, and the transaction price is lower than that of the Offer Price in the initial public offering, all such Shares issued or transferred shall be subject to a lock-up period of at least 365 days from full payment of such Shares. Thus, the following shall be subject to such lock-up period:

The following are covered by the 365-day lock-up requirement:

No. of Shares	Subject to 365-day Lock-up Period
Two On, Inc.[1]	600,000,000 common shares
Maria Patricia Dolor V.	400 common shares

	Yambing	
	Norman K. Macapagal	400 common shares
	Fernando Sixto V. Segovia	400 common shares
	Brian N. Edang	400 common shares
	Gerardo J. Guerrero	400 common shares
	TOTAL	**600,002,000 common shares**

Note:
(1) On July 27, 2021, MDI issued 600,000,000 shares with par value of ₱0.25 to Two On, Inc. and payment was made in cash.

To implement the lock-up requirement, we and the shareholders subject to the lock-up described above shall enter into an escrow agreement with the Philippine National Bank acting through its Trust Banking Group ("**PNB Trust**").

The Company and the Selling Shareholder have agreed with the Sole Issue Manager, Lead Underwriter and Sole Bookrunner that they will not, without the prior written consent of the Sole Issue Manager, Lead Underwriter and Sole Bookrunner , issue, offer, pledge, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal of) any Shares or securities convertible or exchangeable into or exercisable for any Shares or warrants or other rights to purchase Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options for a period of 180 days after the Listing Date.

See "*Principal and Selling Shareholder* and "*Plan of Distribution – Lock-Up.*"

Listing and Trading : The Company has filed an application with the SEC for the registration and an application with the PSE for the listing of all its issued and outstanding stock (including the Offer Shares). The SEC is expected to issue the Order of Effectivity and Permit to Sell on or about November 18, 2021. In its notice of approval dated October 18, 2021, the PSE has approved the listing application subject to compliance with certain pre-offering and listing conditions.

All of the issued and outstanding common shares of the Company, including the Offer Shares to be issued, are expected to be listed on the Main Board of the PSE under the symbol "**MEDIC**". See "*Description of the Shares.*" All of the Offer Shares are expected to be listed on the PSE on or about December 7, 2021, or such other date that may be agreed by the Company and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner. Notice of any adjustment to the Listing Date shall be made by publication by the Company in two (2) newspapers of general circulation, provided that any adjustment to the Listing Date shall be subject to the approval of the PSE. Trading of the Offer Shares that are not subject to lock-up is expected to commence on or about December 7, 2021

Dividends and Dividend Policy : The Company is authorized to declare dividends. A cash dividend declaration requires approval from the Board. A stock dividend declaration requires the further approval of shareholders representing not less than

		two-thirds of the Company’s outstanding capital stock. Dividends may be declared only from available unrestricted retained earnings. Under our current dividend policy, we intend to maintain an annual cash dividend payment ratio for our Shares of 10% to 30% of net income after tax for the preceding fiscal year, subject to the requirements of applicable laws and regulations. See “*Dividendsand Dividend Policy*”.
Restrictions on Ownership	:	The Offer Shares may be purchased and owned by any person or entity regardless of citizenship or nationality, subject to any applicable nationality limits under Philippine law. The Philippine Constitution and related statutes set forth restrictions on foreign ownership for companies engaged in certain activities. In particular the Philippine Constitution and other Philippine laws and regulations require that ownership of companies that own land be limited to citizens of the Philippines, or Philippine Nationals, which include corporations or associations organized under the laws of the Philippines of which at least 60% of the capital stock outstanding is owned and held by citizens of the Philippines. To the extent that we own land, foreign ownership in our capital stock will be limited to a maximum of 40% of our issued and outstanding capital stock. For more information relating to restrictions on the ownership of the Shares, please see “*Description of the Shares*” and “*Regulations.*”
Registration of Foreign Investments	:	The BSP requires that investments in shares of stock funded by inward remittance of foreign currency be registered with the BSP only if the foreign exchange needed to service capital repatriation or dividend remittance will be sourced from the Philippine banking system. The registration with the BSP of all foreign investments in the Offer Shares shall be the responsibility of the foreign investor.
Restriction on Issuance and Disposal of Shares	:	See “*Lock-up*” above.
Tax Considerations	:	See “Taxation” for further information on the Philippine tax consequences of the purchase, ownership and disposal of the Offer Shares.
Procedure for Application for the Trading Participants and Retail Offer	:	The Offer Period shall commence at 9:00 a.m., Manila time, on November 22, 2021 and shall end at 12:00 p.m., Manila time, on November 26, 2021. If, for any reason, any day of the Offer Period is a non-Banking Day, then the Offer Period may be extended to the next immediately succeeding Banking Day, or such other date as may be agreed upon by the Company and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner. The Company and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner reserve the right to extend, shorten, or terminate the Offer Period, subject to the approval of the SEC and the PSE. Applications must be received by the Receiving Agent for PSE Trading Participant applications or through PSE EASy for LSI applications, as applicable, by 12:00 p.m. Manila time on November 26, 2021 and shall be subject to the terms and conditions of the Offer as stated in the Prospectus and in the Application. Applications received thereafter or without the required documents will be rejected. The actual purchase of the Offer Shares shall become effective only upon the actual listing of the Offer Shares on

the PSE and upon the obligations of the Sole Issue Manager, Lead Underwriter and Sole Bookrunner under the Underwriting Agreement becoming unconditional and not being suspended, terminated or cancelled on or before the Listing Date in accordance with the provisions of such agreement.

For PSE Trading Participants:

Application forms to purchase the Trading Participants Offer Shares and signature cards may be obtained from the Sole Issue Manager, Lead Underwriter and Sole Bookrunner. Application forms will also be made available for download on the Company website.

Applicants shall complete the application form, indicating all pertinent information, such as the applicant's name, address, contact number, taxpayer's identification number, citizenship and all other information required in the application form. Applicants shall undertake to sign all documents and to do all necessary acts to enable them to be registered as holders of the Trading Participants Offer Shares. Failure to complete the application form may result in the rejection of the application.

Applications must be received by the Receiving Agent not later than 12:00 p.m. on November 26, 2021. Applications received thereafter or without the required documents will be rejected. Applications shall be considered irrevocable upon submission to a PSE Trading Participant, and shall be subject to the terms and conditions of the Offer as stated in this Prospectus and in the application. The actual purchase of the Offer Shares shall become effective only upon the actual listing of the Offer Shares on the PSE and upon the obligations of the Sole Issue Manager, Lead Underwriter and Sole Bookrunner under the Underwriting Agreement becoming unconditional and not being suspended, terminated or cancelled on or before the Listing Date in accordance with the provisions of such agreement.

All applications shall be evidenced by the application to purchase form, in quadruplicate, duly executed in each case by an authorized signatory of the applicant and accompanied by one completed signature card, which for applicants who are corporations, partnerships or trust accounts, should be authenticated by the corporate secretary or equivalent corporate officer (or managing partner in the case of a partnership), and the corresponding payment for the Trading Participants Offer Shares covered by the application and all other required documents.

If the applicant is a corporation, partnership or trust account, the application must be accompanied by the following documents:

- A certified true copy of the applicant's latest articles of incorporation and by-laws (or articles of partnership, in the case of a partnership) and other constitutive documents (each as amended to date) duly certified by its corporate secretary (or managing partner in the case of a partnership);

- A certified true copy of the applicant's SEC certificate of registration duly certified by its corporate secretary (or managing partner in the case of a partnership); and

- A duly notarized corporate secretary's certificate (or certificate of the managing partner in case of partnership) setting forth the resolution of the applicant's board of directors or equivalent body authorizing the purchase of the Offer Shares indicated in the application, identifying the designated signatories authorized for the purpose, including his or her specimen signature, and certifying to the percentage of the applicant's capital or capital stock held by Philippine nationals.

Foreign corporate and institutional applicants who qualify as eligible investors, in addition to the documents listed above, are required to submit in quadruplicate, a representation and warranty stating that their purchase of the Trading Participants Offer Shares to which their application relates will not violate the laws of their jurisdictions of incorporation or organization, and that they are allowed, under such laws, to acquire, purchase and hold the Trading Participants and Retail Offer Shares.

This should be read in conjunction with the Offer Implementing Guidelines which will be published on the PSE EDGE website prior to the start of the Trading Participants and Retail Offer.

<u>For Local Small Investors:</u>

With respect to the LSIs, applications to purchase the Retail Offer Shares must be done online through the PSE EASy. The system will generate a reference number and payment instruction. LSI applications and payments must be completed and settled, respectively, by 12:00 p.m., Manila time on November 26, 2021 ("**Retail Settlement Date**").

Further information about the Company, details about the Offer, instructions for subscribing through PSE EASy, payment terms and the list of PSE Trading Participants where LSI applicants may open trading accounts for the lodgement of the LSI applicant's LSI shares will be made available in the Offer Implementing Guidelines which will be published on the PSE EDGE website prior to the start of the Trading Participants and Retail Offer.

LSI applications will be processed on a first-come, first-served basis, while final allocation of the Retail Offer Shares will be determined pursuant to allocation mechanics wherein fully paid allocations will be allotted in ascending order (i.e. from the lowest to highest) and upon the Receiving Agent's validation or confirmation of complete payment of the purchased Retail Offer Shares. This section should be read in conjunction with the Offer Implementing Guidelines which will be published on the PSE EDGE website prior to the start of the Trading Participants and Retail Offer.

Payment Terms for the Trading Participants Offer Shares Purchased through PSE Trading Participants : The purchase price must be paid in full in Philippine Pesos upon the submission of the duly completed and signed application form and signature card together with the requisite attachments.

Payments for the Trading Participants Offer Shares must be cleared on or before November 26, 2021 ("**Trading Participants Settlement Date**"). The modes of payment and instructions will be specified in the Offer Implementing Guidelines which will be published on the PSE EDGE website prior to the start of the Trading Participants and Retail Offer.

Acceptance or Rejection of Applications for the Trading Participants and Retail Offer	:	Applications for the Trading Participants and Retail Offer Shares are subject to the confirmation of the Sole Issue Manager, Lead Underwriter and Sole Bookrunner and our final approval. We, in consultation with the Sole Issue Manager, Lead Underwriter and Sole Bookrunner, reserve the right to accept, reject or scale down the number and amount of Trading Participants and Retail Offer Shares covered by any application. We and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner have the right to reallocate available Trading Participants and Retail Offer Shares in the event that the Trading Participants and Retail Offer Shares are insufficient to satisfy the total applications received. The Trading Participants and Retail Offer Shares will be allotted in such a manner as we and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner may, in our sole discretion, deem appropriate, subject to distribution guidelines of the PSE. Applications with checks dishonored upon first presentation and application forms which do not comply with the terms of the Trading Participants and Retail Offer will be automatically rejected. Notwithstanding the acceptance of any application, the actual acquisition of or subscription to the Trading Participants and Retail Offer Shares by an applicant will be effective only upon the listing of the Trading Participants and Retail Offer Shares on the PSE.
Refunds of the Trading Participants and Retail Offer	:	In the event that the number of Trading Participants and Retail Offer Shares to be received by an applicant, as confirmed by us, the Receiving Agent and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner, is less than the number covered by the application, or if an application is rejected, then the applicant is entitled to a refund, without interest, within five (5) banking days from the end of the offer period or on December 6, 2021, of all or a portion of the applicant's payment corresponding to the number of Trading Participants and Retail Offer Shares wholly or partially rejected. The refund mechanics will be specified in the Offer Implementing Guidelines which will be published on the PSE EDGE website prior to the start of the Trading Participants and Retail Offer.
Registration and Lodgment of Shares with the PDTC	:	The Offer Shares are required to be lodged with the PDTC. The applicant must provide the information required for the PDTC lodgment of the Offer Shares. The Offer Shares shall be lodged with the PDTC on Listing Date. The applicant may request to receive stock certificates evidencing such applicant's investment in the Offer Shares through his/her broker after the Listing Date. Any expense to be incurred by such issuance of certificates shall be borne by the applicant.
Expected Timetable	:	The timetable of the Offer is expected to be as follows:

Receipt of SEC Pre-effective clearance	October 13, 2021
Receipt of PSE Board approval	October 18, 2021
Bookbuilding Period	November 10 to November 16, 2021
Pricing	November 16, 2021
Notice of final Offer Price to the SEC and PSE	November 17, 2021
Receipt of the Permit to Sell from the SEC	November 18, 2021
Offer Period	November 22, 2021 to November 26,

	2021
PSE Trading Participants' Commitment Period	November 22, 2021 to November 24, 2021
Submission of Firm Order and Commitments by PSE Trading Participants	November 24, 2021, 12:00 p.m.
Trading Participants Settlement Date	November 26, 2021
Retail Settlement Date	November 26, 2021
Institutional Offer Settlement Date	December 3, 2021
Listing Date and commencement of trading on the PSE	December 7, 2021

The dates included above are subject to the approval of the PSE and the SEC, market and other conditions, and may be changed.

If, for any reason, any day of the above periods or dates is a not a Banking Day, then such period or date may be extended or moved, as the case may be, to the next immediately succeeding Banking Day, or such other date as may be agreed upon by the Company and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner. Notice of any adjustment to the Listing Date shall be made by publication by the Company in two (2) newspapers of general circulation, provided that any adjustment to the Listing Date shall be subject to the approval of the PSE.

Risks of Investing : In making an investment decision, investors are advised to carefully consider all the information contained in this Prospectus, including the risks associated with an investment in the Offer Shares. These risks include:

- risks relating to our business;
- risks relating to the Philippines;
- risks relating to the Offer and the Offer Shares; and
- risks relating to the presentation of information in the Prospectus.

For a more detailed discussion on certain of these risks, see "*Risk Factors*" beginning on page 26, which while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of the Offer Shares. The Offer Shares are offered solely on the basis of the information contained in the Prospectus.

Receiving Agent : PNB Trust

Stock and Transfer Agent : PNB Trust

Escrow Agent : PNB Trust

Counsel for the Issuer : Picazo Buyco Tan Fider & Santos

Counsel for the Sole Issue Manager, Lead Underwriter : Romulo Mabanta Buenaventura Sayoc & de los Angeles

and Sole Bookrunner

Independent Auditors : Punongbayan & Araullo (Grant Thornton Philippines)

SUMMARY OF FINANCIAL INFORMATION

The following tables present the summary of financial information and should be read in conjunction with the independent auditors' reports and MDIs financial statements, including the notes thereto, included elsewhere in this Prospectus, and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" The summary financial information as of and for the years ended December 31, 2018, 2019 and 2020 and as of June 30, 2021 and for the six months ended June 30, 2020 and 2021 were derived from MDI's audited financial statements, which were prepared in accordance with PFRS and were audited by Punongbayan & Araullo (Grant Thornton Philippines). in accordance with the PSA.

In accordance with the relevant accounting and financial reporting standards, certain information in MDI's financial statements as of and for the years ended December 31, 2018 and 2019 have been restated and reclassified, as discussed further in Note 2 to the financial statements as of and for the years ended December 31, 2018, 2019 and 2020 and as of June 30, 2021 2021 included elsewhere in this Prospectus.

The summary financial information below is not necessarily indicative of the results of future operations.

SUMMARY STATEMENTS OF COMPREHENSIVE INCOME

	For the years ended December 31,			For the six-month period ended June 30,	
In PHP millions(1)	2018 (as restated)	2019 (as restated)	2020	2020	2021
Revenue…………………………….	1,170.8	1,334.1	1,466.7	213.7	815.1
Direct cost………………………….	946.9	1,136.0	1,223.0	185.7	637.6
Gross profit………………………...	223.9	198.1	243.7	28.0	177.5
Operating expenses………………...	101.7	98.1	81.8	39.9	66.6
Operating profit…………………....	122.2	99.9	161.9	(11.9)	110.9
Other income (charges) – net………	(1.2)	(6.2)	(14.7)	(0.4)	19.5
Profit before tax……………………	121.0	93.7	147.2	(12.4)	130.4
Tax expense………………………..	44.5	27.1	44.2	0.7	30.4
Net profit…………………………...	76.6	66.6	103.1	(13.0)	100.0
Other comprehensive income (loss)..	0.1	(0.4)	(0.3)	(0.3)	(1.0)
Total comprehensive income………	76.6	66.3	102.8	(13.3)	99.0
Basic and diluted earnings per Share	5,588.66	586.11	257.66	(32.59)	250.11

Notes:
(1) Except for Basic and diluted earnings per share.

SUMMARY STATEMENTS OF FINANCIAL POSITION

	As of December 31,			As of June 30,
In PHP millions	2018 (as restated)	2019 (as restated)	2020	2021
Current assets				
Cash……………………………………………	32.6	63.4	62.4	80.2
Trade and other receivables – net……………...	1,241.6	1,699.4	1,620.4	1,858.0
Contract assets…………………………………	-	-	961.6	1,110.0
Inventories – net……………………………….	56.5	40.7	230.7	184.6

Prepayments and other current assets………….	13.7	10.9	27.7	15.9
	1,344.4	1,814.3	2,902.9	3,248.6
Noncurrent assets				
Property and equipment – net………………….	45.9	49.6	166.0	140.8
Right-of-use asset – net………………………..	-	7.7	5.8	3.2
Guarantee deposits…………………………….	1.4	2.0	2.0	2.4
Deferred tax assets…………………………….	0.7	7.9	9.4	14.0
	48.0	67.3	183.2	160.3
Total assets……………………………………	1,392.4	1,881.6	3,086.1	3,408.9
Current liabilities				
Trade and other payables………………………	553.9	798.3	1,169.8	1,641.4
Loans and other borrowings…………………...	191.7	293.0	1,120.0	1,040.8
Income tax payable…………………………….	27.3	20.2	37.3	33.9
Contract liabilities……………………………..	-	95.8	3.6	69.3
	772.9	1,207.2	2,330.7	2,785.5
Noncurrent liabilities				
Loans and other borrowings…………………...	130.0	111.5	90.7	78.7
Deposit for future stock subscription…………	-	-	-	37.5
Lease liability………………………………….	-	6.1	4.2	-
Retirement benefit obligation………………….	2.4	3.4	4.3	6.9
	132.4	120.9	99.2	123.2
Total liabilities………………………………..	905.3	1,328.2	2,429.9	2,908.7
Equity				
Capital stock…………………………………...	13.7	400.0	400.0	400.0
Retained earnings……………………………...	373.4	153.7	256.8	101.9
Deposit for future subscription………………...	100.0	-	-	-
Revaluation reserves…………………………..	0.1	(0.3)	(0.6)	(1.6)
Total equity…………………………………...	487.2	553.4	656.2	500.2
Total liabilities and equity…………………...	1,392.4	1,881.6	3,086.1	3,408.9

SUMMARY STATEMENTS OF CASH FLOWS INFORMATION

	For the years ended December 31,			For the six-month period ended June 30,	
In PHP millions	2018 (as restated)	2019 (as restated)	2020	2020	2021
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before Tax	**121.0**	**93.0**	**147.2**	**(12.4)**	**130.4**
Adjustments for:					
Interest expense	9.4	23.5	31.1	13.6	21.5
Depreciation and amortization	7.4	11.5	10.9	6.5	5.5
Unrealized foreign exchange losses	5.3	0.1	3.5	-	0.1
Provision for expected credit losses	11.7	2.6	0.4	-	23.3
Interest income	(0.2)	(0.1)	(0.2)	(0.0)	(0.0)

Loss from inventory obsolescence	-	8.5	-	-	-
Loss on lease modification	-	-	-	-	1.2
Gain on sale of property and equipment	-	(0.2)	-	-	(28.9)
Operating profit before working capital changes	154.6	138.8	192.8	7.8	153.0
Decrease (increase) in trade and other receivables	(404.0)	(460.4)	78.6	28.7	(260.9)
Increase in contract assets	-	-	(961.6)	(55.1)	(148.4)
Decrease (increase) in inventories	25.0	7.3	(190.0)	(0.3)	46.2
Decrease (increase) in prepayments and other current assets	12.3	2.8	(16.9)	(31.1)	11.9
Increase in trade and other payables	195.9	242.6	373.9	34.9	213.6
Increase (decrease) in contract liabilities	-	95.8	(92.4)	(95.8)	65.7
Increase in retirement benefit obligation	0.4	1.0	1.0	(3.1)	1.6
Cash generated from (used in) operations	(15.8)	27.9	(614.7)	(114.1)	82.7
Interest paid	(9.4)	(23.5)	(31.1)	(20.0)	(38.4)
Income taxes paid	(46.4)	(35.2)	(28.5)	(13.6)	(21.5)
Interest received	0.2	0.1	0.2	0.0	0.0
Net Cash Used in Operating Activities	**(71.5)**	**(30.7)**	**(674.0)**	**(147.7)**	**22.9**
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisitions of property and equipment	(4.1)	(13.3)	(127.5)	(4.4)	(0.9)
Proceeds from sale of property and equipment	-	0.2	2.2	2.2	51.6
Payment of refundable deposits	(0.5)	(0.6)	-	-	(0.3)
Net Cash Used in Investing Activities	**(4.6)**	**(13.6)**	**(125.3)**	**(2.3)**	**50.3**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from interest-bearing loans and borrowings	242.9	559.1	1,181.6	268.8	752.2
Repayments of interest-bearing loans and borrowings	(172.5)	(476.4)	(375.4)	(145.9)	(843.4)
Cash dividends paid	(120.0)	(5.4)	(4.6)	(2.3)	-
Payments of lease liability	-	(2.2)	(2.2)	(1.1)	(1.6)
Deposit for future stock subscription	100.0	-	-	-	37.5
Net Cash from Financing Activities	**50.4**	**75.2**	**799.5**	**119.6**	**(55.3)**
Effect of Exchange Rate Charges on Cash	(5.3)	(0.1)	(1.0)	(0.0)	(0.1)
NET INCREASE (DECREASE) IN CASH	**(31.1)**	**30.8**	**(0.9)**	**(30.4)**	**17.8**
CASH AT BEGINNING OF YEAR	**63.7**	**32.6**	**63.4**	**63.4**	**62.4**

CASH AT END OF YEAR	**32.6**	**63.4**	**62.4**	**32.9**	**80.2**

SUMMARY OF SELECTED OPERATING AND FINANCIAL INFORMATION

	For the years ended December 31,						For the six-month period ended June 30,			
In PHP millions	2018	%	2019	%	2020	%	2020	%	2021	%
Revenues	1,170.8		1,334.1		1,466.7		213.7		815.1	
Revenue contribution per Segment										
Diagnostics	529.2	45.2%	374.5	28.1%	346.9	23.7%	122.0	57.1%	131.7	16.2%
Dialysis	352.5	30.1%	112.4	8.4%	238.8	16.3%	34.1	16.0%	173.7	21.3%
Cancer Therapy	140.6	12.0%	803.2	60.2%	867.0	59.1%	49.2	23.0%	498.1	61.1%
Others	148.5	12.7%	44.0	3.3%	14.0	0.9%	8.4	3.9%	11.6	1.4%
Total		100.0%		100.0%		100.0%		100.0%		100.0%
Revenue Contribution per Channel										
Government	78.1%		67.7%		89.1%		94.9%		77.7%	
Private Hospitals	21.9%		32.3%		10.9%		5.1%		22.3%	
Revenue growth	-30.2%		13.9%		9.9%		-		281.4%	
Gross profit growth	-53.3%		-11.5%		23.0%		-		534.5%	
Gross profit	223.9		198.1		243.7		28.0		177.5	
Gross profit margin(1)	19.1%		14.8%		16.6%		13.1%		21.8%	
Net profit	76.6		66.6		103.1		(13.0)		100.0	
Net profit growth	-73.8%		-13.0%		54.7%		-		869%	
Net profit margin(2)	6.5%		5.0%		7.0%		-6.1%		12.5%	
EBITDA(3)	137.8		128.7		189.2		7.8		157.4	
Growth	-64.9%		-6.6%		47.0%		-		1,932%	
Current ratio(4)	1.74		1.51		1.25		-		1.17	
Debt to equity ratio(5)	0.66		0.73		1.84		0.94		2.23	
BVPS (6)	4,371.7		1,428.7		1,640.5		1,377.7		1,250.6	

Notes:

(1) Gross Profit Margin is Gross Profit over Revenues.
(2) Net Profit Margin is Net Profit over Revenues.
(3) EBITDA is the sum of net income, interest, taxes, depreciation, and amortization
(4) Current Ratio is current assets over current liabilities
(5) Debt to Equity Ratio is interest bearing debt over total equity
(6) BVPS is equity available to common shareholders divided over the number of outstanding shares

EBITDA RECONCILIATION

The table below sets forth further information with respect to the computation of EBITDA for the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021:

	For the years ended December 31,	For the six months ended June 30,

	2018 (as restated)	2019 (as restated)	2020	2020	2021
	(in millions of ₱)			**(in millions of ₱)**	
Net Profit	76.56	66.64	103.06	(13.04)	100.05
Add:					
Interest expense...........................	9.4	23.5	31.1	13.6	21.5
Tax expense.................................	44.5	27.1	44.2	0.7	30.4
Depreciation and amortization	7.4	11.5	10.9	6.5	5.5
EBITDA.................................	**137.8**	**128.7**	**189.2**	**7.8**	**157.4**

RISK FACTORS

An investment in the Offer Shares involves a number of risks. You should carefully consider all the information contained in this Prospectus, including the risk factors described below, before deciding to invest in the Offer Shares. The occurrence of any of the following events, or other events not currently anticipated, could have a material adverse effect on our business, prospects, financial condition, results of operations, the market price of the Offer Shares and our ability to make dividend distributions to our shareholders. All or part of an investment in the Offer Shares could be lost. The price of securities can and does fluctuate, and any individual security is likely to experience upward or downward movements and may even become valueless. There is an extra risk of losing money when securities are bought from smaller companies. There may be a big difference between the buying price and the selling price of these securities. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. Our past performance is not a guide to our future performance. There may be a large difference between the buying price and the selling price of the Offer Shares. For investors that deal in a range of investments, each investment carries a different level of risk.

This section does not purport to disclose all of the risks and other significant aspects of investing in the Offer Shares. The risks described below are not the only risks facing us. Additional risks and uncertainties not currently known to us or those we currently view to be immaterial may also materially and adversely affect our business, financial condition or results of operations. Investors should undertake independent research and study the trading of securities before commencing any trading activity. You should seek professional advice if you are uncertain of, or have not understood, any aspect of this Offer or the nature of risks involved in purchasing, holding and trading the Offer Shares. You should consult your own counsel, accountant and other advisors as to the legal, tax, business, financial and related aspects of an investment in the Offer Shares. You may request information on the securities and the issuer thereof from the SEC which are available to the public.

The means by which we intend to address the risk factors discussed herein are principally presented under "Business – Strengths and Strategies – Strengths" beginning on page 90, "Business – Strengths and Strategies – Strategies" beginning on page 96, "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 132, "Industry Overview" beginning on page 66 and "Board of Directors and Senior Management – Compliance with Corporate Governance Practices" on page 121 of this Prospectus.

The risk factors discussed in this section are of equal importance and are separated into categories for ease of reference only. The order in which risks are presented is not necessarily an indication of the likelihood of the risks actually materializing, of the potential significance of the risks or of the scope of any potential harm to our business, results of operations, financial condition and prospects.

RISKS RELATING TO OUR BUSINESS

The COVID-19 global pandemic has had and is expected to continue to have an effect on the Company's business and results of operations.

COVID-19, an infectious disease that was first reported to have been transmitted to humans in late 2019, has spread globally over the course of 2020, and in March 2020 it was declared as a pandemic by the World Health Organization. As of June 30, 2021, there had been about 180 million confirmed cases in the world, as reported to the World Health Organization. The Government has taken measures in varying degrees across the Philippines to contain the spread of the virus, including social distancing measures, community quarantine, suspension of operations of non-essential businesses and travel restrictions.

As of the date of this Prospectus, Metro Manila is under General Community Quarantine ("**GCQ**") with Alert Level 2 while other areas continue to be placed under other levels of community quarantine and there is no assurance that areas that are currently under Enhanced Community Quarantine ("**ECQ**"), Modified Enhanced Community Quarantine ("**MECQ**"), General Community Quarantine ("**GCQ**") or Modified GCQ ("**MGCQ**") would not be placed under more stringent community quarantine in the future. The Philippines continues to be challenged as mobility and commercial activity in retail remains limited due to the restrictions and slow roll-out of the vaccination.

In February 2021, the Philippine government commenced vaccination for those considered as high-risk individuals including healthcare workers, senior citizens, and individuals with comorbidities. In June 2021, the government expanded the vaccination drive to all private sector workers required to be physically present at their workplace outside their residences; employees in government agencies and instrumentalities; and informal sector workers and self-employed who may be required to work outside their residences, and those working in private households.

COVID-19 has shed more light on the importance of widespread access, good capacity, and modernization of hospitals. As a result of the COVID-19 pandemic, the Company has maximized the resulting opportunities despite the quarantine restrictions. We have been supporting the government's response to COVID-19 through our urgent nationwide distribution of COVID-19 related machines such as CT scan machines and x-ray machines. These machines help in the early detection of possible complications due to COVID-19 and aid doctors in having a better understanding of a COVID-19 patient's condition for proper treatment. The demand for the installation of Dialysis machines and Portable Reverse Osmosis machines in Intensive Care Units has increased as an estimate of 30% of patients hospitalized with COVID-19 develop moderate or severe kidney injury. We note, however, that the aforementioned increase in demand for COVID-19-related devices may be offset by reduced uptake of other medical devices. Despite this, the supposed adverse effect on business operations will continue to be apprehended, or at least, minimized, for as long as we continue to carry COVID-related devices, such as the abovementioned equipment. In addition, our goal of expanding our portfolio via the consumables related to these devices is expected to even grow the business despite the negative economic effects of the pandemic on other businesses.

Moreover, due to the logistical restrictions brought about by the pandemic, some project installations (especially those with infrastructure components) were suspended and some importations were delayed, resulting in delayed payments.

Apart from the direct adverse impact on our business described above, the COVID-19 pandemic has also (i) disrupted the operations of our suppliers and principals; (ii) disrupted the supply chain of materials, facilities and other products, and caused delays in imports through the effects of travel restrictions, quarantines, closure of factories and facilities; (iii) suspension of project installations; (iv) increased volatility or caused disruption of global financial markets, and affected businesses' capabilities of accessing capital markets and other funding resources on favourable or acceptable terms; and (v) resulted in social, political, and economic instability. As the situation evolves, these indirect impacts may become more significant and could also have a severe adverse impact on the Company's results of operation and cash flow. To preserve our operations and liquidity should the pandemic persist, we have implemented appropriate measures such as: (1) focus on payment collection; (2) reduction in unnecessary operational costs on a case-to-case basis; (3) continuous negotiations with suppliers on prices and payment terms; (4) negotiation of fixed rates for material procurements; (5) continued promotion of covid-related products and shift of product mix towards products with high profit and high turnover (like dialysis), and (6) focus on accounts whose payments are secured such as government accounts and major groups of private hospitals.

The Company is not able to accurately predict the impact that COVID-19 will have on its business going forward due to uncertainties with respect to the severity and duration of the COVID-19 pandemic and additional actions that may be taken by governmental authorities, changes in consumer behaviour, recovery of economies and consumer spending, and the competitive environment. The extent to which the COVID-19 pandemic will continue to impact the Company will depend on future developments, including the timeliness and effectiveness of actions taken or not taken to contain and mitigate the effects of COVID-19 both in the Philippines and internationally by governments, central banks, healthcare providers, health system participants, other businesses and individuals, which are highly uncertain and cannot be predicted. To the extent the COVID-19 pandemic adversely affects the business and financial results of the Company, it may also have the effect of heightening many of the other risks described in this Prospectus. Despite these, we believe that we are in a better position to uphold the continuity of our operations, driven by the fact that we are part of the Healthcare Industry, have product lines that are related to the treatment of COVID-19, and have taken necessary measures to lessen the negative impact on operations and liquidity, which the pandemic may continue to affect businesses in general.

We may not be successful in implementing our growth strategy, including plans to expand our offerings, and we may not be able to manage future growth efficiently.

We intend to increase our revenues through, among others, expanding our product network by broadening our product offering. Our expansion activities may be financed by a combination of equity and additional borrowings. A significant part of our growth strategy entails finding hospitals in high-yielding areas of the Philippines, including areas where we do not currently have presence.

Our plans and strategy are as of the date of this Prospectus and are subject to various factors affecting our ability to implement our growth strategy, including, among others:

- market conditions, the general state of the Philippine economy, global economic conditions and regulatory environment;

- our ability to identify new hospitals and medical institutions as customers;

- our ability to obtain required permits and licenses and meet regulatory requirements to sell new machines;

- our ability to bear the increase in logistics costs when regional expansion occurs;

- our ability to obtain financing and other support for expansion;

- our ability to maintain the scale and stability of our information technology systems to support our current operations and continuous business growth;

- the hiring, training and retention of skilled personnel;

- the effective management of inventory to meet the needs of our customers on a timely basis;

- our operating performance and the availability of sufficient levels of cash flow or necessary financing to support our expansion; and

- our ability to successfully address competitive merchandising, distribution and other challenges encountered in connection with expansion into new geographic areas and markets.

We may experience delays in expanding the range of product offerings within the time frames we initially target. Any of the above factors or other similar challenges could delay or prevent us from installations and our product network expansion plan. If we fail to successfully implement our growth strategy due to the absence of, or our inability to carry out or sufficiently address, any of the above-mentioned factors, or otherwise, our business, financial condition and results of operations may be materially and adversely affected.

Expansion into new geographical areas with high population and steady growth, as well as high investments in the medical field will expose us to additional operational, logistical and other risks and there is no assurance that this will be successful or profitable. For example, if we experience significant future growth, we may not only be required to make additional investments in our platform, but will also have to expand our relationships with various suppliers and other third parties we do business with and to expend time and effort to integrate new suppliers and other third parties into our operations. The expansion of our business could exceed the capacities of our suppliers and third parties willing to do business with us and if they are unable to keep up with our growth, our operations, including our inventory levels, could be adversely affected. Moreover, our proposed expansion will also place increased demands on our managerial, operational, financial and administrative resources. There is no guarantee that we will be able to hire the required number of employees to expand our business in a timely manner and on acceptable terms. Any difficulties we experience with respect to developing our business operations in new geographical areas may materially and adversely affect our business, financial condition and results of operations.

In addition, if we are unable to successfully manage the potential difficulties associated with expansion of product offerings, we may not be able to capture the scale efficiencies that we expect from expansion. If we are unable to continue to capture scale efficiencies, we may not be able to achieve our goals with respect to operating margins.

An inability to manage future growth efficiently could have a material adverse effect on our business, financial condition, cash flows, results of operations and prospects.

We believe that our identified growth strategies are the next logical steps in expansion of the Company. Because of our experience with various device installations, providing essential consumables and support for these devices are attainable without many complexities. Expanding our product portfolio into the consumables related to our current machine product lines means that we will primarily upsell to existing customers while using the sales and marketing structure that is already in place. Meanwhile, expanding into geographical areas that will give us high yields means that we will primarily invest in additional manpower for pre-selected areas before investing in any other resource. We believe that this step-by-step approach will ensure responsible use of resources and avoid overwhelming current capacities. It will also ensure that we will have the proper structures in place before diving into further expansion.

We have the right people in place for our growth plans with competent managers with years of experience in our specialized fields who can tap the right network to support our expansion. Currently, we are already tapping into this wealth of network by hiring additional sales representatives and connecting with new sub-dealers and logistics partners and new principals from related medical fields.

Demand for our products and services may be impacted by changes in the economy and industry trends such as product development and technological advances. Strong competition could negatively affect prices and demand for our products and services and could decrease our market share.

The medical device industry in the Philippines is very competitive. We compete with various companies selling medical equipment falling under the same product categories that we offer based on factors such as price, quality, and brand recognition, or a combination of these factors. Moreover, we anticipate competition from new market entrants and joint partnerships between national and international operators. Intense competitive pressures, including those arising from our expansion strategy or our inability to adapt effectively and quickly to a changing competitive landscape could affect our prices, our margins or demand for our products and services.

In addition, some of our competitors are also aggressively expanding their product offerings. Some of these competitors may have been in business longer or may have greater financial, distribution or marketing resources than us and may be able to devote greater resources to sourcing, promoting and selling their products. There can be no assurance that we will be able to compete successfully against current competitors or new entrants. Expansion outside the areas where our customers are located exposes us to operational, logistical and other risks of doing business in new territories. Moreover, we may experience difficulty in building the "Medilines" brand name in these new areas as some of these competitors may have been in the area for a long time. Operationally, we may experience supply, distribution, transportation and/or inventory management issues due to the underdevelopment of distribution networks. Any difficulty we experience with respect to developing our business presence in emerging urban areas outside Mega Manila and increasing competition in certain areas could negatively impact our results of operations through a loss of sales, reductions in margins from competitive price changes or greater operating costs, and could materially affect our growth strategy and financial condition.

We believe that there will always be demand for medical products, in as much as there will always be a patient needing care. This demand may not be easily affected by economic downturns, although economic advances can be a catalyst for the healthcare system to advance as well. However, this same principle makes the healthcare industry so competitive. To lessen competitive pressures, we leverage on our strengths and strategies to continue to maintain an elevated customer experience, extensive product offerings, efficient service, and image or prestige pricing. We believe that our products are not easy to imitate because they are highly specialized and involves extensive R&D. There will always be several technical specifications that are unique to our products and brands. The reputation of the brands we carry cannot easily be paralleled because our Principals have built this reputable image for decades. As long as we continue to hype on the technology and brand image of our current product lines and to select principal partners that are world-renowned leading brands, then the threat of competition due to price will be lessened. For special circumstances that would require introductory, promotional, or strategically low prices, we believe that our ability to negotiate discounts and terms through our good relationship with our Principals will be to our advantage. Lastly, the categories we play in can be a financial stretch to most other distributors. Our categories involve capital intensive equipment, high cost of infrastructure, and at times, prolonged project completion. The high capital requirements our categories entail are natural deterrents to new competitors, resulting to very select players in the market.

We rely on distributors, third-party service providers and the distribution networks of our suppliers for transportation, warehousing and delivery of products to our warehouses.

We rely on third-party distributors and suppliers, including concessionaires for our inventory intake, and other third-party service providers such as logistics services for the delivery of our products to our customers, and warehouses. Consequently, we have only limited control over the timing of deliveries and the security of our products while they are being transported. A disruption within our logistics or supply chain network could adversely affect our ability to distribute and maintain inventory, which could impair our ability to meet customer demand for products and result in lost sales, increased supply chain costs, or damage to our reputation. We regularly monitor our inventory levels and consider order lead time in the replenishment of our inventories to mitigate the risk of product unavailability. However, any deterioration in the relationships between suppliers, distributors and third-party service providers or other changes relating to these parties, including changes in supply and distribution chains, could have an adverse effect on our business, financial condition and results of operations.

In addition, there can be no assurance that we will be able to effectively coordinate our logistics strategy to the degree necessary for the realization of our growth plans. As we continue to expand, we will need to ensure that we are able to secure efficient distributors and service providers for our new customers. An inability to efficiently operate and expand our warehouses and logistics capabilities could have a material adverse effect on our business, financial condition, cash flows, results of operations and prospects. We seek to address this risk with, among others, our selection policy for suppliers which includes consideration of the supplier's location, brand reputation, capacity to supply, ability to deliver on time and compliance with our requirements. See "*Business — Business Operations — Suppliers*".

We rely on a limited number of third-party suppliers for the provision of merchandise and medical devices.

We rely on third-party suppliers for the provision of merchandise and medical devices. Eighty-seven percent (87%) of our total procurement in 2020 came from our major Principals Siemens, B. Braun and Varian. We may experience material disruptions in the supply of products due to prolonged interruptions in the operations of these suppliers, which may in turn be caused by a number of factors, including equipment failures or property damage experienced by these suppliers, changes in laws and regulations that affect their manufacturing processes, or financial difficulties, and labor disputes faced by these suppliers. Other factors may also disrupt our ability to obtain products from these suppliers including weather-related events; natural disasters; trade policy changes or restrictions; tariffs or import-related taxes; third-party strikes, lock-outs, work stoppages or slowdowns; shipping capacity constraints; port congestion; third-party contract disputes; supply or shipping interruptions or costs; military conflicts; acts of terrorism; or other factors beyond our control. Any such disruption could negatively impact our financial performance or financial condition.

We have been in long-term partnerships with the right principals. As a distributor, reliance on our Principals for their products is the nature of our business, so we must carefully select who we choose to be in business with. One way we manage the risks mentioned above is by choosing principals that have achieved longevity in their global operations. Big multinational corporations, in fact, have even stricter policies and more established mitigants to risks in manufacturing, inventory management, and logistics. In the unfortunate event that one of our long-term Principals amends their strategies and disengages us, the Company will still be protected by the notice provision in our contracts governing disengagement and depletion of stocks, if any. We believe that the healthcare market will never have a shortage of alternative viable principals. Every year, our Management Team attends healthcare conventions across the globe to be updated with the happenings in the industry—new product trends, rising brands, growing categories, change in management of companies, as well as joint ventures, partnerships, buyouts, acquisitions and disengagements. We do not close our doors to new principals seeking an opportunity for partnership. Our Management Team constantly conducts exploratory meetings with different principals all over the world via conventions, emails, web meetings, and face to face meet ups. With each exploratory meeting, we assess the viability of every product considering several factors which include the market and its demand, our current structure, the resources it would entail, and most importantly, the estimated growth in our sales and profit, should we add the products in our portfolio.

Further, there can be no assurance that our suppliers will have sufficient resources to continue to meet our demands. In the event that these suppliers cannot fulfill their obligations to supply sufficient quantities and in such quality as required, we may not be able to find suitable alternative suppliers on a timely basis to supply the same or similar types and quantities of merchandise, which may materially and adversely affect our business, financial condition and results of operations. We strive to manage this risk by, among others, constantly reviewing our roster of suppliers to ensure that we are not dependent on a limited number of suppliers, and that such suppliers are selected based on several criteria, including their ability to deliver in a timely fashion. See "*Business — Business Operations — Suppliers*".

We are subject to inventory risks and face challenges in effectively managing our inventory.

We purchase inventories for a variety of reasons: (1) For stocking of small and medium sized plug-and-play devices usually upon engagement with a new principal, or of consumables packaged with machine sales depending on the quantity or duration stated in the contract; (2) For order fulfillment of devices upon receipt of purchase order or contract, depending on the quantity, specifications and other terms of reference specified in a contract; (3) For order fulfillment of third-party items required to operate specific equipment or attain site readiness depending on the quantity, specifications and other terms of reference specified in a contract.

These inventories may be susceptible to inaccurate forecasting, damage, wrong or incomplete specifications, expiration, theft, obsolescence, slow turnover, among others. We also face challenges in managing order and delivery lead times. If we are not able to manage our inventory and procurement processes effectively, we may experience overstock for products that have lower customer demand, requiring us to lower prices or take other steps to sell slower-moving inventory, recognize valuation losses on inventory or incur other costs in connection with inventory storage and management. We may also experience dead stocks for products that we can no longer sell for reasons such as disengagement with a principal, technology phase out, or inability to procure spare parts. In addition, if we are unable to manage sufficient lead times, we may incur penalties for not fulfilling projects within the time frame provided in the contract. Moreover, our inventories may be susceptible to risks while in transit. These risks include loss, damage, theft, delay, among others. As a result, these could have an adverse effect on our business, financial condition, and results of operations.

To manage these risks, major projects have Delivery Duty Paid (DDP) incoterm on purchase contracts. The principal vendor assumes all responsibilities and risk of transportation of goods from manufacturing site to the nominated hospitals or centers. Contracts also include services such as installation, commissioning, testing, preventive maintenance, and other necessary services up to the acceptance of the project by the procuring entity. With these, our internal logistics can focus on the management and control of third-party accessories, consumables, and other smaller items necessary for project completion.

We have measures in place to make our inventory management more effective and less susceptible to major risks. First, procurement is usually triggered by purchase orders. The Company abides by the rule of "No P.O., No Purchase" under normal circumstances. Second, an Inventory Review is conducted every month where we discuss inventory shelf life and aging, and form action plans. These action plans include inventory retention, moveout (via discount or bundling), liquidation, donation, or scrapping. Third, our Company conducts a semi-annual wall-to-wall inventory count. Fourth, our Company conducts quality checks and run tests upon receipt of the items. Fifth, our central business IT system, Microsoft Dynamics 365 Business Central, digitally records and monitors our inventory management processes. Finally, we have several insurances in place that are specific to our inventories to help protect the company from further risks such as stock throughput insurance, which covers transfer and storage of goods.

The success of our business depends in part on our ability to develop and maintain good relationships with our current and future outright sales suppliers.

We have long-standing working relationships with our existing suppliers. If we are unable to maintain these relationships, or if we lose our major Principals and other key suppliers for any reason, we may not be able to continue to source products at competitive prices that both meet our standards and appeal to our customers. As a distributor, reliance on our Principals for their products is the nature of our business. Our three (3) Principals account for approximately eighty-seven percent (87%) of our purchases and ninety-nine percent (99%) of our revenues in 2020. The loss of any one of these major suppliers could have an adverse effect on our sales.

Moreover, our distribution arrangements with our current Principals are not as exclusive partner but as authorized distributor for specific territories or channels. The territories which the principal assign to us may influence the scale of our operations and potential sales gains or opportunity losses. The loss of any territory or channel assigned to us could have an adverse effect on our sales. The specific territories and channels assigned by each principal is national. We are assigned the Philippines. On the other hand, assigned accounts include all government accounts and select private accounts.

Distribution contracts are renewed towards the expiry of the term, the length of which varies per agreement. It is industry practice that contracts are reviewed and renewed yearly, most especially for smaller medical equipment which is just delivered and immediately usable (plug-and-play). Our distribution contracts are typically renewed towards the expiry of the term. Failure to renew our contract with an existing major principal may materially and adversely affect our business, financial condition, and results of operations.

At present, we have no contract with B. Braun and we have been buying, reselling and distributing their products since 2002 to present.

For digital imaging, linear accelerators and similar heavy medical equipment (as it takes months to install and commission), duration of contracts with principals extend to more than one year (maximum of three years) subject to renewal. Since Siemens/Varian products belong to this category, the term of our contract with them is three years. We are now in the process of renewing said contract.

We are the dominant distributor of all our Principals. Our distribution partnerships with our current Principals have been maintained constantly for years: (a) although we have no fixed contract with Braun Philippines, we have been buying, reselling and distributing their products since 2002 to present or a total of 19 years for B. Braun Philippines (or since our day of incorporation) and (b) five years for Siemens/Varian to date. We are now in the process of renewing our contract with Siemens/Varian. By persistently building on our strengths as a distributor for multinational companies, we are confident that our Principals will continue to see our vital role as their long-time partner. Multinational companies rely on distributors for tactical and logistical advantages on the ground level. We have a better understanding of the market and can help them reach their customers faster and more effectively. By further growing our network of customers, strengthening our relationships with key opinion leaders and end users, deepening our familiarity with processes from top to ground level, and by continuing to expand our logistical footprint; we can continue to demonstrate to our Principals that we are in a better position to capture certain key accounts and geographical areas.

B. Braun has been our business partner since 2002, and we account for 70% of their distributor sales thus we believe we are their dominant distributor. As of 2020, we hold a dominant position in the dialysis equipment market, with a market share of 50.5%. We believe that our dominance of the distributor market is a testament to our marketing and distribution expertise that is well-recognized by our Principals. In the event that we will not be able to order or purchase products from Braun, as may be needed for whatever reason, we will source the items from other suppliers.

On the other hand, by strengthening our position as a distributor, we are also able to attract the direct competitors of our Principals and principals from other healthcare categories. As a distributor, it is important for us to keep our doors open to other principals, whether directly competing or complementary with our existing product lines, or from an entirely different healthcare category altogether, in case we are unable to maintain good relationships with our existing suppliers. In the event of a disengagement, our Company believes that the healthcare market will never have a shortage of alternative viable principals.

Dissatisfaction with our customer service could prevent us from retaining our customers.

The satisfaction of our customers depends in particular on the effectiveness of our services, in particular our ability to address after-sales services such as preventive maintenance and repairs, in a timely and satisfying manner. While service-related items such as warranty, maintenance and repairs are covered by our Principals, these are coursed through us. Any unsatisfactory response or lack of responsiveness by our team and by our Principal's service team could adversely affect customer satisfaction and loyalty.

To manage this risk, we have trained our sales and marketing team to address customer needs and concerns as soon possible. For the Dialysis Division, we have an experienced Technical Services Manager who can readily handle queries. To ensure that our Principals address service concerns coursed through us as soon as possible, our team ensures proper and fast coordination with their service teams. We also constantly monitor the developments of each service request through weekly alignment meetings with our Principals.

Any damage to our brand name "Medilines" could harm our business.

Our brand image and reputation is a key factor in the success of our business. We believe that maintaining and enhancing our brand is integral to our business and to the implementation of our growth strategy. Maintaining our brand requires us to continue to make investments in operations, such as in human resource training and IT systems. Our brand image may be damaged if any of our products or services fail to maintain or enhance our brand image, or if we fail to maintain high standards for product and service quality. The strength of our brand could also be affected due to noncompliance with laws and regulations, misconduct by our employees, machine or product defects, machine or product misuse, unfavorable experience from both medical expert or patient, product recalls or liability, employee dissatisfaction with our employment practices, or other negative publicity involving us or our products and principals.

We believe this risk can be managed through our strengths and strategies to ensure competitiveness in the market. For a more detailed discussion please refer to the Company's Strengths on page 90 to 96 of the Prospectus. However, there is no assurance that the Company can provide an effective mitigation to such risk.

Any damage to the brand name of our Principals could harm our reputation and our business.

The Company naturally becomes an extension of the image of the brands we distribute. Our business could be affected if any of our Principals fail to maintain or enhance their brand image, or if they fail to maintain high standards for product and service quality. Our business could be affected due to their noncompliance with laws and regulations, misconduct by their employees, machine or product defects, machine or product misuse, unfavorable experience from both medical expert or patient, product recalls or liability, employee dissatisfaction, or other negative publicity. As a result, these could have an adverse effect on our business, financial condition, and results of operations.

To mitigate this risk, we select principals that have longstanding reliable reputations and established processes in mitigating risks, such as in the event of product recalls and other untoward situations. Medilines will not hesitate to disengage with principals and other partners that have continuous incidences of defects, delivery failures, service failures, and other factors that can negatively impact our brand image. We believe that maintaining and enhancing our brand is integral to our business and to the implementation of our growth strategy.

We may be subject to negative publicity, including inaccurate adverse information.

Customers value readily available information and often act on such information without further investigation or authentication or regard to its accuracy. Social media and websites immediately publish posts from users, often without filters or checks on the accuracy of the content posted. Allegations against us may be posted on social media, in internet chat rooms or on blogs or websites by anyone on an anonymous basis. In addition, we may be the target of harassment or other detrimental conduct by third parties, including from our competitors. Our reputation may be negatively affected as a result of the public dissemination of anonymous allegations or demeaning statements about our business, even if these allegations or statements are unfounded and we may be required to spend significant time and money to address such allegations. Inaccurate adverse information may harm our business and we may not be able to redress or correct inaccurate posts in a timely manner, or at all.

Our business may become the subject of negative media coverage and public attention, which may develop strong dynamics and adversely affect our business. In addition, third parties may communicate complaints to regulatory agencies and we may be subject to government or regulatory investigation as a result of such complaints. There is no assurance that we will be able to conclusively refute such allegations in a timely manner, or at all.

Negative publicity and complaints could have a material adverse effect on our business, financial condition, cash flows, results of operations and prospects. To mitigate this risk, we maintain a direct line and a website that help us engage our customer base and promote our products.

We may incur liability for the medical equipment we sell that violates the intellectual property rights of third parties.

We and our suppliers source merchandise worldwide. Our measures implemented to minimize potential infringement of intellectual property rights of third parties may not always be successful. In the event that the medical equipment violates the intellectual property rights of third parties, we, in our capacity as distributor, may be found liable for intellectual property violation and may be compelled to pay damages. Moreover, we cannot assure that we can successfully obtain indemnity payments from our suppliers or that such indemnity payments will fully cover all of our loss associated with our liability. If any claims alleging infringement of intellectual property rights are brought against us or our suppliers, our reputation may also be damaged. To mitigate this risk, we primarily deal with the country's leading and reputable medical equipment suppliers in the medical consumables segment. We also undertake due diligence on third party suppliers before sourcing products from them.

We rely on information technology in our operations, and any failure of such systems could harm our ability to effectively operate our business.

Our business operations are dependent on the integrity of the information technology systems supporting them, many of which have only recently been implemented. We manage our inventory and logistical operations through the use of various information technologies, including intranet, networked personal computers, servers and automated inventory management systems. Our systems and operations may be vulnerable to damage or interruption from human error, data inconsistency, natural disasters, power loss, computer viruses, intentional acts of vandalism, breach of security and similar events.

Our Company uses Microsoft Dynamics 365 Business Central. It is a robust yet flexible business management solution from Microsoft, tightly integrated with the Office 365 suite of products. The database of Microsoft Dynamics 365 Business Central is stored on Microsoft Azure Cloud for scalability, accessibility, and security. Moreover, our IT system is secured by a multilayered protection software solution that includes endpoint antivirus, endpoint security, virtualization security, mobile security, file security and remote management. If the IT system experiences a glitch or breaks down, the software company's service team is available 24/7 to assist us. In case the system breaks down for a prolonged period, the Company can revert to manual without significantly affecting business operations.

We lease all our warehouses and we may not be able to continue to renew these leases or to enter into new leases in favorable locations on acceptable terms and conditions.

As of June 30, 2021, we lease our main and overflow warehouses. See "*Description of Property*." While our leases contain a provision that these are renewable upon agreement of the parties, there is no assurance that we will be able to renew our leases on acceptable terms and conditions or at all upon their expiry. There is no assurance that we will be able to enter into such new agreements with third parties on terms and conditions that are acceptable to us or at all, and our failure to do so may materially and adversely affect our business, financial condition and results of operations.

Moreover, if rent prices increase significantly throughout the Philippines, or in a particular region, it may cease to be economical to lease warehouses and we may have to discontinue operations at some of our warehouses. Any inability to renew leases as they expire or acquire new leases in other favorable locations and sites on acceptable terms and conditions, termination of the existing leases, or revision of the terms and conditions of leases to our detriment may have an adverse effect on our business, financial condition and results of operations. Further, a number of our lease contracts grant the lessor the right to terminate the relevant lease for cause prior to their expiration. In the event that any of our leases are terminated for any reason prior to their expiration, we will need to either close our operations at such locations or relocate to alternative premises.

To avoid such possible disruption to our business, we have purchased a lot located in Pasig City over which a warehouse is being constructed, which will serve as our only warehouse by the first semester of 2022. The construction of the warehouse is 20% complete and the funding to finance said construction is internally generated. During such time, we will no longer renew the lease of the warehouse located in Mandaluyong City which will expire April 2022. Other warehouses will be leased only when overflow warehouses are required.

We may not be able to hire, retain and train sufficient qualified personnel to support our operations and we may be subject to increased labor costs.

Our company's operations are streamlined. Our business is run by select individuals, some of whom possess the required technical and clinical knowledge about our medical devices. The success of our business depends on our ability to hire, train and retain the right people with the requisite, sometimes specialized, skills and knowhow to serve our customers. If we experience difficulties in maintaining a qualified workforce, our ability to compete effectively in our target markets, provide high-quality customer service, and execute our business strategy could be adversely impacted, and our results of operations could in turn be negatively affected.

We have structures in place that helps hire, train, and retain the right people. We have developed a reputation of good standing in our industry that helps attract qualified and experienced applicants, retain good talent, and prevent regrettable attrition. We do not hesitate to invest in the right talent. We solicit the assistance of third-party employment services for urgent job postings. We are known to invest in training for both hard and soft skills that our employees need to do their jobs well. We promote job satisfaction to retain key employees by providing them with attractive benefits and bonuses, and via job promotion, among others. We undergo continuous review and updating of our hiring and renumeration policies. We also conduct salary surveys yearly to assess the Company's competitiveness among our industry comparators. Findings from the most recent survey revealed that the Company's salary range is at the third quartile (above median), particularly for managerial, supervisory and technical levels; while the rest of the Company is at par with our competitors.

Our operations have significant liquidity and capital requirements and depend on the availability of adequate financing on reasonable terms, and if we are unable to borrow sufficient capital, it could have a significant negative effect on our business.

Our operations have significant liquidity and capital requirements. We require significant cash to purchase sufficient inventory in advance of anticipated demand, and we have invested significant capital in our business and expect to continue to make similar investments in the future. We expect to continue to incur significant capital expenditures going forward, as we continue to expand our products network.

We source our funding from a combination of cash flow from operations, working capital lines and long-term debt. We may not be able to fund capital expenditures and working capital requirements solely from cash from our operating activities or existing cash or proceeds from the Offer, and we may not be able to obtain additional debt or equity financing. We may also require additional financing to fund day-to-day operational needs and debt service payments. Additional financing may not be available as and when required. If we incur additional debt, it will result in increased debt service obligations and could result in additional operating and financing covenants, or liens on our assets, that would restrict our operations. Without required financing, we may not be able to continue our operations, hire, train and retain employees or respond to competitive pressures. Our ability to obtain additional funding will be subject to various factors, including general market conditions, our operating performance, the market's perception of our growth potential, lender sentiment and our ability to incur additional debt in compliance with other contractual restrictions, revenue and cash flow from operations and our ability to manage costs and working capital successfully. Any inability to access favorable debt financing may adversely impact us if we experience cash flow shortfalls in the future or wish to raise funds to take advantage of unanticipated opportunities or respond to changing business conditions or unanticipated competitive pressures. In addition, we cannot assure that our future financing requirements would not involve equity issuances that would be dilutive to holders of our capital stock. There can be no assurance that necessary financing will be available in amounts or on terms acceptable to us, or at all.

If we fail to raise sufficient additional funds, we may be required to delay or abandon some of our planned future expenditures or aspects of our current operations, and our financial condition and results of operations may be materially and adversely affected.

To mitigate these risks, we rely on our continuous good relationships with banks and other credit institutions for favorable rates and terms. We also rely on our continuous good relationships with our Principals and suppliers for acceptable prices and terms, and for renegotiations when needed. Finally, we constantly put focus on profitability by managing our costs and investing on only profitable projects.

Our margins may be affected by increases in our operating and other expenses.

Our operations may be subject to increases in operating and other expenses due to a number of factors including, but not limited to, any of the following:

- increases in rent;
- increases in repair and maintenance costs for the office and warehouses, and construction costs relating to fit-out of new warehouses;
- a change in laws, regulations or government policies which increases the cost of compliance with such laws, regulations or policies;
- increases in service costs;
- increases in labor costs;
- increases in the rate of inflation;
- adverse changes in the cost of existing and future debt financing;
- increases in insurance premiums;
- increases in the cost of utilities;
- increases in property taxes and other statutory charges; and
- increases in distribution cost.

Any increase in our operating and other expenses will have an impact on our cash flow. Due to the nature of our business, our margins may be affected by increases in our operating and other expenses. The resulting buffer available to account for changes to costs is consequently small. If we do not generate revenue sufficient to meet our operating expenses and debt service and capital expenditure requirements, our business, results of operations and financial condition could be materially and adversely affected. To mitigate this risk we continuously strive to improve our margin efficiencies by controlling our operating costs and leveraging our strong relationships with our key partners and suppliers to control our procurement costs.

Our business is sensitive to changes in purchase and selling prices.

Our margins are sensitive to price increases in the products sold. Wherever practicable, we seek to put in place supply contracts which ensure the supply of products for the period that they are anticipated to be offered by us and in such quantities as its forecasts require. There can be no assurance that we will be able to successfully contain the growth of our purchase prices. If these prices do rise, we may need to pass all or a portion of these additional costs on to our customers to maintain our gross profit margins. However, it may not be possible for us to significantly increase our prices to offset price increases, particularly if our main competitors maintain a lower price.

As competition in the market intensifies, any unilateral price increases may lead to declines in sales, loss of market share and other adverse consequences. Consequently, we may be significantly constrained in our pricing policy. In the event that we are unable to pass increases in prices charged by our suppliers on to our customers, our financial condition and results of operations may be materially and adversely affected.

To mitigate this risk, we constantly harp on the quality image of our company and our Principals, as well as the advanced technical specifications of our medical equipment. Especially for devices that require high capital outlays, customers require quality of product and service (like warranties and other after sales services), as well as specific technical functionalities and advanced features. We also leverage on our competitive strengths and strategies to continue to maintain an elevated customer experience, efficient service, and reliable brand image.

Volatility in the value of the Peso against the US dollar and other currencies could adversely affect the Group's businesses.

During the last decade, the Philippine economy has from time-to-time experienced volatility in the value of the Peso and limited availability of foreign exchange. In July 1997, the BSP announced that it would allow market forces to determine the value of the Peso. As a result, the value of the Peso underwent significant fluctuations between July 1997 and December 2004 and the Peso declined from approximately ₱29.00 to U.S.$1.00 in July 1997 to ₱56.18 to U.S.$1.00 by December 2004. In recent years, the Peso has generally appreciated and the exchange rate (period average) was ₱42.47 in 2013, ₱44.40 in 2014 and ₱45.54 in 2015.

While the value of the Peso has recovered since 2010, its valuation may be adversely affected by certain events and circumstances such as the strengthening of the U.S. economy, the rise of the interest rates in the U.S. and other events affecting the global markets or the Philippines, causing investors to move their investment portfolios from the riskier emerging markets such as the Philippines. Consequently, an outflow of funds and capital from the Philippines may occur and may result in increasing volatility in the value of the Peso against the U.S. Dollar and other currencies. As of December 31, 2020, according to BSP data, the Peso has depreciated by 5.34% to ₱48.0360 per U.S.$1.00 from ₱50.7440 per U.S.$1.00 at the end of 2019. As of June 30, 2021, the Peso was at ₱48.54 against the U.S. dollar.

On September 28, 2021, the BSP reference rate quoted on the BSP Reference Exchange Rate Bulletin was U.S.$1.00 = ₱50.9470.

The revenues of the Group are predominantly denominated in Pesos while a small percentage is in foreign currency. The products are imported by the Principals and the revenues of the Company are primarily in Philippine Pesos.

There can be no assurance that the Peso will not depreciate further against other currencies and that such depreciation will not have an adverse effect on the Philippine economy and on the Group's businesses.

Any future changes in PFRS may affect the financial reporting of our business.

PFRS continues to evolve as standards and interpretations are promulgated and come into effect. For example, PFRS 16 replaces the accounting requirements for leases under the old standard (PAS 17, Leases). The new standard requires all leases, except for short-term and low-value leases, of a lessee to be reported on the statement of financial position as an asset and liability. PFRS 16 became effective for annual periods beginning on or after January 1, 2019. We have adopted PFRS 16 retrospectively with the cumulative effect of initial application recognized on January 1, 2019, as permitted under the transitional provisions of the standard and therefore comparative information is not required to be restated. The adoption of PFRS 16 has resulted in changes in the accounting of our lease transactions. Prior to 2019, lease payments in respect of our warehouse facilities were treated as rent expense. Upon adoption of this standard, the present value of future lease payments throughout the expected lease period, including probable lease extensions, are recognized as lease liability and the corresponding right-of-use asset is recognized in view of the right obtained by the lessee to use the relevant facilities. Under our statements of comprehensive income, amortization and interest expense on lease liability are recognized in 2019 while rent expense was recognized in 2018 and 2017. To mitigate any potential risk to us, we shall ensure close coordination with our auditors and full compliance with relevant regulations. See Notes 9 and 12 to our financial statements as of and for the six months ended June 30, 2021 and "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations – Six months ended June 30, 2021 compared to six months ended June 30, 2020*" and the "*Summary of Selected Operating and Financial Information*" tables under "*Summary Financial Information*" and "*Selected Financial Information*" for further information on the impact of PFRS 16.

We are subject to the risk of litigation and other legal proceedings in the ordinary course of business.

Although we are not party to any material ongoing litigation, we may be adversely affected by complaints and litigation from customers or regulatory authorities resulting from product quality, illness, injury or other safety concerns or other issues stemming from one or more products, their packaging or advertising. We require our product suppliers to satisfy certain standards regarding the quality and specification of their products. We currently do not have any product liability insurance. In the event of a product liability claim or product recall being required in circumstances where the financial consequences are not satisfied by a supplier, it may have a material adverse effect on our financial performance. Any such litigation, claims or complaints and any adverse publicity surrounding such allegations and/or actions could materially adversely affect our business, reputation, financial condition and/or operating results.

To mitigate this risk, we strive to maintain good relationship with customers, suppliers, contractors, regulators and other parties we regularly deal with. We also endeavor to amicably discuss and resolve potential disputes, resort to alternative methods of dispute resolution, and exhaust all legal remedies available.

We are subject to various risks for which we may not be adequately insured.

We maintain comprehensive property and liability insurance that we consider to be insurance coverage customary in our industry. Our Stock Throughput Insurance, a cargo insurance, provides end-to-end cover for our stocks. Nonetheless, such insurance does not cover all risks associated with our business. Accidents and other events could potentially lead to interruptions of our operations or cause us to incur significant costs, all of which may not be fully covered by our insurance policies. As we expand our product offerings and operations, our inventory levels will increase, for which obtaining additional insurance coverage may be required. In addition, our insurance coverage is subject to various limitations and exclusions, retention amounts and limits and we do not maintain business interruption insurance or product liability insurance. Furthermore, if any of our insurance providers becomes insolvent, we may not be able to successfully claim payment from them. Moreover, our insurance policies and terms of coverage will be subject to renewals and negotiations on a periodic basis and there is no assurance that adequate insurance coverage will be available on commercially reasonable terms in the future. Any material increase in insurance rates, decrease in available coverage or any failure to maintain adequate insurance in the future could adversely affect our business, financial condition and results of operations.

To mitigate this risk, the Company believes it has insurance coverage in-line with industry standards and requirements. To mitigate this risk, we have various insurance policies Stock Throughput Policy provides insurance coverage on company's imported inventory from plant and locally sourced stocks from declared warehouses up to its final destination. STP includes coverage in cases of fire, lightning, earthquake, typhoon, flood, vehicle impact, landslide, riot and strike, malicious damage, among others. Additional non-standard insurance policy such as Contractors All Risk Insurance and Erection All Risk Insurance are considered for projects with construction and installation activities. These insurance policies should provide optimal protection up to project completion. To manage the risk of failing to assert the Company's claim on insurance, a protocol will be set-up to properly monitor, document, assess, and report incidents that are covered by insurance policies in place. See "Risk Factors — Natural or other catastrophes, including severe weather conditions, may materially disrupt our operations and financial condition".

We are highly dependent on business with government hospitals.

Majority of our customers are government hospitals whose purchases are done through competitive public bidding. Revenues from sales to government hospitals accounted for approximately 89% and approximately 78% of our revenues in 2020 and for the six months ended June 30, 2021, respectively. We rely heavily on the bidding process which is subject to delays, changes in requirements and standards as well as changes in the regulations. Public biddings provide very detailed specifications which our products, though in the same product line, may not meet. Due to the quality tier of the products we carry, we may not be able to provide competitive prices. There can be no assurance that we will win the future biddings or procurement projects which we participate in.

New laws, rules or regulations, or revisions to existing laws, rules or regulations, could impose additional restrictions and requirements on the bidding process. As a result, we might not be able to win bids, and in the process lose customers.

In a similar manner, the Company is also dependent to the business with the DOH which is our single largest customer. The spending behavior of the department is subject to a multitude of factors which may either increase or decrease the size of its procurement of medical equipment that it lets third-party providers such as MDI bid for.

The risk is naturally offset by the statutory structure of such bidding procedures as earlier stated that when the DOH does bid out requirements, funds are already required to be obligated by the government. This ensures that the pipeline of projects that MDI bids for are already funded and that their respective funding could only be spent on the purpose specified by law.

To further mitigate this risk, we will diversify our client base which shall be aided by the continued nationwide vaccination rollout will help restart the economy. Because of this we will be able to continue to achieve the optimum balance between government and private accounts, as medical institutions slowly re-open to other services. Currently, we are taking steps in expanding our business in private accounts by prioritizing established private hospitals or groups of hospitals that have a more solid financial position amidst the pandemic.

We are subject to customer credit risks and payment defaults by customers.

Exposure to customer credit risks and payment defaults by customers could have a material adverse effect on the Company's financial condition, results of operations and liquidity. Majority of this risk involves smaller private entities, which includes hospitals and sub-dealers, whose operations and financial standing have higher vulnerability to economic shocks, financial crises, and other risks. Purchases of government hospitals have more secure payment provision as these are guided by the stipulations of RA 9184, otherwise known as the Government Procurement Reform Act, which states that an approved budget for the contract must exist prior to any public bidding.

The Company's trade receivables stood at ₱1,693.8 million and ₱1,467.4 million as of June 30, 2021 and December 31, 2020. The following table summarizes the portion of the trade and other receivables (excluding advances to suppliers and advances to employees, which are considered non-financial assets, and receivable from public entities, which are separately assessed below) that are past their due dates as of June 30, 2021 and December 31, 2020.

June 30, 2021

Days past due	Expected loss rate	Gross carrying amount at June 30, 2021[1]		Loss allowance	
0 – 120	0.00%	P	471.2	P	-
121 – 180	0.00%		2.4		-
181 – 365	0.00%		33.7		-
Above 365	75.35%		50.4		38.0
		P	**557.7**	**P**	**38.0**

December 31, 2020

Days past due	Expected loss rate	Gross carrying amount at December 31, 2020[1]		Loss allowance	
0 – 120	0.00%	P	151.0	P	-
121 – 180	0.00%		8.4		-
181 – 365	0.00%		21.2		-
Above 365	50.15%		29.2		14.7
		P	209.8	P	14.7

[1]In PHP millions

As of June 31, 2021 and December 31, 2020, our days receivable were at 93 days and 361 days, respectively.

Public entities account for 17% or ₱292 million and 28% or ₱412 million of the past due receivables as of June 30, 2021 and December 31, 2020, respectively, due to the lengthy payment procedure typical of government accounts. However, the Company recognizes no expected credit loss from these receivables as we are assured by law of the availability of funding at the awarding of the contract.

The Company mitigates this risk by prioritizing businesses with government accounts, whose payments are secured, and with established private hospitals or groups of hospitals that have more stable operations and financial position. We also have a strict process of accrediting new private customers and approval of credit terms. Every new private customer must submit a Credit Application Form with trade references from at least three (3) of their existing customers, and attached documents which include BIR 2303, License to Operate, Income Tax Return and Department of Trade and Industry Certificate of Registration. At the same time, the company performs credit investigation through our premium subscription in CIBI Information, Inc., the Philippines' first and only credit reporting agency. The Credit Application Form, its attachments, and the findings from CIBI Information Inc., will then help the company reach a sound decision whether to approve the new customer's application or to fulfill its Purchase Order. The stringent process also helps the Company approve the appropriate credit terms with each customer. Usually, new customers are approved only on cash on delivery terms, or terms consisting of a down payment and the balance payment in the form of post-dated checks. We review credit terms annually and provide more laxed terms to customers with longstanding relationships and consistent good standing.

We are subject to the risk of defaulting on our loan obligations.

The Company has existing loan obligations. These are short term and working capital in nature which have a current match on the current asset. Events beyond the control of the Company, including prevailing economic, financial, and industry conditions may affect the ability of the Company to comply with covenants contained in its loan obligations. Any default by the Company on its existing debt covenants could adversely affect the business and the liquidity and financial condition of the Company. Any default by the Company may result to the possibility of the foreclosure of mortgages on the Company's properties securing the loan obligations.

To manage this risk, the Company develops, executes and regularly reviews its borrowing or financing plans with its banking partners. In addition, the Company also exercises prudent financial risk management by maintaining a current ratio or working capital ratio of above 1.00.

We are subject to various laws and regulations, and any violations of applicable laws or regulations or changes to such laws and regulations could adversely affect our business and our results of operations.

Our business and operations are subject to a wide range of laws and regulations, including those relating to employment, working conditions, consumer protection, the environment, competition, trade and intellectual property. The primary regulations applicable to our operations include standards regulating public bidding, packaging safety, construction, business permits, fire safety and sanitation. See "*Regulations*."

In addition, all construction and development plans are required to be filed with and approved by the local government unit concerned. The requirements of each local government unit may vary but in general, approval of such plans is conditional upon, among other things, the developer's financial, technical and administrative capabilities and, where the warehouse site is leased, presentation of the lease contract or authority from the registered owner of the site authorizing the construction or fit-out of the warehouse. There can be no assurance that we will be able to obtain the relevant governmental approvals for our offices and warehouses or that when given, such approvals will not be revoked. There can also be no assurance that we will continue to pass ongoing consumer safety and quality inspections in all of our warehouse locations.

New laws, rules or regulations, or revisions to existing laws, rules or regulations, could impose additional restrictions and requirements on our business and operations and could result in additional compliance costs, capital expenditures or other costs. As a result, we could experience disruptions to our operations and be unable to execute our business strategy, and our results of operations could be adversely affected. In addition, our ability to comply with applicable laws and regulations can be affected by a variety of factors, including the effectiveness of our compliance and risk management policies, the ability of our management to adequately monitor our operations and intentional or unintentional misconduct or errors of our officers, employees, affiliates or other parties with whom we do business. If we fail to comply with applicable laws and regulations, we may be subject to investigations, fines, penalties, sanctions and private litigation, and we could lose regulatory permissions or licenses necessary for our business or experience harm to our reputation.

The Company believes, to the best of its knowledge, that it has, at all relevant times, materially complied with all applicable laws, rules and regulations and has established a strong compliance culture to ensure that all requirements, permits, and approvals are obtained in a timely manner.

We may fail to fulfill the terms and conditions of licenses, permits and other authorizations, or fail to renew them on expiration.

We are required to maintain licenses, permits and other authorizations, including those relating to certain construction activities for new and existing warehouses, licenses to operate from the Food and Drug Administration ("**FDA**"), and are also required to obtain and renew various permits, including business permits and permits concerning, for example, health and safety, environmental standards and distribution standards. Our licenses, permits and other authorizations contain various requirements that must be complied with to keep such licenses, permits and other authorizations valid. If we fail to meet the terms and conditions of any of our licenses, permits or other authorizations necessary for our operations, these may be suspended or terminated, leading to temporary or potentially permanent closing of warehouses, suspension of construction activities or other adverse consequences. In addition, we cannot be certain that any given license, permit or authorization will be deemed sufficient by the relevant governmental authorities to fully cover activities conducted in reliance on such license, permit or authorization.

We regularly monitor our permits and approvals to ensure that all are properly renewed and maintained. See "*Regulatory Compliance*". There can be no assurance that we will continue to be able to renew the necessary licenses, permits and other authorizations for our warehouse s as necessary or that such licenses, permits and other authorizations will not be revoked. If we are unable to obtain or renew them or are only able to do so on unfavorable terms, this could have an adverse effect on our business, financial condition and results of operations.

Continued compliance with, and any changes in, environmental laws and regulations may adversely affect our results of operations and financial condition.

We are subject to various laws relating to environmental matters. Such laws provide that we may be made liable for the costs of removal of certain hazardous substances and clean-up of certain hazardous locations. The failure to remove or clean-up such substances or locations, if any, could adversely affect our operations on such sites and could potentially also result in claims against the owner by the claimants.

In addition, we cannot predict what environmental legislation or regulations will be enacted or amended in the future, how existing or future laws or regulations will be enforced, administered or interpreted, or the amount of future expenditures that may be required to comply with these environmental laws or regulations or to respond to environmental claims. The introduction or inconsistent application of, or changes in, laws and regulations applicable to our business could have an adverse effect on our business, financial condition and results of operations. See "*Regulations*."

To manage this risk we maintain strong relationships with regulators and regularly communicate with them on any proposed changes to applicable regulations.

We are party to a number of related party transactions.

Certain companies controlled by Mr. Virgilio B. Villar enter into significant commercial transactions with us. We enter into a number of transactions with related parties, which primarily consist of (1) Asya Medika, Inc, a company that distributes medical products for the hospital's day-to-day operating room procedures, otherwise known as Life Support machines and consumables; and (2) Medpro Medical Supplies, Inc., a company that sells medical supplies and disposables catering only to wholesalers. It is to be noted that Mr. Villar is only a beneficial owner of Medpro Medical Supplies, Inc.

Our related party transactions are described in greater detail under "*Related Party Transactions*" and the notes to our financial statements appearing elsewhere in this Prospectus. Our practice is to enter into contracts with these affiliated companies on commercial terms which are at least as favorable as the terms available to or from non-affiliated parties.

Such interdependence may mean that any material adverse changes in the operations or financial condition of the companies which are controlled by Mr. Virgilio B. Villar could adversely affect our results of operations.

Under Section 50 of the National Internal Revenue Code, in the case of two or more businesses owned or controlled directly or indirectly by the same interests, the BIR Commissioner is authorized to distribute, apportion, or allocate gross income or deductions between or among such businesses upon determination of the necessity to prevent evasion of taxes or to clearly reflect the income of any such business. On January 23, 2013, the BIR issued Regulation No. 2-2013 on Transfer Pricing Regulations (the "**Transfer Pricing Regulations**") which adheres to the arm's length methodologies set out under the Organization for Economic Cooperation and Development Transfer Pricing Guidelines in addressing Base Erosion and Profit Shifting. The Transfer Pricing Regulations are applicable to cross-border and domestic transactions between related parties and associated enterprises. The Transfer Pricing Regulations defines related parties as two or more enterprises where one enterprise participates directly or indirectly in the management, control, or capital of the other; or if the same persons participate directly or indirectly in the management, control, or capital of the enterprises. The arm's length principle requires the transaction with a related party to be made under comparable conditions and circumstances as a transaction with an independent party such that if two related parties derive profits at levels above or below comparable market levels solely by reason of the special relationship between them, the profits will be deemed as non-arm's length. In such a case, the BIR pursuant to the BIR Commissioner's authority to distribute, apportion or allocate gross income or deductions between or among two or more businesses owned or controlled directly or indirectly by the same interests (if such is necessary in order to clearly reflect the income of such business), may make the necessary transfer pricing adjustments to the taxable profits of the related parties to ensure that taxpayers clearly reflect income attributable to controlled transactions and to prevent the avoidance of taxes with respect to such transactions. While we believe that we enter into transactions with related parties on an arm's length basis and documented pursuant to the Transfer Pricing Regulations, there can be no assurance that the BIR will confirm these transactions as arm's length on the basis of the Transfer Pricing Regulations and there can be no assurance that any transfer pricing adjustments by the BIR will not have a material adverse effect on our business, financial condition or results of operations.

We can provide no assurance that our level of related party transactions will not have an adverse effect on our business or results of operations. To mitigate this risk the Company has adopted a Related Party Transaction policy in line with corporate governance requirements applicable to publicly listed companies.

Our business and operations are dependent upon key executives.

Our key executives and members of management have greatly contributed to our success with their knowledge, business relationships and expertise. For more information on our key personnel, see "*Board of Directors and Senior Management.*" If we are unable to fill any vacant key executive or management positions with qualified candidates, our business, operating efficiency and financial performance may be adversely affected.

To mitigate this risk, Medilines has a succession planning program in place. We have been developing our middle management through continuous hiring and training, and will continue to do so in order to prevent a potential void in any of our key positions.

Risks Relating to the Philippines

Our business activities and assets are based in the Philippines, therefore, any downturn in the Philippine economy could have a material adverse impact on our business, financial condition, results of operations, and prospects.

The Philippines has experienced periods of slow or negative growth, high inflation, significant devaluation of the Philippine Peso, and the imposition of exchange controls. We cannot assure prospective investors that one or more of these factors will not negatively impact the purchasing power of Philippine consumers. Demand for many of the products carried by the Company is tied closely to domestic consumer purchasing power and disposable income levels. Any decrease in consumer purchasing power and disposable income levels could have a material adverse effect on the business, operations, and financial condition of the Company.

The Philippines is currently experiencing an economic downturn due to the COVID-19 pandemic and resultant community quarantine. The country's gross domestic product suffered a -9.5% contraction for the whole of 2020. The World Bank expects the Philippine economy to grow by 5.5% and 6.3% in 2021 and 2022, respectively. For the year 2020, domestic inflation averaged 2.6%, reaching as high as 3.5% in December; however, the average inflation was still within the government's 2% to 4% target. In 2020, BSP cut the rate on its overnight reverse repurchase facility several times, effecting a 200-basis point total reduction for the entire 2020. In addition, the Monetary Board cut the rate on the overnight deposit facility and the overnight lending facility to 1.50% and 2.50%, respectively. As of May 12, 2021, the Monetary Board maintained the interest rate on overnight reverse repurchase facility at 2.00% and the overnight lending and deposit facilities rates at 2.50% and 1.50%, respectively. A global recession also took place in 2020 as the economic effects of the COVID-19 pandemic were felt in other countries, which also adversely affected the Philippine economy.

Any future deterioration in economic conditions in the Philippines could materially and adversely affect the Company's financial position and results of operations, including the Company's ability to grow its business, and its ability to implement the Company's business strategy. Changes in the conditions of the Philippine economy could materially and adversely affect the Company's business, financial condition or results of operations.

Factors that may adversely affect the Philippine economy include: decreases in business, industrial, manufacturing or financial activities in the Philippines, the Southeast Asian region or globally; scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in the Philippines, the Southeast Asian region or globally; exchange rate fluctuations and foreign exchange controls; rising inflation or increases in interest rates; levels of employment, consumer confidence and income; changes in the Government's fiscal and regulatory policies; Government budget deficits; adverse trends in the current accounts and balance of payments of the Philippine economy; public health epidemics or outbreaks of diseases, such as re-emergence of Middle East Respiratory Syndrome-Corona virus (MERS-Cov), Severe Acute Respiratory Syndrome (SARS), avian influenza (commonly known as bird flu) or H1N1, and COVID-19, or the emergence of another similar disease (such as Zika) in the Philippines or in other countries in Southeast Asia; natural disasters, including but not limited to tsunamis, typhoons, volcanic eruptions, earthquakes, fires, floods and similar events; political instability, terrorism or military conflict in the Philippines, other countries in the region or globally; and other regulatory, social, political or economic developments in or affecting the Philippines.

Any downturn in the Philippine economy may have a negative impact on consumer sentiment and general business conditions in the Philippines, which may materially reduce the revenues, profitability and cash flows of the Company.

Political instability in the Philippines may have a negative effect on the Philippine economy and business environment which could have a material adverse impact on our business.

The Philippines has from time to time experienced political and military instability. In recent history, there has been political instability in the Philippines, including impeachment proceedings against two former presidents and the chief justice of the Supreme Court of the Philippines, hearings on graft and corruption issues against various government officials, and public and military protests arising from alleged misconduct by previous and current administrations. There can be no assurance that acts of political violence will not occur in the future and any such events could negatively impact the Philippine economy. An unstable political environment may negatively affect the general economic conditions and operating environment in the Philippines, which in turn could have a material adverse effect on the business, operations, and financial condition of the Company.

In addition, the Company may be affected by political and social developments in the Philippines, including changes in the political leadership. The Philippine general elections for national, provincial, and local officials is scheduled to take place on May 9, 2022. Incumbent President Rodrigo Duterte is ineligible for re-election. However, his daughter Sara Duterte is a prospective frontrunner in the upcoming elections, based on a survey by Pulse Asia Research which indicated that around 26% of Filipino adults would support her.

The Company may also be affected by changes in government policies in the Philippines. Such regulatory changes may include (but are not limited to) the introduction of new laws and regulations that could impact the Company's business.

There can be no assurance that the current or any new administration will continue to implement social and economic policies that promote a favorable and stable macroeconomic and business environment. Policy instabilities or fundamental change of policy directions, including those with respect to Philippine foreign policy, may lead to an increase in political or social uncertainty and the loss of investor confidence in the Philippines. Any potential instability could have an adverse effect on the Philippine economy, which may impact our business, prospects, financial condition and results of operations.

Natural or other catastrophes, including severe weather conditions, may materially disrupt our operations and financial condition.

The Philippines has experienced several major natural catastrophes over the years, including typhoons, droughts, volcanic eruptions and earthquakes. There can be no assurance that the occurrence of such natural catastrophes will not materially disrupt our operations, and consequently, may adversely affect our business, financial condition and results of operations.

Further, we do not carry any insurance for certain catastrophic events, and there are certain losses for which we cannot obtain insurance at a reasonable cost or at all. We also do not carry any business interruption insurance. Any material uninsured loss could materially and adversely affect our business, financial condition and results of operations. See "Risk Factors — We are subject to various risks for which we may not be adequately insured".

Acts of terrorism could destabilize the country and could have a material adverse effect on our assets and financial condition.

The Philippines has been subject to a number of terrorist attacks in the past several years. The Philippine army has been in conflict with various groups which have been identified as being responsible for kidnapping and terrorist activities in the Philippines as well as clashes with separatist groups. In addition, bombings have taken place in the Philippines, mainly in cities in the southern part of the country.

An increase in the frequency, severity or geographic reach of these terrorist acts, violent crimes, bombings and similar events could have a material adverse effect on investment and confidence in, and the performance of, the Philippine economy. Any such destabilization could cause interruption to our business and materially and adversely affect our financial conditions, results of operations and prospects.

Continued conflicts between the Government and separatist groups could lead to further injuries or deaths by civilians and members of the Armed Forces of the Philippines, which could destabilize parts of the Philippines and adversely affect the Philippine economy. There can be no assurance that the Philippines will not be subject to further acts of terrorism or violent crimes in the future, which could have a material adverse effect on our business, financial condition, and results of operations.

Territorial disputes with China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment.

Competing and overlapping territorial claims by the Philippines, the PRC and several Southeast Asian nations (such as Vietnam, Brunei and Malaysia) over certain islands and features in the West Philippine Sea (South China Sea) have for decades been a source of tension and conflict.

The PRC claims historic rights to nearly all of the West Philippine Sea based on its so-called "nine-dash line" and in recent years dramatically expanded its military presence in the sea, which has raised tensions in the region among the claimant countries. In 2013, the Philippines became the first claimant country to file a case before the Permanent Court of Arbitration, the international arbitration tribunal based at the Hague, Netherlands to legally challenge claims of the PRC in the West Philippine Sea and to resolve the dispute under the principles of international law as provided for under the United Nations Convention on the Law of the Sea. In July 2016, the tribunal rendered a decision stating that the Philippines has exclusive sovereign rights over the West Philippine Sea (in the South China Sea) and that the "nine-dash line" claim of the PRC is invalid. The Government, under the current administration, has taken measures to de-escalate tensions concerning the territorial dispute with the PRC.

There is no guarantee that the territorial dispute between the Philippines and other countries, including the PRC, would end or that any existing tension will not escalate further, as the PRC has taken steps to exercise control over the disputed territory. In such event, the Philippine economy may be disrupted and its business and financial standing may be adversely affected.

Any deterioration in the Philippine economy as a result of these or other factors may adversely affect the Company's operations. In particular, further disputes between the Philippines and other countries may lead to reciprocal trade restrictions or suspension of visa-free access and/or overseas Filipinos permits. Any such developments could materially and adversely affect the Company's business, financial condition and results of operations.

Any decrease in the credit ratings of the Philippines may adversely affect the Company's business.

The Philippines is currently rated investment grade by major international credit rating agencies such as Moody's, Standard & Poor's and Fitch. In May 2020, the Philippines received its first credit rating outlook downgrade in 15 years after Fitch lowered the country's credit outlook to negative from stable due to the economic fallout from the COVID-19 pandemic. As of July 16, 2020, Moody's has affirmed the Philippines Baa2 rating with stable outlook. On January 10, 2021, Fitch affirmed the Philippines' long-term foreign-currency issuer default rating at BBB, noting that the outlook is stable. On July 12, 2021, however, Fitch revised the outlook of the Philippines to negative, although its long-term foreign-currency issuer default rating remained at BBB. The change in outlook was attributed to the potential scarring effects, and possible challenges associated with unwinding the exceptional policy response to the COVID-19 health crisis and restoring sound public finances as the pandemic recedes. As of May 28, 2021, S&P maintained its BBB+ long-term credit rating for the Philippines with a stable outlook, and also affirmed its A-2 short-term credit rating for the Philippines. While Moody's and S&P retained the sovereign rating and stable outlook, no assurance can be given that these agencies will not in the future downgrade the credit ratings of the Government and, therefore, Philippine companies, including the Company. As a systemic risk, the Company cannot provide assurance of effective mitigation. Any such downgrade could have an adverse impact on the liquidity in the Philippine financial markets, the ability of the Government and Philippine companies, including the Company, to raise additional financing and the interest rates and other commercial terms at which such additional financing is available.

Risks Relating to the Offer and the Offer Shares

There has been no prior market for the Shares, so there may be no liquidity in the market for the Offer Shares and the price of the Offer Shares may fall.

There has been no prior trading in the Shares, and there can be no assurance that an active market for the Offer Shares will develop following the Offer or, if developed, that such market will be sustained.

The Offer Price will be determined after taking into consideration a number of factors including, but not limited to, our prospects, the market prices for shares of companies engaged in related businesses similar to that of our business and prevailing market conditions. The price at which the Shares will trade on the PSE at any point in time after the Offer may vary significantly from the Offer Price.

The market price of the Shares may be volatile, which could cause the value of investors' investments in the Shares to decline.

The market price of Shares could be affected by several factors, including:

- general market, political and economic conditions;
- changes in earnings estimates and recommendations by financial analysts;
- changes in market valuations of listed stocks in general and other retail stocks in particular;
- the market value of our assets;
- changes to Government policy, legislation or regulations; and
- general operational and business risks.

In addition, many of the risks described elsewhere in this Prospectus could materially and adversely affect the market price of the Shares.

In part as a result of the global economic downturn, the global equity markets have experienced price and volume volatility that has affected the share prices of many companies. Share prices for many companies have experienced wide fluctuations that have often been unrelated to the operating performance of those companies. Fluctuations such as these may adversely affect the market price of the Shares.

There can be no guarantee that the Offer Shares will be listed on the PSE.

Purchasers of Offer Shares will be required to pay for such Offer Shares on the Trading Participants Settlement Date and Retail Settlement Date, which is expected to be on or about November 26, 2021 and on the Institutional Offer Settlement

Date, which is expected to be on or about December 3, 2021. There can be no guarantee that listing will occur on the anticipated Listing Date or at all. Delays in the admission and the commencement of trading in shares on the PSE have occurred in the past. If the PSE does not admit the Offer Shares onto the PSE, the market for the Offer Shares will be illiquid and shareholders may not be able to trade the Offer Shares. This may materially and adversely affect the value of the Offer Shares.

Future sales of Shares in the public market could adversely affect the prevailing market price of the Shares and shareholders may experience dilution in their holdings.

In order to finance the expansion of our business and operations, the Board will consider the funding options available to them at the time, which may include the issuance of new Shares. If additional funds are raised by us through the issuance of new equity or equity-linked securities other than on a pro rata basis to existing shareholders, the percentage ownership of existing shareholders may be reduced, shareholders may experience subsequent dilution or such securities may have rights, preferences and privileges senior to those of the Offer Shares.

Further, the market price of the Shares could decline as a result of future sales of substantial amounts of the Shares in the public market or the issuance of new Shares, or the perception that such sales, transfers or issuances may occur. This could also materially and adversely affect the prevailing market price of the Shares or our ability to raise capital in the future at a time and at a price we deem appropriate.

The PSE rules require existing shareholders owning at least 10% of the outstanding shares of a company not to sell, assign or in any manner dispose of their shares for a period of 180 days after the listing of the shares. In addition, all shares issued or transferred within 180 days prior to the commencement of the Offer at an issue price less than the price per Offer Share shall be subject to a lock-up period of at least 365 days from the date that full payment is made on such Shares, as required by the PSE. To implement this lock-up requirement, the PSE requires the applicant company to lodge the shares with the PDTC through a PCD participant for the electronic lock-up of the shares or to enter into an escrow agreement with the trust department or custodian unit of an independent and reputable financial institution.

Moreover, a listed company on the PSE shall be prohibited from offering additional securities, except offerings for stock dividends and employee stock option plans, within 180 calendar days from the date of initial listing.

Except for such restrictions, there is no restriction on our ability to issue Shares or the ability of any of our shareholders to dispose of, encumber or pledge, their Shares, and there can be no assurance that we will not issue Shares or that such shareholders will not dispose of, encumber or pledge, their Shares.

Investors may incur immediate and substantial dilution as a result of purchasing Shares in the Offer.

The issue price of the Shares in the Offer may be substantially higher than the book value of net assets per share of the outstanding Shares. Therefore, purchasers of Shares in the Offer may experience immediate and substantial dilution and our existing shareholders may experience a material increase in the net tangible book value of net assets per share of the Shares they own. See "*Dilution*" on page 58 of this Prospectus.

Shareholders may be subject to limitations on minority shareholders' rights and regulations may differ from those in more developed countries.

Our corporate affairs are governed by our Articles of Incorporation and By-Laws and the Revised Corporation Code of the Philippines. The laws of the Philippines relating to the protection of interests of minority shareholders differ in some respects from those established under the laws of more developed countries. Such differences may mean that our minority shareholders may have less protection than they would have under the laws of more developed countries. The obligation under Philippine law of majority shareholders and directors with respect to minority shareholders may be more limited than those in certain other countries such as the United States or the United Kingdom. Consequently, minority shareholders may not be able to protect their interests under current Philippine law to the same extent as in certain other countries.

The Revised Corporation Code of the Philippines, however, provides for minimum minority shareholders protection in certain instances wherein a vote by the shareholders representing at least two-thirds of the Company's outstanding capital stock is required. The Revised Corporation Code of the Philippines also grants shareholders an appraisal right allowing a dissenting shareholder to require the corporation to purchase his shares in certain instances. Derivative actions are rarely brought on behalf of companies in the Philippines. Accordingly, there can be no assurance that legal rights or remedies of minority shareholders will be the same, or as extensive, as those available in other jurisdictions or sufficient to protect the interests of minority shareholders.

There can be no assurance that we will be able to pay dividends or maintain any given level of dividends.

If the Company does not generate sufficient net operating profit, the Company's ability to pay dividends will be adversely affected. Neither Philippine law nor the rules and regulations of the PSE impose a requirement on PSE-listed companies to pay a minimum level of dividend or any dividend at all. Holders of the Offer Shares will not receive dividends for any period during which the Company does not have unrestricted retained earnings out of which dividends may be paid. No assurance can be given as to the Company's ability to make or maintain dividends. Nor can there be any assurance that if the Company pays dividends in a certain year or certain years, it will subsequently continue to pay dividends at the same level or frequency.

The Shares may be subject to Philippine foreign ownership limitations.

The Philippine Constitution and related statutes restrict land ownership to Philippine Nationals. The term "Philippine National" as defined under the Foreign Investments Act, means a citizen of the Philippines, or a domestic partnership or association wholly-owned by citizens of the Philippines, or a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines, or a corporation organized abroad and registered to do business in the Philippines under the Revised Corporation Code of the Philippines, of which 100% of the capital stock outstanding and entitled to vote is wholly-owned by Filipinos or a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine national and at least 60% of the fund will accrue to the benefit of Philippine nationals. As of the date of this Prospectus, we own land in the Philippines.

Considering the foregoing, foreign ownership in our capital stock will be limited to a maximum of 40% of our issued and outstanding capital stock. We cannot allow the issuance or the transfer of shares to persons other than Philippine Nationals and cannot record transfers in our books if such issuance or transfer would result in us ceasing to be a Philippine National for purposes of complying with the restrictions on foreign land ownership discussed above. These restrictions may adversely affect the liquidity and market price of the Shares to the extent international investors are not permitted to purchase Shares in normal secondary transactions.

For purposes of determining compliance with Philippine foreign ownership limitations, SEC Memorandum Circular No. 8, Series of 2013 (*Guidelines on Compliance with the Filipino-Foreign Ownership Requirements Prescribed in the Constitution and/or Existing Laws by Corporations Engaged in Nationalized and Partly Nationalized Activities*) provides that for corporations engaged in identified areas of activities or enterprises specifically reserved, wholly or partly, to Philippine nationals by the Philippine Constitution, the Foreign Investments Act of 1991, and other existing laws and regulations, the required percentage of Filipino ownership shall be applied to both: (i) the total number of outstanding shares of stock entitled to vote in the election of directors; and (ii) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors.

As of the date of this Prospectus, the Company remains compliant with all conditions for foreign shareholder ownership.

Risks relating to certain information in the Prospectus

Certain information contained herein is derived from unofficial publications.

Certain statistics in this Prospectus relating to the Philippines, the industries and markets in which the business of the Company operates, including statistics relating to market size and market share, are derived from various government and private publications, including those produced by industry associations and research groups. This information has not been independently verified and may not be accurate, complete, up-to-date or consistent with other information compiled within or outside the Philippines.

DESCRIPTION OF THE OFFER SHARES

The following is general information relating to our capital stock but does not purport to be complete or to give full effect to the provisions of law and is in all respects qualified by reference to the applicable provisions of our Articles of Incorporation and By-Laws.

The Offer Shares shall be offered at a price of ₱2.30 per Offer Share (the "**Offer Price**"). The determination of the Offer Price is further discussed on page 56 of this Prospectus. A total of 2,750,000,800 Shares will be outstanding after the Offer and the Offer Shares will comprise up to 30% of the outstanding Shares after the Offer.

Share Capital Information

As of the date of this Prospectus, we have an authorized capital stock of One Billion Pesos (₱1,000,000,000.00) divided into Four Billion (4,000,000,000) common shares with par value of Twenty Five Centavos (₱0.25) per share. As of the date of this Prospectus, we have 2,200,000,800 common shares issued and outstanding. We have no shares held in treasury.

The Offer Shares will consist of 825,000,000 Offer Shares which will be comprised of:

- 550,000,000 unissued Shares to be offered and issued by us by way of primary offer and;
- 275,000,000 issued Shares owned by the Selling Shareholder to be offered by way of a secondary offer.

Impact of the Increase in Authorized Capital and Stock Split

On July 2, 2021, our shareholders approved amendments to our Articles of Incorporation which included a reduction of the par value of our Shares from One Thousand Pesos (₱1,000.00) per common share to Twenty-Five Centavos (₱0.25) per common share, resulting in a stock split whereby every existing common share with a par value of One Thousand Pesos (₱1,000.00) would become 4,000 common shares with a Twenty-Five Centavos (₱0.25) par value per share (the "**Stock Split**").

On July 2, 2021, our shareholders also approved an amendment to our Articles of Incorporation to increase our authorized capital stock from Four Hundred Million Pesos (₱400,000,000.00) to One Billion Pesos (₱1,000,000,000.00) divided into 4,000,000,000 common shares with par value of Twenty-Five Centavos (₱0.25) per common share (the "**Increase in Authorized Capital Stock**"). The objective of the Increase in Authorized Capital Stock was to create unissued common shares for the Offer.

To satisfy the requirement under the Revised Corporation Code that at least 25% of the amount of any increase in authorized capital stock must be subscribed, Two On, Inc. subscribed to a total of 600,000,000 common shares at par value of Twenty-Five Centavos (₱0.25) per common share for the total subscription price of One Hundred Fifty Million Pesos (₱150,000,000.00) (the "**Subscription by TOI**"). The partial cash payment of Thirty-Seven Million Five Hundred Thousand Pesos (₱37,500,000.00) (representing 25% of the total subscription price) for the subscription was recorded as deposit for future stock subscription under the Company's non-current liabilities as of June 30, 2021. The increase in our authorized capital stock was approved by the SEC on July 27, 2021 after which the said deposit for future stock subscription was converted into capital stock under the Company's total equity. Two On, Inc. fully paid the balance of One Hundred Twelve Million Five Hundred Thousand Pesos (₱112,500,000.00) in cash on August 19, 2021.

The reduction in the par value of our Shares and the increase in our authorized capital stock were approved by the SEC on July 27, 2021.

The following table sets forth the Company's selected financial information as of June 30, 2021, and pro forma financial information illustrating the impact of the aforementioned events, particularly the (i) Stock Split, (ii) Increase in Authorized Capital Stock, and (iii) Subscription by TOI, had these occurred as of June 30, 2021. The table below should be read together with the sections entitled "Capitalization" and "Dilution" of this Prospectus, and our audited financial statements as of June 30, 2021 and notes thereto, included in the Prospectus.

	As of June 30, 2021					
	Actual		Pro Forma		Pro Forma	
	Before the Stock Split, Par Value of ₱1,000.00		As Adjusted to Give Effect to the Stock Split reducing the Par Value to ₱0.25		As Further Adjusted to Give Effect to the Increase in Authorized Capital Stock and Subscription by TOI	
	No. of Shares	**Amount (₱)**	**No. of Shares**	**Amount (₱)**	**No. of Shares**	**Amount (₱)**
Par value per share (₱)	N/A	1,000.00	N/A	0.25	N/A	0.25
Authorized capital stock	400,000	400,000,000	1,600,000,000	400,000,000	4,000,000,000	1,000,000,000
Issued and outstanding shares......	400,000	400,000,000	1,600,000,000	400,000,000	1,600,000,000	400,000,000
Additional subscription................	N/A	N/A	N/A	N/A	600,000,000	150,000,000
Issued and outstanding shares......	400,000	400,000,000	1,600,000,000	400,000,000	2,200,000,000	550,000,000
Unissued shares...........................	-	-	-	-	1,800,000,000	450,000,000
Total current assets (₱)	N/A	3,248,565,623	N/A	3,248,565,623	N/A	3,361,065,623
Total assets (₱)............................	N/A	3,408,907,810	N/A	3,408,907,810	N/A	3,521,407,810
Total non-current liabilities (₱)....	N/A	123,195,622	N/A	123,195,622	N/A	85,695,622
Total liabilities (₱)	N/A	2,908,658,034	N/A	2,908,658,034	N/A	2,871,158,034
Total equity (₱)	N/A	500,249,776	N/A	500,249,776	N/A	650,249,776
Book value per share (₱)(1)..........	N/A	1,250.6244	N/A	0.3127	N/A	0.2956
Basic and diluted earnings per share (₱)(2)..................................	N/A	250.1139	N/A	0.0625	N/A	0.0455
Current ratio(3).............................	N/A	1.1663	N/A	1.1663	N/A	1.2066
Debt-to-equity ratio(4)..................	N/A	2.2380	N/A	2.2380	N/A	1.7217

Notes on the computation of the foregoing ratios :

	As of June 30, 2021		
	Actual	**Pro Forma**	**Pro Forma**
	Before the Stock Split, Par Value of ₱1,000.00	**As Adjusted to Give Effect to the Stock Split reducing the Par Value to ₱0.25**	**As Further Adjusted to Give Effect to the Increase in Authorized Capital Stock and Subscription by TOI**
Formula			
(1) Book value per share is computed by equity available to common shareholders by the number of outstanding shares	1,250.6244	0.3127	0.2956
Total equity (₱)...	500,249,776	500,249,776	650,249,776
no. of outstanding shares	400,000	1,600,000,000	2,200,000,000
(2) Basic and diluted earnings per share is computed by dividing net profit by the total outstanding shares.	250.1139	0.0625	0.0455
Net profit (₱)...	100,045,543	100,045,543	100,045,543
no. of outstanding shares (millions)	400,000	1,600,000,000	2,200,000,000
(3) Current ratio is computed by dividing current assets by total current liabilities	1.1663	1.1663	1.2066
Current assets (₱)...	3,248,565,623	3,248,565,623	3,361,065,623

	As of June 30, 2021		
	Actual	Pro Forma	Pro Forma
	Before the Stock Split, Par Value of ₱1,000.00	As Adjusted to Give Effect to the Stock Split reducing the Par Value to ₱0.25	As Further Adjusted to Give Effect to the Increase in Authorized Capital Stock and Subscription by TOI
Formula			
Current liabilities (₱)	2,785,462,412	2,785,462,412	2,785,462,412
(4) Debt to equity ratio is computed by dividing total interest-bearing debt by total equity.	2.2380	2.2380	1.7217
Total interest-bearing debt (₱)	1,119,538,437	1,119,538,437	1,119,538,437
Total equity (₱)	500,249,776	500,249,776	650,249,776

Rights Relating to Shares

Voting Rights of Shares

Each common share is entitled to one vote. At each meeting of the shareholders, every stockholder entitled to vote on a particular question or matter involved shall be entitled to one vote for each share of stock standing in his name in our books at the time of the closing of the transfer books for such meeting.

In accordance with Section 23 of the Revised Corporation Code of the Philippines, at each election of directors, every stockholder entitled to vote at such election shall have the right to vote, in person or by proxy, the number of shares owned by him as of the relevant record date for as many persons as there are directors to be elected and for whose election he has a right to vote, or to cumulate his votes by giving one candidate the number of votes equal to the number of directors to be elected multiplied by the number his shares shall equal or by distributing such votes on the same principle among any number of candidates as the stockholder shall see fit.

Our common shares have full voting rights. However, the Revised Corporation Code provides that voting rights cannot be exercised with respect to shares declared by the Board of Directors as delinquent, treasury shares, or if the shareholder has elected to exercise his right of appraisal referred to below.

Dividend Rights of Common Shares

We are allowed to declare dividends out of our unrestricted retained earnings at such times and in such percentages as may be determined by our Board of Directors. Such determination will take into consideration factors such as debt service requirements, the implementation of business plans, operating expenses, budgets, funding for new investments, appropriate reserves and working capital, among other things.

A cash dividend declaration does not require any further approval from the shareholders. A stock dividend declaration requires the further approval of shareholders holding or representing not less than two-thirds of our outstanding capital stock. The Revised Corporation Code defines the term "outstanding capital stock" to mean the "total shares of stock issued under binding subscription contracts to subscribers or stockholders, whether fully or partially paid, except treasury shares." Such shareholders' approval may be given at a general or special meeting duly called for such purpose. See "*Dividends and Dividend Policy*."

Rights of Shareholders to Assets of the Company

Each holder of a Share is entitled to a pro rata share in our assets available for distribution to the shareholders in the event of dissolution, liquidation and winding up.

Pre-emptive Rights

Pursuant to our Articles of Incorporation, our stockholders have no pre-emptive right to subscribe to any issue or disposition of shares of any class of the Company.

Appraisal Rights

Under Philippine law, shareholders dissenting from the following corporate actions may demand payment of the fair value of their shares in certain circumstances:

- in case any amendment to the corporation's articles of incorporation has the effect of changing and restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class;

- in case of any sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property or assets;

- in case of merger or consolidation;

- in case the corporation decides to invest its funds in another corporation or business or for any purpose other than the primary purpose; and

- in case of extension or shortening of the term of corporate existence.

In these circumstances, the dissenting shareholder may require the corporation to purchase his shares at a fair value which, in default, is determined by three disinterested persons, one of whom shall be named by the stockholder, one by the corporation, and the third by the two thus chosen. The appraisal rights may be exercised by the dissenting stockholder by making a written demand within thirty (30) days after the date on which the vote was taken on the corporate action. The failure to make the demand within the period shall be deemed a waiver of the appraisal rights.

The payment to the dissenting stockholder of the fair value of his shares will only be available if our Company has unrestricted retained earnings to cover such purchase. From the time the shareholder makes a demand for payment until the Issuer purchases such shares, all rights accruing on the shares, including voting and dividend rights, shall be suspended, except the right of the shareholder to receive the fair value of the share.

Derivative Rights

Under Philippine law, shareholders have the right to institute proceedings on behalf of the corporation in a derivative action in the event that the corporation itself is unable or unwilling to institute the necessary proceedings to rectify the wrongs committed against the corporation or to vindicate corporate rights as, for example, where the directors themselves are the malefactors.

Right of Inspection

It is a recognized right of a shareholder to inspect the corporate books, records of all business transactions of the corporation and the minutes of any meeting of the Board and shareholders at reasonable hours on business days and may demand a copy of excerpts from such records or minutes at his or her expense. On the other hand, the corporation may refuse such inspection if the shareholder demanding to examine or copy the records of the corporation has improperly used any information secured through any prior examination, or was not acting in good faith or for a legitimate purpose in making his demand.

Right to Financial Statements

Another recognized right of a shareholder is the right to be furnished with the most recent financial statement of the corporation, which shall include a balance sheet as of the end of the last taxable year and a profit and loss statement for said taxable year, showing in reasonable detail its assets and liabilities and the results of its operations. At the meeting of shareholders, the board of directors is required to present to the shareholders a financial report of the operations of the corporation for the preceding year, which shall include financial statements duly signed and certified by an independent certified public accountant.

Change in Control

There are no existing provisions in our Articles of Incorporation or the By-Laws which will delay, defer or in any manner prevent a change in control of the Company.

Shareholders' Meetings

Annual or Regular Shareholders' Meetings

All Philippine corporations are required to hold an annual meeting of shareholders for corporate purposes, one of which is the election of directors. Our by-laws provide for annual meetings on any day in March of each year, and if a legal holiday, then on the day following.

Special Shareholders' Meeting

Special meetings of shareholders, for any purpose or purposes, may at any time be called by either the President of the Company, upon the request by a majority of the Board of Directors to the President of the Company, or upon the written request of stockholders registered as the owners of at least 1/3 of the outstanding capital stock of the Company entitled to vote. Pursuant to Section 49 of the Revised Corporation Code, stockholders may propose the holding of a special meeting and items to be included in the agenda.

Shareholders who, alone or together with other shareholders, hold at least 5.0% of the outstanding capital stock of a publicly-listed company have the right to include items on the agenda prior to the regular/special stockholders' meeting.

Moreover, shareholders of a publicly-listed company holding at least 10.0% or more of the outstanding capital stock may call for a special stockholders' meeting, subject to the guidelines set under Section 49 of the Revised Philippine Corporation Code, SEC Memorandum Circular No. 7 (series of 2021) ("**SEC Circular No. 7**"), and other relevant regulations. The shareholders calling for the special stockholders' meeting must have held the shares for a period of at least one year prior to the receipt by the Corporate Secretary of a written call for a special stockholders' meeting.

Notice of Shareholders' Meeting

Whenever shareholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, date and time of the meeting, and the purpose or purposes for which the meeting is called. Notices for the meetings shall be sent by the Secretary by personal delivery, by mail or electronic message at least 21 days for regular meetings and seven business days for special meetings, or such other period as may be allowed by applicable regulation, prior to the date of the meeting to each stockholder of record at his last known address. The notice shall state the place, date and hour of the meeting, and the purpose or purposes for which the meeting is called. In case of special meetings, only matters stated in the notice can be the subject of motions or deliberations at such meeting. Notice of any meeting may be waived, expressly or impliedly, by any shareholder, in person or by proxy, before or after the meeting.

When the meeting of the shareholders is adjourned to another time or place, notice of the adjourned meeting need not be provided so long as the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is decided. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.

For a special stockholders' meeting called pursuant to SEC Circular No. 7, the Board shall issue the notice to convene the stockholders' meeting at least seven days prior to the proposed date of the special meeting after a determination that the objectives and conditions in the written call are consistent with the requirements of SEC Circular No. 7.

Quorum

Unless otherwise provided by law or an existing shareholders' agreement, shareholders who own or hold a majority of the outstanding capital shares must be present or represented in all regular or special meeting of shareholders in order to constitute a quorum, except in cases where the Revised Corporation Code provides a greater percentage vis-a-vis the total outstanding capital shares. If no quorum is constituted, the meeting shall be adjourned until shareholders who own or hold the requisite number of shares shall be present or represented.

Upon approval of and upon notice by the Board of Directors, meetings may be attended by the stockholders either in person or through video or teleconference or such other means as may be subsequently permitted by applicable law or regulation.

Voting

The shareholders may vote at all meetings the corresponding number of shares registered in their respective names, either in person or by proxy duly appointed as discussed herein below.

Fixing Record Dates

For purposes of determining the stockholders entitled to notice of, or to vote or be voted at any meeting of stockholders or any adjournments thereof, or entitled to receive payment of any dividends or other distribution or allotment of any rights, or for the purpose of any other lawful action, or for making any other determination of stockholders, the Board of Directors may provide that the stock and transfer book be closed at least 21 days for regular meeting and seven days for special meetings before the scheduled date of meeting. In lieu of closing the stock and transfer books, the Board of Directors may fix in advance a date as the record date for any such determination of stockholders. A determination of stockholders of record entitled to notice of or to vote or be voted at a meeting of stockholders shall apply to any adjournment of meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date shall be fixed by the SEC and shall be indicated in the SEC order which shall not be less than ten days nor more than 30 days after all clearances and approvals by the SEC shall have been secured. Regardless of the kind of dividends, the record date set shall not be less than ten trading days from receipt by the PSE of the notice of declaration of the dividend.

Proxies

Shareholders may vote at all meetings the number of shares registered in their respective names, either in person or by proxy. A proxy shall be in writing and duly presented to and received by the Corporate Secretary for inspection and recording within five business days prior to the scheduled meeting. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Corporate Secretary. No proxy shall be valid and effective for a period longer than five years at any one time.

No member of the PSE and no broker/dealer shall give any proxy, consent or authorization, in respect of any securities carried for the account of a customer to a person other than the customer, without the express written authorization of such customer. The proxy executed by the broker shall be accompanied by a certification under oath stating that before the proxy was given by the broker, he had duly obtained the written consent of the persons in whose account the shares are held. There shall be a presumption of regularity in the execution of proxies and proxies shall be accepted if they have the appearance of prima facie authenticity in the absence of a timely and valid challenge. Proxies are required to comply with the relevant provisions of the Revised Corporation Code, the SRC, the Implementing Rules and Regulations of the SRC (as amended), and SEC Memorandum Circular No. 5 (series of 1996) issued by the SEC.

Issue of Shares

Subject to otherwise applicable limitations, we may issue additional shares to any individual for consideration deemed fair by our Board, provided said consideration shall not be less than the par value of the issued shares. No share certificates shall be issued to a subscriber until the full amount of the subscription together with interest and expenses (in case of delinquent

Shares) has been paid and proof of payment of the applicable taxes shall have been submitted to our Corporate Secretary. Under the PSE Rules, only fully-paid shares may be listed on the PSE.

Transfer of Common Shares

All the issued and outstanding shares of the Corporation will be in scripless form through the electronic book-entry system of the Corporation's stock transfer agent and lodged with the depository agent as required by the PSE. Legal title to uncertificated shares will be shown in an electronic register of shareholders which shall be maintained by the stock transfer agent of the Corporation. See "*The Philippine Stock Market*" on page 171 of this Prospectus.

Under Philippine law, transfer of the Shares is not required to be effected on the PSE, but any off exchange transfers will subject the transferor to a capital gains tax that may be significantly greater than the stock transfer tax applicable to transfers effected on an exchange. See "*Taxation*" on page 162 of this Prospectus. All transfers of Shares on the PSE must be effected through a licensed stockbroker in the Philippines.

Share Register

Our share register is maintained at the principal office of our stock transfer agent, PNB Trust.

Share Certificates

Certificates representing the Shares will be issued in such denominations as shareholders may request, except that certificates will not be issued for fractional shares. For Shareholders who wish to split their certificates, they may do so through application to our stock transfer agent. Shares may also be lodged and maintained under the book-entry system of the PDTC. See "*The Philippine Stock Market*" beginning on page 171 of this Prospectus.

Mandatory Tender Offer

Pursuant to the SRC and its implementing rules and regulations, it is mandatory for any person or group of persons acting in concert to make a tender offer to all the shareholders of the target corporation before the intended acquisition of:

- 35% of the outstanding voting shares or such outstanding voting shares that are sufficient to gain control of the board in a public company in one or more transactions within a period of 12 months;

- 35% of the outstanding voting shares or such outstanding voting shares that are sufficient to gain control of the board in a public company directly from one or more stockholders; or

- equity which would result in ownership of over 50% of the outstanding equity securities of a public company.

Pertaining to the first instance, when the securities tendered pursuant to such an offer exceed the number of shares that the acquiring person or group of persons is willing to acquire, the securities shall be purchased from each tendering shareholder on a pro rata basis according to the number of securities tendered by each security holder. In the event that the tender offer is oversubscribed, the aggregate amount of securities to be acquired at the close of such tender offer shall be proportionately distributed to both the selling shareholders with whom the acquirer may have been in private negotiations with and the minority shareholders.

Pertaining to the second instance, the tender offer shall be made for all the outstanding voting shares. The sale of shares pursuant to the private transaction with the stockholders shall not be completed prior to the closing and completion of the tender offer.

Pertaining to the third instance, the acquirer shall be required to make a tender offer for all the outstanding equity securities to all remaining stockholders of the company at a price supported by a fairness opinion provided by an independent financial advisor or equivalent third party. The acquirer shall be required to accept all securities tendered.

Further, no mandatory tender is required in:

- purchases of shares from unissued capital shares unless such purchases will result in a 50% or more ownership of shares by the purchaser or such percentage that is sufficient to gain control of the Board;

- purchases from an increase in the authorized capital shares of the target company;

- purchases in connection with a foreclosure proceeding involving a pledge or security where the acquisition is made by a debtor or creditor;

- purchases in connection with a privatization undertaken by the government of the Philippines;

- purchases in connection with corporate rehabilitation under court supervision;

- purchases through an open market at the prevailing market price; or

- purchases resulting from a merger or consolidation.

Fundamental Matters

The Revised Corporation Code provides that the following acts of the corporation require the approval of shareholders representing at least two-thirds (2/3) of the issued and outstanding capital stock of the corporation: (i) amendment of the articles of incorporation; (ii) removal of directors; (iii) sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the assets of the corporation; (iv) investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which the corporation was organized; (v) delegation to the board of directors of the power to amend or repeal by-laws or adopt new by-laws; (vi) merger or consolidation; (vii) an increase or decrease in capital stock; (viii) dissolution; (ix) extension or shortening of the corporate term; (x) creation or increase of bonded indebtedness; (xi) declaration of stock dividends; (xii) management contracts with related parties; and (xiii) ratification of contracts between the corporation and a director or officer.

Further, the approval of shareholders holding a majority of the outstanding capital shares of a Philippine corporation, including non-voting shares, is required for the adoption or amendment of the by-laws of such corporation.

Accounting and Auditing Requirements

Philippine stock corporations are required to file copies of their annual financial statements with the SEC. In addition, public corporations are required to file quarterly financial statements (for the first three quarters) with the SEC. Those corporations whose shares are listed on the PSE are additionally required to file said quarterly and annual financial statements with the PSE. Shareholders are entitled to request copies of the most recent financial statements of the corporation which include a statement of financial position as of the end of the most recent tax year and a profit and loss statement for that year. This shall be at the Company's expense. Shareholders are also entitled to inspect and examine the books and records that the corporation is required by law to maintain.

The Board is required to present to shareholders at every annual meeting a financial report of our operations for the preceding year. This report is required to include audited financial statements.

DETERMINATION OF THE OFFER PRICE

The Offer Price has been set at ₱2.30 per Offer Share. The Offer Price was determined through a book-building process and discussion among the Company, the Selling Shareholder, and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner. Since the shares have not been listed on any stock exchange, there has been no market price for the shares derived from day-to-day trading.

The factors considered in determining the Offer Price are, among others, our after-tax earnings, our ability to generate earnings and cash flows, price to earnings multiple, our short and long-term prospects, the level of demand from institutional investors, overall market conditions at the time of launch of the Offer and the market price of comparable listed companies. The Offer Price may not have any correlation to the actual book value of the Offer Shares.

CAPITALIZATION

As of June 30, 2021, our authorized capital stock was ₱400,000,000.00 divided into 400,000 common shares with a par value of ₱1,000.00 per share. On July 27, 2021, the SEC approved the increase in the authorized capital stock to ₱1,000,000,000.00 divided into 4,000,000,000 common shares with a par value of ₱0.25 per share. In relation to such increase, we issued 600,000,000 common shares to Two On, Inc. at par value and the payment for such common shares was made through cash.

The following table sets forth: (i) our capitalization and indebtedness as of June 30, 2021, (ii) as adjusted to give effect to the increase in authorized capital and the issuance of Shares on July 27, 2021 to Two On, Inc., and (iii) as further adjusted to give effect to the issuance of the Offer Shares. This table should be read in conjunction with our audited financial statements as of June 30, 2021 and notes thereto, included in the Prospectus.

	As of June 30, 2021	As of June 30, 2021 as Adjusted After Giving Effect to the Increase in Authorized Capital and the Issuance of Shares on July 27, 2021 to Two On, Inc.	As of June 30, 2021 as Further Adjusted After Giving Effect to the Offer
	₱	₱	₱
Total Debt	1,119,538,437	1,119,538,437	1,119,538,437
Equity Capital Stock	400,000,000	550,000,000	687,500,000
Additional Paid-in Capital.......................	-	-	1,086,233,316
Retained Earnings	101,855,662	101,855,662	101,855,662
Revaluation Reserve	(1,605,886)	(1,605,886)	(1,605,886)
Total Equity	**500,249,776**	**650,249,776**	**1,873,983,092**
Total Capitalization	**1,619,788,213**	**1,769,788,213**	**2,993,521,529**

DILUTION

If you invest in the Offer Shares, your interest will be diluted for each Offer Share you purchase to the extent of the difference between the Offer Price per Offer Share and our book value per Share after the Offer. As of June 30, 2021, our book value per Share was ₱1,250.62 based on 400,000 issued common shares with a proforma book value per Share of ₱0.2956 after the increase in authorized capital and the issuance of Shares on July 27, 2021 to Two On, Inc. which increased the total common shares outstanding to 2,200,000,000 common shares. Book value per Share represents total assets minus total liabilities divided by 2,200,000,000 common shares issued and outstanding.

After giving effect to the sale of the Offer Shares (based on an Offer Price of ₱2.30 per Offer Share), and after deducting estimated fees and expenses of the Offer, the book value per Share would be ₱0.6814 per Share. At the Offer Price of ₱2.30, the Shares will be purchased at a premium of ₱1.6186 to the book value per Share.

The following table illustrates dilution on a per Share basis based on an Offer Price of ₱2.30 per Offer Share:

Offer Price per Offer Share	**₱2.30**
Book value per Share as of June 30, 2021	₱1,250.62
Pro-forma book value per Share as adjusted after giving effect to the increase in authorized capital and the issuance of Shares to Two On, Inc.	₱0.2956
Pro-forma book value per Share as further adjusted after giving effect to the Offer	₱0.6814
Dilution to investors in the Offer	₱1.6186

The following table sets forth the shareholdings, and percentage of Shares outstanding, of existing and new shareholders of the Company immediately after completion of the Offer:

	Number of Shares	%
Existing shareholders	1,925,000,800	70.0
New Investors	825,000,000	30.0
Total	**2,750,000,800**	**100.0**

See *"Risk Factors – Risks Relating to the Offer and the Offer Shares – Future sales of Shares in the public market could adversely affect the prevailing market price of the Shares and shareholders may experience dilution in their holdings" and "– Investors may incur immediate and substantial dilution as a result of purchasing Shares in the Offer"* on page 46 of this Prospectus.

USE OF PROCEEDS

Our total proceeds from the sale of Primary Shares will be ₱1,265.0 million. We estimate that the net proceeds from the sale of Primary Shares will be approximately ₱1,204.5 million after deducting the applicable underwriting fees, costs and expenses pertaining to the sale of Primary Shares payable by the Company. We will not receive any proceeds from the sale of Secondary Shares by the Selling Shareholder. Underwriting fees, costs and expenses pertaining to the sale of Secondary Shares by the Selling Shareholder will be paid by the Selling Shareholder.

EXPENSES PAYABLE BY THE COMPANY

Estimated fees, commissions and expenses relating to the sale of Primary Shares are as follows:

	Estimated Amounts (₱ Millions)
Estimated gross proceeds from the sale of the Primary Shares	**₱1,265.0**
Less:	
Underwriting fees for the offer of Primary Shares	₱34.1
Fees to be paid to the PSE Trading Participants	₱2.5
Taxes to be paid by the Company	₱1.4
Philippine SEC registration, filing and legal research fee	₱1.2
PSE filing fee (inclusive of Value Added Tax)	₱7.5
Estimated accounting and financial advisory fees	₱4.4
Estimated legal fees	₱6.0
Estimated other expenses (*printing, publication, out-of-pocket expenses, etc.*)	₱3.4
Total estimated expenses	**₱60.5**
Estimated net proceeds from the sale of the Primary Shares	**₱1,204.5**

USE OF PROCEEDS FROM THE SALE OF PRIMARY SHARES

Details on the proposed use of proceeds from the sale of Primary Shares, based on the Offer Price of ₱2.30 per Offer Share, are as follows:

Use of Proceeds	**Estimated (Amounts)** ₱ millions	**Disbursement**
Working Capital in Relation to the Procurement of Existing Products and the Build-up of Medical Consumables Inventory	507.7	Fourth Quarter of 2021 to Second Quarter of 2022
Debt Repayment	696.8	Fourth Quarter of 2021 to First Quarter of 2022
Estimated net proceeds from the sale of the Primary Shares	**1,204.5**	

In the event that the net proceeds from the sale of Offer Shares is less than the expected amount, we intend to allocate the proceeds in order of priority as follows:

1. Working Capital in Relation to the Procurement of Existing Products and the Build-up of Medical Consumables Inventory
2. Debt repayment

Working Capital in Relation to the Procurement of Existing Products and the Build-up of Medical Consumables Inventory

Approximately 42.2% of the net proceeds from the sale of Primary Shares or a total amount of ₱507.7 million will be used to fund the working capital in relation to the procurement of existing products and the build-up of medical consumables inventory planned from the Fourth Quarter of 2021 up to the Second Quarter of 2022.

We intend to procure the following products as we receive the purchase orders from our customers during the said period:

1. Existing products such as, among others, CT scans, dialysis machines and linear accelerators.
2. Medical consumables such as, among others, dialyzer, hemodialysis concentrates and bloodlines.

The intended procurement of medical consumables is consistent with our strategy of foraying into the distribution of medical consumables and accessories that are regularly used by our customers to operate the high-value medical equipment we also sell. We envision that the Company will become a one-stop shop for our customers.

Medical consumables and accessories are low-priced products but offer higher turnover and higher margins compared with our existing product line up of medical equipment. According to Ken Research, the gross margin for this segment averages from 40% to 50%, higher than that of the medical equipment segment at 20% to 30%.

The proposed use of proceeds described above represents best estimates of the use of net proceeds of the Offer Shares based on our current plans and expenditures. Other than as described above, no part of the net proceeds from the Offer Shares shall be used to acquire assets outside of the ordinary course of business or finance the acquisition of other businesses, or to reimburse any officer, director, employee or shareholder of the Company for services rendered, assets previously transferred, money loaned or advanced, or otherwise. No amount of the net proceeds of the Offer will be lent to any of our affiliates. The actual amount and timing of disbursement of the net proceeds from the Offer Shares for the uses stated above will depend on various factors which include, among others, changing market conditions or new information regarding the cost or feasibility of our expansion projects. Our cost estimates may change as we develop our plans, and actual costs may be different from our budgeted costs. To the extent that the net proceeds from the Offer Shares are not immediately applied to the above purposes, we will invest the net proceeds in interest-bearing short term demand deposits and/or money market instruments.

Debt repayment

Approximately 57.8% of the net proceeds from the sale of Primary Shares or a total amount of ₱696.8 million will be used towards repaying outstanding financial obligations with three Philippine banks. Relevant details as of June 30, 2021 are as follows:

Name of Bank	Interest Rate	Maturity Date	Outstanding Balance (₱ Millions)
Bank of the Philippine Islands	4.5% to 5.25%	July 2021 to August 2022	573.7
Rizal Commercial Banking Corporation	4.5% to 5.25%	July 2021 to February 2022	169.4
Sub-Total			**743.1**
BDO Unibank, Inc.*	4.75%	November 2021 to December 2021	150.0
Total			**893.1**

**Note: In the event of excess net proceeds from the sale of Primary Shares, it shall be used towards repaying the outstanding financial obligation with BDO Unibank, Inc.*

The Company availed of trust receipt lines and obtained unsecured short-term loans from Bank of the Philippine Islands in July 2020, and from Rizal Commercial Banking Corporation in July 2020. The total outstanding balance of the financial obligations to the abovenamed creditor banks amounted to ₱662.9 million as of September 24, 2021. Any change in the amount of the outstanding balance of the loans will not change the allocation for debt repayment. For any excess in allocated debt repayment, the Company will partially pay the BDO Unibank, Inc. loan amounting to ₱150 million as of June 30, 2021 and September 24, 2021. These short-term working capital loans were availed in May and June 2021 with interest rate of 4.75% and maturity dates of November and December 2021. Proceeds from the Offer will not be used to repay new drawdowns made by the Company from its loan facilities after June 30, 2021.

These loans carry interest rates of 4.5% to 5.25%. These loans were obtained to fund the Company's working capital requirements, specifically for the procurement of inventories. We believe that pursuing this strategy will increase the overall shareholder value of the Company as this will decrease our financing cost. We believe that we will still be able to access debt funding from our various relationship banks as the need arises.

UNDERTAKING ON THE USE OF PROCEEDS FROM THE SALE OF PRIMARY SHARES

The proposed use of proceeds described above represents best estimates of the use of net proceeds from the sale of the Primary Shares based on our current plans and expenditures. Other than as described above, no part of the net proceeds from the sale of the Primary Shares shall be used to acquire assets outside of the ordinary course of business or finance the acquisition of other businesses, or to reimburse any officer, director, employee or shareholder of the Company for services rendered, assets previously transferred, money loaned or advanced, or otherwise. No amount of the net proceeds from the sale of the Primary Shares will be lent to any of our affiliates. The actual amount and timing of disbursement of the net proceeds from the sale of the Primary Shares for the uses stated above will depend on various factors which include, among others, changing market conditions or new information regarding the cost or feasibility of our expansion projects. Our cost estimates may change as we develop our plans, and actual costs may be different from our budgeted costs. To the extent that the net proceeds from the sale of the Primary Shares are not immediately applied to the above purposes, we will invest the net proceeds in interest-bearing short term demand deposits and/or money market instruments.

The Company undertakes that it will not use the net proceeds from the Offer for any purpose, other than as discussed in this Prospectus. The Company's cost estimates may also change as these plans are developed further, and actual costs may be different from budgeted costs. For these reasons, timing and actual use of the net proceeds may vary from the foregoing discussion and the Company's management may find it necessary or advisable to alter its plans.

In the event of any deviation, adjustment or reallocation in the planned use of proceeds, we shall inform the shareholders, SEC and PSE in writing at least 30 days before such deviation, adjustment or reallocation is implemented. Any material or substantial adjustments to the use of proceeds, as indicated above, should be approved by our board of directors and disclosed to the PSE. In addition, we shall submit via the PSE Edge the following disclosures to ensure transparency in the use of proceeds:

(1) any disbursements made in connection with the planned use of proceeds from the sale of the Primary Shares;

(2) quarterly progress report on the application of the proceeds from the Offer Shares on or before the first 15 days of the following quarter; the quarterly progress reports should be certified by the Company's Chief Financial Officer or Treasurer and external auditor;

(3) annual summary of the application of the proceeds on or before January 31 of the following year, which will be certified by our Chief Financial Officer or Treasurer and external auditor; and

(4) approval by our board of directors of any reallocation on the planned use of proceeds. The actual disbursement or implementation of such reallocation must be disclosed by the Company at least 30 days prior to the said actual disbursement or implementation.

The quarterly and annual reports required in items (2) and (3) above must include a detailed explanation for any material variances between the actual disbursements and the planned use of proceeds in the Prospectus, if any. The detailed explanation must state the approval of our Board as required in item (4) above. We will submit an external auditor's certification of the accuracy of the information reported by us to the PSE in our quarterly and annual reports.

PROCEEDS FROM THE SALE OF SECONDARY SHARES

The total proceeds from the sale of Secondary Shares by the Selling Shareholder will be ₱632.5 million. We estimate that the net proceeds from the sale of Secondary Shares by the Selling Shareholder will be approximately ₱601.5 million after deducting the applicable underwriting fees, costs and expenses pertaining to the sale of Secondary Shares payable by the Selling Shareholder. We will not receive any proceeds from the sale of Secondary Shares by the Selling Shareholder. Underwriting fees, costs and expenses pertaining to the sale of Secondary Shares by the Selling Shareholder will be paid by the Selling Shareholder.

EXPENSES PAYABLE BY THE SELLING SHAREHOLDER

Estimated fees, commissions and expenses relating to the sale of Secondary Shares are as follows:

	Estimated Amounts (₱ Millions)
Estimated gross proceeds from the sale of the Secondary Shares	**₱632.5**
Less:	
Underwriting fees for the offer of Secondary Shares	₱17.0
Fees to be paid to the PSE Trading Participants	₱1.3
Crossing expenses[(1)]	₱5.8
Estimated accounting and financial advisory fees	₱2.2
Estimated legal fees	₱3.0
Estimated other expenses (*printing, publication, out-of-pocket expenses, etc.*)	₱3.4
Total estimated expenses	**₱31.0**
Estimated net proceeds from the sale of the Secondary Shares	**₱601.5**

(1) Crossing expenses pertain to the charges to be paid by the Selling Shareholder attributable to the cross/block sale of the Secondary Shares. These include stock transaction tax, commission, VAT, Securities Clearing Corporation of The Philippines (SCCP) fee, transaction fee, block sale fee, and Securities Investors Protection Fund (SIPF) contribution.

(2) Other expenses include the printing of selling materials, newspaper publication fees and out of-pocket expenses.

PLAN OF DISTRIBUTION

247,500,000 Offer Shares (the "**Trading Participants and Retail Offer Shares**"), or 30% of the Offer Shares, are (subject to re-allocation as described below) being offered and sold by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner at the Offer Price to all of the PSE Trading Participants and local small investors ("**LSIs**") in the Philippines (the "**Trading Participants and Retail Offer**").

At least 577,500,000, or 70% of the Offer Shares (the "**Institutional Offer Shares**"), are (subject to re-allocation as described below) being offered for sale to certain qualified buyers and other investors in the Philippines, by the Underwriter (the "**Institutional Offer**"). The allocation of the Offer Shares between the Trading Participants and Retail Offer and the Institutional Offer is subject to adjustment as agreed between the Company and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner.

The Sole Issue Manager, Lead Underwriter and Sole Bookrunner will underwrite, on a firm commitment basis, the Institutional Offer Shares, and the Trading Participants and Retail Offer Shares. There is no arrangement for any of the Sole Issue Manager, Lead Underwriter and Sole Bookrunner to return any of the Offer Shares relating to the Trading Participants and Retail Offer or the Institutional Offer to the Company or the Selling Shareholder.

THE TRADING PARTICIPANTS AND RETAIL OFFER

The Trading Participants and Retail Offer Shares shall (subject to re-allocation as described below) initially be offered by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner to the PSE Trading Participants and LSIs in the Philippines. 165,000,000 Offer Shares, or 20% of the Offer Shares, shall be allocated among the PSE Trading Participants. Each PSE Trading Participant shall initially be allocated 1,320,000 Offer Shares (computed by dividing the Trading Participants and Retail Offer Shares allocated to the PSE Trading Participants among the 125 PSE Trading Participants) and subject to reallocation as may be determined by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner. In addition, 82,500,000 Offer Shares, or 10% of the Offer Shares, shall be allocated to the LSIs. Upon closing of the Trading Participants and Retail Offer, any allocation of Trading Participants and Retail Offer Shares not taken up by the PSE Trading Participants and the LSIs shall be distributed by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner to its clients or the general public in the Philippines. Trading Participants and Retail Offer Shares not taken up by the PSE Trading Participants or the LSIs and which are not reallocated to the Institutional Offer, or taken up by the clients of the Sole Issue Manager, Lead Underwriter and Sole Bookrunner, or the general public, shall be purchased by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner pursuant to the terms and conditions of the Underwriting Agreement (as defined below).

LSI Subscription through PSE EASy

A total of 82,500,000 Offer Shares, or 10% of the Offer, shall be made available nationwide to LSIs through the PSE Electronic Allocation System or "**PSE EASy**." An LSI is defined as a subscriber to the Offer who is willing to subscribe to a minimum board lot or whose subscription does not exceed ₱100,000.00. In the case of this Offer, the minimum subscription of LSIs shall be 1,000 shares or ₱2,300.00, while the maximum subscription shall be 43,000 shares or ₱98,900. There will be no discount on the Offer Price. The procedure in subscribing to Offer Shares via PSE EASy is indicated in the Company's Implementing Guidelines for Local Small Investors to be announced through the PSE EDGE website. Should the total demand for the Offer Shares in the LSI program exceed the maximum allocation, the Sole Issue Manager, Lead Underwriter and Sole Bookrunner shall prioritize subscriptions of small investors with amounts lower than the maximum subscription.

All Offer Shares not taken up by the QIBs, the PSE Trading Participants, the LSIs, the general public and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner's clients shall be purchased by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner on a firm commitment basis pursuant to the terms and conditions of the Underwriting Agreement. Nothing herein or in the Underwriting Agreement shall limit the rights of the Sole Issue Manager, Lead Underwriter and Sole Bookrunner from purchasing the Offer Shares for its own account.

PNB Capital

To facilitate the Offer, the Company and the Selling Shareholder has appointed PNB Capital to act as the Sole Issue Manager, Lead Underwriter and Sole Bookrunner. The Company, the Selling Shareholder and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner entered into an Underwriting Agreement dated November 16, 2021 (the "**Underwriting Agreement**"), whereby the Sole Issue Manager, Lead Underwriter and Sole Bookrunner agrees to underwrite, on a firm commitment basis, the Offer Shares.

PNB Capital, a wholly owned subsidiary of the Philippine National Bank ("**PNB**"), offers a spectrum of investment banking services including loan syndications and project finance, bond offerings, private placements, public offering of shares, securitization, financial advisory and mergers & acquisitions. PNB Capital obtained its license from the SEC to operate as an investment house in 1997 and is licensed to engage in underwriting and distribution of securities to the public.

The Sole Issue Manager, Lead Underwriter and Sole Bookrunner and its affiliates, including PNB Trust, may have engaged in transactions with, and may have performed various investment banking, commercial banking and other services for the Company or the Selling Shareholder in the past, and may do so for the Company or the Selling Shareholder and its respective subsidiaries and affiliates from time to time in the future. However, all services provided by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner, including in connection with the Offer, have been provided as an independent contractor and not as a fiduciary to the Company. The Sole Issue Manager, Lead Underwriter and Sole Bookrunner does not have any right to designate or nominate a member of the Board. The Sole Issue Manager, Lead Underwriter and Sole Bookrunner has no direct relationship with the Company in terms of share ownership and, other than as the Sole Issue Manager, Lead Underwriter and Sole Bookrunner for the Offer, do not have any material relationship with the Company or the Selling Shareholder.

The Sole Issue Manager, Lead Underwriter and Sole Bookrunner and its respective affiliates may have, from time to time, engaged in, and may in the future engage in, investment banking, financing, private banking, commercial banking or financial consulting activities and other commercial dealings in the ordinary course of business with MDI, the Principal Shareholder or their respective affiliates. They have received and expect to continue to receive customary fees and commissions for these activities and dealings. In addition, in the ordinary course of business, the Sole Issue Manager, Lead Underwriter and Sole Bookrunner and their respective affiliates may trade MDI's securities or the securities of MDI's affiliates or derivatives relating to the foregoing securities for its and/or its affiliates' own account and/or for the accounts of customers, and may at any time hold a long or short position in such securities.

On or before 12:00 p.m. on November 24, 2021, the PSE Trading Participants shall submit to the designated representatives of the Sole Issue Manager, Lead Underwriter and Sole Bookrunner their respective firm orders and commitments to purchase Trading Participants and Retail Offer Shares.

The Sole Issue Manager, Lead Underwriter and Sole Bookrunner shall receive from the Company and the Selling Shareholder a fee equivalent to 2.75% of the gross proceeds of the sale of the Trading Participants and Retail Offer Shares, inclusive of the amounts to be paid to the PSE Trading Participants. The underwriting fees shall be withheld by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner from the proceeds of the Trading Participants and Retail Offer and proceeds from the sale of the Institutional Offer Shares allocated to the Sole Issue Manager, Lead Underwriter and Sole Bookrunner.

PSE Trading Participants who take up Trading Participants and Retail Offer Shares shall be entitled to a selling fee of 1.00%, inclusive of VAT, of the Trading Participants and Retail Offer Shares taken up and purchased by the relevant PSE Trading Participant. The selling fee, less a withholding tax of 10%, will be paid by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner to the PSE Trading Participants within fifteen (15) banking days from the Listing Date.

All of the Trading Participants and Retail Offer Shares are or shall be lodged with the PDTC and shall be issued to the PSE Trading Participants and LSIs in scripless form. Purchasers of the Trading Participants and Retail Offer Shares may maintain the Trading Participants and Retail Offer Shares in scripless form or opt to have the stock certificates issued to them by requesting an upliftment of the relevant Trading Participants and Retail Offer Shares from the PDTC's electronic system after the Listing Date.

THE INSTITUTIONAL OFFER

The Institutional Offer Shares will be offered for sale to certain qualified buyers and other investors in the Philippines, by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner.

The allocation of the Offer Shares between the Trading Participants and Retail Offer and the Institutional Offer is subject to further adjustment as may be agreed between the Company and Sole Issue Manager, Lead Underwriter and Sole Bookrunner. In the event of an under-application in the Institutional Offer and a corresponding over-application in the Trading Participants and Retail Offer, Offer Shares in the Institutional Offer may be reallocated to the Trading Participants and Retail Offer. If there is an under-application in the Trading Participants and Retail Offer and if there is a corresponding over- application in the Institutional Offer, Offer Shares in the Trading Participants and Retail Offer may be reallocated to the Institutional Offer. The reallocation shall not apply in the event of over-application or under-application in both the Trading Participants and Retail Offer, on the one hand, and the Institutional Offer, on the other hand.

The Institutional Offer Shares are being offered solely to certain qualified buyers and other investors in the Philippines. The SEC shall be advised accordingly in the event that a portion of the Institutional Offer Shares are allocated to a cornerstone investor.

LOCK-UP

The PSE rules require existing shareholders owning at least 10% of the outstanding shares of a company not to sell, assign or in any manner dispose of their shares for a period of 180 days after the listing of the shares. In addition, if there is any issuance or transfer of Shares (i.e., private placements, asset for shares swap or a similar transaction) or instruments which lead to issuance of Shares (i.e., convertible bonds, warrants or a similar instrument) done and fully paid for within 180 days prior to the start of the Offer, and the transaction price is lower than that of the Offer Price, all such Shares issued or transferred shall be subject to a lock-up period of at least 365 days from full payment of such Shares. See "*Principal and Selling Shareholder*."

To implement the lock-up requirement, the Company and the shareholders subject of the lock-up shall enter into an escrow agreement with the Philippine National Bank – Trust Banking Group.

SELLING RESTRICTIONS

The distribution of this Prospectus or any offering material and the offer, sale or delivery of the Offer Shares is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Prospectus or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Prospectus may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorized.

No securities, except for a class exempt under Section 9 of the SRC or unless sold in any transaction exempt under Section 10 thereof, shall be sold or distributed by any person within the Philippines, unless such securities shall have been registered with the SEC on Form 12-1 and the registration statement has been declared effective by the SEC.

Philippine Medical Devices

Rising Cases of Chronic Diseases and Expected Growth in Demand for Cancer Therapy and Dialysis Equipment

EXECUTIVE SUMMARY

This executive summary forms part of the report produced by Ken Research Private Limited, as commissioned by Medilines Distributors Incorporated ("Medilines"). Please refer to Annex C-1 of the Prospectus for the full report.

The information provided in the research documents is from publicly available data and other sources, which are reliable. Efforts are made to try and ensure accuracy of data. With respect to documents available, neither the company nor any of its employees makes any warranty, express or implied, including the warranties of merchantability and fitness for a particular purpose, or assumes any legal liability or responsibility for the accuracy, completeness, or usefulness of any information, apparatus, product, or process disclosed, or represents that its use will not infringe privately owned rights.

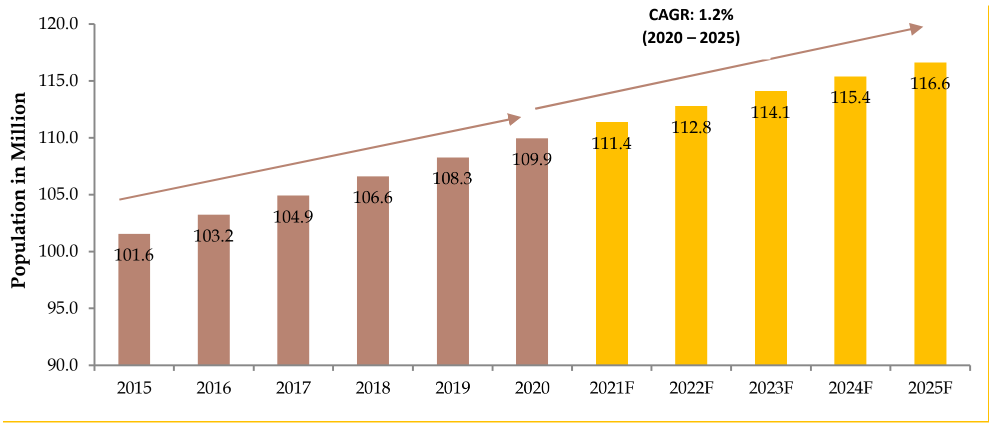
The report also includes analysis and views expressed by our research team. The research reports are purely for information purposes. The opinions expressed are our current opinions as of the date appearing in the material and may be subject to change from time to time without notice. Investors should not solely rely on the information contained in the research documents and must make investment decisions based on their own investment objectives, risk profile and financial position. The recipients of this material should take their own professional advice before acting on this information.

Macroeconomic Indicators in the Philippines:

Economic Sectors: The Philippines is one of the most dynamic economies in the East Asia Pacific region. With increasing urbanization, a growing middle class, and a large and young population, the Philippines' economic dynamism is rooted in strong consumer demand supported by a vibrant labor market and robust remittances. The country is one of the world's largest center for Business Process Outsourcing with strong manufacturing electronics base & other high-tech components. The Philippines is rich in natural resources, such as chromite, nickel, copper, coal & oil.

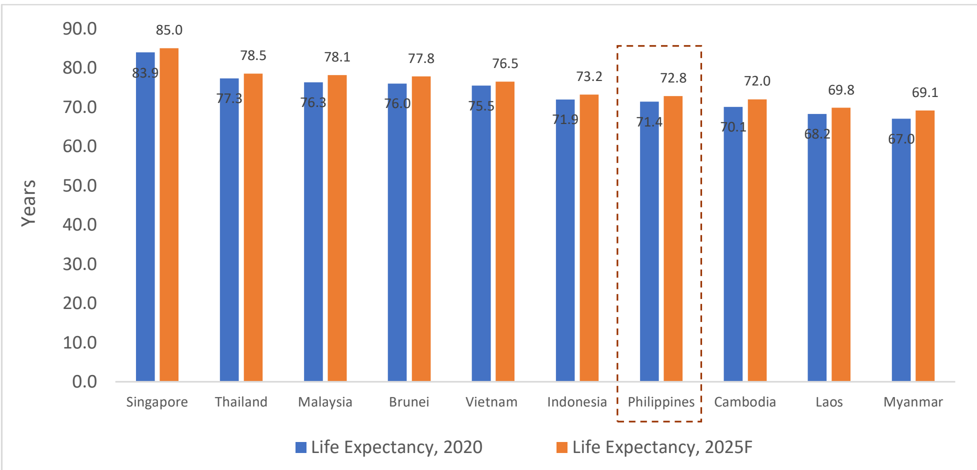
Socio Demography: Philippines is an archipelago in Southeast Asia with 7,641 islands, only about 2,000 of which are inhabited. It is grouped into three geographic areas: Luzon, Visayas and Mindanao.47% of the population is urban and rising again in last Decennium. Territory is divided into 80 provinces managed through 17 administrative regions. The Philippines population was evaluated at 109.9 million in 2020 and is expected to grow at a CAGR of 1.2% during 2020-2025 to reach 116.6 million by 2025. Currently, life expectancy rate in The Philippines is 71.4 years in the year 2020 and is expected to reach 72.8 years by 2025.

Figure 0-1: The Philippines Population in Million and Growth Rate in Percentage (%), 2015 – 2025F



Source: (The Philippines Medical Devices Market Outlook to 2025, Ken Research, August 2021) Philippine Statistics Authority, Ken Research Analysis
Note: F refers to Forecasted Numbers
Note: Population Projections has been done basis the historical assessment and subjective anticipated population growth

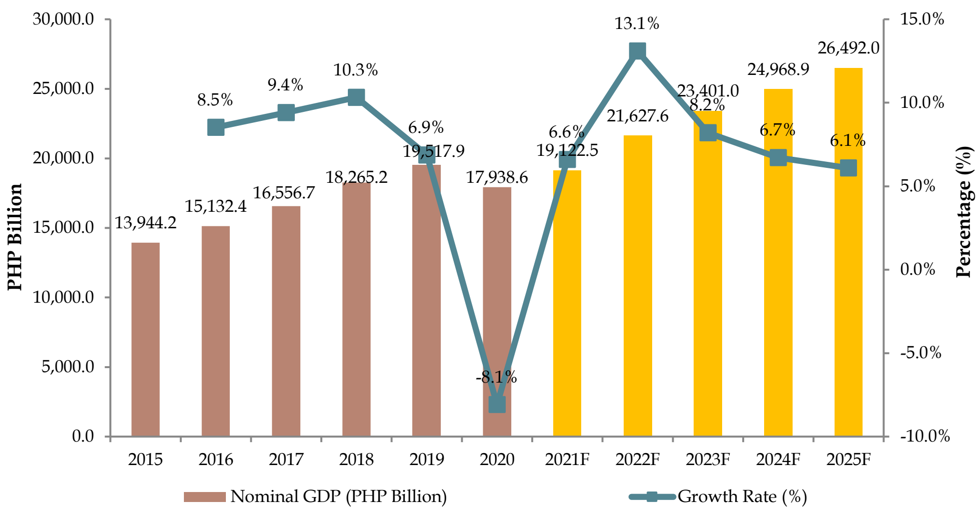
Figure 0-2: Life Expectancy Rate in the Philippines with ASEAN Region on the Basis of Years, 2020 and 2025F



Source: (The Philippines Medical Devices Market Outlook to 2025, Ken Research, August 2021) Health Ministries of Respective Countries, Ken Research Analysis
Note: F refers to Forecasted Numbers
Note: Life Expectancy Projections has been done basis the historical assessment and subjective anticipated growth and standard of living

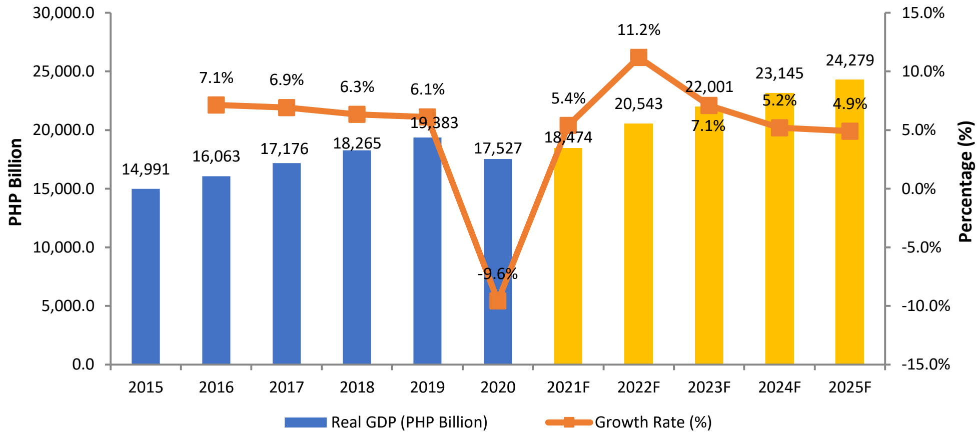
GDP Statistics: The Philippines economy suffered a deep recession in 2020 due to the impact of the COVID-19 pandemic, with **GDP contracting by 8.1%** year-on-year in Nominal terms. However, **Nominal GDP (in PHP Billion) grew at a CAGR of 5.2%** from **PHP 13,944.2 Billion in the year 2015 to PHP 17,938.6 billion in the year 2020**. In the near future, it is anticipated that the rising private consumption and services as major growth drivers, further supported by an improvement in consumer spending and investment amid fiscal support are expected to drive The Philippines future growth such that its **Nominal GDP is expected to reach PHP 26,492.0 billion by 2025. GDP growth rate prior Covid-19 was healthy at ~7%** per annum, during 2020. The major regions such as National Capital Region (NCR) contributed highest share in the country's GDP accounting ~32% share in the year 2020, followed by Calabarzon (~14%), Central Luzon (~10%).The Government has put in place a **pandemic stimulus program** to boost its economic recovery. The recovery package consists of a **combination of fiscal, monetary, and financial instruments totaling about PHP 2.8 trillion or 15.4%** of the country's gross domestic product. The implementation of economic recovery package is the second component of the three-pillar strategy to facilitate the economy's recovery by **6-7% in 2021** and return to **pre-pandemic levels by 2022**.

Figure 0-3: The Philippines Nominal GDP in PHP Billion and Growth Rate in Percentage (%), 2015 – 2025F



Source: (The Philippines Medical Devices Market Outlook to 2025, Ken Research, August 2021) Philippine Statistics Authority, Ken Research Analysis
Note: F refers to Forecasted Numbers
Note: GDP Projections has been done basis IMF forecast and associated news releases published by Government Agencies

Figure 0-4: The Philippines Real GDP in PHP Billion (Constant Price 2018) and Growth Rate in Percentage (%), 2015 – 2025F



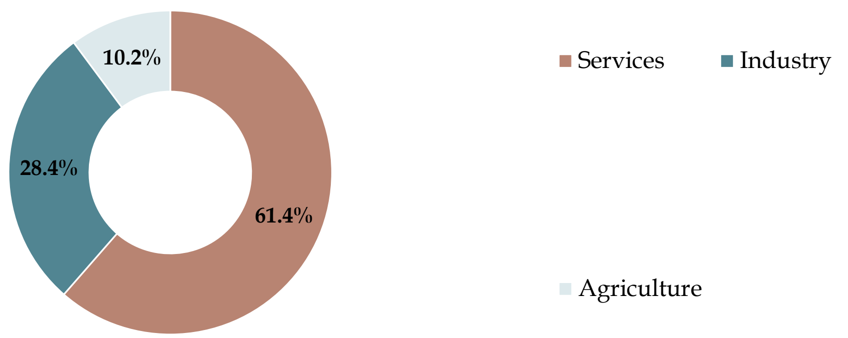
Source: (The Philippines Medical Devices Market Outlook to 2025, Ken Research, August 2021) Philippine Statistics Authority, Ken Research Analysis

Note: F refers to Forecasted Number

Note: GDP Projections has been done basis IMF forecast and associated news releases published by Government Agencies

The composition of the gross domestic product (GDP) is broadly split among the agricultural, industrial, and service sectors. In 2020, agriculture accounted for 10.2% of GDP, marking the lowest contribution to GDP in the country's history. To put that into perspective, agriculture accounted for one-quarter of the country's GDP during the 1980s and almost one-third in the 1970s. Meanwhile, the industrial and service sectors accounted for 28.4% and 61.4%, respectively during 2020. The share of industrial output has steadily fallen as well over time, while the services sector has risen substantially.

Figure 0-5: The Philippines GDP Split by Economic Sectors (Services, Industry and Agriculture) in Percentage (%), 2020



Source: (The Philippines Medical Devices Market Outlook to 2025, Ken Research, August 2021) Philippine Statistics Authority, Ken Research Analysis

Overview of Healthcare Sector in the Philippines

The health sector in the Philippines continues to change after a decade of increased public spending on health care. The sector is characterized by a well-developed private health care sector next to the public sector. National Capital Region (NCR) and Luzon are the economic heart of the country and contain the largest share of both public and private health care infrastructure.

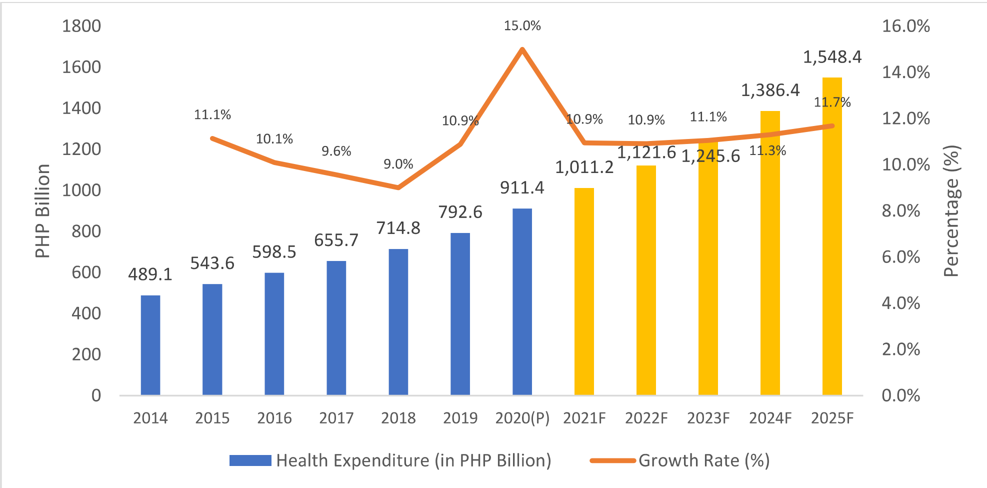
The relatively young population (~65% below the age of 35 years) is still growing and pays almost as much as the government directly to public and private providers as out-of-pocket payments primarily for consultations, diagnostics and lab tests. The Burden of Disease is tilted towards growing Non-Communicable Diseases, such as cardiovascular diseases, Diabetes and Cancer treatment. Respiratory diseases, injuries, accidents and some infectious diseases (Measles, Dengue) are also on the rise.

The government passed the Universal Health Care Act in 2019, automatically enrolling all Filipinos into a new National Health Insurance Programme and making some other structural reforms to the healthcare delivery system. The new measures are broadening healthcare access and shifting the burden of payments away from individuals towards the national health insurer, the Philippine Health Insurance Corporation ("Phil Health").

The Philippines healthcare expenditure has increased at a CAGR of 10.9% from PHP 489.1 billion in 2014 to PHP 911.4 billion in 2020(P). The future for healthcare expenditure seems bullish backed by hospital expansion and spending on healthcare services by government and private entities. The growing healthcare expenditure in the country will lead to increase in the demand of medical devices and diagnostic equipments, to offer better healthcare facilities in the country.

In the future, Government proposes a significant increase in allocation of funds to the Department of Health which will enable authorities to finance the expansion of the country's health insurance scheme and upgrade medical facilities.

Figure 0-6: The Philippines Healthcare Expenditure in PHP Billion and Growth Rate in Percentage (%), 2014 – 2025F



Source: (The Philippines Medical Devices Market Outlook to 2025, Ken Research, August 2021) The Philippine statistics Authority
Note: P refers to Provisional Numbers and F refers to Forecasted Numbers
Note: The above healthcare expenditure includes overall spending by government and private healthcare units including household out of pocket expenditure
Note: Healthcare expenditure Projections are based on Interviews conducted with Ministry of Health and Government Association to assess the expected growth in budget outlay

Table 0-1: The Philippines Health Expenditure by Health Care Financing Scheme in PHP Million, 2014-2019

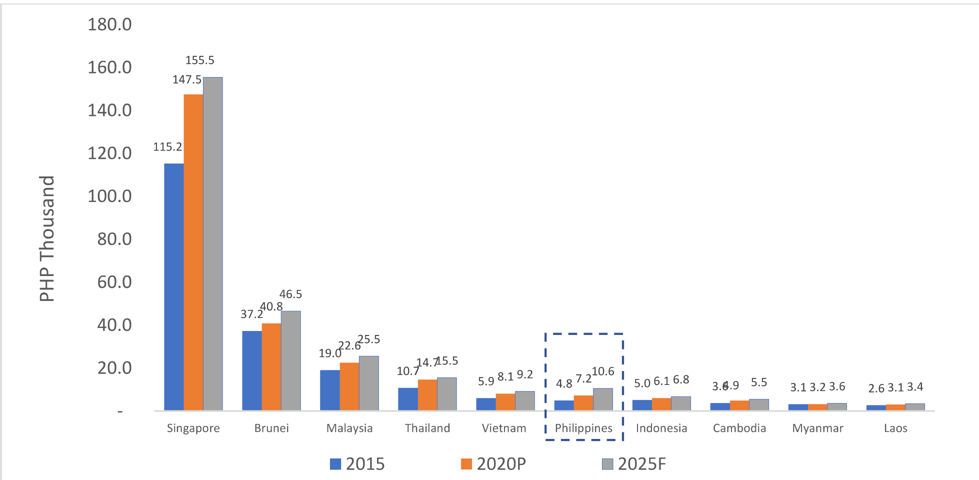
Region Wise (Nominal GDP in PHP Million)	2018	2020
Government schemes and compulsory contributory health care financing schemes	279,792	382,759
Government schemes	166,835	225,255
1) Central government schemes	108,087	148,962
- Domestic revenue-based central govt schemes	106,860	145,124
- Foreign assistance-based central govt schemes	1,227	3,839
2) State/regional/local government schemes	58,748	76,293
Compulsory contributory health insurance schemes	112,956	157,504
- Social health insurance schemes	112,956	157,504
Voluntary health care payment schemes	70,737	91,987
Voluntary health insurance schemes	62,934	82,399
1) Government-based voluntary insurance	31	38

2) Complementary/supplementary insurance schemes	62,902	82,361
- Life and non-life insurance schemes	14,110	19,801
- Managed health care schemes (HMOs)	48,792	62,560
Enterprise financing schemes	7,804	9,589
Household out-of-pocket payment	364,241	436,691
Total	714,770	911,437

Source: The Philippines Health Statistics

Philippine's per capita healthcare expenditure stands substantially lower than its ASEAN Region peers such as Singapore, Brunei, Malaysia, Thailand, and Vietnam which had per capita healthcare expenditures of PHP 147.5 thousand, PHP 40.8 thousand, PHP 22.6 thousand, PHP 14.7 thousand and PHP 8.1 thousand in 2020, respectively. **In the coming future, growth in per capita health expenditure in the Philippines is anticipated to outpace ASEAN growth. This additional spending will contribute to improvements in health outcomes and been an important source of economic growth and jobs.**

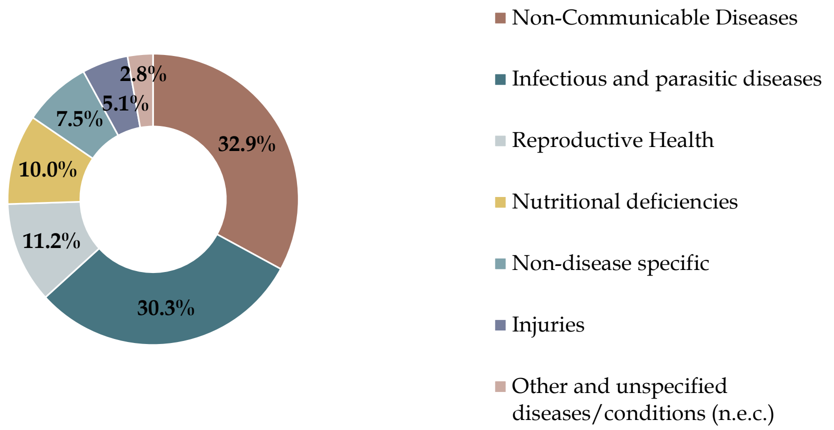
Figure 0-7: The Philippines Health Expenditure per Capita Compared to ASEAN Region in PHP Thousand, 2015, 2020P and 2025F



Source: (The Philippines Medical Devices Market Outlook to 2025, Ken Research, August 2021) Industry Articles, Ken Research Analysis
Note: P refers to Provisional Numbers and F refers to Forecasted Numbers
Note: Healthcare expenditure Projections are based on Interviews conducted with Ministry of Health and Government Association to assess the expected growth in budget outlay

The Philippines' Department of Health lists the following diseases with growing incidence rates: hypertension and heart diseases, diabetes and kidney failure, pulmonary and other respiratory diseases, cancer, HIV and AIDS. Most hospital improvements concentrate on specialized services for radiology, cardiac, lung and kidney examinations, and pathology to address the problem. This is likely to support the growth of diagnostics medical device equipment, Cancer Therapy and Dialysis Equipments.

Figure 0-8: The Philippines Healthcare Expenditure on the Basis of Classification of Diseases and Conditions in Percentage (%), 2020P



Source: (The Philippines Medical Devices Market Outlook to 2025, Ken Research, August 2021) The Philippine statistics Authority
Note: P refers to Provisional Numbers
Note: The above data is provisional which is estimated basis upon historical statistics and variations due to COVID-19

Organization of the Healthcare System:

The healthcare system in the Philippines continues to change after a decade of increased public spending on health care. The **healthcare industry (Pharmaceuticals, Medical Devices, Vitamin and Dietary Supplements, Hospital Market and Health Insurance Premium)** was valued at **PHP 640.2 Bn in terms of revenue for the year ending 2020**. The health care system is divided into two systems: public and private health care. Private sector is mainly active in hospital care and maternities. Government hospital caters to primary care and first-line facilities. Health facilities are regulated by Department of Health (DOH) - Health Facilities & Services Regulatory Bureau (HFSRB).

In The Philippines, there are about **9,731 healthcare units out which 5,409 are government owned and 4,322 are owned by private entities, as on December 31st 2020**.Specific to hospitals, the country has 1,915 hospitals, out of which 767 hospitals are owned by the government and remaining 1,148 hospitals are privately owned as of 31st December 2020. Moreover, these hospitals are being further divided on the basis of certain category such as (Level 1, Level 2, Level 3 and Infirmary Dispensary).Of the total beds, almost two thirds are in the NCR and the rest of Luzon (65% of total beds). Only 20% of hospital beds are in Mindanao and 15% in the Visayas. This showcases promising potential for other island groups to develop healthcare infrastructure in the coming years

Table 0-2: The Philippines Hospitals Breakdown on the Basis of Type of Hospitals (Level 1, Level 2, Level 3, Infirmary, and Others) in Number of Units, as of 31st December 2020

Hospitals	Government	Private	Total
Level 1 Hospital	340	490	830

Level 2 Hospital	44	301	345
Level 3 Hospital	54	63	117
Infirmary/Dispensary	329	294	623
Total Hospital (A)	**767**	**1,148**	**1,915**
Others Healthcare Entities			
Animal Bite Treatment Centres	390	33	423
Ambulatory Surgical Units	2	175	177
Community Isolation Units	698	13	711
Drug Abuse Rehabilitation Centres	9	-	9
DOTS Package	1,722	87	1,809
Free Standing Dialysis Clinic	6	427	433
Family Planning Providers	313	719	1,032
SARS COV2 Testing Labs	67	47	114
Maternity Care Package Providers	1,259	1,638	2,897
Outpatient HIV/AIDS Treatment	118	35	153
Outpatient Malaria Package	58	-	58
Total Other Centre Providers (B)	**4,642**	**3,174**	**7,816**
Total Hospitals (A+B)	**5,409**	**4,322**	**9,731**

Source: (The Philippines Medical Devices Market Outlook to 2025, Ken Research, August 2021) Philippines Health Statistics

Note: Level 1 with minimum healthcare services,

Level 2 that offer extra facilities like intensive care unit and specialist doctors

Level 3 hospitals that have training programs for doctors, rehabilitation, and dialysis units, among others

Consideration of the Philippines as Medical Tourism Destination:

The Philippines has developed as a promising and favoured destination for Medical tourism, given the low cost advantage compared to other ASEAN countries. In fact, it ranked **24th based on the 2020 Medical Tourism Index** (MTI) survey out of 46 countries, and it is one of the **25 Leading Growth Markets** for Wellness Tourism Trips from 2015 to 2017 based on the Global Wellness Tourism Economy Report. The key features include the large pool of English-speaking professionals, its culture of hospitality, the quality of education and skills of health professionals, its young and hospitable workforce, competitive price advantage for healthcare and other services, and popularity as a tourist destination in general, among others. Cancer treatments at a **lower cost** has supported the medical device manufacturers to witness a huge influx of foreign patients in the country

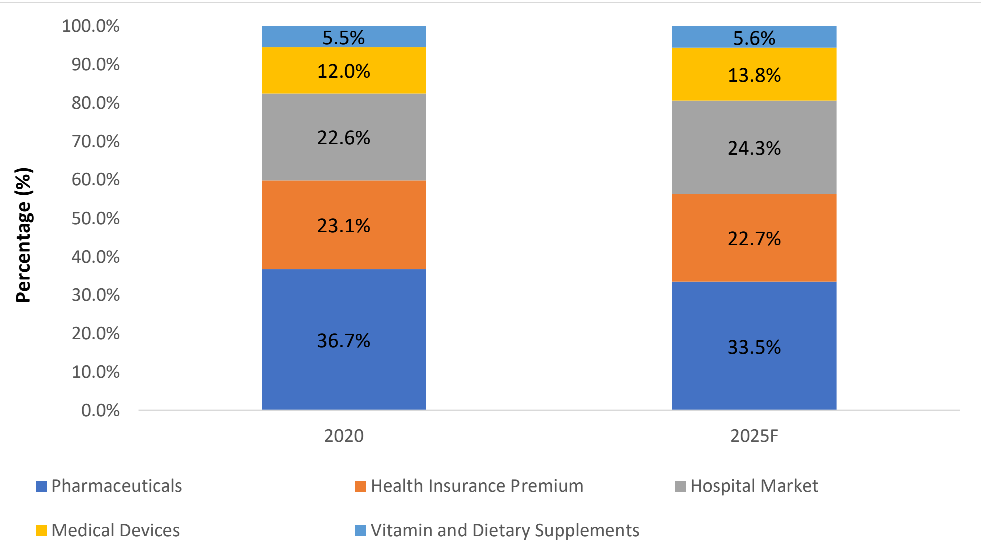
Positioning of Healthcare Industry in the Philippines:

The Philippines is nominated as third-largest **pharmaceutical** market in ASEAN, after Indonesia and Thailand. The pharmaceutical industry in the Philippines has experienced stable growth for the past decade, and this trend is expected to continue supported by Implementation of Universal healthcare coverage. All the Philippines' citizens are entitled to free healthcare under the Philippine Health Insurance Corporation, known as **"Phil Health"**. COVID-19 pandemic has placed extra strain on The Philippines' health care system which resulted in the increased awareness of health risks and eventually a spike in private insurance coverage in the Country. In the Philippines, overall **hospital expenditure** has increased at a **CAGR of 13.1%** during the period 2014 – 2020.

The healthcare market in the Philippines showcases promising growth prospects **for medical device** industry. Since, The Philippines have a **high death rate** due to the diseases such as **respiratory infections, diabetes, hypertension, TB**, and other heart related problems. Furthermore, the nation struggles with **both obesity and malnutrition** at the same time. Therefore, country has a **huge demand of medical device's both equipment and consumables** to treat the patients.

Vitamin &Nutraceuticals market of The Philippines is presently in its growth stage due to the dependence on traditional pharmaceutical medicine system by growing middle class population, which accounts for majority of the Filipino population. **In the forecast period, high growth opportunities are likely to be perceived in functional food ingredients including lutein, lycopene, omega-3 fatty acids, probiotics; soy protein nutrients; essential minerals such as calcium and magnesium;** herbal extracts including garlic, green tea and non-herbal extracts including chondroitin, glucosamine and coenzyme Q10 in the Philippines.

Figure 0-9: The Philippines Healthcare Market Segmentation by Sub–Industry (Pharmaceuticals, Health Insurance Premium, Hospital Market, Medical Devices, Vitamin and Dietary Supplements) on the Basis of Revenue Percentage (%), 2020 and 2025F



Source: (The Philippines Medical Devices Market Outlook to 2025, Ken Research, August 2021)
Interviews with the Philippines Medical Device Market Professionals, Ken Research Analysis
Note: F refers to forecasted Numbers
Note: Future Projections for healthcare Industry has been estimated by understanding the likely growth in each healthcare segment, which is validated by Industry professionals under each segment

Table 0-3: The Philippines Healthcare Market Segmentation by Sub – Industry (Pharmaceuticals, Health Insurance Premium, Hospital Market, Medical Devices, Vitamin

and Dietary Supplements) on the Basis of Revenue in PHP Billion and CAGR in Percentage (%), 2020 and 2025F

Healthcare Industry (PHP Billion)	2020	2025F	CAGR (2020 - 2025)
Pharmaceuticals	235.0	310.0	5.7%
Health Insurance Premium	148.2	210.0	7.2%
Hospital Market	145.0	225.0	9.2%
Medical Devices	77.0	127.8	10.7%
Vitamin and Dietary Supplements	35.0	52.0	8.2%
Total	**640.2**	**924.8**	7.6%

Source: (The Philippines Medical Devices Market Outlook to 2025, Ken Research, August 2021) Interviews with The Philippines Medical Device Market Professionals, Ken Research Analysis
Note: F refers to forecasted Numbers
Note: Future Projections for healthcare Industry has been estimated by understanding the likely growth in each healthcare segment, which is validated by Industry professionals under each segment

Disease Prevalence in the Philippines:

In the Philippines, 8 out of the 10 leading causes of morbidity or illness can be attributed to infectious diseases. Illness related to the respiratory system such as acute respiratory infection, pneumonia and bronchitis are the top 3 leading causes of illness. Acute Respiratory Infection accounts the highest disease prevalence rate of 652.9 per ten thousand population, followed by hypertension at 409.9/10,000 population, Urinary tract infection reported at 142.4/10,000 in the year 2020. Animal bites, skin disease, pneumonia are the other prevalent diseases in the Philippines.

Kidney Failure is one of the major causes for rising morbidity, which enhances the demand for dialysis equipment. In 2020, there are close to 35,000 Filipinos who are undergoing dialysis and treatment for kidney disease in the country. Over the past decade, the number of new cases has increased by about 15% every year; and with uncontrolled diabetes and hypertension as risk factors for kidney disease.

For cancer cases, during 2020, around 153,751 new cases of Cancer have been reported in the country, whereas about 92,606 deaths have been recorded in the country due to cancer in the same year. Breast cancer has been ranked 1st in terms of highest number of cancer cases recorded, followed by Lung cancer and Colon cancer.

High prevalence rate of diseases such as respiratory infection, hypertension, urinary tract infection, pneumonia, bronchitis leads to heavy demand of **medical diagnostic devices** such as **X-ray, CT scan and MRI scan machines in which the client largely deals**. Moreover, **impact of Covid-19** will be a boon for the client as there will be a huge demand for **dialysis (for patients with kidney infections) and cancer therapy equipment** for which they are the leading distributors in the Philippines.

Table 0-4: Cross Comparison of Number of Cases per Disease, Disease Prevalence Rate per Hundred Thousand Populations in the Philippines, Products/Techniques Used to Diagnose Disease, 2020

Diseases	Number of Cases per Disease, 2020	Rate/100,000 Population	Devices/Techniques Used to Diagnose Disease
Acute Respiratory Infection	710,151	652.9	Arterial Blood Gas Test, Chest X-ray, CT Scan, Peak Flow Meter, Pleural Fluid Culture, Pulse Oximetry, Spirometry, Sputum Test
Hypertension	445,834	409.9	Electrocardiogram (EKG), Echocardiogram, Ultrasound, CT Scan or MRI, Ambulatory Blood Pressure Monitoring (APBM), Home Blood Pressure Monitoring (HBPM)
Urinary Tract Infection	154,851	142.4	CT scan or MRI, Analyzing a urine sample at a lab, cystoscopy
Cancer	153,751	139.9	Linear Accelerator, Cyclotron, Brachytherapy
Animal Bites	149,815	137.7	Wound cultures, x-ray, CBC, Blood Cultures, Angiography, Photography
Skin Disease	119,110	109.5	Dermoscopy, Confocal Imagers, Skin biopsy
Acute Lower Respiratory Infection	97,507	89.6	X-ray scan, CT scan and Pulse Oximetry, Blood Test and Lab Test
Pneumonia	87,537	80.5	Chest X-ray, Pulse Oximetry, Sputum Test, CT Scan
Acute Watery Diarrhea	56,710	52.1	Flexible sigmoidoscopy or colonoscopy
Bronchitis	55,657	51.2	Chest X-ray, Sputum Tests, Pulmonary Function Test
TB All Forms	46,917	43.1	Sputum Microscopy, Gastric Washing
Kidney Disease (Undergo Dialysis Treatment)	35,000 – 40,000	35.1	Dialysis Machine and consumables

Source: (The Philippines Medical Devices Market Outlook to 2025, Ken Research, August 2021) Field Health Services Information System Annual Report 2020

Industry Analysis (Trends & Growth Drivers):

Over the last few years, a number of private sector companies and individuals have **invested in development of hospital Infrastructure** across the Philippines. Several **companies have acquired stake in the healthcare sector**, providing much-needed capital for facilities to upgrade and modernize equipment.

The **Department of Health - Office of the Secretary** has made a total allocation of PHP 127.29 billion for CY 2021 **under the National Expenditure Plan,** which is 27% higher than the previous year. On top of this, a total of PHP 608.8 million is to be charged under the Special Account in the General Fund (SAGF). Of this amount, PHP 91.7 million is for the Bureau of Quarantine (BOQ) and PHP 517.0 million for the Food and Drug Administration (FDA).

Current demand reflects healthcare requirements for growing incidence of **hypertension, diabetes/kidney diseases, TB/respiratory ailments, cancer, and some incidence of HIV/AIDS**. Products with high sales potential for suppliers include **electro-cardiographs, computed tomography apparatus (CT scan), magnetic resonance imaging (MRI) equipment, ultrasonic scanning machines (ultrasound), X-ray and radiation equipment, breathing appliances, and linear accelerators.**

With the **onset of Covid-19**, the healthcare industry has started shifting their focus towards highly innovative medical technology for delivering care, which a patient needs indicating positive onset for the medical device industry**.** This is expected to further boost the r**equirements for efficient healthcare services, new technology, and equipment replacement in the market**. All hospitals must continue upgrading facilities to remain competitive.

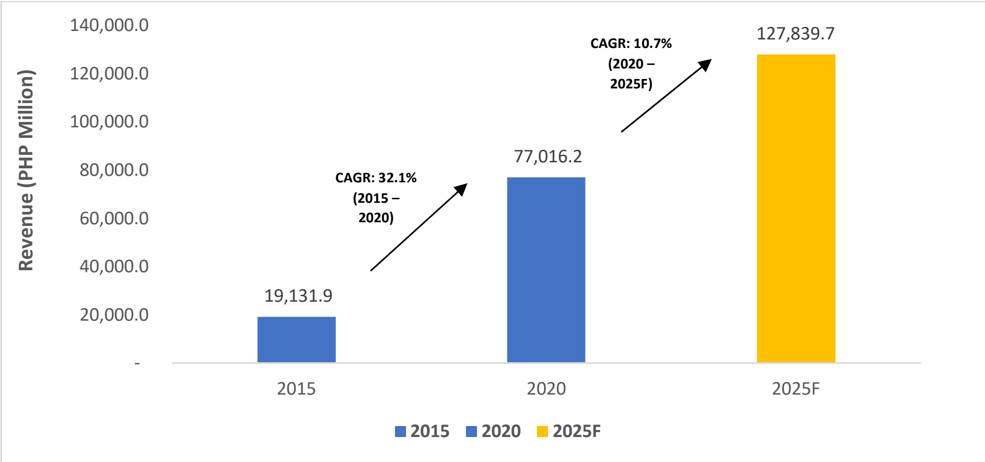
The Philippines Medical Device Market Size & Future Projections:

The Philippines Market Device Industry was valued at **PHP 19,131.9 million in 2015** and registered a growth of **32.1%** during the review period of 2015-2020 reaching to a value of **PHP 77,016.2**million in 2020. The market is currently in **Growth Stage, with an increase in number of hospitals, high prevalence of chronic diseases, rising instances of heart and kidney failures, expanding elderly population, awareness towards health checkups, incoming of medical tourism and onset of COVID-19 pandemic** as some of the key drivers for the market.

Medical Device Industry in the Philippines is currently **import oriented**, especially for **highly technological machineries** such as Diagnostic Imaging, Cardiac Devices, Respiratory products and others. The **local manufacturing industry** is dominant in production of hospital furniture and **medical disposables** such as surgical gloves, syringes and needles. It also supports in prototype units and spare parts production.

The Philippines Medical Device market is expected to reach to a value of PHP **127,839.7 million by 2025**. The market will witness a **CAGR of 10.7% during 2020-2025**. The market is expected to be import dependent in future as well.

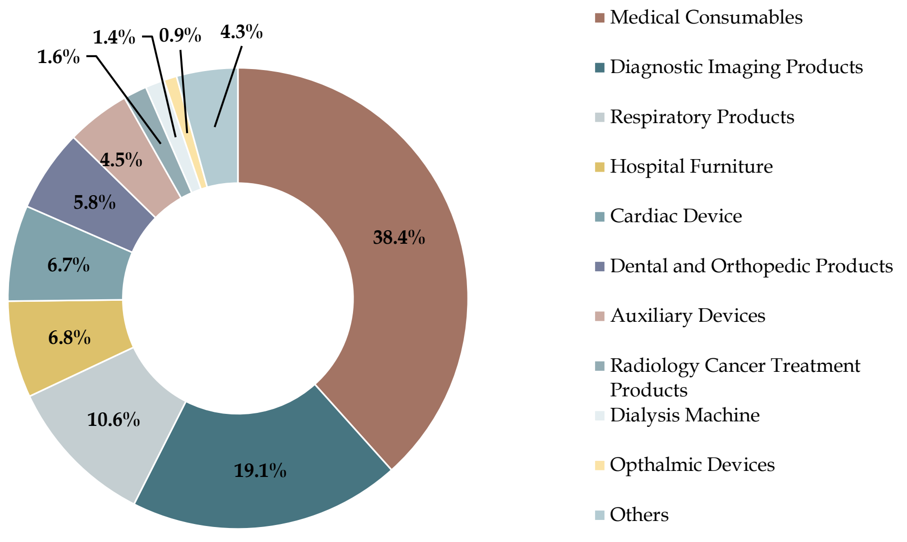
Figure 0-10: The Philippines Medical Device Industry Market Size on the Basis of Revenue in PHP Million, 2015, 2020 &2025F



Source: (The Philippines Medical Devices Market Outlook to 2025, Ken Research, August 2021)
Interviews with veterans from The Philippines Medical Devices Industry, Ken Research Analysis
Note: F refers to Forecasted Numbers
Note: The above market size represents spending made by all the end users on medical equipment and consumables/supplies
Note: Future Projections for Medical Devices Industry has validated by Industry professionals under each of the medical device segment

Medical Consumables, Diagnostic Imaging Products, Respiratory Products, Hospital Furniture & Cardiac Devices have contributed highest to the overall revenue for medical devices Industry. **Medical consumables** growth has supplemented during 2020, owing to higher sales for Protective equipment, syringes and other consumables categories. **Diagnostic imaging** products is increasing due to an increase in the number of hospitals specializing in cancer, cardiology and the increase of non-communicable diseases, further supported by growing replacement among healthcare institutions. With the emergence of Covid-19, the number of **respiratory disease cases** in the country have increased significantly in the year 2020 and 2021

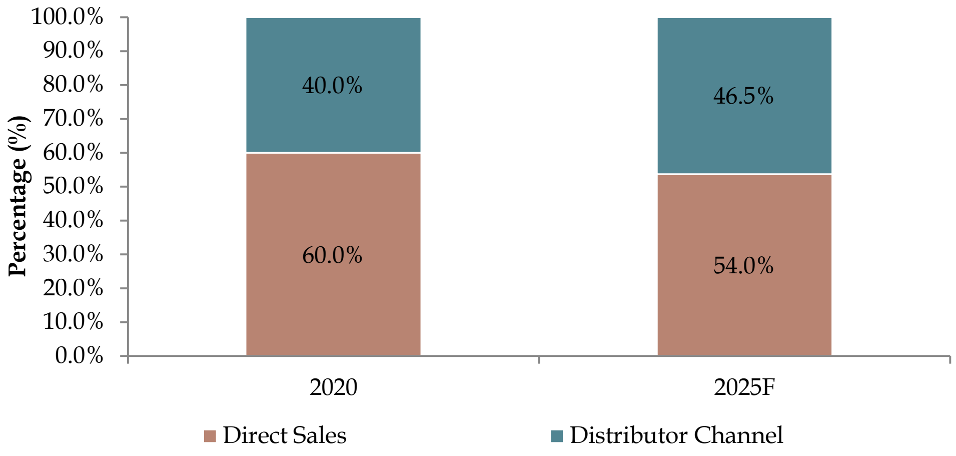
Figure 0-11: The Philippines Medical Devices Market Segmentation by Type of Medical Devices (Medical Consumables, Diagnostic Imaging Products, Dialysis Machine, Cardiac Device, Respiratory Product, Hospital Furniture, Auxiliary Devices, Dental and Orthopedic Products, Ophthalmic Devices and Others) on the Basis of Revenue in Percentage (%), 2020



Source: (The Philippines Medical Devices Market Outlook to 2025, Ken Research, August 2021)
Interviews with veterans from The Philippines Medical Devices Industry, Ken Research Analysis
Others include Aesthetic Devices, Physiotherapy devices instruments and appliances for medical use

Currently, the distributors **contribute 40% share towards the sales of Medical equipment during 2020.** In the near future, it is anticipated that the share of distributor in the **equipment market** will increase and **reach to 46.5% by 2025** largely due to better **after sale service, liaison with hospitals and offering technical assistance to hospitals and clinics along with the strong local presence** in the country.

Figure 0-12: The Philippines Medical Equipment Market Segmentation by Sales Channel (Direct Sales & Distributor Channel) on the Basis of Revenue in Percentage (%), 2020 & 2025F



Source: (The Philippines Medical Devices Market Outlook to 2025, Ken Research, August 2021)
Interviews with veterans from The Philippines Medical Devices Industry, Ken Research Analysis
Note: Future Projections for Distribution Channels for Medical Equipment has validated by Industry professionals operating under this Industry

Diagnostic Medical Device (Equipment + Consumables) Market:

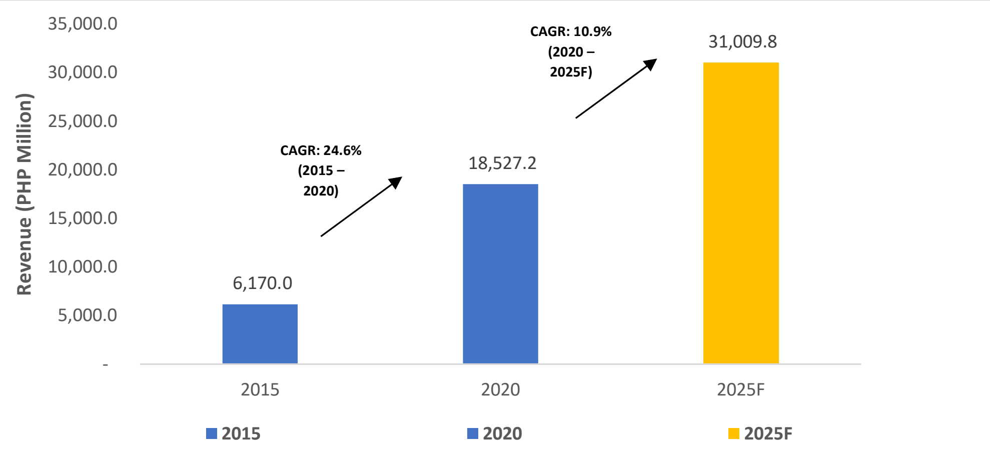
Diagnostic medical device market in terms of revenue was valued at **PHP 6,170.0 million**, which grew at a **double digit CAGR of 24.6%** during the period 2015–2020 and it reached to **PHP 18,527.2 million** in 2020.Some of the diagnostic medical devices include kits, scales, stethoscopes, pulse oximeters, reflex hammers/ tuning forks, otoscopes, ophthalmoscopes, ultrasound, X-ray, and imaging products, catheter, infectious disease testing, test strips, gels, containers, swabs, and more.

Diagnostic Medical Equipment contributed **79.3%** revenue share in the overall diagnostic medical devices market in 2020. The remaining **20.7%** revenue share was contributed by the **diagnostic medical consumables** in 2020. Sales through **Dealerships contributed around 30% share** of the overall diagnostic medical equipment sales during 2020.

In terms of product categories, **X-Ray Equipments have contributed the highest revenue share of 24.5%** in the market during 2020. This is followed by revenue contribution from **Ultrasound (21.7%), CT-Scan (21.4%) & MRI (16.6%)** in the diagnostic segmentation.

The key factors propelling demand of diagnostic medical devices include **growing incidences of infectious and chronic diseases, kidney and liver failure issues, increasing adoption of automated platforms and better access to healthcare facilities by the general population**. Major companies which are currently dominating the market includes **Siemens, GE Healthcare, Philips** and others. New technologies such as **AI, 3-D Printing, IVD, and Digital Twin Technology** have recently been introduced in the market. In future, it is anticipated that the overall diagnostic medical device market in terms of revenue will reach to **PHP 31,009.8 million, at a CAGR of 10.9%** during the period **2020 – 2025**.

Figure 0-13: The Philippines Diagnostic Medical Devices Market Size on the Basis of Revenue in PHP Million, 2015, 2020 & 2025F



Source: (The Philippines Medical Devices Market Outlook to 2025, Ken Research, August 2021)
Interviews with veterans from the Philippines Medical Devices Industry, Ken Research Analysis
Note: F refers to Forecasted Numbers
The Philippines Diagnostics Devices has been defined as the overall spending made by end users on Diagnostics Medical Devices and consumables including MRI, CT Scan, Ultrasound, X-Ray, Electro diagnostic Apparatus, ECG and others
Note: Future Projections for Diagnostic Medical Devices segment has validated by Industry professionals operating under this Industry

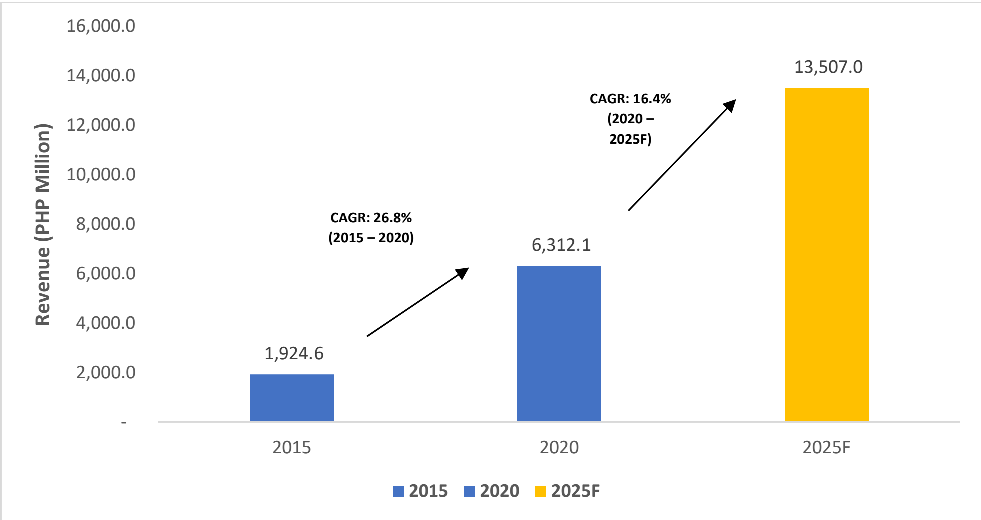
Dialysis Medical Device (Equipment + Consumables) Market:

Dialysis medical device market grew from **PHP 1,924.6 million in 2015 to PHP 6,312.1 million in 2020 at a CAGR of 26.8%**. Some of the dialysis medical equipment and consumables include dialyzers, AV tubing sets, fistula needles, catheters, sodium bicarbonate cartridges and bags, dialysis machine, IV poles, heating pad, automated cycling machines and others. **Dialysis consumables** have contributed the highest share of **83.5% in terms of revenues**, with **equipments** contributed remaining **16.5% share** in the market during 2020.

Growing cases of chronic diseases, increasing demand for home dialysis & increase in dialysis consumables due to COVID outbreak have been the major growth drivers for the dialysis medical devices**.** Fresenius and B Braun are some of the major brands which are currently operating in the dialysis equipment market. New technologies that have emerged in the market include portable dialysis, wearable dialysis and new clot preventing dialysis machines. Companies are focusing on the increased demand for dialysis machines by patients with COVID-19 who have developed acute kidney injury

During this critical time, the growing number of hospitalized patients in need of renal replacement therapy has put pressure on both equipments, supplies, solutions and nursing support in many hospitals across the country. Given the demand scenario, the market for Dialysis medical device is anticipated to grow at a **CAGR of 16.4%** for the period of 2020-2025F

Figure 0-14: The Philippines Dialysis Medical Devices Market Size on the Basis of Revenue in PHP Million, 2015, 2020 & 2025F



Source: (The Philippines Medical Devices Market Outlook to 2025, Ken Research, August 2021)
Interviews with veterans from The Philippines Medical Devices Industry, Ken Research Analysis
Note: F refers to Forecasted Numbers
The Philippines Dialysis Medical Devices market has been defined as the total spending made on dialysis equipment (Dialysis machines) and dialysis consumables by all the end users involved in the segment
Note: Future Projections for Dialysis Medical Devices segment has validated by Industry professionals operating under this Industry

Cancer/Radiation Therapy (Equipment + Consumables) Market:

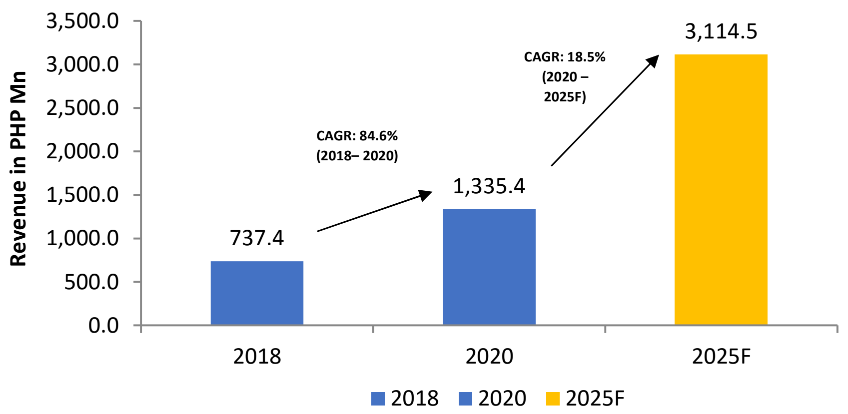
Cancer/radiation therapy medical device manufacturers have entered the Philippines market in the **last 3-4 years** owing to rapid increase in the number of cancer patients. The market grew from **PHP 737.4 million in 2018 to PHP 1,335.4 million in 2020** at a promising **CAGR of 34.6%**. Some of the medical devices include linear accelerator, single-patient physiologic monitoring system, trolley, defibrillator, anesthesia unit, oxygen humidifier, thermoplastic masks dressings, sheets of radiochromic film, infusion pumps, catheter, etc.

Cancer therapy equipments dominated the revenue contribution with a **share** of **95%** in the cancer therapy medical devices market. A small **5% revenue contribution** was through sale of **cancer therapy consumables** in the market **in 2020**. Cancer therapy equipments were **generally sold through dealerships contributing 83.9%** of the overall cancer therapy equipment revenue during 2020.

The key factors propelling the growth include investment on new technology, increasing medical tourism, extending the established product line and rising cases of cancer patients. Major brands which are currently dealing into cancer therapy equipments in the Philippines include Siemens and Elekta. Some of the new technologies introduced in the market include molecular cancer diagnostics, artificial intelligence-based therapy design, DNA cages, precision surgery, pain management, etc.

The number of hospitals, clinics and research centers that provide cancer treatment is growing quickly in India. These healthcare facilities are buying basic and advanced medical devices for cancer therapy, sometimes offering care (primarily at private hospitals) similar to levels found in the West. Demand is also high for portable cancer equipment that can be used in mobile medical units to reach patients in the Philippines rural areas. Given this trend, Cancer/radiation therapy medical device market is anticipated to grow at a **CAGR of 18.5%** for the period of 2020-2025F. The market's revenue for the year 2025F is projected to reach **PHP 3,114.5 million**.

Figure 0-15: The Philippines Cancer/Radiation Therapy Medical Devices Market Size on the Basis of Revenue in PHP Million, 2018, 2020 & 2025F



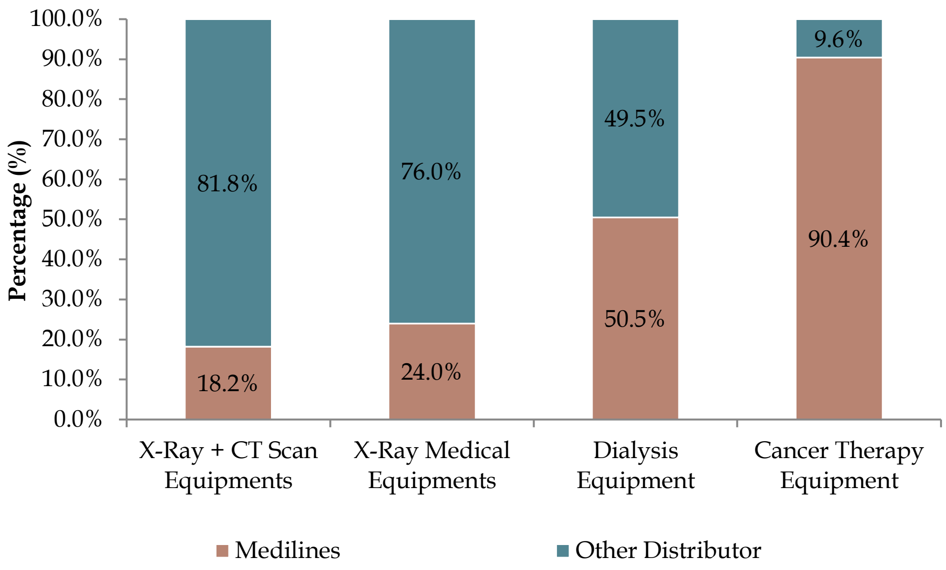
Source: (The Philippines Medical Devices Market Outlook to 2025, Ken Research, August 2021) Interviews with veterans from The Philippines Medical Devices Industry, Industry Articles, Ken Research Analysis
Note: F refers to Forecasted Numbers
Note: Future Projections for Cancer Therapy Medical Devices segment has validated by Industry professionals operating under this Industry

Competition Landscape in the Philippines Medical Device Market:

The competition scenario in the Philippines medical devices market is highly fragmented due to the presence of large number of international companies and local distributors leading to dilution of market share. The international companies including Philips, GE Healthcare, B Braun, Medtronic, BD, Terumo, Fresenius and Siemens distribute their products through authorized distributors located across the country. Medilines, IDS Medical System, Zafire, Fernando Medical Enterprise, Health Solution, Lifeline Diagnostics and Patient Care Corporation are the leading medical device distributors in the Philippines. The local companies manufacturing is restricted to production of medical consumables and hospital furniture. The major competitive parameters include product portfolio, price, and distribution network, pricing, after support services and marketing activities.

Medilines out of the distributors present in the market, has established its leadership positioning in the categories where they operate. Out of the categories including Diagnostics equipment, Dialysis and Cancer therapy, Medilines has been the clear individual leader in the distributor segment.

Figure 0-16: Market Share of Medilines in the Philippines Medical Devices Market across Multiple Categories (X-Ray + CT Scan, X-Ray Equipments, Dialysis and Cancer Therapy Equipments) on the Basis of Revenues in Percentage (%), 2020



Source: (The Philippines Medical Devices Market Outlook to 2025, Ken Research, August 2021)
Interviews with The Philippines Medical Device Industry Experts, Ken research Analysis
Note: All the above revenues are inclusive of VAT. The above market share are only for Equipment and exclude Consumables
Note: The above market share is only out of distributor segment for equipment

COVID Impact on the Philippines Medical Device Market:

The COVID-19 pandemic has highlighted the severity of the Philippines' shortfall in healthcare resourcing, particularly in the public healthcare system. Overall, there was a slight decline of **(decline of 1.9% compared to 2019)** witnessed in the medical devices industry size in terms of revenue. The medical consumables market has recorded growth of **18.3% over 2019** in The Philippines owing to the surge in the demand of medical consumables such as surgical masks, N95 masks, PPE Kits, latex or nitrile gloves, face shields, nasal swabs and test kits, needles, syringes, ventilators and many more. However, the medical equipments market has witnessed a decline of 11.3% over 2019, in terms of revenues.

COVID-19 has put the medical device industry on the forefront, with unparalleled demand for some products like diagnostic tests, ventilators, and personal protective equipment (PPE). Purchasing cycles for some equipments used in COVID-19 treatment that requires replacement—such as CT machines, dialysis equipment, or ECMO machines have increased and became part of existing capital expenditure budgets.

With the onset of Covid-19, a multifold increase in the **demand of ventilators and diagnostic imaging devices in the country has been witnessed due to major impact on respiratory systems of humans and CT scan which are being highly used to diagnose the impact on lungs**. It is anticipated that the demand for such medical equipment will grow further in the coming years and aid **Medilines to increase its client portfolio and revenue**.

One area of major change for most companies was the impact on their sales force and service teams. Some degree of restricted access to hospitals and customers was the normal during the pandemic. Most companies engaged physicians and patients differently and some of this may continue in the new world

Post Pandemic Demand Analysis:

The **after effects of Covid-19** recovered patients in some of the severely impacted patients have been observed with multiple organ failures in the body which is expected to support the demand for both **medical imaging devices, dialysis equipments** along with the other medical consumables in the country. Demand for diagnostic medical devices such as **X-Ray, CT Scans, IVD equipments, rapid test kits** is expected to witness maximum surge as healthcare authorities attempted to measure and track the true spread of the virus.

In addition, significant **growth can be witnessed in the cancer therapy equipments** as radiation therapy is used to replace or to delay other treatment modalities with higher infection risk backed by growing number of cancer patients. Patients who have to undergo **dialysis, physiotherapy and chemotherapy prefer health care services at home** which would eventually boost the demand for medical equipments. **Peritonial dialysis**, **automated blood pressure monitors, weighing scales, pulse oximeter** along with **portable and wearable dialysis devices** will also see traction in the near future.

The location and structure of care delivery is likely to change for many companies. This poses new challenges as sales teams adapt to effectively incorporate the appropriate pricing and contracts to support the changes in care services and delivery. Marketing teams will likely continue to us the digital tools developed and scaled during the pandemic, enabling some companies to thrive in the longer term.

THE COMPANY

OVERVIEW

Medilines Distributors, Inc. was incorporated on July 12, 2002 and is an essential distributor of critical medical equipment to public and private healthcare facilities across the Philippines. We maintain a portfolio of best-in-class equipment from multinational medical device companies such as Siemens (Germany) for diagnostics imaging, B. Braun (Germany) for dialysis and Varian (USA) for cancer therapy. Our portfolio primarily caters to the leading categories of specialized medicine in the Philippines – diagnostic imaging, dialysis and cancer therapy - that collectively amounted to ₱17.0 billion in sales under the medical equipment market of the Philippines in 2020. These categories, in turn, address some of the top causes of mortality among Filipinos – cardiovascular diseases, cancer, chronic obstructive pulmonary disease, diabetes, pneumonia, and tuberculosis.

In response to the COVID-19 pandemic and the resulting acute need for timely medical care, we have supported the Philippine healthcare system through the distribution of our critical medical equipment such as computerized tomography scan (CT scan) machines and x-ray machines which help in the early detection of possible COVID-19 complications. This also includes dialysis machines and portable reverse osmosis machines for the treatment of patients with COVID-19 complications in intensive care units. Our portfolio likewise includes other critical medical equipment such as linear accelerator machines, cathlabs, and mammography.

Our customers are primarily the Philippine Government through the Department of Health and Local Government Units, and private healthcare facilities such as, among others, hospitals, clinics and diagnostic centers. We sell our products to a market valued by Ken Research at ₱47.5 billion in 2020 and expected to grow to ₱82.7 billion by 2025 which translates to a CAGR of 11.6% for the Philippine medical equipment market.

For almost twenty (20) years, we have supported the development of the booming Philippine healthcare industry through the successful implementation of big ticket supply and distribution projects for both public and private healthcare facilities across the Philippines. In diagnostic imaging, where we have an 18.2% market share of the distribution segment in 2020 according to a research conducted by Ken Research, we have supplied the catheterization lab for the first Hybrid Operating Room set up in Mindanao and have successfully installed the country's first superconducting MRI machine in Bohol. In dialysis, we hold a dominant position as we accounted for 50.5% of all machines that were sold under the distributor segment in 2020 according to a research conducted by Ken Research. In cancer therapy, where we are the undisputed market leader with a market share of 90.4% of the distribution segment in 2020 according to a research conducted by Ken Research, we have been awarded by DOH the first ever Nuclear Medicine Facilities project that combines a cyclotron, Positron emission tomography PET CT scanner and hybrid single-photon emission computerized tomography SPECT CT system in Davao City and Cebu City.

To capture the growth not only of our core market of medical equipment but of the wider medical devices market, we will employ a multi-level strategy by maintaining our existing relationships with key customer accounts, establishing new customer bases in underpenetrated local markets, expanding our product portfolio to include high-margin consumable products, strengthening further our logistics capability, and venturing into other healthcare categories in the long term. The medical devices market, which is composed of medical equipment and consumables & accessories, is expected to grow at a CAGR of 10.7% in the next five years to be worth ₱127.8 billion by 2025 from ₱77.0 billion in 2020 according to Ken Research.

We have a proven track record of growing our business. For the years ended December 31, 2018 to December 31, 2020, our consolidated revenues grew from ₱1,171 million to ₱1,467 million which translates to a CAGR of 11.9%. Our net income likewise recorded strong growth, climbing from just ₱77 million to ₱103 million during the same period which translates to a CAGR of 16.0%. Our growth momentum was boosted further by the increase in the demand for life-saving equipment amid the COVID-19 pandemic.

Moving into 2021, our revenues for the six-month period ended June 30, 2021 jumped to ₱815 million which is higher by 281% compared to ₱214 million recorded during the same period in 2020. Meanwhile, our net income during the same period in 2021 was at ₱100 million which is equivalent to almost 100% of the net income posted for the full-year 2020.

Medilines Distributors Incorporated was incorporated in the Philippines and registered with the Securities and Exchange Commission on July 12, 2002. Our Company's primary purpose is to establish, conduct and maintain business of trading and distribution of medical devices.

The principal shareholder of the Company is Mr. Virgilio Villar. Mr. Villar served as the Managing Director of B. Braun Medical Supplies, Inc. for over twenty years before deciding to join the management of the business when he recognized a significant gap in the supply chain between multinational principals and underserved Philippine hospitals that were then starting to modernize.

THE COVID-19 PANDEMIC

COVID-19, an infectious disease that was first reported to have been transmitted to humans in late 2019, has spread globally over the course of 2020, and in March 2020 it was declared as a pandemic by the World Health Organization ("**WHO**"). As of June 30, 2021, there had been about 180 million confirmed cases in the world, as reported to the WHO.

With the declaration of a nationwide "State of Public Health Emergency" on May 08, 2020, the Government has taken measures in varying degrees across the country to contain the spread of the virus including a nationwide Lockdown and the mobilization of necessary resources to undertake critical, urgent and appropriate medical measures. One of the major resources mobilized by the government was the ₱275 billion "Bayanihan to Heal as One Act" (Bayanihan 1), from which the DOH has utilized ₱4.36 billion to procure medical equipment as of December 31, 2020.

As of the date of this Prospectus, Metro Manila is under GCQ with Alert Level 2 , while other areas continue to be placed under other levels of community quarantine and there is no assurance that areas that are currently under ECQ, MECQ, GCQ or MGCQ would not be placed under more stringent community quarantine in the future. The Philippines continues to be challenged as mobility and commercial activity in retail remains limited due to the restrictions and slow roll-out of the vaccination.

As a player in the medical device distribution industry, Medilines was presented with both opportunities as well as challenges during this pandemic. On one hand, as a medical device business, the pandemic helped strengthen Medilines' integral role in the Philippine healthcare industry. On the other hand, as a distribution business, the pandemic posed logistical challenges affecting the core of its operations.

The pandemic presented Medilines with opportunities to strengthen its valuable role as part of the healthcare industry. We are proud to be at the frontline of the country's fight against COVID-19 through the urgent distribution of related devices. From March 2020 up to June 2021, four (4) CT scans and seven (7) mobile x-rays have been deployed, helping patients with early detection of possible complications due to COVID-19 and providing our frontliners with a better understanding of the patient's condition for proper treatment. 126 dialysis machines and 63 portable reverse osmosis machines have also been installed in Intensive Care Units (ICUs), as an estimate of 30% of patients hospitalized with COVID-19 develop moderate or severe kidney injury. These purchases make use of the government's emergency funds and other aid for COVID-19 relief; and these are on top of other purchases by customers considering the company's business as usual. Moreover, the pandemic has also highlighted the importance of health system resilience. The capacity of the health system in the country in terms of crisis preparedness and response, and its ability to deliver essential health services, were placed in the spotlight. Thus, investments in the health system to increase its capacity, including the much-needed modernization of hospitals across the country, became the priorities of the DOH in the short and medium-term.

Meanwhile, the pandemic-induced restrictions on movement also presented Medilines with logistical challenges at the start of their imposition. Inter-provincial delivery of goods experienced delays due to varying policies on quarantine restrictions per locality and lack of means of transportation, among other reasons. In addition, the movement of our delivery and sales personnel were also hampered.

Despite these challenges, we continued to work as usual. We were able to quickly resume the deployment of our field personnel in COVID-19 hospitals via strict compliance with the protocols of Inter-Agency Task Force ("**IATF**") and DOH. Medilines provided its employees with protective gears, swab tests and necessary certificates or clearances prior to provincial deliveries. Disinfectants were placed in all appropriate areas and the Company extended the use of a staff house and arranged carpool to lessen the employees' exposure from public transportation. We also utilized flexible work arrangements with employees who can productively work from home.

All in all, Medilines was able to maximize resulting opportunities despite numerous restrictions. Operations had minimal interruptions through strict compliance to safety protocols and high collaboration efforts with our partners in the industry. Liquidity, which is of highest importance during a pandemic, was maintained via collection drives, savings on operational costs, and focus on profit.

STRENGTHS AND STRATEGIES

Strengths

Well-positioned in a large, attractive and growing Philippine healthcare industry

Medilines is strategically positioned in our chosen categories of imaging, dialysis, and cancer therapy. We are the dominant player in the distribution segment of dialysis and cancer therapy equipment, holding 50.5% and 90.4% of the market, respectively in 2020; we also have a significant presence in diagnostic imaging where we have a market share of 18.2% in the distributor segment in 2020 based on an independent report by Ken Research. Our market dominance positions us to capture the continued growth in the healthcare industry that is driven by a large and aging population, additional investments that are expected to be made in compliance with the Universal Healthcare Law ("**UHC Law**"), public-private partnerships aimed at developing the public healthcare sector, a steady stream of financial aids from international health organizations, the thrust to modernize hospitals and the increase in Philippine Health Insurance Corporation ("**PhilHealth**") coverage to 100% of the population by 2022 among many other growth drivers according to Ken Research.

This 2021, the Philippine population is expected to reach 111.4 million and is expected to grow to 116.6 million in 2025, translating to a CAGR of 1.2% according to a report Ken Research. Based on the same report, spending on healthcare grew along with it as total healthcare expenditure rose from ₱489.1 billion in 2014 to 911.4 billion in 2020 (or a CAGR of 10.9%) and is expected to grow further at a CAGR of 11.2% to reach ₱1.5 trillion by 2025.

The coverage of the PhilHealth has also increased from 94% to 100% of the population, thereby growing the baseline customers of hospitals and other health-related facilities.

Majority of additional funding for the Philippine healthcare Industry nowadays is aimed at the achievement of the target of the UHC Law which aims to ensure that every Filipino family is within reach of a professional health provider capable of meeting their primary health needs. This is expected to lead to local health facilities being upgraded and public medical equipment being provided and/or modernized, among others. In 2021 alone, UHC Law has an identified source of funding amounting to over ₱209 billion for its implementation.

Meanwhile, according to Ken Research's study, total expenditures from public and private hospitals accounted for 80.3% of the total healthcare expenditures in 2020, 43.5% of which was contributed by public hospitals. Hospital expenditure is expected to reach ₱668.9 billion in 2025 from ₱419.3 billion in 2020, translating to a CAGR of 9.8%. This will drive higher capital expenditures on medical equipment as the number of hospitals in the Philippines is expected to grow from 1,384 as of June 2021 to 1,558 hospitals in 2025. Further, private hospital expenditure is expected to increase as corporate tax reforms (which aim to cut the level of corporate tax from 30% to 20% over 10 years from 2021), the ASEAN Medical Device Directive (which aims at establishing an internationally aligned regulatory system for medical devices, thereby driving up standards for these devices), the continuation of the UHC Law, and other programs come into play in attracting investments from the private sector in the coming years.

In addition to government budgets, a steady stream of financial aid from international health sectors also contribute to the total expenditure in Philippine healthcare. During the COVID-19 pandemic alone, the Philippines received aid from several countries and territories, including the United States, Singapore, Taiwan, China, and Japan, among others. Aid was given either in cash or in kind, such as personal protective equipment for health workers, face masks, and other medical supplies and equipment.

On rare occasions, such as the COVID-19 pandemic, abrupt growth in demand for healthcare products occur. Demand for the Company's product line-up increased recently as our diagnostic imaging and dialysis equipment are used in the detection and treatment of COVID-19 and related complications.

Our market dominance, especially in the fast-growing dialysis and cancer treatment medical equipment segments which are expected to grow by 18% annually until 2025 according to Ken Research, and track record of success in implementing big ticket projects position us to capture the industry's growth.

We will continue to leverage our track record of completed projects with the DOH and the on-the-ground presence of our highly-skilled sales team to capture the market's growth. Medilines also has access to financial resources that are necessary to operate in a capital-intensive industry which will enable the Company to further expand and benefit from the growth of the Philippine healthcare industry.

Broad portfolio of core critical medical equipment to address the need of public and private healthcare facilities across the Philippines

The Company has a broad portfolio from world renowned brands that are critical in serving the needs of public and private healthcare facilities which allows us to capture a larger base of healthcare institutions. Our three categories of specialized medicine—diagnostic imaging, dialysis, and cancer therapy—represent some of the categories in healthcare that are experiencing a growing demand in the country. These medical equipment segments, which were collectively valued at ₱17.0 billion in 2020—₱14.7 billion for diagnostic imaging, ₱1.0 billion for dialysis, and ₱1.3 billion for cancer therapy — each segment projected to grow at a CAGR of 11.0%, 18.0%, and 18.8%, respectively until 2025 according to Ken Research. These translate to forecasted 2025 market segment sizes of ₱24.7 billion, ₱2.4 billion, ₱3.0 billion, respectively.

Imaging equipment, such as a CT scan, MRI, and other machines that support early and precise diagnosis, less invasive therapy, and solid aftercare, remains to be a necessary capital expenditure ("**CAPEX**") for hospitals. These are even more vital in the Philippines as our top three causes of mortality include cardiovascular disease, cancer, and pneumonia, all of which can be detected and monitored by these machines. The presence of imaging equipment is required for hospitals applying for a license to operate from the DOH. For university hospitals, an MRI is required to be a certified teaching hospital. The rise in new hospitals and expansions all over the country has caused a growth in the need for imaging equipment, with some major hospitals opting to purchase their second or third equipment.

Meanwhile, the prevalence of dialysis in the Philippines has risen. According to Ken Research, the number of new cases of chronic kidney disease has risen by 15% per year over the past decade with such disease now being the 7th leading cause of death among Filipinos. The growth in kidney diseases is further driven by the increasing prevalence of diabetes in the country, wherein approximately 20% to 30% of people with diabetes develop kidney disease. Moreover, in February 2019, President Rodrigo Duterte signed the Universal Health Care Bill into law, ushering in massive reforms in the Philippine health sector. This includes increasing PhilHealth's dialysis coverage from 90 to 120 sessions per year. Today, the dialysis coverage has been further increased to 144 sessions per year. Since most patients undergo dialysis treatments two to three times a week, this rise in coverage represents almost, if not all, of an average patient's required dialysis treatments in a year. The rise in the number of treatments and the consequent rapid mushrooming of new dialysis centers and expansion of existing centers nationwide have created a boom in demand for dialysis machines and related products in recent years.

Finally, cancer remains to be a national health priority, being the country's third leading cause of morbidity and mortality. The National Cancer Prevention and Control Action Plan ("**NCPCAP**") of the National Cancer Control Committee ("**NCCC**") seeks to address this through the establishment of a National Cancer Center and strategic satellite cancer centers all over the country. Today, cancer centers needing linear accelerators are being built in major cities nationwide. Finally, Medilines sought to distribute cancer therapy equipment as cancer remains to be a national health priority, being the country's third leading cause of morbidity and mortality. Investments in equipment and other related infrastructure in the short term for this category will be driven by the NCPCAP 2015-2020 of the NCCC. Part of the plan is the establishment of a National Cancer Center and Strategic Satellite Cancer Centers nationwide which would entail significant expenditures on equipment that we can bid for.

Strong sales and marketing capabilities with long-standing relationships with key accounts in both the private and public sectors

Medilines' strong sales and marketing capabilities have been relied on by multinational principals since its inception to reach key accounts that they themselves are unable to penetrate due to various reasons including the complexity of the bureaucratic environment. Through our extensive customer relationships in both the private and public sectors of the industry, it is able to help principals navigate the respective procurement processes and to tailor-fit marketing strategies to each account.

Medilines serve the gap in the market by opening to multinational principals highly profitable accounts that they are unable to penetrate for various reasons.

First, Medilines has time-tested familiarity with public procurement process, added to the fact that Filipino companies are also given preference in the selection of suppliers. The bureaucratic environment in the Philippines can be very complex. Public tenders have numerous legal requirements, which include bidders to submit eligibility documents such as SEC Registration, Mayor's Permit, Tax Clearance, Audited Financial Statement, Net Financial Contracting Capacity ("**NFCC**"), Single Largest Completed Contract ("**SLCC**"), List of Similar Completed Projects ("**LSCP**"), and other technical and financial documents. By computing for NFCC—Computed as [(Current assets minus current liabilities) x (15)] minus the value of all outstanding or uncompleted portions of the projects under ongoing contracts, including awarded contracts yet to be started, coinciding with the contract to be bid—the bidding, especially for capital intensive equipment, naturally discourages smaller players. By providing the SLCC, the bidding further discourages companies with no experience of completing large projects from joining. By providing a list of similar completed projects, the bidding furthermore discourages companies with no experience of completing similar projects from joining. In government biddings, track record matters. Medilines has well-tried understanding of the bidding and tender process after years of joining numerous tenders. Our long history of delivering on large requirements in won bids has placed us in a unique position as one of very few qualified bidders for big ticket projects. Because of these, we have become a preferred distributor of all our Principals for government accounts.

Second, Medilines has a better understanding of the market because of our wide network of key opinion leaders and end users in both public and private hospitals. Relationship selling is ingrained in our culture as one of the key ingredients to success. Our management and sales team have extensive customer relationships in the Philippine healthcare industry, with the ability to tailor-fit marketing strategies, providing a significant barrier to entry for competitors who will come late into the game.

Third, Medilines has an established widespread geographical footprint. The logistical chains in the Philippines can be complicated considering we are one of the world's largest archipelago nations. The presence of various equipment from Medilines all over the country and the continuous after sales services we support for these devices further strengthen our relationships, increase familiarity, and deepen our expert image, with our customers.

All this have resulted to long-standing partnerships with key accounts. Medilines' biggest customer is the DOH as its Health Facilities Enhancement Program ("**HFEP**") budget remains to be the biggest budget allocation for the purchase of medical devices in the country year on year. The DOH conducts centralized purchasing of equipment for major government hospitals in key cities nationwide. The DOH also approves budget for the procurement of equipment directly by DOH hospitals. These hospitals conduct their own bidding. Some of the major customers supplied by Medilines in the past three years (2018-2020) include government hospitals that are the biggest in their respective areas. The most recent major projects per product line which we have won via public tenders include: (1) The Supply, Delivery, Installation, Testing and Commissioning of 110 Units Brand New Hemodialysis Devices; (2) The Supply and Delivery of 11 Sets Brand New Linear Accelerator with CT Simulator; (3) Design, Build, Supply, Delivery, Installation and Commissioning of 2 Sets of Medical Cyclotron and PET CT Scanner and 2 Sets of Hybrid SPECT CT System ; (4) The Supply, Delivery, Installation, and Commissioning of Digital Mobile X-Ray System; and (5) The Procurement of 64 Slices Dual Energy City Scanner System.

We also have extensive relationships with private hospitals which contributed 20% of our topline for the six-month period ended June 30, 2021. Our customers in the private sector consist of the biggest tertiary private hospitals or Groups of Hospitals in the country. The top private customers of Medilines include: (1) Sacred Heart Medical Center in Pampanga, the biggest cancer center in North and Central Luzon, who purchased 1 unit of Linear Accelerator; (2) Lanang Premiere Doctors Hospital, the newest ultra modern hospital in Davao, who purchased a Cathlab System and other radiology equipment; (3) Ortigas Hospital and Healthcare Inc. who purchased a CT Scan and other radiology equipment; and (4) La Union Medical Center who purchased a 32-Slice CT Scan. Medilines also has long-standing relationship with some of the country's biggest chains of private hospitals—Metro Pacific Hospitals Holding Inc. and St. Luke's Medical Center—who have purchased numerous devices from Medilines in the past.

Majority of our top public and private customers have been partners of Medilines since 2015 to 2016. It was during this time when Medilines just started participating in big projects involving diagnostic imaging and cancer therapy equipment.

Strategic partnerships with principals that are market leaders in their respective categories

We believe that all Filipinos deserve access to healthcare facilities with world-class medical equipment. This drives Medilines to strategically partner with principals that are market leaders in their respective categories.

B. Braun is a German medical and pharmaceutical device company which was founded in 1839 with its headquarters in Melsungen, Germany. B. Braun has more than 5,000 different products for healthcare, around 95% of which are manufactured by the company. B. Braun, through its B. Braun Avitum Division, is one of the world's leading providers of products and services for people with chronic and acute kidney failure. The Avitum Division began its dialysis center operations in the Philippines in June 1989. Since then, B. Braun Avitum has been one of the top and most reliable brands of dialysis supplies and equipment in the country. Their product portfolio in renal care includes dialysis machines and consumables consisting of dialyzers, bloodline systems, concentrates, fluid filter, cannula and catheter. Medilines has been partners with B. Braun Philippines, distributing their dialysis products and other disposables since the day it was founded in 2002.

Siemens is the world market leader in diagnostic imaging with a 120-year track record of industry firsts and 18,500 patents globally. Siemens' Healthcare Division is now known as Siemens Healthineers, having been rebranded last 2016. Siemens Healthineers is part of Siemens AG, a German multinational conglomerate corporation headquartered in Munich and the largest industrial manufacturing company in Europe. In relation to its partnership with Medilines, the company manufactures equipment in Diagnostic Imaging (CT Scan, Fluoroscopy, MRI, Mammography, X-Ray), Advanced Therapy (C-Arm, Cathlab, Robotics), and Molecular Imaging (PET CT, SPECT CT). Medilines has nationwide authorized distributorship of their medical devices in Diagnostic Imaging, Advanced Therapy and Molecular Imaging. Medilines has been partners with Siemens Philippines since 2016.

Varian Medical Systems is an American radiation oncology treatments and software maker based in Palo Alto, California. It has over 70 years of pioneering history in advanced cancer-fighting tools. Their medical devices include linear accelerators and software for treating cancer and other medical conditions with radiotherapy, radiosurgery, proton therapy, and brachytherapy. Medilines has been partners with Varian Medical Systems since 2016, through Varian's partnership with Siemens.

Our long-standing relationships with these global industry leaders will continue to strengthen our market position in the medical equipment distribution space in the Philippines.

Established operational expertise in the implementation of highly specialized and high value medical equipment projects

Our operational expertise is developed through thorough knowhow and compliance with regulations, efficiency in logistics chain, and effectiveness in sales and marketing.

As part of the healthcare industry, the products and the processes that we are engaged in are highly regulated. A Certificate of Product Registration or Certificate of Exemption is required per product. For first time installation of highly specialized equipment like CT scans, a performance test must be completed with the FDA in attendance. A passing mark is needed for FDA to grant the hospital a License to Operate the machine. Our warehouse must possess a fire safety and sanitation permit, among others. The various permits and licenses that players need to secure on top of the general knowledge of the intricacies of the industry becomes a significant barrier to entry to potential competitors.

With our current products trading on value rather than volume, we have designed our business to be as lean as possible with our procurement only being triggered by purchase orders under normal circumstances. We also employ a direct-to-site delivery model where procured products are delivered to the client straight from our supplier; moreover, we have a centralized business IT system through Microsoft Dynamics 365 Business Central which digitally records and monitors our inventory management processes.

Therefore, the primary concern is on the logistics of bringing the equipment from the local sales offices of principals up to the delivery and installation of the equipment in hospitals nationwide. For deliveries within Metro Manila and nearby provinces, we use our own trucks and vans while for deliveries to Visayas and Mindanao, we partner with our trusted third-party logistics providers on a per project basis.

Even though our Principals import the products we sell, our company has an importation permit to give us flexibility to source additional or alternative products from other countries. We are then assisted by a licensed brokerage firm that facilitates customs clearance and various importation-related activities. All products are stored in a leased warehouse space. An overflow warehouse is available if needed. All our warehouses are compliant with the necessary permits. Our own trucks and vans deliver smaller third-party items to areas within Metro Manila and nearby provinces. We work with third-party logistic providers for deliveries to farther areas on a per project basis. Installation service, warranty and maintenance are covered by the principals, but are coordinated through Medilines.

The necessary third-party small items that we bundle with the equipment as part of the specifications of each client are stored and packaged in our own warehouse that is strategically located near the origin points of the main equipment. This point is important as the Company's clients purchase products as configured and modified based on their own specific requirements rather than off the shelf. Thus, selling to customers require specialized knowledge and training that are not easily accessible, providing a significant barrier to entry to competition.

The highly-specialized equipment that we sell cannot simply be bought off the shelf. To become an effective distributor, one must be equipped with technical and clinical knowledge to be able to market, sell, install and maintain these products in such a way that is compliant with international standards. For linear accelerators, we are the only one with this kind of experience. Our team of sales and product specialists are led by business heads who have years-long experience in their respective fields. Our team is trained by our Principals through live or online workshops and on the field.

Over the years of continued profitability, we have been able to build up a substantial war chest that enables us to fund our projects that are capital-intensive in nature. This is a significant advantage, especially for participating in government projects that typically has long payment periods. Moreover, the year-on-year increase in our working capital becomes a positive feedback loop with the size of the projects that we can participate in.

Demonstrated record of significant growth and profitability

We believe we have delivered strong revenue and net profit growth in the last three years.

We have a proven track record of growing our business. For the years ended December 31, 2018 to December 31, 2020, our consolidated revenues grew from ₱1,171 million to ₱1,467 million which translates to a CAGR of 11.9%. Our net income likewise recorded strong growth, climbing from just ₱77 million to ₱103 million during the same period which translates to a CAGR of 15.7%. Our growth momentum was boosted further by the increase in the demand for life-saving equipment amid the COVID-19 pandemic.

Moving into 2021, our revenues for the six-month period ended June 30, 2021 jumped to ₱815 million which is higher by 281% compared to ₱214 million recorded during the same period in 2020. Meanwhile, our net income during the same period in 2021 was at ₱100 million which is equivalent to almost 100% of the net income posted for the full-year 2020.

The growth in revenues is driven by the cancer therapy category via Varian linear accelerator—one of the higher-priced equipment in Medilines' portfolio, often packaged with infrastructure development; having a CAGR of more than 80% from 2018 to 2020. Meanwhile, the growth in profit is driven by the dialysis category via B. Braun dialysis machines—one of the equipment in Medilines' portfolio that shows relatively higher profits and good sales volume.

Our company has a demonstrated ability to sell products that require high CAPEX as evidenced by our topline growth. 95% of products sold by Medilines in the past three years consist of equipment. Our growth in revenues for the past three years, with a CAGR of more than 80%, is driven by the Cancer Therapy Category, which is comprised of the higher-priced equipment in our portfolio, often packaged with infrastructure development.

Our stable margins are a testament to our ability to maintain a good product mix and to control cost centers. The growth in profit for the past three years is driven by the Dialysis Category, which consists of products in our portfolio with higher margins and sales volume. Meanwhile, our company has developed efficient and streamlined operations over the years. We have been able to do this as we have developed over the years an efficient and streamlined supply chain model

To further establish sustainable revenue and profit growth, the strategy of Medilines includes beefing up resources to sell more products with higher turnover and higher profits, starting with the consumables that complement our equipment, while keeping our operations streamlined and efficient.

Experienced and founder-led management team with extensive knowledge in Philippine Healthcare Industry

Medilines is composed of an experienced management team, headed by founder and chairman Virgilio Villar. He has over 34 years of management experience in the medical industry, having been the Managing Director of B. Braun Medical Supplies, Inc. for 21 years. Since then, Mr. Villar has transformed Medilines to a leading distributor of medical equipment in the Philippines by partnering with world-renowned principals and leading brands in healthcare. Mr. Villar's vast network in the industry, as well as his hands-on knowledge about the medical practices and devices related to Medilines' chosen specialties, are some of the key ingredients to the success of Medilines.

Under Mr. Villar is a team of managers with varying degrees of notable experiences in their respective fields. President, Patricia Yambing, has more than 15 years of experience in Sales and Marketing, with over five years of experience in the medical industry as Business Unit Head of Asya Medika. Chief Finance Officer, Margarita Villarico, has over 33 years of experience in Finance and Accounting from various companies. General Manager, Daniel Zulueta, has over 18 years of experience in Sales and Operations in Dialysis, having worked in B. Braun Medical Supplies, Inc. for eight years in sales before becoming Operations Manager of Philippine Renal Care. Business Unit Head for Imaging, Luigi Gamboa, has over 10 years of experience in Sales & Marketing for Imaging from various companies. Supply Chain Manager, Theresa Molar, has over 13 years of experience in Supply Chain management and operations, 11 of which are in the medical field, including B. Braun Medical Supplies Philippines. Information Technology Manager, Emmanuel Gemzon, has over 20 years of experience in IT, 17 of which are in the medical field.

We will continue to leverage on our management team's extensive knowledge in the healthcare industry to grow its profitability and further strengthen its market position.

Strategies

Continue to join big ticket projects in both public and private hospitals

Medilines will continue to utilize our strategic partnerships with the DOH, our largest customer, and major hospitals and other medical institutions in the public and private sectors. We believe that the demand from these existing key accounts are poised for further growth primarily on the back of the UHC Law which, in 2021 alone, has an identified source of funding amounting to over ₱209 billion for its further implementation.

We are in a position to capture the additional CAPEX requirements of the department for this endeavor. In public biddings, we will leverage our existing eligibility requirements as described in RA 9184 Government Procurement Reform Act to our advantage, such as tender specifications, list of completed similar projects, SLCC, and NFCC, as only very few players in the industry can meet these requirements.

We will also use our established presence and proven experience in government projects to further our sales in our private hospital customers. We anticipate an increase in the volume of requirements for these accounts, particularly in imaging, dialysis and cancer therapy amidst the ongoing pandemic, supported by the drive to comply with the ASEAN Medical Device Directive and the cash boost provided by the CREATE law.

Develop our customer base in fast-growing and underpenetrated markets across the Philippines

Medilines will conduct targeted deployment of sales representatives in other major areas in the country where it is not yet present to gain trust and develop relationships with new customers. To utilize our resources efficiently, we will focus on geographical areas that are highly urbanized and that have high spending power when it comes to medical equipment such as Baguio, Pampanga, Bacolod, Iloilo and General Santos.

Factors driving the decentralization of healthcare services include the ongoing establishment of National Cancer Center and Strategic Satellite Cancer Centers nationwide pursuant to the NCPCAP for cancer therapy equipment. Meanwhile, the procurement touchpoints of dialysis machines are expected to widen as mentioned with PhilHeath increasing the approved benefit claims for hemodialysis services from 90 to 120 sessions last 2019, and now up to a maximum of 144 sessions for CY 2021, which increases the incentive for private firms to invest on putting up dialysis centers.

According to Ken Research, there are only a handful of medical equipment distributors that have nationwide coverage and is currently limited to urban areas. As of June 2021, there are 1,384 hospitals across the Philippines, most of which are concentrated in Region IV- A (**CALABARZON**), Central Luzon, and National Capital Region. In the near future, it is anticipated that other regions such as Autonomous Region in Muslim Mindanao, Cordillera Administrative Region, Mindoro, Marinduque, Romblon, Palawan, South Cotabato, Cotabato, Sultan Kudarat and Sarangani, and General Santos Region, and Caraga region will have high growth rate above ~28% in terms of opening up of new hospitals during the period by 2025.

Together with the growing demand for healthcare outside the urban regions, we believe these underserved markets provide good opportunity for the Company to broaden its market reach and further deepen its market presence. We will ensure that our products and services would be available in the next growth cities in the same manner that we have established sales representatives and sub-dealers in Metro Manila, Cebu City, Davao City, Zamboanga City.

Expand into the consumables segment of our core product categories for margin efficiency

We envision the company to become a one-stop shop for its customers by expanding our product portfolio to include products such as consumables and accessories that are used in our core categories. Consumables are low-priced products but offer higher turnover and higher margins compared with our existing line up of medical devices. According to Ken Research, gross margin for this segment averages from 40% to 50%, higher than that of the medical equipment segment at 20% to 30%. As these consumables are low-value items, the ideal target market are the large healthcare institutions to sustain larger order volumes. We aim to leverage on our long-standing relationships with the public and private healthcare institutions in order to create a cross-selling opportunity with the objective of maximizing revenue from our existing customer base.

With Medilines having a strong presence in the market through the nationwide installation of its equipment in the past years, a push for product expansion via the consumables related to these same specialized machines becomes clearly obtainable yet highly rewarding; especially since consumables have higher turnover and higher profit margins compared to large-CAPEX machines.

Dialysis alone has over 20 consumables used per dialysis session, majority of which are one-time use. Examples of the main consumables used in dialysis are:

- Dialyzer: An artificial kidney usually composed of hollow fiber which is connected to a dialysis machine to eliminate waste products from the blood and remove excess fluids from the bloodstream.
- AV Fistula: A surgically created connection of an artery to a vein. An AV fistula is how patients are connected to a dialysis machine.
- Fistula Needles: Two needles are inserted into the AV fistula—One to remove the blood and send it to the machine, where it is filtered; The other to return the purified blood back into the body.
- Bloodline Tubings: Transports blood throughout the dialysis process.
- Dialysate: The fluid and solutes in a dialysis process used to draw out toxins from the bloodstream.

Some of these consumables are brand-specific or dedicated only to their respective brand of machines, which means that the previously installed machines of Medilines may become an automatic captured market. Moreover, as we facilitate the regular maintenance of the machines that we sell, our relationships are continuing with each client even after post-purchase. We will transform this regular communication towards marketing opportunities for our representatives to sell related products.

The other consumables which are universal or not brand-specific can then be strategically used to penetrate new markets or capture competitors' market shares. They will provide the runway for future growth as the total size of the medical consumables segment is projected to grow from ₱29.6 billion in 2020 a ₱45.1 billion market in 2025, which translates to a 5-year CAGR of 8.8%, per Ken Research. Ken Research also identified the drivers of the growth in demand for medical consumables as the increase in the requirements for the products and the behavioral shift among people due to the rise in COVID-19 cases in the Philippines and the jump in the number of, and advancements in surgical procedures, such as laparoscopic and minimally invasive surgeries.

Continue to streamline our logistics systems

Medilines will continue to invest in efficiency-enhancing technologies and cost-saving infrastructures to further streamline our logistics processes.

To enhance the design further, we believe in the automation of as many elements in the logistics workflow as possible to minimize inefficiencies by reducing manual interference and eliminating human error. We are currently exploring the applicability of various modern tools that we can equip into our system from smart weighing scales that integrate with warehouse management systems and track inventory to barcode systems and to other business process and communication software that provides real-time updates for any aspect of goods movement. We have recently adopted an advance IT system for purchasing, inventory management, and delivery. We will configure our current system to accommodate our foray into the distribution of consumables and accessories.

Finally, since transportation is one major expense in logistics, we are carefully assessing investing in provincial warehouse locations where it would be advantageous to do so from a cost perspective. This also takes into consideration the anticipated increase in our volume turnover when we do commence our foray into consumables in the short-term. Thus, in selecting areas for warehousing, we also factor in which category of consumables business will experience a significant growth and in which geographical areas.

Venture into other high-profit healthcare categories in the long-term

Medilines plans to venture to other growing specialized healthcare markets to position ourselves for sustainable growth in the long-term. While we decided to focus our resources towards the three categories that we believe provide the biggest opportunities in the short term, these only accounted for 22.1% of the overall medical device market in 2020. We shall further expand in due course in other fast-growing healthcare categories to consolidate our market position. Examples of these promising markets include laboratory and pharmaceuticals, which are huge in terms of size and are steadily growing; and Orthopedics, which is still relatively small in size but is growing rapidly as our population ages. The elderly is anticipated to comprise 6.3% of the total population in 2030 from 4.8% in 2020.

According to Ken Research, the medical equipment market segment was valued at a ₱47.5 billion in 2020 and will grow to ₱82.7 billion in 2025, which translates to a 5-year CAGR of 11.7%. Ken Research noted as well that the health expenditure will reach ₱1.5 trillion in 2025, or a CAGR of 10.5% from ₱911 billion in 2020.

The Philippines' medical device market is still currently at the growth stage. Growth drivers are primarily due to a rapidly expanding population of more than 100 million, public-private partnerships aimed at developing the public healthcare sector, and the increasing number of healthcare facilities across the country, among many others.

The Philippine population growth, which is expected to grow at a CAGR of 1.2% from 109.9 million in 2020 to 116.6 million in 2025, coupled with an aging population, has driven the increase in healthcare spending. This is expected to continue as the healthcare industry modernizes and expands its capacity. Several initiatives and reforms were already undertaken by the government, such as the passage of the UHC Law and increasing PhilHealth penetration to 100% of the population by 2022, to achieve its objective of creating an inclusive Philippine healthcare system.

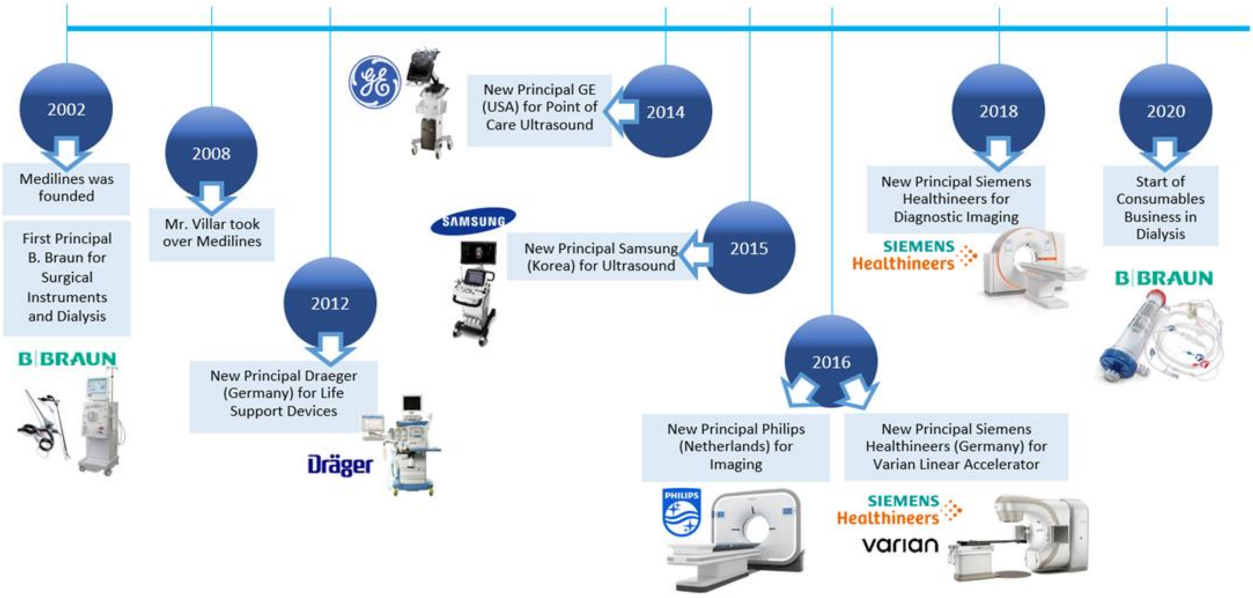
Our established market position in the diagnostic, dialysis and cancer treatment medical equipment segments and track record of success in implementing big ticket projects position us to expand to other high-profit medical device segments. We will continue to leverage on our strong relationship with both the private and public healthcare institutions and our on-the-ground presence through our highly-skilled sales team. This will be further supported by our strategic partnerships with principals that are market leaders in their respective categories.

As with any business endeavor, Medilines will need to carefully assess the market, timing, and readiness of our resources, among others, before selecting and venturing into other healthcare categories. Nevertheless, we believe that our core competencies together with our experience and statutory eligibility would allow us to seamlessly expand.

CORPORATE HISTORY AND MILESTONES

Medilines, Inc. was incorporated on July12, 2002 as an importation, trading, sales, marketing and distribution business for all kinds of medical-related goods in the Philippines. The Company started as a distributor of B. Braun surgical instruments and dialysis nationwide. Mr. Villar took over management in 2008.

Our key milestones are set out below:



In 2012, Medilines became the sole distributor of Draeger (Germany) for their Life Support devices, which includes anesthesia machines, ventilators, monitors and OR lights and pendants. In 2014, the Company became the sole distributor of GE (USA) for their point of care ultrasound. In 2015, the Company became the authorized distributor of Samsung (Korea) for their ultrasound. In 2016, the Company became the authorized distributor of Philips (Netherlands) for their imaging devices, and of Siemens Healthineers (Germany) for their Varian linear accelerators. In 2018, Medilines became the authorized distributor of Siemens Healthineers (Germany) for their diagnostic imaging devices. For Medilines, to establish resource efficiency, we then decided to focus on only three specialized healthcare categories—Diagnostic Imaging, Cancer Therapy and Dialysis. Today, Medilines partners with world-renown leading brands in these categories: Siemens Healthineers for Diagnostic Imaging, Varian for Cancer Therapy, and B. Braun Avitum for Dialysis.

CORPORATE STRUCTURE

Medilines Distributors, Inc. has no affiliate companies. However, founder and Chairman, Mr. Virgilio B. Villar, is also the majority shareholder of Asya Medika, Inc, a company that distributes medical products for the hospital's day-to-day operating room procedures, otherwise known as Life Support machines and consumables. Mr. Virgilio B. Villar is also the beneficial owner of Medpro Medical Supplies, Inc., a company that sells medical supplies and disposables catering to wholesalers only.

BUSINESS OPERATIONS

The nature of Medilines' business operations is in distribution of medical devices to hospitals nationwide. We conduct business-to-business local operations. Medilines partners with principals to handle importation, trading, sales, marketing, delivery, installation, and after-sales services in varying degrees per project or per principal.

PRODUCTS AND BRANDS

Our portfolio of critical medical equipment primarily caters to the following specialized care segments:

1. Diagnostic imaging;
2. Dialysis; and
3. Cancer therapy

Diagnostic imaging

Diagnostic imaging describes a variety of non-invasive methods of looking inside the body to help determine the causes of an injury or an illness, and to confirm a diagnosis. It is also used to see how well the body is responding to a treatment for an illness or a fracture. The four most important types of non-communicable diseases are cardiovascular diseases, cancer, chronic respiratory diseases, and diabetes, can be detected and monitored by imaging devices.

The most common types of diagnostic imaging devices include X-ray, CT Scan, MRI, mammography, ultrasound, and PET/CT scan.

The X-ray machine produces a high-energy beam that bones and dense tissue are unable to absorb, but which passes through the rest of the body. This produces an image that allows doctors to see bones and any damage these may have suffered.

The CT scan combines a series of X-ray images taken from different angles. Computer software then creates cross-sectional images (slices) of the bones, soft tissues, and blood vessels inside the body to provide a more complete picture than the regular X-rays. CT scans are often used to quickly examine people who could have internal injuries from some kind of trauma.

MRIs use a very strong magnet, instead of radiation, to get an image of the patient's body.

A mammogram takes images of thin "slices" of the breast from different angles. It then uses computer software to reconstruct an image to analyze abnormalities.

Ultrasounds are more popularly known for examining a fetus during pregnancy, but it is used for a variety of diagnostic purposes. These include pediatric, vascular, and testicular cases. Ultrasounds use sound waves, instead of radiation, that reflect off tissues in the body to create an image.

PET/CT scans use tracers that are injected into the vein to highlight the flow of fluids in the body. This shows doctors how well the organs and tissues are operating. PET/CT scans are often used to measure blood flow, oxygen use, and sugar use.

Thanks to diagnostic imaging, many illnesses can be diagnosed faster than ever before. Today, diagnostic imaging devices are used heavily in the fight against COVID-19 by helping with the early detection of possible complications due to the disease and by providing our frontliners with a better understanding of the patient's condition for proper treatment.

Philippines' diagnostic medical equipment by type of product on the basis of revenues, 2020 and 2025
(revenues in ₱ million and growth rate in percentage)

Diagnostic Medical Device Revenue Share in PHP Million	2020	2025F
X-ray Based Products	3,598.3	6,270.2
Ultrasound	3,193.7	5,513.1
CT Scan	3,150.9	6,141.6
MRI	2,443.6	3,865.8
Electro diagnostic apparatus (Functional Examination)	1,287.9	1,846.1
ECG	525.8	761.3
Others	499.8	346.4
Total	14,700.3	24,744.5

Source: Ken Research

As shown in the above table, X-ray based products and CT Scans are the biggest product categories under diagnostic imaging with about 25% contribution each to total. Medilines has a significant presence in these types of medical equipment as it accounted for 18.2% of the market share under the distributor segment in 2020 according to Ken Research.

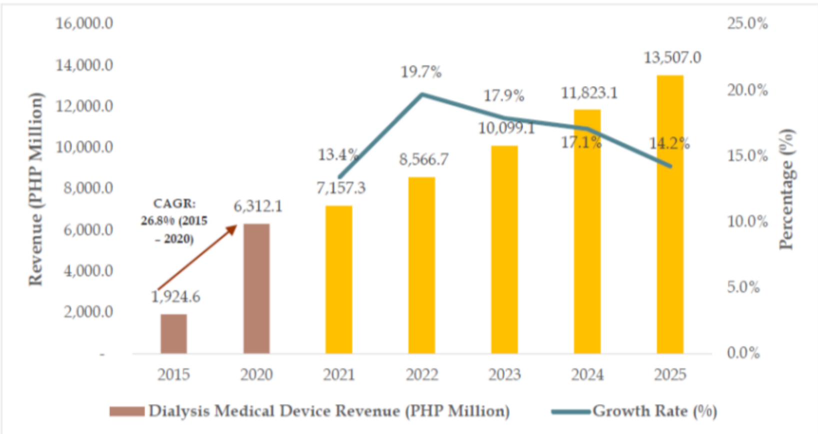
Ken Research forecasts that the category will grow at a CAGR of 11% from 2020 to 2025 to become almost a ₱25 billion market by 2025.

Dialysis

When kidneys are damaged, and if the damage continues to get worse such that the kidneys are less and less able to keep a balance of water and minerals in the body, chronic kidney disease is developed. Kidney failure is the last and most severe stage of chronic kidney disease, also called end-stage renal disease ("**ESRD**"). In most cases, kidney failure is caused by other health problems that have done permanent damage to the kidneys little by little over time. Diabetes is the most common cause of ESRD, followed by high blood pressure. Other problems that can cause kidney failure include autoimmune diseases, such as lupus, genetic diseases such as polycystic kidney disease, nephrotic syndrome, and urinary tract problems. When kidneys fail, it means they have stopped working well enough for the patient to survive without dialysis or a kidney transplant. Kidney failure has become one of the leading causes of hospitalization and the tenth leading cause of mortality in the country. This is driven by the growth in incidences of diabetes, which is the sixth leading cause of death among Filipinos based on the data from the 2013 Philippine Health Statistics, with over 6 million Filipinos diagnosed to have diabetes, as declared by the Philippine Center for Diabetes Education Foundation in 2016. As of 2018, it is estimated that the number of cases of kidney diseases in the Philippines are increasing at a rate of 10% to 15% each year, much higher than the 8% global average

Dialysis is a treatment where a machine is used to replace a kidney after a kidney failure. When kidneys fail, dialysis keeps the body in balance by removing waste, salt, and extra water to prevent them from building up in the body; keeping a safe level of certain chemicals in the blood, such as potassium, sodium and bicarbonate; and helping to control blood pressure. During the dialysis process, the blood is purified using a dialysis machine and a special filter called a dialyzer or an artificial kidney. To get one's blood into the dialyzer and back, an access is made into the blood vessels, usually through a minor surgery in the arm. During the COVID-19 pandemic, there was an urgent demand for additional dialysis machines as an estimate of 30% of hospitalized COVID-19 patients develop moderate or severe kidney injury. There have been reports of nonelderly adults infected with COVID-19 who have developed a sudden loss of kidney function even without any underlying or pre-existing kidney diseases.

Philippines' dialysis medical device market size on the basis of revenues, 2020 and 2025
(revenues in ₱ million and growth rate in percentage)



Source: Ken Research

The growth in the number of patients needing dialysis treatment is apparent in the sales of dialysis medical device rising at a CAGR of 26.8% from 2015 to 2020 as indicated in the figure above. The growth is expected to be sustained with the total size of the market for this type of medical device increasing by over two-fold to reach ₱13.5 billion in 2025 from ₱6.3 billion in 2020. According to Ken Research, the driving factors for the rise in demand include the prevalence of chronic diseases in the country due to changing lifestyles and the new innovations in technology in terms of product design and safety.

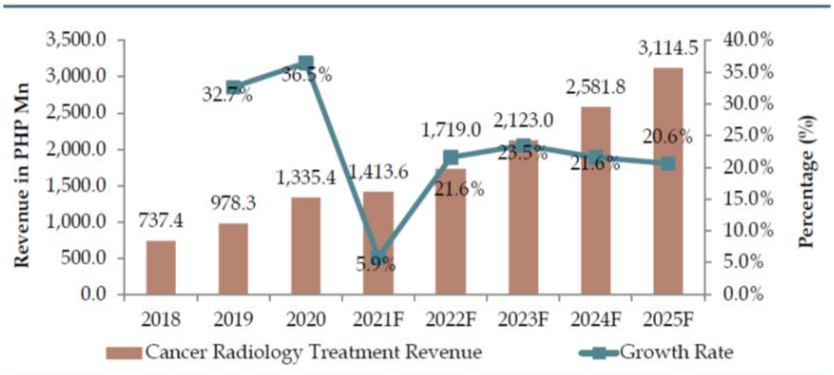
Medilines is the largest distributor of such equipment as we achieved a market share of 50.5% in the dialysis equipment market on the basis of revenues, in the distributor segment.

Cancer therapy

Cancer is among the leading causes of morbidity and mortality worldwide, with approximately 14 million new cases and 8.2 million cancer related deaths in 2012 according to the WHO and is expected that annual cancer cases will rise from 14 million in 2012 to 22 million within the next two decades. In the Philippines, cancer is the third leading cause of morbidity and mortality. 189 of every 100,000 Filipinos are afflicted with cancer while four Filipinos die of cancer every hour, according to a study conducted by the University of the Philippines' Institute of Human Genetics, National Institutes of Health. Among Filipino men, the six most common sites of cancer diagnosed in 2010 (Globocan) were lung, liver, colon/rectum, prostate, stomach, and leukemia. Among Filipino women, the ix most common sites diagnosed were breast, cervix, lung, colon/rectum, ovary and liver. Cancer is one of four epidemic non-communicable diseases ("**NCDs**") or lifestyle-related diseases, which include cardiovascular diseases, diabetes mellitus, and chronic respiratory diseases. NCDs share common risk factors, such as tobacco use, unhealthy diet, insufficient physical activity and the harmful use of alcohol.

Cancer therapy involves advanced radiotherapy, radiosurgery, and many other vital cancer-fighting tools, one of which is the linear particle accelerator (often shortened to linac). Medical lincas generate X-rays and high energy electrons used in radiation therapy by subjecting them to a series of oscillating electric potentials along a linear beamline. A linac customizes high energy x-rays or electrons to conform to a tumor's shape and destroy cancer cells while sparing surrounding normal tissue. The electrons or X-rays can be used to treat both benign and malignant disease. Linacs produce a reliable, flexible and accurate radiation beam; but the treatment room still requires considerable shielding of the walls, doors, ceiling etc. to prevent escape of scattered radiation.

Philippines' cancer/radiation therapy medical device market size on the basis of revenues (revenues in ₱ million and growth rate in percentage)



Source: Ken Research

Cancer/radiation therapy medical device segment is anticipated to grow at a CAGR of 18.5% for the period of 2020-2025 with the segment's revenue in projected to reach ₱3.1 billion as shown in the table above. While there was a dip in the growth figure in 2021 primarily due to base effects, double-digit growth rates are expected to return starting in 2022.

Medilines is by far the dominant player in the distribution segment of cancer therapy equipment, accounting for 90.4% of the total market segment in 2020 according to Ken Research.

A selection of our major products is presented in the table below:

Type of Specialized Medical Equipment	Product Brands	Description
Diagnostic Imaging	CT Scan *SOMATOM*	SOMATOM go.Now makes high-quality care accessible and helps run a successful CT business – allowing the hospital to keep an eye on profitability

	go.Now	and stay competitive. It comes with workflow and usability innovations that improve efficiency independent of the individual user's level of experience. It delivers great results for routine scanning. The service model is completely redesigned combined with an innovative workplace design that helps to reduce costs.
	CT Scan *SOMATOM go.Top*	SOMATOM go.Top confidently offers advanced CT procedures, including TwinBeam Dual Energy3. With patient-centric technologies and workflows to optimally adapt to each type of patient, all technologists can turn challenging fields into routine – and serve the full clinical spectrum.
Dialysis	B. Braun Hemodialysis Machine *Dialog+®*	The Dialog+® sets standards with its three basic device configurations for extracorporeal blood treatment. The system is designed for the global requirements of patients, physicians, and nursing staff. The integrated and efficient treatment system permits users to have the greatest number of possible configurations in setting up the individual dialysis device. The new generation of the Dialog+ demonstrates numerous comfort improvements for providers and patients. It also rigorously meets today's economic and medical needs. Options, accessories, and consumables from one partner offer customers a single treatment system that fits together perfectly. A challenging medical technology of superb quality is combined with intelligent components, with one consistent common denominator: optimal treatment quality for the patients.
	B. Braun Dialyzer *Diacap Pro®*	Diacap Pro® performs efficiently with improved polysulfone membrane that provides high uremic-toxin elimination, which enables patients to efficiently achieve their HD targets. It also promotes user-friendly handling as it removes air efficiently with only 300 ml priming volume. New easy-to-open packaging and improved plugs help nurses to prepare and perform treatments easily and efficiently.
Cancer Therapy	Varian Linear Accelerator *Varian VitalBeam®*	VitalBeam® can be configured with up to 3 photon and 6 electron energies to help treat a wide range of patients. It has a sophisticated control system that orchestrates dose, motion, and imaging to deliver fast, efficient treatment everyday. VitalBeam integrates with the ARIA® oncology information system and the Eclipse™ treatment planning system to simplify planning and treatment delivery. VitalBeam® offers simple visual cues and other features designed to help deliver the best care possible. Safety is built into the system. Accuracy checks are performed every 10 minutes during treatment, and automated features help stop issues before they arise. Machine Performance Check (MPC) helps perform fast daily system testing—usually in less than five minutes.

Below is a summary of the revenues of the Company based on the major product segments:

	For the years ended December 31,						For the six-month period ended June 30,			
	2018	**%**	**2019**	**%**	**2020**	**%**	**2020**	**%**	**2021**	**%**
Revenues (P millions)	1,170.8		1,334.1		1,466.7		213.7		815.1	
Revenue contribution per Segment										
Diagnostics	529.2	45.2%	374.5	28.1%	346.9	23.7%	122.0	57.1%	131.7	16.2%
Dialysis	352.5	30.1%	112.4	8.4%	238.8	16.3%	34.1	16.0%	173.7	21.3%
Cancer Therapy	140.6	12.0%	803.2	60.2%	867.0	59.1%	49.2	23.0%	498.1	61.1%

Others	148.5	12.7%	44.0	3.3%	14.0	0.9%	8.4	3.9%	11.6	1.4%
Total	1,170.8	100.0%	1,334.1	100.0%	1,466.7	100.0%	213.7	100.0%	815.1	100.0%

Customers

Our customers include public and private hospitals and medical institutions nationwide, and entities that purchase for or on behalf of these hospitals and medical institutions, like the local government units, DOH, Philippine International Trading Corporation, Department of Budget and Management ("**DBM**"), donors, among others. Specifically, Medilines caters to the radiotherapy department, radiology department, and renal centers, and promotes to key opinion leaders, which include radiotherapists, radiation oncologists, physicists, radiation technologists, and nephrologists. As of June 30, 2021, 77.7% of our customers are government accounts, while 22.3% are private.

Government accounts include the Department of Health and related government entities, DOH hospitals, and local government units. Medilines' biggest customer is the DOH as its HFEP budget remains to be the biggest budget allocation for the purchase of medical devices in the country year on year. The DOH conducts centralized purchasing of equipment for major government hospitals in key cities nationwide. The DOH also approves budget for the procurement of equipment directly by DOH hospitals. These hospitals conduct their own bidding. Some of the major customers supplied by Medilines in the past three years (2018 to 2020) include government hospitals that are the biggest in their respective areas, which include Cotabato, Davao, Zamboanga and Cebu.

All of Medilines' government projects were won through public bidding. Qualifying for a government tender is determined by the eligibility documents which include SEC Registration, Mayor's Permit, Tax Clearance, Audited Financial Statement, NFCC, SLCC, List of Similar Completed Projects and other technical and financial documents. Regular government procurement process must undergo pre-procurement conference, publication, pre-bid conference, clarification period and submission of bids. The contract is finally awarded to the bidder with the Lowest Calculated Responsive Bid or Single Calculated Responsive Bid. If a bidder is awarded the contract, the bidder must comply with the delivery schedule to complete the implementation, completion, and acceptance of the project. A project is fully completed upon acceptance wherein payment can already be executed. In cases of emergency like the COVID-19 pandemic, the government may opt to utilize negotiated procurement through Request for Quotation from selected suppliers who are capable of supplying the said government requirement in the shortest period of time. These complexities in the government procurement process gives Medilines advantage and an opportunity to lessen competition. Medilines is one of few distributors who can comply with the NFCC, SLCC, and List of Similar Completed Projects required to be eligible to bid for dialysis, cancer and diagnostic imaging equipment.

Below is a summary of the select major public / Government contracts that the Company has completed the past 5 years:

Customer	**Product Brands Purchased**	**Contract Size ₱ millions**	**Year Completed**
East Avenue Medical Center	Various Medical Equipment	100.6	2016
Cotabato Regional Medical Center	Various Diagnostic Imaging Equipment	99.0	2016
Lung Center of the Philippines	Cancer Therapy Equipment	199.0	2017
Department of Health	Various Diagnostic Imaging Equipment for Baguio and Davao	393.8	2018
Department of Health	Various Diagnostic Imaging Equipment for Luzon	393.8	2019

On the other hand, private accounts include private groups of hospitals, single privately-owned hospitals, diagnostic centers, dialysis centers, cancer centers, clinics and other private companies who purchase medical products either for reselling, rental, or donation to hospitals. Medilines caters to a select few private hospitals, specifically those that have good financial standing and/or are specializing or rebranding into a specialty center for dialysis or cancer.

Below is a summary of the select major private contracts that the Company has completed the past 3 years:

Customer	**Product Brands Purchased**	**Contract Size ₱ millions**	**Year Completed**
Medspecs Solutions, Inc.	CT Scan	15.0	2019
Ortigas Hospital and Healthcare Center, Inc.	Various Diagnostic Imaging Equipment	39.5	2019
Lanang Premier Doctors Hospital	Various Diagnostic Imaging Equipment	240.1	2020

Our top 5 customers for the calendar year 2020 and six month period ending June 30, 2021 are as follows:

December 31, 2020			**June 30, 2021**		
Ranking	**Customer**	**% of Revenues**	**Ranking**	**Customer**	**% of Revenues**
1	Department of Health	31%	1	Jose Reyes Memorial Medical Center	25%
2	Southern Philippines Medical Center	20%	2	Sacred Heart Medical Center	22%
3	Vicente Sotto Memorial Medical Center	17%	3	Department of Health	10%
4	Cotabato Regional Medical Center	12%	4	Gat Andres Bonifacio Memorial Medical Center	10%
5	Provincial Government of Cavite	3%	5	Cotabato Regional Medical Center	7%
	Total	83%		**Total**	74%

Majority of our sales are with government accounts. Having said this, all government hospitals go through several routes of procurement. The first is via the DOH, who allots the annual budget annually and either: (1) does a centralized purchase for several government hospitals, or (2) distributes the budget so that procurement is done by respective government hospitals individually. The second is via PITC or PSDBM who may hold biddings on behalf of the DOH. Third, local government units may also allocate and release funds for their respective provincial hospitals. When DOH, PITC, PSDBM or any local government units does its centralized purchases, they can easily register as the Company's top and biggest customer during that time based solely on the volume of their procurement from just one or few purchase orders. We also cater to private hospitals as customers. See "Risk Factors — *We are highly dependent on business with government hospitals.*".

Suppliers

We purchase substantially all our products from multinational medical device companies, who import these to the Philippines. Our top suppliers include our major Principals B. Braun Avitum Philippines, Siemens Healthcare Philippines, and Varian Medical Systems Philippines. Siemens Healthcare (Germany) is one of the top medical imaging companies in the world, with over 120 years of experience in the medical field and 18,500 patents globally. B. Braun (Germany) is one of the world's leading providers of extracorporeal blood treatment and have been a reliable partner and provider of renal care products and services in the Philippines since 1989, when its Avitum division began its dialysis center operations. Varian (USA) has a pioneering history of advancing radiotherapy, radiosurgery, and many other vital cancer-fighting tools since 1937. Medilines has an authorized distribution agreement with these principals. Majority of our coverage includes government accounts. We may be given authority to cover some private accounts on a project funnel basis, which lists criteria for awarding projects including first to identify the project and project winnability.

Our principal suppliers are selected based on several key factors which include: (1) The company or brand's fit to our strategy, (2) The size of the demand for their products in the Philippine market, (3) The principal's image and reputation in the healthcare industry, (4) Our company's authorized areas of distribution, and (5) The support they guarantee to give to Medilines including regulatory, importation, marketing, training, installation support, after sales service, and ideal payment terms.

Our working relationship with our Principals has been tested by time. B. Braun Avitum is our first principal and has been our partner since the company's founding day. Siemens Healthcare has been our partner since 2016 and has helped fuel our growth in the Diagnostic Imaging Equipment Market. Siemens Healthcare, through its regional partnership with Varian Medical Systems, has also been our Principal supplier of Varian linear accelerators since 2016. Our Principals manage the importation, processing of all major regulatory requirements, marketing programs, shipment of products direct to customer, installation, training, preventive maintenance, and after sales service. The established operations of our Principals in the Philippines enable our company's operations to be lean and efficient. Payment terms are usually via letter of credit and can vary 30 days to 120 days, depending on the type, volume and complexity of the project.

After our Principals, the other types of suppliers we work with include suppliers of consumables and accessories related to our equipment, suppliers of supplies and services related to our infrastructure projects, and suppliers of third-party items that are packaged with our projects. Selection of these suppliers depends first and foremost on whether we need to adhere to brand or technical specifications required by the project. For generic requirements, at least 3 suppliers are considered according to price, quality, technical specifications, and delivery lead time. Discounts and favorable payment terms are often negotiated for bulk orders. Most of our third-party suppliers have an open payment terms of 30-90 days and require down payment depending on the size of the project. Our top third-party suppliers have been working with us since 2017-2018, which is when our company decided to focus on 3 healthcare categories: Dialysis, Diagnostic Imaging, and Cancer Therapy.

We rely on a limited number of third-party suppliers. Eighty-seven percent (87%) of our total procurement in 2020 came from our major principals Siemens, B. Braun and Varian. See *"Risk Factors — We rely on a limited number of third-party suppliers for the provision of merchandise and medical devices."*.

A selection of our major partners is presented in the table below:

No.	**Name of Supplier**	**Product Brands**	**Length of Relationship**
1	Siemens Healthcare, Inc.	*Diagnostic Imaging:* CT-Scan, MRI, Fluoroscopy, Mammography, Xray C-Arm, Cath Labs PET CT, SPECT CT *Cancer Therapy:* Varian Linear Accelerator	Since 2016
2	B. Braun Avitum Philippines, Inc.	*Renal Care:* Dialysis Machines, Dialyzers, Other Consumables	Since 2002
3	RC Prime Enterprises	Supplier of Dialysis Support Equipment	Since 2017
4	Eastar Electrical Engineering Services	Supplier of Renovation / Construction	Since 2018
5	Medequal Systems and Supplies, Inc.	Supplier of Imaging Accessories	Since 2018

Our top suppliers for the calendar year 2020 and six month period ending June 30, 2021 are as follows:

December 31, 2020			June 30, 2021		
Ranking	**Supplier**	**% of Purchases**	**Ranking**	**Supplier**	**% of Purchases**
1	Siemens Healthcare Inc	73	1	Siemens Healthcare Inc	62
2	B. Braun Avitum Philippines, Inc.*	14	2	B. Braun Avitum Philippines, Inc.*	23
	Total	87		**Total**	85

*Note: * Purchases of Varian Medical Systems goes through Siemens*

Sales and Marketing

The Sales and Marketing Team of Medilines is headed by our General Manager, Daniel Zulueta. Dan has over 18 years of experience in sales and operations in dialysis, having worked in B. Braun Medical Supplies, Inc. for eight years in sales before becoming Operations Manager of Philippine Renal Care. Under the General Manager are the Business Unit Heads of each product category (except for Cancer Therapy which is headed directly by the General Manager). Some of the major roles of the General Manager and the Business Unit Heads include collaboration and negotiations with principals, management of relationships with key customers, and ensuring both sales and profit targets. Under each Business Unit Head are Sales and Product representatives. Sales Managers and Sales Representatives are distributed in key geographical areas and are responsible for lead generation, PR with customers, price and terms negotiations, bidding requirements, project coordination, and payment coordination. Product Manager or Application Specialists are well-versed with each product's parts, functions, benefits, and other clinical applications, and lead the product demonstrations and trainings for both our sales team and the customers. Since most of Medilines' products involve very large, specialized equipment, product demonstrations are usually conducted in hospitals with existing machine installations. Across the 3 divisions, only the Dialysis Division has a Technical Services Manager. The Technical Services Manager coordinates with the customer, our sales team, and the principal for after sales service concerns. He also answers simple technical concerns. Lastly, the Projects Team directly reports under the General Manager and encompasses all 3 divisions. Our Project Manager and Project Officers assist in all infrastructure projects—either renovation, retrofit or construction—depending on the scope of the contract when it comes to site preparation.

Outside our Sales Group are our partner sub-dealers which represent the company and our Principals on a per project basis. We use sub-dealers depending on factors such as project winnability and logistical considerations. We choose to work with a certain sub-dealer after performing due diligence on their business permits and other official documents, ability to pay and payment habits, and reputation in the industry.

Medilines has very minimal brand or product-related advertising and promotion, as these are integrated in our Principals' marketing strategies, which may be spearheaded by either their local or regional office. Medilines collaborates with the principal in conventions, exhibitions, and workshops to help promote the products. We have our own relationship-building programs, which include meal representations and sponsorships to medical conventions and clinical trainings in the Philippines and abroad, related to our customer's respective specialties. Medilines maintains a website, www.medilines.com.ph, that helps us build our image, engage with customers, and promote our products and principals. The website is updated regularly to highlight important activities of Medilines such as new principals and portfolio expansions, as well as relevant news from principals like new product launches and online workshops.

We believe that the strength in our sales and marketing lies on: (1) our good relationship with key opinion leaders and end-users, reinforced by the reliability of the services we offer them; (2) the brand image and state-of-the-art technology of the principals we carry and on how Medilines can promote value for money for these high priced equipment, (3) our ability to negotiate with both our Principals and our customers to provide the best deal for all stakeholders.

Inventory Management

Medilines believes that our inventory management is efficient as most of Medilines' equipment are delivered from the principal directly to the site. The inventories we manage are comprised of relatively smaller third-party items that are sold with the equipment as a package. These items should be completed before delivery to the site. Medilines has an average inventory turnover of 41 days.

The Company manages its inventory in several ways. First, procurement is usually triggered by purchase orders. The company abides by the rule of "No P.O., No Purchase" under normal circumstances. Second, an Inventory Review is conducted every month where we discuss inventory shelf life and aging, and form action plans. Action plans include inventory keeping, moveout, donation, sale or scrapping. Third, our Company conducts a monthly internal inventory count and a semi-annual wall-to-wall inventory count with auditors and accounting officers. Fourth, our Company conducts quality checks and run tests upon receipt of the items. Fifth, our central business IT system, Microsoft Dynamics 365 Business Central, digitally records and monitors our inventory management processes. Finally, we have several inventory insurances in place that help protect the company from further risks. The Company has stock throughput insurance, which covers transfer and storage of goods.

Information Technology Systems

Medilines uses Microsoft Dynamics 365 Business Central. It is a robust yet flexible business management solution from Microsoft, tightly integrated with the Office 365 suite of products and built to be deployed on cloud or on premises. The core capabilities of Microsoft Dynamics 365 Business Central are Financial Management, Sales & Service Management, Project Management, Supply Chain Management, Operations Management, and Reporting and Analytics. The database of Microsoft Dynamics 365 Business Central is stored on Microsoft Azure Cloud for scalability, accessibility, and security.

The other software programs which the company uses include Windows Servers, Windows 10 Professional, and Eset Endpoint Security for data security.

Office hardware include servers, laptops, routers, switches, wireless access points, Palo Alto firewall, projectors, and printers.

Cash Management and Internal Control

We finance our operations through profits and bank loans. We have substantial open credit lines with major banks to finance all our regular and even our capital-intensive sales projects. We place high priority in payment collection evidenced by our bi-monthly Accounts Receivable alignment meetings, weekly cash flow updates, and expanded Credit and Collection Team.

In day-to-day operations, all of Medilines' collections are through checks and bank transfers. Cash collection has a maximum limit of five thousand pesos. Petty cash fund is maintained for minor expenses like notary, transportation, and supplies. All disbursements are made through checks and online payment.

Our ability to manage our cash flow is crucial in the public bidding process as eligibility documents include Audited Financial Statement, Net Financial Contracting Capacity—Computed as (Current assets minus current liabilities x 15) minus the value of all outstanding or uncompleted portions of the projects under ongoing contracts, including awarded contracts yet to be started, coinciding with the contract to be bid, and SLCC. All these eligibility documents ensure a bidder's capacity to pay.

Meanwhile, Medilines has programs and policies in place to help control costs. We maintain a system of internal accounting controls wherein access to assets is permitted only in accordance with management's authorization. We also keep our operations streamlined and our inventories low.

All transactions are properly recorded in the Microsoft Dynamics 365 Business Central to enable preparation of financial statements in accordance with PFRS or like criteria, and to maintain accountability for assets.

COMPETITION

In terms of product offering and pricing, we have identified the industry's major players to include Fernando Medical Enterprises Inc. (recently purchased by IDS Medical Systems Philippines, Inc.), Cosmo Medical Inc., Corbridge Philippines, 99 Commercial Inc., RTK Marketing Inc., Technomed International Inc., NPK Medical Trading Inc., Biosyn Healthcare Systems Inc., Himex Corporation, Shimadzu Philippine Corporation, Biosite Medical Instruments Inc., Medicotek Trading(United Imaging), Sunfu Solutions Inc., Felea Biomed Enterprises, and Variance Trading Corporation.

It is important to note that the abovementioned distributors are direct competitors of Medilines in varying degrees, according to the category of medical devices they carry, as not one of them distributes the exact same categories as Medilines does.

Nonetheless, we believe that we are well positioned to compete given our competitive advantages including, among others, our Company's good reputation in the industry and association with top quality products, our partnership with well-renowned leading brands in our categories, our years of relationship with major hospitals in the country, and a management team with a wealth of experience in our field.

HUMAN RESOURCES

As of June 30, 2021, we had 43 employees broken down by function as follows:

Function	Number of Employees
Executive	3
Managerial	3
Supervisory	4
General Staff	33
TOTAL	**43**

In addition to our regular employees, we engage third-party manpower service providers (security and manpower agencies) to support the personnel requirements of our business.

We recognize the need to hire additional personnel to handle our expansion plans and we expect to hire approximately 14 new employees in the next 12 months, subject to the changing needs of our business and prevailing market conditions.

We have no collective bargaining agreement with any employee and none of our employees belongs to a union. We believe that we have a good relationship with our employees and no key employee has left the Company during the past three years.

Significant Employee

While we value the contribution of each of our executive and non-executive employees, we believe there is no non-executive employee that the resignation or loss of whom would have a material adverse impact on the business of the Company. Other than standard employment contracts, there are no special arrangements with non-executive employees of the Company.

As of the date of this Prospectus, we do have not have an employee stock option plan.

INTELLECTUAL PROPERTY

As of the date of this Prospectus, the Company has no registered intellectual property with the Philippine Intellectual Property Office. This trademark is important because name recognition and exclusivity of use are contributing factors to our success.

As of the date of this Prospectus, the Philippine Intellectual Property Office has released the Notice of Allowance of the trademark "Medilines" (as seen below) informing the Company that the trademark application has been allowed and that its publication in the Official Gazette pursuant to Sec. 133.2 of Republic Act No. 8293 has been approved. The Company has settled the issuance and publication fees on September 28, 2021. If no opposition to the registration of the mark is filed within 30 days from publication of the mark in the E-Gazette, the Certification of Registration may be released.

Medilines

As of the date of this Prospectus, we have no other trademarks registered or pending registration with the Intellectual Property Office.

Under the Intellectual Property Code of the Philippines, the rights to a trademark are acquired through the registration with the Bureau of Trademarks of the Intellectual Property Office, which is the principal government agency involved in the registration of brand names, trademarks, patents and other registrable intellectual property materials.

Upon registration, the Intellectual Property Office shall issue a certificate of registration to the owner of the mark, which shall confer the right to prevent all third parties not having the consent of the owner from using in the course of trade identical or similar signs or containers for goods or services which are identical or similar to those in respect of which the mark is registered. The said certificate of registration shall also serve as prima facie evidence of the validity of registration and the ownership of the mark of the registrant. A certificate of registration shall remain in force for an initial period of 10 years and may be renewed for periods of ten 10 years at its expiration.

INSURANCE

We obtain and maintain appropriate insurance coverage on our properties, assets and operations in such amounts and covering such risks as are usually carried by companies engaged in similar businesses and using similar properties in the same geographical areas as those in which we operate. We maintain insurance policies covering the following risks: fire and lightning, earthquakes, typhoons, floods, riot/strike, malicious damage, robbery and burglary. Our insurance providers are large domestic insurers.

MATERIAL CONTRACTS

Our material contracts include the lease contracts identified in the section "Description of Property". Big projects include two material contracts with Philippine International Trading Corporation (PITC), one for the supply, delivery, installation, testing and commissioning of brand new linear accelerator, and another for 10 units of brand new computed tomography scanner (CT scan); and 3 material contracts with DBM with all three contracts comprising of the supply and delivery of a cumulative of 11 brand new linear accelerators with CT simulator and accessories. Property contracts include the titles of our office condominium, two land titles of lands in Muntinlupa City and Pasig City, and the lease contract of our current warehouse. Bank of the Philippine Islands extended credit facilities to us on 1 October 2020 and renewed the same on 6 November 2020, while PNB extended credit facilities on October 5, 2020 and renewed the same on 22 September 2021.

The discussion on lease contracts is identified in the section "*Description of Property*."

LEGAL PROCEEDINGS

We are not currently involved in any material litigation, arbitration or similar proceedings, and we are not aware of any such proceedings pending or threatened against us or any of our properties, which are or might be material in the context of the Offer.

EFFECT OF EXISTING OR PROBABLE GOVERNMENTAL REGULATIONS

The Company is subject to the laws governing all Philippine corporations, such as corporation law, securities law, tax laws, and the Local Government Code. All Philippine corporations are also subject to labor laws and social legislation, including RA No. 11199 or the Social Security Act of 2018, RA No. 10606 or the National Health Insurance Act of 2013, RA No. 11223 or the Universal Health Care Act, RA No. 9679 or the Home Development Mutual Fund Law of 2009, the Philippine Labor Code and its implementing rules and regulations, and other labor-related laws, regulations, and mandated work-related programs of DOLE.

The Company closely monitors its compliance with applicable laws and government regulations affecting its businesses.

See *"Regulatory Compliance"* on page 113 of this Prospectus. for the list of the government approvals required for the Company's business.

DESCRIPTION OF PROPERTY

As of the date of the Prospectus, we do own land and one condominium unit and have no ongoing process for the acquisition of any property. A lot and the commercial condominium office are currently mortgaged in favor of BPI to secure its loan in the aggregate principal amount of ₱270 million. The mortgage secures the fulfillment of the outstanding loan obligations and does not restrict the right of ownership and possession by the Company as registered owner of the properties. As of June 30, 2021, the book value of the lots is ₱121.35 million, while the commercial condominium office is ₱9.8 million.

No.	Name	Location	Gross Lot Area (sqm)
1	Vacant Lot for New Warehouse	Kamagong St., Bagong Ilog, Pasig City	1,282 sq.m.
2	Lot in Victoria Homes	Lot 7 Block 1 A Don Pedro Reyes Ave., Victoria Homes, Tunasan, Muntinlupa City	475 sq.m.
3	Commercial Condominium for Office	Unit 1705 25th St., One Global Place, Bonifacio Global City, Taguig City	194 sq.m.

As of the date of this Prospectus, we are leasing two properties in the Philippines for our warehouse. The lease rates and terms for these properties follow standard market rates and practices for similar businesses. The lease rates are generally based on an agreed minimum guaranteed rate generally ranging from ₱800.00/sqm for office space and ₱450.00/sqm for warehouse space, which are subject to annual escalation rates in line with market standards. In addition, the rates are generally inclusive of common use service area fees, as may be agreed upon between parties.

A summary of our leased properties for our existing warehouse operations and distribution center is set out below.

No.	Name	Location	Gross Floor Area (sqm)	Remaining Term
1	Building H Unit 1 - Office Space	No.7 Pioneer St. corner Sheridan St. Barangay Highway Hills, Mandaluyong City	120 sq.m.	until Q1 2022
2	Building G – Warehouse No.1	No.7 Pioneer St. corner Sheridan St. Barangay Highway Hills, Mandaluyong City	540 sq.m.	until Q1 2022

REGULATORY COMPLIANCE

The Company has all the material permits and licenses necessary for its business as currently conducted, which are valid and subsisting as of the date of this Prospectus, as confirmed by Atty. Rossan Lee in their legal opinion dated August 23, 2021.

Detailed below are all of the major permits and licenses necessary for us to operate our business, the failure to possess any of which would have a material adverse effect on our business and operations. We believe that we have all the applicable and material permits and licenses necessary to operate our business as currently conducted and such permits and licenses are valid, subsisting, or pending renewal.

No.	Name	Type of Permit	Issuing Agency	Issue Date	Expiry Date
1	Not applicable	Certificate of Incorporation	SEC	12 July 2002	No expiration
2	Head Office	Certificate of Registration	BIR	Jun 27, 2018	No expiration
3	Head Office	Certificate of Occupancy	City of Taguig	Jun 15, 2012	No expiration
4	Head Office	LTO as Medical Devices Importer/Wholesaler	FDA	Sep 9, 2021	Sep 9, 2023
5	Head Office	Certificate of Philgeps Registration	Department of Budget and Management	Dec 18, 2020	Dec 18, 2021
6	Warehouse	Certificate of Registration	Bureau of Customs	Aug 23, 2021	Aug 23, 2022
7	Warehouse	Business Permit	City of Mandaluyong	July 12, 2021	October 12, 2021
8	Warehouse	Mayor’s Permit	Office of the Mayor, City of Mandaluyong	July 12, 2021	Dec 31, 2021

Below are all of the Certificates of Exemption issued by the Foods and Drug Administration:

No.	Name	Type of Permit	Issuing Agency	Issue Date	Expiry Date
1	Dorado Lap Laser System	Certificate of Exemption	Foods and Drug Administration	27 January 2020	No expiration
2	Dose 1 High Performance Reference Class Electrometer	Certificate of Exemption	Foods and Drug Administration	27 January 2020	No expiration
3	3-Part Computed Tomography Dose Index Phantom and Accessories	Certificate of Exemption	Foods and Drug Administration	27 January 2020	No expiration
4	Blue Phantom2 3D Water Phantom System	Certificate of Exemption	Foods and Drug Administration	27 January 2020	No expiration
5	In Vivo Dosimetry	Certificate of Exemption	Foods and Drug Administration	27 January 2020	No expiration
6	Matrix Evolution Detector and Accessories	Certificate of Exemption	Foods and Drug Administration	27 January 2020	No expiration
7	Radioactive Stability Check	Certificate of Exemption	Foods and Drug Administration	27 January 2020	No expiration

	Devices				
8	Sumitomo HM-20 PET Radio-Tracer Production System	Certificate of Exemption	Foods and Drug Administration	27 January 2020	No expiration

DIVIDENDS AND DIVIDEND POLICY

LIMITATIONS AND REQUIREMENTS

Under Philippine law, a corporation can only declare dividends to the extent that it has unrestricted retained earnings that represent the undistributed earnings of the corporation which have not been allocated for any managerial, contractual or legal purpose and which are free for distribution to the shareholders as dividends. The amount of retained earnings available for declaration as dividends may be determined pursuant to regulations issued by the SEC.

The approval of the board of directors is generally sufficient to approve the distribution of dividends, except in the case of stock dividends which requires the approval of stockholders representing not less than two-thirds of the outstanding capital stock at a regular or special meeting duly called for the purpose.

The Revised Corporation Code of the Philippines generally requires a Philippine corporation with retained earnings in excess of 100% of its paid-in capital to declare and distribute as dividends the amount of such surplus. Notwithstanding this general requirement, a Philippine corporation may retain all or any portion of such surplus in the following cases: (i) when justified by definite expansion plans approved by the board of directors of the corporation; (ii) when the required consent of any financing institution or creditor to such distribution has not been secured; (iii) when retention is necessary under special circumstances, such as when there is a need for special reserves for probably contingencies; or (iv) when the non-distribution ofdividends is consistent with the policy or requirement of a Government office.

RECORD DATE AND PAYMENT DATE

Pursuant to existing SEC rules, any declaration of cash dividends must have a record date not less than 10 nor more than 30 days from the date of declaration. For stock dividends, the record date should not be less than 10 nor more than 30 days from the date of the shareholders' approval. In either case, the set record date is not to be less than 10 trading days from receipt by the PSE of the notice of declaration of dividend. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date is to be fixed by the SEC.

In relation to foreign shareholders, dividends payable may not be remitted using foreign exchange sourced from the Philippine banking system unless the investment was first registered with the BSP.

Pursuant to the "Amended Rules Governing Pre-emptive and other Subscription Rights and Declaration of Stock and Cash Dividends" of the SEC, all cash dividends and stock dividends declared by a company shall be remitted to PDTC for immediate distribution to participants not later than 18 trading days after the record date (the "**Payment Date**"); provided that in the case of stock dividends, the credit of the stock dividend shall be on the Payment Date which in no case shall be later than the stock dividends' listing date. If the stock dividend shall come from an increase in capital stock, all stock dividends shall be credited to PDTC for immediate distribution to its participants not later than 20 trading days from the record date set by the SEC, which in no case shall be later than the stock dividends' listing date.

DIVIDEND POLICY

Pursuant to a board approval on 2 August 2021, we intend to maintain an annual dividend payment ratio of 10% to 30% of net income after tax for the preceding fiscal year, payable primarily in cash. However, the Board of Directors, in its discretion, may decide to declare dividends to be payable in property or shares. The declaration of dividends shall also be subject to the requirements of applicable laws and regulations, compliance with our loan covenants and other circumstances which restrict the payment of dividends. Our Board, may, at any time, modify such dividend payout ratio depending upon the results of operations and future projects and plans and other considerations.

Dividends shall be declared and paid out of our unrestricted retained earnings which shall be payable in cash, property or stock to all shareholders on the basis of outstanding stock held by them. Unless otherwise required by law, our Board, at its sole discretion, shall determine the amount, type and date of payment of the dividends to the shareholders, taking into account various factors, including:

- the level of our earnings, cash flow, return on equity and retained earnings;
- our results for and financial condition at the end of the year in respect of which the dividend is to be paid and expected financial performance;
- the projected levels of capital expenditures and other investment programs;
- restrictions on payments of dividends that may be imposed on us by any of our financing arrangementsand current or prospective debt service requirements; and
- such other factors as the Board deems appropriate.

HISTORY OF DIVIDEND PAYMENT

On December 26, 2018, our Board of Directors declared cash dividends in the amount of 130.00 million for stockholders of record as of December 31, 2018. The cash dividends were distributed on December 31, 2018.

On December 26, 2019, our Board of Directors declared stock dividends in the amount of P286.30 million for stockholders of record as of December 31, 2019. The stocks were distributed on December 31, 2019.

On June 30, 2021, our Board of Directors declared cash dividends in the total amount of ₱255.00 million payable to stockholders of record as of June 30, 2021. The cash dividends were partially paid on August 18, 2021.

We did not declare dividends in the year ended December 31, 2020.

RECENT SALES OF UNREGISTERED OR EXEMPT SECURITIES, INCLUDING RECENT ISSUANCE OF SECURITIES CONSTITUTING AN EXEMPT TRANSACTION

On 27 July 2021, with the approval by the SEC of the increase in our authorized capital stock from ₱400,000,000.00 divided into 400,000 common shares with a par value of ₱1,000.00 per common share to ₱1,000,000,000.00 divided into 4,000,000,000 common shares with a par value of ₱0.25 per share. We issued 600,000,000 common shares to Two On, Inc. at par value equivalent to ₱150,000,000.00. Payment for such shares was made in cash.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Our overall management and supervision are undertaken by the Board. Our executive officers and management team cooperate with the Board by preparing appropriate information and documents concerning our business operations, financial condition and results of operations for its review. Currently, the Board consists of seven members, of which two are independent directors. All the directors named below were elected at the special meeting of the stockholders of the Company held on 2 August 2021. All directors will hold office until their successors have been duly elected and qualified.

The following table sets forth the Board of Directors of the Company:

Name	Age	Position	Citizenship
Virgilio Villar	66	Chairman	Filipino
Ma. Theresa V. Villar	65	Director	Filipino
Maria Patricia Dolor V. Yambing	39	Director	Filipino
Norman K. Macapagal	67	Director	Filipino
Gerardo J. Guerrero	68	Director	Filipino
Brian N. Edang	43	Independent Director	Filipino
Fernando Sixto V. Segovia	61	Independent Director	Filipino

The following table sets forth our key executive and corporate officers ("**Senior Management**")

Name	Age	Position	Citizenship
Maria Patricia Dolor V. Yambing	39	President and CEO	Filipino
Margarita D. Villarico	59	CFO and Treasurer	Filipino
Atty Jo Marie Lazaro-Lim	43	Corporate Secretary	Filipino
Simonette M. Liutongco	50	Investor Relations Officer and Compliance Officer	Filipino

The following states the business experience of our incumbent directors and officers for the last five (5) years:

Virgilio B. Villar, ***Chairman of the Board.*** Mr. Villar, 66, took over management of Medilines in 2008 and successfully managed it over the years to become one of the top distributors of medical devices in the Philippines. He was President and CEO of Medilines from 2008 to 2020. Currently, Mr. Villar is also President of Asya Medika, Inc., Rightedge Inc., and Two On Inc. Pivotal to his success in the medical industry was his 21 years of experience as Managing Director of B. Braun Medical Supplies, Inc., a German multinational healthcare company in the Philippines. Before moving to the medical devices and equipment industry, Mr. Villar held sales and marketing positions in various multinational companies including Unilever and Scott Paper Philippines. Mr. Villar graduated from the University of the Philippines with a degree in Bachelor of Science in Industrial Engineering and a degree in Master of Business Administration. He also took Advanced Management Studies in Cologne, Germany.

Theresa V. Villar, ***Director.*** Mrs. Villar, 65, joined Medilines as Human Resource Consultant in 2016. She is also a director at Asya Medika Inc., Two On Inc., and Rightedge Inc. The culmination of her wealth of experience in Human Resources was her 17 years in San Miguel Corporation, where she was VP from 1995 to 1998. Mrs. Villar was previously a Human Resources Manager at Asya Medika Inc. Prior to this, she was Human Resources Training Manager for various companies including Western Minolco, Fuji Xerox, and National Food Authority. Mrs. Villar graduated from the University of the Philippines with a degree in Bachelor of Science in Psychology and a degree in Master of Industrial Relations.

Patricia V. Yambing, ***Director, President and CEO.*** Mrs. Yambing, 39, is a graduate of Ateneo de Manila University with a degree in Bachelor of Science in Management in 2004. She took her Double-Degree Asia MBA Program in National University of Singapore and in Fudan University in Shanghai from 2013 to 2015. She became the Business Unit Head of Asya Medika, Inc. from 2015 to 2020, before joining Medilines. as President and CEO. She is also the General Manager in Asya Medika Inc., and is a director in both Two One Inc. and Rightedge Inc. She held marketing positions in various multinational companies including Microsoft, Kimberly Clark and Sara Lee.

Norman K. Macapagal, ***Director*****.** Mr. Macapagal, 67, is the President of EEI Limited Incorporated. He is also a board trustee in Philippine Constructors' Association and a member of the JCI Senate Philippines. He was previously the Executive Vice President and General Manager of the Construction Division at EEI Corporation. He is a candidate for Master of Business Administration in Ateneo de Manila Graduate School and has a degree in Bachelor of Science in Industrial Engineering from University of the Philippines.

Gerardo J. Guerrero, ***Director*****.** Mr. Guerrero, 68, is the General Manager and a director of Medpro Medical Supplies Incorporated. He has held more than 29 years of top executive positions in various healthcare companies including Asya Medika Incorporated, Tyco Healthcare, and B. Braun Medical Supplies Incorporated. He is a graduate of the Financial Management Module of the Management Development Program in Asian Institute of Management. He has a degree in A.B. Political Science from Ateneo de Manila University.

Brian N. Edang, ***Independent Director*****.** Mr. Edang, 43, is a Certified Public Accountant. He graduated cum laude with a Bachelor of Science in Accountancy from the University of St. La Salle in Bacolod. He is currently the Chief Financial Officer & Head Investor Relations of Vista Land & Lifescapes, Inc. and Vistamalls Incorporated. He is also Treasurer and Director of the following companies: Vista Residences Incorporated, Brittany Corporation, Crown Asia Properties, Crown Asia Properties Incorporated, Communities Philippines Incorporated, and Camella Homes Incorporated. Moreover, he is a Director of Powersource Phils Development Corporation. Prior to joining the group, he was with SGV & Co. (EY Philippines) as an external auditor from 1999 to 2004. He is the Head Investor Relations of Vista Land from 2007 up to present, as well as their Chief Financial Officer since November 2018. Mr. Edang is a member of the Philippine Institute of Certified Public Accountants (PICPA) and the Financial Executives Institute of the Philippines (FINEX).

Fernando Sixto V. Segovia, ***Independent Director*****.** Mr. Segovia, 61, is a Managing Director at ADP Pharma Corporation. He has held several directorship and head executive positions in various healthcare companies, including Pascual Total Health, Exeltis Pharma, Novartis Healthcare, InterMed Marketing Philippines, Bristol Myers Squibb, Pfizer Philippines, and Parke Davis Philippines, and Ciba-Geigy Philippines. He was the President and majority owner of Seville Pharmaceuticals Incorporated. He is a candidate for Master of Business Administration Senior Executive Program in Ateneo de Manila. He graduated from San Beda College with a degree in Bachelor of Science in Management and graduated from the University of the Philippines with a degree in Bachelor of Science in Fisheries.

Margarita D. Villarico, ***CFO and Treasurer.*** Mrs. Villarico, 59, joined Medilines as Head of Finance in 2004. Prior to joining the Company, she held positions in Finance and Accounting for 16 years with manufacturing and export companies, which include Jordache Philippines, Mag Sportswear, Sagara Metro Plastics Incorporated, Asya Medika Incorporated, and Moda Manila Incorporated. Mrs. Villarico graduated from Far Eastern University with a degree in Bachelor of Science in Commerce, Major in Accounting.

Atty. Jo Marie Lazaro-Lim, ***Corporate Secretary*****.** Atty. Lim, 43, graduated from the University of Sto. Tomas with a degree in Bachelor of Arts in Legal Management and earned her law degree from San Beda College of Law. She is a member of the Integrated Bar of the Philippines since 2003. She is the Corporate Secretary of the following companies: AllDay Marts Incorporated, AllValue Holdings Incorporated and its subsidiaries (AllHome Corporation, CMStar Management Incorporated, Family Shoppers Unlimited Incorporated, and AllDay Retail Concepts Incorporated), Manuela Corporation, and Masterpiece Asia Properties Incorporated. She is also the Compliance Officer and Assistant Corporate Secretary of Vista Malls and the Assistant Corporate Secretary of Golden MV Holdings Incorporated. She was previously the Corporate Secretary of the following companies: TVI Resource Development Phils Incorporated, Primewater Infrastructure Corporation, and San Agustin Services Incorporated.

Simonette M. Liutongco, ***Investor Relations and Compliance Officer.*** Ms. Liutongco, 50, is a Certified Public Accountant. She took Master of Business Administration from Pamantasan ng Lungsod ng Maynila and a degree in

Bachelor of Science in Commerce, Major in Accounting from University of Santo Tomas. She joined Medilines as Internal Auditor in 2016. Prior to joining the Company, she held positions in Finance and Accounting for 25 years with various companies namely: One Tagaytay Place Vacation Club Incorporated, Manila Central University, Divino Amor Realty Incorporated, and Pink Soda Wears and Accs. Incorporated.. She is also the Treasurer of Asya Medika Incorporated. Ms. Liutongco is a parts of the Board of Accountancy, Philippine Institute of Certified Public Accountants (PICPA).

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS OF DIRECTORS AND SENIOR MANAGEMENT

To the best of our knowledge, none of the above-named directors or executive officers has been subject to the following:

- any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

- any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

- any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his or her involvement in any type of business, securities, commodities, or banking activities; or

- found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation.

FAMILY RELATIONSHIPS

Mr. Virgilio B. Villar and Ms. Ma. Theresa V. Villar, both directors, are spouses. Ms. Patricia Yambing is Director and President, and is the daughter of Mr. Virgilio Villar and Ms. Ma. Theresa V. Villar. Other than the foregoing, there are no family relationships either by consanguinity or affinity up to the fourth civil degree among our directors, executive officers and shareholders.

BOARD COMMITTEES

Specific responsibilities of the Board are delegated to the Audit Committee and Corporate Governance Committees.

Audit Committee

The Audit Committee shall enhance the Board's oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations. It shall be responsible for the setting up of the Internal Audit Department and for the appointment of the Internal Auditor as well as the independent external auditor who shall both report directly to the Audit Committee. It shall monitor and evaluate the adequacy and effectiveness of the internal control system. Further, the Audit Committee shall have explicit authority to investigate any matter within its terms of reference, full access to and cooperation by management and full discretion to invite any director or executive officer to attend meetings, and adequate resources to enable it to effectively discharge its functions.

The committee shall consist of at least three appropriately qualified non-executive directors, at least two (2) of whom shall be independent directors, including the committee's chairperson. Preferably, all of the members of the committee must have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing, or related financial management expertise or experience. The chairman of the Audit Committee should not be the chairman of the Board or of any other committees.

The Audit Committee also has the duty and responsibility to assist the Board of Directors in the performance of the functions of a Related Party Transactions Committee and Board Risk Oversight Committee.

Based on its Audit Committee Charter, the Audit Committee shall have the following duties and responsibilities:

- Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations.
- Provide oversight of Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Company. This function shall include regular receipt from Management of information on risk exposures and risk management activities.
- Perform oversight functions over the Company's internal and external auditors It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties, and personnel to enable them to perform their respective audit functions.
- Review the annual internal audit plan to ensure its conformity with the objectives of the Company. The plan shall include the audit scope, resources, and budget necessary to implement it.
- Prior to the commencement of the audit, discuss with the external auditor the nature, scope, and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.
- Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal.
- Monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security.
- Review the reports submitted by the internal and external auditors.
- Review the quarterly, semi-annual, and annual financial statements before their submission to the Board, with particular focus on the following matters:
    - Any change/s in accounting policies and practices
    - Major judgmental areas
    - Significant adjustments resulting from the audit
    - Going concern assumptions
    - Compliance with accounting standards
    - Compliance with tax, legal and regulatory requirements
    - Coordinate, monitor, and facilitate compliance with laws, rules, and regulations.
- Evaluate and determine the non-audit work, if any, of the external auditor and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company's overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Company's annual report.
- Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee.
- The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.

The Committee shall report regularly to the Board of Directors. The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Charter. Any violation thereof shall subject the responsible officer or employee to the penalty provided under Part 8 of the Company's Manual on Corporate Governance.

The committee is chaired by Brian N. Edang and has Mr. Virgilio B. Villar and Fernando Sixto Segovia as members.

Corporate Governance Committee

The Corporate Governance Committee has the duty and responsibility to assist the Board of Directors in the performance of its corporate governance responsibilities, including the functions of a nomination and remuneration committee.

It should be composed of at least three members, at least two (2) of whom shall be independent directors including the chairman of the committee.

The committee is chaired by Fernando Sixto V. Segovia and has Patricia Yambing and Brian Edang as members.

COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES

The Board has adopted the Manual on Corporate Governance ("**Manual**"), which institutionalizes the principles of good corporate governance in the entire organization. We believe that it is a necessary component of sound strategic business management, hence, we undertake efforts to create awareness within the organization.

The Manual provides that it is the Board that has the primary responsibility for the governance of the corporation. In addition to setting the policies for the accomplishment of corporate objectives, it has the duty to provide an independent check on the Management. The Board is mandated to attend its regular and special meetings in person or through teleconferencing. As a policy matter, the Board holds meetings, at which any number of relevant corporate governance issues may be raised for discussion.

In adopting the Manual, we understand the responsibilities of the Board and its members, in governing the conduct of the business of the Company, the Board Committees, in focusing on specific board functions to aid in the optimal performance of its roles and responsibilities, and the officers, in ensuring adherence to corporate principles and best practices.

The Board of Directors, Management, officers and staff of the Company commit themselves to the principles and best practices contained in the Company's Manual for Corporate Governance. The Company's Board and its employees acknowledge that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness and effect implementation within the organization.

The Manual also describes the terms and conditions by which the Company intends to conduct sound corporate governance practices that are consistent with the relevant laws and regulations of the Republic of the Philippines, and which seek to enhance business transparency and build shareholder value.

To ensure good governance, the Board establishes the vision, strategic objectives, key policies, and procedures for the management of the company, as well as the mechanism for monitoring and evaluating Management's performance. The Board also ensures the presence and adequacy of internal control mechanisms for good governance. The Company has adopted the Audit Committee Charter and several policies.

As of the date of this Prospectus, there have been no deviations from the Manual. The Company has adopted in the Manual the leading practices and principles of good corporate governance, and full compliance therewith have been made since the adoption of the Manual.

The Company is taking further steps to enhance adherence to principles and practices of good corporate governance.

EXECUTIVE COMPENSATION

The compensation for our executive officers for the years ended December 31, 2019, 2020 (actual), and 2021 (projected) are shown below:

The following table sets out the Company's President and Chief Executive Officer and the four most highly compensated executive officers of the Company for the years ended December 31, 2019, 2020, and 2021*:

Name	Position
Maria Patricia Dolor V. Yambing****	President and Chief Executive Officer

Margarita- D. Villarico	Treasurer and Chief Financial Officer
Daniel C. Zulueta	General Manager
Luigi Gamboa	Business Unit Head – Imaging
Ma. Theresa O. Molar	Supply Chain Manager

The following table identifies and summarizes the aggregate compensation of the Company's President and the four most highly compensated executive officers, as well as the aggregate compensation paid to all other directors and all other officers as a group, for the years ended December 31, 2019, 2020 and 2021*

Positions	Year	Per Diem*	Salary*	Bonus**	Other Compensation***
President and the four most highly compensated executive officers named above	**Actual 2019**	N/A	5,291,760.00	440,980.00	506,990.13
	Actual 2020	N/A	4,980,521.57	458,774.00	689,947.37
	Projected 2021	N/A	8,909,280.00	743,301.33	2,850,000.00
Aggregate executive compensation of all other officers and directors, unnamed	**Actual 2019**	N/A	1,198,320.00	99,860.00	N/A
	Actual 2020	N/A	1,164,367.60	105,851.60	N/A
	Projected 2021	N/A	1,270,219.20	105,851.60	N/A

Legend: * *Salary is defined as monthly gross salary x 12 months*
** *Bonus covers statutory 13th month and whatever the Company gives on top of the 13th*
*** *Other Compensation covers incentives and commissions*
**** *Mrs. Yambing joined the Company on June 1, 2021*

Note: *Year 2020, the Company availed of the government's SSS – SBWS (Small Business Wage Subsidy) in lieu of the one-month salary during ECQ lockdown*

STANDARD ARRANGEMENTS

There are no standard arrangements pursuant to which the Board of Directors are compensated, or are to be compensated, directly or indirectly, for any services provided as a director.

EMPLOYMENT CONTRACT BETWEEN THE COMPANY AND SENIOR MANAGEMENT OFFICERS

There are no special employment contracts between the Company and Senior Management.

WARRANTS AND OPTIONS HELD BY THE SENIOR MANAGEMENT OFFICERS AND DIRECTORS

There are no outstanding warrants or options held by Senior Management, and all officers and directors as a group.

PRINCIPAL AND SELLING SHAREHOLDER

We have eight (8) shareholders as of the date of this Prospectus, as follows:

No.	Name of Shareholder	Nationality	No. of Common Shares Held	Amount Subscribed (₱)	Amount Paid-up (₱)	Percentage of Ownership
1	Two On, Inc.	Filipino	600,000,000	150,000,000.00	150,000,000.00	27.27%
2	Virgilio B. Villar	Filipino	1,280,002,800	320,000,700.00	320,000,700.00	58.18%
3	Ma. Theresa V. Villar	Filipino	319,996,000	79,999,000.00	79,999,000.00	14.55%
4	Maria Patricia Dolor V. Yambing	Filipino	400	100.00	100.00	0.00%
5	Norman K. Macapagal	Filipino	400	100.00	100.00	Nil
6	Fernando Sixto V. Segovia	Filipino	400	100.00	100.00	Nil
7	Brian N. Edang	Filipino	400	100.00	100.00	Nil
8	Gerardo J. Guerrero	Filipino	400	100.00	100.00	Nil
	TOTAL		**2,200,000,800**	**550,000,200.00**	**550,000,200.00**	**100.00%**

PSE LOCK-UP REQUIREMENT

Under the PSE Consolidated Listing and Disclosure Rules, an applicant company shall cause its existing shareholders who own an equivalent of at least ten percent (10%) of the issued and outstanding shares of stock of the company to refrain from selling, assigning, or in any manner disposing of their shares for a period of:

- 180 days after the listing of said shares if the applicant company meets the track record requirements in Section 1, Article III, Part D of the PSE Consolidated Listing and Disclosure Rules; or

- 365 days after the listing of said shares if the applicant company is exempt from the track record and operating history requirements of the PSE Consolidated Listing and Disclosure Rules.

The following are covered by the 180-day lock-up requirement:

Shareholder	**No. of Shares**
Virgilio B.Villar	1,005,002,800
Ma. Theresa V. Villar	319,996,000
TOTAL	**1,324,998,800**

If there is any issuance or transfer of shares (i.e. private placement, asset for share swap or a similar transaction) or of instruments which leads to an issuance or transfer of shares (i.e. convertible bonds, warrants, or similar instrument) done and fully paid for within 180 days prior to the start of the offering period, or, prior to the listing date in the case of applicant companies by way of introduction, and the transaction price is lower than that of the offer price in the initial public offering or than that of the listing price in the case of applicant companies listing by way of introduction, all shares availed of shall be subject to a lock-up period of at least 365 days from the full payment of the aforesaid shares.

The following are covered by the 365-day lock-up requirement:

Shareholder	**No. of Shares**
Two On, Inc. (1)	600,000,000
Maria Patricia Dolor V. Yambing	400
Norman K. Macapagal	400
Gerardo J. Guerrero	400

Brian N. Edang …………………………………………………………………	400
Fernando Sixto V. Segovia ………………………………………………………..	400
TOTAL	**600,002,000**

Note:

(1) On 27 July 2021, MDI issued 600,000,000 shares with par value of Php0.25 to Two On, Inc. and payment was made in cash.

To implement the lock-up requirement, we and the foregoing shareholders shall enter into an escrow agreement with PNB Trust.

The Company and the Selling Shareholder have agreed with the Sole Issue Manager, Lead Underwriter and Sole Bookrunner that they will not, without the prior written consent of the Sole Issue Manager, Lead Underwriter and Sole Bookrunner, issue, offer, pledge, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal of) any Shares or securities convertible or exchangeable into or exercisable for any Shares or warrants or other rights to purchase Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options for a period of 180 days after the Listing Date.

THE SELLING SHAREHOLDER

Mr. Virgilio B. Villar, the Selling Shareholder is presently the Chairman of the Company.

The following table below sets forth, for the Selling Shareholder, the number of Shares and percentage of outstanding shares held before the Offer, the maximum number of Secondary Shares to be sold pursuant to the Offer and the number of Shares and percentage of outstanding shares owned immediately after the Offer:

Selling Shareholder	No. of Shares before the Offer	% of Shares Outstanding before the Offer	Maximum Number of Shares to be Sold	Shareholdings following completion of the Offer	% of Shares Outstanding following completion of the Offer
Virgilio B. Villar	1,280,002,800	58.18%	275,000,000	1,005,002,800	36.55

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS

As of the date of this Prospectus, the following are the owners of our common stock in excess of 5% of total issued and outstanding shares:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	Percentage of Ownership
Common shares	Two On, Inc. Unit 1705 One Global Place, 5th Avenue, Bonifacio Global City, Taguig 1634 Principal Shareholder	Two On, Inc./ Record Owner is also beneficial owner	Filipino	600,000,000	27.27%
Common shares	Virgilio B. Villar Taguig City, Philippines Principal Shareholder	Virgilio Villar /Record Owner is also beneficial owner	Filipino	1,280,002,800	58.18%
Common shares	Ma. Theresa V. Villar Taguig City, Philippines Principal Shareholder	Ma. Theresa V. Villar /Record Owner is also beneficial owner	Filipino	319,996,000	14.55%

SECURITY OWNERSHIP OF MANAGEMENT

As of the date of this Prospectus, the following are the shareholdings of our Senior Management:

Title of Class	Name of Record Owner	Position	Citizenship	Amount and Nature of Beneficial Ownership	Percentage of Ownership
Common shares	Virgilio B. Villar Taguig City, Philippines Principal Shareholder	Chairman and Director	Filipino	1,280,002,800 common shares – Direct	58.18%
				21,000 common shares – Indirect(1)	22.91%
Common shares	Ma. Theresa V. Villar Taguig City, Philippines Principal Shareholder	Director	Filipino	319,996,000 common shares – Direct	14.55%
				1,250 common shares - Indirect(1)	1.36%
Common shares	Maria Patricia Dolor V. Yambing Taguig City, Philippines	President and CEO	Filipino	400 – Direct	Nil
				1,250 common shares - Indirect(1)	1.36%

	Shareholder				

Note:

(1) Shares held through Two On, Inc.

Except for the foregoing, no other members of the Board or Senior Management own any shares in the Company.

VOTING TRUST HOLDERS OF 5% OR MORE

As of date of Prospectus, we are not aware of any person holding more than 5.0% of a class of our shares under a voting trust or similar agreement.

CHANGE IN CONTROL

There are no existing provisions in our Articles of Incorporation or the By-Laws which will delay, defer or in any manner prevent a change in control of the Company.

RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence (referred herein as affiliates). Related parties may be individuals or corporate entities.

In the ordinary course of business, we enter into various transactions with related parties and affiliates, principally consisting of leases of commercial space, advances and purchases and sales of goods. Our policy is to settle intercompany receivables and payable on a net basis. Transactions entered with related parties are made at terms equivalent to those that prevail in arm's length transactions on terms comparable to those available from or to unrelated third parties, as the case may be. Outstanding balances owed to related parties at a certain reporting date are non-interest bearing, unsecured and payable/collectible in cash on demand.

We have the following significant transactions with related parties:

- Distribution income
- Sale of medical equipment
- Rent Income

The volume and amounts outstanding as of and for the years ended December 31, 2018, 2019 and 2020 and as of and for the six months ended June 30, 2020 and 2021 is as follows:

	Amount of Transaction		Outstanding balance		Amount of Transaction			Outstanding balance		
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	2020	2019	2018	2020	2019	2018
In PHP millions										
Related Party under Common Ownership										
Distribution Income	7.7	9.0	7.7	-	25.0	24.6	19.7	-	-	-
Sale of goods	3.0	3.0	3.0	-	19,7	8.5	34.1	-	-	-
Rent	0.8	0.8	0.8	-	1.6	1.6	1.6	-	-	-
Sale of property ans equipment	51.6	-	-	-	-	-	-	-	-	-
Advances obtained - net	(18.0)	-	(18.0)	-	-	-	-	-	-	-
Purchases	(4.7)	-	(4.7)	-	-	-	-	-	-	-
Stockholders										
Dividends paid	- 255.0	-	-	-	4.6-	5.4-	120-	-	4.6	10.0
Cash dividends declared	255.0	-	255.0	-	-	-	130	-	-	-
Key Management										
Compensation	3.2	4.2	-	-	9.4	10.8	12.1	-	-	-

There is no information about parties that fall outside the definition "related parties" under Statement of Financial Accounting Standards/International Accounting Standard No. 24 but with whom the Company or its related parties have a relationship that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent parties on an arm's length basis.

SELECTED FINANCIAL INFORMATION AND OTHER DATA

The following tables present the summary of financial information and should be read in conjunction with the independent auditors' reports and MDIs financial statements, including the notes thereto, included elsewhere in this Prospectus, and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" The summary financial information as of and for the years ended December 31, 2018, 2019 and 2020 and as of June 30, 2021 and for the six months ended June 30, 2020 and 2021 were derived from MDI's audited financial statements, which were prepared in accordance with PFRS and were audited by Punongbayan & Araullo (Grant Thornton Philippines). in accordance with the PSA.

In accordance with the relevant accounting and financial reporting standards, certain information in MDI's financial statements as of and for the years ended December 31, 2018 and 2019 have been restated and reclassified, as discussed further in Note 2 to the financial statements as of and for the years ended December 31, 2018, 2019 and 2020 and as of June 30, 2021 2021 included elsewhere in this Prospectus.

The summary financial information below is not necessarily indicative of the results of future operations.

SUMMARY STATEMENTS OF COMPREHENSIVE INCOME

	For the years ended December 31,			For the six-month period ended June 30,	
In PHP millions(1)	2018 (as restated)	2019 (as restated)	2020	2020	2021
Revenue…………………………….	1,170.8	1,334.1	1,466.7	213.7	815.1
Direct cost………………………….	946.9	1,136.0	1,223.0	185.7	637.6
Gross profit………………………...	223.9	198.1	243.7	28.0	177.5
Operating expenses………………...	101.7	98.1	81.8	39.9	66.6
Operating profit………………….....	122.2	99.9	161.9	(11.9)	110.9
Other income (charges) – net………	(1.2)	(6.2)	(14.7)	(0.4)	19.5
Profit before tax……………………	121.0	93.7	147.2	(12.4)	130.4
Tax expense………………………..	44.5	27.1	44.2	0.7	30.4
Net profit…………………………...	76.6	66.6	103.1	(13.0)	100.0
Other comprehensive income (loss)..	0.1	(0.4)	(0.3)	(0.3)	(1.0)
Total comprehensive income………	76.6	66.3	102.8	(13.3)	99.0
Basic and diluted earnings per Share	5,588.66	586.11	257.66	(32.59)	250.11

Notes:
(1) Except for Basic and diluted earnings per share.

SUMMARY STATEMENTS OF FINANCIAL POSITION

	As of December 31,			As of June 30,
In PHP millions	2018 (as restated)	2019 (as restated)	2020	2021
Current assets				
Cash…………………………………………	32.6	63.4	62.4	80.2
Trade and other receivables – net……………...	1,241.6	1,699.4	1,620.4	1,858.0

Contract assets…………………………………	-	-	961.6	1,110.0
Inventories – net……………………………….	56.5	40.7	230.7	184.6
Prepayments and other current assets………….	13.7	10.9	27.7	15.9
	1,344.4	1,814.3	2,902.9	3,248.6
Noncurrent assets				
Property and equipment – net………………….	45.9	49.6	166.0	140.8
Right-of-use asset – net………………………..	-	7.7	5.8	3.2
Guarantee deposits…………………………….	1.4	2.0	2.0	2.4
Deferred tax assets…………………………….	0.7	7.9	9.4	14.0
	48.0	67.3	183.2	160.3
Total assets……………………………………	1,392.4	1,881.6	3,086.1	3,408.9
Current liabilities				
Trade and other payables………………………	553.9	798.3	1,169.8	1,641.4
Loans and other borrowings…………………...	191.7	293.0	1,120.0	1,040.8
Income tax payable…………………………….	27.3	20.2	37.3	33.9
Contract liabilities……………………………..	-	95.8	3.6	69.3
	772.9	1,207.2	2,330.7	2,785.5
Noncurrent liabilities				
Loans and other borrowings…………………...	130.0	111.5	90.7	78.7
Deposit for future stock subscription………..				37.5
Lease liability………………………………….	-	6.1	4.2	-
Retirement benefit obligation………………….	2,.4	3.4	4.3	6.9
	132.4	120.9	99.2	123.2
Total liabilities………………………………..	905.3	1,328.2	2,429.9	2,908.7
Equity				
Capital stock…………………………………...	13.7	400.0	400.0	400.0
Retained earnings……………………………...	373.4	153.7	256.8	101.9
Deposit for future subscription………………...	100.0	-	-	-
Revaluation reserves…………………………..	0.1	(0.3)	(0.6)	(1.6)
Total equity…………………………………...	487.2	553.4	656.2	500.2
Total liabilities and equity…………………...	1,392.4	1,881.6	3,086.1	3,408.9

SUMMARY STATEMENTS OF CASH FLOWS INFORMATION

	For the years ended December 31,			For the six-month period ended June 30,	
	2018	2019			
In PHP millions	(as restated)	(as restated)	2020	2020	2021
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before Tax	**121.0**	**93.0**	**147.2**	**(12.4)**	**130.4**
Adjustments for:					
Interest expense	9.4	23.5	31.1	13.6	21.5
Depreciation and amortization	7.4	11.5	10.9	6.5	5.5

Unrealized foreign exchange losses	5.3	0.1	3.5	-	0.1
Provision for expected credit losses	11.7	2.6	0.4	-	23.3
Interest income	(0.2)	(0.1)	(0.2)	(0.0)	-
Loss on lease modification	-	-	-	-	1.2
Loss from inventory obsolescence	-	8.5	-	-	-
Gain on sale of property and equipment	-	(0.2)	-	-	(28.9)
Operating profit before working capital changes	154.6	138.8	192.8	7.8	153.0
Decrease (increase) in trade and other receivables	(404.0)	(460.4)	78.6	28.7	(260.9)
Increase in contract assets	-	-	(961.6)	(55.1)	(148.4)
Decrease (increase) in inventories	25.0	7.3	(190.0)	(0.3)	46.2
Decrease (increase) in prepayments and other current assets	12.3	2.8	(16.9)	(31.1)	11.9
Increase in trade and other payables	195.9	242.6	373.9	34.9	213.6
Increase (decrease) in contract liabilities	-	95.8	(92.4)	(95.8)	65.7
Increase in retirement benefit obligation	0.4	1.0	1.0	(3.1)	1.6
Cash generated from (used in) operations	(15.8)	27.9	(614.7)	(114.1)	82.7
Interest paid	(9.4)	(23.5)	(31.1)	(20.0)	(38.4)
Income taxes paid	(46.4)	(35.2)	(28.5)	(13.6)	(21.5)
Interest received	0.2	0.1	0.2	0.0	0.0
Net Cash Used in Operating Activities	**(71.5)**	**(30.7)**	**(674.0)**	**(147.7)**	**22.9**
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisitions of property and equipment	(4.1)	(13.3)	(127.5)	(4.4)	(0.9)
Proceeds from sale of property and equipment	-	0.2	2.2	2.2	51.6
Payment of refundable deposits	(0.5)	(0.6)	-	-	(0.3)
Net Cash Used in Investing Activities	**(4.6)**	**(13.6)**	**(125.3)**	**(2.3)**	**50.3**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from interest-bearing loans and borrowings	242.9	559.1	1,181.6	268.8	752.2
Repayments of interest-bearing loans and borrowings	(172.5)	(476.4)	(375.4)	(145.9)	(843.4)
Cash dividends paid	(120.0)	(5.4)	(4.6)	(2.3)	-
Payments of lease liability	-	(2.2)	(2.2)	(1.1)	(1.6)
Deposit for future stock subscription	100.0	-	-	-	37.5
Net Cash from Financing Activities	**50.4**	**75.2**	**799.5**	**119.6**	**(55.3)**

Effect of Exchange Rate Charges on Cash	(5.3)	(0.1)	(1.0)	(0)	(0.1)
NET INCREASE (DECREASE) IN CASH	**(31.1)**	**30.8**	**(0.9)**	**(30.4)**	**17.8**
CASH AT BEGINNING OF YEAR	**63.7**	**32.6**	**63.4**	**63.4**	**62.4**
CASH AT END OF YEAR	**32.6**	**63.4**	**62.4**	**32.9**	**80.2**

SUMMARY OF SELECTED OPERATING AND FINANCIAL INFORMATION

	For the years ended December 31,						For the six-month period ended June 30,			
In PHP millions	2018	%	2019	%	2020	%	2020	%	2021	%
Revenues	1,170.8		1,334.1		1,466.7		213.7		815.1	
Revenue contribution per Segment										
Diagnostics	529.2	45.2%	374.5	28.1%	346.9	23.7%	122.0	57.1%	131.7	16.2%
Dialysis	352.5	30.1%	112.4	8.4%	238.8	16.3%	34.1	16.0%	173.7	21.3%
Cancer Therapy	140.6	12.0%	803.2	60.2%	867.0	59.1%	49.2	23.0%	498.1	61.1%
Others	148.5	12.7%	44.0	3.3%	14.0	0.9%	8.4	3.9%	11.6	1.4%
Total	1,170.8	100.0%	1,334.1	100.0%	1,466.7	100.0%	213.7	100.0%	815.1	100.0%
Revenue Contribution per Channel										
Government	78.1%		67.7%		89.1%		94.9%		77.7%	
Private Hospitals	21.9%		32.3%		10.9%		5.1%		22.3%	
Revenue growth	-30.2%		13.9%		9.9%		-		281.4%	
Gross profit growth	-53.3%		-11.5%		23.0%		-		534.5%	
Gross profit	223.9		198.1		243.7		28.0		177.5	
Gross profit margin(1)	19.1%		14.8%		16.6%		13.1%		21.8%	
Net profit	76.6		66.6		103.1		(13.0)		100.0	
Net profit growth	-73.8%		-13.0%		54.7%		-		880%	
Net profit margin(2)	6.5%		5.0%		7.0%		-6.1%		12.5%	
EBITDA(3)	137.8		128.7		189.2		7.8		157.4	
EBITDA growth	-64.9%		-6.6%		47.0%		-		1,932%	
Current ratio(4)	1.74		1.51		1.25		-		1.17	
Debt to equity ratio(5)	0.66		0.73		1.84		0.94		2.23	
BVPS (6)	4,371.7		1,428.7		1,640.5		-		1,250.6	

Notes:

(1) Gross Profit Margin is Gross Profit over Revenues.
(2) Net Profit Margin is Net Profit over Revenues.
(3) EBITDA is the sum of net income, interest, taxes, depreciation, and amortization
(4) Current Ratio is current assets over current liabilities
(5) Debt to Equity Ratio is interest bearing debt over total equity
(6) BVPS is equity available to common shareholders divided over the number of outstanding shares

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Prospective investors should read this discussion and analysis of our financial condition and results of operations in conjunction the sections entitled "Summary Historical Financial Information" and "Selected Financial Information And Other Data" and with the audited financial statements as of and for the years ended December 31, 2018, 2019 and 2020 (the "audited financial statements") and the interim audited financial statements as of and for the six months ended June 30, 2020 and 2021 (the "June 30, 2021 interim financial statements") in each case, including the notes relating thereto, included elsewhere in this Prospectus.

Our audited financial statements and the June 30, 2021 interim financial statements included in this Prospectus were prepared in compliance with PFRS.

In contemplation of the Offer and in compliance with applicable regulatory requirements of the Philippine SEC for companies seeking registration of their securities, we appointed Punongbayan & Araullo as our independent auditors in 2020. Punongbayan & Araullo issued a report on our financial statements as of and for the years ended December 31, 2018, 2019 and 2020 on May 31, 2021. As part of their audit, certain information have been restated and reclassified as discussed further in Note 2 in our audited financial statements, in accordance with the relevant accounting and financial reporting standards. For more information, please refer to our audited financial statements as of and for the years ended December 31, 2018, 2019 and 2020 and as of June 30, 2021 and for the six months ended June 30, 2020 and 2021 contained elsewhere in this Prospectus.

This discussion contains forward-looking statements and reflects our current views with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth in the section entitled "Risk Factors" on page 26 and elsewhere in this Prospectus. See "Forward-Looking Statements" on page vii of this Prospectus.

OVERVIEW

Medilines Distributors, Inc. is an essential distributor of critical medical equipment to public and private healthcare facilities across the Philippines. We maintain a portfolio of best-in-class equipment from multinational medical device companies such as Siemens (Germany) for diagnostics imaging, B. Braun (Germany) for dialysis and Varian (USA) for cancer therapy. Our portfolio primarily caters to the leading categories of specialized medicine in the Philippines – diagnostic imaging, dialysis and cancer therapy - that collectively amounted to ₱17.0 billion in sales under the medical equipment market of the Philippines in 2020. These categories, in turn, address some of the top causes of mortality among Filipinos – cardiovascular diseases, cancer, chronic obstructive pulmonary disease, diabetes, pneumonia, and tuberculosis.

In response to the COVID-19 pandemic and the resulting acute need for timely medical care, we have supported the Philippine healthcare system through the distribution of our critical medical equipment such as computerized tomography scan (CT scan) machines and x-ray machines which help in the early detection of possible COVID-19 complications. This also includes dialysis machines and portable reverse osmosis machines for the treatment of patients with COVID-19 complications in intensive care units. Our portfolio likewise includes other critical medical equipment such as linear accelerator machines, cathlabs, and mammography.

Our customers are primarily the Philippine Government through the Department of Health and Local Government Units, and private healthcare facilities such as, among others, hospitals, clinics and diagnostic centers. We sell our products to a market valued by Ken Research at ₱47.5 billion in 2020 and expected to grow to ₱82.7 billion by 2025 which translates to a CAGR of 11.6% for the Philippine medical equipment market.

For almost twenty (20) years, we have supported the development of the booming Philippine healthcare industry through the successful implementation of big ticket supply and distribution projects for both public and private healthcare facilities across the Philippines. In diagnostic imaging, where we have an 18.2% market share of the distribution segment in 2020 according to a research conducted by Ken Research, we have supplied the catheterization lab for the first Hybrid Operating

Room set up in Mindanao and have successfully installed the country's first superconducting MRI machine in Bohol. In dialysis, we hold a dominant position as we accounted for 50.5% of all machines that were sold under the distributor segment in 2020 according to a research conducted by Ken Research. In cancer therapy, where we are the undisputed market leader with a market share of 90.4% of the distribution segment in 2020 according to a research conducted by Ken Research, we have been awarded by DOH the first ever Nuclear Medicine Facilities project that combines a cyclotron, Positron emission tomography PET CT scanner and hybrid SPECT CT system in Davao City and Cebu City.

To capture the growth not only of our core market of medical equipment but of the wider medical devices market, we will employ a multi-level strategy by maintaining our existing relationships with key customer accounts, establishing new customer bases in underpenetrated local markets, expanding our product portfolio to include high-margin consumable products, strengthening further our logistics capability, and venturing into other healthcare categories in the long term. The medical devices market, which is composed of medical equipment and consumables & accessories, is expected to grow at a CAGR of 10.7% in the next five years to be worth ₱127.8 billion by 2025 from ₱77.0 billion in 2020 according to Ken Research.

We have a proven track record of growing our business. For the years ended December 31, 2018 to December 31, 2020, our consolidated revenues grew from ₱1,171 million to ₱1,467 million which translates to a CAGR of 11.9%. Our net income likewise recorded strong growth, climbing from just ₱77 million to ₱103 million during the same period which translates to a CAGR of 16.0%. Our growth momentum was boosted further by the increase in the demand for life-saving equipment amid the COVID-19 pandemic.

Moving into 2021, our revenues for the six-month period ended June 30, 2021 jumped to ₱815 million which is higher by 281% compared to ₱214 million recorded during the same period in 2020. Meanwhile, our net income during the same period in 2021 was at ₱100 million which is equivalent to almost 100% of the net income posted for the full-year 2020.

Medilines Distributors Incorporated was incorporated in the Philippines and registered with the Securities and Exchange Commission on July 12, 2002. Our Company's primary purpose is to establish, conduct and maintain business of trading and distribution of medical devices.

The principal shareholder of the Company is Mr. Virgilio Villar. Mr. Villar served as the Managing Director of B. Braun Medical Supplies, Inc. for over twenty years before deciding to join the management of the business when he recognized a significant gap in the supply chain between multinational principals and underserved Philippine hospitals that were then starting to modernize.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations are affected by a variety of factors. Set out below is a discussion of the most significant factors that have affected our results in the past, and which we expect to affect our results in the foreseeable future. Factors other than those discussed below could also have a significant impact on our results of operations and financial condition in the future.

Philippine macroeconomic conditions and trends

The Philippines is one of the most dynamic economies in the East Asia Pacific region. With increasing urbanization, a growing middle class, and a large and young population, the Philippines' economic dynamism is rooted in strong consumer demand supported by a vibrant labour market and robust remittances. Business activities are buoyant with notable performance in the services sector including business process outsourcing, real estate, tourism, and finance and insurance industries. However, real economic growth has been challenged in the preceding and current year due to the outbreak of the Covid-19 pandemic.

THE COVID-19 PANDEMIC

COVID-19, an infectious disease that was first reported to have been transmitted to humans in late 2019, has spread globally over the course of 2020, and in March 2020 it was declared as a pandemic by the World Health Organization ("**WHO**"). As of June 30, 2021, there had been about 180 million confirmed cases in the world, as reported to the WHO.

With the declaration of a nationwide "State of Public Health Emergency" on May 08, 2020, the Government has taken measures in varying degrees across the country to contain the spread of the virus including a nationwide Lockdown and the mobilization of necessary resources to undertake critical, urgent and appropriate medical measures. One of the major resources mobilized by the government was the ₱275 billion "Bayanihan to Heal as One Act" (Bayanihan 1), from which the DOH has utilized ₱4.36 billion to procure medical equipment as of December 31, 2020.

As of the date of this Prospectus, Metro Manila is under GCQ with Alert Level 2, while other areas continue to be placed under other levels of community quarantine and there is no assurance that areas that are currently under ECQ, MECQ, GCQ or MGCQ would not be placed under more stringent community quarantine in the future. The Philippines continues to be challenged as mobility and commercial activity in retail remains limited due to the restrictions and slow roll-out of the vaccination.

As a player in the medical device distribution industry, Medilines was presented with both opportunities as well as challenges during this pandemic. On one hand, as a medical device business, the pandemic helped strengthen Medilines' integral role in the Philippine healthcare industry. On the other hand, as a distribution business, the pandemic posed logistical challenges affecting the core of its operations.

The pandemic presented Medilines with opportunities to strengthen its valuable role as part of the healthcare industry. We are proud to be at the frontline of the country's fight against COVID-19 through the urgent distribution of related devices. From March 2020 up to June 2021, four (4) CT scans and seven (7) mobile x-rays have been deployed, helping patients with early detection of possible complications due to COVID-19 and providing our frontliners with a better understanding of the patient's condition for proper treatment. 126 dialysis machines and 63 portable reverse osmosis machines have also been installed in Intensive Care Units (ICUs), as an estimate of 30% of patients hospitalized with COVID-19 develop moderate or severe kidney injury. These purchases make use of the government's emergency funds and other aid for COVID-19 relief; and these are on top of other purchases by customers considering the company's business as usual. Moreover, the pandemic has also highlighted the importance of health system resilience. The capacity of the health system in the country in terms of crisis preparedness and response, and its ability to deliver essential health services, were placed in the spotlight. Thus, investments in the health system to increase its capacity, including the much-needed modernization of hospitals across the country, became the priorities of the DOH in the short and medium-term.

Meanwhile, the pandemic-induced restrictions on movement also presented Medilines with logistical challenges at the start of their imposition. Inter-provincial delivery of good experienced delays due to varying policies on quarantine restrictions per locality and lack of means of transportation, among other reasons. In addition, the movement of our delivery and sales personnel were also hampered.

Despite these challenges, we continued to work as usual. We were able to quickly resume the deployment of our field personnel in COVID-19 hospitals via strict compliance with the protocols of IATF and DOH. Medilines provided its employees with protective gears, swab tests and necessary certificates or clearances prior to provincial deliveries. Disinfectants were placed in all appropriate areas and the Company extended the use of a staff house and arranged carpool to lessen the employees' exposure from public transportation. We also utilized flexible work arrangements with employees who can productively work from home.

All in all, Medilines was able to maximize resulting opportunities despite numerous restrictions. Operations had minimal interruptions through strict compliance to safety protocols and high collaboration efforts with our partners in the industry. Liquidity, which is of highest importance during a pandemic, was maintained via collection drives, savings on operational costs, and focus on profit.

Our ability to effectively manage costs and expenses

Our operations are streamlined. We have a lean team that includes select individuals with technical and clinical knowledge about our product lines. We focus our selling and marketing efforts on a select group of customers, specifically those who have budget for capital intensive projects and advanced medical equipment. We work with select principals who are world renowned market leaders in our chosen categories and have established names in healthcare worldwide. Our Principals handle majority of the tasks involved in projects. They manage the importation, processing of all major regulatory requirements, marketing programs, shipment of products direct to customer, installation, training, preventive maintenance, and after sales service. Medilines does not need to invest in a full service and marketing team, costs of importation, huge warehouse space, and a show room, and can instead focus on lead generation, relationship building with customers, biddings, simple on-site product demonstrations, and over-all project coordination. Our warehouses only store consumables, accessories and other third-party items that are packaged with the equipment. These items are guided by a "no PO no purchase" policy to avoid excess stocks. We partner with third-party logistics providers for deliveries to far-flung areas, including Visayas and Mindanao. We have a fully integrated, centralized ERP business management system software that facilitates effective data processing and information flow within our organization. By keeping our operations lean and efficient, we effectively manage our operational costs.

Growth of our operations

Our growth strategy includes continuing to join big ticket projects in both public and private hospitals, expanding our customer base into fast-growing and underpenetrated markets across the Philippines, improving margin efficiency via expansion of offerings to consumables of existing focus product categories, continuing to invest in solid logistics systems, and venturing into other high-profit healthcare categories in the long-term. To support this growth, we will solicit financing through both equity and additional borrowings. We will continue to use local regulations to our advantage to strengthen our foothold in government accounts, such as compliance with tender specifications, list of completed similar projects, SLCC (single largest completed project), and NFCC (net financial contracting capacity) in public tenders, all of which help reduce competition. We will continue to utilize our strategic partnerships with world renowned principals and our existing strong relationships with major hospitals and other medical institutions to further strengthen our expert reputation and grow our presence nationwide. We will expand our reach via our own sales force or additional reputable partner sub-dealers starting in select high-yielding areas of the Philippines, including in areas where we do not currently have a presence but where we can have high returns. We will expand our customer base by using our established presence and proven experience in government projects to gain trust and further our sales in established private hospitals with good financial standing. Most importantly, we will grow our bottom line by expanding our portfolio using products with higher turnover and profit margins, starting with the consumables of our existing machine product lines where we have a captured market; by investing in business process systems that will help minimize logistical inefficiencies; and by venturing into other high-profit healthcare categories in the long run.

Competition

The medical industry in the Philippines is very competitive. We compete with various companies selling medical equipment falling under the same product categories that we offer based on factors such as price, quality, and brand recognition, or a combination of these factors. Moreover, we anticipate competition from new market entrants and joint partnerships between national and international operators, as well as with current and future players in the areas included in our expansion strategy.

In terms of our current product offering and pricing, we have identified the industry's major players such as Fernando Medical Enterprises Inc. (recently purchased by IDS Medical Systems Philippines, Inc.), Cosmo Medical Inc., Corbridge Philippines, 99 Commercial Inc., RTK Marketing Inc., Technomed International Inc., NPK Medical Trading Inc., Biosyn Healthcare Systems Inc., Himex Corporation, Shimadzu Philippine Corporation, Biosite Medical Instruments Inc., Medicotek Trading(United Imaging), Sunfu Solutions Inc., Felea Biomed Enterprises, and Variance Trading Corporation.

It is important to note that the abovementioned distributors are direct competitors of Medilines in varying degrees, according to the category of medical devices they carry, as not one of them distributes the exact same categories as Medilines does.

Nonetheless, we believe that we are well positioned to compete given our competitive advantages including, among others, our Company's good reputation in the industry and association with top quality products, our partnership with well-renowned leading brands in our categories, our years of relationship with major hospitals in the country, and a management team with a wealth of experience in our field.

Seasonality

The purchase of medical equipment does not have seasonality as it is driven mainly by available funding for new hospitals, facility expansions, and replacement of old machines or outdated technology.

CRITICAL ACCOUNTING POLICIES

Critical accounting policies are those that are both (i) relevant to the presentation of our financial condition and results of operations and (ii) require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increase, those judgments become even more subjective and complex. In order to provide an understanding of how our management forms its judgments about future events, including the variables and assumptions underlying its estimates, and the sensitivity of those judgments to different circumstances, we have identified the significant accounting judgments, estimates and assumptions discussed in Note 3 to our audited financial statements included, elsewhere in this Prospectus.

The main items subject to estimates and assumptions by management include, among others, -impairment for allowance of expected credit losses, impairment of trade and other receivables and due from related parties, determination of net realizable value of inventories, estimation of useful lives of property and equipment, and impairment of non-financial assets.

While we believe that all aspects of our financial statements, including the accounting policies discussed in Note 2 to our audited financial statements and the June 30, 2021 interim financial statements should be studied and understood in assessing our current and expected financial condition and results of operations, we believe that the significant accounting judgments, estimates and assumptions discussed in Note 3 to our audited financial statements warrant particular attention. Effective January 1, 2019, we adopted PFRS 16 (Leases) resulting in changes in the accounting of our lease transactions. Prior to 2019, lease payments in respect of our store and warehouse facilities were treated as rent expense. Upon adoption of this standard, the present value of future lease payments throughout the expected lease period, including probable lease extensions, are recognized as lease liability and the corresponding right-of-use asset is recognized in view of the right obtained by the lessee to use the relevant facilities. Under our statements of comprehensive income, amortization and interest expense on lease liability are recognized in 2019 while rent expense was recognized in 2018. See Notes 2.2 and 10 to our December 31, 2020 audited financial statements.

RESULTS OF OPERATIONS

Statements of Comprehensive Income

	For the years ended December 31,			For the six-month period ended June 30,	
In PHP millions[1]	2018 (as restated)	2019 (as restated)	2020	2020	2021

Revenue…………………………….	1,170.8	1,334.1	1,466.7	213.7	815.1
Direct cost………………………….	946.9	1,136.0	1,223.0	185.7	637.6
Gross profit………………………...	223.9	198.1	243.7	28.0	177.5
Operating expenses………………...	101.7	98.1	81.8	39.9	66.6
Operating profit………………….....	122.2	99.9	161.9	(11.9)	110.9
Other income (charges) – net………	(1.2)	(6.2)	(14.7)	(0.4)	19.5
Profit before tax……………………	121.0	93.7	147.2	(12.4)	130.4
Tax expense………………………..	44.5	27.1	44.2	0.7	30.4
Net profit…………………………...	76.6	66.7	103.1	(13.0)	100.0
Other comprehensive income (loss)..	0.1	(0.4)	(0.3)	(0.3)	(1.0)
Total comprehensive income………	76.6	66.3	102.8	(13.3)	99.0
Basic and diluted earnings per Share	5,588.66	586.11	257.66	(32.59)	250.11

Notes:
(1) Except for Basic and diluted earnings per share.

Six months ended June 30, 2021 compared to six months ended June 30, 2020

	For the six months ended June,		Horizontal analysis	Vertical analysis	
	2020	2021		2020	2021
	In Php Millions		%Change	% of Total Sales	
Revenue…………………………….	213.7	815.1	281%	100%	100%
Direct cost………………………….	185.7	637.6	243%	87%	78%
Gross profit………………………...	28.0	177.5	534%	13%	22%
Operating expenses………………...	39.9	66.6	67%	19%	8%
Operating profit………………….....	(11.9)	110.9	-1,032%	-6%	14%
Other income (charges) – net………	(0.4)	19.5	-4,975%	0%	2%
Profit before tax……………………	(12.4)	130.4	-1,152%	-6%	16%
Tax expense………………………..	0.7	30.4	4,243%	0%	4%
Net profit…………………………...	(13.0)	100.0	-869%	-6%	12%

Revenues increased from ₱213.7 million for the six months ended June 30, 2020 to ₱815.1 million for the six months ended June 30, 2021. The 281% increase in the account was primarily attributable to increase in sales of Cancer Therapy machines.

Direct costs increased by 243% from ₱185.7 million for the six months ended June 30, 2020 to ₱637.6 million for the six months ended June 30, 2021 due to higher sales for the period.

Operating expenses increased by 67% from ₱39.9 million for the six months ended June 30, 2021 to ₱66.6 million for the six months ended June 30, 2021 due primarily to the increase in ECL, freight and insurance for machines.

Other income (charges)-net decreased by 4,975% from a net other charges of ₱0.4 million for the six months ended June 30, 2020 to net other income of ₱19.5 million for the six months ended June 30, 2021 due to the gain on sale of property recorded for the period.

Tax expense for the six months ended June 30, 2021 is ₱30.4 million an increase of 4,243% from ₱0.7 million for the six months ended June 30, 2020 due to the higher tax base for the period.

As a result of the foregoing, the Company's net income increased by 869% from a net loss of ₱13.0 million in the six months ended June 30, 2020 to a net income of ₱100.0 million in the six months ended June 30, 2021.

Year Ended December 31, 2020 compared to year ended December 31, 2019

	For the years ended December 31,		Horizontal analysis	Vertical analysis	
	2019 (as restated)	2020		2019	2020
	In Php Millions		%Change	% of Total Sales	
Revenue…………………………….	**1,334.1**	**1,466.7**	**10%**	**100%**	**100%**
Direct cost………………………….	**1,136.0**	**1,223.0**	**8%**	**85%**	**83%**
Gross profit………………………...	**198.1**	**243.7**	**23%**	**15%**	**17%**
Operating expenses………………...	**98.1**	**81.8**	**-17%**	**7%**	**6%**
Operating profit………………….....	**99.9**	**161.9**	**62%**	**7%**	**11%**
Other income (charges) – net………	**(6.2)**	**(14.7)**	**137%**	**0%**	**(1%)**
Profit before tax……………………	**93.7**	**147.2**	**57%**	**7%**	**10%**
Tax expense………………………..	**27.1**	**44.2**	**63%**	**2%**	**3%**
Net profit…………………………...	**66.7**	**103.1**	**55%**	**5%**	**7%**

Revenues increased from ₱1,334.1 million for the year ended December 31, 2019 to ₱1,466.7 million for the year ended December 31, 2020. The 10% increase in the account was primarily attributable to the urgent demand for computerized tomography (CT) scan, mobile x-rays and dialysis machines as these devices help detect and treat COVID-19 virus and other COVID-19 related complications.

Direct costs increased by 8% from ₱1,136.0 million for the year ended December 31, 2019 to ₱1,223.0 million for the year ended December 31, 2020 due to higher costs of inventory sold during the year.

Operating expenses decreased by 17% from ₱98.1 million for the year ended December 31, 2019 to ₱81.8 million for the year ended December 31, 2020 due to the decline in following items (a) provision for expected credit losses, (b) losses from inventory obsolescence, (c) salaries and wages and depreciation and (d) amortization for the year.

Other charges - net increased by 137% from ₱6.2 million for the year ended December 31, 2019 to ₱14.7 million for the year ended December 31, 2020 due primarily to the higher interests expense and foreign exchange loss for the year.

Tax expense for the year ended December 31, 2020 is ₱44.2 million an increase of 63% from ₱27.1 million for the year ended December 31, 2019. This is due primarily to the higher taxable income recorded for the year.

As a result of the foregoing, the Company's net income increased by 55% from ₱66.6 million in the year ended December 31, 2019 to ₱103.1 million in the year ended December 31, 2020.

Year Ended December 31, 2019 compared to year ended December 31, 2018

	For the years ended December 31,		Horizontal analysis	Vertical analysis	
	2018 (as restated)	2019 (as restated)		2018	2019
	In Php Millions		%Change	% of Total Sales	
Revenue…………………………….	**1,170.8**	**1.334.1**	**14%**	**100%**	**100%**
Direct cost………………………….	**946.9**	**1,136.0**	**20%**	**81%**	**85%**

Gross profit………………………..	**223.9**	**198.1**	**-12%**	**19%**	**15%**
Operating expenses………………..	**101.7**	**98.1**	**-4%**	**9%**	**7%**
Operating profit…………………....	**122.2**	**99.9**	**-18%**	**10%**	**7%**
Other income (charges) – net………	**(1.2)**	**(6.2)**	**417%**	**0%**	**0%**
Profit before tax……………………	**121.0**	**93.7**	**-23%**	**10%**	**7%**
Tax expense………………………..	**44.4**	**27.1**	**-39%**	**4%**	**2%**
Net profit…………………………..	**76.6**	**66.7**	**-13%**	**7%**	**5%**

Revenues increased from ₱1,170.8 million for the year ended December 31, 2018 to ₱1,334.1 million for the year ended December 31, 2019. The 14% increase in the account was primarily attributable to the higher sales of medical equipment for the year.

Direct costs increased by 20% from ₱946.9 million for the year ended December 31, 2018 to ₱1,136.0 million for the year ended December 31, 2019 due to the sales of higher cost inventory for the year.

Operating expenses decreased by 4% from ₱101.7 million for the year ended December 31, 2018 to ₱98.1 million for the year ended December 31, 2019 due to decrease primarily of the following items (a) provision for ECL as this was provided already in the prior year, (b) rent due to the adoption of PAS 17 - Leases, (c) penalties which pertains primarily to one project installation delay in 2018, (d) taxes and licenses and (e) travel and transportation expense for the year .

Other charges - net increased by 417% from ₱1.2 million for the year ended December 31, 2018 to ₱6.2 million for the year ended December 31, 2019 due to higher financing charges incurred during the period.

Tax expense for the year ended December 31, 2019 is ₱27.1 million a decrease of 39% from ₱44.5 million for the year ended December 31, 2018. This is due primarily to the lower taxable income recorded for the year.

As a result of the foregoing, the Company's net income decreased by 13% from ₱ 77.6 million in the year ended December 31, 2018 to ₱66.6 million in the year ended December 31, 2019.

Year Ended December 31, 2018 compared to year ended December 31, 2017

	For the years ended December 31,		**Horizontal analysis**	**Vertical analysis**	
	2017	**2018 (as restated)**		**2017**	**2018**
	In Php Millions		%Change	% of Total Sales	
Revenue…………………………….	**1,678.5**	**1,170.8**	**-30%**	**100%**	**100%**
Direct cost………………………….	**1,199.2**	**946.9**	**-21%**	**71%**	**81%**
Gross profit………………………..	**479.3**	**223.9**	**-53%**	**29%**	**19%**
Operating expenses………………..	**88.7**	**101.7**	**15%**	**5%**	**9%**
Operating profit…………………....	**390.5**	**122.2**	**-69%**	**23%**	**10%**
Other income (charges) – net………	**(9.3)**	**(1.2)**	**-87%**	**-1%**	**0%**
Profit before tax……………………	**381.2**	**121.0**	**-68%**	**23%**	**10%**
Tax expense………………………..	**88.5**	**44.4**	**-50%**	**5%**	**4%**
Net profit…………………………..	**292.7**	**76.6**	**-74%**	**17%**	**7%**

Revenues decreased from ₱1,678.5 million for the year ended December 31, 2017 to ₱1,170.8 million for the year ended December 31, 2018. The 30% decreases in the account was primarily attributable to lower sales of medical equipment and consumables for the year.

Direct costs decreased by 21% from ₱1,199.2 million for the year ended December 31, 2017 to ₱946.9 million for the year ended December 31, 2018 due to the lower sales made during the year and the lower cost of inventory sold for the year.

Operating expenses increased by 15% from ₱88.7 million for the year ended December 31, 2017 to ₱101.7 million for the year ended December 31, 2018 due primarily to the increase in following items (a) provision for expected credit losses, (b) taxes and licenses, (c) depreciation due to the increase in the depreciable assets and (d) penalties as a result one project installation delay.

Other charges - net decreased by 87% from ₱9.3 million for the year ended December 31, 2017 to ₱1.2 million for the year ended December 31, 2018 due to the higher financing charges incurred during the period.

Tax expense for the year ended December 31, 2018 is ₱44.5 million a decrease of 50% from ₱88.5 million for the year ended December 31, 2017. This is due primarily to the lower taxable income recorded for the year.

As a result of the foregoing, the Company's net income decreased by 74% from ₱ 292.7 million in the year ended December 31, 2017 to ₱76.6 million in the year ended December 31, 2018.

FINANCIAL CONDITION

The following discussion provides a description of our current and non-current assets and liabilities for the years ended December 31, 2017, 2018, 2019, and 2020, and six-month period

	As of December 31,			As of June 30,
In PHP millions	2018 (as restated)	2019 (as restated)	2020	2021
Current assets				
Cash…………………………………………	32.6	63.4	62.4	80.2
Trade and other receivables – net……………...	1,241.6	1,699.4	1,620.4	1,858.0
Contract assets…………………………………	-	-	961.6	1,110.0
Inventories – net……………………………….	56.5	40.7	230.7	184.6
Prepayments and other current assets………….	13.7	10.9	27.7	15.9
	1,344.4	1,814.3	2,902.9	3,248.6
Noncurrent assets				
Property and equipment – net………………….	45.9	49.6	166.0	140.8
Right-of-use asset – net………………………..	-	7.7	5.8	3.2
Guarantee deposits…………………………….	1.4	2.0	2.0	2.4
Deferred tax assets…………………………….	0.7	7.9	9.4	14.0
Total	48.0	67.3	183.2	160.3
Total assets……………………………………	1,392.4	1,881.6	3,086.1	3,408.9
Current liabilities				
Trade and other payables………………………	553.9	798.3	1,169.8	1,641.4
Loans and other borrowings…………………...	191.7	293.0	1,120.0	1,040.8
Income tax payable…………………………….	27.3	20.2	37.3	33.9
Contract liabilities……………………………..	-	95.8	3.6	69.3
	772.9	1,207.2	2,330.7	2,785.4

Noncurrent liabilities				
Loans and other borrowings…………………...	130.0	111.5	90.7	78.7
Deposit for future stock subscription…………	-	-	-	37.5
Lease liability………………………………….	-	6.1	4.2	-
Retirement benefit obligation………………….	2,.4	3.4	4.3	6.9
	132.4	120.9	99.2	123.2
Total liabilities……………………………..	905.3	1,328.2	2,429.9	2,908.7
Equity				
Capital stock…………………………………...	13.7	400.0	400.0	400.0
Retained earnings……………………………...	373.4	153.7	256.8	101.9
Deposit for future subscription………………...	100.0	-	-	-
Revaluation reserves…………………………..	0.1	(0.3)	(0.6)	(1.6)
Total equity…………………………………...	487.2	553.4	656.2	500.2
Total liabilities and equity…………………...	1,392.4	1,881.6	3,086.1	3,408.9

Six months ended June 30, 2021 compared to year ended December 31, 2020

	For the period ended,		**Horizontal analysis**	**Vertical analysis**	
	December 31, 2020	**June 30, 2021**		**December 31, 2020**	**June 30, 2021**
	In Php Millions		%Change	% of Total Assets	
Total Current Assets……………….	**2,902.9**	3,248.6	12%	94%	95%
Total Noncurrent Assets…………...	**183.2**	160.3	(13%)	6%	5%
Total Assets…………....................	**3,086.1**	3,408.9	10%	100%	100%
Total Current Liabilities……………	**2,330.7**	2,785.5	20%	76%	82%
Total Noncurrent Liabilities………..	**99.2**	123.2	24%	3%	3%
Total Liabilities…………………….	**2,429.9**	2,908.7	20%	79%	85%
Equity………………………………	**656.2**	500.2	(24%)	21%	15%
Total Liabilities and Equity………..	**3,086.1**	3,408.9	10%	100%	100%

Total assets as of December 31, 2020 were ₱3,086.1 million compared to ₱3,410.0 million as of June 30, 2021, or a 10% increase. This was due to the following:

- Cash increased by 28% from ₱62.4 million as of December 31, 2020 to ₱80.2 million as of June 30, 2021due primarily to a higher net cash flow from operations and investing activities for the period offset by the net cash used from financing activities.

- Receivables increased by 15% from ₱1,620.4 million as of December 31, 2020 to ₱1,858.0. million as of June 30, 2021 due to increase in sales on account, advances to suppliers and other non-trade receivables.

- Contract assets increased by 15% from ₱961.6 million as of December 31, 2020 to ₱ 1,110.0 million as of June 30, 2021 due to revenue recognition based on percentage of completion that is not yet billed.

- Inventories decreased by 20% from ₱230.7 million as of December 31, 2020 to ₱184.6 million as of June 30, 2021 due to the higher sales for the period.

- Prepayments and other current assets decreased by 43% from ₱27.7 million as of December 31, 2020 to ₱15.9 million as of June 30, 2021 due to the decrease in excess input tax credit and bid and construction bonds as the company have completed such contracts.

- Property and equipment decreased by 15% from ₱166.0 million as of December 31, 2020 to ₱140.8 million as of June 30, 2021 due to disposal of property and depreciation for the period.

- Right-of-use asset decreased by 45% from ₱5.8 million as of December 31, 2020 to ₱3.2 million as of June 30, 2021 due to depreciation.

- Guarantee deposits increased by 17% from ₱2.0 million as of December 31, 2020 to ₱2.4 million as of June 30, 2021 due to the increase in deposit for car lease contract that will be refunded at the end of the lease term.

- Deferred tax asset increased by 49% from ₱9.4 million as of December 31, 2020 to ₱14.0 million as of June 30, 2021 due to the recognition of the deferred tax on ECL, unrealized forex and right of use assets and lease liabilities (net).

Total liabilities as of December 31, 2020 were ₱2,429.9 million compared to ₱2,908.1 million as of June 30, 2021, or a 20% increase. This was due to the following:

- Trade and other payables increased by 40% from ₱1,169.8 million as of December 31, 2020 to ₱1,641.4 million as of June 30, 2021 due to increase in purchases of machines, the declaration of cash dividend and due to a related party for advances received during the period.

- Loans and other borrowings decreased by 8% from ₱1,210.7 million as of December 31, 2020 to ₱1,119.5 million as of June 30, 2021 due to settlement of bank loans for the period.

- Income tax payable decreased by 9% from ₱37.3 million as of December 31, 2020 to ₱33.9 million as of June 30, 2021 due to settlement for the period.

- Contract liabilities increased by 1,823% from ₱3.6 million as of December 31, 2020 to ₱69.3 million as of June 30, 2021 due to the cash received on a contract not yet recognized as revenue during the period.

- Lease liabilities decreased by 8% from ₱4.2 million as of December 31, 2020 to ₱5.7 million as of June 30, 2021 due to amortization and lease modification which shorten the term of the lease agreement.

- Retirement benefit obligation increased by 60% from ₱4.3 million as of December 31, 2020 to ₱6.9 million as of June 30, 2021 due to actuarial adjustments.

Total stockholder's equity decreased by 24% from ₱656.2 million as of December 31, 2020 to ₱501.9 million as of June 30, 2021 to due to retained earnings appropriation for dividends declaration and the increase in other comprehensive losses for the period arising from the remeasurement loss on retirement benefit obligation.

Year ended December 31, 2020 compared to year ended December 31, 2019

	For the year ended December 31,		**Horizontal analysis**	**Vertical analysis**	
	2019 (as restated)	**2020**		**2019**	**2020**

	In Php Millions		%Change	% of Total Assets	
Total Current Assets……………….	**1,814.3**	**2,902.9**	**60%**	**96%**	**94%**
Total Noncurrent Assets…………...	**67.3**	**183.2**	**172%**	**4%**	**6%**
Total Assets…………....................	**1,881.6**	**3,086.1**	**64%**	**100%**	**100%**
Total Current Liabilities……………	**1,207.2**	**2,330.7**	**93%**	**64%**	**76%**
Total Noncurrent Liabilities………..	**120.9**	**99.2**	**-18%**	**6%**	**3%**
Total Liabilities…………………….	**1,328.1**	**2,429.9**	**83%**	**71%**	**79%**
Equity………………………………	**553.4**	**656.2**	**19%**	**29%**	**21%**
Total Liabilities and Equity………..	**1,881.6**	**3,086.1**	**64%**	**100%**	**100%**

Total assets as of December 31, 2019 were ₱1,881.6 million compared to ₱3,086.1 million as of December 31, 2020, or a 64% increase. This was due to the following:

- Receivables decreased by 5% from ₱1,699.4 million as of December 31, 2019 to ₱1,620.4 million as of December 31, 2020 due to the lower non-trade receivables for the year.

- Contract assets increased by 100% from nil as of December 31, 2019 to ₱961.6 million as of December 31, 2020 due to the revenue recognition based on percentage of project completion.

- Inventories increased by 467% from ₱40.7 million as of December 31, 2019 to ₱230.7 million as of December 31, 2020 due to the higher purchases made for the year.

- Prepayments and other current assets increased by 155% from ₱10.9 million as of December 31, 2019 to ₱27.7 million as of December 31, 2020 due primarily to the increase in the excess of input tax.

- Property and equipment increased by 235% from ₱49.6 million as of December 31, 2019 to ₱165.9 million as of December 31, 2020 due to the higher acquisitions of property and equipment.

- Right-of-use asset decreased by 25% from ₱7.7 million as of December 31, 2019 to ₱5.8 million as of December 31, 2020 due to depreciation for the year.

- Deferred tax asset increased by 19% from ₱7.9 million as of December 31, 2019 to ₱9.4 million as of December 31, 2020 due to the recognition of deferred tax assets for unrealized foreign exchange loss-net and right of use asset and lease liabilities-net.

Total liabilities as of December 31, 2019 were ₱1,328.2 million compared to ₱2,429.9 million as of December 31, 2020, or a 83% increase. This was due to the following:

- Trade and other payables increased by 47% from ₱798.3 million as of December 31, 2019 to ₱1,169.8 million as of December 31, 2020 due to the increase in trade payable and deferred output VAT for the year.

- Loans and other borrowings increased by 199% from ₱404.4 million as of December 31, 2019 to ₱1,210.7 million as of December 31, 2020 due primarily to the increase in trust receipts.

- Income tax payable increased by 85% from ₱20.2 million as of December 31, 2019 to ₱37.3 million as of December 31, 2020 due to the higher tax payable for the year.

- Contract liabilities decreased by 96% from ₱95.8 million as of December 31, 2019 to ₱3.6 million as of December 31, 2020 due to recognition for the year.

- Lease liabilities decreased by 32% from ₱6.1 million as of December 31, 2019 to ₱4.2 million as of December 31, 2020 due to payments for the year.

- Retirement benefit obligation increased by 29% from ₱3.4 million as of December 31, 2019 to ₱4.3 million as of December 31, 2020 due to actuarial adjustments.

Total stockholder's equity increased by 19% from ₱553.4 million as of December 31, 2019 to ₱656.2 million as of December 31, 2020 due to the earnings recorded for the year.

Year ended December 31, 2019 compared to year ended December 31, 2018

	For the year ended December 31,		Horizontal analysis	Vertical analysis	
	2018 (as restated)	2019 (as restated)		2018	2019
	In Php Millions		%Change	% of Total Assets	
Total Current Assets……………….	**1,344.4**	**1,814.3**	**35%**	**97%**	**96%**
Total Noncurrent Assets…………...	**48.0**	**67.3**	**40%**	**3%**	**4%**
Total Assets…………......................	**1,392.4**	**1,881.6**	**35%**	**100%**	**100%**
Total Current Liabilities……………	**772.9**	**1,207.2**	**56%**	**56%**	**64%**
Total Noncurrent Liabilities………..	**132.4**	**120.9**	**-9%**	**10%**	**7%**
Total Liabilities…………………….	**905.3**	**1,328.1**	**47%**	**65%**	**71%**
Equity………………………………	**487.2**	**553.4**	**14%**	**35%**	**29%**
Total Liabilities and Equity………..	**1,392.4**	**1,881.6**	**35%**	**100%**	**100%**

Total assets as of December 31, 2018 were ₱1,392.4 million compared to ₱1,881.6 million as of December 31, 2019, or a 35% increase. This was due to the following:

- Cash increased by 94% from ₱32.5 million as of December 31, 2018 to ₱63.3 million as of December 31, 2019 due to the net cash provided by the financing activities for the period.

- Trade and other receivables - net increased by 37% from ₱1,241.6 million as of December 31, 2018 to ₱1,699.4 million as of December 31, 2019 due to the increases in trade receivables, advances made to suppliers and other receivables for the year.

- Inventories decreased by 28% from ₱56.5 million as of December 31, 2018 to ₱40.7 million as of December 31, 2019 due to the higher sales made for the period and recognition of an allowance for obsolescence for the year.

- Prepayments and other current assets decreased by 21% from ₱13.7 million as of December 31, 2018 to ₱10.9 million as of December 31, 2019 as there were no excess input tax for the year with decreases in deferred input tax and prepaid insurance.

- Property and equipment - net increased by 8% from ₱45.7 million as of December 31, 2018 to ₱49.6 million as of December 31, 2019 due to the higher acquisitions of property and equipment made during the year.

- Right-of-use asset increased by 100% from ₱0 as of December 31, 2018 to ₱7.7 million as of December 31, 2019 due to the adoption of PFRS 16

- Deferred tax asset increased by 1,013% from ₱0.7 million as of December 31, 2018 to ₱7.9 million as of December 31, 2019 due to the recognition of deferred tax assets pertaining to provision of inventory obsolescence and impairment of losses on trade and other receivables and increase in deferred tax asset on post-employment benefit obligation.

- Guaranty deposits increased by 39% from ₱1.4 million as of December 31, 2018 to ₱2.0 million as of December 31, 2019 due to higher deposit arising from car lease contract.

Total liabilities as of December 31, 2018 were ₱905.3 million compared to ₱1,328.2 million as of December 31, 2019, or a 47% increase. This was due to the following:

- Trade and other payables increased by 44% from ₱553.9 million as of December 31, 2018 to ₱798.3 million as of December 31, 2019 due primarily to the increase in trade payables for the year.

- Loans and other borrowings increased by 26% from ₱321.7 million as of December 31, 2018 to ₱404.4 million as of December 31, 2019 due to the proceeds from notes payable.

- Income tax payable decreased by 26% from ₱27.3 million as of December 31, 2018 to ₱20.2 million as of December 31, 2019 due to the settlements made during the year.

- Contract liabilities increased by 100% from ₱0 as of December 31, 2018 to ₱95.8 million as of December 31, 2019 due to the increase due to the cash received for contracts not yet fulfilled during the year.

- Lease liabilities increased by 100% from nil as of December 31, 2018 to ₱6.1 million as of December 31, 2019 due to the adoption of PFRS 16.

- Retirement benefit obligation increased by 42% from ₱2.4 million as of December 31, 2018 to ₱3.4 million as of December 31, 2019 due to actuarial adjustments.

Total stockholder's equity increased by 14% from ₱487.2 million as of December 31, 2018 to ₱553.4 million as of December 31, 2019 to due to the earnings recorded for the year.

Year ended December 31, 2018 compared to year ended December 31, 2017

	For the year ended December 31,		**Horizontal analysis**	**Vertical analysis**	
	2017	**2018 (as restated)**		**2017**	**2018**
	In Php Millions		%Change	% of Total Assets	
Total Current Assets……………….	**1,020.4**	**1,344.4**	**32%**	**94%**	**97%**
Total Noncurrent Assets…………...	**63.2**	**48.0**	**-24%**	**6%**	**3%**
Total Assets………….....................	**1,083.6**	**1,392.4**	**28%**	**100%**	**100%**
Total Current Liabilities……………	**519.2**	**772.9**	**49%**	**48%**	**56%**
Total Noncurrent Liabilities………..	**110.0**	**132.4**	**20%**	**10%**	**10%**
Total Liabilities…………………….	**629.2**	**905.3**	**44%**	**58%**	**65%**
Equity………………………………	**454.4**	**487.1**	**7%**	**42%**	**35%**
Total Liabilities and Equity………..	**1,083.6**	**1,392.4**	**28%**	**100%**	**100%**

Total assets as of December 31, 2017 were ₱1,083.6 million compared to ₱1,392.4 million as of December 31, 2018, or a 28% increase. This was due to the following:

- Cash decreased by 49% from ₱63.6 million as of December 31, 2017 to ₱32.5 million as of December 31, 2018 due to higher cash usage from operating and investing activities for the year offset by the cash from financing activities.

- Trade and other receivables increased by 46% from ₱849.3 million as of December 31, 2017 to ₱1,241.6 million as of December 31, 2018 due to the increase in trade receivables and other receivables.

- Inventories decreased by 31% from ₱81.5 million as of December 31, 2017 to ₱56.5 million as of December 31, 2018 due to the lower purchases made during the period.

- Prepayments and other current assets decreased by 47% from ₱25.9 million as of December 31, 2017 to ₱13.7 million as of December 31, 2018 due primarily to the lower input vat.

- Property and equipment decreased by 26% from ₱62.2 million as of December 31, 2017 to ₱45.7 million as of December 31, 2018 due to the higher depreciation.

- Guaranty deposits increased by 56% from ₱0.9 million as of December 31, 2017 to ₱1.4 million as of December 31, 2019 due to the higher deposit arising from car lease contract.

Total liabilities as of December 31, 2017 were ₱629.2 million compared to ₱905.3 million as of December 31, 2018, or a 44% increase. This was due to the following:

- Trade and other payables increased by 47% from ₱377.3 million as of December 31, 2017 to ₱553.9 million as of December 31, 2018 due to the increase in accounts payable and dividends payable for the year.

- Loans and other borrowings increased by 47% from ₱218.7 million as of December 31, 2017 to ₱321.7 million as of December 31, 2018 due to the proceeds from notes payable.

- Income tax payable decreased by 9% from ₱29.9 million as of December 31, 2017 to ₱27.3 million as of December 31, 2018 due to the settlements made during the year.

- Payable to government agencies increased by 271% from ₱3.2 million as of December 31, 2017 to ₱11.9 million as of December 31, 2018 due to withholding tax payable to government agencies.

Total stockholder's equity increased by 7% from ₱454.4 million as of December 31, 2017 to ₱487.2 million as of December 31, 2018 to due to the earnings recorded for the year and the deposit for future stock subscription received from stockholders.

KEY PERFORMANCE INDICATORS

We set out below certain performance indicators that we employ in period-to-period analysis and comparison of financial data.

	For the years ended December 31,			**For the six months ended June 30,**	
	2018	**2019**	**2020**	**2020**	**2021**
Revenues (₱ millions)…………...	1,170.8	1,334.1	1,466.7	213.7	815.1

Revenue Growth (%)…….……...	(30%)	14%	10%	(38%)	281%
Gross Profit Margin (%)(1) ………	19%	15%	17%	13%	22%
Net Profit (₱ millions)…….….…….	76.6	66.6	103.1	(13.0)	100.0
Net Profit Margin (%)(2)……..……..	7%	5%	7%	(6%)	12%

Notes:
(1) Gross Profit Margin is Gross Profit over Revenues.
(2) Net Profit Margin is Net Profit over Revenues.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS

In Php Millions	**For the years ended December 31,**			**For the six-month period ended June 30,**	
	2018 (as restated)	**2019 (as restated)**	**2020**	**2020**	**2021**
Net cash from (used in) operating activities	(71.5)	(30.7)	(674.0)	(147.7)	22.9
Net cash from (used in) investing activities	(4.6)	(13.6)	(125.3)	(2.3)	50.3
Net cash from (used in) financing activities	50.4	75.2	799.5	119.6	(55.3)
Effect of exchange rate changes on cash	(5.3)	(0.1)	(1.0)	-	(0.1)
Net increase (decrease) in cash	(31.1)	30.8	(0.9)	(30.4)	17.8
Cash at beginning of year / period	63.7	32.6	63.4	63.4	62.4
Cash at end of year / period	32.6	63.4	62.4	32.9	80.2

CAPITAL EXPENDITURES

	For the years ended December 31,			**For the six-month period ended June 30,**
	2018 (as restated)	**2019 (as restated)**	**2020**	**2021**
	’000	’000	’000	’000
Land	-	-	120,000	-
Office condominium unit	-	-	-	946
Computer equipment	93	649	5,289	-
Furniture and fixtures	56	40	-	-
Transportation equipment	795	-	-	-
Warehouse equipment	47	156	-	-
Demo units	3,118	12,407	2,200	-
Total	**4,109**	**13,252**	**127,489**	**946**

Contractual Obligations and Commitments

The following table summarizes our contractual obligations and commitments as of June 30, 2021:

	Total	**2021**	**2022 to 2026**	**Over 5 Years**

		(in ₱ millions)		
Loans and other borrowings	1,119.5	1,119.5	-	-
Lease payables	5.7	5.7	-	-
Trade and other payables	1,635.7	1,635.7	-	-
Total	2,760.9	2,760.9	-	-

Indebtedness

We had outstanding loan and other borrowings of ₱321.7 million, ₱404.4 million, ₱1,210.7 million and ₱1,119.5 million as of December 31, 2018, 2019 and 2020, and June 30, 2021, respectively.

Off-Balance Sheet Arrangements

As of June 30, 2021, there were no off-balance sheet arrangements or obligations that were likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

QUANTITATIVE AND QUALITATIVE DISCLOSURE OF MARKET RISK

We are exposed to various types of market risks in the ordinary course of business, including interest rate risk, liquidity risk and credit risk.

Interest Rate Risk

The Company is exposed to changes in market interest rates through its cash in banks, which are subject to variable interest rates. However, management believes that the related interest rate risk exposure is not significant. All other financial assets and financial liabilities are either non-interest-bearing or subject to fixed interest rates.

Liquidity Risk

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The Company maintains cash to meet its Equity requirements for up to 60-day periods. Excess cash are invested in time deposits and short-term marketable securities.

Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Company. The Company is exposed to this risk for various financial instruments arising from selling goods and services to customers, and placing deposits with banks.

The Company continuously monitors defaults of customers and other counterparties identified either individually or by group, and incorporate this information into its credit risk controls. The Company's policy is to deal only with creditworthy counterparties.

Foreign Currency Risk

Most of the Company's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the Company's overseas purchases, which are primarily denominated in U.S. Dollars (USD). The liability covering the inventory purchases is covered by Letter of Credits, which arc subsequently closed to Philippine peso Trust Receipts. The Company also holds U.S. dollar-denominated cash in banks. To mitigate the Company's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

Discussion and Analysis of Material Events and Uncertainties

1. There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.

2. The Company does not anticipate any cash flow or liquidity problem in the next 12 months. The Company is not in default or breach of any of its notes, loan, lease or other indebtedness or financing arrangement requiring payments. The Company has paid its trade payables within trade terms stated.

3. Except for the default provisions of our short-term debt, there are no other events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation of the Company.

4. The Company has no material commitments for capital expenditures.

5. There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations of the Company.

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

7. The Company typically experiences high sales during the Christmas season. Other than the foregoing, there are no known seasonal aspects that had a material effect on the financial condition or results of operations of the Company.

REGULATIONS

The following description is a summary of certain sector specific laws and regulations in the Philippines which are applicable to the Company. The information detailed in this chapter has been obtained from publications available in the public domain. The regulations set out below may not be exhaustive and are only intended to provide general information to the investors and are neither designed nor intended to substitute for professional legal advice or a detailed review of the relevant laws and regulations.

GENERAL BUSINESS REGULATORY FRAMEWORK

Revised Corporation Code

Republic Act No. 11232, also known as the Revised Corporation Code, was signed into law on February 20, 2019 and took effect on February 23, 2019. Among the salient features of the Revised Corporation Code are:

- Corporations are granted perpetual existence, unless the articles of incorporation provide otherwise. Perpetual existence shall also benefit corporations whose certificates of incorporation were issued before the effectivity of the Revised Corporation Code, unless a corporation, upon a vote of majority of the stockholders of the outstanding capital stock notifies the Philippine SEC that it elects to retain its specific corporate term under its current Articles of Incorporation.

- A corporation vested with public interest must submit to its shareholders and to the Philippine SEC an annual report of the total compensation of each of its directors or trustees, and a director or trustee appraisal or performance report and the standards or criteria used to assess each director, or trustee.

- Material contracts between the Corporation and its own directors, trustees, officers, or their spouses and relatives within the fourth civil degree of consanguinity or affinity must be approved by at least two-thirds (2/3) of the entire membership of the Board, with at least a majority of the independent directors voting to approve the same.

- The right of stockholders to vote in the election of directors or trustees, or in shareholders meetings, may now be done through remote communication or in absentia if authorized by the corporate by-laws. However, as to corporations vested with public interest, these votes are deemed available, even if not expressly stated in the corporate by-laws. The shareholders who participate through remote communication or in absentia are deemed present for purposes of quorum. When attendance, participation and voting are allowed by remote communication or in absentia, the notice of meetings to the stockholders must state the requirements and procedures to be followed when a stockholder or member elects either option.

- In case of transfer of shares of listed companies, the Philippine SEC may require that these corporations whose securities are traded in trading markets and which can reasonably demonstrate their capability to do so, to issue their securities or shares of stock in uncertificated or scripless form in accordance with the Rules of the Philippine SEC.

The Revised Corporation Code refers to the Philippine Competition Act in case of covered transactions under said law involving the sale, lease, exchange, mortgage, pledge, or disposition of properties or assets; increase or decrease in the capital stock, incurring creating or increasing bonded indebtedness; or mergers or consolidations covered by the Philippine Competition Act thresholds.

Customs Modernization and Tariff Act

Prior to the enactment of Republic Act No. 10863 or the Customs Modernization and Tariff Act (**CMTA**), new importers were required to undergo a two-step accreditation – first with the Bureau of Internal Revenue to obtain an importer's clearance certificate, and then with the Bureau of Customs (**BOC**). However, pursuant to Section 1200 of the CMTA, the Department of Finance issued Department Order No. 11-2018 dated February 9, 2018 which reverted solely to the BOC the authority to accredit and register customs brokers and importers for the purposes of simplification of process. Consequently, the submission of the BIR Importer's Clearance Certificate has been removed from the list of requirements for accreditation and registration with the BOC.

Foreign Investments Act of 1991

Republic Act No. 7042, otherwise known as the Foreign Investments Act of 1991 (**Foreign Investments Act**), liberalized the entry of foreign investment into the Philippines. As a general rule, there are no restrictions on extent of foreign ownership of export enterprises. In domestic market enterprises, foreigners can invest as much as one hundred percent (100%) equity except in areas included in the Foreign Investment Negative List. The latest Foreign Investment Negative List (Eleventh) maintains the prohibition of foreign equity for retail trade enterprises with paid- up capital of less than $2,500,000 under R.A. 8762.

For the purpose of complying with nationality laws, the term "Philippine National" is defined under the Foreign Investments Act as any of the following:

- a citizen of the Philippines;
- a domestic partnership or association wholly owned by citizens of the Philippines;
- a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines;
- a corporation organized abroad and registered to do business in the Philippines under the Revised Corporation Code of the Philippines, of which 100% of the capital stock outstanding and entitled to vote is wholly owned by Filipinos; or
- a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine National and at least 60% of the fund will accrue to the benefit of Philippine Nationals.

For as long as the percentage of Filipino ownership of the capital stock of the corporation is at least 60% of the total shares outstanding and voting, the corporation shall be considered as a 100% Filipino-owned corporation. A corporation with more than 40% foreign equity may be allowed to lease private land for a period of 25 years, renewable for another 25 years.

Data Privacy Act of 2012

Republic Act No. 10173, or the Data Privacy Act, protects all forms of information, be it private, personal, or sensitive. It applies to any natural or juridical persons involved in processing of information (which refers to any operation or any set of operations performed upon personal data including, but not limited to, the collection, recording, organisation, storage, updating or modification, retrieval, consultation, use, consolidation, blocking, erasure or destruction of data), whether in the government or private sector, and whether in or outside the Philippines.

The law defines **personal information** as any information whether recorded in a material form or not, from which the identity of an individual is apparent or can be reasonably and directly ascertained by the entity holding the information, or when put together with other information would directly and certainly identify an individual. On the other hand, sensitive personal information refers to personal information:

(a) About an individual's race, ethnic origin, marital status, age, colour, and religious, philosophical or political affiliations;

(b) About an individual's health, education, genetic or sexual life or a person, or to any proceeding for any offence committed or alleged to have been committed by such person, the disposal of such proceedings, or the sentence of any court in such proceedings;

(c) Issued by government agencies peculiar to an individual which includes, but not limited to, social security numbers, previous or current health records, licences or its denials, suspension or revocation, and tax returns; and

(d) Specifically established by an executive order or an act of the Philippine Congress to be kept classified.

In general, the processing of sensitive personal information and privileged information is prohibited except where: (1) the data subject has given his or her consent, specific to the purpose prior to the processing, or in the case of privileged information, all parties to the exchange have given their consent prior to processing; (2) the processing is provided for by existing laws and regulations; (3) the processing is necessary to protect the life and health of the data subject or another person, and the data subject is not able to give consent; (4) the processing is carried out for limited non-commercial purposes by public organisations and their associations; (5) the processing is necessary for purposes of medical treatment, is carried out by a medical practitioner or a medical treatment institution, and an adequate level of protection of personal information is ensured; or (6) the processing is necessary for court proceedings or legal claims, or is provided to the government or a public authority.

Under the Data Privacy Act, the appointment of a Data Protection Officer (**DPO**) is a legal requirement for all personal information controllers (**PICs**) and personal information processors (**PIPs**). The DPO is accountable for ensuring the company's compliance with all data privacy and security laws and regulations.

A PIC may be a natural or juridical person who exercises control over the processing of personal data and furnishes instructions to another person or entity to process personal data on its behalf. A PIP on the other hand, refers to a person or body instructed or outsourced by a PIC to engage in the processing of the personal data of a data subject.

The PIC or PIP that employs fewer than 250 persons shall not be required to register unless the processing it carries out is likely to pose a risk to the rights and freedoms of data subjects, the processing is not occasional, or the processing includes sensitive personal information of at least 1,000 individuals.

REGULATIONS RELATING TO HEALTH, FOOD, AND COSMETICS, AND THE SALE OF SUCH PRODUCTS

Food and Drug Administration Act of 2009

Republic Act No. 9711 otherwise known as the Food and Drug Administration Act of 2009 (**FDA Act**) amended Republic Act No. 3720 or the Food, Drug, and Cosmetics Act. The FDA Act renamed the Bureau of Food and Drugs to the FDA while enhancing and strengthening the administrative and technical capacity of the FDA in the regulation of establishments and products under its jurisdiction. It mandated the FDA to develop policies, guidelines and standards on the regulation of health products including medical devices to ensure the safety, quality and efficacy of these products in the market.

The Implementing Rules and Regulations of Republic Act No. 9711 defines "Health Products" as food, drugs, cosmetics, devices, biologicals, vaccines, in-vitro diagnostic reagents and household/urban hazardous substances and/or a combination of and/or a derivative thereof. "Device" has been expanded to mean medical device, radiation devices and health-related devices.

"Medical device" means any instrument, apparatus, implement, machine, appliance, implant, in-vitro reagent or calibrator, software, material, or other similar or related article intended by the manufacturer to be used alone, or in combination, for human beings for one or more of the specific purpose(s) of: diagnosis, prevention, monitoring, treatment or alleviation of disease; diagnosis, monitoring, treatment, alleviation of, or compensation for an injury; investigation, replacement, modification, or support of the anatomy or of a physiological process; supporting or sustaining life; preventing infection; control of conception; disinfection of medical devices; and providing information for medical or diagnostic purposes by means of in-vitro examination of specimens derived from the human body. This device does not achieve its primary intended action in or on the human body by pharmacological, immunological, or metabolic means but which may be assisted in its intended function by such means.

"Radiation device" means an electrical or electronic apparatus emitting any ionizing or non-ionizing electromagnetic or particulate radiation; or any sonic; infrasonic, or ultrasonic wave. It includes ionizing radiation emitting equipment which is not intentionally designed to produce radioactive materials.

"Health-related device" means any device not used in health care but has been determined by the FDA to adversely affect the health of the people.

Under the FDA Act, the following acts, among others, are prohibited:

- The manufacture, importation, exportation, sale, offering for sale, distribution, transfer, non-consumer use, promotion, advertising, or sponsorship of any health product that is adulterated, unregistered or misbranded.

- The adulteration or misbranding of any health product.

- Forging, counterfeiting, simulating, or falsely representing or without proper authority using any mark, stamp, tag label, or other identification device authorized or required by regulations promulgated under the provisions of the Act.

- The alteration, mutilation, destruction, obliteration, or removal of the whole or any part of the labeling of, or the doing of any other act with respect to health products if such act is done while such article is held for sale (whether or not the first sale) and results in such article being adulterated or misbranded Provided, That a retailer may sell in smaller quantities, subject to guidelines issued by the FDA.

- The manufacture, importation, exportation, sale, offering for sale, distribution, transfer, non-consumer use, promotion, advertisement, or sponsorship of any health product which, although requiring registration, is not registered. with the FDA pursuant to this Act.

- The manufacture, importation, exportation, sale, offering for sale, distribution, transfer, or retail of any drug, device or in-vitro diagnostic reagent; the manufacture, importation, exportation, transfer or distribution of any food, cosmetic or household/urban hazardous substance; or the operation of a radiation or pest control establishment by any natural or juridical person without the license to operate from the FDA required under this Act.

- The sale, offering for sale, importation, exportation, distribution or transfer of any health product beyond its expiration or expiry date, if applicable.

Designated officers or employees of the DOH, for purposes of enforcing of the Food, Drug and Cosmetics Act, are authorised to enter, at reasonable hours, any factory, warehouse, or establishment in which food, drugs, devices, or cosmetics are manufactured, processed, packed, or held for introduction into domestic commerce and to inspect, in a reasonable manner, such factory, warehouse, establishment, or vehicle and all pertinent equipment, finished or unfinished materials, containers, and labelling therein.

Revised Guidelines on the Unified Licensing Requirements and Procedures of the Food and Drug Administration

DOH Administrative Order No. 2020-0017 or the Revised Guidelines of the Unified Licensing Requirements and Procedures of the FDA was issued wherein retailers of medical devices are included in the list of establishments that are required to secure a License to Operate from the FDA before engaging in the manufacture, importation, exportation, sale, offering for sale, distribution, transfer, non-consumer use, promotion, advertising or sponsorship activities of health products.

The FDA Center for Device Regulation, Radiation Health and Research is the implementing office in charge of the enforcement of the order with regard to all medical devices, radiation-emitting devices, in-vitro diagnostic device and reagents; refurbished medical devices; equipment or devices used for treating sharps, pathological and infectious waste, water treatment devices/systems; and other health-related devices as determined by the FDA.

Sanctions over violations of any of the provisions of this Administrative Order shall follow the Rules of Administrative Procedure provided in the IRR of RA 9711.

Procurement Laws

Government Procurement Reform Act

Republic Act No. 9184 or the Government Procurement Reform Act (**GPRA**) prescribes the necessary rules and regulations for the modernization, standardization, and regulation of procurement activities of the Government of the Philippines (**GoP**). The law and its Implementing Rules and Regulations shall apply to all procurement of any branch, agency, department, bureau, office, or instrumentality of the GoP, including government-owned and/or -controlled corporations (**GOCCs**), government financial institutions, state universities and colleges, and local government units.

Under the GPRA, all procurement shall be done through competitive bidding except as provided in Rule XVI of the IRR which contemplates alternative modes of procurement. The Department of Budget and Management – Procurement Service is charged with maintaining the Philippine Government Electronic Procurement System which shall be the primary and definitive source of information on government procurement.

Each Procuring Entity shall establish in its head office a single Bids and Awards Committee (**BAC**) which shall take charge in consolidating all procurement activities of the organization. The Procuring Entity may create separate BACs where the number and complexity of the items to be procured shall so warrant. The procedure in dealing with the BAC for purposes of competitive bidding is provided for in the IRR.

For highly-specialized life-saving medical equipment, as certified by the DOH, the Procuring Entity is allowed to directly negotiate a contract with a technically, legally and financially capable supplier, contractor or consultant otherwise known as Negotiated Procurement.

Bayanihan to Recover as One Act

Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act (**Bayanihan Act**), authorizes the President of the Philippines to exercise powers that are necessary and proper to undertake and implement several COVID-19 response and recovery interventions. The Bayanihan Act provides for exemptions from the provisions on bidding process required under Republic Act No. 9184 and other relevant laws, provided that certain information and documents related to the procurement shall be published in the Government Procurement Policy Board online portal, the website of the procuring entity concerned, if available, and at any conspicuous place reserved for this purpose in the premises of the procuring entity within seven working days from the date of acceptance of the award.

Included among the goods covered by the exemption are personal protective equipment such as gloves, gowns, masks, goggles, and face shields; surgical equipment and supplies; laboratory equipment and its reagents; medical equipment and devices; support and maintenance for laboratory and medical equipment, surgical equipment and supplies; medical supplies, tools, and consumables such as alcohol, sanitizers, tissue, thermometers, hand soap, detergent, sodium hypochlorite, cleaning materials, povidone iodine, common medicines (*e.g.*, paracetamol tablet and suspension, mefenamic acid, vitamins tablet and suspension, hyoscine tablet and suspension, oral rehydration solution, and cetirizine tablet and suspension); testing kits, and such other supplies or equipment as may be determined by the DOH and other relevant government agencies: *Provided*, That the DOH shall prioritize the allocation and distribution of the aforesaid goods, supplies and other resources to the following:

- Public health facilities in the regions, provinces, or cities, that are designated as COVID-19 referral hospitals, such as, but not limited to, Philippine General Hospital, Lung Center of the Philippines, and Dr. Jose N. Rodriguez Memorial Hospital;

- Private hospitals which have existing capacities to provide support care and treatment to COVID-19 patients; and

- Public and private laboratories that have existing capacities to test suspected COVID-19 patients.

DOH Manual of Procedures for the Procurement of Goods

The DOH Manual of Procedures for the Procurement of Goods ("Manual") is customized for the use of the DOH based on the Generic Procurement Manuals published by the GPBB through the Technical Support Office.

The Manual provides the requirements for procuring medical/hospital equipment including diagnostic and laboratory equipment such as X-ray facilities and other radiologic diagnostic imaging equipment such as MRI, CT Scan, Ultrasound Mammography and medical equipment which do not have or have underdeveloped written regulatory requirements.

Guidelines for the Procurement of Coronavirus Disease 2019 Vaccines and its Ancillary Supplies and Services or Other Goods and Services authorized under Republic Act No. 11525

Government Procurement Policy Board Circular No. 02-2021 was issued to expedite the procurement of COVID-19 vaccines, and ancillary supplies and services or other goods and services necessary for the storage, transport, deployment, and administration of COVID-19 vaccines under Republic Act No. 11525.

Under Circular No. 02-2021, the procurement modality to be reflected in the Annual Procurement Plan shall be Negotiated Procurement (Emergency Cases) pursuant to the GPRA for all Procurement Projects covered by Republic Act No. 11525 otherwise known as the COVID-19 Vaccination Program of 2021, subject to conditions and requirements provided further in the Circular. Procurement Projects under the Circular are exempt from customs duties, value-added tax, excise tax, donor's tax, and other fees, subject to the rules and regulations that may be issued by the BIR.

LABOR AND EMPLOYMENT

Labor Code of the Philippines

The Labor Code of the Philippines (**Labor Code**) seeks to protect labor, promote full employment, ensure equal opportunities regardless of sex, race or creed and regulate the relations between workers and employers. The Labor Code prescribes the rules for hiring and termination of private employees, the conditions of working including maximum work hours and overtime, employee benefits such as holiday pay, thirteenth month and retirement pay and the guidelines in the organization and membership of labor unions. The Department of Labor and Employment (**DOLE**) is the Government agency mandated to formulate policies and implement programs and services, and serves as the policy-coordinating arm of the executive branch in the field of labor and employment. The DOLE has exclusive authority in the administration and enforcement of labor and employment laws such as the Labor Code and the Occupational Safety and Health Standards, as amended, and such other laws as specifically assigned to it or to the Secretary of the DOLE.

The Labor Code recognizes subcontracting arrangements, whereby a principal puts out or farms out with a contractor the performance or completion of a specific job, work or service within a definite or predetermined period, regardless of whether such job, work or service is to be performed or completed within or outside the premises of the principal. Such arrangements involve a "trilateral relationship" among: (i) the principal who decides to farm out a job, work or service to a contractor; (ii) the contractor who has the capacity to independently undertake the performance of the job, work, or service; and (iii) the contractual workers engaged by the contractor to accomplish the job, work, or service.

On March 15, 2017, Department Order No. 174 (2017) (**D.O. 174**) was issued by the DOLE providing for the guidelines on contracting and subcontracting, as provided for under the Labor Code. It has reiterated the policy that labor-only contracting is absolutely prohibited where: (1) (a) the contractor or subcontractor does not have substantial capital, or does not have investments in the form of tools, equipment, machineries, supervision or work premises, among others; and (b) the contractor's or subcontractor's recruited and placed employees are performing activities which are directly related to the main business operation of the principal; or (2) the contractor or subcontractor does not exercise the right to control over the performance of the work of the employee. The failure of legitimate contractors to register gives rise to the presumption that the contractor is engaged in labor-only contracting.

Subsequently, the DOLE issued Department Circular No. 1 (2017) clarifying that the prohibition under D.O. 174 does not apply to business process outsourcing, knowledge process outsourcing, legal process outsourcing, IT Infrastructure outsourcing, application development, hardware and/or software support, medical transcription, animation services, and back office operations or support.

D.O. No. 174 reaffirms the constitutional and statutory right to security of tenure of workers. It absolutely prohibits labor-only contracting and other illicit forms of employment arrangement. D.O. No. 174 permits contracting and subcontracting provided: (i) the contractor or subcontractor is engaged in a distinct and independent business and undertakes to perform the job or works on its own responsibility, according to its own manner and method; (ii) the contractor or subcontractor has substantial capital to carry out the job farmed out by the principal on his account, manner and method and investment in the form of tools, equipment, machinery and supervision; (iii) in performing the work farmed out, the contractor or subcontractor is free from the control and/or direction of the principal in all matters connected with the performance of the work except as to the result thereto; and (iv) the service agreement ensures compliance with all the rights and benefits for all employees of the contractor or subcontractor under the labor laws.

On May 2, 2018, President Rodrigo Duterte signed Executive Order No. 51, reiterating the prohibition of the practice of illegal contracting or subcontracting in the country. The executive order aims to protect the worker's right to security of tenure, self-organization and collective bargaining and peaceful concerted activities.

Social Security System, PhilHealth and the Pag-IBIG Fund

An employer or any person who uses the services of another person in business, trade, industry or any undertaking is required under Republic Act No. 11199, the Social Security Act of 2018, to ensure coverage of employees following procedures set out by the law and the Social Security System (**SSS**). Under the said law, an employer must deduct from its employees their monthly contributions in an amount corresponding to their salary, wage, compensation or earnings during the month in accordance with the monthly salary credits, the schedule and the rate of contributions as may be determined and fixed by the Social Security Commission, and pay its share of contribution and remit these to the SSS within a period set by law and/or SSS regulations. This enables the employees or their dependents to claim their pension, death benefits, permanent disability benefits, funeral benefits, sickness benefits and maternity-leave benefits.

The failure of the employer to comply with any of its obligations may lead to sanctions, including the imposition of a fine of not less than ₱5,000.00 nor more than ₱20,000.00, or imprisonment for not less than six years and one day nor more than 12 years, or both, at the discretion of the court. The erring employer will also be liable to the SSS for damages equivalent to the benefits to which the employee would have been entitled had his name been reported on time to the SSS and for the corresponding contributions and penalties thereon.

Employers are likewise required to ensure enrolment of their employees in a National Health Insurance Program administered by the Philippine Health Insurance Corporation, a government corporation attached to the Department of Health tasked with ensuring sustainable, affordable and progressive social health insurance pursuant to the provisions of Republic Act No. 10606, the National Health Insurance Act of 2013.

On February 20, 2019, Republic Act No. 11223, the Universal Health Care Act, was enacted, which amended certain provisions of the National Health Insurance Act of 2013. Under the said law, all Filipino citizens are now automatically enrolled into the National Health Program. However, membership is classified into two types, direct contributors and indirect contributors. Direct contributors refer to those who have the capacity to pay premiums, are gainfully employed and are bound by an employer-employee relationship, or are self-earning, professional practitioners, migrant workers, including their qualified dependents, and lifetime members. On the other hand, indirect contributors refer to all others not included as direct contributors, as well as their qualified dependents, whose premium shall be subsidized by the national government including those who are subsidized as a result of special laws. Every member is also granted immediate eligibility for a health benefit package under the program. An employer who fails or refuses to register its employees, regardless of their employment status, or to deduct contributions from its employees' compensation or remit the same to our Corporation shall be punished with a fine of not less than ₱5,000.00 multiplied by the total number of employees of the firm.

Under Republic Act No. 9679, the Home Development Mutual Fund Law of 2009, all employees who are covered by the SSS must also be registered with and covered by the Home Development Mutual Fund, more commonly referred to as the Pag-IBIG Fund. It is a national savings program as well as a fund to provide for affordable shelter financing to Filipino workers. Coverage under the Home Development Mutual Fund is compulsory for all SSS members and their employers. Under the law, an employer must deduct and withhold 2.0% of the employee's monthly compensation, up to a maximum of ₱5,000.00, and likewise make a counterpart contribution of 2.0% of the employee's monthly compensation, and remit the contributions to the Home Development Mutual Fund. Refusal of an employer to comply, without any lawful cause or with fraudulent intent, particularly with respect to registration of employees as well as collection and remittance of contributions, is punishable by a fine of not less but no more than twice the amount involved, or imprisonment of not more than six years, or both such fine and imprisonment. These penalties are apart from the civil liabilities and/or obligations of the delinquent employer. When the offender is a corporation, the penalty will be imposed upon the members of the governing board and the president or general manager, without prejudice to the prosecution of related offenses under the Revised Penal Code and other laws, revocation and denial of operating rights and privileges in the Philippines and deportation when the offender is a foreigner.

DOLE Mandated Work-Related Programs

Under Republic Act No. 9165 or the Comprehensive Dangerous Drugs Act, a national drug abuse prevention program implemented by the DOLE must be adopted by private companies with ten or more employees. For this purpose, employers must adopt and establish company policies and programs against drug use in the workplace in close consultation and coordination with the DOLE, labor and employer organizations, human resource development managers and other such private sector organizations. DOLE Department Order No. 053-03 sets out the guidelines for the implementation of Drug-Free Workplace policies and programs for the private sector.

The employer or the head of the work-related, educational or training environment or institution also has the duty to prevent or deter the commission of acts of sexual harassment and to provide the procedures for the resolution, settlement or prosecution of such cases. Under the Anti-Sexual Harassment Act, the employer will be solidarily liable for damages arising from the acts of sexual harassment committed in the workplace if the employer is informed of such acts by the offended party and no immediate action is taken. Notwithstanding, the victim of sexual harassment is not precluded from instituting a separate and independent action for damages and other affirmative relief. Any person who violates the provisions of this law shall, upon conviction, be penalized by imprisonment of not less than one month nor more than six months, or a fine of not less than P10,000 nor more than P20,000, or both such fine and imprisonment, at the discretion of the court. Any action arising from the violation of the provisions of this law shall prescribe in three years.

Moreover, Department Order No. 102-10 requires all private workplaces to have a policy on HIV and AIDS and to implement a workplace program in accordance with the Philippines AIDS Prevention and Control Act. The workplace policies aim to manage sensitive issues, such as confidentiality of medical information and continuation of employment for HIV-positive staff, and to avoid discrimination against any employee due to HIV/AIDS. Any HIV/AIDS-related information about workers should be kept strictly confidential and kept only on medical files, whereby access to it is strictly limited to medical personnel.

All private workplaces are also required to establish policies and programs on solo parenting, Hepatitis B, and tuberculosis prevention and control.

Occupational Safety and Health Standards Law

Republic Act No. 11058 or the Occupational Safety and Health Standards Law was signed into law in August 2018. Under this law, every employer, contractor, subcontractor and any person who manages, controls, or supervises the work being undertaken is required, among others, to furnish the workers a place of employment free from hazardous conditions that are causing or are likely to cause death, illness or physical harm to the workers. The law also requires them to give complete job safety instructions or orientation and to inform the workers of all hazards associated with their work, health risks involved or to which they are exposed, preventive measures to eliminate or minimize the risks and steps to be taken in cases of emergency. Department Order No. 198, series of 2018 (**D.O. 198**) was promulgated by the Department of Labor and Employment to implement the provisions of the Occupational Safety and Health Standards Law. D.O. 198 classifies establishments as low, medium or high risk, and depending on the number of employees per establishment, provides for the corresponding requirements and provisions required of each employer, such as number of safety officers, occupational health officers and provision for health equipment and facilities.

Under the DOLE Labor Advisory No. 04, series of 2019 (**Guide for Compliance of Establishments to D.O. 198**), the establishment concerned shall be responsible for determining its own level of classification (low, medium or high risk) based on Hazards Identification and Risk Assessment Control conducted by the company.

The employer, project owner, contractor or subcontractor, if any, and any person who manages, controls or supervises the work being undertaken shall be jointly and solidarily liable for compliance with occupational safety and health standards, including the penalties imposed for any violations thereof.

Retirement Law

Republic Act No. 7641 provides for the mandated payment of retirement benefits to eligible employees. All employees are entitled to receive retirement benefits that they have earned upon retirement under existing laws or collective bargaining agreements. In the absence of a retirement plan or agreement providing for retirement benefits of employees, an employee, upon reaching the age of sixty (60) years or more, but not beyond sixty-five (65) years, who has served at least five (5) years in the establishment, may retire and shall be entitled to retirement pay equivalent to at least one-half (1/2) month salary for every year of service, a fraction of at least six (6) months being considered as one whole year.

LOCAL GOVERNMENT CODE

Republic Act No. 7160, otherwise known as the Local Government Code of 1991 (**LGC**) establishes the system and powers of provincial, city, municipal, and barangay governments in the country. The LGC general welfare clause states that every local government unit (**LGU**) shall exercise the powers expressly granted, those necessarily implied, as well as powers necessary, appropriate, or incidental for its efficient and effective governance, and those which are essential to the promotion of the general welfare.

The power to tax and police power are exercised by the LGU through their respective legislative bodies. Specifically, the LGU, through its legislative body, has the authority to enact such ordinances as it may deem necessary and proper for sanitation and safety, the furtherance of the prosperity, and the promotion of the morality, peace, good order, comfort, convenience, and general welfare of the locality and its inhabitants. Ordinances can reclassify land, impose real property taxes, order the closure of business establishments, and require permits and licenses from businesses operating within the territorial jurisdiction of the LGU.

Businesses are required to obtain a local business permit from the local government unit having jurisdiction over the territory where an entity seeks to operate before commencement of actual operations. A local business permit is issued only after compliance with certain local government requirements, including, but not limited to, a Sanitary Permit, Certificate of Electrical Inspection, Fire Safety Inspection, Locational Clearance, Barangay Business Clearance and payment of the required fees. These ancillary permits are valid for one year and must be renewed before the local business permit is issued. Failure to obtain a local business permit may expose an entity to fines and penalties, and even suspension or closure of its business.

INTELLECTUAL PROPERTY CODE

Under the Intellectual Property Code of the Philippines (**IP Code**), the rights to a trademark are acquired through the registration with the Bureau of Trademarks of the Intellectual Property Office, which is the principal government agency involved in the registration of brand names, trademarks, patents and other registrable intellectual property materials.

Upon registration, the Intellectual Property Office shall issue a certificate of registration to the owner of the mark, which shall confer the right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs or containers for goods or services which are identical or similar to those in respect of which the mark is registered. The said certificate of registration shall also serve as prima facie evidence of the validity of registration and the registrant's ownership of the mark. A certificate of registration shall remain in force for an initial period of ten (10) years and may be renewed for periods of ten (10) years at its expiration.

The IP Code applies to license agreements which generally fall within the definition of technology transfer arrangements (**TTAs**). The IP Code defines TTAs as contracts or agreements involving the transfer of systematic knowledge for the manufacture of a product, the application of a process, or rendering of a service including management contracts; and the transfer, assignment or licensing of all forms of intellectual property rights, including licensing of computer software, except computer software developed for the mass market. TTAs must comply with Sections 87 and 88 of the IP Code, i.e. TTAs cannot contain the provisions which are prohibited under Section 87 but must contain the mandatory provisions under Section 88. Failure to comply with these provisions of the IP Code will automatically render the entire arrangement unenforceable.

ENVIRONMENTAL MATTERS

The operations of the businesses of the Company are subject to various laws, rules and regulations that have been promulgated for the protection of the environment.

Philippine Environmental Impact Statement System

The Philippine Environmental Impact Statement System (the **EISS Law**) established under Presidential Decree No. 1586, which is implemented by the DENR, is the general regulatory framework for any project or undertaking that is either (i) classified as environmentally critical or (ii) is situated in an environmentally critical area. The DENR, through its regional offices or through the Environmental Management Bureau (**EMB**), determines whether a project is environmentally critical or located in an environmentally critical area and processes all applications for an Environmental Compliance Certificate (**ECC**).

The law requires an entity that will undertake any such declared environmentally critical project or operate in any such declared environmentally critical area to submit an Environmental Impact Statement (**EIS**) which is a comprehensive study of the significant impacts of a project on the environment. The EIS serves as an application for the issuance of an ECC, if the proposed project is environmentally critical or situated in an environmentally critical area; or for the issuance of a Certificate of Non-Coverage, if otherwise. An ECC is a Government certification that, among others: (i) the proposed project or undertaking will not cause significant negative environmental impact; (ii) the proponent has complied with all the requirements of the EISS Law in connection with the project; and (iii) the proponent is committed to implement its approved Environmental Management Plan (**EMP**) in the EIS. The EMP details the prevention, mitigation, compensation, contingency and monitoring measures to enhance positive impacts and minimize negative impacts and risks of a proposed project or undertaking.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund when the ECC is issued for projects determined by the DENR to pose a significant public risk to life, health, property and the environment or where the project requires rehabilitation or restoration. The Environmental Guarantee Fund is intended to meet any damage caused by such a project as well as any rehabilitation and restoration measures. Project proponents are also required to establish an Environmental Monitoring Fund (**EMF**) when an ECC is eventually issued. The EMF is to support the activities of the team monitoring the project proponent's compliance with ECC conditions, EMP and applicable laws, rules and regulations.

The Clean Water Act

Republic Act No. 9275 or the Clean Water Act and its implementing rules and regulations provide for water quality standards and regulations for the prevention, control, and abatement of pollution of the water resources of the country. The Clean Water Act requires owners or operators of facilities that discharge regulated effluents (such as wastewater from manufacturing plants or other commercial facilities) to secure a discharge permit from the DENR which authorizes the owners and operators to discharge waste and/or pollutants of specified concentration and volumes from their facilities into a body of water or land resource for a specified period of time. The discharge permit specifies the quantity and quality of effluents that the holder of the permit is allowed to discharge as well as the validity of the permit. The discharge permit is valid for a maximum period of five years from the date of its issuance, renewable for five-year periods thereafter. The Department may, however, renew the discharge permit and keep it valid for a longer period if the applicant has adopted waste minimization and waste treatment technologies, consistent with incentives currently provided, and has been paying the permit fees on time. The DENR, together with other Government agencies and the different local Government units, is tasked with implementing the Clean Water Act and with identifying existing sources of water pollutants, as well as strictly monitoring pollution sources which are not in compliance with the effluent standards provided in the law.

The Water Code

Presidential Decree No. 1067, or "The Water Code of the Philippines," requires a water permit for the appropriation or use of natural bodies of water. Use or appropriation of water includes, among others, the utilization of water in factories, industrial plants and mines, including the use of water as an ingredient of a finished product. Appropriation of water without a water permit, when one is required, is subject to the imposition of the corresponding penalties imposed by the Water Code and its implementing rules and regulations.

The Clean Air Act

Pursuant to Republic Act No. 8749 or the Clean Air Act of 1999 and its implementing rules and regulations, enterprises that operate or utilize air pollution sources are required to obtain a Permit to Operate from the DENR with respect to the construction or the use of air pollutants. Said permit shall cover emission limitations for the regulated air pollutants to help maintain and attain the ambient air quality standards. A permit duly issued shall be valid for the period specified therein but not beyond one year from the date of issuance unless sooner suspended or revoked. It may be renewed by filing an application for renewal at least thirty days before the expiration date and upon payment of the required fees and compliance with requirements. The issuance of the permit does not, however, relieve the permittee from complying with the requirements of the Clean Air Act and its implementing rules and regulations.

Other Environmental Laws

Other regulatory environmental laws and regulations applicable to the businesses of the Company include the following:

- Republic Act No. 6969 or the Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990, which regulates, restricts or prohibits the (i) importation, manufacture, processing, handling, storage, transportation, sale, distribution, use and disposal of chemical substances and mixtures that present unreasonable risk or injury to health or the environment, and (ii) entry as well as transit into the Philippines, or the keeping or storage and disposal of hazardous wastes which include by-products, side-products, process residue, contaminated plant or equipment or other substances from manufacturing operations. Under this law, before any new chemical substance or mixture can be manufactured, processed or imported for the first time, the manufacturer, processor, or importer shall first submit information pertaining to the: (i) name of chemical substance or mixture; (ii) its chemical identity and molecular structure; (iii) proposed categories of use; (iv) estimate of the amount to be manufactured, processed or imported; (v) processing and disposal thereof; and (vi) any test date related to health and environmental effects which the manufacturer, processor or importer has. The said law is implemented by the DENR.

- Republic Act No. 9003 or the Ecological Solid Waste Management Act of 2000, which provides for the proper management of solid waste which includes discarded commercial waste and non-hazardous institutional and industrial waste. The said law prohibits, among others, the transporting and dumping of collected solid wastes in areas other than prescribed centers and facilities. The National Solid Waste Management Commission, together with other Government agencies and the different local Government units, are responsible for the implementation and enforcement of the said law.

- Presidential Decree No. 856 or the Code on Sanitation of the Philippines (the **Sanitation Code**), which provides for sanitary and structural requirements in connection with the operation of certain establishments such as industrial and food establishments. Food establishment is defined as any establishment where food or drinks are manufactured, processed stored, sold, or served. Under the Sanitation Code, which is implemented by the Philippine Department of Health, no person, firm, corporation, or entity shall operate a food establishment without first obtaining a sanitary permit. The permit shall be valid for one year, and shall be renewed every year.

- Republic Act No. 4850 or the law creating the Laguna Lake Development Authority (the **LLDA**) was issued to promote and accelerate the balanced growth of the Laguna de Bay Region. The LLDA is mandated to manage and protect the environmentally critical Laguna de Bay Region. It is empowered to pass upon and approve or disapprove all plans, programs, and projects proposed by local government offices or agencies within the region, public corporations, and private persons or enterprises where such plans, programs, and projects are related to the development of the region. The jurisdiction and scope of authority of the LLDA comprises the towns of Rizal and Laguna Provinces, the towns of Silang, General Mariano Alvarez, Carmona, Tagaytay City in Cavite, Lucban, Quezon, City of Tanauan, the towns of Sto. Tomas and Malvar in Batangas, Cities of Marikina, Pasig, Taguig, Muntinlupa, Pasay, Caloocan and Quezon, and the town of Pateros in Metro Manila. Accordingly, any person, natural and juridical, with existing and/or new development projects and activities within these areas is required to secure an LLDA clearance, which is issued upon submission of an application and the supporting financial documents.

TAXATION

The following is a discussion of the material Philippine tax consequences of the acquisition, ownership and disposition of the Offer Shares. This general description does not purport to be a comprehensive description of the Philippine tax aspects of the Offer Shares and no information is provided regarding the tax aspects of acquiring, owning, holding or disposing of the Offer Shares under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequence in light of particular situations of acquiring, owning, holding and disposing of the Offer Shares in such other jurisdictions. This discussion is based upon laws, regulations, rulings, and income tax conventions (treaties) in effect as at the date of this Prospectus.

The tax treatment applicable to a holder of the Offer Shares may vary depending upon such holder's particular situation, and certain holders may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to a holder of the Preferred Shares.

PROSPECTIVE PURCHASERS OF THE OFFER SHARES ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF THE OFFER SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY LOCAL OR FOREIGN TAX LAWS.

As used in this section, the term resident alien refers to an individual whose residence is within the Philippines and who is not a citizen of the Philippines while the term non-resident alien means an individual whose residence is not within the Philippines and who is not a citizen of the Philippines. A non-resident alien who stays in the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien doing business in the Philippines"; otherwise, such non-resident alien is considered a "non-resident alien not engaged in trade or business within the Philippines". A "resident foreign corporation" is a foreign corporation engaged in trade or business in the Philippines and a "non-resident foreign corporation" is a foreign corporation that is not engaged in trade or business within the Philippines.

On January 1, 2018, Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion (**TRAIN**), took effect. The TRAIN amended various provisions of the Tax Code, including those on ordinary income tax of individuals, capital gains tax on the sale and disposition of shares of stock, estate tax, donor's tax, and documentary stamp tax.

On March 26, 2021, the second package of the Comprehensive Tax Reform program, Republic Act No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act (**CREATE**) was signed into law, amending provisions of the Tax Code relating to, among others, corporate income tax, lowering corporate income taxes and modernizing fiscal incentives in a bid to complement the expected incremental revenues from the first package.

Corporate Income Tax

A domestic corporation is subject to a tax of 25%, of its taxable income from all sources within and outside the Philippines beginning July 1, 2020, provided that domestic corporations with net taxable income not exceeding ₱5,000,000.00 and with total assets not exceeding ₱100,000,000.00 (excluding land on which the particular business entity's office, plant, and equipment are situated during the taxable year for which the tax is imposed) (referred to as micro, small, and medium enterprises, or **MSMEs**), shall be taxed at 20%. Taxable net income refers to items of income specified under Section 32 (A) of the Philippine Tax Code (the **Tax Code**), less itemized deductions under Section 34 of the Tax Code or those allowed under special laws, or the optional standard deduction **(OSD)** equivalent to an amount not exceeding 40% of the corporation's gross income. Passive income of a domestic corporation is taxed as follows: (a) gross interest income from Philippine currency bank deposits and yield from deposit substitutes, trust funds and similar arrangements as well as royalties from sources within the Philippines which are generally taxed at the lower final withholding tax rate of 20% of the gross amount of such income; and (b) interest income from a depository bank under the expanded foreign currency deposit system which is subject to a final tax at the rate of 15% of such income.

Beginning July 1, 2020 and until June 30, 2023, a minimum corporate income tax of 1% of the gross income as of the end of the taxable year is imposed on a domestic corporation beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operations, when the minimum corporate income tax is greater than the ordinary corporate income tax, provided that after June 30, 2023, the rate of minimum corporate income tax shall be 2% of the gross income as of the end of the taxable year.

Any excess of the minimum corporate income tax, however, over the ordinary corporate income tax shall be carried forward and credited against the latter for the three immediately succeeding taxable years. Likewise, subject to certain conditions, the minimum corporate income tax may be suspended with respect to a corporation which suffers losses (1) on account of a prolonged labor dispute, or (2) because of force majeure, or (3) because of legitimate business reverses.

SALE, EXCHANGE, OR DISPOSITION OF SHARES AFTER THE IPO

Taxes on transfer of shares listed and traded at the PSE

Unless an applicable income tax treaty exempts the sale from income and/or percentage tax (please see discussion below on tax treaties), a sale or other disposition of shares of stock through the facilities of the PSE by a resident or a non-resident holder (other than a dealer in securities) is subject to a percentage tax usually referred to as a stock transaction tax at the rate of six-tenths of one percent (6/10 of 1.0%) of the gross selling price or gross value in money of the shares of stock sold or otherwise disposed, which shall be paid by the seller or transferor. This tax is required to be collected by and paid to the Government by the selling stockbroker on behalf of his client. The stock transaction tax is classified as a percentage tax in lieu of a capital gains tax. Under certain income tax treaties, the exemptions from capital gains tax may not be applicable to stock transaction tax.

In addition, Value Added Tax (**VAT**) of 12.0% is imposed on the commission earned by the PSE-registered broker, and is generally passed on to the client, the seller or transferor.

The stock transaction tax will not apply if the shares are sold outside the facilities of the PSE, including during a trading suspension. PSE Memorandum CN-No. 2012-0046 dated August 22, 2012 provides that, immediately after December 31, 2012, the PSE shall impose a trading suspension for a period of not more than six months, on shares of a listed company that has not complied with the Rule on Minimum Public Ownership (**MPO**) which requires listed companies to maintain a minimum percentage of listed securities held by the public of the listed companies issued and outstanding shares at all times. In accordance with SEC Memorandum Circular No. 13, Series of 2017 issued on December 1, 2017, the MPO requirement on companies that undertake initial public offerings was increased from 10.0% to 20.0%, while existing publicly listed companies as of December 2017 remain to be subject to the 10.0% MPO. The PSE rule on MPO requires that listed companies shall, at all times, maintain a minimum percentage of listed securities held by the public of 10.0% or 20.0%, as applicable, of the listed companies' issued and outstanding shares, exclusive of any treasury shares. The sale of such listed company's shares during the trading suspension may be effected only outside the trading system of the PSE and shall therefore be subject to taxes on the sale of shares that are not listed or traded at the stock exchange (i.e., capital gains tax, documentary stamp tax, and possibly donor's tax if the fair market value of the shares of stock sold is greater than the consideration or the selling price, as the amount exceeding the selling price shall be deemed a gift subject to donor's tax under Section 100 of the Tax Code.) Companies which do not comply with the MPO after the lapse of the trading suspension shall be automatically delisted.

The stock transaction tax will also not apply if the shares sold are issued by a corporation that does not meet the MPO requirement, even if the sale is done through the facilities of the PSE. Revenue Regulations No. 16-2012

(**R.R. 16-12**) provides that the sale, barter, transfer, and/or assignment of shares of listed companies that fail to meet the MPO requirement after December 31, 2012 will be subject to capital gains tax and documentary stamp tax. R.R. 16-12 also requires publicly listed companies to submit public ownership reports to the BIR within 15 days after the end of each quarter.

Capital Gains Tax, if the Sale Was Made Outside the PSE

Pursuant to the Tax Reform for Acceleration and Inclusion Act, also called the TRAIN Law, the net capital gains realized by a citizen, resident alien, non-resident alien, whether or not engaged in trade or business within the Philippines, or a domestic corporation (other than a dealer in securities) during each taxable year from the sale, exchange or disposition of shares of stock outside the facilities of the PSE, are subject to capital gains tax at the rate of 15.0% of the net capital gains realized during the taxable year.

Furthermore, if the fair market value of the shares of stock in a Philippine corporation sold outside the facilities of the local stock exchange is greater than the consideration received by the seller or the selling price, the amount by which the fair market value of the shares exceeds the selling price shall be deemed a gift that is subject to donor's tax under Section 100 of the Tax Code; provided, however, that a sale, exchange or other transfer of such shares outside the facilities of the local stock exchange made in the ordinary course of business (a transaction which is bona fide, at arm's length and free from donative intent) will be considered as made for an adequate and full consideration in money or money's worth and will not be subject to donor's tax.

If an applicable income tax treaty exempts net gains from such sale from capital gains tax, an application for tax treaty relief has to be filed with the BIR in accordance with BIR regulations, and approved by the BIR, to avail of the exemption. (Please see discussion below on tax treaties.)

The transfer of shares shall not be recorded in the books of a company, unless the BIR has issued a Certificate Authorizing Registration (**CAR**), certifying that capital gains and documentary stamp taxes relating to the sale or transfer have been paid or, where applicable, tax treaty relief has been confirmed by the International Tax Affairs Division of the BIR in respect of the capital gains tax, or other conditions have been met.

Tax on Dividends

Cash and property dividends received from a domestic corporation by individual shareholders who are either citizens or residents of the Philippines are subject to a final withholding tax at the rate of 10.0%, which shall be withheld by the Company. Cash and property dividends received from a domestic corporation by non-resident alien individuals engaged in trade or business in the Philippines are subject to a 20.0% final withholding tax on the gross amount thereof, while cash and property dividends received from a domestic corporation by non-resident alien individuals not engaged in trade or business in the Philippines are subject to a final withholding tax at 25.0% of the gross amount, subject, however, to the applicable preferential tax rates under income tax treaties executed between the Philippines and the country of residence or domicile of such non-resident alien individuals.

Cash and property dividends received from a domestic corporation by another domestic corporation or by a resident foreign corporation are not subject to income tax while those received by a non-resident foreign corporation are generally subject to income tax at a final withholding tax rate of 25.0%, effective January 1, 2021. The 25.0% income tax rate for dividends paid to a non-resident foreign corporation may be reduced to a lower rate of 15.0% if tax sparing applies, which is when: (i) the country where the non-resident foreign corporation is domiciled imposes no tax on foreign sourced dividends or (ii) the country of domicile of the non-resident foreign corporation allows at least 10.0% credit equivalent for taxes deemed to have been paid in the Philippines.

In order to avail of the 15.0% tax sparing rate, Revenue Memorandum Order No. 46-2020 (*Guidelines and Procedures for the Availment of the Reduced Rate of 15% on Intercompany Dividends Paid by a Domestic Corporation to a Non-Resident Foreign Corporation Pursuant to Section 28(B)(5)(B) of the National Internal*

Revenue Code of 1997, as amended dated December 23, 2020) states the following general requirements that shall accompany the first application for the reduced dividend rate of 15% in a given taxable year:

(1) letter-request which shall provide a background of the transaction, the relief sought and the legal basis;

(2) duly accomplished BIR Form No. 0901-TS;

(3) original copy of the apostilled/duly authenticated Tax Residence Certificate issued by the tax authority of the country of the domicile;

(4) apostilled/duly authenticated copy of the NRFC's articles of incorporation and proof of establishment in its country of residence;

(5) original copy of apostilled/duly authenticated Special Power of Attorney (SPA) issued by the NRFC to its authorized representative;

(6) certified true copy of the Board of Directors' resolution of the domestic corporation approving the issuance of dividends, which shall include the amount of dividends, and dates of declaration, record and payment, among others;

(7) original copy of the sworn statement executed by the corporate secretary of the domestic corporation stating the legal and beneficial owners, if applicable, of all issued and outstanding shares as of record date, their corresponding subscriptions, date/s of acquisition, percentage of ownership and the allocation of dividend;

(8) certified true copy of the General Information Sheet (GIS) of the domestic corporation for the year or period immediately preceding the date of declaration, whichever is more applicable

(9) certified true copy of the Audited Financial Statements (AFS) of the domestic corporation stamped "received" by the BIR and Securities and Exchange Commission, which was used as the basis of such dividend declaration; and

(10) proof of remittance of the dividend payments.

The abovementioned tax rates are without prejudice to applicable preferential tax rates under income tax treaties in force between the Philippines and the country of domicile of the non-resident holder. (Please see discussion on tax treaties below.)

The BIR recently revised its procedures for availment of tax treaty relief on dividends by issuing Revenue Memorandum Order No. 14-2021 (Streamlining the Procedures and Documents for the Availment of Treaty Benefits, dated March 31, 2021). The withholding agent/income payor may apply the preferential tax treaty rate on the dividend income of the non-resident foreign shareholder by relying on the submission by such shareholder of the following documents before the dividend income is paid: (a) an application form for treaty purposes (BIR Form 0901-D for dividends), (b) an authenticated/apostilled tax residency certificate duly issued by the relevant foreign tax authority in favor of the shareholder, and (c) the relevant provision of the applicable tax treaty which prescribes the preferential tax treatment on dividend income. If the tax treaty rate was applied by the withholding agent/income payor, it has to file with the BIR's International Tax Affairs Division ("**ITAD**") a request for confirmation of the use of the tax treaty rate. The request for confirmation has to be filed after the payment of the withholding tax and in no case later than the last day of the fourth month following the close of the relevant taxable year. Revenue Memorandum Order No. 14-2021 prescribes additional documents that have to be submitted in support of the request for confirmation. If the BIR determines that the withholding tax rate used is lower than the applicable tax rate that should have been applied, or that the non-resident taxpayer is not entitled to treaty benefits, the request for confirmation will be denied and it will require the withholding agent/income payor to pay the deficiency taxes with penalties. In case the withholding agent/income payor used the regular rate under the Tax Code, the non-resident foreign shareholder may file a tax treaty relief application ("**TTRA**") with ITAD after it has received the dividend income, which TTRA also has to be supported by the documents specified in Revenue Memorandum Order No. 14-2021. If the BIR determines that the withholding tax rate applied is higher than the rate that should have been applied, the BIR will issue a certificate confirming the non-resident income recipient's entitlement to treaty benefits, and the shareholder may apply for a refund of excess withholding tax within the two-year period provided in Section 229 of the Tax Code. The claim for refund of the shareholder may also be filed simultaneously with the TTRA.

Revenue Memorandum Circular No. 076-20 (Clarifying Certain Issues on the Filing of the Related Party Transaction Form) clarifies that the TTRAs filed with the ITAD relative to payments made to related parties must be indicated in the Related Party Transaction Form. The dividends itself between and among related parties (either paid or payable, received or receivable) should likewise be disclosed in the Related Party Transaction Form. As proof of dividends payments to related parties, certain documents such as a notarized board of directors' resolution approving the issuance of dividends, a certification under oath by the corporate secretary/custodian banks/depository account holders/broker dealers stating in detail the legal and beneficial owners of all issued and outstanding shares as of record date, their corresponding subscriptions, date/s of acquisition, percentage of ownership and the allocation of dividend, and proof of payment of such dividends must be maintained by the Company.

If the regular tax rate is withheld by the Company instead of the reduced rates applicable under an income tax treaty, the non-resident holder of the shares may file a claim for refund from the BIR. However, because the refund process in the Philippines requires the filing of an administrative claim and the submission of supporting information, and may also involve the filing of a judicial appeal, it may be impractical to pursue such a refund.

Transfer taxes (*e.g.* documentary stamp tax, local transfer tax) may be payable if the dividends declared are property dividends, depending on the type of property distributed as dividends. Stock dividends distributed *pro rata* to any holder of shares of stock are generally not subject to Philippine income tax. However, the sale, exchange or disposition of shares received as stock dividends by the shareholder is subject to stock transaction tax if the transfer is through a local stock exchange; or if the transfer is made outside of the exchange, capital gains tax; and documentary stamp tax.

Preferential Rates under the Income Tax Treaties

The following table lists some of the countries with which the Philippines has tax treaties and the tax rates currently applicable to non-resident holders who are residents of those countries:

	Dividends (%)	**Stock transaction tax on sale or disposition effected through the PSE (%)**[9]	**Capital gains tax due on disposition of shares outside the PSE (%)**
Canada	25[1]	0.6	May be exempt[13]
China	15[2]	Exempt[10]	May be exempt[13]
France	15[3]	Exempt[11]	May be exempt[13]
Germany	15[4]	Exempt[12]	May be exempt[13]
Japan	15[5]	0.6	May be exempt[13]
Singapore	25[6]	0.6	May be exempt[13]
United Kingdom	25[7]	0.6	Exempt[14]
United States	25[8]	0.6	May be exempt[13]

Notes:

(1) *15% if the recipient company which is a resident of Canada controls at least 10% of the voting power of the company paying the dividends; 25% in all other cases.*

(2) *10% if the beneficial owner is a company which holds directly at least 10% of the capital of the company paying the dividends; 15% in all other cases.*

(3) *10% if the recipient company (excluding a partnership) holds directly at least 10% of the voting shares of the company paying the dividends; 15% in all other cases.*

(4) *5% if the recipient company (excluding a partnership) holds directly at least 70% of the capital of the company paying the dividends; 10% if the recipient company (excluding a partnership) holds directly at least 25% of the capital of the company paying the dividends; 15% in all other cases.*

(5) *10% if the recipient company holds directly at least 10% of either the voting shares of the company paying the dividends or of the total shares issued by that company during the period of six months immediately preceding the date of payment of the dividends; 15% in all other cases.*

(6) *15% if during the part of the taxable year of the paying company which precedes the date of payment of dividends and during the whole of its prior taxable year at least 15% of the outstanding shares of the voting shares of the paying company were owned by the recipient company; 25% in all other cases.*

(7) *15% if the recipient company is a company which controls directly or indirectly at least 10% of the voting power of the company paying the dividends; 25% in all other cases.*

(8) *20% if during the part of the taxable year of the paying company which precedes the date of payment of dividends and during the whole of its prior taxable year at least 10% of the outstanding shares of the voting shares of the paying corporation were owned by the recipient corporation; 25% in other cases. Notwithstanding the rates provided under the Convention between the Government of the Republic of the Philippines and the Government of the United States of America with respect to Taxes on Income, corporations which are residents of the United States may avail of the 15% withholding tax rate under the tax-sparing clause of the Philippine Tax Code provided certain conditions are met.*

(9) *If the stock transaction tax is not expressly included in the tax treaty, the income recipient will be subject to stock transaction tax at the rate of 0.6% of the gross selling price as provided under Section 127 of the Tax Code as amended by Section 39 of the TRAIN.*

(10) *Article 2(1)(b) of the Agreement between the Government of the Republic of the Philippines and the Government of the People's Republic of China for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income was signed on November 18, 1999.*

(11) *Article 1 of the Protocol to the Tax Convention between the Government of the Republic of the Philippines and the Government of the French Republic signed on January 9, 1976 was signed in Paris, France on June 26, 1995.*

(12) *Article 2 (3)(a) of Agreement between the Government of the Republic of the Philippines and the Federal Republic of Germany for the Avoidance of Double Taxation with Respect to Taxes on Income and Capital signed on September 9, 2013.*

(13) *Capital gains are taxable only in the country where the seller is a resident, provided the shares are not those of a corporation, the assets of which consist principally of real property situated in the Philippines, in which case the sale is subject to Philippine taxes.*

(14) *Under the income tax treaty between the Philippines and the United Kingdom, capital gains on the sale of the shares of Philippine corporations are subject to tax only in the country where the seller is a resident, irrespective of the nature of the assets of the Philippine corporation.*

When availing of capital gains tax exemption on the sale of shares of stock under an income tax treaty, a certification from the BIR on the exemption from capital gains tax pursuant to the tax treaty shall be necessary in order to completely implement the transfer. For sale of shares made outside the PSE, a Certificate Authorizing Registration ("**CAR**") from the BIR is required before the transfer is registered in the stock and transfer book. The BIR issues the CAR only after verifying that the applicable taxes have been paid. Thus, in lieu of proof of payment of capital gains tax, the tax treaty relief ruling should be submitted to the BIR office processing the CAR.

The requirements for a tax treaty relief application in respect of capital gains tax or the stock transaction tax on the sale of shares are set out in Revenue Memorandum Order No. 14-2021 (Streamlining the Procedures and Documents for the Availment of Treaty Benefits dated March 31, 2021), BIR Form No. 0901-C, and other BIR issuances. These include a Tax Residency Certificate (TRC) for the relevant period, duly issued by the tax authority of the foreign country in which the income recipient is a resident. Non-resident legal person or arrangements are also required to submit an authenticated copy of their Articles/Memorandum of Incorporation/Association, Trust Agreement, or equivalent document confirming its establishment or incorporation, with an English translation thereof if in foreign language.

In availing tax treaty benefits, the withholding agent may rely on the submitted BIR Form No. 0901 (Application Form for Treaty Purposes), TRC, and the relevant provision of the tax treaty on whether to apply the treaty rates. If the withholding agent applied the treaty rates, he shall file with the International Tax Affairs Division (ITAD) a request for confirmation on the correctness of the withholding tax rates applied on the income. The request for confirmation shall be filed any time after the payment of withholding tax but not shall not be later than the last day of the fourth (4^{th}) month following the close of each taxable year.

If the regular rates have been imposed on the income, the non-resident shall file a TTRA with ITAD to prove its entitlement to treaty benefits. Failure to prove the same may result in the confirmation of the tax rate previously applied on the income, and in the eventual denial of the TTRA.

If the BIR determines that the withholding tax rate applied is lower than the rate that should have been applied on an item of income pursuant to the treaty, or that the non-resident taxpayer is not entitled to treaty benefits, it will issue a BIR Ruling denying the request for confirmation or TTRA. Consequently, the withholding agent shall pay the deficiency tax plus penalties

On the contrary, if the withholding tax rate applied is proper or higher than the rate that should have been applied, the BIR will issue a certificate confirming the non-resident income recipient's entitlement to treaty benefits. In the latter case, the taxpayer may apply for a refund of excess withholding tax.

With respect to the availment of preferential rates for dividends under an income tax treaty, most tax treaties to which the Philippines is a party provide for a reduced tax rate of 15.0% in cases where the dividend arises in the Philippines and is paid to a resident of the other contracting state. Most income tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the dividend, who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant dividend-earning interest is effectively connected with such permanent establishment.

Documentary Stamp Taxes

The original issue of shares is subject to documentary stamp tax of ₱2.00 on each ₱200.00 par value, or fraction thereof, of the shares issued. On the other hand, the transfer of shares is subject to a documentary stamp tax at a rate of ₱1.50 on each ₱200.00, or fractional part thereof, of the par value of the Shares. The documentary stamp tax is imposed on the person making, signing, issuing, accepting or transferring the document and is thus payable either by the vendor or the purchaser of the shares.

However, the sale, barter or exchange of shares of stock, should they be listed and traded through the PSE, are exempt from documentary stamp tax.

Estate and Gift Taxes

Shares issued by a domestic corporation are deemed to have a Philippine *situs* and their transfer by way of a succession or donation, even if made by a non-resident decedent or donor outside the Philippines, is subject to Philippine estate and donor's taxes.

The transfer of shares of stock upon the death of a registered holder to his heirs by way of succession, whether such an individual was a citizen of the Philippines or an alien, regardless of residence, shall be subject to an estate tax which is levied on the net estate of the deceased at a uniform rate of 6.0%. An Investor shall be subject to donor's tax at a uniform rate of 6.0% based on the value of the total gifts (such as shares of stock) in excess of ₱250,000.00 made during a calendar year, regardless of the relationship (by blood or by affinity) between the donor and the donee.

The estate or donor's taxes payable in the Philippines may be credited with the amount of any estate or donor's taxes imposed by the authority of a foreign country, subject to limitations on the amount to be credited, and the tax status of the donor. The estate tax and the donor's tax, however, shall not be collected in respect of intangible property, such as shares of stock: (1) if the decedent at the time of his death or the donor at the time of the donation was a citizen and resident of a foreign country which at the time of his death or donation did not impose a transfer tax of any character, in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or (2) if the laws of the foreign country of which the decedent or donor was a citizen and resident at the time of his death or donation allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

In the case the shares of stock are transferred for less than an adequate and full consideration in money or money's worth, the amount by which the fair market value of the shares of stock exceeded the value of the consideration may be deemed a gift, and donor's taxes may be imposed on the transferor of the shares of stock, based on Section 100 of the Philippine Tax Code, provided that a transfer of property made in the ordinary course of business (a transaction which is bona fide, at arm's length, and free from any donative intent), will be considered as made for an adequate and full consideration in money or money's worth.

Taxation outside the Philippines

Shares of stock in a domestic corporation are considered under Philippine law to be situated in the Philippines and any gain derived from their sale is entirely from Philippine sources; hence, such gain is subject to Philippine income tax and the transfer of such shares by gift (donation) or succession is subject to the donor's tax or estate tax.

The tax treatment of a non-resident holder in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of its domicile or business activities and such holder's particular situation. This Prospectus does not discuss the tax considerations of non-resident holders of shares of stock under laws other than those of the Philippines.

IPO TAX

Republic Act No. 11494, otherwise known as the "Bayanihan to Recover As One Act," took effect on September 15, 2020. Section 6 of this law repealed Section 127(B) of the Philippine Tax Code on the IPO Tax. As such, the Offer is not subject to the IPO Tax.

Under Revenue Regulations No. 23-2020 issued by the BIR, tax on shares of stocks sold, bartered, exchanged or other disposition through IPO provided under Section 127(B) of the Philippine Tax Code is repealed. Every sale, barter, exchange or other disposition through IPO of shares of stock in closely held corporations shall no longer be subject to IPO Tax.

CORPORATE RECOVERY AND TAX INCENTIVES ENTERPRISES BILL

The Corporate Recovery and Tax Incentives Enterprises (**CREATE**) Bill was signed into law on March 26, 2021.

The salient provisions of the CREATE Bill include:

- reduction in corporate income tax (**CIT**) from the current 30% to 20% for MSMEs and to 25% for other corporate taxpayers by July 1, 2020;

- reduction in the minimum corporate income tax rate to 1% effective July 1, 2020 until June 30, 2023;

- effective July 1, 2020, a period of four to seven years during which export enterprises may enjoy the 5% special corporate income based on the gross income earned in lieu of all national and local taxes;

- extension of the applicability of the net operating loss carryover for losses incurred during the first three years from the start of commercial operation by registered projects or activities, from the current three to five consecutive taxable years immediately following the year of such loss;

- net capital gains derived by resident foreign corporations on the sale of shares of stock of domestic corporations not traded on the Philippine stock exchange will be subject to a final tax of 15%, increased from the current rate of 5% on the first ~US$2,000 and 10% on the excess thereof;

- Regional Operating Headquarters will be subject to regular CIT rates effective January 1, 2022, increased from the current 10% rate on taxable income;

- Qualified Registered Business Enterprises (**RBE**) will be granted an income tax holiday for four to seven years, depending on the assigned RBE category level. After the income tax holiday period, a special corporate income tax rate of 5% beginning July 1, 2020 will be imposed on gross income earned in lieu of all national and local taxes. The duration of the special corporate income tax is five to ten years depending on the assigned Registered Business Enterprises tier level; and

- in lieu of the special corporate income tax, enhanced deductions may be granted for a period of five to ten years depending on the assigned Registered Business Enterprises category level.

THE PHILIPPINE STOCK MARKET

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by the Company, the Sole Issue Manager, Lead Underwriter and Sole Bookrunner or any of their respective subsidiaries, affiliates or advisors in connection with the sale of the Offer Shares.

Brief History

The PSE is the only stock exchange in the Philippines. Initially, the Philippines had two stock exchanges, the Manila Stock Exchange, which was organized in 1927, and the Makati Stock Exchange, which began operations in 1963. Each exchange was self-regulating and governed by its respective Board of Governors elected annually by its members.

The PSE was formed out of the merger of the Manila Stock Exchange and the Makati Stock Exchange. It was incorporated in 1992 by officers of both Stock Exchanges. The PSE previously maintained two trading floors, one in Makati City and the other in Pasig City, which were linked by an automated trading system that integrated all bid and ask quotations from the bourses. In February 2018, the PSE transferred to its new office located at the PSE Tower, Bonifacio Global City, Taguig City. The PSE Tower houses the PSE corporate offices and a single, unified trading floor.

In June 1998, the SEC granted "Self-Regulatory Organization" status to the PSE, allowing it to impose rules as well as implement penalties on erring trading participants and listed companies. On August 8, 2001, the PSE completed its demutualization, converting from a non-stock member-governed institution into a stock corporation in compliance with the requirements of the SRC. Each of the 184 member-brokers was granted 50,000 common shares of the new PSE at a par value of ₱1.00 per share. In addition, a trading right evidenced by a "Trading Participant Certificate" was immediately conferred on each member broker allowing the use of the PSE's trading facilities. As a result of the demutualization, the composition of the PSE Board of Governors was changed, requiring the inclusion of seven brokers and eight non-brokers, one of whom is the President of the PSE. On December 15, 2003, the PSE listed its shares by way of introduction at its own bourse as part of a series of reforms aimed at strengthening the Philippine securities industry. As of June 29, 2021, the PSE has an authorized capital stock of ₱120 million, of which ₱85.4 million are issued and ₱81.89 million are outstanding.

Classified into financial, industrial, holding firms, property, services, and mining and oil sectors, companies are listed either on the PSE's Main Board or the Small, Medium and Emerging Board.

The PSE has a benchmark index, referred to as the PSEi, which reflects the price movements of the 30 largest and most active stocks at the PSE. The PSEi is a free float market capitalization-weighted index.

The PSE launched its Corporate Governance Guidebook in November 2010 as another initiative of the PSE to promote good governance among listed companies. It is composed of 10 guidelines embodying principles of good business practice and based on internationally recognized corporate governance codes and best practices.

With the increasing calls for good corporate governance, the PSE has adopted an online daily disclosure system to improve the transparency of listed companies and to protect the investing public. In December 2013, the PSE replaced its online disclosure System (**OdiSy**) with a new disclosure system, the PSE Electronic Disclosure Generation Technology (**EDGE**). EDGE was acquired from the Korea Exchange and is a fully automated system, equipped with a variety of features to (i) further standardize the disclosure reporting process of listed companies on the PSE, (ii) improve investors' disclosure searching and viewing experience and (iii) enhance overall issuer transparency in the market.

In June 2015, the PSE shifted to a new trading system, the PSEtrade XTS, which utilizes NASDAQ's X-stream Technology. The PSEtrade XTS, which replaced the NSC trading platform provided by NYSE Euronext Technologies SAS, is equipped to handle large trading volumes. It is also capable of supporting the future requirements of the PSE should more products and services be introduced.

In November 2016, PSE received regulatory approvals to introduce new products in the stock market — the Dollar Denominated Securities and the Listing of PPP Companies.

In June 2018, the PSE received approval from the SEC to introduce short selling in the equities market. Also in 2018, the PSE transferred to its new office located at the PSE Tower, Bonifacio Global City, Taguig City, which currently houses the unified trading floors in Makati City and Pasig City.

On March 22, 2018, the PSE completed a stock rights offering of 11,500,000 Common Shares which were offered at the price of ₱252.00 per share, or a total of ₱2,898,000,000.00. The proceeds if the stock rights offering were to be used to fund the acquisition of PDS and capital expenditure requirements of the PSE. As of the date of this Prospectus, the PSE has an authorized capital stock of ₱120 million, of which 85,025,692 shares are issued. Out of this total, 84,925,686 shares are outstanding, and 100,006 are treasury shares.

The table below sets out movements in the composite index as of the last business day of each calendar year from 2008 to 2020, and shows the number of listed companies, market capitalization, and value of shares traded for the same period:

Year	**PSEi Level at Closing**	**Number of Listed Companies**	**Aggregate Market Capitalization**	**Combined Value of Turnover**
			(in ₱ billions)	**(in ₱ billions)**
2008	1,872.85	246	4,072.16	763.90
2009	3,052.68	248	6,032.22	994.15
2010	4,201.14	253	8,866.11	1,207.38
2011	4,371.96	253	8,696.96	1,422.59
2012	5,812.73	254	10,930.09	1,771.71
2013	5,889.83	257	11,931.29	2,546.18
2014	7,230.57	263	14,251.72	2,130.12
2015	6,952.08	265	13,465.57	2,151.41
2016	6,840.64	265	14,438.77	1,929.50
2017	8,558.42	267	17,583.12	1,958.36
2018	7,466.02	267	16,146.69	1,736.82
2019	7,815.26	270	16,705.35	1,776.15
2020	7,139.71	274	15,888.92	1,770.90

Source: PSE and PSE Annual Reports

Trading

The PSE is a double auction market. Buyers and sellers are each represented by stockbrokers. To trade, bid, or ask prices are posted on the PSE's electronic trading system. A buy (or sell) order that matches the lowest asked (or highest bid) price is automatically executed. Buy and sell orders received by one broker at the same price are crossed at the PSE at the indicated price. Transactions are generally invoiced through a confirmation slip sent to customers on the trade date (or the following trading day). Payment of purchases of listed securities must be made by the buyer on or before the third trading day (the settlement date) after the trade.

Equities trading on the PSE starts at 9:30 a.m. and ends at 12:00 p.m. for the morning session, and resumes at 1:30 p.m. and ends at 3:30 p.m. for the afternoon session. Trading days are Monday to Friday, except legal and special holidays and days when the BSP clearing house is closed. However, due to community quarantine measures in place to combat the COVID-19 pandemic, the PSE, beginning March 16, 2020 and until further notice, has implemented shortened trading hours which end at 1:00 PM on each trading day.

Minimum trading lots range from 5 to 1,000,000 shares depending on the price range and nature of the security traded. Odd-sized lots are traded by brokers on a board specifically designed for odd-lot trading.

To maintain stability in the stock market, daily price swings are monitored and regulated. Under current PSE regulations, whenever an order will result in a breach of the trading threshold of a security within a trading day, the trading of that security will be frozen. Orders cannot be posted, modified or cancelled for a security that is frozen. In cases where an order has been partially matched, only the portion of the order that will result in a breach of the trading threshold will be frozen. Where the order results in a breach of the trading threshold, the following procedures shall apply:

- In the case the static threshold is breached, the PSE will accept the order, provided the price is within the allowable percentage price difference under the implementing guidelines of the revised trading rules (i.e., 50.0% of the previous day's reference or closing price, or the last adjusted closing price); otherwise, such order will be rejected. In cases where the order is accepted, the PSE will adjust the static threshold to 60.0%. All orders breaching the 60.0% static threshold will be rejected by the PSE.

- In the case the dynamic threshold is breached, the PSE will accept the order if the price is within the allowable percentage price difference under the existing regulations (i.e., 20.0% for security cluster A and newly-listed securities, 15.0% for security cluster B and 10.0% for security cluster C); otherwise, such order will be rejected by the PSE.

Non-Resident Transactions

When the purchase/sale of Philippine shares involves a non-resident, whether the transaction is effected in the domestic or foreign market, it will be the responsibility of the securities dealer/broker to register the transaction with the BSP. The local securities dealer/broker shall file with the BSP, within three business days from the transaction date, an application in the prescribed registration form. After compliance with other required undertakings, the BSP shall issue a Certificate of Registration. Under BSP rules, all registered foreign investments in Philippine securities, including profits and dividends, net of taxes and charges, may be repatriated.

Settlement

The Securities Clearing Corporation of the Philippines (**SCCP**) is a wholly-owned subsidiary of the PSE, and was organized primarily as a clearance and settlement agency for SCCP-eligible trades executed through the facilities of the PSE. SCCP received its permanent license to operate on January 17, 2002. It is responsible for:

- synchronizing the settlement of funds and the transfer of securities through Delivery versus Payment clearing and settlement of transactions of Clearing Members, who are also Trading Participants of the PSE;

- guaranteeing the settlement of trades in the event of a Trading Participant's default through the implementation of its Fails Management System and administration of the Clearing and Trade Guaranty Fund; and

- performance of Risk Management and Monitoring to ensure final and irrevocable settlement.

SCCP settles PSE trades on a three-day rolling settlement environment, which means that settlement of trades takes place three days after the transaction date (T+3). The deadline for settlement of trades is 12:00 p.m. of T+3. Securities sold should be in scripless form and lodged under the book entry system of the PDTC. Each PSE Trading Participant maintains a Cash Settlement Account with one of the ten existing Settlement Banks of SCCP which are BDO Unibank, Inc., Rizal Commercial Banking Corporation, Metropolitan Bank & Trust Company, Deutsche Bank, Union Bank of the Philippines, The Hongkong and Shanghai Banking Corporation Limited, Maybank Philippines, Inc., Asia United Bank, and China Banking Corporation. Payment for securities bought should be in good, cleared funds and should be final and irrevocable. Settlement is presently on a broker level.

SCCP implemented its Central Clearing and Central Settlement (**CCCS**) system on May 29, 2006. CCCS employs multilateral netting, whereby the system automatically offsets "buy" and "sell" transactions on a per issue and a per flag basis to arrive at a net receipt or a net delivery security position for each clearing member. All cash debits and credits are also netted into a single net cash position for each clearing member. Novation of the original PSE trade contracts occurs, and SCCP stands between the original trading parties and becomes the Central Counterparty to each PSE-eligible trade cleared through it.

Scripless Trading

In 1995, the PDTC (formerly the Philippine Central Depository, Inc.) was organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. On December 16, 1996, the PDTC was granted a provisional license by the SEC to act as a central securities depository.

All listed securities at the PSE have been converted into book-entry settlement in the PDTC. The depository service of the PDTC provides the infrastructure for lodgment (deposit) and upliftment (withdrawal) of securities, pledge of securities, securities lending and borrowing and corporate actions including shareholders' meetings, dividend declarations and rights offerings. The PDTC also provides depository and settlement services for non-PSE trades of listed equity securities. For transactions on the PSE, the security element of the trade will be settled through the book-entry system, while the cash element will be settled through the current settlement banks.

In order to benefit from the book-entry system, securities must be immobilized into the PDTC system through a process called lodgment. Lodgment is the process by which shareholders transfer legal title (but not beneficial title) over their shares in favor of the PCD Nominee Corporation (**PCD Nominee**), a corporation wholly-owned by the PDTC, whose sole purpose is to act as nominee and legal title holder of all shares lodged in the PDTC. "Immobilization" is the process by which the warrant or share certificates of lodging holders are cancelled by the transfer agent and the corresponding transfer of beneficial ownership of the immobilized shares in the account of the PCD Nominee through the PDTC participant will be recorded in the issuing corporation's registry. This trust arrangement between the participants and PDTC through the PCD Nominee is established by and explained in the PDTC Rules and Operating Procedures approved by the SEC. No consideration is paid for the transfer of legal title to the PCD Nominee. Once lodged, transfers of beneficial title of the securities are accomplished via book-entry settlement.

Under the current PDTC system, only participants (e.g. brokers and custodians) will be recognized by the PDTC as the beneficial owners of the lodged equity securities. Thus, without prejudice to the obligation of the participant to segregate the securities held on behalf of its clients (e.g., shareholders) in a separate Client Securities Account and to account for the beneficial ownership of such securities to its clients (e.g., shareholders), the participant shall as far as the PDTC is concerned, be deemed as the beneficial owner of all shares in its Securities Accounts. Each shareholder, through his participant, will therefore be the beneficial owner to the extent of the number of shares which his participant is holding in trust for and on his behalf in a separate Client Securities Account. All lodgments, trades and uplifts on these shares will have to be coursed through a participant. Ownership and transfers of beneficial interests in the shares will be reflected, with respect to the participant's aggregate holdings, in the PDTC system, and with respect to each beneficial owner's holdings, in the records of the participants.

Beneficial owners are thus advised that, in order to exercise their rights as beneficial owners of the lodged shares, they must rely on their participant-brokers and/or participant-custodians.

Any beneficial owner of shares who wishes to trade his interests in the shares must course the trade through a participant. The participant can execute PSE trades and non-PSE trades of lodged equity securities through the PDTC system. All matched transactions in the PSE trading system will be fed through the SCCP, and into the PDTC system. Once it is determined on the settlement date (T+3) that there are adequate securities in the securities settlement account of the participant-seller and adequate cleared funds in the settlement bank account of the participant-buyer, the PSE trades are automatically settled in the SCCP Central Clearing and Central Settlement system, in accordance with the SCCP and PDTC Rules and Operating Procedures. Once settled, the beneficial ownership of the securities is transferred from the participant-seller to the participant-buyer without the physical transfer of stock certificates covering the traded securities.

If a shareholder wishes to withdraw his shareholdings from the PDTC system, the PDTC has a procedure of upliftment under which the PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the upliftment of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under the PCD Nominee. The expenses for upliftment are for the account of the uplifting shareholder.

The difference between the depository and the registry would be on the recording of ownership of the shares in the issuing corporations' books. In the depository set-up, shares are simply immobilized, wherein customers' certificates are cancelled and a confirmation advice is issued in the name of the PCD Nominee to confirm new balances of the shares lodged with the PDTC. Transfers among/between broker and/or custodian accounts, as the case may be, will only be made within the book-entry system of the PDTC. However, as far as the issuing corporation is concerned, the underlying certificates are in the PCD Nominee's name. In the registry set-up, settlement and recording of ownership of traded securities will already be directly made in the corresponding issuing company's transfer agents' books or system. Likewise, recording will already be at the beneficiary level (whether it be a client or a registered custodian holding securities for its clients), thereby removing from the broker its current "de facto" custodianship role.

Amended Rule on Lodgment of Securities

On June 24, 2009, the PSE apprised all listed companies and market participants through Memorandum No. 2009-0320 that, commencing on July 1, 2009, as a condition for the listing and trading of the securities of an applicant company, the applicant company shall electronically lodge its registered securities with the PDTC or any other entity duly authorized by the SEC, without any jumbo or mother certificate in compliance with the requirements of Section 43 of the SRC. In compliance with the foregoing requirement, actual listing and trading of securities on the scheduled listing date shall take effect only after submission by the applicant company of the documentary requirements stated in Article III Part A of the Revised Listing Rules.

For listing applications, the amended rule on lodgment of securities is applicable to:

- The offer shares/securities of the applicant company in the case of an initial public offering;
- The shares/securities that are lodged with the PDTC, or any other entity duly authorized by the SEC in the case of a listing by way of introduction;
- New securities to be offered and applied for listing by an existing listed company; and
- Additional listing of securities of an existing listed company.

Pursuant to the said amendment, the PDTC issued an implementing procedure in support thereof to wit:

- For a new company to be listed at the PSE as of July 1, 2009, the usual procedure will be observed but the transfer agent of the company shall no longer issue a certificate to the PCD Nominee but shall issue a Registry Confirmation Advice, which shall be the basis for the PDTC to credit the holdings of the depository participants on the listing date.

- On the other hand, for an existing listed company, the PDTC shall wait for the advice of the transfer agent that it is ready to accept surrender of PCD Nominee jumbo certificates and upon such advice the PDTC shall surrender all PCD Nominee jumbo certificates to the transfer agent for cancellation. The transfer agent shall issue a Registry Confirmation Advice to the PDTC evidencing the total number of shares registered in the name of the PCD Nominee in the listed company's registry as of the confirmation date.

Further, the PSE apprised all listed companies and market participants on May 21, 2010 through Memorandum No. 2010-0246 that the Amended Rule on Lodgment of Securities under Section 16 of Article III, Part A of the Revised Listing Rules of the PSE shall apply to all securities that are lodged with the PDTC or any other entity duly authorized by the PSE.

Issuance of Stock Certificates for Certificated Shares

On or after the listing of the shares on the PSE, any beneficial owner of the shares may apply with PDTC through his broker or custodian-participant for a withdrawal from the book-entry system and return to the conventional paper-based settlement. If a shareholder wishes to withdraw his stockholdings from the PDTC system, the PDTC has a procedure of upliftment under which the PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the uplifting of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under PCD Nominee. The expenses for upliftment are on the account of the uplifting shareholder.

Upon the issuance of stock certificates for the shares in the name of the person applying for upliftment, such shares shall be deemed to be withdrawn from the PDTC book-entry settlement system, and trading on such shares will follow the normal process for settlement of certificated securities. The expenses for upliftment of the shares into certificated securities will be charged to the person applying for upliftment. Pending completion of the upliftment process, the beneficial interest in the shares covered by the application for upliftment is frozen and no trading and book-entry settlement will be permitted until the relevant stock certificates in the name of the person applying for upliftment shall have been issued by the relevant company's transfer agent.

Amended Rule on Minimum Public Ownership

Under the PSE Amended Rule on Minimum Public Ownership, listed companies are required, at all times, to maintain a minimum percentage of listed securities held by the public of 20.0% of the listed companies' total issued and outstanding shares (i.e., exclusive of treasury shares), or at such percentage that may be prescribed by the PSE. For purposes of determining compliance with the MPO, shares held by the following are generally considered "held by the public": (i) individuals (for as long as the shares held are not of a significant size (i.e., less than 10.0%)) and are non-strategic in nature; (ii) trading participants (for as long as the shares held are non-strategic in nature); (iii) investment and mutual funds; (iv) pension funds; (v) PCD nominees if this account constitutes a number of shareholders, none of which has significant holdings (provided that if an owner of shares under the PCD Nominee has a shareholding that is 10% or more of the total issued and outstanding shares, then this shareholder is considered a principal shareholder); and (vi) social security funds.

Listed companies which become non-compliant with the MPO on or after January 1, 2013 will be suspended from trading for a period of not more than six months and will automatically be delisted if it remains non-compliant with the MPO after the lapse of the suspension period. Suspended or delisted shares will not be traded on the exchange. In addition, sale of shares of listed companies that do not maintain the MPO are not considered publicly listed for taxation purposes and should, therefore, be subjected to capital gains tax and documentary stamp tax.

In accordance with SEC Memorandum Circular No. 13 Series of 2017 issued on December 1, 2017, the MPO requirement on initial public offerings is increased from 10% to 20%, while existing publicly listed companies as of December 2017 remain to be subject to the 10% MPO. The PSE rule on MPO requires that listed companies shall, at all times, maintain a minimum percentage of listed securities held by the public of 10.0% or 20%, as applicable, of the listed companies' issued and outstanding shares, exclusive of any treasury shares. As of date, the SEC is looking at increasing the MPO requirement of existing listed companies to 25.0%, such proposed rules on MPO is yet to be issued by SEC for comments by the public.

LEGAL MATTERS

Certain legal matters as to Philippine law relating to the Offer will be passed upon by Picazo Buyco Tan Fider & Santos, our legal counsel, and Romulo Mabanta Buenaventura Sayoc & de los Angeles, legal counsel to the Sole Issue Manager, Lead Underwriter and Sole Bookrunner.

Each of the foregoing legal counsel has neither shareholdings nor any right, whether legally enforceable or not, to nominate persons or to subscribe for our securities. None of the legal counsel will receive any direct or indirect interest in any of our securities (including options, warrants or rights thereto) pursuant to or in connection with the Offer.

INDEPENDENT AUDITORS

The financial statements of the Company as of and for the six months ended June 30, 2021 and 2020 and as of December 31, 2020, 2019, and 2018 and for the years then ended, were audited by Punongbayan & Araullo (Grant Thornton), independent auditors, as stated in their report attached to this Prospectus.

Punongbayan & Araullo has acted as the Company's external auditor since December 7, 2020. Mr. James Joseph Benjamin J. Araullo is the current audit partner for the Company and has served as such since December 7, 2020. The Company has not had any material disagreements on accounting and financial disclosures with its current external auditor for the same periods or any subsequent interim period.

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

The following table sets out the aggregate fees paid to Punongbayan & Araullo for professional services rendered in respect of the audit of our historical financial statements, excluding out-of-pocket expenses incidental to such services and excluding fees directly related to the Offer:

	2021	2020	2019	2018
Audit of the financial statements for the year	-	₱500,000.00	₱420,000.00	₱420,000.00
Audit of the financial statements for the quarters	₱700,000.00	₱600,000.00	-	-
Total audit and audit related fees	₱700,000.00	₱1,100,000.00	₱420,000.00	₱420,000.00

There is no arrangement that experts will receive a direct or indirect interest in the Issuer or was a promoter, underwriter, voting trustee, director, officer, or employee of the Issuer.

Previously Engaged Auditor

Tagnia, Ortega & Partners CPAs served as the external auditor of the Company until December 6, 2020. They were disengaged because they were an external auditor with Group B accreditation. For purposes of the initial public offering, the Company needed to appoint an external auditor with Group A accreditation.

Audit Committee

The Audit Committee shall be responsible for: recommending the appointment of external auditors whose report they review; monitoring the system of internal controls and corporate compliance with laws, regulations and code of ethics; and serve as a direct channel of communications to the Board for the internal auditors.

The Audit Committee performs oversight functions over the Company's external auditors. It ensures that the internal and external auditors act independently from each other, and that both are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions. Further, prior to the commencement of the audit, the Audit Committee shall discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts. It reviews the reports submitted by the internal and external auditors. It also evaluates and determines the non-audit work, if any, of the external auditor and reviews periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company's overall consultancy expenses. The Audit Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Company’s annual report.

OTHER EXPERT

Ken Research Private Limited ("Ken Research") was commissioned by the Company to perform independent market research on the medical devices market in the Philippines. The aggregate fees paid to Ken Research for professional services rendered in respect of the said market research report amounted to US$18,000.00. Kindly refer to page 66 for the Industry Report prepared by the firm.

Ken Research is a research-based management consulting company who provides strategic consultancy to aid clients on critical business perspective -- strategy, marketing, organization, operations and technology transformation, advanced analytics, corporate finance, mergers & acquisitions and sustainability across all industries and geographies.

Ken Research has extensive coverage in the Philippines and have captured detailed insights on sectors including medical devices, medical education, e-commerce, healthtech, pharmacy retail, logistics and warehousing, flexible workspace, auto finance, electronic security, credit cards, used car, agri equipment, financial brokerage, baby food, fitness services, remittance and payments, car rental, lubricants and many more. Ken Research have issued past reports on the Philippine express delivery and e-commerce logistics market which was used for the initial public offering of a Filipino logistics company.

Ken Research has no shareholdings or any interest, direct or indirect, in the Company, or any right, whether legally enforceable or not, to nominate persons or to subscribe to the securities of the Company. There is no arrangement that Ken Research shall receive a direct or indirect interest in the Company or was a promoter, underwriter, voting trustee, director, officer, or employee of the Company.

APPENDIX

A. Audited Interim Condensed Financial Statements as of June 30, 2021 and for the six months ended June 30, 2020 and 2021

B. Audited Financial Statements as of December 31, 2018, 2019 and 2020

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