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MERRYMART CONSUMER CORP.
(incorporated in the Republic of the Philippines)

Primary Offer of 1,594,936,709 Common Shares

Offer Price: ₱1.00 per share

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

Sole Issue Manager,
Lead Underwriter, and Sole Bookrunner

PNB Capital

The date of this Prospectus is 22 May, 2020.

THE 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 SECURITIES AND EXCHANGE COMMISSION.

MERRYMART CONSUMER CORP. (formerly Injap Supermart Inc.)
9th Floor, Tower 1 DoubleDragon Plaza,
DD Meridian Park, Corner Macapagal Avenue and Edsa Extension, Bay Area,
Pasay City
Telephone No. (+632) 8743-1111
Corporate Website: www.merrymart.com.ph

This Prospectus (the "**Prospectus**") relates to the offer and sale to the public of 1,594,936,709 primary common shares (the "**Offer Shares**"), each common share with a par value of ₱0.05 per share (the "**Shares**"), of MerryMart Consumer Corp. ("**MM**" or the "**Issuer**"), a corporation organized and existing under Philippine law. The offer of the Offer Shares is referred to herein as the "**Offer**."

Pursuant to its amended articles of incorporation, as approved by the stockholders and Board of Directors on November 15, 2019 and approved by the Philippine Securities and Exchange Commission (the "**SEC**") on January 23, 2020, MM has an authorized capital stock of ₱1,200,000,000.00 divided into 24,000,000,000 common shares, of which 6,000,000,000 common shares are issued and outstanding as of the date of this Prospectus.

On January 23, 2020, Injap Investments, Inc. ("III") was issued a substantial block of 5,975,000,000 MM shares at ₱0.05 per common share to support the aforementioned increase in the capital stock of the Issuer, necessary for the recapitalization of MM prior to the Offer. The subscription price of III represents a significant difference of ₱0.95 from the Offer Price. III paid a total of ₱298.75 million for this subscription. These MM common shares issued to III are identical in all respects to the Offer Shares, except that the 5,975,000,000 MM shares subscribed to by III cannot be sold, transferred or encumbered for one year after the Listing Date as these shares are subject to the One-Year Lock-Up requirement. The SEC approved the application for the increase in authorized capital stock on January 23, 2020 after which the said deposit for future subscription was converted into capital stock thereby increasing III's shareholdings in MM from 12,495 common shares with a par value of ₱100 per common share to 5,999,989,995 common shares with a par value of ₱0.05 per common share. The effect of the said conversion decreased MM's noncurrent liabilities and increased MM's equity by ₱298.75 million respectively. See "Principal Shareholders—PSE Lock-Up Requirement" on page 145. For further details of this transaction, please see "Management's Discussion and Analysis of Financial Condition and Results of Operation – Statement of Financial Position Equity" on page 72 of this Prospectus and in the following section "Effects of the Increase in Authorized Capital Stock and Conversion of Deposits for Future Subscription to Equity to the Consolidated Financial Statements of the MM Group" on page 55. As a public company from and after Listing Date, MM has formally adopted and will be subject to the stringent corporate governance obligations that apply to all PSE listed companies. The election of independent directors are part of such governance obligations and are among the measures that address concerns of minority shareholders as well as other stakeholders. Please see "Corporate Governance — Independent Directors" on page 139 of this Prospectus.

The Offer Shares shall be offered at a price of ₱1.00 per Share (the "**Offer Price**"). The determination of the Offer Price is described on page 52 of this Prospectus and was based on a book-building process and discussion between MM and PNB Capital and Investment Corporation ("**PNB Capital**" or the "**Underwriter**"). PNB Capital shall serve as the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner for the Offer.

The Offer Shares will be listed and traded on the Small, Medium, and Emerging Board ("**SME Board**") of The Philippine Stock Exchange, Inc. (the "**PSE**") under the trading symbol MM.

Upon completion of the Offer, a total of 7,594,936,709 will be issued and outstanding, the Offer Shares representing 21.0% of the issued and outstanding capital stock of MM.

The total gross proceeds to be raised by MM from the sale of the shares is estimated to be ₱1,594.9 million. The net proceeds from the Offer is expected to be ₱1,471.8 million, after deduction of fees and expenses. MM intends to use the net proceeds from the Offer Shares for capital expenditures and initial working capital for store network, investments in distribution centers, and for general corporate purposes. For a detailed discussion on the use of proceeds, please refer to page 46 on the "*Use of Proceeds.*"

The Underwriter will receive an underwriting fee from MM equivalent to 2.00% 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, but does not include 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 166.

318,988,000 Offer Shares (or 20% of the Offer Shares) are being offered in the Philippines through the PSE Trading Participants and 159,494,000 (or 10% of the 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, the "**Trading Participants and Retail Offer Shares**", and such offer of Trading Participants and Retail Offer Shares, the "**Trading Participants and Retail Offer**").

1,116,454,709 Offer Shares, or 70% of the Offer Shares (the "**Institutional Offer Shares**"), are being offered to certain qualified buyers and other investors in the Philippines, by the Underwriter.

The allocation of the Offer Shares between the Trading Participants and Retail Offer and the Institutional Offer is subject to adjustment as agreed between MM and the Underwriter. 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. For a detailed discussion on the underwriting commitment, please refer to the section on "*Plan of Distribution*" on page 166.

All of the Offer Shares have identical rights and privileges to the issued and outstanding Shares of MM. For a detailed discussion of the rights and features of the shares of stock of MM, including the Offer Shares, please refer to the section on "*Description of the Shares*" on page 149. Under MM's current dividend policy, up to 30% of the preceding fiscal year's net income after tax can be declared as dividends, subject to (i) the availability of unrestricted retained earnings, (ii) implementation of business plans, (iii) contractual obligations, and (iv) working capital requirements. The declaration and payment of dividends is subject to compliance annually or as often as the Board of Directors may deem appropriate, in cash or in kind and/or in additional shares from its surplus profits. The ability of MM to pay dividends will depend on its retained earnings level and financial condition. There is no assurance that MM will pay dividends in the future.

MM's 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 50 of this Prospectus.

MM filed a Registration Statement with the SEC on January 27, 2020 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 MM and the Offer Shares. On March 10, 2020, the SEC approved the Registration Statement and issued a Pre-Effective Letter dated March 11, 2020. Upon compliance with the requirements of the Pre-Effective Letter, MM 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 January 28, 2020, MM filed its application for the listing and trading of the issued and outstanding common shares of MM and the Offer Shares. On April 29, 2020, the PSE approved the listing application subject to compliance with certain 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 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, if and to the extent that MM acquires land in the Philippines, foreign ownership in its capital stock will be limited to a maximum of 40% of its issued and outstanding capital stock. MM does not own land and has complied with the paid-up capital requirements of the Retail Trade Liberalization Act. Thus, it is currently not subject to any foreign ownership limits.

For further discussion, please refer to the section on "*Regulatory and Environmental Matters*" on page 125.

MM reserves the right to withdraw the offer and sale of the Offer Shares at any time, and the Underwriter 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, MM shall make the necessary disclosures to the SEC and the PSE.

The information contained in this Prospectus relating to MM and its operations has been supplied by MM, unless otherwise stated herein. MM confirms that, as of the date of this Prospectus, the information contained herein relating to MM and its operations, which are in the context of the Offer (including all material information required by the applicable laws of the Republic of the Philippines), is true and that there is no material misstatement or omission of facts which would make any statement in this Prospectus misleading in any material respect and that MM hereby accepts full and sole responsibility for the accuracy of the information contained in this Prospectus with respect to the same. MM confirms that it has made all reasonable inquiries in respect of the information, data and analysis provided to it by its advisors and consultants or which is otherwise publicly available for inclusion into this Prospectus. MM, however, has not independently verified any such publicly available information, data or analysis. The Underwriter assumes no liability for any information supplied by MM in relation to this Prospectus.

Moreover, market data and certain industry data used throughout this Prospectus were obtained from market research, publicly available information and industry publications. 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 MM nor the Underwriter does not make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

MM and the Underwriter have exercised due diligence in ascertaining that all material representations contained in this Prospectus and any amendments and supplements are true and correct, and that no material information was omitted, which was necessary in order to make the statements contained in said documents not misleading.

No person has been or is authorized to give any information or to make any representation concerning MM or its affiliates or the Offer Shares, which is not contained in this Prospectus and any information or representation not so contained herein must not be relied upon as having been authorized by MM, the Sole Issue Manager, Lead Underwriter and Sole Bookrunner, or any of their respective affiliates and subsidiaries.

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 MM since such date.

The contents of this Prospectus are not investment, legal, or tax advice. In making any investment decision regarding the Offer Shares, prospective investors must rely on their own examination of MM and the terms of the Offer, including, without limitation, the merits and risks involved, such prospective investor's own determination of the suitability of any such investment with particular reference to its own investment objectives and experience, and any other factors which may be relevant to it in connection with such investment. Neither MM nor the Underwriter makes any representation to any prospective purchaser regarding the legality of participating in the Offer under any law or regulation. Each person should be aware that it may be required to bear the financial risks of any participation in the Offering for an indefinite period of time. Prospective investors should consult their own counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of a purchase of the Offer Shares, among others.

For a more detailed discussion on the risks in investing, see section on "*Risk Factors*" on page 24 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.

The PSE assumes no responsibility for the correctness of any statements made or opinions expressed in this Prospectus. The PSE makes no representation as to its completeness and expressly disclaims any liability whatsoever for any loss arising from reliance on the entire or any part of this Prospectus. An application has been made with the Philippine SEC to register the sale and offer of the Offer Shares under the provisions of the SRC.

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

MERRYMART CONSUMER CORP.

By:

FERDINAND J. SIA
President

Republic of the Philippines)
City of _________) S.S.

Before me, a notary public in and for the city named above, personally appeared Ferdinand J. Sia, who was identified by me through competent evidence identity in the form of a Philippine passport, with No. P7882199A, issued at DFA Manila on July 11, 2018, 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 ___day of _______ 2020 at _____________.

Doc. No._____;
Page No. _____;
Book No. _____;
Series of 2020.

The Offer Shares are offered subject to receipt and acceptance of any order by MM and subject to MM's 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 June 15, 2020.

No representation or warranty, express or implied, is made by MM or the Underwriter 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 Underwriter 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 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.

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 distribution of this Prospectus and the offer and sale of the Offer Shares in certain jurisdictions may be restricted by law. MM and the Underwriter 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 neither the Underwriter nor we shall have any responsibility therefor.

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 MM's own analysis and knowledge of the markets for its 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 MM 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 supermarket/hypermarket/discount/warehouse club, grocery, convenience store, and drugstore/pharmacy retailing market in the Philippines and Southeast Asia is from independent market research carried out by Euromonitor International Limited ("**Euromonitor**") 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 MM 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 80 of this Prospectus for information relating to the industry in which MM operates.

CONVENTIONS USED IN THIS PROSPECTUS

In this Prospectus, unless otherwise specified or the context otherwise requires, all references to the "**Company**," the "**Issuer**," or "**MM**," are to MerryMart Consumer Corp. References to "**MMGC**" are to MM's subsidiary, MerryMart Grocery Centers, Inc. Meanwhile, references to the "**Group**" or the "**MM Group**" are to MM and

MMGC, collectively. 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 "**United States**" or "**U.S**." are to the United States of America. All references to "**Philippine Pesos**" and "**₱**" are to the lawful currency of the Philippines, and all references to "**U.S. dollars**" or "**US$**" are to the lawful currency of the United States. Certain terms used herein are defined in the "*Glossary*" contained elsewhere in this Prospectus.

PRESENTATION OF FINANCIAL INFORMATION

MM's financial statements are reported in Philippine Pesos and are prepared based on its 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 MM Group's financial statements. Unless otherwise indicated, financial information relating to MM 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.

MM's fiscal year begins on January 1 and ends on December 31 of each year. KPMG R.G. Manabat & Co. ("**R.G. Manabat & Co.**"), a member firm of KPMG International, has audited the Issuer's financial statements as of and for the years ended December 31, 2017, 2018 and 2019 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, MM appointed as its independent auditors in 2019 R.G. Manabat & Co. For more information, please refer to its audited financial statements as of and for the years ended December 31, 2017, 2018 and 2019.

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 MM Group's 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 MM Group's liquidity. MM believes 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, MM Group's 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 the MM Group's businesses and operations;
- the MM Group's ability to successfully implement its current and future business strategies;
- the MM Group's ability to manage its expansion and growth;
- the MM Group's ability to leverage on its strengths;
- the MM Group's ability to anticipate and respond to consumer trends;
- increases in inventory, maintenance, and rental costs;
- risks relating to the Philippines;
- the condition and changes in the Philippine, Asian or global economies and future political instability in the Philippines;
- changes in interest rates, inflation rates 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 retail industry in the Philippines; and
- risks relating to the Offer and the Offer Shares.

Additional factors that could cause MM Group's 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. MM and the Underwriter 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 MM Group's 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 the MM Group'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 set forth below.

Application	An application to subscribe for Offer Shares pursuant to the Offer.
Banking Day	means any day (other than a Saturday or Sunday) on which commercial banks and the Philippine Clearing House Corporation in Makati City are not required or authorized to close for business.
BDO Unibank	BDO Unibank, Inc
BEPs	Base Erosion and Profit Shifting
BIR	The Philippine Bureau of Internal Revenue
Board of Directors or Board	MM's board of directors
BOI	Board of Investments
BSP	*Bangko Sentral ng Pilipinas*, the central bank of the Philippines
BSRD	BSP registration document
CAGR	Compounded annual growth rate
CCCS	Central Clearing and Central Settlement
Consumer Act	Republic Act No. 7394, or Consumer Act of the Philippines
CORTT	Certificate of Residence for Tax Treaty Relief
CTRP	Comprehensive Tax Reform Program
D.O. 174	DOLE Department Order No. 174 (2017)
DA	Department of Agriculture
DB	Deutsche Bank AG Manila Branch
DD	DoubleDragon Properties Corp.
DENR	Department of Environment and Natural Resources
DOLE	Department of Labor and Employment
DPWH	Department of Public Works and Highways
Drugstore/Pharmacies Industry	Drugstores/parapharmacies and chemists/pharmacies retail outlets
DTI	Department of Trade and Industry
ECC	Environmental Compliance Certificate
ECL	Expected credit losses
EIS	Environment Impact Statement
EMB	Environmental Management Bureau

ERP	Enterprise Resource Planning
ETF	Exchange Traded Funds
Euromonitor	Euromonitor International Limited
FDA	Food and Drug Administration
FICO	Finance and Control
Food Safety Act	Republic Act No. 10611 otherwise known as the Food Safety Act of
Foreign Investments Act	Republic Act No. 7042, otherwise known as the Foreign Investments Act of 1991, as amended
GDP	Gross domestic product
Generics Act	Republic Act No. 6675, or the Generics Act of 1998, as amended by Republic Act No. 9502 or the Universally Accessible Cheaper and Quality Medicines Act of 2008
Government	Government of the Republic of the Philippines and all its instrumentalities
HR	Human Resources
HSBC	The Hongkong and Shanghai Banking Corporation Limited
IA	Internal Audit
IA Charter	Internal Audit Charter
III	Injap Investments, Inc.
Institutional Offer	The offer for sale of the Institutional Offer Shares to certain qualified buyers and other investors in the Philippines, by the Underwriter.
Institutional Offer Shares	1,116,454,709 or 70% of the Offer Shares being offered pursuant to the Institutional Offer
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 June 9, 2020, or such other date that may be agreed by MM and the Underwriter
IRO	Investor Relations Office
IRR	Implementing rules and regulations of R.A. 8762
KRA	Key Results Area
Labor Code	The Labor Code of the Philippines
LGC	Republic Act No. 7160, otherwise known as the Local Government Code
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 June 15, 2020, or such other date that may

be agreed by MM and the Underwriter. Notice of any adjustment to the Listing Date shall be made by publication by MM in two newspapers of general circulation, provided that any adjustment to the Listing Date shall be subject to the approval of the PSE.

Local small investors or LSIs .... Local small investors under the PSE's Local Small Investors program

Mang Inasal.. Mang Inasal Philippines, Inc.

Maybank .... Maybank Philippines, Inc.

Mega Manila .... Metro Manila and the neighboring provinces of Bulacan, Cavite, Laguna and Rizal

Merger Rules... 2017 Rules on Merger Procedures

Metro Manila .... The metropolitan area comprising the cities of Caloocan, Las Piñas, Navotas, Makati, Malabon, Mandaluyong, Manila, Marikina, Muntinlupa, Parañaque, Pasay, Pasig, Quezon, San Juan, Taguig and Valenzuela and the municipality of Pateros

Metrobank .... Metropolitan Bank & Trust Company

MM Group .... MM and its subsidiary, MMGC

MMGC.. MerryMart Grocery Centers Inc.

MPO.. minimum public ownership

NMIS .... The National Meat Inspection Service

Offer.. The offer and sale of the Offer Shares on, and subject to, the terms and conditions stated herein

Offer Price... ₱1.00 per Offer Share

Offer Shares .... 1,594,936,709 unissued shares to be offered and issued by MM by way of primary offer

OFWs .... Overseas Filipino Workers

OPC... One Person Corporation

OSD .... Optional standard deduction

OTC... Over-the-counter

PCA... Republic Act. No. 10667, or the Philippine Competition Act

PCA IRR .... Implementing rules and regulations of the PCA

PCC .... Philippine Competition Commission

PCD... Philippine Central Depository

PCD Nominee .... PCD Nominee Corporation

PDEA .... Philippine Drug Enforcement Agency

PDS .... Philippine Dealing System

PDTC	The Philippine Depositary & Trust Corp.
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 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
Philvocs	Philippine Institute of Volcanology and Seismology
PNB Capital	PNB Capital and Investment Corporation
PNB Trust	Philippine National Bank acting through its Trust Banking Group
POS	Point-of-sale
PSA	Philippine Standards on Auditing
PSE	The Philippine Stock Exchange, Inc.
PSE EASy	PSE Electronic Allocation System
PSE Edge	PSE's 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. 8762 or the Retail Trade Liberalization Act	Republic Act No. 8762, otherwise known as the Retail Trade Liberalization Act of 2000
R.G. Manabat	KPMG R.G. Manabat & Co.
RCBC	Rizal Commercial Banking Corporation
Retail Settlement Date	The date on which settlement by the LSIs of the Trading Participants and Retail Offer Shares purchased through the PSE EASy is to be made, expected to be on or about June 5, 2020, or such other date that may be agreed by MM and the Underwriter.
Revised Corporation Code of the Philippines	Republic Act No. 11232, otherwise known as the Revised Corporation Code of the Philippines
S&P	Standard and Poor's
SCCP	Securities Clearing Corporation of the Philippines

SEC .... The Philippine Securities and Exchange Commission

SEC MC 13-2017...................................... SEC Memorandum Circular No. 13, Series of 2017

Selling Agents... PSE Trading Participants

Senior Management .... MM Group's key executives and corporate officers

Shares.. The common shares of MM, with par value of ₱0.05 per common share

Sia Family or Sia Group .... Edgar J. Sia II, Ferdinand J. Sia, and Rizza Marie Joy Sia, and their spouses and their children.

SKUs... stock keeping units

SME Board.. PSE's Small, Medium, and Emerging Board

sqm .... Square meters

SRC .... Republic Act No. 8799, otherwise known as the Philippine Securities Regulation Code, as amended from time to time, and including the rules and regulations issued thereunder

SSS .... Social Security System

Tax Code... 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 to be made in the Philippines

Trading Participants and
Retail Offer Shares.................................... 478,482,000 Offer Shares (or 30% of the Offer Shares) being offered pursuant to the Trading Participants and Retail Offer

Trading Participants
Settlement Date.. The date on which settlement of the Trading Participants and Retail Offer Shares purchased through PSE Trading Participants is to be made, expected to be on or about June 5, 2020, or such other date that may be agreed by MM and the Underwriter.

Traditional Supermarkets........................... Non-chained supermarkets/hypermarkets/discounters/warehouse clubs

TRAIN Law .... Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion

TTRA .... Tax Treaty Relief Application

U.S. .... The United States of America

UNCLOS .... United Nations Convention on the Law of the Sea

VAT .... Value-added tax

SUMMARY

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

OVERVIEW

MerryMart Consumer Corp. ("**MM**" or the "**Issuer**"), formerly Injap Supermart Inc., is an emerging consumer focused retail company principally engaged in the operation of retail stores in the supermarket and, beginning January 30, 2020, household essentials category. MM, through its subsidiary, MerryMart Grocery Centers Inc. ("**MMGC**") will pioneer the franchise business model covering supermarkets and household essentials stores in the Philippines (collectively, MM and its subsidiary, MMGC, are known as the "**MM Group**").

MM believes that it is offering customers a unique shopping experience, as the stores of the MM Group consolidate in one place all the grocery, personal care, and pharmacy essentials every Filipino needs. Currently, MM has three store formats in operation: (1) MerryMart Grocery, a full size supermarket that offers a wide variety of food and non-food products and includes a broad selection of personal care products as well as a pharmaceutical section; (2) MerryMart Market, a medium format specialized grocery that offers a larger selection of premium and imported grocery items and will feature a large fresh selection of fruits and vegetables as well as fresh seafood products; and (3) MerryMart Store, a small format household essentials store with a unique three-in-one concept which combines a mini-grocery, personal care shop, and pharmacy in one store.

Each of the three store formats serve and target different segments of the Philippine market. MerryMart Grocery caters to lower to middle-income consumers and offers competitive prices. MerryMart Market caters to the middle to high-income consumers in central business districts and other urbanized communities. MerryMart Store caters to the general population of each community and neighborhood it serves. In this way, MM aims to capture the entirety of the Philippine population, and make MerryMart the go-to supermarket and household essentials brand of every Filipino.

The MM Group's full-size format stores carry over 20,000 stock keeping units ("**SKUs**"), while its medium-size and small-size format stores carry over 10,000 and 3,000 SKUs, respectively. Product availability is varied based on regional consumer preferences, to ensure that MerryMart stores cover and capture all supermarket, pharmaceutical, and household essential items desired by Filipinos in particular parts of the Philippines. MM believes that its targeted and carefully-selected assortment of products, together with three-in-one concept, provide shoppers with the most convenient experience and will make MerryMart stores the default option of every Filipino.

The MM Group also aims to capitalize on the previous experiences of its management, both with running retail supermarkets and with the franchising model. Its principal shareholder, Injap Investments, Inc. ("**III**"), is the investment holding company of the Sia family, primarily led by its major shareholder and Chairman, Edgar "Injap" J. Sia II. Mr. Sia intends to leverage the MM business model on his previous success with the franchising model, through his brainchild, fast food favorite Mang Inasal Philippines, Inc. ("**Mang Inasal**"). He is taking his learnings from growing the Mang Inasal brand – a chain which managed to expand to 338 branches nationwide within the first seven years of its operations – and applying it to the supermarket format, aiming for the rapid growth of a new player in the Philippine supermarket and grocery retail industry. Mr. Sia also seeks to capitalize on his knowledge of the supermarket and grocery retail industry, with experience gained from helping to run the grocery store of his parents, which was first opened in 1989 and which he believes continues to successfully run today.

As of the date of this Prospectus, the MM Group owns and operates seven MM branches nationwide, with an aggregate selling space of 9,331 square meters. The first two branches are located in TATC Roxas City and Burgos Roxas City. The legacy branches are directly owned by MM and currently do business under the name "Injap Supermart". The other branches, carrying the MerryMart Grocery format, are located in DoubleDragon Plaza at DD Meridian Park Bay Area - Metro Manila, Calamba - Laguna, Sorsogon City, and Mayombo Dagupan City. The MM Group also owns and operates one branch carrying the MerryMart Store format located at Ayala Malls – Manila Bay. The MM Group aims to open 6 more MM branches by the second quarter of 2020, 6 additional branches by the third quarter of 2020, and have a total of 100 branches located all over the Philippines by the fourth quarter of 2021.

The MM Group aims to actively pursue its 2030 Vision. The 2030 Vision of the MM Group is to have 200 MerryMart Groceries and MerryMart Markets, and 1,000 MerryMart Stores in operation nationwide, equivalent to a total of 1,200 branches.

For each of the years ended December 31, 2017, 2018, and 2019, the MM Group's revenues were ₱1,760.1 million, ₱2,117.0 million, and ₱2,515.2 million, respectively. For each of the years ended December 31, 2017, 2018, and 2019, its net profit was ₱20.0 million, ₱40.6 million and ₱28.0 million, respectively.

STRENGTHS

- Faster expansion through franchise and multi-format business model
- Unique three-in-one concept in small format offering – an innovation with enough depth to successfully disrupt the Philippine retail industry
- Attractive offer for existing traditional supermarket operators to be part of the MM network via franchise conversion template
- Well-defined execution capability of major shareholder, with proven track record of delivering above normal growth path in a short span of time
- Experienced management team with extensive knowledge in brand building, franchising, retail, and ability to penetrate mature and highly competitive industries
- Strategic and sustainable expansion plan arising from synergistic relationship with the DD

STRATEGIES

- Focus on franchising small format stores for quick ramp-up of branch network
- Target conversion of remaining traditional supermarket operators and become one of the leading supermarket brands in the country
- Rapid expansion of network to build significant volume and lower cost of supply
- Invest in distribution centers with mid-term goal of achieving 100% coverage of supply chain for all branches, and to have 81 distribution centers nationwide
- Target potential acquisitions that will enhance its branch network, enable the MM Group to achieve competitive pricing while increasing margin and improving logistics efficiency as well as other potential consumer-related business

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 MM.

The Chief Financial Officer and Chief Investment Officer has been appointed by the Board as the head of the investor relations office and to serve as the Issuer's Investor Relations Officer ("**IRO**"). The IRO will ensure that MM complies 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 MM's 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;
(e) Investor FAQs;
(f) Investor contact (e-mail address and phone numbers for feedback/comments, shareholder assistance and service); and
(g) Stock information.

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

Address: 9th Floor, DoubleDragon Plaza, DD Meridian Park cor. Macapagal Ave. and Edsa Extension, Pasay City, Philippines
Landline: (+632) 8743 1111
E-mail: mhy@merrymart.com.ph
Website: www.merrymart.com.ph

COMPANY INFORMATION

MM is a Philippine corporation organized under the laws of the Philippines. Its principal office address is 9th Floor, Tower 1, DoubleDragon Plaza, DD Meridian Park, Corner Macapagal Avenue and Edsa Extension, Bay Area, Barangay 76, Pasay City, Fourth District, NCR, Philippines, 1302, with telephone number: (+632) 8743 1111. Our corporate website is www.merrymart.com.ph. Information in the website is not incorporated by reference into this Prospectus.

SUMMARY 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 MM and the Offer Shares. Each prospective investor must rely on its own appraisal of MM 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...	MerryMart Consumer Corp.
Sole Issue Manager, Lead Underwriter, and Sole Bookrunner................................	PNB Capital and Investment Corporation
Selling Agents...	PSE Trading Participants
The Offer	Offer of 1,594,936,709 Offer Shares
Offer Shares	1,594,936,709 primary common shares to be issued and offered by MM.
Institutional Offer......................................	1,116,454,709 Offer Shares, or 70% of the Offer Shares (subject to re-allocation as described below), are being offered and sold to certain qualified buyers and other investors in the Philippines by the Underwriter.
Trading Participants and Retail Offer	478,482,000 Offer Shares are being offered in the Trading Participants and Retail Offer in the Philippines at the Offer Price (the "**Trading Participants and Retail Offer Shares**"). 318,988,000 Offer Shares (or 20 % of the Offer Shares) are being allocated to all of the PSE Trading Participants at the Offer Price and 159,494,000 Offer Shares (or 10% of the Offer Shares) are being allocated at the Offer Price to local small investors ("**LSIs**"). Each PSE Trading Participant shall initially be allocated 2,492,000 Offer Shares and be subject to reallocation as may be determined by the Underwriter. Based on the initial allocation for each PSE Trading Participant, there will be a total of 12,000 residual Offer Shares to be allocated as may be determined by the Underwriter. Each LSI applicant may subscribe up to a maximum of 100,000 Offer Shares at the Offer Price. The Underwriter 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 Underwriter or the general public in the Philippines pursuant to the terms and conditions of the Underwriting Agreement. LSIs may 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 shares or ₱1,000.00, while the maximum subscription shall be 100,000 shares or up to ₱100,000.00. There will be no discount on the Offer Price. The procedure in subscribing to Offer Shares via PSE EASy is indicated in MM'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 Underwriter shall prioritize the subscriptions of small investors with amounts lower than the maximum subscription.

Offer Price .... ₱1.00 per Offer Share. The Offer Price was determined based on a book-building process and discussions amongst MM and the Underwriter.

Eligible Investors .... The Trading Participants and Retail Offer Shares may be purchased by any natural person of legal age residing in the Philippines regardless of nationality, or any corporation, association, partnership, trust account, fund or entity residing in and 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 our 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 Underwriter.

Use of Proceeds .... MM intends to use the net proceeds from the Offer primarily for capital expenditures and initial working capital for store network expansion, investments in distribution centers, and for general corporate purposes.

See "*Use of Proceeds*" beginning on page 46 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 MM's discretion.

Reallocation .... The allocation of the Offer Shares between the Trading Participants and Retail Offer and the Institutional Offer is subject to adjustment. 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 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.

Lock-up.. Under the PSE Consolidated Listing and Disclosure Rules, MM, as an applicant company under the SME Board, must cause all its existing shareholders to refrain from selling, assigning, encumbering, or in any manner disposing of their Shares for a period of one year after the listing of such Shares.

In addition, if there is any issuance 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 six months 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 Shares subscribed or acquired shall be subject to a lock-up period of at least one year from listing of the aforesaid Shares. Given the above rules, a total of 6,000,000,000 Common Shares held by the Company's existing shareholders, including nominee shareholders and the independent directors, will be subject to such one- year lock-up.

The following are covered by the One-Year Lock-Up requirement:

Shareholder	No. of Shares
Injap Investments, Inc.	5,999,989,995 common shares
Edgar J. Sia	2,000 common shares
Edgar "Injap" J. Sia II	2,000 common shares
Ferdinand J. Sia	2,000 common shares
Pacita J. Sia	2,000 common shares
Rizza Marie Joy J. Sia	2,000 common shares
Marriana H. Yulo-Luccini	1 common share
Atty. Jacqueline Ann Marie O. Gomez	1 common share
Jose E. Desales	1 common share
Atty. Victoria R. Tamayao	1 common share
Gary P. Cheng	1 common share
TOTAL	**6,000,000,000 common shares**

To implement the lock-up requirement, MM and the foregoing shareholders shall enter into an escrow agreement with PNB Trust.

See "*Security Ownership of Certain Record and Beneficial Owners and Management—Lock-up*" and "*Plan of Distribution— Lock-Up*."

Listing and Trading.................................... MM 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 issued a Pre-Effective Letter on March 11, 2020 and the PSE approved the listing application on April 29, 2020 subject to compliance with certain listing conditions.

All of the Offer Shares in issue or to be issued are expected to be listed on the SME Board of the PSE under the symbol MM. See "*Description of the Shares*." All of the Offer Shares are expected to be listed on the PSE on or about June 15, 2020, or such other date that may be agreed by MM and the Underwriter. Notice of any adjustment to the Listing Date shall be made by publication by MM in two 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 June 15, 2020.

Dividends and Dividend Policy................. MM 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 MM's outstanding capital stock. Dividends may be declared only from available unrestricted retained earnings.

Under MM's current dividend policy, it intends to maintain an annual cash dividend payment ratio for its Shares of up to 30% of net income after tax for the preceding fiscal year, subject to (i) the availability of unrestricted retained earnings, (ii) implementation of business plans, (iii) contractual obligations, and (iv) working capital requirements. See "*Dividends and Dividend Policy*".

Registration and Lodgment of Shares with 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 will be lodged with the PDTC at least two trading days prior to the Listing Date. The applicant may request to receive share 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.

Restrictions on Ownership........................ 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, if and to the extent that MM acquires land in the Philippines, foreign ownership in its capital stock will be limited to a maximum of 40% of its issued and outstanding capital stock. MM does not own land and has complied with the paid-up capital requirements of the Retail Trade Liberalization Act. Thus, it is currently not subject to any foreign ownership limits.

For more information relating to restrictions on the ownership of the Shares, please see "*Description of the Shares*" and "*Regulatory and Environmental Matters—Foreign Investment Laws and Restrictions*."

Restriction on Issuance and Disposal of Shares.. See "*Lock-up*" above.

Tax Considerations.................................... See "*Philippine Taxation*" for further information on the Philippine tax consequences of the purchase, ownership and disposal of the Offer Shares.

Procedure for Application for the Offer... The Offer Period shall commence at 9:00 a.m., Manila time, on May 27, 2020 and shall end at 12:00 noon, Manila time, on June 5, 2020. 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 MM and the Underwriter. MM and the Underwriter reserve the right to extend, shorten, or terminate the Offer Period.

Applications must be received by the Receiving Agent for Selling Agent applications by 12:00 noon, Manila time on June 5, 2020, or filed directly with the Underwriter by 12:00 noon, Manila time on June 5, 2020, or through PSE EASy for LSI applications by 12:00 noon, Manila time on June 5, 2020 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 Underwriter 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 and Retail Offer Shares and signature cards may be obtained from the Underwriter or any participating PSE Trading Participant. Application forms will also be made available for download on MM 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 and Retail

Offer Shares. Failure to complete the application form may result in the rejection of the application.

Applications must be received by the Receiving Agent for PSE Trading Participant applications by 12:00 noon, Manila time on June 5, 2020. 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 Underwriter 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 duly executed by an authorized signatory of the applicant and accompanied by two (2) completed signature cards, 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 and Retail 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 and Retail 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.

For Local Small Investors:

With respect to the LSIs, applications to purchase the Trading Participants and 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 noon, Manila time on June 5, 2020 ("**Retail Settlement Date"**).

An LSI applicant should nominate in the Application the PSE Trading Participant, otherwise known as a stockbroker, through which its shares will be lodged. Otherwise, the Application shall not be accepted.

Further information about MM, details about the Offer, instructions for subscribing through PSE EASy, and 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 online IPO information center. The link to the online information center will be made available on MM's website in due course and 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 Trading Participants and Retail Offer Shares will be determined pursuant to allocation mechanics. 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 and Retail Offer 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 must be cleared on or before 12:00 p.m. on June 5, 2020 ("**Trading Participants Settlement Date"**), or such other date that may be agreed by MM and the Underwriter.

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 Underwriter and our final approval. MM, in consultation with the Underwriter, reserve the right to accept, reject or scale down the number and amount of Trading Participants and Retail Offer Shares covered by any application. MM and the Underwriter 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 MM and the Underwriter may, in their sole discretion, deem appropriate, subject to distribution guidelines of the PSE. Applications with checks dishonored upon first presentation or 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 MM and the Underwriter, 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 Banking Days from the end of the Offer Period, 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. All refunds shall be made through the Receiving Agent, at the applicant's risk.

Expected Timetable.................................... The timetable of the Offer is expected to be as follows:

SEC en banc approval of the Registration Statement……..……	March 10, 2020

PSE Board approval of the listing application……………………..……	April 29, 2020
Start of Bookbuilding Period……	May 12, 2020
End of Bookbuilding Period….…	May 22, 2020
Pricing and allocation of the Institutional Offer Shares.............	May 22, 2020
Notice of final Offer Price to the SEC and PSE................................	May 22, 2020
Receipt of the Permit to Sell from the SEC	May 22, 2020
Offer Period	May 27, 2020 to June 5, 2020
PSE Trading Participants' Commitment Period.....................	May 27, 2020 to June 2, 2020
Submission of Firm Order and Commitments by PSE Trading Participants...................................	June 2, 2020, 11:00 a.m.
Trading Participants Settlement Date..	June 5, 2020, 12:00 p.m.
Retail Settlement Date	June 5, 2020, 12:00 p.m.
Institutional Offer Settlement Date	June 9, 2020
Listing Date and commencement of trading on the PSE...................	June 15, 2020

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 MM and the Underwriter. Notice of any adjustment to the Listing Date shall be made by publication by MM in two newspapers of general circulation, provided that any adjustment to the Listing Date shall be subject to the approval of the PSE.

Risks of Investing....................................... Prospective investors should carefully consider the risks associated with an investment in the Offer Shares before making an investment decision. Certain of these risks are discussed in the section of this Prospectus entitled "*Risk Factors*."

Receiving Agent	Philippine National Bank acting through its Trust Banking Group ("**PNB Trust**")
Stock and Transfer Agent..........................	PNB Trust
Escrow Agent	PNB Trust
Philippine Counsel for the Issuer.............	Martinez Vergara Gonzalez & Serrano
Philippine Counsel for the Underwriter...	Romulo Mabanta Buenaventura Sayoc & de los Angeles
Independent Auditors …………………….	KPMG R.G. Manabat & Co.

SUMMARY FINANCIAL INFORMATION

The following tables present the summary of financial information and should be read in conjunction with the independent auditors' reports and MM Group's 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, 2017, 2018 and 2019 were derived from MM Group's audited financial statements, which were prepared in accordance with PFRS and were audited by R.G. Manabat & Co. in accordance with the PSA.

In accordance with the relevant accounting and financial reporting standards, certain information in MM Group's financial statements as of and for the years ended December 31, 2017 has been amended, as discussed further in Note 2 to the financial statements as of and for the years ended December 31, 2017, 2018 and 2019 included elsewhere in this Prospectus.

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

STATEMENTS OF COMPREHENSIVE INCOME

	For the years ended December 31,		
	Audited		
	2017* (Amended)	**2018**	**2019**
	₱	**₱**	**₱**
	in thousands, except per share data		
Revenues			
Sale of goods	1,750,689.7	2,095,408.1	2,482,302.8
Display rental	9,409.1	21,562.8	20,870.6
Other operating income	-	-	12,063.0
	1,760,098.8	**2,116,970.9**	**2,515,236.4**
Cost of Sales	(1,690,409.7)	(2,023,262.7)	(2,370,672.4)
Gross Profit	69,689.1	93,708.2	144,564.0
Operating Expenses (1)	(41,189.9)	(35,781.8)	(98,054.0)
Income from Operations	28,499.2	57,926.4	46,510.0
Interest Expense	-	-	(6,653.8)
Interest Income	48.1	49.6	110.0
Income before Income Tax	28,547.3	57,976.0	39,966.2
Income Tax Expense	(8,549.8)	(17,377.9)	(11,956.9)
Net Income/Total Comprehensive Income	**19,997.5**	**40,598.1**	**28,009.3**
Basic/Diluted Earnings per share attributable to the equity holders of the Parent Company[1]	**1,599.8**	**3,247.9**	**2,240.8**

**MM's Individual Financial Statements*

(1) Excluding the impact of PFRS 16 on Other operating expenses for the year ended December 31, 2019, Other operating expenses would be ₱88.8 million

[1] A pro-forma presentation of the increase in authorized capital and conversion of deposits for future subscription to equity and its effect on the MM Group's selected financial information as of and for the year ended December 31, 2019 is shown in *"Management's Discussion and Analysis of Financial Condition and Results of Operation – Statement of Financial Position – Equity"* on page 72 of this Prospectus and in the following section *"Effects of the Increase in Authorized Capital Stock and Conversion of Deposits for Future Subscription to Equity to the Consolidated Financial Statements of the MM Group"*.

STATEMENT OF FINANCIAL POSITION

	As of December 31,		
	Audited		
	2017* (Amended)	2018	2019
	₱	₱	₱
	in thousands		
ASSETS			
Current Assets			
Cash and cash equivalents	19,814.9	20,907.9	270,308.6
Receivables	1,647.8	914.4	9,841.7
Inventories	202,159.3	270,448.9	183,418.8
Prepaid expenses and other current assets	-	3,838.9	46,369.2
Total Current Assets	**223,622.0**	**296,110.1**	**509,938.3**
Noncurrent Assets			
Property and equipment - net	4,967.4	29,011.6	221,794.7
Right-of-Use Assets	-	-	118,264.6
Intangible Assets	-	7,200.0	14,612.8
Deferred tax assets	1,081.1	1,417.2	8,352.0
Other noncurrent assets	-	-	41,672.2
Total Noncurrent Assets	**6,048.5**	**37,628.8**	**404,696.3**
Total Assets	**229,670.5**	**333,738.9**	**914,634.6**
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and other current liabilities	108,737.7	95,187.6	145,041.0
Loans payable	-	-	150,000.0
Due to related parties	72,548.9	134,896.9	49,762.6
Income tax payable	5,144.0	19,164.0	37,783.0
Total Current Liabilities	**186,430.6**	**249,248.5**	**382,586.6**
Noncurrent Liabilities			
Retirement liability	3,603.7	4,256.0	6,196.3
Lease Liability	-	-	117,478.0
Deposit for future stocks subscription	-	-	298,750.0
Other noncurrent liabilities	-	-	1,380.0
Total Noncurrent Liabilities	**3,603.7**	**4,256.0**	**423,804.3**
Total Liabilities	**190,034.3**	**253,504.5**	**806,390.9**
Stockholder's Equity			
Capital stock	1,250.0	1,250.0	1,250.0
Retained earnings	38,386.2	78,984.4	106,993.7
Total Equity	**39,636.2**	**80,234.4**	**108,243.7**
Total Liabilities and Equity	**229,670.5**	**333,738.9**	**914,634.6**

**MM's Individual Financial Statements*

SELECTED STATEMENTS OF CASH FLOWS INFORMATION

	For the years ended December 31,		
	Audited		
	2017* (Amended)	2018	2019
	₱	₱	₱
	in thousands		
Net cash from operating activities	6,719.2	33,704.9	51,355.8
Net cash used in investing activities	(1,077.9)	(32,611.9)	(251,057.6)
Net cash from financing activities	-	-	449,102.5
Net increase in cash and cash equivalents	5,641.3	1,093.0	249,400.7
Cash and cash equivalents at beginning of year	14,173.6	19,814.9	20,907.9
Cash and cash equivalents at end of year	**19,814.9**	**20,907.9**	**270,308.6**

**MM's Individual Financial Statements*

SUMMARY OF SELECTED OPERATING AND FINANCIAL INFORMATION[2]

	As of December 31,		
	2017	2018	2019
Total number of stores	2	2	3
Total net selling space (sqm)	2,828	2,828	4,085

	As of and for the years ended December 31,		
	2017*	2018	2019
Revenues (₱ in thousands)	1,760,098.8	2,116,970.9	2,515,236.4
Revenue Growth (1)	11.4%	20.3%	18.8%
Gross Profit (₱ in thousands)	69,689.1	93,708.2	144,564.0
Gross Profit Margin (2)	4.0%	4.4%	5.7%
Net Income (₱ in thousands)	19,997.5	40,598.1	28,009.3
Net Income Margin (3)	1.1%	1.9%	1.1%
EBITDA (₱ in thousands) (4)	29,765.6	59,343.7	65,020.5
Current Ratio (5)	1.2	1.2	1.3
Asset to Equity Ratio (6)	5.8	4.2	8.4
Debt to Equity Ratio (7)	-	-	1.4
Debt to Total Assets (8)	-	-	0.2
Book Value per Share (9)	3,170.90	6,418.75	8,659.49

**MM's Individual Financial Statements*

(1) Net Sales Growth is computed by dividing the current period's net sales less the prior period's net sales by net sales for the prior period.
(2) Gross Profit Margin is computed by dividing Gross Profit by total revenue.
(3) Net Income Margin (Net Income to Revenue) is computed by dividing total net income by total revenue.
(4) EBITDA is computed as net income plus interest expense, tax expense and depreciation and amortization.
(5) Current Ratio is computed by dividing the total current assets by total current liabilities.
(6) Asset to Equity Ratio is computed by dividing the total assets by total equity.
(7) Debt to Equity Ratio is computed by dividing the loans payable by total equity.
(8) Debt to Total Assets is computed by dividing the loans payable by total assets.
(9) Book Value per Share is computed by dividing the total equity over total common shares outstanding

[2] A pro-forma presentation of the increase in authorized capital and conversion of deposits for future subscription to equity and its effect on the MM Group's selected financial information as of and for the year ended December 31, 2019 is shown in *"Management's Discussion and Analysis of Financial Condition and Results of Operation – Statement of Financial Position – Equity"* on page 72 of this Prospectus and in the following section *"Effects of the Increase in Authorized Capital Stock and Conversion of Deposits for Future Subscription to Equity to the Consolidated Financial Statements of the MM Group"*.

EBITDA Reconciliation

The table below sets forth the information with respect to the computation of EBITDA for the years ended December 31, 2017, 2018 and 2019:

	For the years ended December 31,		
	2017* (Amended)	2018	2019
	₱	₱	₱
		in thousands	
Net Income	19,997.5	40,598.1	28,009.3
Add:			
Interest Expense [(1)]	-	-	6,653.8
Income Tax Expense	8,549.8	17,377.9	11,956.9
Depreciation and amortization	1,218.3	1,367.7	18,400.5
EBITDA	**29,765.6**	**59,343.7**	**65,020.5**

**MM's Individual Financial Statements*

(1) Interest expense for the year ended December 31, 2019 pertains to interest expense from lease liability and loans payable

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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 inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. The MM Group's past performance is not a guide to the MM Group's future performance. There is an extra risk of losing money when securities are bought from companies with relatively low capitalization. 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 the MM Group. Additional risks and uncertainties not currently known to it or those it currently views to be immaterial may also materially and adversely affect its 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. Investors may request information on the securities and Issuer thereof from the SEC and PSE which are available to the public.

*The means by which the MM Group intends to address the risk factors discussed herein are principally presented under "*Business — Competitive Strengths*" beginning on page 97, "*Business — Strategies*" beginning on page 64, "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" beginning on page 63, "*Industry Overview*" beginning on page 80 and "*Board of Directors and Senior Management — Corporate Governance*" on page 139 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 MM Group may not be successful in implementing its growth strategy, including plans to expand its store network through franchising and multi-format business model, and may not be able to manage future growth efficiently.

The MM Group intend to increase its revenues through, among others, expanding its store network through franchising and its multi-format business model, which may be financed by a combination of equity and additional borrowings. Part of MM's growth strategy entails the opening of new stores in suitable locations in various areas of the Philippines, including in areas in which the MM Group does not currently have a presence. Further, a significant part of its growth strategy relies on attracting franchisees. The MM Group is targeting to have 100 MerryMart Groceries and MerryMart Markets, and 500 MerryMart Stores operational nationwide or a total of 600 branches by 2025, and 200 MerryMart Groceries and MerryMart Markets, and 1,000 MerryMart Stores operational nationwide or a total of 1,200 branches by 2030. See "*Business—Business Operations—Store Network Expansion Plan*."

While this strategy will diversify the Company's revenue sources, the MM Group's plans and strategies are as of the date of this Prospectus and are subject to various factors that may each affect MM's ability to implement its growth strategy, including, among others:

- market conditions, the general state of the Philippine economy, global economic conditions and regulatory environment;
- its ability to attract suitable franchisees;

- its ability to identify suitable sites for store locations;
- its ability to lease appropriate real estate for store locations;
- its ability to obtain required permits and licenses and meet regulatory requirements to establish, fit-out and open new stores;
- its ability to bear the increase in logistics costs when regional expansion occurs;
- its ability to open new stores in a timely manner;
- its ability to continue to attract customers to our stores;
- its ability to obtain financing and other support for expansion;
- its ability to maintain the scale and stability of its information technology systems to support its current operations and continuous business growth;
- the hiring, training, and retention of skilled store personnel;
- the identification of suitable franchisees;
- the identification and relocation of experienced store management personnel;
- the effective management of inventory to meet the needs of its stores on a timely basis;
- the MM Group's operating performance and the availability of sufficient levels of cash flow or necessary financing to support its expansion; and
- the MM Group's ability to successfully address competitive merchandising, distribution and other challenges encountered in connection with expansion into new geographic areas and markets.

See "*Business—Business Overview*"

The MM Group may experience delays in opening new stores within the time frames it initially targets. Further, the MM Group may be unable to attract suitable franchisees to aid in its expansion. Any of the above factors or other similar challenges could delay or prevent it from completing store openings and its store network expansion plan. Failure to successfully implement our growth strategy and open new stores in a timely manner due to the absence of, or its inability to carry out or sufficiently address, any of the above-mentioned factors, or otherwise, its business, financial condition and results of operations may be materially and adversely affected.

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

In addition, if the MM Group is unable to successfully manage the potential difficulties associated with store growth, it may not be able to capture the scale efficiencies that we expect from expansion. If it is unable to continue to capture scale efficiencies, it may not be able to achieve its goals with respect to operating margins.

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

The MerryMart Store's three-in-one concept has no proven track record yet.

While MM believes that MerryMart Store's three-in-one concept, which combines non-discretionary and discretionary product lines, will result in high-blended margins, such combined format is new to the market and, as such, has no proven track record yet, which may affect its growth strategy. MM believes that its three-in-one concept, which gives equal importance to mini grocery, personal care and pharmacy, is a new innovation, however, all three categories are already staple products that are part of general populations consumption habits. The innovation is in the combination of all three product lines in one selling area which brings in operational efficiencies and increases convenience for consumers the company believes is an innovation that has the potential to successfully disrupt the grocery, personal care and pharmacy retail industry in the Philippines. See "*Management's Discussion and Analysis of Financial Condition and Results of Operation—Overview"* and *"Business—Strengths and Strategies"*. However, as with all new innovations, there is no assurance that this three-in-one concept will be successful at attracting consumers and delivering growth expected by MM in the retail and consumer markets. An inability to manage future growth efficiently could have a material adverse effect on its business, financial condition, cash flows, results of operations and prospects.

The MM Group has no proven track record yet in converting existing traditional groceries into MerryMart franchisees.

One of the components of the MM Group's growth strategy relies on attracting existing traditional groceries to become MerryMart franchisees. However, MM has no proven track record yet with respect to converting existing traditional groceries into the MerryMart franchisees, which may impact its overall growth strategy. An inability to manage future growth efficiently could have a material adverse effect on its business, financial condition, cash flows, results of operations and prospects. To aid MM in implementing its growth strategy, MM seeks to benefit from the business expertise and experience of its management team, led by its Chairman Edgar "Injap" J. Sia II. MM believes that its management collectively possesses extensive and relevant knowledge of the market in brand building, franchising and retail strategies. See "*Management's Discussion and Analysis of Financial Condition and Results of Operation—Overview"* and *"Business—Strengths and Strategies"*. If the MM Group is unable to convert existing traditional groceries to MerryMart franchisees, it may not be able to capture the scale efficiencies that it expects from expansion immediately. If it is unable to continue to capture scale efficiencies, it may not be able to achieve its goals with respect to operating margins. Nevertheless, MM has the option of shifting to develop more company-owned stores through new builds or through acquisition of existing traditional groceries to achieve its desired scale efficiencies.

Demand for the MM Group's products and services may be adversely impacted by changes in the economy.

Certain segments of the MM Group's business and results of operations are highly dependent on demand from its customers for its products and services, and such demand may be adversely impacted by changes in the economy. As with other retail businesses, demand for its products and services depends in part on prevailing economic conditions. However, MM aims to offer a broad selection of products including food, pharmaceutical, and household essential products that may not be as sensitive to changes in the economy. See "*Business—Business Overview"*. Negative developments in the local or national economy, credit conditions and availability, disposable income, employment conditions or other factors may decrease consumer spending generally or demand for its products and services, thus resulting in decreased demand for some or all of its products and services. In particular, the MM Group's business is subject to changes in the retail market environment in the Philippines. The MM Group cannot provide assurance of effective mitigation to such systemic risks.

Any changes in this market, including adverse regulatory developments or adverse developments in consumers' disposable income, could have an adverse effect on the MM Group's business. The outlook for the Philippine economy remains uncertain and may be affected by future government policies, developments in the global economy or international relations and other factors. See "*Risks Relating to the Philippines—Political Instability may have a negative effect on the Philippine economy and business environment which could have a material adverse impact on our business*."

The MM Group may not timely identify or effectively respond to consumer needs, expectations or trends and source and sell the appropriate mix of products to suit changing customer preferences.

Consumer demand for its products is significantly affected by consumer preferences. The MM Group's success depends in part on its ability to identify social, style and other trends that affect customer preferences, and to source and sell products that both meet our standards for quality and respond to changing customers' preferences. The rapid availability of new products and changes in consumer preferences have made it more difficult to reliably predict sales demand. The MM Group relies on experience, data and established processes to accurately forecast and manage fluctuations in demand. These processes include conducting internal and customer surveys, reviewing industry reports, attending trade shows and industry benchmarking to assess changes in consumer preferences. Failure to source and effectively market products, or to accurately forecast changes in customer preferences, could negatively affect our customer satisfaction levels, its relationship with its customers and demand for its products and services. In addition, it may be affected negatively by changes in the consumer preferences relating to the method of shopping, for example, through online shopping.

In the event that it is unable to identify and adapt to such changes in consumer preferences quickly or the products which it currently carries are superseded by merchandise carried by its competitors, consumer demand for the MM Group's products may decline and its business, financial condition, results of operations and prospects may be materially and adversely affected. The MM Group seeks to address this shift in consumer behavior through the development and rollout of its own online application. See "*Business—Core Online Platform"*.

Strong competition could negatively affect prices and demand for the MM Group's products and could decrease the MM Group's market share.

The retail industry in the Philippines is highly competitive. The MM Group competes with various retailers selling merchandise falling under the same categories that the MM Group offers based on factors such as price, store location, product assortment, availability and quality, customer service, customer shopping experience, attractiveness of our stores and presentation of merchandise and brand recognition, or a combination of these factors. Moreover, the MM Group anticipates competition from new market entrants and joint partnerships between national and international operators in certain product categories. Intense competitive pressures, including those arising from our expansion strategy or its inability to adapt effectively and quickly to a changing competitive landscape could affect its prices, its margins or demand for its products and services.

In addition, some of the MM Group's competitors are also aggressively expanding their number of stores or 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 the MM Group will be able to compete successfully against current competitors or new entrants. The MM Group believes that the retail market in areas outside the Mega Manila region is dominated by independent local operations. Expansion into these areas exposes the MM Group to operational, logistical and other risks of doing business in new territories. The MM Group may also find difficulties in obtaining regulatory or local government approvals for new stores in these areas due to differences in local requirements and processes. However, the MM Group believes that its franchising model, will allow it to rely on the experience and local expertise of its franchisees to expand the brand. See "*Business—Strengths and Strategies"*. Moreover, it may experience difficulty in building the "MM" brand name in these new areas as some of these competitors may be well-entrenched in such areas. Operationally, the MM Group may experience supply, distribution, transportation and/or inventory management issues due to the limited presence of large retailers and underdevelopment of distribution networks. Any difficulty the MM Group experience with respect to developing its business presence in emerging urban areas outside Mega Manila and increasing competition in certain areas wherein competitors open stores within close proximity to its stores, could negatively impact its 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. The MM Group cannot provide assurance of effective mitigation to such risk.

The MM Group relies on distributors, third-party service providers and the distribution networks of its suppliers for transportation, warehousing and delivery of products to our warehouses and stores.

The MM Group relies on third-party distributors and suppliers, including concessionaires for its inventory intake and store displays, and other third-party service providers such as logistics services for the delivery of the MM Group's products to its stores, distribution centers and in-store warehouses. Consequently, it has 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 its ability to meet customer demand for products and result in lost sales, increased supply chain costs, or damage to our reputation. MM regularly monitors its inventory levels and considers order lead time in the replenishment of its inventories to mitigate the risk of product unavailability. See "*Business—Business Operations—Inventory and Logistics Management*". 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.

Naturally, there can be no assurance that the MM Group will be able to effectively coordinate our logistics strategy to the degree necessary for the realization of our growth plans. As the MM Group continues to expand, it remains cognisant of the need to ensure that it is able to secure efficient, as well as sufficient, distributors and service providers for its stores to be opened in new locations. An inability to efficiently operate and expand its warehouses and logistics capabilities could have a material adverse effect on its business, financial condition, cash flows, results of operations and prospects. To mitigate supply chain risks, the MM Group is not dependent on one or a limited number of suppliers. In addition, MM Group's selection policy for suppliers includes consideration of the supplier's location, brand reputation, capacity to supply, ability to deliver on time and compliance with the MM Group's requirements. See "Business—Business Operations—Suppliers".

The MM Group relies on third-party suppliers for the provision of merchandise.

The MM Group relies on third-party suppliers (including concessionaires) for the provision of merchandise in its stores. It 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. The MM Group, however, is not dependent on a limited number of suppliers, and such suppliers are selected based on several criteria, including its ability to deliver in a timely fashion. See "*Business—Business Operations—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. The MM Group cannot provide assurance of effective mitigation to such risk.

Further, there can be no assurance that its 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, the MM Group 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. The MM Group cannot provide assurance of effective mitigation to such risk.

The MM Group is subject to inventory risks and face challenges in effectively managing its inventory.

Outright sales accounted for approximately 98.7% and 99.0% of the MM Group's revenues for the year ended December 31, 2019 and 2018, respectively, while display rental and concession sales accounted for the remainder of its revenues. Outright sales expose the MM Group to increased inventory risk, which includes inventory losses due to obsolescence, theft, pilferage, spoilage, and other damage. For products sourced for outright sales, the MM Group bears all risks and costs of inventory management, including shrinkage losses due to a discrepancy between our inventory based on a physical count and the amounts generated by our inventory system. If it fails to properly manage its inventory in relation to outright sales, the MM Group may suffer lower inventory turnover, which could have an adverse effect on our business, financial condition and results of operations. In order to mitigate this risk the MM group performs inventory counts and spot audits of SKUs. See *"Business—Business Operations—Inventory and Logistics Management."*

The MM Group must also manage its merchandise in stock and inventory levels to track customer demand. The MM Group has an IT system that allows real-time monitoring of critical business information from merchandising, inventory and point-of-sale data to customers, to enable it to monitor inventory levels and improve operational efficiency. See "*Business—Business Operations—Information Technology Systems*". The MM Group faces challenges in managing its inventory levels, including significant ordering lead time for certain types of products and seasonality of demand for some products. If the MM Group is not able to effectively anticipate customer demand for its different product offerings, or successfully manage inventory levels for products that are in demand, it may experience overstock inventory levels for products that have lower customer demand, requiring it 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. In addition, if it is unable to stock sufficient inventory to respond to customer demand, it may lose potential customer sales. As a result of these and other factors, it is vulnerable to demand and pricing shifts and to misjudgements in the selection and timing of merchandise purchases, which could have an adverse effect on its business, financial condition and results of operations. The MM Group cannot provide assurance of effective mitigation to such risk.

The success of the business depends in part on the MM Group's ability to develop and maintain good relationships with our current and future franchisees, outright sales suppliers and concessionaires.

The MM Group derives its revenue from franchise fees, royalties, outright sales and sales of concession products, and its success depends on its ability to retain existing franchisees, suppliers and concessionaires, and attract new franchisees, suppliers and concessionaires on terms and conditions favorable to it. The sourcing of its products is dependent, in part, on its relationships with our suppliers. The MM Group has long-standing working relationships with a broad range of national and multinational suppliers across all of its product categories. The MM Group does not enter into long-term supply contracts and its supplier and concessionaire contracts can generally be terminated by the MM Group by sending notice. If the MM Group is unable to maintain these relationships, or if it loses franchisees or suppliers for any reason, it may not be able to expand its network and/or continue to source products at competitive prices that both meet its standards and appeal to customers. The MM Group's ten largest suppliers (outright sales and concession sales) accounted for approximately 49.1% and approximately 67.0% of the MM Group's purchases in 2019 and 2018, respectively. The loss of any one of these major suppliers could have an adverse effect on the MM Group's performance. The MM Group, however, is not dependent on a one or a limited number of suppliers. See "*Business—Business Operations—Suppliers*".

The MM Group obtains discounts and rebates from suppliers, tied to meeting sales targets, which allow it to maintain its competitive pricing. Should changes occur in market conditions or our competitive position, it may not be able to meet these targets or maintain or negotiate adequate support, which could have an adverse effect on its business, financial condition and results of operations. The MM Group cannot provide assurance of effective mitigation to such risk.

If the MM Group is unable to maintain good relationships with its existing suppliers and concessionaires (which provide support teams for the sale of the consigned products), or if it is unable to develop and maintain new supplier and concessionaire relationships, it will be unable to carry merchandise and products that are in demand and can generate profit. Furthermore, if any of its outright sales suppliers or concessionaires changes its distribution methods, we may experience a disruption in its product supply. As a result, the MM Group's market positioning, image and reputation may be adversely affected, and its revenue and profitability may be impaired. The MM Group cannot provide assurance of effective mitigation to such systemic risk.

Dissatisfaction with the MM Group's customer service could prevent the MM Group from retaining its customers.

The satisfaction of the MM Group's customers depends in particular on the effectiveness of its customer service, in particular its ability to address requests and inquiries, and deal with complaints, in a timely and satisfying manner. The MM Group has physical customer service desks, and email and social media accounts to address customer needs and concerns. Any unsatisfactory response or lack of responsiveness by its customer service team could adversely affect customer satisfaction and loyalty.

Dissatisfaction with its customer service could have a material adverse effect on our business, financial condition, cash flows, results of operations and prospects.

Any damage to the brand name, "MM" could harm the MM Group's business.

The MM Group's brand image and reputation are key factors in the success of its business. The MM Group believe that maintaining and enhancing its brand is integral to its business and to the implementation of its growth strategy. Maintaining the brand requires the MM Group to continue to make investments in areas such as marketing and advertising, as well as the day-to-day investments required for store operations, employee training and website operations. The MM Group's brand image may be damaged if new products, services or other businesses fail to maintain or enhance its brand image, or if it fails to maintain high standards for service quality. The strength of the brand could also be affected due to noncompliance with laws and regulations, misconduct by employees or sales personnel or merchandisers assigned to its stores by its suppliers, customer claims, employee dissatisfaction with employment practices or other negative publicity involving the MM Group. The MM Group cannot provide assurance of effective mitigation to such risk.

The MM Group 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 the MM Group may be posted on social media, in Internet chat rooms or on blogs or websites by anyone on an anonymous basis. In addition, the MM Group may be the target of harassment or other detrimental conduct by third parties, including from its competitors. The MM Group's reputation may be negatively affected as a result of the public dissemination of anonymous allegations or demeaning statements about its business, even if these allegations or statements are unfounded and it may be required to spend significant time and money to address such allegations. Inaccurate adverse information may harm the business and the MM Group may not be able to redress or correct inaccurate posts in a timely manner, or at all.

The MM Group's 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 it 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 the MM Group's business, financial condition, cash flows, results of operations and prospects. The MM Group cannot provide assurance of effective mitigation to such risk.

Intellectual property claims by third parties or the MM Group's failure or inability to protect its intellectual property rights could diminish the value of our brand and weaken our competitive position.

The MM Group has registered intellectual property rights to "MerryMart Grocery" in the Philippines. See "*Business—Intellectual Property*." The MM Group believes that its trademarks and other proprietary rights have significant value and are important to identifying and differentiating certain of its products and services and its brand from those of its competitors. There can be no assurance that third parties will not assert rights in, or ownership of, our name, trademarks and other intellectual property rights. The MM Group is also subject to the risk of intellectual property claims against it. Successful infringement claims against it could result in significant monetary liability and prevent it from using the "MerryMart" brand. In addition, resolution of claims may require it to redesign its trademark, license rights from third parties or cease using those rights altogether. The costs of defending and enforcing its intellectual property rights may cause it to incur significant time and legal expense, and the MM Group may not be entirely successful in protecting its assets and enforcing its rights. If the MM Group is unable to protect and maintain its intellectual property rights, the value of its brand could be diminished, and our competitive position could suffer. The MM Group cannot provide assurance of effective mitigation to such risk.

The MM Group relies on information technology in its operations, and any failure of such systems could harm its ability to effectively operate its business.

The MM Group's business operations are heavily dependent on the integrity of the information technology systems supporting them, many of which have only recently been implemented. The MM Group manages its inventory and logistical operations through the use of various information technologies, including intranet, networked personal computers, servers and automated inventory management systems. The MM Group's 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. While there are contingency plans in place to deal with such events, there is no assurance that these will prevent its systems from suffering failures or delays that might cause significant losses to its business. Equipment breakdown may result in productivity losses and potential inoperability of store trading software for significant periods of time. Significant systems failures, delays in the implementation of upgrades, equipment breakdowns and delays in the integration of information technology systems in new stores may also cause unanticipated disruptions in service, loss of inventory, decreased customer service and customer satisfaction and harm to the MM Group's reputation, which could have a material adverse effect on its business, financial condition and results of operations. The MM Group cannot provide assurance of effective mitigation to such risk.

The MM Group leases store premises and it 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 December 31, 2019, the MM Group leased all of its net selling space and its distribution centers. Some of its sites are leased from related parties. See "*Related Party Transactions*." The MM Group's 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. While its leases contain a provision that these are renewable upon agreement of the parties, there is no assurance that they will be renewed on acceptable terms and conditions or at all upon their expiry. The MM Group, however, has various lease agreements with both related parties and non-related parties, that expire at varying periods. See "*Description of Property*". Leases of store premises in large shopping centers may not be available for extension because lessors may decide to change tenants for better commercial arrangements. If the MM Group is unable to renew leases with related parties, it may have to enter into new agreements with third parties. There is no assurance that it will be able to enter into such new agreements with third parties on terms and conditions that are acceptable to it or at all, and its failure to do so may materially and adversely affect its 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 stores and the MM Group may have to discontinue operations at some of its stores. 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, the MM Group will need to either close its operations at such locations or relocate to alternative premises. Relocation of any of its operations may cause disruptions to its business and may require significant expenditure, and it cannot assure that the MM Group will be able to find suitable premises on acceptable terms and conditions or at all in a timely manner. The MM Group cannot provide assurance of effective mitigation to such systemic risk.

The MM Group may not be able to hire, retain and train sufficient qualified personnel to support its operations and it may be subject to increased labor costs.

The MM Group employs a large number of employees in its stores and in connection with its other operations. The success of its stores depends on its ability to hire, retain and educate an effective workforce with the requisite skills and knowledge to serve its customers. Consequently, the MM Group has implemented a structured recruitment policy with the aim to recruit suitably qualified employees. See "*Business—Human Resources—Recruitment and Promotion Policy".* Additionally, recent trends in employment regulation, such as restrictions on employers' discretion to hire employees on a temporary basis or to offer employment conditions that differ between full-time and part-time employees for the sole reason that the period of employment is stipulated in the employment contract, have led to increased fixed labor costs for employers seeking to hire part-time and temporary workers. Stricter regulation of labor and employment may affect the MM Group's ability to hire sufficient employees in a cost-efficient manner at its stores. If it experiences difficulties in maintaining a qualified workforce or experience increased labor costs associated with its workforce, its ability to compete effectively in its target markets, provide high-quality customer service, open new stores and execute its business strategy could be adversely impacted, and its results of operations could in turn be negatively affected. The MM Group cannot provide assurance of effective mitigation to such systemic risk.

The MM Group's business is subject to seasonal influences.

The MM Group experiences seasonal fluctuations in its operations. Historically, its sales tend to peak in the fourth quarter of each year, primarily attributable to the Christmas and New Year holidays.

In preparation for its peak selling periods, it procures additional inventory, which would require additional cost. If sales during the MM Group's peak selling periods are significantly lower than it expects for any reason, or if there is any prolonged disruption in our operations during its peak selling periods, it may be unable to make purchases in a timely manner and may be left with a substantial amount of unsold inventory, especially seasonal merchandise that is difficult to liquidate after the applicable season. To aid in the sale of unsold inventory, the MM Group also creates seasonal campaigns and offers discounts for a limited time only on specific occasions and on low seasons. See "*Business—Business Operations—Sales and Marketing".* This may materially and adversely affect its business, financial condition and results of operations. The MM Group cannot provide assurance of effective mitigation to such systemic risk.

The MM Group is exposed to certain risks in connection with the substantial use of cash in our operations.

Due to the nature of the retail business and the demographics of the majority of the MM Group's customers, it processes large volumes of cash transactions in the course of its operations. The MM Group uses a POS system to track sales and cash flow. See *"Business—Business Operations—Cash Management and Internal Control*". The MM Group customers usually pay for their purchases in cash. Therefore, it is exposed to the risk of cash shortages, petty theft and robbery, which, if substantial in the aggregate, could have an adverse effect on our business, financial condition and results of operations. In order to mitigate this risk, a cash count on a per cashier basis is done on a daily basis to avoid the accumulation of cash shortages or expose it to theft and robbery covering substantial amounts.

The MM Group's operations have significant liquidity and capital requirements and depend on the availability of adequate financing on reasonable terms, and if it is unable to borrow sufficient capital, it could have a significant negative effect on its business.

The MM Group's operations have significant liquidity and capital requirements. It requires significant cash to purchase sufficient inventory for the MM Group's stores in advance of anticipated demand, and it has invested significant capital in opening new stores and expect to continue to make similar investments in the future. The MM Group expects to continue to incur significant capital expenditures going forward, as it continues to expand the MM Group's store network.

The MM Group sources its funding primarily from a combination of cash flow from operations, working capital lines and long-term debt. To mitigate this risk, the net proceeds from the offer is an additional source of funding for MM, however, the MM Group is not solely reliant on this to fund its targeted store network expansion as MM may tap the primary sources of funding previously mentioned. As of the date of this Prospectus, the MM Group has ₱1,250.0 million in approved credit line facilities from two commercial banks. Of this amount ₱1,150.0 million remains unutilized to date. In the event the total expected proceeds from the Offer are not achieved, the MM Group may utilize these credit lines.

The MM Group may not be able to fund capital expenditures and working capital requirements solely from cash from the MM Group's operating activities or existing cash or proceeds from the Offer, and we may not be able to obtain additional debt or equity financing. The MM Group 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 the MM Group incur additional debt, it will result in increased debt service obligations and could result in additional operating and financing covenants, or liens on the MM Group's assets, that would restrict the MM Group's operations. Without required financing, the MM Group may not be able to continue its operations, hire, train and retain employees or respond to competitive pressures. The MM Group's ability to obtain additional funding will be subject to various factors, including general market conditions, the MM Group's operating performance, the market's perception of the MM Group's growth potential, lender sentiment and the MM Group's ability to incur additional debt in compliance with other contractual restrictions, revenue and cash flow from operations and the MM Group's ability to manage costs and working capital successfully. Any inability to access favorable debt financing may adversely impact the MM Group if it experiences cash flow shortfalls in the future or wish to raise funds to take advantage of unanticipated opportunities, make acquisitions of other businesses or companies or respond to changing business conditions or unanticipated competitive pressures. In addition, the MM Group cannot assure that its future financing requirements would not involve equity issuances that would be dilutive to holders of the MM Group's 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 the MM Group fails to raise sufficient additional funds, it may be required to delay or abandon some of the MM Group's planned future expenditures or aspects of the MM Group's current operations, and the MM Group's financial condition and results of operations may be materially and adversely affected.

The MM Group's margins may be affected by increases in its operating and other expenses.

The MM Group's 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 construction, repair and maintenance costs for the distribution centers, and construction costs relating to fit-out of new and existing stores;
- 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; and
- increases in property taxes and other statutory charges.

Any increase in the MM Group's operating and other expenses will have an impact on the MM Group's cash flow. Due to the nature of the MM Group's business, the MM Group's margins may be affected by increases in the MM Group's operating and other expenses. The resulting buffer available to account for changes to costs is consequently small. The MM Group is eyeing several strategic acquisitions related to enhancing branch network and enabling the MM Group to achieve competitive pricing. See "*Business—Strengths and Strategies—Business Strategies"*. If the MM Group's stores do not generate revenue sufficient to meet the MM Group's operating expenses and debt service and capital expenditure requirements, the MM Group's business, results of operations and financial condition could be materially and adversely affected. The MM Group cannot provide assurance of effective mitigation to such systemic risk.

The MM Group's business is sensitive to changes in purchase and selling prices.

The MM Group's margins are sensitive to price increases in the products sold in the MM Group's stores. There can be no assurance that the MM Group will be able to successfully contain the growth of the MM Group's purchase prices. If these prices do rise, the MM Group may need to pass all or a portion of these additional costs on to the MM Group's customers to maintain the MM Group's gross profit margins. However, it may not be possible for the MM Group to significantly increase its retail prices to offset price increases by suppliers, particularly if the MM Group's main competitors choose not to implement such price.

As competition in the Philippine retail market intensifies, any unilateral price increases may lead to declines in sales, loss of customer traffic, loss of market share and other adverse consequences. Consequently, the MM Group may be significantly constrained in the MM Group's pricing policy. In the event that the MM Group is unable to pass increases in prices charged by the MM Group's suppliers on to the MM Group's customers, the MM Group's financial condition and results of operations may be materially and adversely affected. The MM Group cannot provide assurance of effective mitigation to such risk.

Any future changes in PFRS may affect the financial reporting of the MM Group's 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 shall be effective for annual periods beginning on or after January 1, 2019. The MM Group has adopted PFRS 16 retrospectively with the cumulative effect of initial application recognized at 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 the MM Group's lease transactions. Prior to 2019, lease payments in respect of the MM Group's store and distribution centers 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 the MM Group's statements of comprehensive income, amortization and interest expense on lease liability are recognized in 2019. To mitigate any potential risk to the MM Group, the MM Group shall ensure close coordination with its auditors and full compliance with relevant regulations. See Notes 3, 12, and 20 to the MM Group's financial statements and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations*" and the "Summary of Selected Financial Operating and Financial Information" tables under "*Summary Financial Information*" and "*Selected Financial Information*" for further information on the impact of PFRS 16.

Any mergers, acquisitions, investments and other strategic transactions that the MM Group may consider pursuing in the future may not achieve the expected results.

The MM Group may consider and enter into strategic transactions, including mergers, acquisitions, investments, alliances, and other growth and market expansion strategies, with the expectation that these transactions will result in increases in sales, cost savings, synergies and various other benefits. Assessing the viability and realizing the benefits of these transactions is subject to significant uncertainty. For each of the MM Group's acquisitions, the MM Group needs to successfully integrate the target company's products, services, associates and systems into the MM Group's business operations. Integration can be a complex and time-consuming process, and if the integration is not fully successful or is delayed for a material period of time, the MM Group may not achieve the anticipated synergies or benefits of the acquisition. Furthermore, even if the target companies are successfully integrated, the acquisitions may fail to further the MM Group's business strategy as anticipated, expose it to increased competition or challenges with respect to the MM Group's products or services, and expose it to additional liabilities. Any impairment of goodwill or other intangible assets acquired in a strategic transaction may reduce the MM Group's earnings.

To mitigate this risk, MM ensures that any acquisition or investment is within the MM Group's strengths and the expertise of its management. In addition, any acquisition or investment by the MM Group must be consistent with its overall business strategies. Furthermore, the MM Group undertakes the necessary due diligence review with respect to its acquisitions and investments. See "*Business—Strengths and Strategies".*

The MM Group are subject to the risk of fluctuations in foreign currency exchange rates.

While the MM Group's sales are all denominated in Philippine Peso, the MM Group's operations involve the purchase of products from distributors and suppliers who purchase products that may be denominated in currencies other than Philippine Pesos, such as the U.S. dollar. Such fluctuations between the value of the Philippine Peso and other currencies may affect the price of products when converted into Philippine Pesos and may have an adverse effect on the MM Group's financial performance. The MM Group cannot provide assurance of effective mitigation to such risk.

The MM Group is subject to the risk of litigation and other legal proceedings in the ordinary course of business.

Although the MM Group is not party to any material ongoing litigation, the MM Group 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 or advertising. The MM Group requires its product suppliers to satisfy certain standards regarding the quality and specification of its products. The MM Group does not currently 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 the MM Group's financial performance. Any such litigation, claims or complaints and any adverse publicity surrounding such allegations and/or actions could materially adversely affect the MM Group's business, reputation, financial condition and/or operating results. The MM Group may also experience reduced demand for the MM Group's products, as a result of negative publicity surrounding the retail sector in general or in relation to products sold by other retailers.

To mitigate this risk, the MM Group strives to maintain good relationship with customers, suppliers, contractors, regulators and other parties it regularly deals with. The MM Group also endeavours to amicably discuss and resolve potential disputes, resort to alternative methods of dispute resolution, and exhaust all legal remedies available.

The MM Group are subject to various risks for which the MM Group may not be adequately insured.

The MM Group maintains comprehensive property and general liability insurance that the MM Group considers to be insurance coverage customary in the MM Group's industry. See "*Business—Insurance*". Nonetheless, such insurance does not cover all risks associated with the MM Group's business. Accidents and other events could potentially lead to interruptions of the MM Group's operations or cause us to incur significant costs, all of which may not be fully covered by the MM Group's insurance policies. As the MM Group expands its stores and operations, the MM Group's inventory levels will increase, for which obtaining additional insurance coverage may be required. In addition, the MM Group's insurance coverage is subject to various limitations and exclusions, retention amounts and limits and the MM Group does not maintain business interruption insurance or product liability insurance. Furthermore, if any of the MM Group's insurance providers become insolvent, the MM Group may not be able to successfully claim payment from such insurance provider. Moreover, the MM Group's 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 the MM Group's business, financial condition and results of operations. The MM Group cannot provide assurance of effective mitigation to such risk.

The MM Group is subject to various laws and regulations, and any violations of applicable laws or regulations or changes to such laws and regulations could adversely affect the MM Group's business and the MM Group's results of operations.

The MM Group's 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 MM Group endeavours to comply with applicable laws and regulations. The primary regulations applicable to the MM Group's operations include standards regulating: the suitability of the store site, promotional activities, construction, business permits, fire safety and sanitation. See "*Regulatory and Environmental Matters*."

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 store 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 store. There can be no assurance that the MM Group will be able to obtain the relevant governmental approvals for the MM Group's stores or that when given, such approvals will not be revoked. There can also be no assurance that the MM Group will continue to pass ongoing consumer safety and quality inspections in all of the MM Group's store locations.

New laws, rules or regulations, or revisions to existing laws, rules or regulations, could impose additional restrictions and requirements on the MM Group's business and operations and could result in additional compliance costs, capital expenditures or other costs. As a result, the MM Group could experience disruptions to the MM Group's operations and be unable to execute the MM Group's business strategy, and the MM Group's results of operations could be adversely affected. In addition, the MM Group's ability to comply with applicable laws and regulations can be affected by a variety of factors, including the effectiveness of the MM Group's compliance and risk management policies, the ability of the MM Group's management to adequately monitor the MM Group's operations and intentional or unintentional misconduct or errors of the MM Group's officers, employees, affiliates or other parties with whom the MM Group does business. If the MM Group fails to comply with applicable laws and regulations, the MM Group may be subject to investigations, fines, penalties, sanctions and private litigation, and the MM Group could lose regulatory permissions or licenses necessary for the MM Group's business or experience harm to the MM Group's reputation. The MM Group cannot provide assurance of effective mitigation to such systemic risk.

The MM Group may fail to fulfil the terms and conditions of licenses, permits and other authorizations, or fail to renew them on expiration.

The MM Group is required to maintain licenses, permits and other authorizations, including those relating to certain construction activities for new and existing stores, 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. The MM Group's licenses, permits and other authorizations contain various requirements that must be complied with to keep such licenses, permits and other authorizations valid. If the MM Group fails to meet the terms and conditions of any of the MM Group's licenses, permits or other authorizations necessary for the MM Group's operations, these may be suspended or terminated, leading to temporary or potentially permanent closing of stores, suspension of construction activities or other adverse consequences. In addition, the MM Group 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.

Permits and approvals are regularly monitored by the MM Group to ensure that all are properly renewed and maintained. See "*Regulatory Compliance*". Nevertheless, there can be no assurance that the MM Group will continue to be able to renew the necessary licenses, permits and other authorizations for the MM Group's stores as necessary or that such licenses, permits and other authorizations will not be revoked. If the MM Group is unable to obtain or renew them or are only able to do so on unfavorable terms, this could have an adverse effect on the MM Group's business, financial condition and results of operations.

Continued compliance with, and any changes in, environmental laws and regulations may adversely affect the MM Group's results of operations and financial condition.

The MM Group is subject to various laws relating to environmental matters. Such laws provide that the MM Group could be 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 the MM Group's operations on such sites and could potentially also result in claims against the owner by the claimants.

In addition, the MM Group cannot predict what environmental legislation or regulations will be amended or enacted 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 the MM Group's business could have an adverse effect on the MM Group's business, financial condition and results of operations. See "*Regulatory and Environmental Matters*." Nonetheless, the MM Group endeavours to comply with applicable laws and regulations.

The MM Group is party to a number of related party transactions.

Certain companies controlled by III enter into significant commercial transactions with the MM Group. As of December 31, 2019, due to related parties under current liability in MM Group's financial statements amounted to ₱49.8 million (which only accounts to 5.4% of total assets). The MM Group enters into a number of transactions with related parties, which primarily consist of lease agreements. Generally, 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, and must be approved by the Board of Directors. The MM Group's related party transactions are described in greater detail under "*Related Party Transactions*" and the notes to the MM Group's financial statements appearing elsewhere in this Prospectus. The MM Group's 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. See "*—The MM Group lease its store premises and the MM Group may not be able to continue to renew these leases or to enter into new leases in favorable locations on acceptable terms and conditions*."

Such interdependence may mean that any material adverse changes in the operations or financial condition of the companies which are controlled by or under common control of the III could adversely affect the MM Group's results of operations. While MM's affiliation with DD and CityMall Commercial Centers, Inc. **("City Mall")** may bring positive synergies, its growth strategy is not fully reliant on the said affiliation, as the vast majority of its network expansion will be outside the properties of the said affiliates. See "*Related Party Transactions*." DD and MM are not directly connected but the two companies share the same major shareholder, III, which is majority-owned by Edgar Sia II.

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. In 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 ("**BEPS**"). The Transfer Pricing Regulations are applicable to cross-border and domestic transactions between related parties and associated enterprises. The BIR 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 the MM Group believes that it enters 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 the financial condition or results of operations.

The MM Group can provide no assurance that the MM Group's level of related party transactions will not have an adverse effect on its business or results of operations.

The MM Group is controlled by the Sia Group and the MM Group's interests may differ significantly from the interests of other shareholders.

The MM Group is controlled by the Sia Group and members of the Sia Family serve as directors and officers of the Sia Group and MM. The MM Group expects that it will continue to enter into transactions with companies directly or indirectly controlled by or associated with the Sia Group. To ensure a high standard of best practice for MM and its stockholders, it is the policy of MM that the Board shall conduct themselves with honesty, integrity and fairness in performance of their duties and their dealings that would ensure the honesty of any related-party transactions between and among the company, its subsidiaries and affiliates, stockholders, officers and directors, and of interlocking director relationship by members of the Board. See "*Related Party Transactions*". These transactions may involve potential conflicts of interest which could be detrimental to the MM Group or the MM Group's shareholders. There is nothing to prevent other companies that are controlled by the Sia Group from engaging in activities that compete directly with the MM Group's retail businesses or activities, which could have a negative impact on the MM Group's business. The interests of the Sia Group as the MM Group's controlling shareholders may differ significantly from or compete with the MM Group's interests or the interests of the MM Group's other shareholders, and there can be no assurance that the Sia Group will exercise influence over us in a manner that is in the best interests of the Sia Group's other shareholders. To mitigate this risk, the MM group adheres to its Manual on Corporate Governance and complies with related party policies contained therein. See "*—The MM Group is party to a number of related party transactions*" and "*Board of Directors and Senior Management—Corporate Governance"*.

The MM Group's business and operations are dependent upon key executives.

The MM Group's key executives and members of management have greatly contributed to the MM Group's success with their knowledge, business relationships and expertise, having extensive experience in developing large-scale residential properties, and are very familiar with the preferences of Filipino home buyers as well as contractors and designers who build these homes. For more information on the MM Group's key personnel, see "*Board of Directors and Senior Management.*" If the MM Group is unable to fill any vacant key executive or management positions with qualified candidates, the MM Group's business, operating efficiency and financial performance may be adversely affected.

To mitigate this risk, the Company maintains a competent and dynamic team of professional executives and managers engaged in the management of the business. See *"Board of Directors and Senior Management*".

Due to the extended enhanced community quarantine in the National Capital Region and other areas in the Philippines, there may be about two to three months' delay in the targeted opening of new stores within the time frames the MM Group initially intended.

On 16 March 2020, following the steady rise of 2019 novel coronavirus ("**COVID-19**") cases in the country, President Duterte issued Proclamation No. 929, imposing an enhanced community quarantine throughout Luzon beginning at 12 midnight on 16 March 2020 until 12 April 2020. The enhanced community quarantine was extended to 30 April 2020, and then further extended to 15 May 2020 in the areas covering the National Capital Region, Central Luzon (except Aurora Province), CALABARZON, Benguet Province, Pangasinan Province, Iloilo Province, Cebu Province, Bacolod City, and Davao City. Starting 16 May 2020, the areas of Metro Manila, Laguna and Cebu City will be transitioning into modified community quarantine. Under modified community quarantine, construction of private projects can resume, conditioned on the strict adherence to Department of Public Works and Highways ("**DPWH**") Department Order No. 35, which provides for certain safety measures prior to and during deployment in construction sites.

As the imposition of enhanced community quarantine affects some of the areas in which the MM Group's new stores are slated to open during the second and third quarters of 2020, the MM Group may experience some delays of between two to three months in the targeted opening of these new stores, and there is no assurance that these new stores will be able to open within the time frames the MM Group initially targeted. However, the imposition of enhanced community quarantine during the past two months is not expected to affect the target opening date of the MM Group's 100th branch, which is slated to open by the fourth quarter of 2021. The MM Group hopes for continued or greater access to superior locations for the MerryMart branch network; likewise, it also expects to be able to attract a larger pool of talent to join its team after the enhanced and modified enhanced community quarantine is ended. MM will continue to adjust and comply in the event that the government extends or modifies the current quarantine measures in place, at all times implementing the recommended safety measures in its operations.

RISKS RELATING TO THE PHILIPPINES

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 the MM Group's 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 MM.

In addition, MM Group may be affected by political and social developments in the Philippines and changes in the political leadership and/or government policies in the Philippines. Such political or regulatory changes may include (but are not limited to) the introduction of new laws and regulations that could impact MM Group's business.

There can be no assurance that the administration of President Rodrigo R. Duterte 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. The President's unorthodox and radical methods may also raise risks of social and political unrest. Any potential instability could have an adverse effect on the Philippine economy, which may impact the MM Group's business, prospects, financial condition and results of operations, and the MM Group cannot provide assurance of effective mitigation to such political instability.

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

The MM Group derives its operating income and operating profits from the Philippines and, as such, the MM Group are highly dependent on the state of the Philippine economy. 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;
- foreign exchange rate fluctuations;
- foreign exchange controls;
- inflation or increase in interest rates;
- levels of employment, consumer confidence and income;
- Philippine government budget deficits;

- the emergence of infectious diseases in the Philippines or in other countries in Southeast Asia, such as Corona Virus;
- natural disasters, including but not limited to tsunamis, typhoons, 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 future deterioration in economic conditions in the Philippines due to these or other factors could materially and adversely affect the MM Group's customers and contractual counterparties. This, in turn, could materially and adversely affect the MM Group's financial position and results of operations. Therefore, changes in the conditions of the Philippine economy could materially and adversely affect the MM Group's business, financial condition or results of operations. The MM Group cannot provide assurance of effective mitigation to such systemic risks.

Natural or other catastrophes, including severe weather conditions, may materially disrupt the MM Group's operations and financial condition.

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, droughts, volcanic eruptions and earthquakes. Recently, the Philippine Institute of Volcanology and Seismology ("**Philvocs**") raised alert levels over Taal volcano to level 4, indicating that a hazardous explosive eruption is possible within hours to days. Philvocs subsequently lowered alert levels to level 3, indicating decreased tendency towards hazardous explosive eruption. On February 14, 2020, Philvocs further lowered alert levels to level 2. There can be no assurance that the occurrence of such natural catastrophes will not materially disrupt the MM Group's operations, and consequently, may adversely affect the MM Group's business, financial condition and results of operations.

Further, while the MM Group does obtain comprehensive general liability insurance for its stores, the MM Group does not carry any insurance for certain catastrophic events, and there are certain losses for which the MM Group cannot obtain insurance at a reasonable cost or at all. The MM Group also does not carry any business interruption insurance. Any material uninsured loss could materially and adversely affect the MM Group's business, financial condition and results of operations, as such the MM Group cannot provide assurance of effective mitigation to such risk.

Credit ratings of the Philippines and Philippine companies could materially and adversely affect the MM Group and the market or price of the Shares.

The sovereign credit ratings of the Philippines directly affect companies residing and domiciled in the Philippines as international credit rating agencies issue credit ratings by reference to that of the sovereign. In 2013, the Philippines earned investment grade status from all three major credit ratings agencies — Fitch (BBB-), Standard and Poor's ("S&P") (BBB-) and Moody's (Baa3). In 2014, S&P and Moody's upgraded their ratings to "BBB" and "Baa2" in May and December, respectively, with both agencies affirming these ratings in 2015. In December 2017, Fitch upgraded the country's rating to BBB, with a stable outlook, on strong economic conditions and planned tax reform, while S&P raised its outlook to Positive from Stable last April 2018. All ratings are a notch above investment grade and the highest that the country has received so far from any credit ratings agency.

International credit rating agencies issue credit ratings for companies with reference to the country in which they reside. As a result, the sovereign credit ratings of the Philippines directly affect companies that reside in the Philippines, such as MM.

With investment grade status from three credit rating agencies, the Philippines is now eligible to be part of investment grade indices. These ratings reflect an assessment of the Government's overall financial capacity to pay its obligations and its ability or willingness to meet its financial commitments as they become due. The ratings of the Government directly affect companies residing in the Philippines, as international credit rating agencies issue credit ratings by reference to that of the sovereign.

No assurance can be given that international credit rating organisations will not downgrade the credit ratings of the Philippines or Philippine companies. As such, the MM Group cannot provide assurance of effective mitigation to such systemic risks. Any such downgrade could have an adverse impact on liquidity in the Philippine financial markets, the ability of the Government and Philippine companies, including the MM Group, to raise additional financing and the interest rates and other commercial terms at which such additional financing is available and could have a material adverse effect on MM.

Acts of terrorism could destabilize the country and could have a material adverse effect on the MM Group's 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. For example, in January 2019, bombs were detonated in the Jolo Cathedral in the Municipality of Jolo, Sulu and a Mosque in Zamboanga City, Zamboanga del Sur. In May 2017, a clash erupted in Marawi, Lanao del Sur between government security forces and the ISIS-affiliated Maute group, following the government's offensive to capture alleged ISIS leader in Southeast Asia, Isnilon Hapilon, who was believed to be in the city. President Duterte immediately declared Martial Law in Mindanao amid protests from the opposition and sectors of civil society. In a special joint session convened on July 22, 2017, both Houses of Congress voted to extend Martial Law until the end of 2017. On October 17, 2017, President Duterte declared the liberation of Marawi City. The clashes resulted in the loss of lives of civilians, soldiers and ISIS-inspired extremists, as well as damage to property and livelihood of Marawi residents and the reconstruction of the city is on-going. On December 13, 2017, both Houses of Congress again granted President Duterte's request to extend Martial Law in Mindanao until December 31, 2018. For the third time on December 17, 2018, Martial Law was extended by both Houses of Congress until December 31, 2019. In December 2019, however, President Duterte announced that he had decided not to extend Martial Law in Mindanao any further.

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 the MM Group's business and materially and adversely affect the MM Group's 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 the MM Group's business, financial condition, and results of operations. Consequently, the MM Group cannot provide assurance of effective mitigation to such systemic risk.

Public health epidemics or outbreaks of diseases could have an adverse effect on economic activity in the Philippines, and could materially and adversely affect the MM Group's business, financial condition and results of operations.

In December 2019, an outbreak of COVID-19, occurred in China and spread to other countries, including the Philippines. On 10 March 2020, the World Health Organization characterized COVID-19 as a pandemic. As of 14 May 2020, the Philippines has reported 11,876 cases of COVID-19, with 790 confirmed deaths. On 16 March 2020, following the steady rise of COVID-19 cases in the country, President Duterte issued Proclamation No. 929, declaring a state of calamity throughout the Philippines due to COVID-19 for a period of six months, unless earlier lifted or further extended. In the same Proclamation, President Duterte imposed an enhanced community quarantine throughout Luzon beginning at 12 midnight on 16 March 2020 until 12 April 2020. The enhanced community quarantine was extended to 30 April 2020, and furthermore to 15 May 2020 in the areas covering the National Capital Region, Central Luzon (except Aurora Province), CALABARZON, Benguet Province, Pangasinan Province, Iloilo Province, Cebu Province, Bacolod City, and Davao City. Starting 16 May 2020, the areas of Metro Manila, Laguna and Cebu City will be transitioned into modified community quarantine. Furthermore, starting 16 May 2020, certain categories of industries will be authorized to begin operations, depending on whether they are located in areas that are under enhanced community quarantine, modified enhanced community quarantine, or general community quarantine. Notably, however, private establishments providing basic necessities such as supermarkets, groceries, convenience stores, pharmacies and drugstores, food preparation and delivery services, water-refilling stations, and manufacturing and processing plants of basic food products, have been allowed to remain open throughout the enhanced community quarantine period, and even in its strictest iteration. The MM Group has, therefore, continued to operate throughout the quarantine period, with social distancing and other safety measures imposed in all operating stores. MM will continue to comply with all regulations and measures imposed by the Philippine government to contain the spread of COVID-19.

In response to the recent outbreak of COVID-19, the Philippines has also imposed travel bans on several affected countries, which may have an adverse impact its third-party suppliers' ability to deliver. The MM Group, however, is not dependent on a one or a limited number of suppliers. See "*Business—Business Operations—Suppliers*". Further, Congress passed Republic Act No. 11469, the Bayanihan to Heal as One Act (the "Bayanihan Act") into law, which confers emergency powers on the President of the Philippines. Such powers include the authority to adopt measures to "ensure the availability of essential goods, in particular food and medicine." No assurance can be given that such measures will not involve the MM Group, or that any such measures involving it will not materially and adversely affect its business, financial condition and results of operations.

On 19 September 2019, the Department of Health declared a polio epidemic after a case of the disease was recorded in Lanao del Sur. Low vaccination coverage, poor early surveillance of polio symptoms, and substandard sanitation practices are seen as the culprits in this re-emergence.

On 6 August 2019, the Department of Health declared a national dengue epidemic in the wake of the 146,062 cases recorded since January up to 20 July 2019 – a number 98% higher than the same period in 2018. There were 662 deaths. Furthermore, seven out of the 17 regions of the Philippines have exceeded the epidemic threshold of dengue in their regions for the past three consecutive weeks. The Department of Health also saw a slight increase in diphtheria in 2019, recording a total of 167 cases and 40 deaths from January to September 2019. This is slightly higher than figures from the same period in 2018, with 122 cases and 30 deaths.

The outbreak of a virus or any public health epidemic in the Philippines could have an adverse effect on the Philippine economy, and could materially and adversely affect the MM Group's business, financial condition and results of operations. However, as has been mentioned in relation to the COVID-19 pandemic, the Philippine government has allowed supermarkets and pharmacies to continue operations, despite the temporarily closure of other businesses and offices in other industries. Furthermore, although an outbreak or epidemic could adversely affect demand for discretionary products, the MM Group sells a diverse range of goods from grocery, personal care, to pharmacy essentials. As such, any decrease in demand for non-essential products could be offset by increased demand for non-discretionary products and consumer staples, such as groceries and pharmaceuticals. See "*Management's Discussion and Analysis of Financial Condition and Results of Operation—Overview"* and *"Business—Strengths and Strategies*".

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

The Philippines, China and several Southeast Asian nations have been engaged in a series of longstanding territorial disputes over certain islands in the West Philippine Sea, also known as the South China Sea. The Philippines maintains that its claim over the disputed territories is supported by recognized principles of international law consistent with the United Nations Convention on the Law of the Sea ("**UNCLOS**"). Despite efforts to reach a compromise, a dispute arose between the Philippines and China over a group of small islands and reefs known as the Scarborough Shoal. Actions taken by both sides have threatened to disrupt trade and other ties between the two countries, including a temporary ban by China on Philippine banana imports, a temporary suspension of tours to the Philippines by Chinese travel agencies and the rejection by China of the Philippines' request for arbitral proceedings administered in accordance with the UNCLOS to resolve the disputes.

In 2016, the Permanent Court of Arbitration ruled in favor of the Philippines and against China in relation to the ongoing disputes over islands in the West Philippine Sea. Despite this, China has categorically stated that it will not recognize said ruling. Without a formal enforcement mechanism, the territorial dispute remains unresolved and has resulted in some tension between Filipino and Chinese nationals at sea. On June 9, 2019, a fishing boat manned by Filipino fishermen was rammed by a Chinese vessel at Recto Bank, an underwater feature being claimed by both the Philippines and China in the portion of the South China Sea portion that Manila calls the West Philippine Sea. The Filipino fishermen were abandoned in open sea and were eventually rescued by a Vietnamese vessel. This incident increased tensions between China and the Philippines. The owners of the Chinese vessel have since apologized to the Filipino fishermen and remuneration is being arranged for the fishermen.

There had been other occurrences of territorial disputes with Malaysia and Taiwan. In March 2013, several hundred armed Filipino-Muslims illegally entered Malaysia in a bid to enforce an alleged historical claim on the territory. Clashes between the Filipino-Muslim individuals and the Malaysian armed forces resulted in casualties on both sides. Taiwan imposed economic sanctions on the Philippines as a result of an incident in May 2013, whereby a Taiwanese fisherman was unintentionally killed by a Philippine coast guard ship that opened fire on his vessel in a disputed exclusive economic zone between Taiwan and the Philippines. The sanctions were eventually lifted after a formal apology was issued by the Philippine government.

Should territorial disputes between the Philippines and other countries in the region continue or escalate further, the Philippines and its economy may be disrupted, and our operations could be adversely affected as a result. The MM Group cannot provide assurance of effective mitigation to such systemic risk.

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.

III beneficially owned, directly and indirectly, 100% of the Shares as of 2019 and, following the Offer, will beneficially own at least 79% of the outstanding Shares on a fully diluted basis. As there has been no prior trading in the Shares, 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 MM Group cannot provide assurance of effective mitigation to such risk.

The Offer Price has been 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 the MM Group's 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. An individual security may experience upward or downward movements, and may even lose all its value. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. There is an extra risk of losing money when securities are bought from companies with relatively low capitalization. There may be a substantial difference between the buying price and the selling price of such securities. These fluctuations may be exaggerated if the trading volume of the Company's Offer Shares is low.

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 the MM Group's 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, which is expected to be on or about June 5, 2020, or such other date that may be agreed by MM and the Underwriter, on the Retail Settlement Date, which is expected to be on or about June 5, 2020, or such other date that may be agreed by MM and the Underwriter, and on the Institutional Offer Settlement Date, which is expected to be on or about June 9, 2020, or such other date that may be agreed by MM and the Underwriter. There can be no guarantee that listing will occur on the anticipated Listing Date or at all. Notice of any adjustment to the Listing Date shall be made by publication by MM in two newspapers of general circulation, provided that any adjustment to the Listing Date shall be subject to the approval of the PSE. Further, there can be no assurance that during the Offer Period through the Listing Date, there will be no developments in relation to COVID-19 and the response of the PSE, SEC, or any other relevant government authority or private parties that may adversely affect the ability of MM, the Underwriters, Selling Agents, or any of the parties relevant to the Offer and/or the Listing (including but not limited to the clearing of funds, lodgement of the Shares or the trading of securities) to perform their functions contemplated by the Offer during the time indicated in this Prospectus, as expected by MM. 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 and there is no assurance of any effective mitigants to such risk. 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 the MM Group's 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 The MM Group's ability to raise capital in the future at a time and at a price the MM Group deems appropriate.

Under the PSE Consolidated Listing and Disclosure Rules, MM, as an applicant company under the SME Board, must cause all its existing shareholders to refrain from selling, assigning, encumbering, or in any manner disposing of their Shares for a period of one year after the listing of such Shares. In addition, if there is any issuance 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 six months 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 Shares subscribed or acquired shall be subject to a lock-up period of at least one year from the listing of the aforesaid Shares. Given these rules, 6,000,000,000 common shares held by MM's existing shareholders are subject to a One-Year Lock-up Period. 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 the MM Group's ability to issue Shares or the ability of any of the MM Group's shareholders to dispose of, encumber or pledge, their Shares, and there can be no assurance that the MM Group 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 net tangible 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 the MM Group's 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 54 of this Prospectus.

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

The MM Group's corporate affairs are governed by the MM Group's 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 the MM Group's 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 MM'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 the MM Group will be able to pay dividends or maintain any given level of dividends.

If the MM Group does not generate sufficient net operating profit, the MM Group's income and resulting ability to pay dividends will be adversely affected. Dividends shall be declared and paid out of the MM Group's unrestricted retained earnings, which shall be payable in cash, property or stock to all shareholders on the basis of outstanding stock held by them. On January 23, 2020, the MM Group's Board of Directors approved and adopted an annual dividend payment ratio of up to 30% of the MM Group's net income after tax for the preceding fiscal year, payable in cash, property or shares, subject to the requirements of applicable laws and regulations, and circumstances which restrict the payment of dividends.

The Board may, at any time, modify such dividend pay-out ratio taking into consideration various factors including: the level of the MM Group's cash earnings, return on equity and retained earnings; the MM Group's results for, and The MM Group's financial condition at the end of, the year in respect of which the dividend is to be paid and its expected financial performance; the projected levels of capital expenditure and other investment plans; restrictions of payment of dividends that may be imposed on us by any of the MM Group's financing arrangements and current and prospective debt service requirements; and such other factors as the Board deems appropriate. See "*Dividends and Dividend Policy*" beginning on page 50 of this Prospectus.

No assurance can be given as to the MM Group's ability to make or maintain dividends. Nor is there any assurance that the level of dividends will increase over time, or that the MM Group will generate adequate income available for dividends to shareholders.

The Shares may be subject to Philippine foreign ownership limitations.

For purposes of determining compliance with Philippine foreign ownership limitations, SEC Memorandum Circular No. 8, Series of 2013 (*SEC 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.

Under the Retail Trade Liberalization Act, a corporation engaged in retail must be wholly owned by Philippine nationals if its paid-up capital is less than the Philippine Peso equivalent of US$2,500,000.00. However, the Retail Trade Liberalization Act, permits such corporations to be 100% foreign-owned, provided that its minimum paid-up capital amounts to at least US$7,5000,000.00 and the investments establishing its stores amount to at least US$830,000.00. If foreign nationals acquire shares in MM, MM must ensure compliance with the conditions imposed by the Retail Trade Liberalization Act. See "*Regulatory and Environmental Matters*" on page 125. MM's paid-in capital amounts to ₱300,000,000.00. As of the date of this Prospectus, MM is compliant with all conditions imposed by the Retail Trade Liberalization Act for foreign shareholder ownership.

Future changes in the value of the Peso against the U.S. dollar and other currencies will affect the foreign currency equivalent of the value of the Shares and any dividends.

Fluctuations in the exchange rate between the Philippine Peso and other currencies will affect the foreign currency equivalent of the Philippine Peso price of the Shares on the PSE. Such fluctuations will also affect the amount in foreign currency received upon conversion of cash dividends or other distributions paid in Philippine Pesos by us on, and the Philippine Peso proceeds received from any sales of, the Shares. The MM Group cannot provide assurance of effective mitigation to such risk.

RISKS RELATING TO CERTAIN INFORMATION IN THE PROSPECTUS

Certain information contained herein is derived from unofficial publications.

Certain information in this Prospectus relating to the Philippines, the retail industry and market, including statistics relating to market size, is derived from various Government and private publications. This Prospectus also contains industry information which was prepared from available public sources and independent market research conducted by Euromonitor to provide an overview of the segments of the retail industry in which MM operates. We have obtained the consent of Euromonitor but cannot guarantee that the information is accurate. The information contained in that section may not be consistent with other information regarding the Philippine grocery retail segment, the beauty products segment, and the pharmaceutical products segment. Similarly, industry forecasts and other market research data, including those contained or extracted herein, have not been independently verified by us nor the Underwriter, nor any of the MM Group's respective affiliates or advisors, and may not be accurate, complete, up to date or consistent with other information compiled within or outside the Philippines. Prospective investors are cautioned accordingly.

USE OF PROCEEDS

MM's total proceeds from the sale of the Offer Shares will be ₱1,594.9 million. It is estimated that the net proceeds from the sale of the Offer Shares will be approximately ₱1,471.8 million after deducting the applicable underwriting fees, costs and expenses for the Offer payable by the Issuer.

Details on the proposed use of proceeds from the sale of the Offer Shares, based on the Offer Price of ₱1.00 per Offer Share, are as follows:

Use of Proceeds		Estimated Amounts	Estimated Timing of Disbursement
		₱ millions	
Capital expenditures and initial working capital for store network expansion ……………………………..……	₱	1,030.8	2nd quarter of 2020 to 4th quarter of 2021
Investments in distribution centers ..……………………	₱	220.9	2nd quarter of 2020 to 4th quarter of 2021
General corporate purposes………………….………....	₱	220.1	2nd quarter of 2020 to 4th quarter of 2020
Estimated Net Proceeds.......................................	**₱**	**1,471.8**	

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

1. Capital expenditures and initial working capital for store network expansion;
2. Investments in distribution centers; and
3. General corporate purposes.

The proceeds from the sale of the Offer Shares will be fully utilized for the above-listed purposes which are focused on growing the business and will not be used to pay down debt.

CAPITAL EXPENDITURES AND INITIAL WORKING CAPITAL FOR STORE NETWORK EXPANSION

Approximately 70% of the net proceeds from the sale of Offer Shares will be used to fund the capital expenditures and initial working capital for the MM Group's store network expansion plan. Expenses for store establishment include building fit-out (including equipment, electrical, mechanical, plumbing and cable works), expenses for furniture and fixtures (including purchases of display fixtures/gondolas/racks, shelves and cabinets for storing inventory), acquisition of existing stores, obtaining necessary permits and licenses, and professional advisory and labor fees. Initial working capital includes expenses in connection with initial inventory and pre-operating expenses.

As part of the MM Group's store network expansion, the MM Group intends to open 6 additional stores by the second quarter of 2020 and 6 more branches by the third quarter of 2020. By the fourth quarter of 2021, it aims to have already opened its 100th branch. MM's plans and strategy are as of the date of this Prospectus and are subject to various factors, including market conditions, the general state of the Philippine economy and our operating performance. See "*Business—Business Operations—Our Stores—Store Network Expansion Plan*."

Of the 100 stores expected to be opened by 2021, approximately 25 stores will be funded from the net proceeds of the Offer. The 25 stores are expected to include 10 MerryMart Groceries, 1 MerryMart Market and 14 MerryMart Stores. Out of the ₱1,030.8 million of the net proceeds intended for store network expansion, ₱924.7 million will be allotted for capital expenditures (i.e., building fit-out and equipment, furniture and fixtures, acquisition of existing stores) and ₱106.1 million will be allotted for initial working capital. The remainder of the stores expected to be opened by 2021 and onwards are expected to be funded by internally generated cashflow from operations and from the respective franchisees.

The cost to build a full size MerryMart Grocery is approximately ₱80.0 million on average depending on the size of the store. The cost to build a medium format MerryMart Market is approximately ₱36.0 million on average depending on the size of the store. The cost to build a small format MerryMart Store is approximately ₱12 million on average depending on the size of the store.

These budgetary estimates include building fit-out and equipment, furniture and fixtures but does not include initial inventory of the store. Initial inventory of the store will depend on the available racking space and product mix that would have slight variations depending on the location.

The MM Group does not intend to acquire land for its store network expansion. The MM Group intends for all of the stores to be leased in line with its asset-light business model which is standard in the retail industry.

INVESTMENTS IN DISTRIBUTION CENTERS

Approximately 15% of the net proceeds from the sale of the Offer Shares will be used to fund the capital expenditures necessary for the MM Group's investments in its distribution centers. Expenses for said distribution centers will include capital expenditures (i.e., building improvements, logistics and transportation equipment, computer systems hardware/software, equipment, furniture and fixtures, and acquisition of assets related to distribution), obtaining necessary permits and licenses, professional advisory and labor fees and initial inventory for distribution.

The MM Group intends to set up at least three distribution centers within the next 12 months – one in Luzon, one in Visayas, and one in Mindanao. The distribution centers will be funded from the net proceeds of the Offer. ₱220.9 million of the net proceeds intended for distribution centers will be allotted for capital expenditures (i.e., building improvements, logistics and transportation equipment, computer systems hardware/software, equipment, furniture and fixtures, and acquisition of assets related to distribution), obtaining necessary permits and licenses, professional advisory and labor fees and initial inventory for distribution.

The ideal size of a distribution center is 10,000 square meters and the building improvements, logistics and transportation equipment, furniture and fixtures is estimated to cost ₱60.0 million. This excludes the cost of computer systems hardware/software, obtaining necessary permits and licenses, professional advisory and initial inventory for distribution.

GENERAL CORPORATE PURPOSES

The MM Group intends to use the remainder of the proceeds of ₱220.1 million or 15% of the net proceeds from the sale of the Offer Shares for general corporate purposes.

If the expected gross proceeds are not realized, the MM Group will use its internally generated funds from operations and existing cash flows, existing credit lines and/or other potential borrowings to finance the expected use. As of the date of this Prospectus, the MM Group has ₱1,250.0 million in approved credit line facilities from two commercial banks. Of this amount ₱1,150.0 million remains unutilized to date. The MM Group may utilize these credit lines to fund any gaps in the event the total expected proceeds from the Offer are not achieved.

The proposed use of proceeds described above represents best estimates of the use of net proceeds of the Offer Shares based on MM's 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 to reimburse any officer, director, employee or shareholder of MM for services rendered, assets previously transferred, money loaned or advanced, or otherwise. 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, and/or repay existing debt.

In the event of any deviation, adjustment, or reallocation in the planned use of proceeds, MM shall inform the 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 MM's board of directors and disclosed to the PSE. In addition, MM shall submit via the PSE's Electronic Disclosure Generation Technology ("**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 Offer 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 MM'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 MM's Chief Financial Officer or Treasurer and external auditor; and

(4) approval by MM's board of directors of any reallocation on the planned use of proceeds. The actual disbursement or implementation of such reallocation must be disclosed by MM 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.

EXPENSES

Based on an Offer Price of ₱1.00 per Offer Share, MM estimates that the total gross proceeds from the offer of the Offer Shares, total expenses for the offer of the Offer Shares will be:

	Estimated Amounts (₱ millions)
Estimated Total proceeds from the Offer	₱ 1,594.9
Estimated Expenses:	₱ -
Underwriting and selling fees for the Offer (including fees to be paid to the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner)........	₱ 30.4
Fees to be paid to the PSE Trading Participants	₱ 3.2
IPO Tax	₱ 63.8
Documentary Stamp Taxes	₱ 0.6
SEC registration, research and listing fees........	₱ 1.0
PSE listing fee	₱ 8.5
Estimated professional fees (including legal, accounting and financial advisory fees).....	₱ 10.7
Estimated other expenses	₱ 4.9
Total estimated expenses from the Offer	₱ 123.1
Estimated net proceeds from the Offer........	₱ 1,471.8

The actual underwriting and selling fees and other Offer-related expenses may vary from the estimated amounts indicated above. The estimated amounts used to determine the estimated net proceeds are presented in this Prospectus for convenience only.

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 of dividends 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 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

MM's current dividend policy provides that up to 30% of the preceding fiscal year's net income after tax can be declared as dividends, subject to (i) the availability of unrestricted retained earnings, (ii) implementation of business plans, (iii) contractual obligations, and (iv) working capital requirements. There can be no guarantee that MM will pay any dividends in the future. The declaration and payment of dividends is subject to compliance annually or as often as the Board of Directors may deem appropriate, in cash or in kind and/or in additional shares from its surplus profits. The ability of MM to pay dividends will depend on its retained earnings level and financial condition. There is no assurance that MM will pay dividends in the future.

MM's subsidiary, MMGC intends to approve a dividend policy that would entitle MM to receive dividends equivalent to 30% to 100% of the prior year's net income after tax subject to (i) the availability of unrestricted retained earnings, (ii) implementation of business plans, (iii) contractual obligations, and (iv) working capital requirements. While cash dividends from MMGC are subject to approval MMGC's Board of Directors, no stockholder approval is required. Property dividends which may come in the form of additional shares of stock are subject to approval by both MMGC's Board of Directors and stockholders. In addition, the payment of stock dividends is likewise subject to the approval of the SEC and the PSE. MMGC has not declared dividends in the past.

HISTORY OF DIVIDEND PAYMENT

On February 18, 2020, MM's Board of Directors declared a cash dividend in the total amount of ₱8.4 Million payable to stockholders of record as of February 21, 2020. The amount of cash dividend paid was equivalent to 30% of the MM Group's Consolidated Net Income which was ₱28.0 Million for the year ended December 31, 2019. The cash dividend was paid on February 26, 2020. Neither MM nor any of its subsidiaries have declared dividends in prior years.

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

On January 23, 2020, after approval by the SEC of the increase in MM's authorized capital stock from ₱5,000,000.00 divided into 50,000 common shares with a par value of ₱100.00 per common share to ₱1,200,000,000.00 divided into 24,000,000,000 common shares with a par value of ₱0.05 per common share, MM issued 5,975,000,000 common shares to III at par value equivalent to ₱298.75 million. The payment for such shares were made through conversion of deposits for future subscription to equity.[3] These 5,975,000,000 shares are subject to the One-Year Lock-Up Period and pursuant to the PSE's rules none of the MM Shares issued to III from the increase in authorized capital stock can be traded or sold within the lock-up period. See *Principal Shareholders—PSE Lock-Up Requirement.*

[3] A pro-forma presentation of the increase in authorized capital and conversion of deposits for future subscription to equity and its effect on the MM Group's selected financial information as of and for the year ended December 31, 2019 is shown in *"Management's Discussion and Analysis of Financial Condition and Results of Operation – Statement of Financial Position – Equity"* on page 72 of this Prospectus and in the following section *"Effects of the Increase in Authorized Capital Stock and Conversion of Deposits for Future Subscription to Equity to the Consolidated Financial Statements of the MM Group"*.

DETERMINATION OF THE OFFER PRICE

The Offer Price has been set at ₱1.00 per Offer Share. The Offer Price was determined through a book-building process and discussion between MM and the Underwriter. 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 were, among others, MM's after-tax earnings, its ability to generate earnings and cash flows, price to earnings multiple, its 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. Other factors considered were the historical revenues generated by the MM Group and the projected revenues to be generated based on its rollout plans. Price to sales ratios both historical and projected were assessed side-by-side with comparable companies in the retail segment both high growth and those in their mature stages. The Offer Price may not have any correlation to the actual book value of the Offer Shares.

CAPITALIZATION

As of December 31, 2019, MM's authorized capital stock was ₱5,000,000.00 divided into 50,000 common shares with a par value of ₱100.00 per common share. On January 23, 2020, the SEC approved the increase in the authorized capital stock to ₱1,200,000,000.00 divided into 24,000,000,000 common shares with a par value of ₱0.05 per common share. In relation to such increase, MM issued 5,975,000,000 common shares to III at par value and the payment for such common shares were made through conversion of deposits for future subscription to equity. [4]

The following table sets forth: (i) MM Group's capitalization and indebtedness as of December 31, 2019, (ii) as adjusted to give effect to the increase in authorized capital and conversion of deposits for future subscription to equity, and (iii) as further adjusted to give effect to the issuance of the Offer Shares. This table should be read in conjunction with MM Group's audited financial statements as of December 31, 2019 and notes thereto, included in the Prospectus.

	As of December 31, 2019	As of January 24, 2020, as Adjusted After Giving Effect to the Increase in Authorized Capital and Conversion of Deposits for Future Subscription	As of January 24, 2020 as Further Adjusted After Giving Effect to the Offer
	₱ (*in millions*)	₱ (*in millions*)	₱ (*in millions*)
Total Debt	150.0	150.0	150.0
Equity			
Capital stock	1.3	300.0	379.7
Additional Paid-in Capital	-	-	1,407.7
Retained earnings	107.0	107.0	107.0
Total Equity	108.2	407.0	1,894.5
Total Capitalization	258.2	557.0	2,044.5

[4] A pro-forma presentation of the increase in a uthorized capital and conversion of deposits for future subscription to equity and its effect on the MM Group's selected financial information as of and for the year ended December 31, 2019 is shown in *"Management's Discussion and Analysis of Financial Condition and Results of Operation – Statement of Financial Position – Equity"* on page 72 of this Prospectus and in the following section *"Effects of the Increase in Authorized Capital Stock and Conversion of Deposits for Future Subscription to Equity to the Consolidated Financial Statements of the MM Group"*.

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 MM Group's net tangible book value per Share after the Offer. As of December 31, 2019, MM Group's net tangible book value per Share was ₱7,490.47 based on 12,500 issued common shares with a proforma book value per Share of ₱0.0654 after the increase in authorized capital and conversion of deposits for future subscription to equity on January 23, 2020 which increased the total common shares outstanding to 6,000,000,000 common shares. Net tangible book value per Share represents total assets (less intangible assets) minus total liabilities divided by the total number of Shares outstanding.

After giving effect to the sale of the Offer Shares (at an Offer Price of ₱1.00 per Offer Share), and after deducting estimated discounts, commissions, estimated fees and expenses of the Offer, the net tangible book value per Share would be ₱0.2475 per Offer Share. At the Offer Price of ₱1.00, the Shares will be purchased at a premium of ₱0.7525 to net tangible book value per Share.

The following table illustrates dilution on a per Share basis based on an Offer Price of ₱1.00 per Offer Share:

Offer Price per Offer Share	**₱**	**1.0000**
Pro forma net tangible book value per Share as of December 31, 2019.....	₱	7,490.47
Pro forma net tangible book value per Share after the increase in authorized capital and conversion of deposits for future subscription to equity on January 23, 2020…..	₱	0.0654
Pro forma net tangible book value per Share as adjusted after the Offer ...	₱	0.2475
Dilution to investors in the Offer	₱	0.7525

On November 15, 2019 the stockholders and the BOD approved the increase in MM's authorized capital stock from ₱5,000,000 divided into 50,000 common shares, with a par value of ₱100 per common share to ₱1,200,000,000 divided into 24,000,000,000 common shares, with a par value of ₱0.05 per common share. Of the total increase in the authorized capital stock, 5,975,000,000 shares equivalent to ₱298.75 million was subscribed to and fully paid for by III at par value. The payment for the subscription was received initially by MM as deposit for the III subscription. These 5,975,000,000 MM shares are subject to the One-Year Lock-Up requirement. See *Principal Shareholders—PSE Lock-Up Requirement.* The SEC approved the application for the increase in authorized capital stock on January 23, 2020 after which the said deposit for future subscription was converted into capital stock thereby increasing III's shareholdings in MM from 12,495 common shares with a par value of ₱100 per common share to 5,999,989,995 common shares with a par value of ₱0.05 per common share. The effect of the said conversion decreased MM's noncurrent liabilities and increased MM's equity by ₱298.75 million respectively. A pro-forma presentation of the increase in authorized capital and conversion of deposits for future subscription to equity and its effect on the MM Group's book value per share is shown in *"Management's Discussion and Analysis of Financial Condition and Results of Operation – Statement of Financial Position – Equity"* on page 72 of this Prospectus and in the following section *"Effects of the Increase in Authorized Capital Stock and Conversion of Deposits for Future Subscription to Equity to the Consolidated Financial Statements of the MM Group"*.

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

	Number of Shares	**%**
Existing shareholders	6,000,000,000	79.00%
New investors	1,594,936,709	21.00%
Total...	7,594,936,709	100.00%

See "*Risk Factors — Risks Relating to 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 43 of this Prospectus.

EFFECTS OF THE INCREASE IN AUTHORIZED CAPITAL STOCK AND CONVERSION OF DEPOSITS FOR FUTURE SUBSCRIPTION TO EQUITY TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE MM GROUP

On November 15, 2019, the stockholders and the BOD approved the increase in MM's authorized capital stock from ₱5,000,000 divided into 50,000 common shares, with a par value of ₱100 per common share to ₱1,200,000,000 divided into 24,000,000,000 common shares, with a par value of ₱0.05 per common share. Of the total increase in the authorized capital stock, 5,975,000,000 shares equivalent to ₱298.75 million was subscribed by III at par value. The payment for the subscription was recorded as deposit for future stock subscription as of December 31, 2019. The SEC approved the application for the increase in authorized capital stock on January 23, 2020 after which the said deposit for future subscription was converted into capital stock thereby increasing III's shareholdings in MM from 12,495 shares with a par value of ₱100 per common share to 5,999,989,995 common shares with a par value of ₱0.05 per common share. The effect of the said conversion decreased MM Group's noncurrent liabilities and increased MM Group's equity by ₱298.75 million respectively. The following table sets forth MM Group's selected financial information as of December 31, 2019 and as adjusted to give effect to the increase in authorized capital and conversion of deposits for future subscription to equity. This table should be read in conjunction with MM Group's audited financial statements as of December 31, 2019 and notes thereto, included in the Prospectus.

	As of December 31, 2019	Effects of the Conversion of Deposits for Future Subscription to Equity	As of January 24, 2020 as Adjusted After Giving Effect to the Increase in Authorized Capital and Conversion of Deposits for Future Subscription to Equity
	₱ in thousands		
Total Current Assets	509,938.3		509,938.3
Total Noncurrent Assets	404,696.3		404,696.3
Total Assets	914,634.6		914,634.6
Total Current Liabilities	382,586.6		382,586.6
Total Noncurrent Liabilities	423,804.3	(298,750.0)	125,054.3
Total Liabilities	806,390.9	(298,750.0)	507,640.9
Total Equity	108,243.7	298,750.0	406,993.7
Total Liabilities and Equity	914,634.6	-	914,634.6
Book Value per Share	₱8,659.49		₱0.0678
Number of Shares Issued	12,500		6,000,000,000

The pro-forma presentation of figures above are not yet reflected in the consolidated financial statements of the MM Group for the year ended December 31, 2019 as presented elsewhere in this Prospectus as the SEC approval of the application for the increase in authorized capital stock occurred January 23, 2020.

The following table sets forth MM Group's financial ratios as of December 31, 2019 and as adjusted to give effect to the increase in authorized capital and conversion of deposits for future subscription to equity. This table should be read in conjunction with MM Group's audited financial statements as of December 31, 2019 and notes thereto, included in the Prospectus.

	As of December 31, 2019	As of January 24, 2020 as Adjusted After Giving Effect to the Increase in Authorized Capital and Conversion of Deposits for Future Subscription to Equity

Current Ratio(1)	1.33	1.33
Solvency Ratio(2)1	0.06	0.09
Debt-to-Equity Ratio(3)	1.39	0.37
Asset-to-Equity Ratio(4)	8.45	2.25
Interest Rate Coverage Ratio(5)	25.72	25.72
Earnings per share(6)	2,240.75	0.0047
Return on Revenue(7)	1.11%	1.11%
Long Term Debt-to-Equity Ratio(8)	-	-
EBITDA to Total Interest Paid(9)	35.87	35.87

(1) Current Ratio is computed by dividing the total current assets by total current liabilities.
(2) Solvency Ratio is computed by dividing net income plus depreciation and amortization by total liabilities.
(3) Debt to Equity Ratio is computed by dividing the loans payable by total equity.
(4) Asset to Equity Ratio is computed by dividing the total assets by total equity.
(5) Interest Rate Coverage Ratio is computed by dividing income before income tax plus interest expense by interest paid.
(6) Earnings per share is computed by dividing net income by the total outstanding shares.
(7) Return on Revenue is computed by dividing net income by the total revenue.
(8) Long Term Debt-to-Equity Ratio is computed by dividing long-term debt by total equity.
(9) EBITDA to Total Interest Paid is computed by dividing EBITDA by interest paid.

PRIOR SUBSCRIPTION BY INJAP INVESTMENTS, INC. IN COMMON SHARES OF MM MADE AT A SUBSCRIPTION PRICE OF PAR VALUE

In the interest of full transparency for the information and guidance of every investor considering subscribing to the Offer Shares, MM discloses that on January 23, 2020, III was issued 5,975,000,000 MM shares at ₱0.05 per common share to support the aforementioned increase in the capital stock of the Issuer, necessary for the recapitalization of MM prior to the Offer. <u>The subscription price of III represents a significant difference of ₱0.95 from the Offer Price</u>. III effectively paid a total of ₱298.75 million in cash for this subscription. The MM common shares issued to III are identical in all respects to the Offer Shares, except that the 5,975,000,000 MM shares subscribed to by III cannot be sold, transferred, or encumbered for one year after the listing date as these shares are subject to the One-Year Lock-Up requirement. See "Principal Shareholders—PSE Lock-Up Requirement" on page 145. In contrast, the Offer Shares are immediately tradeable by investors from and after the Listing Date.

The recent subscription by III was preceded by a deposit for future subscription by III in the amount of the subscription price. This cash infusion by III was considered necessary to support the growth of MM's assets/business. The SEC approved the application for the increase in MM's authorized capital stock on January 23, 2020 after which the said deposit for future subscription was converted into capital stock thereby effecting the change in III's shareholdings in MM from 12,495 common shares with a par value of ₱100 per common share to 5,999,989,995 common shares with a par value of ₱0.05 per common share. The effect of the said conversion to MM was substantial. The III subscription decreased MM's noncurrent liabilities and increased MM's equity by ₱298.75 million respectively. For further details of this transaction, please see "Management's Discussion and Analysis of Financial Condition and Results of Operation – Statement of Financial Position Equity" on page 72 of this Prospectus and in the following section, "Effects of the Increase in Authorized Capital Stock and Conversion of Deposits for Future Subscription to Equity to the Consolidated Financial Statements of the MM Group" on page 55.

As a public company from and after Listing Date, MM has formally adopted and explicitly recognizes that MM will be subject to the stringent corporate governance obligations that apply to all PSE listed companies. The election of independent directors are part of such governance obligations and are among the measures that address concerns of minority shareholders as well as other stakeholders. Please see "Corporate Governance — Independent Directors" on page 139 of this Prospectus.

SELECTED FINANCIAL INFORMATION

The following tables present selected financial information and should be read in conjunction with the independent auditors' reports and our 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 selected financial information as of and for the years ended December 31, 2017, 2018 and 2019 were derived from MM Group's audited financial statements, which were prepared in accordance with PFRS and were audited by R.G. Manabat & Co. in accordance with the PSA.

In accordance with the relevant accounting and financial reporting standards, certain information in MM Group's financial statements as of and for the years ended December 31, 2017 has been amended, as discussed further in Note 2 to the financial statements as of and for the years ended December 31, 2017, 2018 and 2019 included elsewhere in this Prospectus.

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

STATEMENTS OF COMPREHENSIVE INCOME

	For the years ended December 31,		
	Audited		
	2017* (Amended)	**2018**	**2019**
	₱	**₱**	**₱**
	in thousands, except per share data		
Revenues			
Sale of goods	1,750,689.7	2,095,408.1	2,482,302.8
Display rental	9,409.1	21,562.8	20,870.6
Other operating income	-	-	12,063.0
	1,760,098.8	**2,116,970.9**	**2,515,236.4**
Cost of Sales	(1,690,409.7)	(2,023,262.7)	(2,370,672.4)
Gross Profit	69,689.1	93,708.2	144,564.0
Operating Expenses (1)	(41,189.9)	(35,781.8)	(98,054.0)
Income from Operations	28,499.2	57,926.4	46,510.0
Interest Expense	-	-	(6,653.8)
Interest Income	48.1	49.6	110.0
Income before Income Tax	28,547.3	57,976.0	39,966.2
Income Tax Expense	(8,549.8)	(17,377.9)	(11,956.9)
Net Income/Total Comprehensive Income	**19,997.5**	**40,598.1**	**28,009.3**
Basic/Diluted Earnings per share attributable to the equity holders of the Parent Company[5]	**1,599.8**	**3,247.9**	**2,240.8**

**MM's Individual Financial Statements*

(1) Excluding the impact of PFRS 16 on Other operating expenses for the year ended December 31, 2019, Other operating expenses would be ₱88.8 million.

[5] A pro-forma presentation of the increase in authorized capital and conversion of deposits for future subscription to equity and its effect on the MM Group's selected financial information as of and for the year ended December 31, 2019 is shown in *"Management's Discussion and Analysis of Financial Condition and Results of Operation – Statement of Financial Position – Equity"* on page 72 of this Prospectus and in the following section *"Effects of the Increase in Authorized Capital Stock and Conversion of Deposits for Future Subscription to Equity to the Consolidated Financial Statements of the MM Group"*.

STATEMENTS OF FINANCIAL POSITION

	As of December 31, Audited		
	2017* (Amended)	2018	2019
	₱	₱	₱
	in thousands		
ASSETS			
Current Assets			
Cash and cash equivalents	19,814.9	20,907.9	270,308.6
Receivables	1,647.8	914.4	9,841.7
Inventories	202,159.3	270,448.9	183,418.8
Prepaid expenses and other current assets	-	3,838.9	46,369.2
Total Current Assets	**223,622.0**	**296,110.1**	**509,938.3**
Noncurrent Assets			
Property and equipment – net	4,967.4	29,011.6	221,794.7
Right-of-Use Assets	-	-	118,264.6
Intangible Assets	-	7,200.0	14,612.8
Deferred tax assets	1,081.1	1,417.2	8,352.0
Other noncurrent assets	-	-	41,672.2
Total Noncurrent Assets	**6,048.5**	**37,628.8**	**404,696.3**
Total Assets	**229,670.5**	**333,738.9**	**914,634.6**
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and other current liabilities	108,737.7	95,187.6	145,041.0
Loans payable	-	-	150,000.0
Due to related parties	72,548.9	134,896.9	49,762.6
Income tax payable	5,144.0	19,164.0	37,783.0
Total Current Liabilities	**186,430.6**	**249,248.5**	**382,586.6**
Noncurrent Liabilities			
Retirement liability	3,603.7	4,256.0	6,196.3
Lease Liability	-	-	117,478.0
Deposit for future stocks subscription	-	-	298,750.0
Other noncurrent liabilities	-	-	1,380.0
Total Noncurrent Liabilities	**3,603.7**	**4,256.0**	**423,804.3**
Total Liabilities	**190,034.3**	**253,504.5**	**806,390.9**
Stockholder's Equity			

Capital stock	1,250.0	1,250.0	1,250.0
Retained earnings	38,386.2	78,984.4	106,993.7
Total Equity	**39,636.2**	**80,234.4**	**108,243.7**
Total Liabilities and Equity	**229,670.5**	**333,738.9**	**914,634.6**

**MM's Individual Financial Statements*

SELECTED STATEMENTS OF CASH FLOWS INFORMATION

	For the years ended December 31,		
	Audited		
	2017* (Amended)	2018	2019
	₱	₱	₱
		in thousands	
Net cash from operating activities	6,719.2	33,704.9	51,355.8
Net cash used in investing activities	(1,077.9)	(32,611.9)	(251,057.6)
Net cash from financing activities	-	-	449,102.5
Net increase in cash and cash equivalents	5,641.3	1,093.0	249,400.7
Cash and cash equivalents at beginning of year	14,173.6	19,814.9	20,907.9
Cash and cash equivalents at end of year	**19,814.9**	**20,907.9**	**270,308.6**

**MM's Individual Financial Statements*

SUMMARY OF SELECTED OPERATING AND FINANCIAL INFORMATION[6]

	As of December 31,		
	2017	2018	2019
Total number of stores	2	2	3
Total net selling space (sqm)	2,828	2,828	4,085

	As of and for the years ended December 31,		
	2017*	2018	2019
Revenues (₱ in thousands)	1,760,098.8	2,116,970.9	2,515,236.4
Revenue Growth (1)	11.4%	20.3%	18.8%
Gross Profit (₱ in thousands)	69,689.1	93,708.2	144,564.0
Gross Profit Margin (2)	4.0%	4.4%	5.7%
Net Income (₱ in thousands)	19,997.5	40,598.1	28,009.3
Net Income Margin (3)	1.1%	1.9%	1.1%
EBITDA (₱ in thousands) (4)	29,765.6	59,343.7	65,020.5
Current Ratio (5)	1.2	1.2	1.3
Asset to Equity Ratio (6)	5.8	4.2	8.4
Debt to Equity Ratio (7)	-	-	1.4
Debt to Total Assets (8)	-	-	0.2

[6] A pro-forma presentation of the increase in authorized capital and conversion of deposits for future subscription to equity and its effect on the MM Group's selected financial information as of and for the year ended December 31, 2019 is shown in *"Management's Discussion and Analysis of Financial Condition and Results of Operation – Statement of Financial Position – Equity"* on page 72 of this Prospectus and in the following section *"Effects of the Increase in Authorized Capital Stock and Conversion of Deposits for Future Subscription to Equity to the Consolidated Financial Statements of the MM Group"*.

Book Value per Share (9)	3,170.90	6,418.75	8,659.49

**MM's Individual Financial Statements*

(1) Net Sales Growth is computed by dividing the current period's net sales less the prior period's net sales by net sales for the prior period.
(2) Gross Profit Margin is computed by dividing Gross Profit by total revenue.
(3) Net Income Margin (Net Income to Revenue) is computed by dividing total net income by total revenue.
(4) EBITDA is computed as net income plus interest expense, tax expense and depreciation and amortization.
(5) Current Ratio is computed by dividing the total current assets by total current liabilities.
(6) Asset to Equity Ratio is computed by dividing the total assets by total equity.
(7) Debt to Equity Ratio is computed by dividing the loans payable by total equity.
(8) Debt to Total Assets is computed by dividing the loans payable by total assets.
(9) Book Value per Share is computed by dividing the total equity over total common shares outstanding

EBITDA Reconciliation

The table below sets forth the information with respect to the computation of MM Group's EBITDA for the years ended December 31, 2017, 2018, and 2019:

	For the years ended December 31,		
	2017* (Amended)	**2018**	**2019**
	₱	**₱**	**₱**
		in thousands	
Net Income	19,997.5	40,598.1	28,009.3
Add:			
Interest Expense (1)	-	-	6,653.8
Income Tax Expense	8,549.8	17,377.9	11,956.9
Depreciation and amortization	1,218.3	1,367.7	18,400.5
EBITDA	**29,765.6**	**59,343.7**	**65,020.5**

**MM's Individual Financial Statements*

(1) Interest expense for the year ended December 31, 2019 pertains to interest expense from lease liability and loans payable

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Prospective investors should read this discussion and analysis of MM Group's financial condition and results of operations in conjunction the sections entitled "Summary Historical Financial Information" and "Selected Historical Financial Information" and with the audited financial statements as of and for the years ended December 31, 2017, 2018, and 2019 (the "audited financial statements"), including the notes relating thereto, included elsewhere in this Prospectus.

MM Group's audited 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 SEC for companies seeking registration of their securities, MM appointed R.G. Manabat & Co. as its independent auditors in 2019.

*This discussion contains forward-looking statements and reflects MM Group's 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 24 and elsewhere in this Prospectus. See "*Forward-Looking Statements*" on page ix of this Prospectus.*

OVERVIEW

MerryMart Consumer Corp. ("**MM**", the "**Company**" or the "**Issuer**"), formerly Injap Supermart Inc., is an emerging consumer focused retail company principally engaged in the operation of retail stores in the supermarket and, beginning January 30, 2020 household essentials category. MM, through its subsidiary, MerryMart Grocery Centers Inc. ("**MMGC**") will pioneer the franchise business model covering supermarkets and household essentials stores in the Philippines (collectively, MM and its subsidiary, MMGC, are known as the "**MM Group**").

MM incorporated MMGC in September 28, 2018. As of the date of this Prospects, MM Group has not entered into any business combination transaction, and therefore not covered by PFRS 3 requirement.

MM believes that it is offering customers a unique shopping experience, as the stores of the MM Group consolidate in one place all the grocery, personal care, and pharmacy essentials every Filipino needs. Currently, MM Group has three store formats in operation: (1) MerryMart Grocery, a full size supermarket that offers a wide variety of food and non-food products and includes a broad selection of personal care products as well as a pharmaceutical section; (2) MerryMart Market, a medium format specialized grocery that offers a larger selection of premium and imported grocery items and will feature a large fresh selection of fruits and vegetables as well as fresh seafood products; and (3) MerryMart Store, a small format household essentials store with a unique three-in-one concept which combines a mini-grocery, personal care shop, and pharmacy in one store. The innovation is in the combination of all three product lines in one selling area which brings in operational efficiencies and increases convenience for consumers the company believes is an innovation that has the potential to successfully disrupt the grocery, personal care and pharmacy retail industry in the Philippines. However, as with all new innovations, there is no assurance that this three-in-one concept will be successful at attracting consumers and delivering growth expected by MM in the retail and consumer markets.

Each of the three store formats serve and target different segments of the Philippine market. MerryMart Grocery caters to lower to middle-income consumers and offers competitive prices. MerryMart Market caters to the middle to high-income consumers in central business districts and other urbanized communities. MerryMart Store caters to the general population of each community and neighborhood it serves. In this way, MM aims to capture the entirety of the Philippine population, and make MerryMart the go-to supermarket and household essentials brand of every Filipino.

MM's full-size format stores carry over 20,000 stock keeping units ("**SKUs**"), while its medium-size and small-size format stores carry over 10,000 and 3,000 SKUs, respectively. Product availability is varied based on regional consumer preferences, to ensure that MerryMart stores cover and capture all supermarket, pharmaceutical, and household essential items desired by Filipinos in particular parts of the Philippines. MM believes that its targeted and carefully-selected assortment of products, together with three-in-one concept, provide shoppers with the most convenient experience and will make MerryMart stores the default option of every Filipino.

While MM has no proven track record yet with respect to franchising and converting existing stores into the MerryMart brand, it aims to capitalize on the previous experiences of its management, both with running retail supermarkets and with the franchising model. Its principal shareholder, III, is the investment holding company of the Sia family, primarily led by its major shareholder and Chairman, Edgar "Injap" J. Sia II. Mr. Sia leverages the MM business model on his previous success with the franchising model, through his brainchild, fast food favorite Mang Inasal. He is taking his learnings from growing the Mang Inasal brand – a chain which managed to expand to 338 branches nationwide within the first seven years of its operations – and applying it to the supermarket format, to allow for the rapid growth of a new player in the Philippine supermarket and grocery retail industry. Mr. Sia also capitalizes on his knowledge of the supermarket and grocery retail industry, with experience gained from helping to run the grocery store of his parents, which was first opened in 1989 and which continues to successfully run today.

As of the date of this Prospectus, the MM Group owns and operates seven branches nationwide, with an aggregate selling space of 9,331 square meters. The first two branches are located in TATC Roxas City and Burgos Roxas City. The legacy branches are directly owned by MM and currently do business under the name "Injap Supermart". The other branches owned directly by MMGC, carrying the MerryMart Grocery format, are located in DoubleDragon Plaza at DD Meridian Park, Bay Area - Metro Manila, Calamba – Laguna, Sorsogon City, and Mayombo – Dagupan City. The MM Group also owns and operates one branch carrying the MerryMart Store format located at Ayala Malls – Manila Bay. The MM Group, however, aims to open 6 more MerryMart branches by the 2nd quarter of 2020, 6 additional branches by the 3rd quarter of 2020, and have a total of 100 branches located all over the Philippines by the fourth quarter of 2021.

The MM Group aims to actively pursue its 2030 Vision. The 2030 Vision of the MM Group is to have 200 MerryMart Groceries and MerryMart Markets and 1,000 MerryMart Stores in operation nationwide, equivalent to a total of 1,200 branches, by 2030.

For each of the years ended December 31, 2017, 2018, and 2019, the MM Group's revenues were ₱1,760.1 million, ₱2,117.0 million, and ₱2,515.2 million, respectively. For each of the years ended December 31, 2017, 2018, and 2019, its net profit was ₱20.0 million, ₱40.6 million and ₱28.0 million, respectively.

STRENGTHS

- Faster expansion through franchise and multi-format business model
- Unique three-in-one concept in small format offering – an innovation with enough depth to successfully disrupt the Philippine retail industry
- Attractive offer for existing traditional supermarket operators to be part of the MM network via franchise conversion template
- Well-defined execution capability of major shareholder, with proven track record of delivering above normal growth path in a short span of time
- Experienced management team with extensive knowledge in brand building, franchising, retail, and ability to penetrate mature and highly competitive industries
- Strategic and sustainable expansion plan arising from synergistic relationship with the DD

STRATEGIES

- Focus on franchising small format stores for quick ramp-up of branch network
- Target conversion of remaining traditional supermarket operators and become one of the leading supermarket brands in the country
- Rapid expansion of network to build significant volume and lower cost of supply
- Invest in distribution centers with mid-term goal of achieving 100% coverage of supply chain for all branches, and to have 81 distribution centers nationwide

- Target potential acquisitions that will enhance its branch network, enable the MM Group to achieve competitive pricing while increasing margin and improving logistics efficiency as well as other potential consumer-related business

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 MM Group's operation is significantly affected, and will continue to be significantly affected, by macroeconomic conditions in the Philippines. Demand for, and prevailing prices of, our products are directly related to the strength of the Philippine economy and consumer confidence, including overall growth levels and the amount of business activity in the Philippines. Over the past several years, economic growth in the Philippines has led to an increase in personal disposable income, resulting in increased purchasing power and greater demand for consumer products.

Growth of the MM Group's operations

Our ability to effectively manage costs and expenses

The MM Group believes that controlling the costs of sales and operating expenses is key to maintaining its margins. The MM Group seeks to control these costs by, among other things, leveraging our scale and long-term relationships with suppliers, consolidating our warehouses and operating our own distribution centers and clustering our stores around such distribution centers. The MM Group avails of prompt payment discounts for upfront payments made to suppliers upon delivery. These discounts aid in increasing its margin or by enabling it to provide attractive pricing to its customers if the discounts are passed on. We have taken measures to control and manage operating expenses, particularly rental expenses and labor costs.

The MM Group controls its operating expenses by improving worker productivity through cross-training of personnel to enable them to handle multiple areas of operation, staff scheduling that takes into consideration variances in store traffic during hours of operation and monitoring of attendance and timeliness of staff reporting, and manage headcount to avoid overstaffing, as well as leverage our scale with suppliers to obtain in-store merchandisers.

Competition

The MM Group competes with various retailers selling merchandise falling under the same categories that the MM Group offers based on factors such as price, store location, product assortment, availability and quality, customer service, customer shopping experience, attractiveness of our stores and presentation of merchandise and brand recognition, or a combination of these factors. Moreover, the MM Group anticipate competition from new market entrants and joint partnerships between national and international operators in certain product categories. If the MM Group will not be able compete effectively with these factors, its operations could be materially and adversely affected.

Seasonality

The MM Group experiences seasonal fluctuations in operations. Historically, strongest sales revenue occurs in the last quarter of the year, primarily attributable to the Christmas and New Year holidays.

We take advantage of stronger seasonal sales by implementing campaigns geared towards increasing average spend per customer and launching marketing strategies to increase transaction count during seasons with lower sales levels.

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 ("**ECL**"), impairment losses on receivables, due from related parties and refundable deposits, determination of net realizable value of inventories, estimation of useful lives of property and equipment and intangible assets with finite lives, and realizability of deferred tax assets.

While we believe that all aspects of our financial statements, including the accounting policies discussed in Note 2 to our audited 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 (3, 12 & 20) our December 31, 2019 audited financial statements.

DESCRIPTION OF KEY LINE ITEMS

Our results of operations with respect to the years ended December 31, 2017, 2018 and 2019 are based on, and should be read in conjunction with, MM Group's audited financial statements and related notes included elsewhere in this Prospectus.

Sale of goods

Sale of goods pertain to the net sales recognized in selling the MM Group's inventories and recognized at a point in time when control of the asset is transferred to the customer, generally upon delivery.

Display rental

Display rental pertains to the rental income earned from the suppliers for the exclusive use of gondola and store spaces to display their products in the selling area situated in strategic locations.

Other operating income

Other operating income includes concession income, and supplier's support and marketing fees. Concession income pertains to a range of fixed percentage income from sales of concessionaire supplier's goods sold inside the store. Other operating income is recognized when earned.

Cost of Goods Sold

Cost of sales includes the purchase price of the products sold, as well as costs that are directly attributable in bringing the merchandise to its intended condition and location.

Other Operating Expenses

Other operating expenses constitute costs of administering the business. It consists of salaries, wages and employee benefits, utilities, depreciation and amortization, taxes and licenses, advertising and promotions, dues and subscription, office and store supplies, transportation and travel, representation and insurance expense, professional fees, and other miscellaneous expenses.

RESULTS OF OPERATIONS

	For the years ended December 31,			
	Audited			
	2016* (Amended)	2017* (Amended)	2018	2019
	₱	₱	₱	₱
	in thousands, except per share data			
Revenues				
Sale of goods	1,577,070.2	1,750,689.7	2,095,408.1	2,482,302.8
Display rental	2,390.2	9,409.1	21,562.8	20,870.6
Other operating income	-	-	-	12,063.0
	1,579,460.4	**1,760,098.8**	**2,116,970.9**	**2,515,236.4**
Cost of Sales	(1,529,941.1)	(1,690,409.7)	(2,023,262.7)	(2,370,672.4)
Gross Profit	49,519.3	69,689.1	93,708.2	144,564.0
Operating Expenses	(44,312.4)	(41,189.9)	(35,781.8)	(98,054.0)
Income from Operations	5,206.9	28,499.2	57,926.4	46,510.0
Interest Expense	-	-	-	(6,653.8)
Interest Income	-	48.1	49.6	110.0
Income before Income Tax	5,206.9	28,547.3	57,976.0	39,966.2
Income Tax Expense	(1,582.7)	(8,549.8)	(17,377.9)	(11,956.9)
Net Income/Total Comprehensive Income	**3,624.2**	**19,997.5**	**40,598.1**	**28,009.3**
Basic/Diluted Earnings per share attributable to the equity holders of the Parent Company[7]	**289.9**	**1,599.8**	**3,247.9**	**2,240.8**

**MM's Individual Financial Statements*

Year Ended December 31, 2019 compared to year ended December 31, 2018

	Year Ended December 31,		Analysis		
	2018	2019	Horizontal	Vertical	
	₱ in thousands		*% Change*	*% of Total Revenue*	
Revenue	2,116,970.9	2,515,236.4	18.8%	100.0%	100.0%
Gross Profit	93,708.2	144,564.0	54.3%	4.4%	5.7%
Operating Expenses	(35,781.8)	(98,054.0)	174.0%	-1.7%	-3.9%
Income from Operations	57,926.4	46,510.0	-19.7%	2.7%	1.8%
Net Income	40,598.1	28,009.3	-31.0%	1.9%	1.1%

For the year ended December 31, 2019, the MM Group earned a consolidated revenue of ₱2.5 billion an increase of 18.8% from ₱2.1 billion in 2018. This was driven by the expansion of the MM Group's grocery retail store with the opening of its first MerryMart brand and the continuous strong growth of the first two grocery stores in

[7] A pro-forma presentation of the increase in authorized capital and conversion of deposits for future subscription to equity and its effect on the MM Group's selected financial information as of and for the year ended December 31, 2019 is shown in *"Management's Discussion and Analysis of Financial Condition and Results of Operation – Statement of Financial Position – Equity"* on page 72 of this Prospectus and in the following section *"Effects of the Increase in Authorized Capital Stock and Conversion of Deposits for Future Subscription to Equity to the Consolidated Financial Statements of the MM Group"*.

Roxas, Capiz. MerryMart-DoubleDragon Plaza started its operations May 2019 and have been contributing sales of goods and concession sales to the MM Group.

For the year ended December 31, 2019, sale of goods contributes 98.7% of the total revenue.

Table showing the significant increase in the sale of goods for the two Injap Supermart grocery brand:

	2017	**2018**	**2019**
Sale of Goods	1,750,689,674	2,095,408,067	2,482,302,804
% Change		19.7%	13.0%

The other operating income consists of the concession sales net of cost of concession, supplier marketing fees and franchise fees of the MM Group. The increase is due to the operating income recognized by MMGC which started operation in 2019.

For the year ended December 31, 2019, the MM Group's cost of sales is ₱2,370.7 million, an increase of 17.2% compared to ₱2,023.3 million for the year ended December 31, 2018, which is in line with the increase of revenues, primarily driven by the increase in sales.

For the year ended December 31, 2019, the MM Group realized an increase of 54.3% in consolidated gross profit from ₱93.7 million in 2018 at 4.4% margin to ₱144.6 million at 5.7% margin in the same period of 2019, driven by strong sales growth from old and new stores and continuous suppliers' support through additional trade discounts and promos.

Operating expenses increased by ₱62.3 million or 174.0% from the ₱35.8 million in the year ended December 31, 2018 to ₱98.1 million in 2019. The additional operating expenses are mainly attributable to the opening of a new store in 2019 and the pre-operating expenses of MM.

Interest expense amounted to ₱6.7 million in 2019 pertains to the accounting adjustment for the adoption of PFRS 16. The amount is the computed interest expense for the lease contract liability recognized.

Interest income increased by 121.8% in 2019 due to higher interest income earned from MM Group's cash in banks.

Income tax expense for 2019 amounted to ₱12.0 million, a decrease of 31.2% from 2018. The decrease is mainly due to lower taxable income of the company in 2019.

For the year ended December 31, 2019, the MM Group earned a consolidated net income of ₱28.0 million a decrease of 31.0% from ₱40.6 million in 2018. The decrease is due to the pre-operating expenses of the Issuer's subsidiary.

Year Ended December 31, 2018 compared to year ended December 31, 2017

	Year Ended December 31,		**Analysis**		
	2017*	**2018**	**Horizontal**	**Vertical**	
	₱ in thousands		*% Change*	*% of Total Revenue*	
Revenue	1,760,098.8	2,116,970.9	20.3%	100.0%	100.0%
Gross Profit	69,689.1	93,708.2	34.5%	4.0%	4.4%
Operating Expenses	(41,189.9)	(35,781.8)	-13.1%	-2.3%	-1.7%
Income from Operations	28,499.2	57,926.4	103.3%	1.6%	2.7%
Net Income	19,997.5	40,598.1	103.0%	1.1%	1.9%

**MM's Individual Financial Statements*

For the year ended December 31, 2018, the MM Group earned a consolidated revenue of ₱2.1 billion an increase of 20.3% from ₱1.8 billion in 2017. The increase was due to the higher sales from the grocery stores and gondola rentals.

For the year ended December 31, 2018, the MM Group's cost of sales is ₱2,023.3 million, an increase of 19.7% compared to ₱1,690.4 million for the year ended December 31, 2017, which is in line with the increase of revenues, primarily driven by the increase in sales.

For the year ended December 31, 2018, the MM Group realized an increase of 34.5% in consolidated gross profit due to higher gross profit margin, from ₱69.7 million in 2017 at 4.0% margin to ₱93.7 million at 4.4% margin in the same period of 2018.

Operating expenses decreased by 13.1% from the ₱41.2 million in the year ended December 31, 2017 to ₱35.78 million in 2018. The lower operating expenses are due to the increase in operational efficiency of the stores.

For the year ended December 31, 2018, the MM Group earned a consolidated net income of ₱40.6 million an increase of 103.0% from ₱20.0 million in 2017. Income taxes for 2018 also increased as a result of the higher taxable income of the branches.

Year Ended December 31, 2017 compared to year ended December 31, 2016

	Year Ended December 31,		**Analysis**		
	2016*	**2017***	**Horizontal**	**Vertical**	
	₱ in thousands		*% Change*	*% of Total Revenue*	
Revenue	1,579,460.4	1,760,098.8	11.4%	100.0%	100.0%
Gross Profit	49,519.3	69,689.1	40.7%	3.1%	4.0%
Operating Expenses	(44,312.4)	(41,189.9)	-7.0%	-2.8%	-2.3%
Income from Operations	5,206.9	28,499.2	447.3%	0.3%	1.6%
Net Income	3,624.2	19,997.5	451.8%	0.2%	1.1%

**MM's Individual Financial Statements*

For the year ended December 31, 2017, MM Group earned a consolidated revenue of ₱1.8 billion an increase of 11.4% from ₱1.6 billion in 2016. The increase was due to the higher grocery sales and gondola rentals for the year.

For the year ended December 31, 2017, MM Group's cost of sales is ₱1,690.4 million, an increase of 10.5% compared to ₱1,529.9 million for the year ended December 31, 2016, which is in line with the increase of revenues, primarily driven by the increase in sales.

For the year ended December 31, 2017, MM Group realized an increase of 40.7% in gross profit from ₱49.5 million in 2016 at 3.1% margin to ₱69.7 million at 4.0% margin in the same period of 2017.

Operating expenses decreased by 7.0% from the ₱44.3 million in the year ended December 31, 2016 to ₱41.2 million in 2017. The lower operating expenses are due to the increase in operational efficiency of the stores.

For the year ended December 31, 2017, MM Group earned an income of ₱20.0 million an increase of 451.8% from ₱3.6 million in 2016. Income taxes for 2017 also increased as a result of the higher taxable income of the company.

STATEMENT OF FINANCIAL POSITION

	As of December 31,			
	Audited			
	2016* **(Amended)**	**2017*** **(Amended)**	**2018**	**2019**
	₱	**₱**	**₱**	**₱**
	in thousands			
ASSETS				
Current Assets				
Cash and cash equivalents	14,173.6	19,814.9	20,907.9	270,308.6
Receivables	1,290.8	1,647.8	914.4	9,841.7
Inventories	146,038.6	202,159.3	270,448.9	183,418.8

Prepaid expenses and other current assets	-	-	3,838.9	46,369.2
Total Current Assets	**161,503.0**	**223,622.0**	**296,110.1**	**509,938.3**
Noncurrent Assets				
Property and equipment – net	5,107.8	4,967.4	29,011.6	221,794.7
Right-of-Use Assets	-	-	-	118,264.6
Intangible Assets	-	-	7,200.0	14,612.8
Deferred tax assets	868.2	1,081.1	1,417.2	8,352.0
Other noncurrent assets	-	-	-	41,672.2
Total Noncurrent Assets	**5,976.0**	**6,048.5**	**37,628.8**	**404,696.3**
Total Assets	**167,479.0**	**229,670.5**	**333,738.9**	**914,634.6**
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and other current liabilities	27,825.9	108,737.7	95,187.6	145,041.0
Loans payable	-	-	-	150,000.0
Due to related parties	117,008.6	72,548.9	134,896.9	49,762.6
Income tax payable	111.9	5,144.0	19,164.0	37,783.0
Total Current Liabilities	**144,946.4**	**186,430.6**	**249,248.5**	**382,586.6**
Noncurrent Liabilities				
Retirement liability	2,893.9	3,603.7	4,256.0	6,196.3
Lease Liability	-	-	-	117,478.0
Deposit for future stocks subscription	-	-	-	298,750.0
Other noncurrent liabilities	-	-	-	1,380.0
Total Noncurrent Liabilities	**2,893.9**	**3,603.7**	**4,256.0**	**423,804.3**
Total Liabilities	**147,840.3**	**190,034.3**	**253,504.5**	**806,390.9**
Stockholder's Equity				
Capital stock	1,250.0	1,250.0	1,250.0	1,250.0
Retained earnings	18,388.7	38,386.2	78,984.4	106,993.7
Total Equity	**19,638.7**	**39,636.2**	**80,234.4**	**108,243.7**
Total Liabilities and Equity	**167,479.0**	**229,670.5**	**333,738.9**	**914,634.6**

**MM's Individual Financial Statements*

As of December 31, 2019 vs December 31, 2018

	As of December 31,		**Analysis**		
	2018	**2019**	**Horizontal**	**Vertical**	
	₱ in thousands		*% Change*	*% of Total Assets*	
Total Current Assets	296,110.1	509,938.3	72.2%	88.7%	55.8%
Total Noncurrent Assets	37,628.8	404,696.3	975.5%	11.3%	44.2%
Total Assets	333,738.9	914,634.6	174.1%	100.0%	100.0%
Total Current Liabilities	249,248.5	382,586.6	53.5%	74.7%	41.8%
Total Noncurrent Liabilities	4,256.0	423,804.3	9857.8%	1.3%	46.3%
Total Liabilities	253,504.5	806,390.9	218.1%	76.0%	88.2%
Total Equity	80,234.4	108,243.7	34.9%	24.0%	11.8%
Total Liabilities and Equity	333,738.9	914,634.6	174.1%	100.0%	100.0%

Total assets as at December 31, 2019 is ₱914.6 million compared to ₱333.7 million as at December 31, 2018, or a 174.1% increase.

Current Assets

As at December 31, 2019 and 2018, total current assets amounted to ₱509.9 million or 55.8% of total assets, and ₱296.1 million or 88.7% of total assets, respectively, for an increase of ₱213.8 million or 72.2%.

Cash and cash equivalents increased by 1192.9% from ₱20.9 million as at December 31, 2018 to ₱270.3 million as at December 31, 2019 primarily due to net cash generated from operations and deposits for future subscription.

Receivables only accounts for 1.1% of the total assets as at December 31, 2019. It increased by 976.3% from ₱914.4 thousand as at December 31, 2018 to ₱9,841.7 thousand as at December 31, 2019 due to additional receivables from MM-DoubleDragon Plaza Pasay which only started operations in 2019. These receivables pertain to receivables from credit card and QR-based mobile payment sales.

Inventories decreased by 32.2% from ₱270.4 million as at December 31, 2018 to ₱183.4 million as at December 31, 2019 due to lower purchases during the second half of 2019 compared to the same period in 2018 as MM plans to maintain a lower warehouse inventories at year end 2019.

Prepaid expenses and other current assets increased by 1,107.9% from ₱3.8 million as at December 31, 2018 to ₱46.4 million as at December 31, 2019 primarily due to the increased in input VAT related to the construction of new stores.

Noncurrent Assets

As at December 31, 2019 and 2018, total noncurrent assets amounted to ₱404.7 million or 44.2% of total assets, and ₱37.6 million or 11.3% of total assets, respectively, for an increase of ₱367.1 million or 975.5%

Property and equipment increased by 664.5% from ₱29 million as at December 31, 2018 to ₱221.8 million as at December 31, 2019 due primarily to the increase in construction in progress and leasehold improvements for MerryMart's additional stores, as well as acquisitions of store equipment and office furniture and fixtures for MM's new office.

Details of Construction in Progress as of December 31, 2019 under MMGC:

Project	Nature	Construction in Progress as at December 31, 2019	Percentage of Completion as at December 31, 2019	Target Completion	Estimated Cost to Complete
MM-Head Office	Office expansion	3,872,924	98%	Completed February 2020	925,642
MM-Doubledragon Plaza, Pasay	Improvements for pharmacy	455,357	98%	Completed January 2020	227,679
MM-Calamba Laguna	Store Construction	31,281,414	98%	Completed January 2020	9,476,814
MM-Ayala Malls Pasay	Store Construction	15,087,609	98%	Completed January 2020	6,375,893
MM-Mayombo	Store Construction	4,685,670	95%	Completed February 2020	53,036,810
MM-Sorsogon	Store Construction	38,343,904	98%	Completed February 2020	11,873,871
MM-Bulua CDO	Store Construction	35,242,115	35%	Target Completion March 2020	27,101,651
MM-Isulan	Store Construction	5,497,586	50%	Target Completion March 2020	43,999,586
MM-Mactan Cebu	Store Construction	5,803,571	45%	Target Completion March 2020	66,974,420
MM-Pangasinan	Store Construction	5,267,866	5%	Target Completion April 2020	38,736,079
TOTAL		**145,538,016**			

Right-of-Use asset is in relation to the adoption of PFRS 16 in 2019. Right-of-Use Assets amounted to ₱118.3 million as at December 31, 2019, which is 12.9% of total assets.

Intangible Assets increased by 103.0% from ₱7.2 million as at December 31, 2018 to ₱14.6 million as at December 31, 2019 due primarily to the installation of MM's SAP system.

Deferred tax assets increased by 489.3% from ₱1.4 million as at December 31, 2018 to ₱8.4 million as at December 31, 2019 due to increase in the deferred tax component from retirement liability and MMGC's NOLCO.

Other noncurrent assets mainly pertain to the deposits made by the MMGC in 2019 for the lease of its new and upcoming stores. Other noncurrent assets amounted to ₱41.7 million as at December 31, 2019 or 4.6% of total assets.

Current Liabilities

As at December 31, 2019 and 2018, total current liabilities amounted to ₱382.6 million or 41.8% of total assets, and ₱249.3 million or 74.7% of total assets, respectively, for an increase of ₱133.3 million or 53.5%.

Accounts payable and other current liabilities increased by 52.4% to ₱145.0 million as at December 31, 2019, or 15.9% of total assets, due to higher payables to suppliers as at December 31, 2018.

Loans payable amounted to ₱150 million as at December 31, 2019, the increase is due to the short-term loans availed by MMGC in 2019.

Due to related parties decreased by 63.1% due to payments made in 2019. Due to related parties accounts to 5.4% of total assets.

Income tax payable amounted to ₱37.8 million as at December 31, 2019 or 4.1% of total asset, 97.2% higher than ₱19.2 million as at December 31, 2018 is due to higher taxes incurred by the company for the year.

Noncurrent Liabilities

As at December 31, 2019 and 2018, total noncurrent liabilities amounted to ₱423.8 million or 46.3% of total assets, and ₱4.3 million or 1.3% of total assets, respectively, for an increase of ₱419.5 million or 9,857.8%.

Retirement benefits liability increased by ₱1.9 million or 45.6% due to the additional accrual recognized by the MM Group for its retirement obligation to its employees.

Deposit for future subscription amounted to ₱298.8 million as at December 31, 2019 as a result of MM's planned increase in authorized capital stock.

Lease liability amounting to ₱117.5 million as at December 31, 2019 pertains to the contractual lease liability recognized by the MM Group for its stores and office space in relation to the PFRS 16 adoption.

Equity

As at December 31, 2019 and 2018, total equity amounted to ₱108.2 million or 11.8% of total assets, and ₱80.2 million or 24.0% of total assets, respectively, for an increase of ₱28.0 million or 34.9%. The increase in equity is due to the net income recognized by the MM Group for the year.

On November 15, 2019, the stockholders and the BOD approved the increase in MM's authorized capital stock from ₱5,000,000 divided into 50,000 common shares, with a par value of ₱100 per common share to ₱1,200,000,000 divided into 24,000,000,000 common shares, with a par value of ₱0.05 per common share. Of the total increase in the authorized capital stock, 5,975,000,000 shares equivalent to ₱298.75 million was subscribed by III at par value. The payment for the subscription was recorded as deposit for future stock subscription as of December 31, 2019. The SEC approved the application for the increase in authorized capital stock on January 23, 2020 after which the said deposit for future subscription was converted into capital stock thereby increasing III's shareholdings in MM from 12,495 common shares with a par value of ₱100 per common share to 5,999,989,995 common shares with a par value of ₱0.05 per common share. The effect of the said conversion decreased MM Group's noncurrent liabilities and increased MM Group's equity by ₱298.75 million respectively. *The following table sets forth MM Group's selected financial information as of December 31, 2019 and as adjusted to give effect* *to the increase in authorized capital and conversion of deposits for future subscription to equity. This table should be read in conjunction with MM Group's audited financial statements as of December 31, 2019 and notes thereto, included in the Prospectus.*

	As of Dec. 31, 2019	Effects of the Conversion of Deposits for Future Subscription to Equity	As of January 24, 2020 as Adjusted After Giving Effect to the Increase in Authorized Capital and Conversion of Deposits for Future Subscription to Equity
		₱ in thousands	
Total Current Assets	509,938.3		509,938.3
Total Noncurrent Assets	404,696.3		404,696.3
Total Assets	914,634.6		914,634.6
Total Current Liabilities	382,586.6		382,586.6
Total Noncurrent Liabilities	423,804.3	(298,750.0)	125,054.3
Total Liabilities	806,390.9	(298,750.0)	507,640.9
Total Equity	108,243.7	298,750.0	406,993.7
Total Liabilities and Equity	914,634.6	-	914,634.6
Book Value per Share(1)	₱8,659.49		₱0.0678
Total common shares outstanding	12,500		6,000,000,000

(1) Book Value per Share is computed by dividing the total equity over total common shares outstanding.

The pro-forma presentation of figures above are not yet reflected in the consolidated financial statements of the MM Group for the year ended December 31, 2019 as presented elsewhere in this Prospectus as the SEC approval of the application for the increase in authorized capital stock occurred January 23, 2020.

The following table sets forth MM Group's financial ratios as of December 31, 2019 and as adjusted to give effect to the increase in authorized capital and conversion of deposits for future subscription to equity. This table should be read in conjunction with MM Group's audited financial statements as of December 31, 2019 and notes thereto, included in the Prospectus.

	As of December 31, 2019	As of January 24, 2020 as Adjusted After Giving Effect to the Increase in Authorized Capital and Conversion of Deposits for Future Subscription to Equity
Current Ratio(1)	1.33	1.33
Solvency Ratio(2)	0.06	0.09
Debt-to-Equity Ratio(3)	1.39	0.37
Asset-to-Equity Ratio(4)	8.45	2.25
Interest Rate Coverage Ratios(5)	25.72	25.72
Earnings per share(6)	2,240.75	0.0047
Return on Revenue(7)	1.11%	1.11%
Long Term Debt-to-Equity Ratio(8)	-	-
EBITDA to Total Interest Paid(9)	35.87	35.87

(1) Current Ratio is computed by dividing the total current assets by total current liabilities.
(2) Solvency Ratio is computed by dividing net income plus depreciation and amortization by total liabilities.
(3) Debt to Equity Ratio is computed by dividing the loans payable by total equity.
(4) Asset to Equity Ratio is computed by dividing the total assets by total equity.
(5) Interest Rate Coverage Ratio is computed by dividing income before income tax plus interest expense by interest paid.
(6) Earnings per share is computed by dividing net income by the total outstanding shares.
(7) Return on Revenue is computed by dividing net income by the total revenue.

(8) Long Term Debt-to-Equity Ratio is computed by dividing long-term debt by total equity.
(9) EBITDA to Total Interest Paid is computed by dividing EBITDA by interest paid.

As of December 31, 2018 vs. December 31, 2017

	As of December 31,		Analysis		
	2017*	2018	Horizontal	Vertical	
	₱ in thousands		*% Change*	*% of Total Assets*	
Total Current Assets	223,622.0	296,110.1	32.4%	97.4%	88.7%
Total Noncurrent Assets	6,048.5	37,628.8	522.1%	2.6%	11.3%
Total Assets	229,670.5	333,738.9	45.3%	100.0%	100.0%
Total Current Liabilities	186,430.6	249,248.5	33.7%	81.2%	74.7%
Total Noncurrent Liabilities	3,603.7	4,256.0	18.1%	1.6%	1.3%
Total Liabilities	190,034.3	253,504.5	33.4%	82.7%	76.0%
Total Equity	39,636.2	80,234.4	102.4%	17.3%	24.0%
Total Liabilities and Equity	229,670.5	333,738.9	45.3%	100.0%	100.0%

**MM's Individual Financial Statements*

Total assets as at December 31, 2018 is ₱333.7 million compared to ₱229.7 million as at December 31, 2017, or a 45.3% increase.

Current Assets

As at December 31, 2018 and 2017, total current assets amounted to ₱296.1 million or 88.7% of total assets, and ₱223.6 million or 97.4% of total assets, respectively, for an increase of ₱72.5 million or 32.4%.

Cash and cash equivalents increased by 5.5% from ₱19.8 million as at December 31, 2017 to ₱20.9 million as at December 31, 2018 primarily due to net cash generated from operations.

Receivables only accounts for 0.3% of the total assets as at December 31, 2018. It decreased by 44.5% from ₱1,647.8 thousand as at December 31, 2017 to ₱914.4 thousand as at December 31, 2018 due to lower outstanding receivables as of 2018 year end.

Inventories increased by 33.8% from ₱202.2 million as at December 31, 2017 to ₱270.4 million as at December 31, 2018. Inventories accounts for 81.0% of the total assets as at December 31, 2018 due to higher purchases during the last quarter of 2019 compared to the same period in 2018.

Prepaid expenses and other current assets amounted to ₱3.8 million as at December 31, 2018 and only accounts for 1.2% of total assets. The increased in prepaid expenses and other current assets is due to the input vat of MMGC related to the construction of its first store.

Noncurrent Assets

As at December 31, 2018 and 2017, total noncurrent assets amounted to ₱37.6 million or 11.3% of total assets, and ₱6.0 million or 2.6% of total assets, respectively, for an increase of ₱31.6 million or 552.1%.

Property and equipment increased by 484.0% from ₱5.0 million as at December 31, 2017 to ₱29.0 million as at December 31, 2018 due primarily to the additional store and office equipment.

Intangible Assets increased to ₱7.2 million as at December 31, 2018 to the installation of the SAP system.

Deferred tax assets increased by 31.1% from ₱1.1 million as at December 31, 2017 to ₱1.4 million as at December 31, 2018 due to increase in the deferred tax component from retirement liability and MMGC's NOLCO.

Current Liabilities

As at December 31, 2018 and 2017, total current liabilities amounted to ₱249.2 million or 74.7% of total assets, and ₱186.4 million or 81.2% of total assets, respectively, for an increase of ₱62.8 million or 33.7%.

Accounts payable and other current liabilities decreased by 12.5% to ₱95.2 million as at December 31, 2018 due to lower outstanding payable to suppliers as of 2018 year end.

Due to related parties amounted to ₱134.9 million as at December 31, 2018, which accounts to 40.4% of total assets as at December 31, 2018. It increased by 85.9% due to the advances made by the parent company to support the planned expansion of the company.

Income tax payable as at December 31, 2018 amounted to ₱19.2 million or 5.7% of total assets, increase of 272.5% or ₱14.0 million from ₱5.1 million as at December 31, 2017 due to higher output taxes and other taxes incurred by the MM Group.

Noncurrent Liabilities

As at December 31, 2018 and 2017, total noncurrent liabilities of the MM Group only pertain to the retirement benefit liability of the MM Group to its employees. As at December 31, 2018 and December 31, 2017, retirement benefit liability amounted to ₱4.3 million or 1.3% of total assets, and ₱3.6 million or 1.6% of total assets, respectively, for an increase of 18.1%.

Equity

As at December 31, 2018 and 2017, total equity amounted to ₱80.2 million or 24.0% of total assets, and ₱39.6 million or 17.3% of total assets, respectively, for an increase of ₱40.6 million or 102.4%. The increase in equity is due to the net income recognized by the MM Group for the year.

As of December 31, 2017 vs. December 31, 2016

	As of December 31,			**Analysis**	
	2016*	**2017***	**Horizontal**	**Vertical**	
	₱ in thousands		*% Change*	*% of Total Assets*	
Total Current Assets	161,503.0	223,622.0	38.5%	96.4%	97.4%
Total Noncurrent Assets	5,976.0	6,048.5	1.2%	3.6%	2.6%
Total Assets	167,479.0	229,670.5	37.1%	100.0%	100.0%
Total Current Liabilities	144,946.4	186,430.6	28.6%	86.5%	81.2%
Total Noncurrent Liabilities	2,893.9	3,603.7	24.5%	1.7%	1.6%
Total Liabilities	147,840.3	190,034.3	28.5%	88.3%	82.7%
Total Equity	19,638.7	39,636.2	101.8%	11.7%	17.3%
Total Liabilities and Equity	167,479.0	229,670.5	37.1%	100.0%	100.0%

**MM's Individual Financial Statements*

Total assets as at December 31, 2017 is ₱229.7 million compared to ₱167.5 million as at December 31, 2016, or a 37.1% increase.

Current Assets

As at December 31, 2017 and 2016, total current assets amounted to ₱223.6 million or 97.4% of total assets, and ₱161.5 million or 96.4% of total assets, respectively, for an increase of ₱62.1 million or 38.5%.

Cash and cash equivalents increased by 39.8% from ₱14.2 million as at December 31, 2016 to ₱19.8 million as at December 31, 2017 primarily due to net cash generated from operations.

Receivables only accounts for 0.7% of the total assets as at December 31, 2017. It increased by 27.7% from ₱1,290.8 thousand as at December 31, 2016 to ₱1,647.8 thousand as at December 31, 2017 due to higher outstanding receivables as of 2017 year end.

Inventories increased by 38.4% from ₱146.0 million as at December 31, 2016 to ₱202.2 million as at December 31, 2017 due to higher inventories during the holidays for 2017. Inventories accounts for 88% of the total assets as at December 31, 2017.

Noncurrent Assets

As at December 31, 2017 and 2016, total noncurrent assets amounted to ₱6.0 million, with an increase of 1.2%.

Property and equipment decreased by 2.7% to ₱5.0 million as at December 31, 2017.

Deferred tax assets increased by 24.5% from ₱868.2 thousand as at December 31, 2016 to ₱1.1 million as at December 31, 2017 due to deferred tax assets from retirement liability.

Current Liabilities

As at December 31, 2017 and 2016, total current liabilities amounted to ₱186.4 million or 81.2% of total assets, and ₱144.9 million or 86.5% of total assets, respectively, for an increase of ₱41.5 million or 28.6%.

Accounts payable and other current liabilities increased by 290.8% to ₱108.7 million as at December 31, 2017 due to higher payables to contractors, suppliers, and accruals. Accounts payable and other current liabilities is 47.3% of total assets as at December 31, 2017.

Due to related parties amounted to ₱72.5 million as at December 31, 2017, which accounts to 31.6% of total assets as at December 31, 2017. It decreased by 38.0% due to payments of advances to the parent company.

Income tax payable as at December 31, 2017 amounted to ₱5.1 million or 2.2% of total assets, an increase of ₱5.0 million from December 31, 2016 due to lower income tax payable for the year.

Noncurrent Liabilities

As at December 31, 2017 and 2016, total noncurrent liabilities of the Company only pertain to its retirement benefit liability to its employees. As at December 31, 2017 and December 31, 2016, retirement benefit liability amounted to ₱3.6 million or 1.6% of total assets, and ₱3.0 million or 1.7% of total assets, respectively, for an increase of 24.5% due to additional retirement expense in 2017.

Equity

As at December 31, 2017 and 2016, total equity amounted to ₱39.6 million or 17.3% of total assets, and ₱19.6 million or 11.7% of total assets, respectively, for an increase of ₱20.0 million or 101.8%. The increase in equity is due to the net income recognized by the Company for 2017.

KEY PERFORMANCE INDICATORS

We set out below certain performance indicators that we employ in period-to-period analysis and comparison of financial data.

	MM Group			**MMGC**	
	For the years ended December 31,			**From incorporation to December 31, 2018****	**For the year ended December 31, 2019**
	2017	**2018**	**2019**		
Revenues (₱ in thousands)	1,760,098.8	2,116,970.9	2,515,236.4	-	128,262.2
Revenue Growth (1)	11.4%	20.3%	18.8%	-	100%
Gross Profit (₱ in thousands)	69,689.1	93,708.2	144,564.0	-	43,069.9
Gross Profit Margin (2)	4.0%	4.4%	5.7%	-	33.6%
Net Income (₱ in thousands)	19,997.5	40,598.1	28,009.3	-468.1	-14,682.5
Net Income Margin (3)	1.1%	1.9%	1.1%	n/a	-11.4%

**MM's Individual Financial Statements*
*** MMGC commenced operations in 2019*

(1) *Revenue Growth is computed by dividing the current period's net sales less the prior period's net sales by net sales for the prior period.*

(2) *Gross Profit Margin is computed by dividing Gross Profit by total revenue.*

(3) *Net Income Margin (Net Income to Revenue) is computed by dividing total net income by total revenue.*

LIQUIDITY AND CAPITAL RESOURCES

The MM Group mainly relies on its cash flow from operations, bank borrowings and capital infusion and advances from its parent company for sources of liquidity.

MM expects to meet its operating assets and liabilities, capital expenditure and investment requirements for the next 12 months primarily from its operating cash flows and borrowings and proceeds of the Firm Offer. It may also from time to time seek other sources of funding, which may include debt or equity financings, depending on its financing needs and market conditions.

Net cash from financing activities were sufficient to cover the working capital and opening of additional stores for the years ended December 31, 2019, 2018 and 2017. As of December 31, 2019, the MM Group's cash amounted to ₱270.3 million.

CASH FLOWS

The following table sets forth the MM Group's statements of cash flows for the last three years ended December 31, 2019, 2018 and 2017 and should be read in conjunction with the consolidated statements of cash flows included in the audited financial statements of the MM Group.

	For the years ended December 31,		
	Audited		
	2017* (Amended)	2018	2019
	₱	₱	₱
	in thousands		
Net cash from operating activities	6,719.2	33,704.9	51,355.8
Net cash used in investing activities	(1,077.9)	(32,611.9)	(251,057.6)
Net cash from financing activities	-	-	449,102.5
Net increase in cash and cash equivalents	5,641.3	1,093.0	249,400.7
Cash and cash equivalents at beginning of year	14,173.6	19,814.9	20,907.9
Cash and cash equivalents at end of year	19,814.9	20,907.9	270,308.6

**MM's Individual Financial Statements*

Net Cash from operating activities

The MM Group's consolidated cash from operating activities is primarily affected by its revenue from sale of goods, purchase of inventories and operating expenses. Net cash provided by operating activities amounted to ₱51.4 million, ₱33.7 million and ₱6.7 million for the years ended December 31, 2019, 2018 and 2017, respectively. The increase in cash from operating activities for the past three (3) years was mainly due to the increase in sales per store and the opening of the new MM Group store in 2019.

Net cash used in investing activities

Net cash used in investing activities amounted to ₱251.1 million, ₱32.6 million and ₱1.1 million for the years ended December 31, 2019, 2018, and 2017, respectively. Cash used in investing activities includes capital expenditures for construction of new stores, acquisitions of equipment, furniture & fixtures and improvements on leased assets, and deposits made to secure the leasable space.

Net cash from financing activities

Net cash used in financing activities amounted to ₱449.1 million in 2019. Consolidated net cash from financing was attributable mainly to the deposits for future subscriptions received and availment of short-term loans by MMGC for its planned expansion.

CAPITAL EXPENDITURES

The table below sets out the MM Group's capital expenditures in 2019, 2018 and 2017

	For the years ended December 31,		
	2017*	2018	2019
		in thousands	
Construction in progress	-	23,822.9	195,178.0
Transportation equipment	-	-	3,964.8
Furniture, fixtures and equipment	1,077.9	1,589.1	2,679.9
IT investment	-	7,200.0	7,562.7
Total	1,077.9	32,612.0	209,385.4

**MM's Individual Financial Statements*

For the past two years, the MM Group increased its capital expenditures to support its expansion plans. The MM Group has historically funded its capital expenditures through internally generated funds derived from operating cash flows, advances from parent and bank loans if and when necessary. Our capital expenditures for the above periods were mainly related to the development and construction of new stores.

Aside from the items described in the immediately preceding paragraphs, the MM Group has no other material commitments for capital expenditure.

Indebtedness

As at December 31, 2019, the MM Group's outstanding loan amounted to ₱150.0 million. No outstanding loans as at December 31, 2018 and December 31, 2017. In 2019, MMGC availed of a short-term debt with interest rate of 7.25% to support its working capital requirements.

Off Balance Sheet Arrangements

As of the date of this Prospectus, MM Group has no material off-balance sheet transactions, arrangements, or obligations that were likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity or capital expenditures that is material to investors. MM Group also has no unconsolidated subsidiaries.

QUANTITATIVE AND QUALITATIVE DISCLOSURE OF MARKET RISK

The MM Group has significant exposure to the following risks in the ordinary course of business:

Interest Rate Risk

Fluctuations in interest rates could make it more difficult for the MM Group to procure new debt on attractive terms, or at all. The MM Group monitors prevailing market-based interest rates and aim to ensure that the interest rates charged on future borrowings are optimal and benchmarked against the interest rates charged by other banks.

Liquidity Risk

MM faces the risk that it will not have sufficient cash flows to meet its operating requirements and its financing obligations when they come due. The MM Group manages liquidity risks by forecasting projected cash flows and maintaining balance between continuity of funding and flexibility in operations.

Credit Risk

Credit risk represents the risk of loss MM Group would incur if credit customers and counterparties fail to perform their contractual obligations. The MM Group's exposure to credit risk is not significant due to the nature of the MM Group's business which sells goods mainly thru cash. Receivables of the MM Group are also monitored by our Accounting department to avoid significant concentrations of credit risk.

FINANCIAL RISK DISCLOSURE

MM Group is not aware of any known trends, demands, commitments, events, or uncertainties that will have a material impact on MM Group's liquidity.

MM Group is not aware of any event that will trigger direct or contingent financial obligation that is material to MM Group, including default or acceleration of any obligation.

MM Group is not aware of any trends, events, or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on revenues or income from continuing operations.

MM Group does not have any significant elements of income or loss that did not arise from its continuing operations.

MM Group does not have any seasonal aspects that had a material effect on the financial conditions or results of operations.

INDUSTRY OVERVIEW

*The information that appears in this Industry Overview section, including all data (actual, estimates and forecasts) by Euromonitor International Limited ("**Euromonitor**") reflects estimates of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. Information in this Prospectus on Economies & Consumers and the Retailing market are from independent market research carried out by Euromonitor International Limited in the 2019 calendar year (Retailing) and 2020 calendar year (Economies & Consumers), but should not be relied upon in making, or refraining from making, any investment decision. Further, Retailing estimates were prepared based upon data, forecasts, and information obtained prior to the COVID-19 pandemic and do not take into account, nor make any revisions, to assess the impact that this event may have on the current or future sales of these product categories and any assumptions about the future outlook in this environment are made at the reader's own risk.*

References to Euromonitor should not be considered as the opinion of Euromonitor as to the value of any security or the advisability of investing in the Issuer. The Issuer believes that the sources of information contained in this Industry Overview are appropriate sources for such information and have taken reasonable care in reproducing such information. The Issuer has no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading.

The information prepared by Euromonitor and set out in this Industry Overview has not been independently verified by the Issuer, the Underwriter and none of them gives any representations as to its accuracy. The information should not be relied upon in making, or refraining from making, any investment decision.

The Industry Overview includes forecasts and other forward-looking estimates. These forward-looking statements are necessarily based on various assumptions and estimates that are inherently subject to various risks and uncertainties relating to possible invalidity of the underlying assumptions and estimates and possible changes or development of social, economic, business, industry, market, legal, government, and regulatory circumstances and conditions and actions taken or omitted to be taken by others. Actual results and future events could differ materially from such forecasts. Investors should not place undue reliance on such statements, or on the ability of any party to accurately predict future industry trends or performance.

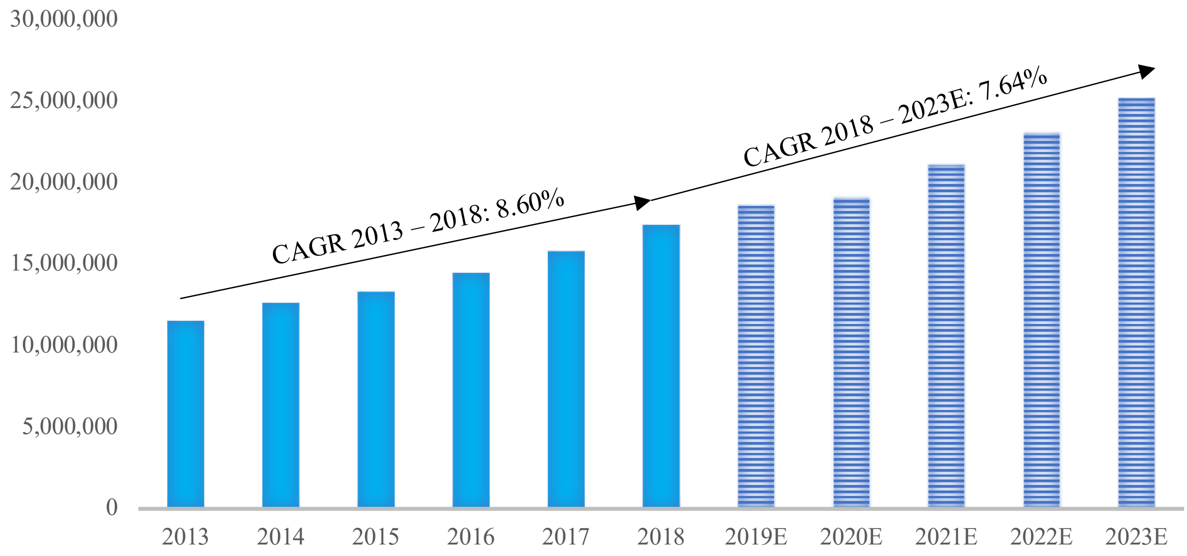
OVERVIEW OF THE PHILIPPINE ECONOMY

The Philippine economy experienced steady growth with current gross domestic product ("**GDP**") expanding at a compounded annual growth rate ("**CAGR**") of 8.60% from 2013 to 2018. According to Euromonitor, considering the impact of COVID-19, the Philippine GDP is still expected to expand at a robust CAGR of 7.64% between 2018 to 2023. Despite cutting its forecast for the Philippines' GDP growth to 2.2% in 2020, Moody's Investors Service still retains its Baa sovereign rating and stable outlook for the Philippines. Furthermore, in its World Economic Outlook published on April 2020, the International Monetary Fund sees the Philippine economy rebounding in 2021 at a 7.6% GDP growth. The International Monetary Fund also said that in light of the COVID-19 crisis, the Philippines will benefit from considerable policy buffers due to prudent macroeconomic management.[8]

[8] CNN Philippines article published April 15, 2020 entitled *IMF expects PH growth to remain almost flat in 2020, rebound in 2021.*

The chart below sets out the Philippines' current GDP in Millions of Philippine Pesos from 2013 to 2018 with estimates up to 2023.

Philippines GDP (in Millions of ₱)

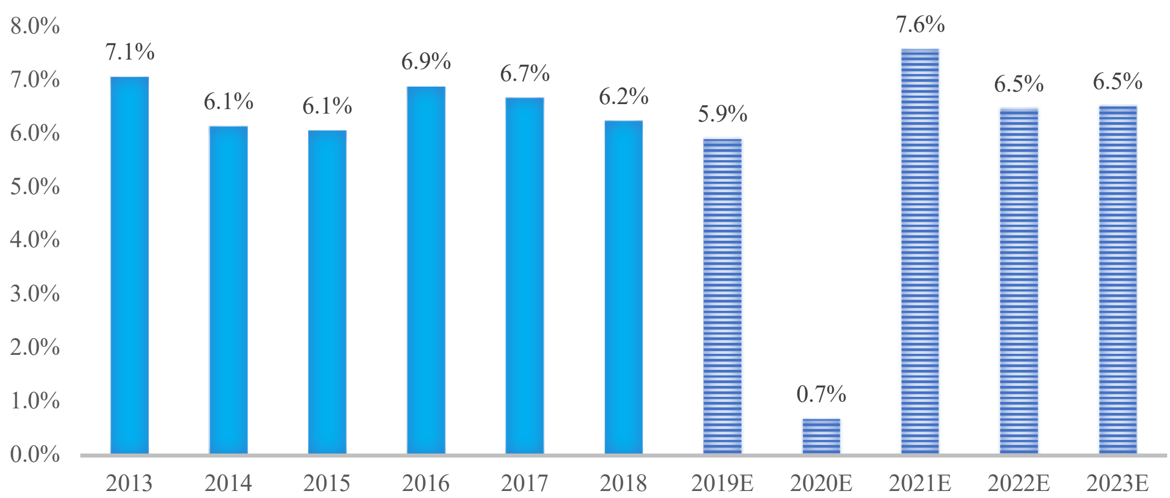


Source: Euromonitor

In the last five years, the Philippines' Real GDP Growth has consistently grown above 6.0% per annum. Although Euromonitor expects Real GDP to grow only 0.7% in 2020, the expectation is that Real GDP will recover to 7.6% in 2021 and remain steady at 6.5% in 2022 and 2023.

The chart below sets out Philippines Real GDP Growth from 2013 to 2018 with estimates up to 2023.

Philippines Real GDP Growth (%)



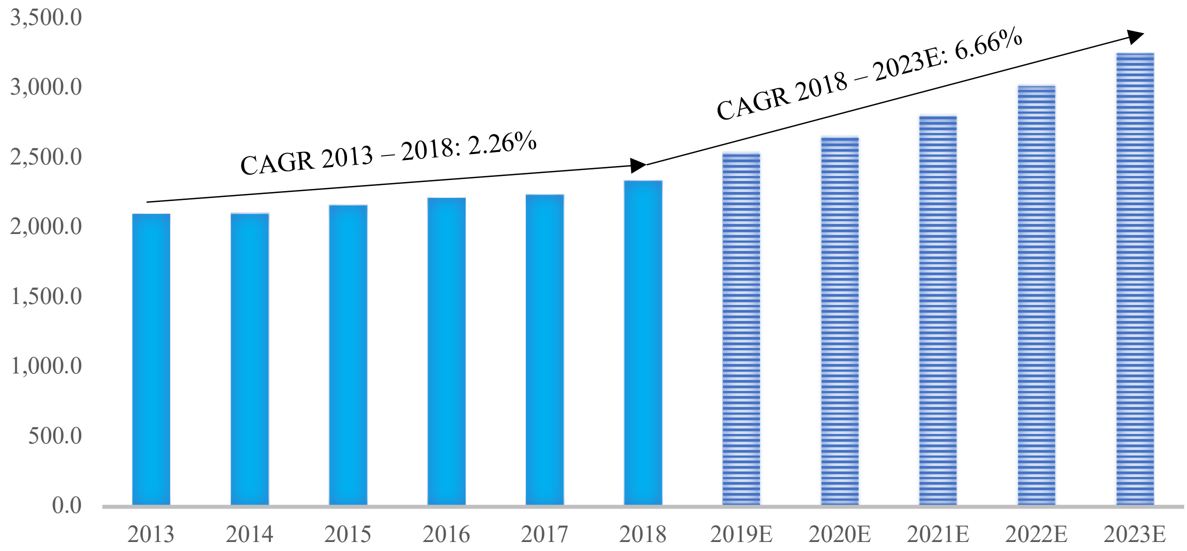
Source: Euromonitor

Personal disposable income and middle-income population in the Philippines

One of the main drivers of strong domestic consumption growth has been the steady increase in personal disposable income and the rapidly growing middle-income class, defined as population aged 15 years and over with annual gross income of between US$5,001 and US$50,000. According to Euromonitor, personal disposable income in the Philippines has grown at a CAGR of 2.26% from 2013 to 2018 and is expected to grow at a substantially stronger rate of 6.66% CAGR between 2018 to 2023.

The chart below sets out personal disposable income per capita of the Philippines from 2013 to 2018 with estimates up to 2023.

Personal Disposable Income per Capita (in US$)

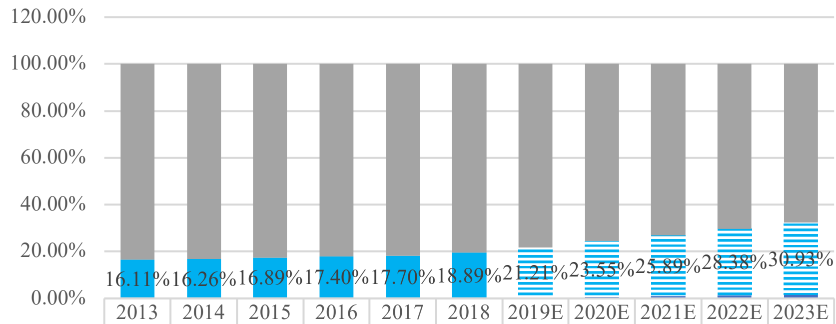


Source: Euromonitor

According to Euromonitor, the proportion of the Philippine population aged 15 years and over with gross income of US$5,001 to US$50,000 has increased from 16.11% in 2013 to 18.89% in 2018 and is expected to reach 30.93% by 2023.

The chart below illustrates the proportion of the Philippine population aged 15 years and over with gross income of US$5,001 to US$50,000 from 2013 to 2018 with estimates through 2023.

Growing Philippine population aged 15 years and over by gross income bands



	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E
% Population with gross income US$5,000 and less	83.41%	83.25%	82.62%	82.10%	81.79%	80.58%	78.22%	75.62%	73.03%	70.28%	67.48%
% Population with gross income US$5,001 to US$50,000	16.11%	16.26%	16.89%	17.40%	17.70%	18.89%	21.21%	23.55%	25.89%	28.38%	30.93%
% Population with gross income US$50,000 and more	0.48%	0.48%	0.49%	0.50%	0.51%	0.53%	0.58%	0.83%	1.08%	1.33%	1.59%

Source: Euromonitor

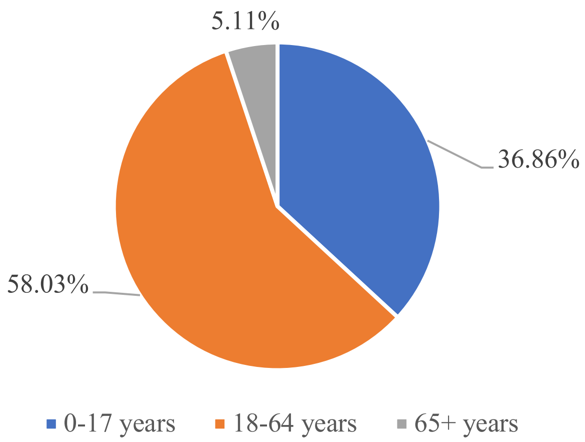
Philippine Population

According to estimates from the United Nations, the Philippines has the second-largest population in Southeast Asia with a population of 107 Million in 2018 (behind Indonesia, with a population of 268 Million in the same year). According to Euromonitor, the Philippine population has grown at a CAGR of 1.53% from 2013 to 2018 and is expected to grow at a CAGR of 1.33% from 2019 to 2023. The Philippines has a younger median age of 25 years compared 29.3 years for Indonesia both in 2018, according to Euromonitor.

MM considers the segment of the Philippine population between 18 to 64 years old as the economically active age bracket. According to Euromonitor, a population of 62 Million belongs to this active age bracket representing approximately 58.03% of the Philippine population in 2018. According to the data provided by Euromonitor, the same age bracket has grown from 56.50% in 2013 to 58.03% in 2018 and is expected to further reach 59.41% by 2023.

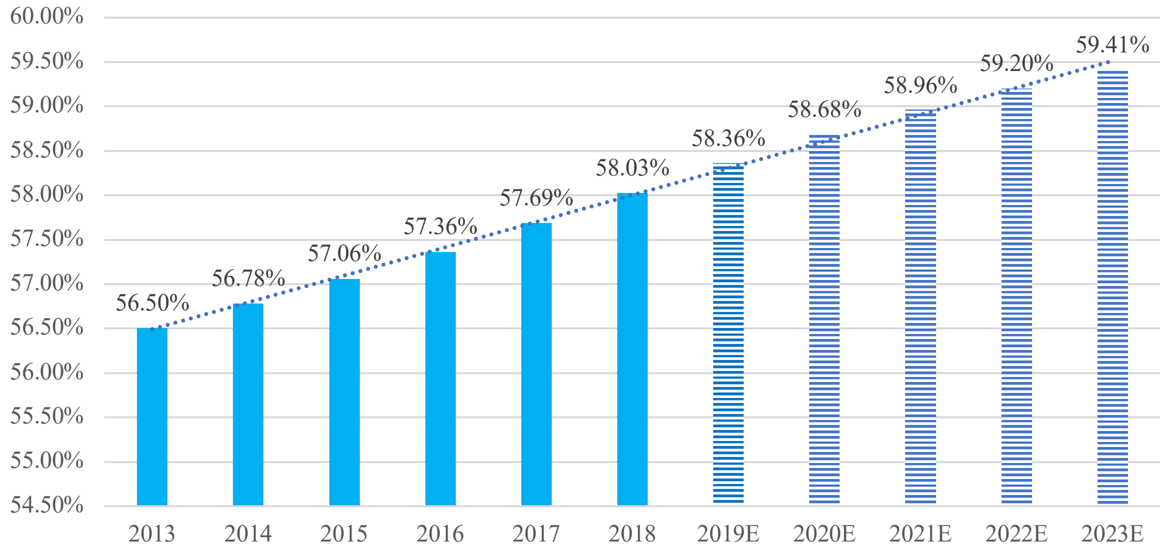
The following charts illustrate the population split by age in 2018 and the growth of the economically active in the Philippines between 2013 to 2018 with forecasts up to 2023.

Philippine Population Split by Age (in 2018)



Source: Euromonitor

Proportion of the Economically Active Bracket in the Philippines



Source: Euromonitor

Overseas Filipino Workers ("OFWs") Remittances

According to the BSP, personal remittances from OFWs reached $32.21 Billion in 2018 – a 3.0% increase from the same period in 2017, and US$30.25 Billion for the period January to November 2019 – a 4.10% increase from the same period in 2018. OFWs remain an economic growth driver due to their impact on the country's GDP. As a domestically driven economy, the continuing stream of remittances from the OFWs induces domestic consumer spending. MM believes that this will sustain a steady economic growth as personal remittances from OFWs account for approximately 9.74% of the country's GDP in 2018.

OVERVIEW OF THE PHILIPPINE RETAIL INDUSTRY

The next section will focus on the size and estimated growth of the supermarket/hypermarket/discounters/warehouse clubs category, convenience store category, and drugstore/pharmacy. MM will present market data based on retail value, number of outlets and selling space to determine the extent of growth the MM Group must achieve in order to be a leading retailer in the categories that it serves. MM believes that its innovation of creating a three-in-one small format store places MM's stores in their own category as household essentials stores. Nevertheless, since each of the products sold within MM branches are similar to those found within the outlets of players in the supermarket/hypermarket category, convenience store category, and drugstore/pharmacy, the MM Group will compete in the market of its competitors.

Supermarket/Hypermarket/Discounters/Warehouse Clubs

Euromonitor defines supermarkets as retail outlets selling groceries with a selling space of between 400 and 2,500 square meters. Excludes discounters, convenience stores and independent grocery stores. There are grocery retailer brands that operate outlets with a selling space of over 2,500 square meters, but offer only a very limited range of non-grocery merchandise or none at all. These brands are included in the supermarket category.

Euromonitor defines hypermarkets as retail outlets with a selling space of over 2,500 square metres and with a primary focus on selling food/beverages/tobacco and other groceries. Hypermarkets also sell a range of non-grocery merchandise. Hypermarkets are frequently located on out-of-town sites or as the anchor store in a shopping centre.

Euromonitor defines discounters as retail outlets typically with a selling space of between 400 and 2,500 square meters. Retailers' primary focus is on selling private label products within a limited range of food/beverages/tobacco and other groceries at budget prices. Discounters may also sell a selection of non-groceries, frequently as short-term special offers.

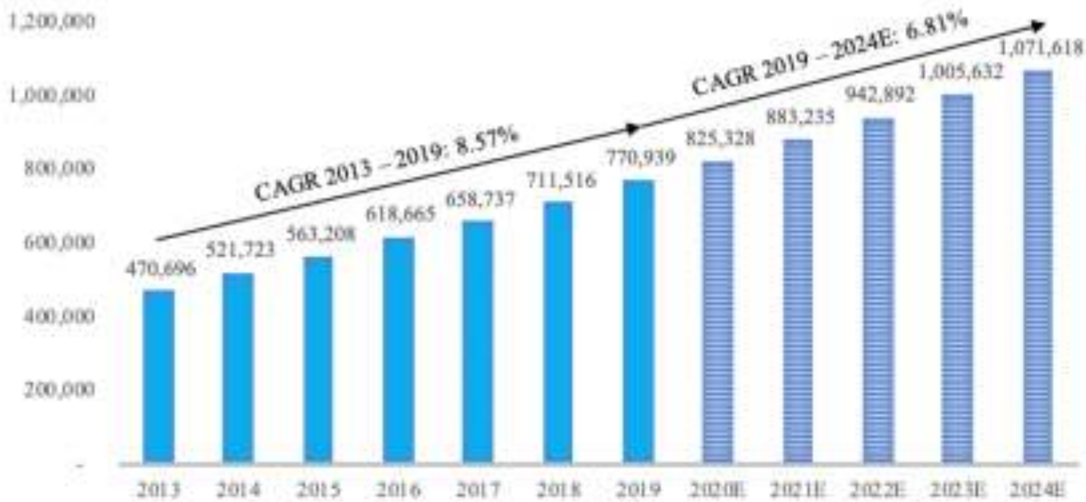
Euromonitor defines warehouse clubs as chained outlets that sell a wide variety of merchandise, but do have a strong mix of both grocery and non-grocery products. Customers have to pay an annual membership fee in order to shop. The clubs are able to keep prices low due to the no-frills format of the stores and attempt to drive volume sales through aggressive pricing techniques.

MM believes that its innovation of creating a three-in-one small format store places MM's stores in their own category as household essentials stores. Nevertheless, since each of the products sold within MM branches are similar to those found within the outlets of players in the supermarket/hypermarket/discounters/warehouse clubs category, the MM Group will compete in the market of its competitors.

According to Euromonitor, in the last six years, the combined categories of supermarket/hypermarket/discounter/warehouse club categories have consistently grown at a CAGR of 8.57%. Euromonitor expects expansion in these four categories to continue albeit at a slightly slower pace or CAGR of 6.81% between 2019 to 2024 in terms of historic current and forecast current figures.

The chart below shows the growth of the Philippine supermarket/hypermarket discounter/warehouse club categories based on its retail value in millions of Philippine pesos from 2013 to 2019 with estimates up to 2024.

Growth in the Supermarket/Hypermarket/Discounter/Warehouse Clubs
(Retail Value in Millions of ₱)



Source: MM calculations based on Euromonitor

According to Euromonitor, in 2019 there were a total of 2,640 sites/outlets in the supermarket/hypermarket/discounter/warehouse club categories with an estimated total selling space of 4,886,700 square meters and that this is expected to grow to 3,381 sites/outlets with an estimated total selling space of 6,478,500 square meters adding 741 outlets or 1,861,800 square meters of selling space by 2024.

Competitive Landscape

The table below shows the top five supermarkets/hypermarkets/discounters/warehouse clubs in the Philippines in 2019 ranked by their retail value.

Top Five Supermarket/Hypermarket/Discounter/Warehouse Clubs Brand Owners in Retail Value

	2019 Ranking
Puregold Price Club Inc	1
SM Retail Inc	2
Robinsons Retail Holdings Inc	3
Metro Retail Stores Group	4
Waltermart Supermarket Inc	5

Source: MM calculations based on Euromonitor

The table below shows the 2019 market share based on retail value of the top five supermarkets/hypermarkets/discounters/warehouse clubs as well as their number of outlets and square meters of selling space as of 2019.

More Data on Top Five Supermarket/Hypermarket/Discounter/Warehouse Club Brand Owners in Sites/Outlets

2019 Ranking	Name of Brand Owner	Sites/Outlets	Selling Space ('000 sqm)
1	Puregold Price Club Inc	396	555.5
2	SM Retail Inc	316	1,271.4
3	Robinsons Retail Holdings Inc	268	646.6
4	Metro Retail Stores Group	47	114.5
5	Waltermart Supermarket Inc	53	149.0
		1,080	2,737.0

Source: Euromonitor, Retailing 2020 Edition

Chained supermarket/hypermarket/discounters/warehouse club brand owners in the Philippines

The MM Group expects to expand its full sized supermarket branches, MerryMart Grocery, via franchising through conversion of existing stores. We look at a wider study of non-chained supermarkets/hypermarkets/discounters/warehouse clubs ("**Traditional Supermarkets**") in the Philippines with chained supermarkets/hypermarkets/discounters/warehouse clubs ("**Chained Supermarkets**").

The MM Group defines chained supermarkets to be supermarket brands with 10 or more branches. The MM Group expects that the primary target for conversion are traditional supermarkets.

According to Euromonitor, in 2019 there were only 17 supermarkets/hypermarkets/discounters/warehouse clubs brand owners that had 10 branches or more operating in the Philippines.

The table below shows the top 17 supermarkets/hypermarkets/discounters/warehouse clubs according to their number of sites/outlets vis-à-vis their market share based on retail value in 2019.

Top 17 Ranking Supermarket/Hypermarket/Discounter/Warehouse Club Brand Owners in 2019 based on Sites/Outlets

2019 Ranking	Name of Store	Sites/Outlets
1	Puregold Price Club Inc	396
2	SM Retail Inc	316
3	Robinsons Retail Holdings Inc	268
4	Super8 Retail Systems Inc	74
5	Liberty Commerical Center Inc	66
6	Prince Warehouse Club Inc	55
7	Waltermart Supermarket Inc	53
8	Metro Retail Stores Group	47
9	Gaisano Capital Group	46
10	New City Commercial Corp	45
11	Gaisano Grand Group of Cos	40
12	Unitop General Merchandise Inc	29
13	Magic Group of Cos	21
14	Ultra Mega Wholesale & Retail Mart	20
15	All Value Holdings Corp	17
16	City Supermarket Inc	16
17	CVC Supermart Inc	10
Total		1,519

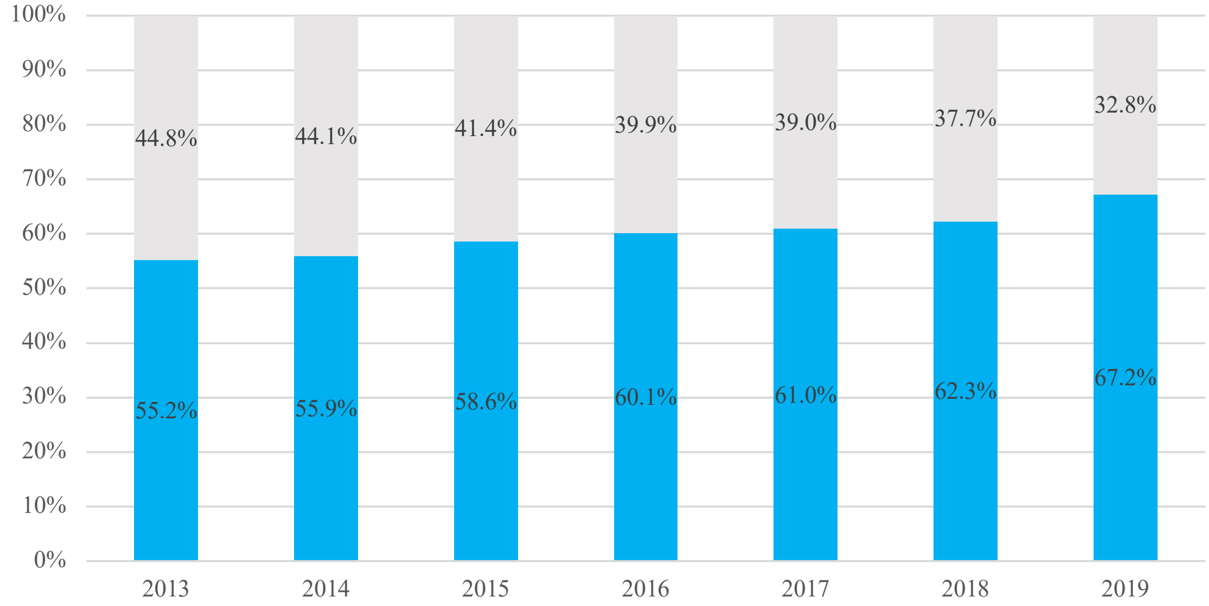
Source: MM calculations based on Euromonitor

The top 17 supermarket/hypermarket/discounter/warehouse club brand owners in terms of outlets in 2019 have a combined total of 1,519 sites/outlets and a combined market share of approximately 67.2. According to Euromonitor, the combined sectors of supermarkets/hypermarkets/discounters/warehouse clubs include 2,640 sites/outlets as of 2019 implying that unchained supermarket/hypermarket/discounter/warehouse club brand owners or Traditional Supermarkets have 1,121 sites/outlets as of 2019.

The data in the above table also implies that supermarket/hypermarket/discounter/warehouse club brand owners who operate less than 10 branches maintained a total market share of 32.8% in 2019 based on retail value. The increase in the market share based on retail value of the same top 17 supermarket/hypermarket/discounter/warehouse club brand owners in terms of outlets as of 2019 from 55.2% in 2013 to 67.2% in 2019. This implies that the market share of non-chained supermarket/hypermarket/discounter/warehouse club brand owners as of 2019 or Traditional Supermarkets as defined in this Prospectus have declined from 44.8% in 2013 to 32.8% in 2019.

The table below shows the increase in market share based on retail value of the same top 17 supermarket/hypermarket/discounter/warehouse club brand owners in terms of outlets as of 2019 who operate 10 or more branches in 2019.

Increase in Market Share of Chained Supermarket versus Traditional Supermarkets



Source: MM calculations based on Euromonitor

This data is relevant in evaluating the presented issues the MM Group believes traditional supermarket operators are currently facing and the compelling reasons for them to be part of the MM network via the franchise conversion template offered by the MM Group as discussed in "Competitive Strengths – *Attractive offer for existing traditional supermarket operators to be part of the MM network via franchise conversion template*" on page 98 of this Prospectus.

Key points of the data presented in this section shows that the leading supermarket/hypermarket/discounter/warehouse club brand owner in terms of site/outlets in 2019 has a 26.06% market share of the supermarket/hypermarket industry but Traditional Supermarkets as defined in this Prospectus have a 42.26% market share based on sites/outlets as of 2019. This implies that a possible conversion of at least two-thirds of the currently existing Traditional Supermarkets could make a new entrant the leading supermarket brand owner in terms of sites/outlets in the country all factors remaining constant.

Competitive Landscape for MerryMart Store, the three-in-one household essentials store

The MM Group believes that there are no retail formats currently operational in the Philippines that combine a mini-grocery, personal care shop, and pharmacy giving equal weight to each category as its core and that it is the first mover in this landscape pioneering a new category as a household essentials store.

This household essentials store will have a selection of products in the mini-grocery, personal care, and pharmacy categories that will cater to the day-to-day household consumables of individuals in its respective catchment areas. Product selection is engineered to ensure that household consumables of the general population are made available within the MerryMart store format.

Although the MM Group believes that there are no retailers in direct competition in the three-in-one household essentials store category, for the purpose of giving an overview of competitors that are offering one or two of its three categories, we provide an overview of Convenience Stores which include mini-grocery retailer Alfamart and Drugstore/Pharmacy Retailers in the Philippines which include personal care and pharmacy retailer Watsons as well as pharmacy and mini-grocery retailer Mercury Drug which provide some of the product lines found in a MerryMart Store.

Convenience Stores and Drugstore/Pharmacy Retailers

Convenience Stores and Drugstore/Pharmacy Retailers in the Philippines

Since the MM Group expects to expand its three-in-one household essentials store format, MerryMart Store, via franchising, convenience store and drugstore/pharmacy retailers in the Philippines in terms of retail value, retail sites and growth trajectory are discussed below, as the MM Group intends to penetrate these subsegments as it rolls out its franchising plans.

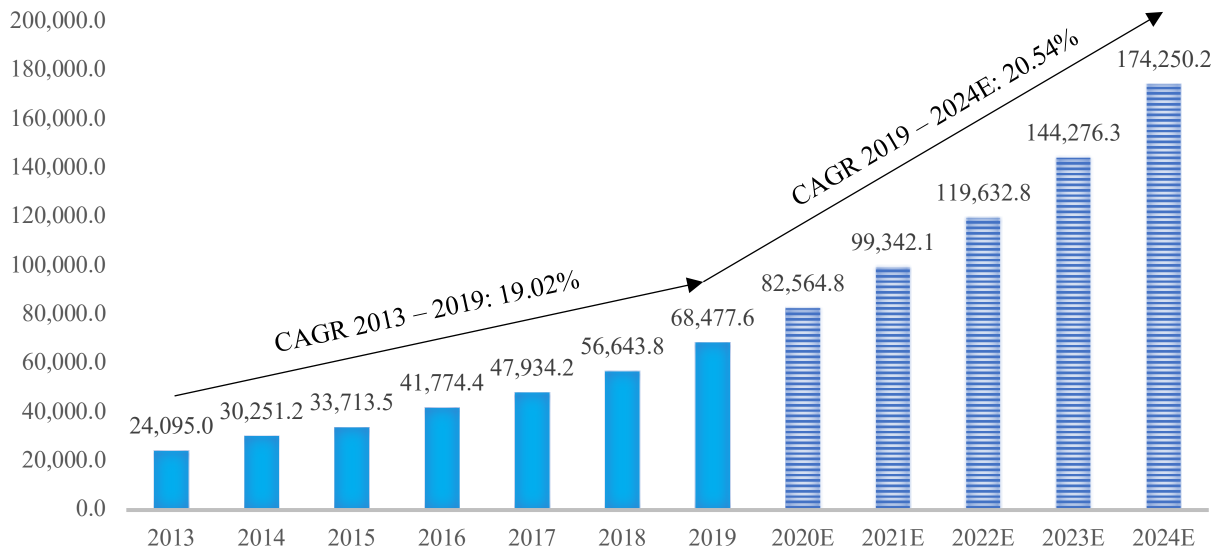
Convenience Stores

Euromonitor defines convenience stores as chained grocery retail outlets selling a wide range of groceries and fitting several of the following characteristics: extended opening hours, selling area of less than 400 square meters, located in residential neighborhoods, and handling two or more of the following product categories: audio-visual goods (for sale or rent), foodservice (prepared take-away, made-to-order, and hot foods), newspapers or magazines, cut flowers or pot plants, greetings cards, automotive accessories. The foodservice sales which are excluded from Euromonitor's coverage can be clearly identified by a separate ordering station. Sales that retail companies report separately as foodservice are also entirely excluded. However, sale of pre-prepared food, like that which is often sold through grocery store delis and hot/cold bars, is included in the Retailing size.

In the last six years, the convenience store industry has shown incredible growth at a CAGR of 19.02%. Euromonitor expects expansion in the convenience store industry to post even stronger growth at a CAGR of 20.54% between 2019 to 2024. In absolute terms, Euromonitor estimates that the convenience store industry which posted total retail sales of ₱68.48 Billion in 2019 will grow to more than double or by 154.45% to ₱174.25 Billion by 2024 in terms of historic current and forecast current figures. Based on the data of Euromonitor there is an estimated 4,339 convenience store outlets as of 2019 with an estimated total selling space of 537,800 square meters. Euromonitor, expects that by 2024, the convenience store industry should have a total of 9,763 sites/outlets with an estimated total selling space of 1,147,800 square meters or will grow by 5,424 outlets or 610,000 square meters of selling space between 2020 to 2024.

The chart below shows the growth of the Philippine convenience store industry based on its retail value in millions of Philippine pesos from 2013 to 2019 with estimates up to 2024.

Growth in the Convenience Store Industry (Retail Value in Millions of ₱)



Source: Euromonitor, Retailing 2020 Edition

Competitive Landscape

The table below shows the top five convenience store brands in the Philippines in 2019 according to their retail value.

Top Five Convenience Store Brands in 2019 Retail Value

	2019 Ranking
7-Eleven	1
Ministop	2
Alfamart	3
AllDay	4
Family Mart	5

Source: Euromonitor

The table below shows the 2019 market share based on sites/outlets of the top five convenience store brands as well as their number of outlets and square meters of selling space as of 2019.

More Data on Top Five Convenience Store Brands in 2019 Sites/Outlets

2019 Ranking	Store Brand	Sites/Outlets	Selling Space ('000 sqm)
1	7-Eleven	2,786	319.9
2	Alfamart	726	125.3
3	Ministop	527	40.0
4	Family Mart	79	9.5
5	AllDay	82	8.6
		2,786	319.9

Source: Euromonitor, Retailing 2020 Edition

All factors remaining constant, this estimates that a new convenience store entrant would need more than 527 sites/outlets and 40,000 square meters of selling space to be one of the top three convenience store brands in the Philippines in terms of sites/outlets.

According to the report *Supermarkets in the Philippines* published by Euromonitor as of January 2019, Grocery retailers in 2018 continued to improve their smaller formats so as to keep up with changing consumer behavior, with many Filipinos now preferring to shop in smaller outlets, albeit more frequently. Aside from the aggressive expansion of their convenience store banners, multi-format retailers are also focusing on their supermarkets. Robinsons Retail Holdings, owner of the hypermarket chain Shopwise, shifted its focus to the Shopwise Express format, which has already doubled its footprint a year after being launched. Robinsons also continued to support its minimart format, Robinsons Easymart, which was created to serve densely populated residential areas across Luzon and Metro Manila. LCC Supermarket, a leading player in the Bicol region, also opened more LCC Expressmart outlets, with this being a smaller supermarket format.

Drugstores/Pharmacies

Euromonitor defines drugstores/parapharmacies as retail outlets selling mainly OTC healthcare, cosmetics and toiletries, disposable paper products, household care products and other general merchandise. Such outlets may also offer prescription-bound medicines under the supervision of a pharmacist.

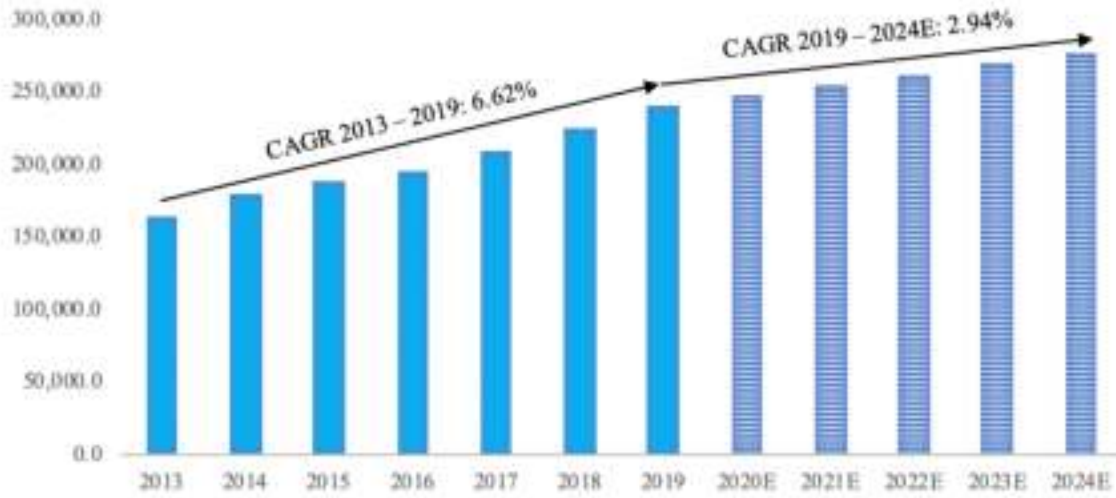
Euromonitor defines chemists/pharmacies as retail outlets selling prescription-bound medicines under the supervision of a pharmacist and as its core activity (other activities include sales of over-the-counter ("**OTC**") healthcare and cosmetics and toiletries products).

Both categories are hereinafter referred to it as the "**Drugstore/Pharmacies Industry**" and is calculated by MM based on data presented by Euromonitor.

In the last six years, the drugstore/pharmacy industry has shown consistent growth at a CAGR of 6.62%. Euromonitor expects expansion in the drugstore/pharmacy industry to weaken to CAGR of 2.94% between 2019 to 2024. In absolute terms, Euromonitor estimates that the drugstore/pharmacy industry which posted total retail sales of ₱240.3 Billion in 2019 will grow by 15.60% to ₱277.76 Billion by 2024 in terms of historic current and forecast current figures. Based on the data of Euromonitor there are an estimated 9,785 pharmacies as of 2019 with selling space of 1,267,300 square meters. Euromonitor expects that by 2024, the Drugstore/Pharmacy industry should have a total of 11,536 sites/outlets with an estimated total selling space of 1,673,600 square meters or will grow by 1,751 outlets or 406,300 square meters of selling space between 2020 to 2024.

The chart below shows the growth of the Philippine Drugstore/Pharmacy industry based on its retail value in millions of Philippine pesos from 2013 to 2019 with estimates up to 2024.

Growth in the Drugstore/Pharmacy Industry (Retail Value in Millions of ₱)



Source: MM calculations based on Euromonitor

Competitive Landscape

The table below shows the top five Drugstore/Pharmacy brands in the Philippines in 2019 according to their retail value.

Top Five Drugstore/Pharmacies in 2019 Retail Value

	2019 Ranking
Mercury Drug	1
Watson's	**2**
South Star Drug	3
The Generics Pharmacy	4
Rose Pharmacy	5

Source: MM calculations based on Euromonitor

The table below shows the 2019 market share based on sites/outlets of the top five Drugstore/Pharmacies as well as their square meters of selling space as of 2019.

More Data on Top Five Ranking Drugstore/Pharmacy Brand Owners in 2019 Sites/Outlets

2019 Ranking	Store Brand	Sites/Outlets	Selling Space ('000 sqm)
1	The Generics Pharmacy	1,982	52.2
2	Mercury Drug	1,201	186.5
3	Watson's	850	164.1
4	South Star Drug	525	49.8
5	Rose Pharmacy	262	27.9
		4,820	480.5

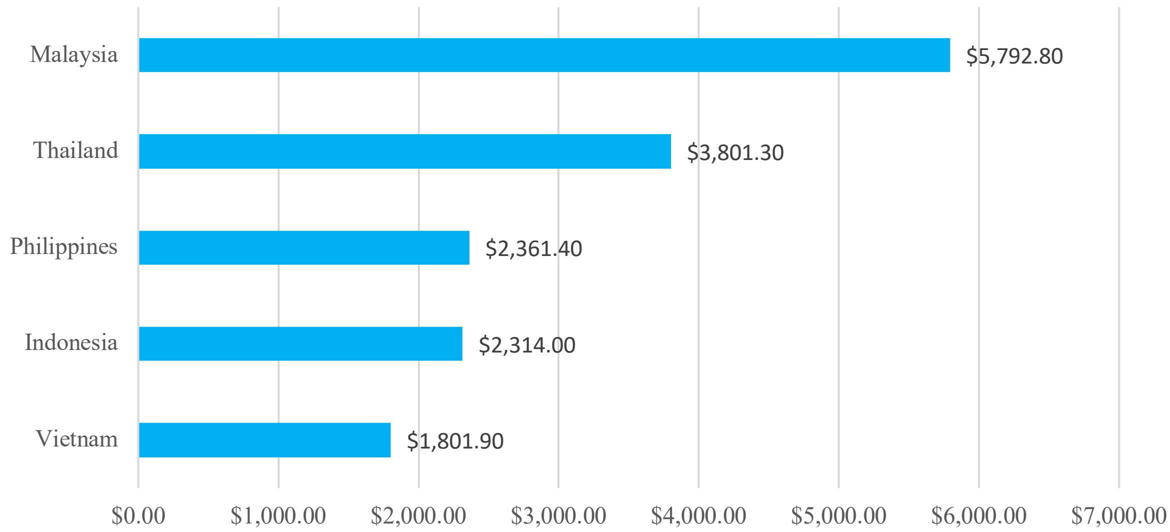
Source: MM calculations based on Euromonitor

All factors remaining constant, this estimates that a new Drugstore/Pharmacy entrant would need more than 850 sites/outlets and 164,100 square meters of selling space but more than 525 sites/outlets and 49,800 square meters of selling space to be one of the top three Drugstore/Pharmacy brand owners in the Philippines in terms of sites/outlets.

RETAIL DATA ACROSS NEIGHBORING COUNTRIES

The next section presents a comparison of the Philippines with Thailand, Vietnam, Indonesia and Malaysia, developing countries that are similar to the Philippines in terms of demographics or economic indicators. Of these countries, Indonesia is the most similar to the Philippines in terms of disposable income per capita as captured by the chart below.

2018 Disposable Income per Capita (in US$)



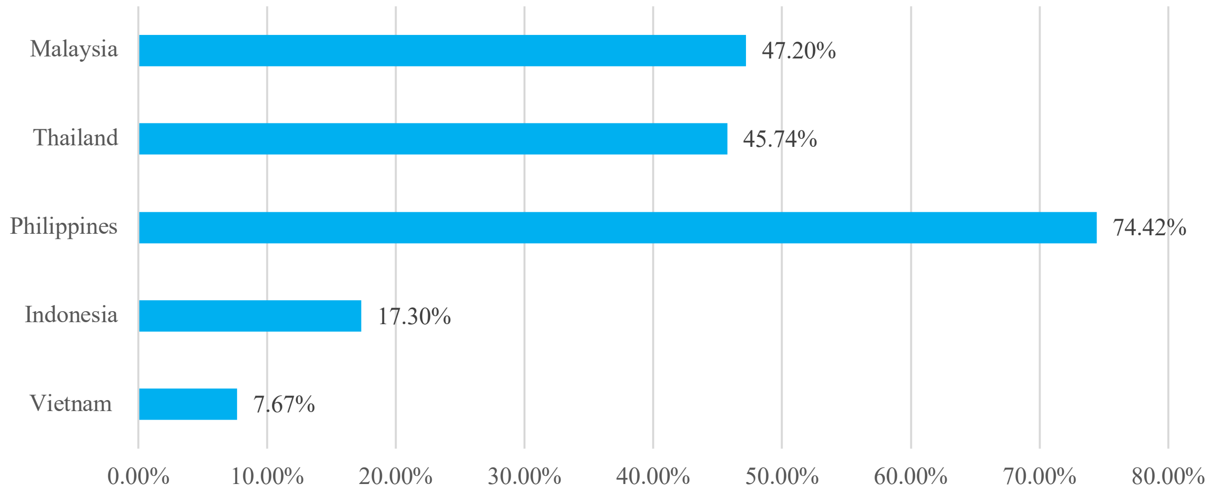
Source: Euromonitor

Modern grocery retail penetration in these neighboring countries is compared to the retail behavior of Philippine consumers who are similar in demographics and culture below.

Euromonitor defines modern grocery retailing as the aggregation of those grocery channels that have emerged alongside the growth of chained retail. For Euromonitor, modern grocery retailing is the aggregation of five channels: hypermarkets, supermarkets, discounters, forecourt retailers and convenience stores. While there can be Traditional Supermarkets or forecourt retailers, for example, due to the store's presence in the channel, these stores are still considered as modern for Euromonitor.

The chart below shows the market share of modern grocery retail in the total grocery retail industry neighboring countries in comparison to the Philippines. Modern grocery retail in the Philippines have a higher market share in comparison to all neighboring countries considered indicating Philippine consumers are more partial to shopping in modern retail formats.

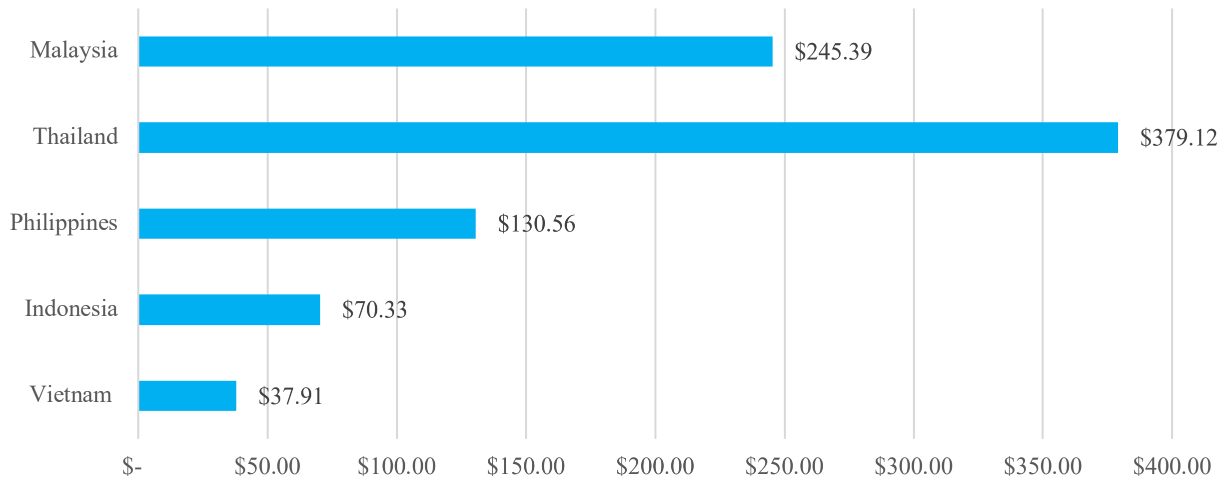
2018 Modern Grocery Retail Penetration Rate



Source: Euromonitor

The chart below shows the modern grocery retail spend per capita in neighboring countries in comparison to the Philippines. Modern grocery retail spend per capita in the Philippines is higher than that of Indonesia despite having very similar disposable income per capita indicating that the modern grocery retail industry in the Philippines is more developed than that of Indonesia.

2018 Modern Grocery per Capita Spend (in US$)

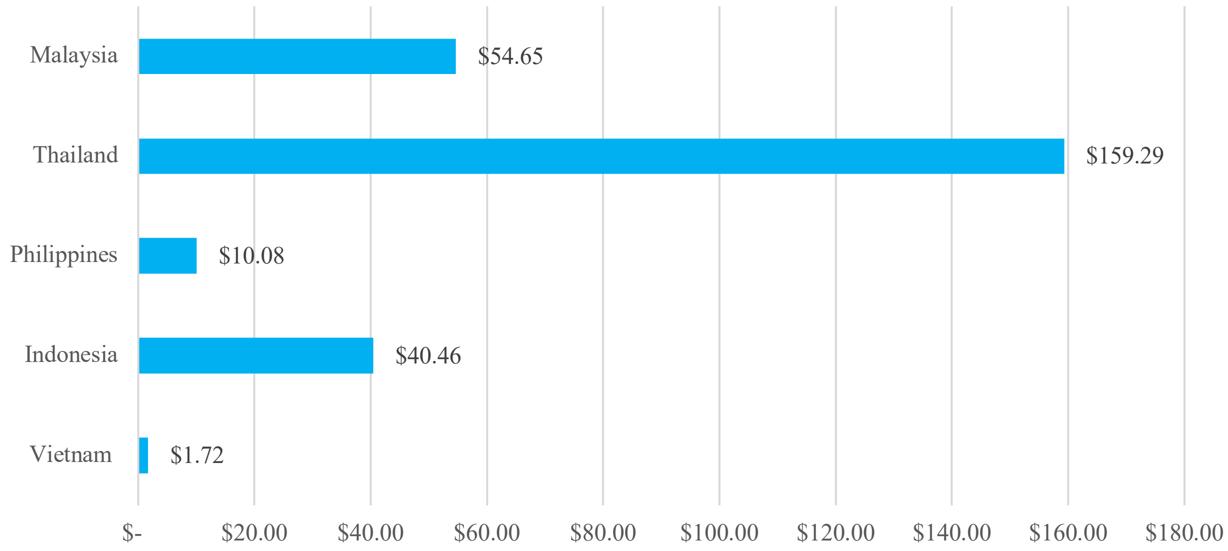


Source: Euromonitor

The MM Group believes that the MerryMart Store will pioneer a new category under the household essentials store format. The unique three-in-one concept is expected to cater to the general population of each community and neighborhood it serves. Considering such concept's assimilation to the convenience store format, convenience store data across the neighboring countries is discussed below.

The chart below shows the convenience store retail spend per capita in neighboring countries in comparison to the Philippines. Convenience store retail spend per capita in the Philippines is lower than that of Indonesia despite having similar disposable income per capita. MM believes that this indicates capacity for growth in the per capita spend in convenience stores in the Philippines.

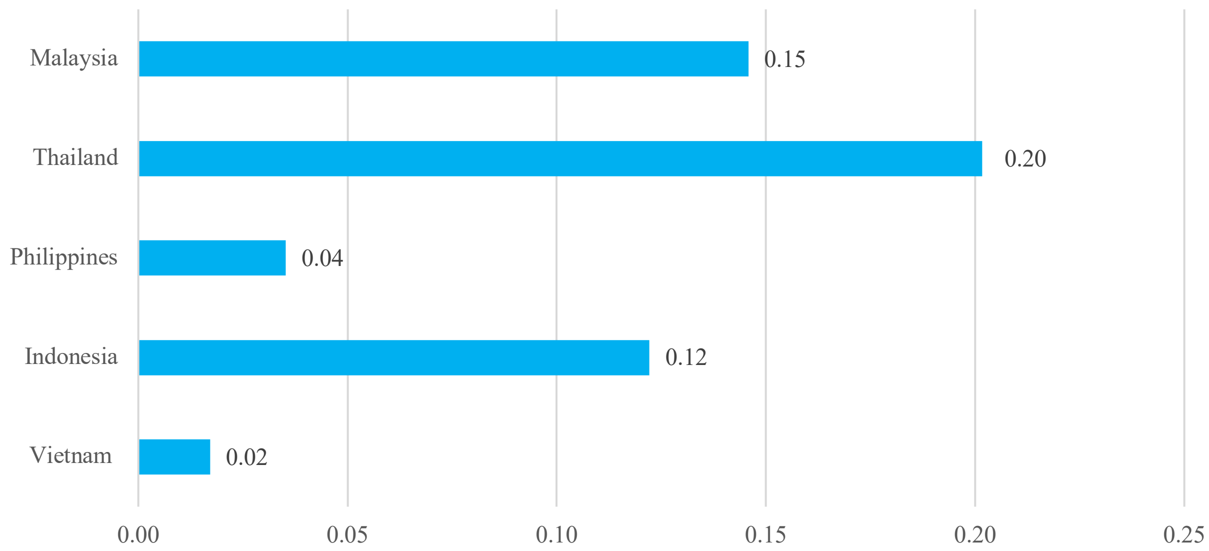
2018 Convenience Store per Capita Spend (in US$)



Source: Euromonitor

The chart below shows the number of convenience store outlets per 1,000 inhabitants in 2018 in neighboring countries in comparison to the Philippines. The Philippines penetration of convenience store outlets is only 0.04 outlets per 1,000 inhabitants in comparison to Indonesia that has 0.12 outlets per 1,000 inhabitants indicating that there is still a lot of capacity for growth in the penetration of convenience stores in the Philippines.

2018 Convenience store outlets per 1,000 inhabitants



Source: Euromonitor

BUSINESS

OVERVIEW

MM, formerly Injap Supermart Inc., is an emerging consumer focused retail company principally engaged in the operation of retail stores in the supermarket and, beginning January 30, 2020 household essentials category. The Issuer, through its subsidiary, MMGC, will pioneer the franchise business model covering supermarkets and household essentials stores in the Philippines.

The principal shareholder of MM is III which is the investment holding company of the Sia family, primarily led by its major shareholder and Chairman, Edgar J. Sia II.

MM was incorporated in 2009. However, the Sia family has long been engaged in the supermarket business. MM opened its first two stores, Injap Supermart TATC and Injap Supermart Burgos Roxas City after its incorporation in 2009. Injap Supermarts like MerryMart Groceries are full size supermarkets offering a wide variety of food and non-food products with up to 20,000 SKUs. Injap Food Shop is a food section that sells ready-to-eat food inside Injap Supermart.

On September 28, 2018, MM aims to capitalize on its extensive experience in the retail business with the incorporation of a wholly owned subsidiary MMGC, which MM would use to rollout three retail formats nationwide under a new brand, MerryMart. Simultaneous to the opening of the first MerryMart Grocery in DoubleDragon Plaza, DD Meridian Park, Bay Area, Metro Manila last April 29, 2019, MMGC revealed its 2030 vision of rolling out a total of 1,200 MerryMart branches nationwide.

On January 22, 2020, the MM Group opened its fourth branch and second MerryMart Grocery in CityMall Calamba Laguna. On January 30, 2020, the MM Group opened its fifth branch and first MerryMart Store in Ayala Malls Manila Bay. On February 24, 2020 the MM Group opened its sixth branch and third MerryMart Grocery in Sorsogon City. On February 29, 2020 the MM Group opened its seventh branch and fourth MerryMart Grocery in Mayombo Dagupan City.

MM intends to grow its current business organically as well as through acquisitions and acquire or establishment of new consumer-related businesses in the long-term. The rollout of the MerryMart brand under MMGC will allow MM to venture in other consumer-related business in the sunrise sectors in the Philippine consumer space that will add value to its portfolio of consumer-related businesses.

Its wholly owned subsidiary, MMGC, plans to develop the MerryMart brand through company-owned stores, as well as opening it for franchising to the public. MM will serve as a platform for the existing local and traditional supermarkets to convert and be part of a modern-branded retail chain network while retaining ownership of the store as a franchisee of MM. Being part of the MerryMart network will allow current traditional retailers to remain relevant for the coming decades and also enable them to bridge the ongoing shift from traditional retail to modern retail.

MMGC aims to cover all the grocery retail categories from small, medium, and large grocery retail formats and will have, in particular, three grocery retail formats:

1. MerryMart Grocery

MerryMart Grocery is a full size supermarket that offers a wide variety of food and non-food products, a broad selection of personal care products, as well as a pharmaceutical section. MerryMart Grocery caters to lower to middle-income consumers and offers competitive prices. MerryMart Grocery will be available for franchising via conversion of existing traditional supermarkets.

2. MerryMart Market

MerryMart Market is a medium format specialized grocery that offers a larger selection of premium and imported grocery items and will feature a large fresh selection of fruits and vegetables, as well as fresh seafood products. MerryMart Market will also offer personal care and pharmaceutical products but will cater to the middle to high-income consumers in central business districts and other urbanized communities. MerryMart Market expansion will only be for company-owned stores due to its specialized nature and distinct target market.

3. MerryMart Store

MerryMart Store is a small format household essentials store with a unique three-in-one concept which combines a mini-grocery, personal care shop, and pharmacy in one store, effectively providing operational cost efficiencies. This household essentials store will cater to the general population of each community and neighborhood it serves. The MerryMart Store expansion will be primarily through a franchise platform.

As of the date of this Prospectus, the MM Group owns and operates the following branches:

BRANCH NO.	**FORMAT**	**STORE LOCATION**	**STRUCTURE**
1	GROCERY	Injap Supermart – TATC ROXAS CITY*	Company-Owned
2	GROCERY	Injap Supermart – BURGOS ROXAS CITY*	Company-Owned
3	GROCERY	MerryMart Grocery – DOUBLEDRAGON PLAZA PASAY	Company-Owned
4	GROCERY	MerryMart Grocery – CALAMBA LAGUNA	Company-Owned
5	STORE	MerryMart Store - AYALA MALLS MANILA BAY	Company-Owned
6	GROCERY	MerryMart Grocery – SORSOGON CITY	Company-Owned
7	GROCERY	MerryMart Grocery – MAYOMBO DAGUPAN CITY	Company-Owned

**Directly owned and operated by MM*

The following branches are expected to open by the second and third quarters of 2020:

BRANCH NO.	**FORMAT**	**STORE LOCATION**	**STRUCTURE**
8	GROCERY	MerryMart Grocery - ISULAN	Company-Owned
9	GROCERY	MerryMart Grocery - BULUA CDO CITY	Company-Owned
10	GROCERY	MerryMart Grocery - MACTAN TOWN CENTER CEBU CITY	Company-Owned
11	STORE	MerryMart Store - MAMBUSAO CAPIZ	Franchised
12	STORE	MerryMart Store - LAPAZ ILOILO CITY	Franchised
13	GROCERY	MerryMart Grocery - ROXAS AVENUE CAPIZ	Company-Owned
14	MARKET	MerryMart Market - ROCKWELL ARTON STRIP QC	Company-Owned
15	STORE	MerryMart Store - PAVIA ILOILO	Company-Owned
16	GROCERY	MerryMart Grocery - IPONAN CDO CITY	Company-Owned
17	GROCERY	MerryMart Grocery - SAN CARLOS CITY PANGASINAN	Company-Owned
18	GROCERY	MerryMart Grocery - CALAPAN CITY MINDORO	Company-Owned
19	GROCERY	MerryMart Grocery - CADIZ CITY NEGROS	Company-Owned

Other than Injap Supermart TATC Roxas City and Injap Supermart Burgos Roxas City, all company-owned branches are directly owned and operated by MMGC and consolidated by MM. Injap Supermart TATC Roxas City and Injap Supermart Burgos Roxas City are directly owned and operated by MM.

The estimated timing of these openings may vary as a result of various factors, some of which may be beyond the MM Group's control. For more information, see "Risk Factors – Risks relating to MM's Business" on page 24 of this Prospectus.

For the year ended December 31, 2019, the MM Group booked consolidated revenues of ₱2.5 billion, an increase of 18.8% from the prior year's consolidated revenues of ₱2.1 billion. For the year ended December 31, 2019, the MM Group booked consolidated net income of ₱28.0 million, a decrease of 31.0% from the prior year's consolidated net income of ₱40.6 million.

STRENGTHS AND STRATEGIES

Competitive Strengths

Faster expansion through franchise and multi-format business model

Unlike other supermarket, mini grocery, personal care, and pharmacy operators in the Philippines that expand their branch network only through the roll out of company-owned stores, the MM Group will offer the franchise business model to address the needs of consumers of these categories. This is expected to catapult the MM Group's expansion vis-à-vis competitors that rely on their own resources for the expansion of their respective store networks.

Franchising allows franchisors to capitalize on the financial and operational capabilities of franchisees to grow both the MerryMart brand and the business. Franchisees have the local expertise to expand the brand in all regions wherein there is a proven market for the MerryMart multi-format platform. Access to prime sites is also enhanced by the franchising business model, as often, franchisees have superior (or in some cases, even exclusive) access to prime sites for MerryMart locations.

Growth through franchise will provide the MM Group with a network of motivated partners. Having invested their own capital, franchisees are usually more motivated and dedicated than employees. Franchisees tend to be more detail-oriented and more closely involved in the direct profitability of each store, providing superior chances for success.

Franchisors' royalty revenues are based on the revenue, not the profit, of its franchisees. A franchisor will be generating revenue and profits from supplying franchisees upon the opening of each franchised branch. The MM Group also collects a one-time franchise fee which helps fund the build out of its distribution centers nationwide. Franchisors infuse minimal resources into adding each franchised location.

As the franchise network develops, so will the capital value of the business and the MerryMart brand. Growth in systemwide sales is an important valuation indicator of any business. Through the franchise business model, the MM Group is targeting to build up its network to 1,200 branches nationwide by 2030.

Unique three-in-one concept in small format offering. Innovation has depth to successfully disrupt the Philippine retail industry.

The MM Group believes that small innovations can lead to massive impact in operational efficiency. The MM Group believes that there are no retail formats currently operational in the Philippines that combine a mini-grocery, personal care shop, and pharmacy giving equal weight to each category as its core and that it is the first mover in this landscape pioneering a new category as a household essentials store.

This household essentials store will have a selection of products in the mini-grocery, personal care, and pharmacy categories that will cater to the day-to-day household consumables of individuals in its respective catchment areas. Product selection is engineered to ensure that household consumables of the general population are made available within the MerryMart store format.

The MM Group believes that within the retail formats currently present in the country, at least one branch manager is required to operate a personal care shop and pharmacy and another branch manager to operate a mini-grocery.

The innovative combination of all three concepts in one store will eliminate the need for several management positions and streamline this requirement to one pharmacist who will also act as the branch manager of the said three-in-one household essentials store.

Other operational efficiencies include the lower capital expenditure requirements led by the reduction of space requirements which will also lower branch overhead such as lease expense, number of outsourced personnel, utilities, permits, and other monthly expenditures that one would incur with the operation of two to three outlets versus one MerryMart Store.

The MM Group believes that rolling out a combined three-in-one household essentials store that combines both non-discretionary and discretionary product lines in one place will naturally result to high-blended margins which will ensure the sustainability of the business model.

The MM Group expects to dominate this space in the near-term with its rapid expansion plan to establish 1,000 small format MerryMart Stores nationwide by 2030.

Attractive offer for existing traditional supermarket operators to be part of the MM network via franchise conversion template

The MM Group believes that the market share of traditional supermarket operators is declining as modern supermarket operators enter their markets. The MM Group believes some of the leading causes of the decline in market share of traditional supermarket operators include the following: (1) the lack of purchasing power required to enhance supplier terms and supply cost; (2) the penetration of modern supermarket brands that provide better customer experience; (3) the inability of traditional supermarket operators to adopt best practices that will lead to operational efficiencies; (4) the hesitation to migrate to modern systems and invest in IT infrastructure; (5) reliance on family members to address succession requirements for the business; and (6) the lack of brand value to leverage on for expansion beyond current locations.

The MM Group believes that inclusion in the MerryMart network as a franchisee would address many of the issues traditional supermarket operators currently face, whilst still enabling them to maintain ownership and even continue the management of their respective supermarkets, should they wish to.

As the MerryMart network expands, it is inevitable that supplier terms and purchasing power will continue to improve alongside the increase in its volume purchases. The MM Group believes that as a franchisee of MerryMart Grocery, a previously traditional supermarket operator will have better chances to leverage the purchasing power of the MM Group, as opposed to relying on its own supplier network in the medium to long term.

The conversion of a traditional supermarket into a MerryMart Grocery will entail the renovation and modernization of the look and feel of a particular branch in line with the MerryMart brand and design guidelines. A fresh shopping environment will enable MerryMart Grocery franchisees to better compete with the modern supermarket chains that are currently penetrating their markets.

All franchisees of the MM Group must adhere to the MerryMart Operations Manual which adopts best practices in the operations of each branch. All franchisees must undergo service standards and operational workshops provided by the MM Group in order to ensure the efficient operations and consistent quality of sales service in accordance with MM's standards. All franchisees are compelled to use the point-of-sale system integrated to the MM Group's system and will allow franchisees to capitalize on the superior IT infrastructure the MM Group has invested in.

The MerryMart Business System, once properly adhered to by franchisees, will enable franchisees to smoothly transition management to other parties, be it family or professionals, thereby addressing the current succession issues experienced by traditional supermarket operators.

The MM Group collects revenue-based advertising fees from its franchise network which it uses for marketing spend to increase the exposure of the brand and boost ongoing instore promotions. Inclusion in the MM network will allow franchisees to directly benefit from the MM Group's nationwide multi-platform marketing efforts.

The MM Group believes it is the most visible supermarket franchise business opportunity in the Philippines. It expects to reach its goal of a combined 200 large and medium format MerryMart Grocery and MerryMart Market stores nationwide by 2030.

Well-defined execution capability of major shareholder with proven track record of delivering above normal growth path in a short span of time

III, the major shareholder of MM, led by its Chairman Edgar J. Sia II was also the founder of Mang Inasal and co-founder of listed DoubleDragon Properties Corp. ("**DD**").

Mang Inasal which was founded by Injap in 2003 is now one of the country's fastest growing quick service restaurant and the second largest fastfood chain in the Philippines with over 600 branches as of the date of this Prospectus. Injap led Mang Inasal in its above normal growth path to 338 branches nationwide within the first seven years of its operations.

DD listed in the Philippine Stock Exchange on April 7, 2014 with a total asset base of ₱1.8 billion and total equity base of ₱615.1 million as of December 31, 2013. Within six years, DD, led by its Chairman Injap, successfully executed based on its well laid out plans and has grown its total asset base to ₱93.5 billion and total equity base to ₱35.3 billion as of September 30, 2019.

Early on, Injap learned the importance of following his instincts, taking risks, strategizing, negotiating and motivating himself and his people. He also knew that the Filipino barbeque quick service restaurant category and the provincial community mall segment had the potential for nationwide expansion, just as he sees great potential in the MM multi-format retail platform today.

The MM Group believe that its major shareholder's proven execution ability to deliver exponential growth both in Mang Inasal and in DD adds to the credibility and likelihood of the successful rollout of MM. While MM's affiliation with DD and City Mall may bring positive synergies, its growth strategy is not fully reliant on the said affiliation, as the vast majority of its network expansion will be outside the properties of the said affiliates.

Experienced management team with extensive knowledge in brand building, franchising, retail and ability to penetrate mature and highly competitive industries

The management team of MM has successfully built some of the country's leading brands in its respective segments such as Mang Inasal in the Filipino fast food segment and CityMall in the provincial community mall segment. These brands have now become household names nationwide and come top of mind in the segments they serve.

Mang Inasal, during its first seven years of growth under the same management team, had 92% of its 338 branches under the franchise business model. That brainchild brand of MM's current Chairman and CEO has since garnered numerous awards over the years, including the Outstanding Fast Growing Local Food Company from the 19th Annual National Consumer Awards in 2008, the Most Outstanding Quick Service Restaurant and Most Outstanding Chicken Inasal restaurant from the 2010 Dangal ng Bayan Awards, and the Outstanding Filipino Franchise Award from the 2015 Franchise Excellence Awards.

The MM Group's first store has been operational and under the same management for over 33 years. Combined with the retail experience of the professionals that occupy MMGC's top management positions such as Chief Operating Officer, Chief Development Officer, and Consultant for Business Development, the MM Group's management team has a combined 121 years of retail experience.

Both the fast food space and the real estate segments are mature and highly competitive industries with solid barriers to entry. The successful penetration of Mang Inasal and DD in becoming leading players in these industries is proof that a new player can penetrate a mature industry with the right business model and the proper execution of well laid out plans.

The MM Group has the benefit of an experienced management team with decades of retail experience who have also successfully built brands, spearheaded rapid expansion through franchising and have the proven execution ability in penetrating mature and highly competitive industries.

Strategic and sustainable expansion plan arising from synergistic relationship with the DD

The MM Group's relationship with DD allows the MM Group to locate its distribution centers in parallel with the development of the industrial projects of DD, particularly CentralHub. MM believes that this will enable it to strategically pursue its expansion plans and enhance its supply chain, allowing it to allocate and utilize capital more efficiently.

Business Strategy

Focus on franchising small format stores for quick ramp up of branch network

The MM Group is targeting 1,200 branches nationwide by 2030, 83.33% or 1,000 branches of its target branch network are expected to be small format MerryMart Stores and a majority of these branches are expected to be franchised branches.

The roll out of MerryMart Stores is pegged at a more rapid pace than the roll out of large and medium format stores due to several reasons. Firstly, its compact three-in-one concept that will only occupy a selling area of 150 square meters to 300 square meters will make a MerryMart Store faster to build; it will take approximately 60 days to complete one store. Secondly, by capitalizing on the franchise business model, the roll out of franchised MerryMart Stores will be faster, as operational capacity will include those of franchisees.

Resource allocation for this format will be focused mainly on the training and monitoring of franchisees. Area managers will be deployed to periodically visit each franchised branch to ensure efficient operations and consistent quality of sales service in accordance with MM standards.

The roll out of MerryMart Stores will enable the MM Group to achieve its desired purchasing power and favorable supplier terms in a shorter span of time.

Target conversion of remaining traditional supermarket operators and become one of the leading supermarket brands in the country

The MM Group believes that the conversion of a significant number of traditional supermarket operators into the MM network would make MerryMart one of the leading supermarket brands in the country, all other factors remaining constant.

In the Competitive Strengths section of this Prospectus, the compelling rationale behind the conversion of remaining traditional supermarket operators to become part of the MM network was discussed at length. For the MM Group, there are even more compelling reasons to franchise the MerryMart Grocery format via conversion of existing traditional supermarkets rather than through new builds.

Firstly, since the supermarket for conversion is already existing, a franchisee would no longer need to secure a prime location and establish the market demand for the said location. The current customer base it serves will continue to be its loyal customers. In comparison to a new build, the existing supermarket already has the basic fit-out and some of the equipment can be reused upon its conversion into a MerryMart Grocery. The franchisee will still be required to refresh its look to comply with the MerryMart brand and design guidelines but the capital outlay will be less than for a newly built MerryMart Grocery and the renovation period is expected to be within a 75-day time frame.

Secondly, the franchisee of the MerryMart Grocery would already have had extensive experience in supermarket operations, increasing the likelihood of success upon conversion vis-à-vis a potential franchisee with no previous experience in supermarket operations.

Thirdly, since the supermarket for conversion was already operational, it would have already hired a capable organization of skilled workers who are well versed in the operations of a supermarket. In new builds, ramping up the organization could take time because of the sheer number of personnel required to manage a selling area of 1,500 square meters to 2,500 square meters in size.

These factors and more will solidify the success of franchising MerryMart Grocery format via conversion of traditional supermarkets. The MerryMart Grocery franchise model will enable traditional supermarkets to survive the modernization of the supermarket industry and allow them to emerge as stronger players in the markets they serve.

Rapid expansion of network to build significant volume and lower cost of supply

With the rollout of MM's multi-format retail platform from both company-owned and franchised channels, the MM Group will be able to accelerate the expansion of the MM network and sooner build the required volume of purchases to lower the cost of supply and achieve favorable supplier terms.

The pricing strategy of the MM Group is to ensure that in store prices are at least at par with competitors' pricing regardless of cost of supply. The customer base for basic necessities and non-discretionary products are typically highly price sensitive. Profit margins of distribution centers will be secondary to achieving competitive pricing for all branches nationwide. The sooner the MM Group can reach critical mass in its network, the better for all parties, involved so the primary goal will be to have at least the same volume of purchases as the leading supermarket brands in the country to ensure similar or even better pricing.

Supermarket, mini-grocery, and pharmaceutical products available in the market are almost identical regardless of which supermarket, mini-grocery, or pharmacy you frequent. The top selling SKUs are sourced from the same major local and multinational suppliers. This makes purchasing power essential in the successful roll-out of retail branches in these segments.

Invest in distribution centers with midterm goal to achieve 100% coverage of supply chain for all branches and to have 81 distribution centers nationwide

The midterm goal of the MM Group is to achieve 100% coverage of its supply chain for all branches by 2025. By 2030, the MM Group aims to have 81 distribution centers nationwide or 1 distribution center in each province of the Philippines. With a branch network of 1,200 branches by 2030, MM aims to be present in all 81 provinces in the Philippines.

The MM Group will prioritize locating in CentralHubs nationwide. CentralHubs are industrial warehouse complexes developed by DD. CentralHub is envisioned to become the leading provider of industrial warehouses in the Philippines through the development of its first eight CentralHub complexes by 2020. Each hub will contain modern standardized multi-use warehouses suited for commissaries, cold storage, light manufacturing and logistic distribution centers. CentralHub's long-term plan is to have one CentralHub in all 81 provinces in the Philippines assuring the MM Group of a location for its future distribution centers. The MM Group intends to develop a long-term relationship with DD as a tenant of CentralHub.

The MM Group believes that with the new influx of modern supermarket chains most particularly in the provinces, traditional supermarket operators will continue to lose market share which will lead to lower volume for regional distributors of supermarket products. This new reality has led to an unsure future for distributors of supermarket products as modern supermarket chains are supplied directly by manufacturers. Loss of distributors will mean loss of product availability for retailers that do not have control of their own supply chain. The MM Group is anticipating this transition in the industry and will focus its investments around distribution centers to ensure its continuous and uninterrupted supply of products at competitive prices.

Target potential acquisitions that will enhance branch network, enable the MM Group to achieve competitive pricing while increasing margin and improving logistics efficiency as well as other potential consumer-related business

The MM Group is eyeing several strategic acquisitions related to enhancing branch network and enabling the MM Group to achieve competitive pricing. Acquisitions that will enhance the branch network of the MM Group will add to the rollout of company-owned branches and will allow it to expand quicker than through new build out of branches. The MM Group is open to acquire supermarket chains and smaller format chains provided that the site locations are Grade A quality and that the cost to acquire will be similar or better than the cost to build the same number of branches.

Growth in the branch network through acquisition will likewise provide for a more rapid growth in volume purchases and increase in purchasing power which is equally beneficial to the MM Group.

Other than acquisitions related to the expansion of branch network, the MM Group is also eyeing acquisitions in the distributor space as this will allow the MM Group to achieve competitive pricing and enhance profitability of its distribution centers sooner. Acquiring existing distributors will also hasten the roll out of the MM Group's distribution centers as well as improve logistics efficiency.

MM is also eyeing potential consumer-related business acquisitions in sunrise sectors in the Philippine consumer space that will add value to its portfolio of consumer-related businesses.

HISTORY

MM, formerly Injap Supermart Inc., was incorporated and registered with the SEC on September 9, 2009 primarily to engage in the business buying, selling, manufacturing, distributing, marketing at wholesale and retail of consumer goods including liquor and agricultural, meat, and fresh products. On December 18, 2019, the SEC approved MM's change in name from "Injap Supermart Inc." to "MerryMart Consumer Corp."

Below are key milestones in the MM Group's history:

2009 … **First two branches.** In September 11, 2009, after MM's incorporation, MM opened its first branch in TATC, Roxas City**.** In September 30, 2009, MM opened its second supermarket, the Injap Supermart – Burgos Branch, also in Roxas City, Capiz. Over the years, the two branches of Injap Supermart have continued to operate successfully and were able to improve its position in the grocery retail business of Roxas City, Capiz.

2018 … **Nationwide Multi-Platform Retail Rollout through Subsidiary.** In September 28, 2018, MM decided to capitalize on its extensive experience in the retail business with the incorporation of wholly owned subsidiary, MMGC, to rollout a multi-format retail platform nationwide under a new brand, MerryMart.

2019 … **MerryMart Grocery Launch.** In April 29, 2019 MM's subsidiary, MMGC, opened the first MerryMart Grocery in DoubleDragon Plaza, DD Meridian Park, Bay Area, Metro Manila. Last April 2019, MMGC also revealed its 2030 vision of rolling out a total of 1,200 MerryMart branches nationwide.

2019 … **MM Group signs CSR agreement with Jollibee Group Foundation.** On July 12, 2019, the MM Group signed an agreement with Jollibee Group Foundation to make available its coin banks in all MM cashier counters nationwide. The proceeds are utilized for the Busog Lusog Talino school feeding program of the Jollibee Group Foundation. Each of MM and MMGC are separate and distinct entities from Jollibee Group Foundation.

2019 … **First Distribution Center in Luzon.** On October 8, 2019, the MM Group secured its first distribution center in Luzon at Mamplasan, Biñan, Laguna. MM has an existing operational distribution center in Cagay, Capiz which services the first two branches of MM.

2019 … **Go Live of SAP ERP System.** On October 1, 2019, MMGC SAP Enterprise Resource Planning ("**ERP**") System went live.

2019 … **First Franchisee.** On October 21, 2019, the MM Group signed its first franchise agreement covering MerryMart Store – Mambusao, Capiz. The first franchisee of MerryMart Store was also the first franchisee of Mang Inasal and is currently operating 23 Mang Inasal franchise stores.

2019 … **Second Franchisee.** On November 21, 2019, the MM Group signed its second franchise agreement covering MerryMart Store – Lapaz, Iloilo City.

2019 … **MerryMart Consumer Corp.** On December 18, 2019, the SEC approved MM's change in name to "MerryMart Consumer Corp."

2020 … **Fourth branch.** On January 22, 2020, the fourth branch of the MM Group opened in Calamba Laguna.

2020 … **Increase in Capitalization, amendment of Articles of Incorporation and transfer of principal office.** On January 23, 2020, the SEC issued a Certificate of Approval of Increase of Capital Stock in favor of MM, authorizing the increase of its authorized capital stock to ₱1.2 Billion, divided into 24,000,000,000 shares with a par value of ₱0.05 per common share. On the same date, the SEC also approved the following amendments to MM's Articles of Incorporation: (i) the amendment of its primary purpose; (ii) the transfer of its principal to the 9th Floor, Tower 1, DoubleDragon Plaza, DD Meridian Park, Corner Macapagal Avenue and Edsa Extension, Bay Area, Barangay 76, Pasay City, Fourth District, NCR, Philippines, 1302; (iii) the addition of the position of independent director; and (iv) the removal of the pre-emptive rights of its shareholders.

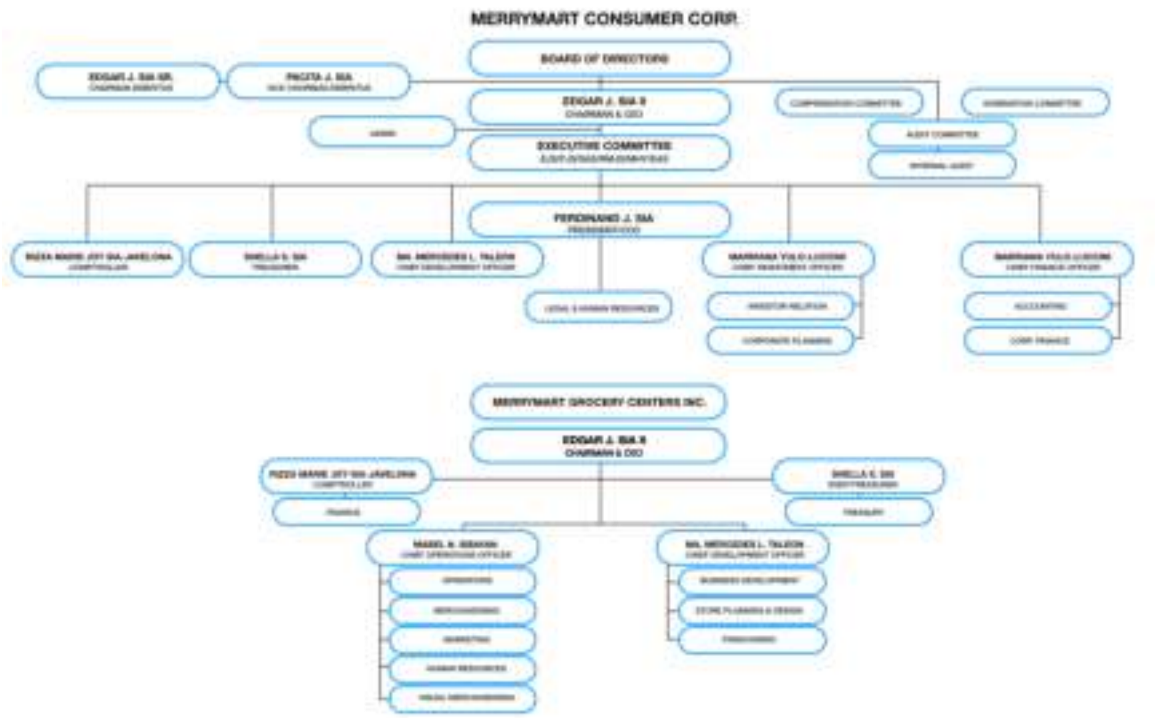
2020 … **Fifth branch.** On January 30, 2020, the fifth branch of the MM Group opened in Ayala Malls Manila Bay.

2020 … **Sixth branch.** On February 24, 2020, the sixth branch of the MM Group opened in Sorsogon City.

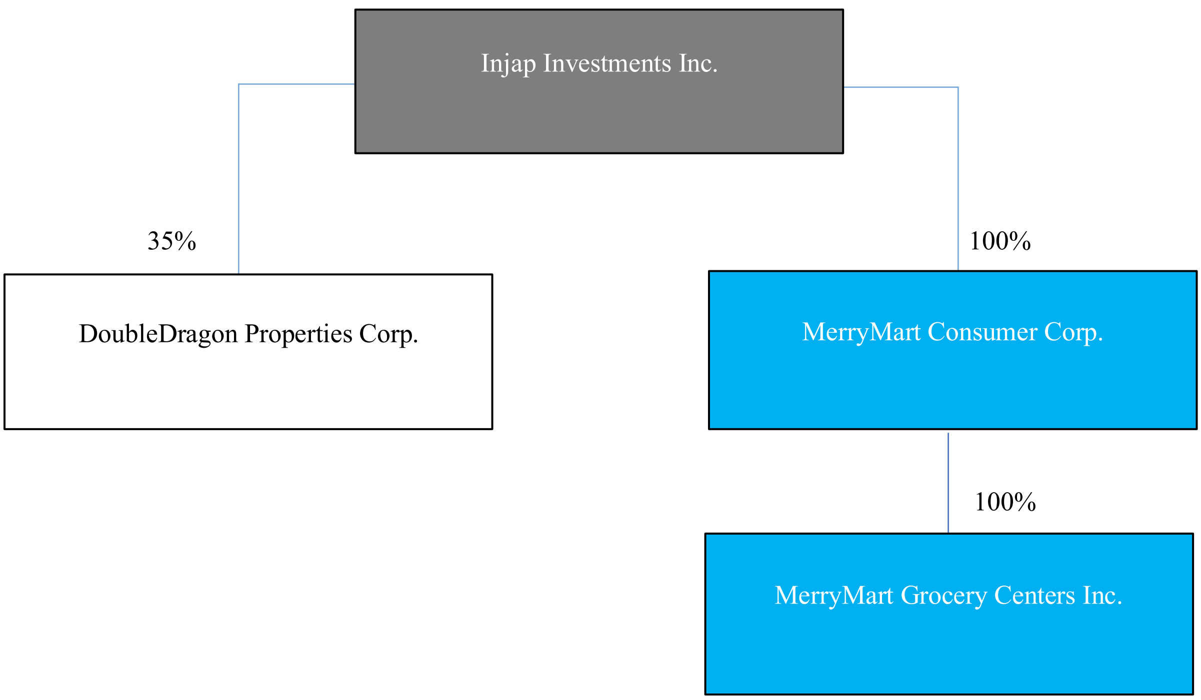
2020 … **Seventh branch.** On February 29, 2020, the seventh branch of the MM Group opened in Mayombo Dagupan City.

ORGANIZATIONAL AND CORPORATE STRUCTURE

The following chart sets forth an overview of the functional organizational structure of MM.



The following chart sets forth an overview of the corporate structure of the MM Group as of December 31, 2019.



MM is a wholly owned subsidiary of III. III is the holding company of the Sia family, led by its major shareholder and Chairman, Mr. Edgar J. Sia II, the Founder of Mang Inasal and Co-Founder of DD. III is one of the major shareholders of DD owning 35% of its outstanding capital stock as of December 31, 2019. Mr. Edgar J. Sia II is also the Co-Founder, Chairman and Chief Executive Officer of DD. Honeystar Holdings Corp. (the "**Jollibee Group**") led by its major shareholder and Chairman, Mr. Tony Tan Caktiong, the Founder of Jollibee and Co-Founder of DD, also owns 35% of the outstanding capital stock of of DD as of December 31, 2019. Jollibee Foods Corporation is the owner of Mang Inasal, having fully acquired 100% ownership of Mang Inasal from III in April 2016 after acquiring an initial 70% stake in November 2010. Today, the ownerships and interests of the MM Group on one hand and the Jollibee Group on the other, are entirely independent, although members of the Jollibee Group and Mr. Sia's family are significant shareholders and serve as directors and officers in DD.

MerryMart Grocery Centers Inc.

MM wholly owns MMGC, which operates and acts as the master franchisor of MerryMart Grocery, MerryMart Market and MerryMart Store. It was incorporated on September 28, 2018 to engage in the business, acquire, hold, own, operate, or manage of wholesale or retail trade of foodstuffs, grocery items, household items, consumer goods, and merchandise on any lands, buildings, supermarkets, malls, stores, stalls, or structures owned, leased, held, operated, managed or occupied by MerryMart Grocery.

As of the date of this Prospectus, MMGC is the only subsidiary of MM.

DoubleDragon Properties Corp.

DD is engaged in the ownership and operation of a portfolio of leasable properties through its four principal business segments: retail leasing, office leasing, hospitality and industrial leasing. DD listed on the PSE's SME Board on April 7, 2014 under the stock symbol "DD". On July 6, 2015, DD's shares transferred from the SME Board to the PSE Main Board.

Some directors and those occupying key management positions in DD also act as directors and hold key management positions in MM.

BUSINESS OPERATIONS

Overview

The MM Group places emphasis on providing consumers with a relevant and wide assortment of merchandise at competitive pricing whilst achieving excellent customer experience all the time.

As of the date of this Prospectus, the MM Group owns and operates seven branches nationwide with an aggregate selling space of 9,331 square meters. The first two branches located in TATC Roxas City and Burgos Roxas City. The legacy branches are directly owned by MM and currently do business under the name Injap Supermart. The other branches, carrying the MerryMart Grocery format, are located in DoubleDragon Plaza at DD Meridian Park Bay Area - Metro Manila, Calamba - Laguna, Sorsogon City, and Mayombo Dagupan City. The MM Group also owns and operates one branch carrying the MerryMart Store format located at Ayala Malls – Manila Bay.

The following table shows the historical same store sale of goods growth of legacy branches in the last three years:

	2017 Revenues (₱)	2018 Revenues (₱)	2019 Revenues (₱)	Same Store Sales 2017 vs. 2018	Same Store Sales 2018 vs. 2019
Injap Supermart TATC ROXAS CITY	656,172,176	727,170,354	740,457,334	11%	2%
Injap Supermart BURGOS ROXAS CITY	1,094,517,498	1,368,237,713	1,626,522,944	25%	19%
Total	1,750,689,674	2,095,408,067	2,366,980,278	20%	13%

The other five branches are directly owned by MMGC and operate under the MerryMart brand.

The following table shows the quarter on quarter growth of the first MerryMart Grocery starting on its first full quarter of operations which was the third quarter of 2019. The other MerryMart Grocery and Store branches opened in 2020.

MerryMart Grocery DOUBLEDRAGON PLAZA PASAY CITY	3Q19 Revenues (₱)	4Q19 Revenues (₱)	Quarter on Quarter Growth in Revenues
Total Revenues	32,188,189	66,550,907	107%

The following table shows the opening date and selling area of the MM Group's operational branches as of the date of this Prospectus:

BRANCH NO.	**YEAR OPENED**	**STORE LOCATION**	**SELLING AREA (sqm)**
1	2009	Injap Supermart - TATC ROXAS CITY	960

2	2009	Injap Supermart - BURGOS ROXAS CITY	1,868
3	2019	MerryMart Grocery - DOUBLEDRAGON PLAZA PASAY	1,257
4	2020	MerryMart Grocery - CALAMBA LAGUNA	1,231
5	1Q20	MerryMart Store - AYALA MALLS MANILA BAY	513
6	1Q20	MerryMart Grocery – SORSOGON CITY	1,516
7	1Q20	MerryMart Grocery – MAYOMBO DAGUPAN CITY	1,986

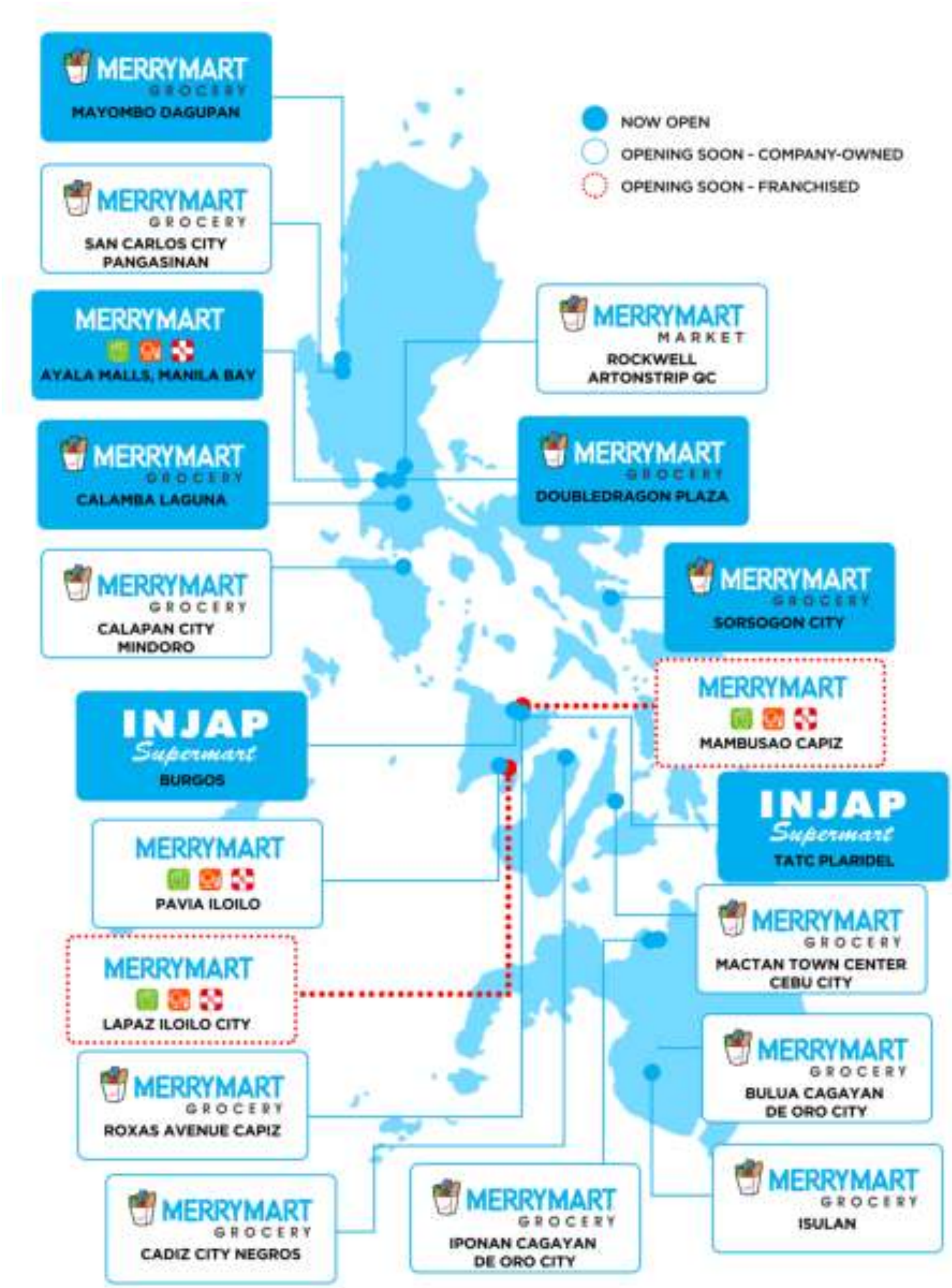
MM Group intends to open 6 more branches by the second quarter of 2020, of which 4 branches will be owned and operated by MMGC while 2 branches, namely MerryMart Store – Mabusao Capiz and MerryMart Store - Lapaz Iloilo City will be owned and operated by franchisees. In addition, the MM Group intends to open 6 more branches by the third quarter of 2020, all of which will be company-owned:

BRANCH NO.	TARGET OPENING	STORE LOCATION	ESTIMATED SELLING AREA (sqm)
8	2Q20	MerryMart Grocery - ISULAN	1,703
9	2Q20	MerryMart Grocery - BULUA CDO CITY	2,145
10	2Q20	MerryMart Grocery - MACTAN TOWN CENTER CEBU CITY	2,504
11	2Q20	MerryMart Store - MAMBUSAO CAPIZ	200
12	2Q20	MerryMart Store - LAPAZ ILOILO CITY	272
13	2Q20	MerryMart Grocery - ROXAS AVENUE CAPIZ	1,048
14	3Q20	MerryMart Market - ROCKWELL ARTON STRIP QC	568
15	3Q20	MerryMart Store - PAVIA ILOILO	166
16	3Q20	MerryMart Grocery - IPONAN CDO CITY	1,510
17	3Q20	MerryMart Grocery - SAN CARLOS CITY PANGASINAN	1,514
18	3Q20	MerryMart Grocery - CALAPAN CITY MINDORO	1,440
19	3Q20	MerryMart Grocery - CADIZ CITY NEGROS	1,714

From the determination of a potential location to the start of construction takes approximately 30-60 days and another 30-90 days for the construction period to the start of commercial operations. The total lead time from identification of a site to the start of commercial operations averages from 2 months for smaller stores and 5 months for medium to large format stores. However, conversion of existing supermarkets into a MerryMart store will only take 60-90 days from closure to re-opening.

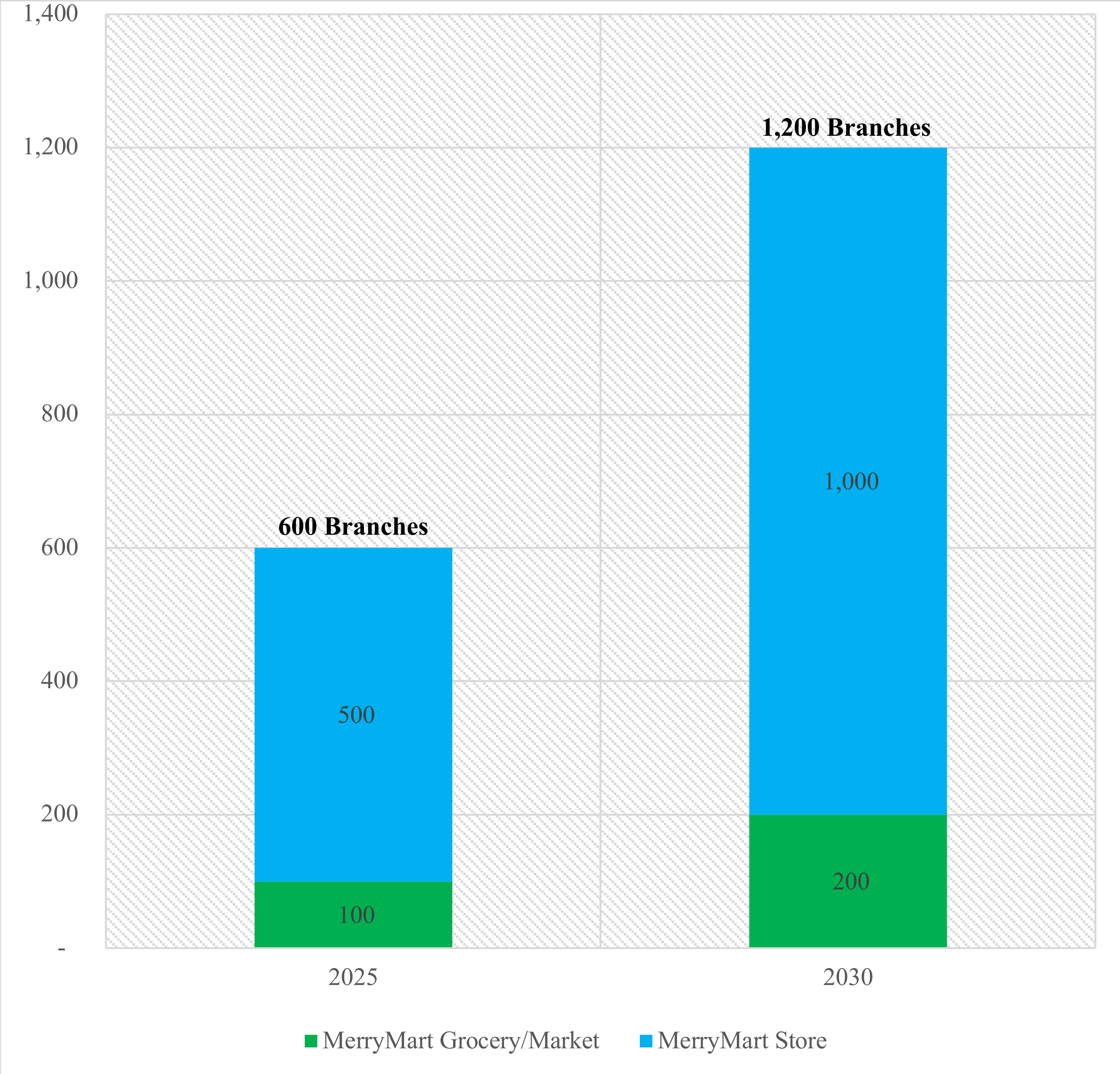
The estimated timing of these openings may vary as a result of various factors, some of which may be beyond the MM Group's control. For more information, see "Risk Factors – Risks relating to MM's Business" on page 24 of this Prospectus.

The following map shows the location of the MM Group's existing branches as well as those in the pipeline that are expected to open by third quarter of 2020:



2030 Vision

Target Number of Branches by 2025 & 2030



By 2025, the MM Group is targeting to have 100 MerryMart Groceries and MerryMart Markets, and 500 MerryMart Stores operational nationwide or a total of 600 branches.

The 2030 Vision of the MM Group is to have 200 MerryMart Groceries and MerryMart Markets, and 1,000 MerryMart Stores operational nationwide.

Of the total 1,200 branches the MM Group envisions to have by 2030, the MM Group expects to have 80 franchised MerryMart Groceries and 900 franchised MerryMart Stores. The MM Group expects that by 2030, the Company will own and operate directly 120 large and medium format stores and 100 small format stores. The medium format stores will not be open for franchising but will form part of the envisioned 120 large and medium format company-owned stores by 2030.

The target number of branches that will open by 2025 and 2030 as well as the target system wide sales by 2030 may vary as a result of various factors, some of which may be beyond the MM Group's control. For more information, see "Risk Factors – Risks relating to MM's Business" on page 24 of this Prospectus.

Retail Formats

MerryMart Grocery

MerryMart Grocery is a full size supermarket generally ranging from 1,500 square meters to 2,500 square meters in size. MerryMart Grocery offers a wide variety of food and non-food products and includes a broad selection of personal care products as well as a pharmaceutical section. MerryMart Grocery caters to lower to middle-income consumers and offers competitive prices. MerryMart Grocery will be available for franchising via conversion of existing traditional supermarkets.

MerryMart Grocery is the largest of the retail formats in offer by the MM Group.

For the years ended December 31, 2017, 2018 and 2019, the consolidated revenues of the MM Group are primarily driven by sales of large format branches.

	2017 Revenues* (₱)	2018 Revenues (₱)	2019 Revenues (₱)
Large Format Branches	1,750,689,674	2,095,408,067	2,482,302,804
% of Total Revenues	*99.5%*	*99.0%*	*98.7%*
Other Revenues	9,409,080	21,562,804	32,933,549
% of Total Revenues	*0.5%*	*1.0%*	*1.3%*
Total Revenues	1,760,098,754	2,116,970,871	2,515,236,353

**MM's Individual Financial Statements*

The table below shows the actual revenue from the sale of goods performance of each operational branch in 2019 divided by its actual selling area:

Branch	Selling Area (Sqm)	Ave. Monthly Revenue in 2019 (₱)	Ave. Revenue per Selling Sqm per Month (₱)
Injap Supermart – TATC ROXAS CITY	960	61,704,778	64,276
Injap Supermart – BURGOS ROXAS CITY	1,868	135,543,579	72,561
MerryMart Grocery – DOUBLEDRAGON PLAZA PASAY*	1,257	14,415,316	11,468
Total	4,085	211,663,672	51,815

**Since MerryMart Grocery DoubleDragon Plaza Pasay opened in April 29, 2019, average monthly revenue in 2019 is based on May – December performance only, no adjustments have been made for seasonality.*

As of February 29, 2020, the MM Group has six operational large format branches which include two Injap Supermart branches and four MerryMart Grocery branches.

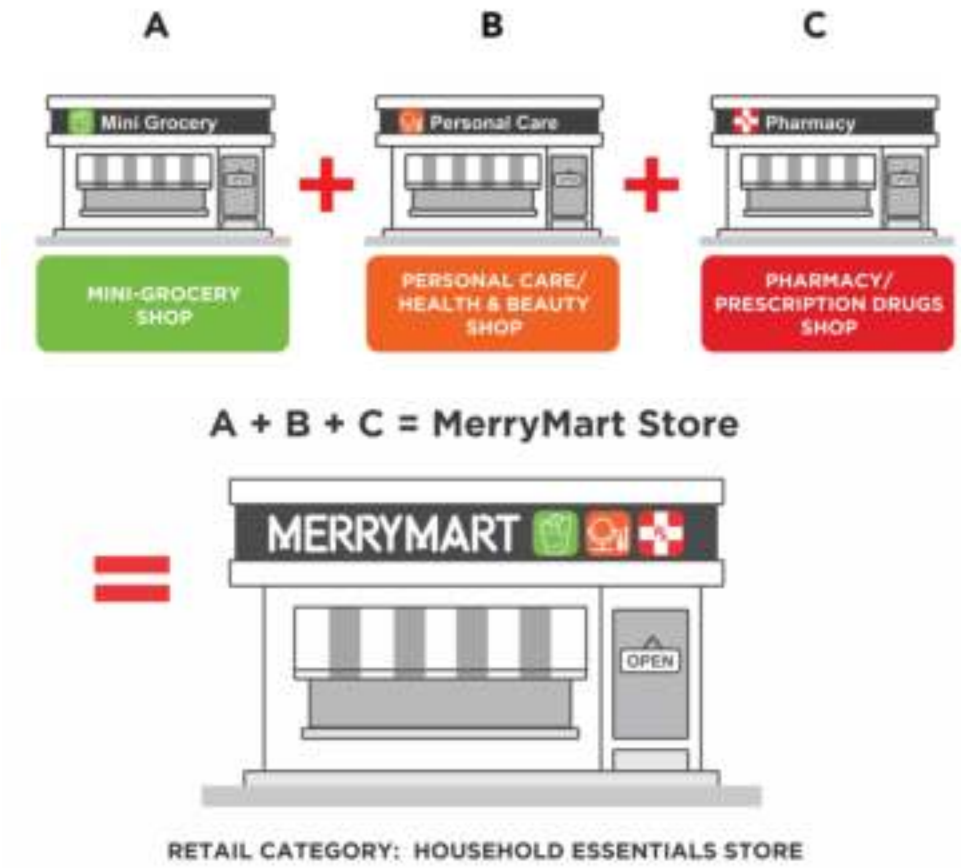
MerryMart Market

MerryMart Market is a specialized grocery generally ranging from 600 square meters to 1,000 square meters in size. MerryMart Market offers a larger selection of premium and imported grocery items and will feature a large fresh selection of fruits and vegetables as well as fresh seafood. MerryMart Market will also offer personal care and pharmaceutical products but will cater to the middle to high-income consumers in central business districts and other urbanized communities.

The first MerryMart Market is scheduled to open at The Arton Strip by Rockwell which is a high-end mixed use development in Katipunan.

MerryMart Store

MerryMart Store is a household essentials store generally ranging from 150 square meters to 300 square meters in size. MerryMart Store is a unique three-in-one concept which combines a mini-grocery, personal care shop, and pharmacy in one store providing operational cost efficiencies. This household essentials store will cater to the general population of each community and neighborhood it serves. The MerryMart Store expansion will be primarily through a franchise platform. The store concept is described fully in the illustration below:



Visible in all MerryMart Stores are the three icons in its logo which represent the three core categories it carries, namely Mini Grocery (green icon), Personal Care (orange icon), and Pharmacy (red icon). The icons are designed in a similar shape and spacing as mobile phone app icons which are familiar to the general consumers. The same three icons are visible in store and strategically located above the displays of each specific category area that the respective icon represents.

Each MerryMart Store is laid out dividing the three primary sections namely: Mini Grocery, Pharmacy and Personal Care. The layout prioritizes the ease of navigation of its customers and is designed to maximize profitability and increase average basket size of customers.

Typical Layout of MerryMart Store

The first MerryMart Store was opened in Ayala Malls Manila Bay. Having a pharmacy section in the store, MM secured a License to Operate a drugstore from the Food and Drug Administration or FDA. An LTO is required where registered drugs, chemical products, dental, medicinal and household remedies are dispensed directly to the general public on a retail basis. All MerryMart Stores, whether company-owned or franchised, shall secure an LTO for the operation of the pharmacy section.

Franchise Operations

The MM Group is open to franchising its large format stores via conversion of existing supermarkets and its small format stores to as new build franchised stores. Medium format MerryMart Market expansion will be from company-owned stores and will not be open for franchising due to the nature of the niche market that it caters to. It has 2 franchisees of small format stores as of December 31, 2019. It requires its franchisees to operate a MerryMart Store in accordance with its methods, technology, marketing techniques and operational processes. The MM Group places great emphasis on its extensive experience and familiarity of the Philippine market by providing the consumer with a wide assortment of merchandise while maintaining excellent customer service.

MM evaluates the franchise applicants operational capability to operate the store as well as its financial management capability to successfully manage the store. The franchisees execute a unit franchise agreement for each store opened, typically providing for a 10-year term.

Key Terms – MerryMart Grocery Franchise

The cost of franchising a MerryMart Grocery through conversion is highly dependent on the size of a store and the condition of its fixed assets that may be re-used after conversion. The royalty fee the MM Group aims to charge MerryMart Grocery franchisees is 1.00% of gross sales. In addition to royalty fees, a 0.25% administration fee and 0.50% advertising fee is charged to franchisees based on their gross sales. Each store is required to be refurbished every five (5) years and all operational supplies, signages and marketing materials to be used in the operation must be approved by MMGC prior to use. Franchisees of MerryMart Groceries have an option to purchase products to be sold in their stores from their existing suppliers or through MMGC distribution centers. The MM Group expects that the MerryMart Grocery Franchisees will eventually purchase its inventories from the MM Group's distribution centers when their existing local suppliers cease to exist due to the decreasing volume of the suppliers' client base.

Key Terms – MerryMart Store Franchise

The cost of franchising a MerryMart store is ₱12 Million - ₱15 Million per store and includes the store fit-out, equipment, furniture and fixtures, initial store inventory, design fee, franchise fee and other costs. The royalty fee is 2.00% of gross sales. In addition to royalty fees a 0.50% administration fee and 0.50% advertising fee is charged to franchisees based on their gross sales. Each store is required to be refurbished every five (5) years and all operational supplies, signages and marketing materials to be used in the operation must be approved by MMGC prior to use. All products to be sold in the said stores shall only be those that have supplied by MMGC.

If a franchisee fails to comply with the terms of its franchise agreement, the MM Group may takeover and continue the operations of the Franchisee after the issuance of proper notice, or it may terminate the franchise rights of any non-compliant franchisee and take any legal action as it may see fit.

Application Process

Interested franchisees are required to submit a letter of intent and undergo a training program to ensure efficient operations and consistent quality of sales service in accordance with the MerryMart business system. The MM Group assists the franchisees in screening initial employees and provides training said initial employees.

The franchised stores are monitored and supervised by Area Heads who act as their business consultants, assisting franchisees with sales and marketing efforts and advise them on growth and expansion plans.

Core Online Platform

The MM Group is currently developing a core online platform that will benefit MerryMart Stores nationwide. MerryMart Store products is expected to be available via a mobile application (app) for selected areas within a certain proximity from a MerryMart Store. The intention behind the rollout of the app is to enhance sales of MerryMart Stores as orders via the app will be distributed across company-owned or franchised MerryMart Stores depending on the location of the customer to be served.

Fulfillment of orders is intended to be made by the respective MerryMart Stores via the core online platform's seamless integration with selected outsourced delivery providers.

A second phase of the core online platform is being considered to include the inclusion of MerryMart Grocery and MerryMart Market products on demand.

The following illustration describes the basic design of the core online platform currently being developed:

The completion and successful launch of the described core online platform is not guaranteed. For more information, see "Risk Factors – Risks relating to MM's Business" on page 24 of this Prospectus.

Design & Branding

One of the values the MM Group highlights is its commitment to service and in achieving excellent customer experience all the time. It is part of the MM mission to make its customers merry. Service with a smile and making customers merry every day is always top-of-mind for MM.

The MerryMart brand represents happiness, joy, cheerfulness, liveliness, fun, and invokes being festive. Color plays a key role in establishing the right tone. The MM color palette is fun and merry. A generous area of white space creates a stage in which the MM message can stand out and reveal itself. The MM blue creates energy and commands attention while achieving a young, balanced, stylish and sophisticated look.

MerrtMart Grocery Logo as displayed in the exterior shop front of MerryMart Grocery DoubleDragon Plaza

The exterior signage is an integrated visual communication of MM. The well organized and consistent presentation of MM signages reflects the objective of fine service and the impact of the fresh brand identity. The use of glazed black tiles as the shop front overall fascia which allows the MerryMart logo to stand out and provides for a contemporary and aspirational look and feel.

Specific graphic patterns were created to enhance and extend the overall MM visual brand experience. Each zone is also properly labelled to familiarize customers with the store layouts designed by the MM Group – with the Pharmacy, Personal Care, and Grocery sections of each store baring their logos.

Pharmacy Section of MerryMart Store in Ayala Malls – Manila Bay

Personal Care Section of MerryMart Store in Ayala Malls – Manila Bay

Grocery Section of MerryMart Store in Ayala Malls – Manila Bay

Suppliers

The MM Group is not dependent on one or a limited number of suppliers. The MM Group's supplier base ranges from local suppliers, distributors to multinationals. The MM Group selects its suppliers based on specific criteria, first and foremost based on the supplier's product assortment and popularity or market share of the supplier's products in each subcategory it serves. In addition, the MM Group's selection policy for suppliers includes consideration of the supplier's location, brand reputation, capacity to supply, ability to deliver on time and compliance with the MM Group's requirements.

The MM Group purchases goods on a per order basis by issuing purchase orders to suppliers. A purchase order is a commercial document issued to the supplier indicating types, quantities, and agreed prices for the supplier's products. It is used to control the purchasing of products and counter check the delivery before settlement of payment to the supplier. Typically, a purchase order also includes the terms of payment which range from 7- to 60-day credit.

The MM Group avails of prompt payment discounts for upfront payments made to suppliers upon delivery. These discounts aid the MM Group by increasing its margin or by enabling it to provide attractive pricing to its customers if the discounts are passed on.

Concessionaires

The MM Group enters into trading agreements with concessionaires wherein it earns a fixed percentage commission from the actual sale of products supplied by concessionaires within its selling areas. The trading agreements allow concessionaires to display their products within the selling areas of the branch. Unlike other suppliers, concessionaires do not expect payment for their products upon delivery. Payments are made to concessionaires upon the actual sale of their products net of the fixed percentage commission agreed on in the trade agreement signed.

Information Technology Systems

MMGC uses SAP Enterprise Central Component ECC 6.0 with Enhancement Pack 8 (SAP) for its various business processes which includes procurement, merchandising for retail, inventory management, point-of-sale ("**POS**") data management and accounting and finance functions. MMGC has an IT system that allows real-time monitoring of critical business information from merchandising, inventory and point-of-sale data to customers, to financial management systems. With this integrated ERP solution, MMGC can monitor inventory levels and improve operational efficiency. SAP helps MMGC to see and track the movement of SKUs and provides analytics to enable the merchandising team to plan and adjust product offerings in line with market demand based on the sales.

Processes covered by SAP

*Finance and Control ("**FICO**")*

FICO is the core functional component in SAP that allows an organization to manage all of its financial data. It helps MMGC generate and manage financial statements for analysis and reporting and help with effective business planning and decision-making.

Materials Management

Materials Management MM is a module in SAP that provides companies with materials, inventory and warehouse management capabilities. The primary goal of Materials Management is to make sure that materials are always kept in proper quantities and without shortages or gaps in the organization's supply chain.

Merchandising for Retail

This is a real-time integrated solution for merchandise management that enables head office, stores as well as trading partners access the information and transactions that support best practice business processes across the entire retail merchandise lifecycle.

POS Data Management

Covers the collection of POS transaction data from connected stores. POS transaction data is received by the repository in the form of transaction logs, processed and the system performs several processing activities, such as master data verification, sales auditing, POS transaction data summaries, and sending of POS transaction data to follow-on applications.

For the POS system, MMGC uses iRipple, which is integrated with SAP, using the CAR module. With the POS-SAP Integration the systems can exchange the required master and transactional data in a timely manner, allowing MMGC to access timely sales and inventory data, increase operational efficiency, improve forecasting and ensure data integrity.

Sales and Marketing

The MM Group emphasizes on providing the consumer a wide assortment of merchandise, maintaining competitive pricing and achieving excellent customer experience all the time. The MM Group also aims to increase awareness of its brand and establish a new category in the retail business with its three-in-one concept – home essentials retail category.

The MM Group does market survey and competitor check to ensure that MM pricing are at par with competitors. The MM Group ensures that each store has the right mix of products and that SKUs/categories that are most popular and profitable are always available.

The MM Group also creates seasonal campaigns that can help the MM Group earn year-round, like offering product bundles and discounts for a limited time only on specific occasions (e.g., Valentine's Day, Father's Day) and those falling on low seasons.

A strong working relationship with major suppliers has also been a key driver to the growth of the MM Group as it provides price competitiveness while offering a comprehensive range of products. Suppliers offer product promos, freebies, and discounts which customers take advantage of. The MM Group also partners with specific suppliers to offer promotional pricing.

To promote the MerryMart brands and branches, the MM Group utilizes marketing campaigns via media platforms such as digital, major newspapers, magazine, billboards, television and radio. The MM Group has been active online through its social media accounts in Facebook and Instagram, where it can communicate with its customers to promote the brand, branches and products. These social media accounts are regularly updated to share news about MerryMart, promote products, highlight promotions and campaigns, and increase awareness of the brand. For more information on the MM Group's online and social media activities please refer to the MM Group's corporate website, www.merrymart.com.ph and its Facebook account, https://www.facebook.com/MerryMartPh/. The MM Group also uses local store marketing, that consists of MerryMart flyers, billboards, lamp post banners and above the line advertisements on local radio.

Increasing brand awareness also requires locating its stores in prime and mature locations across the country. The MM Group banks on its strong background in retail services to enable it to identify key locations. It has consistently adopted a strategy of targeted development coupled with a focused study of its market to determine and expand its growth areas.

In addition to the current development of its mobile app, the MM Group will launch a loyalty consumer program to further market its brand and stores.

Product Selection

The MM Group offers a combination of imported and locally manufactured brands and products of over 20,000 SKUs. The products and product mixes of each store are reviewed on a regular basis to keep track of fast, slow, and non-moving items and to ensure that each store has the optimum product mix. The medium and large format stores will have the complete product lines while the small format stores will have the essentials of the same product lines.

Format	Estimated Number of SKUs
Full size format	20,000 SKUs
Medium format	10,000 SKUs
Small format	3,000 SKUs

The MM Group sources its products from over 200 suppliers (including concessionaires).

The MM Group selects product based on marketability. The MM Group's merchandising team monitors each store profitability and selects products that the market requires. Other than marketability, the MM Group also monitors the offerings of suppliers, concessionaires, and consumer feedback and identifies new trends and new product offerings.

The number of SKUs carried per store varies depending on the store size and location. The SKUs that are non-performing for a certain period will be discontinued.

All inventories under concessions are owned by the MM Group's concessionaires; the costs and the risks associated with holding these inventories are borne by them until the product is sold.

Inventory and Logistics Management

All merchandise inventories of the MM Group are stored in the MM Group's distribution centers and warehouses located at each branch. Currently, the MM Group have two distribution centers in Mamplasan, Biñan, Laguna and Cagay, Roxas City, Capiz. The intention is for all MerryMart Store formats to be 100% supplied by the MM Group's distribution centers once established nationwide. Meanwhile, MerryMart Groceries have an option to purchase inventories direct from suppliers and distributors or through the MM Group's distribution centers. The goal of the MM Group in the medium to long-term is to consolidate all purchases of the MM Group's branch network through its distribution centers so that it can benefit from volume purchases and discounts and establish direct lines and supplier relationships with large manufacturers. Inventories supplied by the MM Group's distribution center to its franchisees will contribute to its consolidated revenues. The intention is for the MM Group to earn a margin from the supply chain operations of its distribution centers in the near-term.

All products of the suppliers are delivered to the distribution centers. Suppliers are a combination of manufacturers and third-party distributors. The MM Group plans to centralize the storage of merchandise inventories in order to efficiently manage the movement of inventories and inventory requirements of each branch. Distribution centers deliver inventories to the branch; then, each branch will place orders, receive inventory, remove damaged goods and rotate stock to improve inventory turnover. On a case to case basis manufacturers and third-party distributors deliver directly to the branches. Direct deliveries are accommodated for expedited deliveries and highly-perishable items such as bread, refrigerated or frozen items and chocolate.

To aid in its goal of centralizing the storage of merchandise inventories, the MM Group intends to set up its distribution centers in CentralHubs nationwide. As mentioned, CentralHubs are industrial warehouse complexes developed by DD. CentralHub's long-term plan of having one CentralHub in all 81 provinces in the Philippines allows the MM Group to meet its goal of centralizing storage through all its distribution centers.

MMGC uses the SAP system to manage its inventories. The system helps track the movement of merchandise and provides analytics to the merchandising team to plan and timely make adjustments.

The current procurement method used for regular products is based on the sales projections, which are based on historical figures and projected market demand, updated by actual sales offtake, except for articles that are newly launched in the market.

The MM Group also monitors inventory turnover to make appropriate adjustments to each branch product portfolio. The goal is to prevent running out of stock, while managing cash flow, and to economize as much as possible on logistics and storage.

The MM Group conducts an annual physical inventory count. The MM Group also performs inventory counts and cycle inventory audits for certain product or categories depending on risk.

Cash Management and Internal Control

The MM Group deals with large amounts of cash transactions daily and has implemented a simplified and uniform cash management processes across all branches.

The MM Group uses a POS system to track sales and cash flow. With a POS, the MM Group can easily see collections for the day and the payment methods used by the customers. Currently, MMGC branches accept cash, credit cards, debit cards, gift checks, checks and QR-based mobile payment technology like Alipay, WeChat, GCash and PayMaya.

Each store has a cashier supervisor responsible for counting all cash and reconciling sales and collections daily. Branches send a daily sales and collections report to the head office for proper reconciliation and reporting. All cash collections are stored in the secured vaults for bank pick up. Since the cashiers will be the front and center handling cash payments, all cashiers of the MM Group are trained to identify counterfeit currencies as an internal control to minimize the risk of accepting fake bills.

The MM Group has implemented certain internal controls to provide reasonable assurance of the safekeeping of assets, like cash and inventories, and the reliability of accounting records. Internal control procedures include segregation of duties, annual and cycle inventory counts, security measures, operational audits, using an automated system, performing regular reconciliations and regular review and analysis of historical data.

RESEARCH AND DEVELOPMENT

MM did not spend any amount on research and development activities in the last three fiscal years.

HUMAN RESOURCES

As of January 7, 2020, the MM Group has 188 direct employees including 56 direct employees assigned to Injap Supermart TATC and 62 direct employees assigned to Injap Supermart Burgos. The following table sets forth the breakdown of the MM Group's employees by function:

	Number of Direct Employees
Executive	1
Managerial	13
Supervisory	31
Rank and File	143
Total	188

MMGC intends to hire additional employees in the next 12 months to handle the expansion and additional store operations. In addition to direct employees, the MM Group have entered into contracts with third party agencies for the supply of additional manpower services to meet the required staffing requirements, including security personnel, warehouse staffs, store staffs, drivers, maintenance and utility staff. The MM Group currently has 110 third-party workers.

	Number of third-party workers
Injap Supermart stores	74
MerryMart stores	36
	110

The MM Group has no collective bargaining agreements with its employees due to the absence of organized labor organizations within the organization. Aside from complying with the minimum compensation standards mandated by law, the MM Group makes available to qualified personnel supplemental benefits such as health insurance, car plans and merit-based bonuses. The MM Group has not experienced any disruptive labor disputes, strikes or threats of strikes, and the MM Group believes that the it maintains a healthy relationship with employees.

Recruitment and Promotion Policy

The MM Group has implemented a structured recruitment policy with the aim to recruit suitably qualified employees. The MM Group sources candidates through different job portals, referrals, local travel fairs, online postings, and even walk in applicants. Candidates who pass the initial HR screening must pass an online examination and initial HR interview. Each online examination varies depending on the position and function applied for, to appropriately test the required skills, aptitude, personalities, professional skills and competencies. Once the required exam is passed, the candidates will go through a series of interviews and background checks. Employees are offered and hired initially on a six-month probationary period. Employees under the probationary period are evaluated over the six-month period and will be recommended for regularization by the immediate supervisor/manager. All regular employees are entitled to employee benefits.

All regular employees of the MM Group are assessed formally through an annual employee evaluation and appraisal conducted by the immediate supervisors & managers. The annual evaluation covers three major parameters: (1) Key Results Areas ("**KRA**") – these are the agreed KRAs expected to be delivered by the employee; (2) Competencies – these are the sets of attitudes, work styles and work behaviors considered to be essential to the effective and efficient performance of the employee; and (3) Organization Commitment – pertains to employee's dedication and compliance to the MM Group's activities, policies and Code of Conduct. Employees are also encouraged to have a self-evaluation and to provide feedback to its superiors and the organization. The annual employee evaluation is one of the bases for employee promotion and/or merit-based bonus.

Personnel Training

The MM Group believes in the importance of developing its employees into future leaders for the MM Group through training programs. The MM Group's training and development aims to provide programs and activities that will benefit both the employees and the MM Group, making the MM Group employees feel confident about improving efficiency and productivity, as well as finding new ways towards personal development and success.

Employees, managers and human resources ("**HR**") collaborate to build a continuous professional development culture. Managers are expected to coach their teams and identify employee development needs. HR is responsible for facilitating staff development activities and processes.

In general, the MM Group encourages the following employee trainings:

- Formal training sessions (individual or corporate)
- Employee Coaching and Mentoring
- Participating in conferences
- On-the-job training

The MM Group also arrange for subscriptions of educational materials, so employees will have access to news, articles and other material that can help them become better at their job.

INTELLECTUAL PROPERTY

The operations of MM and its subsidiary, MMGC, are not dependent on any copyright, patent, trademark, license, franchise, concession or royalty agreement. The Company's subsidiary, MMGC, has the following trademark registered with the Intellectual Property Office:

Trademark	Mark	Registrant	Registration Date	Expiry Date
MERRYMART GROCERY		Merrymart Grocery Centers Inc.	September 13, 2019	September 13, 2029

The above trademark is important because name recognition and exclusivity of use are contributing factors to the success of the Company's developments. In the Philippines, certificates of registration of a trademark filed with the Intellectual Property Office are generally effective for a period of 10 years, unless terminated earlier.

INSURANCE

The MM Group maintains the following types of insurance policies for its branches: Property All Risks (Material Damage – All risks of sudden, accidental and unforeseen, direct and physical loss, destruction of or damage to the property), Comprehensive General Liability (Use, Operations and Maintenance of the Premises) which includes third party property damage and/or bodily injury, fire and explosion legal liability, elevator and escalator liability, excess automobile liability, premises medial payments, first aid payment, car park liability, independent contractors, 72 hours sudden and accidental pollution, neon, advertising, sign and decorative liability, personal injury, event, stampede, libel and slander liability, Machinery Breakdown, Plate Glass, Robbery and Burglary, Electron Equipment, Personal Accident, Money Securities & Payroll and Fidelity Guarantee.

MATERIAL CONTRACTS

We do not have any other material contracts except for the lease contracts identified in the section "*Description of Property*."

LEGAL PROCEEDINGS

As of December 31, 2019, the MM Group is not involved in any litigation regarding an event which occurred during the past five years that they consider material.

DESCRIPTION OF PROPERTY

As of the date of the Prospectus, the MM Group does not own any land and has no ongoing process for the acquisition of any property.

The MM Group leases spaces for all of their retail stores as well as their distribution centers from both related parties and non-related parties. Please see *"Related Party Transactions"* for the details of leases with related parties. The MM Group intends for all of the stores to be leased in line with its fixed asset-light business model which is standard in the retail industry.

As of the date of this Prospectus, the MM Group has leased nine properties in the Philippines for existing store operations and distribution centers and 10 additional properties for planned store network expansion. The lease rates and terms for these properties follow standard market rates and practices for similar businesses. The lease rates are generally based on a percentage ranging from 2% to 3% of gross sales or on an agreed minimum guaranteed rate generally ranging from ₱300.00/sqm to ₱650.00/sqm (whichever is higher), which are subject to annual escalation rates, in line with market standards.

A summary of the MM Group's leased properties for their existing store operations and distribution centers is set out below.

No.	Location	Gross Floor Area (sqm)	Expiration	Remaining Term	Terms of Renewal
1.	Injap Supermart - TATC ROXAS CITY	960.00	December 31, 2031	11 years	By notifying the Lessor in writing 60 days prior to expiration
2.	Injap Supermart - BURGOS ROXAS CITY	1,868.00	December 31, 2031	11 years	By notifying the Lessor in writing 60 days prior to expiration
3.	MerryMart Grocery - DOUBLEDRAGON PLAZA PASAY	1,699.18	January 30, 2029	10 years	By notifying the Lessor in writing 180 days prior to expiration
4.	MerryMart Grocery - CALAMBA LAGUNA	1,630.59	November 25, 2029	10 years	By notifying the Lessor in writing 90 days prior to expiration
5.	Distribution Center - Print Town Complex	3,150.00	November 3, 2022	3 years	No option to renew
6.	Distribution Center – Cagay, Capiz	1,270.00	January 14, 2025	5 years	By notifying the Lessor in writing 60 days prior to expiration
7.	MerryMart Store - AYALA MALL MANILA BAY	572.28	September 30, 2024	5 years	None
8.	MerryMart Grocery – SORSOGON CITY	2,005.74	February 12, 2029	10 years	By notifying the Lessor in writing 90 days prior to expiration
9.	MerryMart Grocery – MAYOMBO DAGUPAN CITY	2,890.00	November 14, 2029	10 years	By notifying the Lessor in writing 90 days prior to expiration

A summary of the MM Group's leased properties for its planned store network expansion is set out below.

No.	Location	Gross Floor Area (sqm)	Expiration	Lease Term	Terms of Renewal
1.	MerryMart Grocery - ISULAN	2,315.00	September 12, 2029	10 years	By notifying the Lessor in writing 90 days prior to expiration
2.	MerryMart Grocery - BULUA CDO CITY	2,676.53	May 12, 2029	10 years	By notifying the Lessor in writing 90 days prior to expiration
3.	MerryMart Grocery - MACTAN TOWN CENTER CEBU CITY	2,997.00	December 19, 2034	15 years	By notifying the Lessor in writing 60 days prior to expiration

No.	Location	Gross Floor Area (sqm)	Expiration	Lease Term	Terms of Renewal
4.	MerryMart Market - ROCKWELL ARTON STRIP QC	822.24	February 28, 2030	10 years	None
5.	MerryMart Grocery - ROXAS AVENUE CAPIZ	1540.06	10 years from commencement date	10 years	By notifying the Lessor in writing 360 days prior to expiration
6.	MerryMart Store - PAVIA ILOILO	188.00	7 years from turn-over	7 years	
7.	MerryMart Grocery - IPONAN CDO CITY	2,282.61	10 years from commencement date	10 years	By notifying the Lessor in writing 360 days prior to expiration
8.	MerryMart Grocery - SAN CARLOS CITY PANGASINAN	2,130.97	10 years from commencement date	10 years	By notifying the Lessor in writing 360 days prior to expiration
9.	MerryMart Grocery - CALAPAN CITY MINDORO	2,023.48	10 years from commencement date	10 years	By notifying the Lessor in writing 360 days prior to expiration
10.	MerryMart Grocery - CADIZ CITY NEGROS	2,397.31	10 years from commencement date	10 years	By notifying the Lessor in writing 360 days prior to expiration

MMGC also leases its corporate office space located at 9F DoubleDragon Plaza Tower 1, DD Meridian Park in the Manila Bay area. The office is leased by MMGC from a subsidiary of DD. The Contract of Lease for the 1,278.61 sq. m. office space shall be effective for a period of ten years commencing on April 1, 2019 and ending on March 31, 2029.

REGULATORY COMPLIANCE

MM and its subsidiary, MMGC, have obtained, and are in the process of obtaining, all material permits, licenses and/or certificates of compliance from the relevant and appropriate local government units and regulatory agencies in relation to their continued business, as confirmed by Cayetano Sebastian Ata Dado & Cruz Law Offices in its opinion dated January 27, 2020.

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

No.	Branch	Type of Permit	Issuing Agency	Issue Date	Expiry Date
1.	Head Office of MMGC	Certificate of Incorporation (CS201821883)	Securities and Exchange Commission	September 28, 2018	N/A
2.	Head Office of MM	Certificate of Incorporation (CS200930125)	Securities and Exchange Commission	September 9, 2009	N/A
3.	Head Office of MMGC	Certificate of Registration	Bureau of Internal Revenue	September 28, 2018	N/A
4.	Head Office of MM	Certificate of Registration	Bureau of Internal Revenue	September 11, 2009	N/A
5.	Injap Supermart - BURGOS, ROXAS CITY	Certificate of Registration	Bureau of Internal Revenue	September 15, 2009	N/A
6.	Injap Foodshop - BURGOS ROXAS CITY	Certificate of Registration	Bureau of Internal Revenue	September 30, 2009	N/A
7.	MerryMart Grocery - DOUBLEDRAGON PLAZA PASAY	Certificate of Registration	Bureau of Internal Revenue	April 15, 2019	N/A
8.	MerryMart Grocery – AYALA MALL MANILA BAY	Certificate of Registration	Bureau of Internal Revenue	November 6, 2019	N/A
9.	MerryMart Print Town Complex	Certificate of Registration	Bureau of Internal Revenue	December 10, 2019	N/A
10.	MerryMart Grocery - CALAMBA LAGUNA	Certificate of Registration	Bureau of Internal Revenue	January 10, 2020	N/A
11.	MerryMart Grocery - DOUBLEDRAGON PLAZA PASAY	License to Operate a Drugstore	Food and Drug Administration	N/A	November 25, 2021
12.	MerryMart Grocery - DOUBLEDRAGON PLAZA PASAY	Business Permit	City Government of Pasay	January 22, 2020	December 31, 2020
13.	MerryMart Grocery - CALAMBA LAGUNA	Business Permit	City Government of Calamba	January 14, 2020	December 31, 2020

REGULATORY AND ENVIRONMENTAL MATTERS

The following description is a summary of certain sector specific laws and regulations in the Philippines, which are applicable to MM. 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.

FOREIGN INVESTMENT LAWS AND RESTRICTIONS

Retail Trade Liberalization Act

Republic Act No. 8762, or the Retail Trade Liberalization Act of 2000 ("**R.A. 8762**") liberalized the Philippine retail industry to encourage Filipino and foreign investors to forge an efficient and competitive retail trade sector in the interest of empowering the Filipino consumer through lower prices, high quality goods, better services, and wider choices. It allowed non-Filipino citizens to participate in retail on a limited basis. Prior to the passage of R.A. 8762, retail trade was limited to Filipino citizens or corporations that are 100% Filipino-owned.

"Retail Trade" is defined by R.A. 8762 to cover any act, occupation, or calling of habitually selling direct to the general public any merchandise, commodities, or goods for consumption. Under R.A. 8762, foreign-owned partnerships, associations, and corporations formed and organized under the laws of the Philippines may, upon registration with the SEC and the DTI or in case of foreign-owned single proprietorships, with the DTI, engage or invest in the retail trade business, in accordance with the following categories:

- *Category A* — Enterprises with paid-up capital of the equivalent in Philippine Pesos of less than US$2,500,000 shall be reserved exclusively for Filipino citizens and corporations wholly owned by Filipino citizens.

- *Category B* — Enterprises with a minimum paid-up capital of the equivalent in Philippine Pesos of US$2,500,000 but less than US$7,500,000) may be wholly owned by foreigners except for the first two (2) years after the effectivity of R.A. 8762 wherein foreign participation shall be limited to not more than sixty percent (60%) of total equity.

- *Category C* — Enterprises with a paid-up capital of the equivalent in Philippine Pesos of US$7,500,000 or more may be wholly owned by foreigners: provided, however, that in no case shall the investments for establishing a store in Categories B and C be less than the equivalent in Philippine Pesos of US$830,000.

- *Category D* — Enterprises specializing in high-end or luxury products with a paid-up capital of the equivalent in Philippine Pesos of US$250,000 per store may be wholly owned by foreigners.

The implementing rules and regulations ("**IRR**") of R.A. 8762 provides that foreign investors or foreign retailers may acquire shares in existing and operating retail stores, publicly listed or not. A foreign retailer is defined as an individual who is not a Filipino citizen, or a corporation, partnership, association, or entity that is not wholly owned by Filipinos, engaged in retail trade.

Whenever a foreign investor is also engaged in retail trade and such foreign investor acquires 51% or more of the outstanding capital stock of an existing retail store, the following prequalification requirements must be met:

- a minimum of US$200 million net worth in its parent corporation for categories B and C, and US$50 million net worth in its parent corporation for category D;

- five retail branches or franchises in operation anywhere around the world unless such retailers has at least one store capitalized at a minimum of US$25 million;

- five-year track record in retail; and

- only nationals from, or juridical entities formed or incorporated in, countries which allow the entry of Filipino retailers, shall be allowed to engage in retail trade in the Philippines.

The Department of Trade and Industry ("**DTI**"), through the Board of Investments ("**BOI**"), is authorized to pre-qualify all foreign retailers, subject to the provisions of R.A. 8762, before they are allowed to conduct business in the Philippines. No transfer of shares to a foreign investor in a retail store shall be recorded in the corporate books unless a Certificate of Compliance with Pre-qualification is presented.

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.

Registration of Foreign Investments and Exchange Controls

Under current BSP regulations, an investment in Philippine securities (such as the Offer Shares) must be registered with the BSP if the foreign exchange needed to service the repatriation of capital and/or the remittance of dividends, profits, and earnings derived from such shares is to be sourced from the Philippine banking system. If the foreign exchange required to service capital repatriation or dividend remittance will be sourced outside the Philippine banking system, registration with the BSP is not required. BSP Circular No. 471 issued on January 24, 2005 subjects foreign exchange dealers and money changers to RA No. 9160 (the Anti-Money Laundering Act of 2001, as amended) and requires these non-bank sources of foreign exchange to require foreign exchange buyers to submit supporting documents in connection with their application to purchase foreign exchange for purposes of capital repatriation and remittance of dividends.

Registration of Philippine securities listed in the PSE may be done directly with a custodian bank duly designated by the foreign investor. A custodian bank may be a universal or commercial bank or an offshore banking unit registered with the BSP to act as such and appointed by the investor to register the investment, hold shares for the investor, and represent the investor in all necessary actions in connection with his investments in the Philippines. Applications for registration must be accompanied by: (i) purchase invoice, subscription agreement and proof of listing on the PSE (either or both); (ii) original certificate of inward remittance of foreign exchange and its conversion into Philippine Pesos through an authorized agent bank in the prescribed format; and (iii) authority to disclose ("**Authority to Disclose**") in the prescribed format. The Authority to Disclose allows the custodian bank to disclose to the BSP any information that may be required to comply with post-audit requirements for the registration of Peso-denominated investments.

Upon registration of the investment, proceeds of divestments, or dividends of registered investments are repatriable or remittable immediately and in full through the Philippine banking system, net of applicable tax, without need of BSP approval. Capital repatriation of investments in listed securities is permitted upon presentation of the BSP registration document ("**BSRD**") or BSRD Letter-Advice from the registering custodian bank and the broker's sales invoice, at the exchange rate prevailing at the time of purchase of the foreign exchange from the banking system. Remittance of dividends is permitted upon presentation of: (1) the BSRD or BSRD Letter-Advice; (2) the cash dividends notice from the PSE and the Philippine Depository and Trust Corporation (formerly the Philippine Central Depository) showing a printout of cash dividend payment or computation of interest earned; (3) the copy of the corporate secretary's sworn statement attesting to the board resolution covering the dividend declaration and (4) the detailed computation of the amount applied for in the format prescribed by the BSP. For direct foreign equity investments, the latest audited financial statements or interim financial statements of the investee firm covering the dividend declaration period need to be presented in addition to the documents enumerated above. Pending reinvestment or repatriation, divestment proceeds, as well as dividends of registered investments, may be lodged temporarily in interest-bearing deposit accounts. Interest earned thereon, net of taxes, may also be remitted in full. Remittance of divestment proceeds or dividends of registered investments may be reinvested in the Philippines if the investments are registered with the BSP or the investor's custodian bank.

The foregoing is subject to the power of the BSP, with the approval of the President of the Philippines, to suspend temporarily or restrict the availability of foreign exchange, require licensing of foreign exchange transactions or require delivery of foreign exchange to the BSP or its designee during a foreign exchange crisis, when an exchange crisis is imminent, or in times of national emergency. Furthermore, there can be no assurance that the foreign exchange regulations issued by the BSP will not be made more restrictive in the future.

The registration with the BSP of all foreign investments in the Offer Shares shall be the responsibility of the foreign investor.

REGULATIONS RELATING TO HEALTH, FOOD, AND COSMETICS, AND THE SALE OF SUCH PRODUCTS

The Food, Drug, and Cosmetics Act

The Food, Drug and Cosmetics Act, was passed into law on June 22, 1963. This was later amended by Executive Order 175 and Republic Act No. 9711 or "The Food and Drug Administration Act of 2009".

The Food, Drug and Cosmetics Act, as amended, was enacted as part of the government's policy of ensuring that safe and quality food is available to the people of the Philippines and to regulate the production, sale and trade of food to protect the health of the citizens. The Food and Drug Administration ("**FDA**"), under the Department of Health ("**DOH**") administers and enforces The Food, Drug and Cosmetics Act, among other laws on safety and good quality supply of food, consumer drugs and cosmetics and regulates the production, sale, and traffic of the same to protect the health of the people.

Under The Food, Drug and Cosmetics Act, "food" is defined as any processed substance which is intended for human consumption and includes drinks, beverages, chewing gum and any substances which have been used as an ingredient in the manufacture, preparation or treatment of food. "Cosmetics", on the other hand, is defined as any substance or preparation intended to be placed in contact with the various external parts of the human body or with the teeth and the mucous membranes of the oral cavity, with a view exclusively or mainly to cleaning them, perfuming them, changing their appearance and/or correcting body odor, and/or protecting the body or keeping them in good condition.

The Food, Drug and Cosmetics Act covers both locally manufactured and imported products and establishes standards as well as quality measures for food. A comprehensive enforcement framework was set up, which is deemed as necessary to ensure a pure and safe supply of food in the country.

Under The Food, Drug and Cosmetics Act, the following scenarios, among others, are considered prohibited and are punishable:

- the manufacture, import, export, sale, offer for sale, distribution, transfer, non-consumer use, promotion, advertising or sponsorship of any health products (defined as food, cosmetics, devices, biologicals, vaccines, in-vitro diagnostic reagents, and household/urban hazardous substances) that are adulterated, unregistered or misbranded;

- the adulteration or misbranding of any health product;

- the refusal to permit entry or inspection as authorized by Section 27 of The Food, Drug and Cosmetics Act or to follow samples to be collected;

- 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 the article is held for sale (whether or not the first sale) and results in the article being adulterated or misbranded; and

- the sale, offering for sale, importation, exportation, distribution or transfer of any health product beyond its expiration or expiry date, if applicable.

The commission of any of the prohibited acts stated above can result in imprisonment and/or a fine, in the sole discretion of the courts. Furthermore, any article of food, drug, device or cosmetic that is adulterated or misbranded when introduced into the domestic commerce may be seized and held in custody pending proceedings, without a hearing or court order, when the director general of the FDA has reasonable cause to believe from facts found by him or any officer or employee of the FDA that such health products may cause harm or prejudice to the consuming public.

Food shall be deemed to be adulterated if it carries or contains any poisonous or deleterious substance which may render it injurious to health, except if the quantity of such substance in such food does not ordinarily render it injurious to health. Food shall be deemed adulterated if it carries or contains any added poisonous or added deleterious substance other than one which is a pesticide chemical in or on a raw agricultural commodity for which tolerances have been established and it conforms to such tolerances. Food is adulterated if it consists in whole or in part of any filthy, putrid, or in part decomposed substance, or if it is otherwise unfit for human consumption; likewise if it is, in whole or in part, the product of a diseased animal or of an animal which has died otherwise than by slaughter. Lastly, if the container is composed, in whole or in part, of any poisonous or deleterious substance that may render the contents injurious to health, the food is considered adulterated.

Food shall be deemed to be misbranded if its labeling is false or misleading in any particular; if it is offered for sale under the name of another food; if it is an imitation of another food, unless its label bears in type of uniform size and prominence, the word "imitation" and immediately thereafter, the name of the food imitated; if its container is made, formed, or filled as to be misleading; if in package form unless it bears a label containing (i) the name and place of business of the manufacturer, packer, distributor; and (ii) an accurate statement of the quantity of the contents in terms of weight, measure, numerical count; (iii) subject to reasonable variations and exemptions as to small packages as may be established by regulations, if any word, statement, or other information required by or under authority of the secretary of the FDA.

The Food, Drug and Cosmetics Act to appear on the label or labeling is not prominently placed thereon with such conspicuousness and in such terms as to render it likely to be read and understood by the ordinary individual under customary conditions of purchase and use; (iv) if it purports to be or is represented as food for which a definition and standard of identity has been prescribed unless (i) it conforms to such definition and standard, and (ii) its label bears the name of the food specified in the definition and standard, and insofar as may be required by such regulations, the common names of optional ingredients (other than spices, flavoring, and coloring) present in such food; if it purports to be or is represented as (i) food for which a standard of quality has been prescribed by regulations, and its quality falls below such standard, unless its label bears, in such manner and form as such regulations specify, a statement that it falls below such standard; or (ii) food for which a standard or standards of fill of container have been prescribed by regulations and it falls below the standard of fill of container applicable thereto, unless its label bears, in such manner and form as such regulations specify, statement that if falls below such standard; if its label does not bear (i) the common or usual name of the food, if there be any, and (ii) in case it is fabricated from two or more ingredients, the common or usual name of each such ingredient; except the spices, flavorings and colorings without naming each; and to the extent that compliance becomes impracticable or results in deception or unfair competition, exemptions shall be established by regulations promulgated by the Secretary of the FDA; if it purports to be or is presented for special dietary uses, unless its label bears such information concerning its vitamin, mineral and other dietary properties as the Secretary determines to be, and by regulations prescribes as necessary to fully inform purchasers as to its value for such uses; if it bears or contains any artificial flavoring, artificial coloring, or chemical preservative, unless it bears labeling stating that fact however, to the extent that compliance with this requirements is impracticable, exemptions shall be established by regulations promulgated by the Secretary of the FDA.

For the purposes of enforcement of the Food, Drug and Cosmetics Act, officers or employees duly designated by the Secretary, upon presenting appropriate credentials to the owner, operator, or agent in charge, are authorized (i) 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 (ii) to inspect, in a reasonable manner, such factory, warehouse, establishment, or vehicle and all pertinent equipment, finished or unfinished materials, containers, and labeling therein.

The Secretary of the FDA may cause to be disseminated information regarding food, drugs, devices, or cosmetics in situations involving, in the opinion of the Secretary, imminent danger to health, or gross deception of the consumer. The Secretary of the FDA shall not be prohibited from collecting, reporting and illustrating the results of investigations of the DOH.

The Meat Inspection Code

Republic Act No. 9296 or the Meat Inspection Code establishes safety and quality standards for meats, including pork, beef and chicken meat products. It has been further amended by Republic Act No. 10536. The National Meat Inspection Service ("**NMIS**"), a specialized regulatory service attached to the Department of Agriculture ("**DA**"), serves as the national controlling authority tasked with implementing policies, programs, guidelines and rules and regulations pertaining to meat inspection and meat hygiene to ensure meat safety and quality from farm to table. On the other hand, the local government units, in accordance with existing laws, policies, rules and regulations and quality and safety standards of the DA, have the authority to regulate the construction, management and operation of slaughterhouses and meat inspection and meat transport within their respective jurisdictions, and to collect fees and charges in connection therewith.

The Meat Inspection Code requires the inspection of food animals and the carcasses and parts thereof that are capable of use as human food. Only meat or meat products that have passed inspection and have been marked may be sold, offered for sale or transported. The Meat Inspection Code also provides for the inspection of slaughterhouses, poultry dressing plants and meat shops to ensure compliance with existing laws, policies and safety standards. Slaughterhouses and poultry dressing plants are required to comply with the Animal Welfare Act of 1998 for the adequate protection of food animals to be slaughtered. All meat establishments are required to adopt good manufacturing practices and sanitation standard operating procedures programs for the production, storage and distribution of meat products and to comply with all pollution control and environmental laws and regulations relating to the disposal of carcasses and parts thereof.

A cease and desist order may be issued by the Secretary of the DA to any person, firm, or corporation engaged, in the business of slaughtering food animals, or preparing, freezing, packaging, storing or labeling any carcasses or parts or products of carcasses for use as human food, found to be in violation of any of the provisions of the said law, should the continued operation of the said entity, pose risks to public health and endanger the animal population.

Food retailers, such as MM, are not covered by the provisions of the Meat Inspection Code; however, its relevant suppliers must be fully compliant with the Meat Inspection Code.

The Consumer Act

Republic Act No. 7394, or Consumer Act of the Philippines ("**Consumer Act**"), seeks to: (a) protect consumers against hazards to health and safety; (b) protect consumers against deceptive, unfair and unconscionable sales acts and practices; (c) provide information and education to facilitate sound choice and the proper exercise of rights by the consumer; (d) provide adequate rights and means of redress; and (e) involve consumer representatives in the formulation of social and economic policies. "Consumer products and services," as defined by the Consumer Act, means goods, services and credits, debts or obligations which are primarily for personal, family, household or agricultural purposes, which shall include but not limited to food, drugs, cosmetics, and devices. The DTI is the implementing agency tasked to promulgate the policies under the Consumer Act.

The Consumer Act establishes quality and safety standards with respect to the composition, contents, packaging, labeling and advertisement of products and prohibits the manufacture for sale, offer for sale, distribution, or importation of products which are not in conformity with applicable consumer product quality or safety standards promulgated thereunder.

The minimum labeling requirements for consumer products sold in the Philippines are: (a) the correct and registered trade name or brand name; (b) the duly registered trademark; (c) the duly registered business name; (d) the address of the manufacturer, importer, repacker of the consumer product in the Philippines; (e) the general make or active ingredients; (f) the net quantity of contents, in terms of weight, measure or numerical count rounded off to at least the nearest tenths in the metric system; (g) the country of manufacture, if imported; and (h) if a consumer product is manufactured, refilled or repacked under license from a principal, the label shall so state the fact.

The Price Act

Under the Republic Act No. 7581 (the "**Price Act**"), as amended by Republic Act No. 10623, the President of the Philippines may impose a price ceiling on basic necessities and prime commodities in the event of a calamity, an emergency, illegal price manipulation or when the prevailing prices have risen to unreasonable levels. "Basic necessities" are goods vital to the needs of consumers for their sustenance and existence, while "prime commodities" are goods not considered as basic necessities but are essential to consumers in times of any of the following cases: (1) the impendency, existence, or effects of a calamity; (2) the threat, existence, or effect of an emergency; (3) the prevalence or widespread acts of illegal price manipulation: (4) the impendency, existence, or effect of any event that causes artificial and unreasonable increase in the price of the basic necessity or prime commodity; and (5) whenever the prevailing price of any basic necessity or prime commodity has risen to unreasonable levels.

The Price Act imposes an automatic price control on the prices of basic commodities in areas declared as disaster areas, under emergency or martial law or in a state or rebellion or war. Unless sooner lifted by the President of the Philippines, prices shall remain frozen for a maximum of 60 days, except for price control on basic necessities that are wholly imported and deregulated.

The implementing government agencies of the Price Act are also given the authority thereunder to issue suggested retail prices, whenever necessary, for certain basic necessities and/or prime commodities for the information and guidance of concerned trade, industry and consumer sectors.

The Food Safety Act

Republic Act No. 10611 otherwise known as the Food Safety Act of 2013 ("**Food Safety Act**") aims to protect the public from food-borne and water-borne illnesses and unsanitary, unwholesome, misbranded or adulterated foods; enhance industry and consumer confidence in the food regulatory system; and achieve economic growth and development by promoting fair trade practices and sound regulatory foundation for domestic and international trade. The same law created the Food Safety Regulation Coordinating Board responsible for monitoring and coordinating the performance and implementation of the mandates of the DA, the DOH, the DILG and the local government units in food safety regulation.

Under the Food Safety Act, the DOH and DA set the mandatory food safety standards. Foods imported into the country must come from countries with an equivalent food safety regulatory system and shall comply with international agreements to which the Philippines is a party.

Food business operators are primarily responsible in ensuring that the food satisfies the requirements of food laws relevant to their activities in the food supply chain and that control systems are in place to prevent, eliminate or reduce risks to consumers. Non-compliance with the provisions of the Food Safety Act may result in the imposition of fine and a suspension of the appropriate authorization, as warranted.

The Philippine Food Fortification Act

Republic Act No. 8976 or the Food Fortification Act provides for the mandatory fortification of wheat flour, cooking oil and such other staple foods as required by the National Nutrition Council and the voluntary fortification of processed foods or food products other than the foregoing. The fortification of food products shall be undertaken by the manufacturers thereof, which as defined under the Food Fortification Act, includes the importer of processed foods or food products imported for its own use as well as wholesalers or retailer- distributors of foods that must be mandatorily fortified to other food establishments or outlets.

The DOH through the FDA is the government agency responsible for the implementation the Food Fortification Act with the assistance of the different local government units, which are tasked under the said law to monitor foods mandated to be fortified which are available in public markets, retail stores and food service establishments and to check if the labels of fortified products contain nutrition facts stating the nutrient added and its quantity. Any person in violation of the Food Fortification Act shall be subject to administrative penalties. Furthermore, the FDA may refuse or cancel the registration or order the recall of food products in violation of said law.

Food retailers and concessionaires are not covered by the provisions of the Food Fortification Act. However, any supplier to retailers or concessionaires of foods that are covered by the Food Fortification Act's provisions on mandatory fortification must be fully compliant with the Food Fortification Act. Furthermore, as mentioned, the DOH has the power to enter public markets, retail stores, and food service establishments to monitor compliance with the law's provisions.

The Comprehensive Dangerous Drugs Act

Republic Act No. 9165 or the Comprehensive Dangerous Drugs Act, as amended by Republic Act No. 10640, seeks to address the trafficking and use of dangerous drugs and other similar substances through an integrated system of planning, implementation and enforcement of anti-drug abuse policies, programs, and projects. The Government aims to achieve a balance in the national drug control program so that people with legitimate medical needs are not prevented from being treated with adequate amounts of appropriate medications, which include the use of dangerous drugs.

The Dangerous Drugs Board formulates the guidelines for the importation, distribution, production, manufacture, compounding, prescription, dispensing and sale of, and other lawful acts in connection with any dangerous drug, controlled precursor and essential chemical and other similar or analogous substances of such kind and in such quantity as the said board may deem necessary according to the medical and research needs or requirements of the country and determines the quantity and/or quality of dangerous drugs and precursors and essential chemicals to be imported, manufactured and held in stock at any given time by the authorized importer, manufacturer or distributor of such drugs. The corresponding license for this purpose is issued by the Philippine Drug Enforcement Agency ("**PDEA**"), which is the implementing arm of the Dangerous Drugs Board. The PDEA is responsible for the efficient and effective law enforcement of all the provisions of the said law with respect to any dangerous drug and/or controlled precursor and essential chemical.

All manufacturers, wholesalers, distributors, importers, dealers and retailers of dangerous drugs and/or controlled precursors and essential chemicals (issued with the appropriate license by the PDEA) is required to keep a record of all inventories, sales, purchases, acquisitions and deliveries of the same as well as the names, addresses and licenses of the persons from whom such items were purchased or acquired or to whom such items were sold or delivered, the name and quantity of the same and the date of the transactions. Such records may be reviewed at any time by the Dangerous Drugs Board.

The Pharmacy Law

Republic Act No. 5921 or the Pharmacy Law, as amended by Republic Act No. 9502 or the Universally Accessible Cheaper and Quality Medicines Act of 2008, regulates the sale of medicine, pharmaceuticals, drugs and devices.

Under the law, medicine, pharmaceutical, or drugs, of whatever nature and kind or device may be compounded, dispensed, sold, or made available to the consuming public only through a duly established prescription drugstore or hospital pharmacy. Under FDA Administrative Order No. 2014-0034, no establishment shall manufacture, import, export, sell, offer for sale, transfer, promote, advertise and/or sponsor any activity that involves drug product without first securing a License to Operate ("LTO") from FDA. Where registered drugs, chemical products, dental, medicinal and household remedies are dispensed directly to the general public on a retail basis, an LTO as a drugstore must be secured.

Every pharmacy, drug store or hospital pharmacy either owned by the government or a private person or firm shall at all times be under the personal and immediate supervision of a registered pharmacist. No pharmacist is allowed to have personal supervision of more than one such establishment. In cases where a drug establishment operates in more than one shift, each shift must be under the supervision and control of a registered pharmacist.

An exception under the law are non-prescription or over-the-counter drugs, which may be sold in their original packages, bottles, containers or in small quantities, not in their original containers to the consuming public through supermarkets, convenience stores and other retail establishments.

The law also allows pharmaceutical, drug or biological manufacturing establishments, importers and wholesalers of drugs, medicines, or biologic products, to sell their products for re-sale only to retail drug outlets, hospital pharmacies or to other drug wholesalers under the supervision of a registered pharmacist, or in the case of over-the counter drugs, they may be sold for resale only to supermarkets, convenience stores duly licensed by the FDA.

The Generics Act

Republic Act No. 6675, or the Generics Act of 1998, as amended by Republic Act No. 9502 or the Universally Accessible Cheaper and Quality Medicines Act of 2008 ("**Generics Act**"), encourages and requires the use of generic terminology in the importation, manufacture, distribution, marketing, advertising and promotion, prescription and dispensing of drugs.

Pursuant to the Generics Act, any organization or company involved in the manufacture, importation, repacking, marketing and/or distribution of drugs and medicines are required to indicate prominently the generic name of the product. In the case of brand name products, the generic name should appear prominently and immediately above the brand name in all product labels, as well as in advertising and other promotional materials.

Drug outlets, including drug stores, hospital and non-hospital drug stores and non-traditional outlets such as supermarkets and stores, are also required to inform a purchaser of any and all other drug products having the same generic name, together with their corresponding prices so that the purchaser may adequately exercise his option.

The Intellectual Property Code

To encourage the transfer and dissemination of technology, prevent or control practices and conditions that may in particular cases constitute an abuse of intellectual property rights having an adverse effect on competition and trade, all technology transfer arrangements shall comply with the provisions of Republic Act No. 8293, or the Intellectual Property Code of the Philippines. Technology transfer arrangements refer to 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.

The law provides for several prohibited clauses in the technology transfer agreement which, on its face, may be considered to have an adverse effect on competition and trade. These include, among others, provisions such as: a) those which impose upon the licensee the obligation to acquire from a specific source capital goods, intermediate products, raw materials, and other technologies, or of permanently employing personnel indicated by the licensor; b) those pursuant to which the licensor reserves the right to fix the sale or resale prices of the products manufactured on the basis of the license; c) those that contain restrictions regarding the volume and structure of production; and d) those which prevent the licensee from adapting the imported technology to local conditions, or introducing innovation to it, as long as it does not impair the quality standards prescribed by the licensor.

The law also provides for several mandatory provisions, to wit:

(1) That the laws of the Philippines shall govern the interpretation of the same and in the event of litigation, the venue shall be the proper court in the place where the licensee has its principal office;

(2) Continued access to improvements in techniques and processes related to the technology shall be made available during the period of the technology transfer arrangement;

(3) In the event the technology transfer arrangement shall provide for arbitration, the Procedure of Arbitration of the Arbitration Law of the Philippines or the Arbitration Rules of the United Nations Commission on International Trade Law or the Rules of Conciliation and Arbitration of the International Chamber of Commerce shall apply and the venue of arbitration shall be the Philippines or any neutral country; and

(4) The Philippine taxes on all payments relating to the technology transfer arrangement shall be borne by the licensor.

Technology transfer arrangements that conform to the foregoing need not be registered with the Documentation, Information and Technology Transfer Bureau. Non-conformance, however, shall automatically render the technology transfer arrangement unenforceable, unless said technology transfer arrangement is approved and registered with the Documentation, Information and Technology Transfer Bureau in exceptional or meritorious cases where substantial benefits will accrue to the economy, such as high technology content, increase in foreign exchange earnings, employment generation, regional dispersal of industries and/or substitution with or use of local raw materials, or in the case of Board of Investments, registered companies with pioneer status.

THE LOCAL GOVERNMENT CODE

Republic Act No. 7160, otherwise known as the Local Government Code ("**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.

An LGU, through its respective legislative bodies, may enact ordinances and approve resolutions, as shall be necessary and proper to provide for health and safety, comfort and convenience, maintain peace and order, improve the morals, and promote the prosperity and general welfare of the community and the inhabitants thereof, and the protection of property therein. 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 LGU having jurisdiction over the territory where the entity seeks to operate before commencement of actual operations. In order to obtain a local business permit for any business or activity, a clearance must first be obtained from the barangay where such business or activity is located or conducted.

Subject to certain limitations, the power to tax is also exercised by the LGU through their respective legislative bodies, upon enactment of an appropriate ordinance.

LABOR AND EMPLOYMENT

Labor Code of the Philippines

The Department of Labor and Employment ("**DOLE**") is the Philippine government agency mandated to formulate policies, 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 of the Philippines ("**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.

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, work premises, among others; and (b) the contractor's or subcontractor's employees recruited and placed 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. Subsequently, 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.

Occupational Safety and Health Standards Law

On August 17, 2018, Republic Act No. 11058 or the Occupational Safety and Health Standards Law was signed into law. It mandates employers, contractors, or subcontractors and any person who manages, controls or supervises the work, 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. It also requires 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 to, preventive measures to eliminate or minimize the risks and steps to be taken in cases of emergency.

An employer, contractor or subcontractor who willfully fails or refuses to comply with the Occupational Safety and Health Standards shall be administratively liable for a fine. Further, the liability of the employer, project owner, general contractor, contractor or subcontractor, if any, and any person who manages, controls or supervises the work, shall be solidary.

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. 8282 to ensure coverage of employees following procedures set out by the law and the Social Security System ("**SSS**"). Under the said law, social security coverage is compulsory for all employees under 60 years of age. An employer must deduct and withhold from its compulsorily covered employees their monthly contributions based on a given schedule, pay its share of contribution and remit these to the SSS within a period set by law and/or SSS regulations.

Employers are likewise required to ensure enrollment of its employees in a National Health Program administered by the Philippine Health Insurance Corporation, a government corporation attached to the DOH tasked with ensuring sustainable, affordable, and progressive social health insurance pursuant to the provisions of the National Health Insurance Act of 1995, as amended by the Republic Act No. 11223, otherwise known as the Universal Health Care Act. The registration, accurate and timely deductions and remittance of contributions to the Philippine Health Insurance Corporation is mandatory as long as there is employer-employee relationship.

Under the Home Development Mutual Fund Law of 2009, all employees who are covered by the Social Security Act of 1997 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 affordable shelter financing to Filipino employees. The employer is likewise mandated to deduct and withhold, pay and remit to the Pag-IBIG Fund the respective contributions of the employees under the prescribed schedule.

CORPORATE LAWS

Philippine Competition Act

Republic Act. No. 10667, or the Philippine Competition Act ("**PCA**"), is the primary competition policy of the Philippines. This is the first anti-trust statute in the Philippines and it provides the competition framework in the Philippines. The PCA was enacted to provide free and fair competition in trade, industry and all commercial economic activities. To implement its objectives, the PCA provides for the creation of a Philippine Competition Commission (the "**PCC**"), an independent quasi-judicial agency with powers to conduct investigations, issue subpoenas, conduct administrative proceedings, and impose administrative fines and penalties. To conduct a search and seizure, the PCC must apply for a warrant with the relevant court. It aims to enhance economic efficiency and promote free and fair competition in trade, industry and all commercial economic activities.

The PCA prohibits and imposes sanctions on:

(1) anti-competitive agreements between or among competitors, which restrict competition as to price, or other terms of trade and those fixing price at an auction or in any form of bidding including cover bidding, bid suppression, bid rotation and market allocation and other analogous practices of bid manipulation; and those which have the object or effect of substantially preventing, restricting or lessening competition;

(2) practices which are regarded as abuse of dominant position, by engaging in conduct that would substantially prevent, restrict or lessen competition; and

(3) merger or acquisitions which substantially prevent, restrict or lessen competition in the relevant market or in the market for goods or services, or breach the thresholds provided in the Implementing Rules and Regulations ("**PCA IRR**") without notice to the PCC.

The PCA provides for mandatory notification to the PCC where the value of such transaction exceeds ₱2.2 billion ("**Size of Transaction**"), and where the size of the ultimate parent entity of either party exceeds ₱5.6 billion ("**Size of Party**"). Effective March 1, 2020, these thresholds will be raised to ₱6 billion for Size of Person and ₱2.4 billion for Size of Transaction. Notification is also mandatory for joint venture transactions if either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱2.2 billion; or (b) the gross revenues generated in the Philippines by the assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱2.2 billion. Effective March 1, 2020, these thresholds will likewise be raised to ₱2.4 billion.

On November 22, 2017, the PCC published the 2017 Rules on Merger Procedures ("**Merger Rules**") which provides the procedure for the review or investigation of mergers and acquisition pursuant to the PCA. The Merger Rules provides, among others, that parties to a merger that meets the thresholds in Section 3 of Rule 4 of the IRR are required to notify the PCC within 30 days from the signing of definitive agreements relating to the notifiable merger.

Under the PCA and the IRR, a transaction that meets the thresholds and does not comply with the notification requirements and waiting periods shall be considered void and will subject the parties to an administrative fine of 1% to 5% of the value of the transaction. Criminal penalties for entities that enter into these defined anti-competitive agreements include: (i) a fine of not less than ₱50 million but not more than ₱250 million; and (ii) imprisonment for two to seven years for directors and management personnel who knowingly and willfully participate in such criminal offenses. Administrative fines of ₱100 million to ₱250 million may be imposed on entities found violating prohibitions against anti-competitive agreements and abuse of dominant position. Treble damages may be imposed by the PCC or the courts, as the case may be, where the violation involves the trade or movement of basic necessities and prime commodities.

Revised Corporation Code

Republic Act No. 11232 or the Revised Corporation Code ("**Revised Corporation Code**") was signed into law on February 20, 2019 and became effective on March 8, 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 Code, unless a corporation, upon a vote of majority of the stockholders of the outstanding capital stock notifies the SEC that it elects to retain its specific corporate term under its current Articles of Incorporation.

- the Code allows the creation of a "One Person Corporation" ("**OPC**"), which is a corporation composed of a single stockholder, provided that, only natural person, trust or an estate may form such. No minimum authorized capital stock is also required for an OPC, unless provided for under special laws.

- 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 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; and

- in case of transfer of shares of listed companies, the Commission 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 Commission.

The Revised Corporation Code refers to the PCA 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 PCA thresholds.

Environmental Laws

Environmental Impact Statement System

Undertakings or operations on any declared environmentally critical project or area are required to obtain an Environmental Compliance Certificate ("**ECC**") prior to commencement. The Department of Environment and Natural Resources ("**DENR**"), through its regional offices or through the Environmental Management Bureau (the "**EMB**"), determines whether a project is environmentally critical or located in an environmentally critical area and processes all applications for an ECC. As a requirement for the issuance of an ECC, an environmentally critical project must submit an Environment Impact Statement ("**EIS**") to the EMB, which is a result of a positive determination by the EMB on the preventive, mitigating and enhancement measures adopted addressing possible adverse consequences of the project to the environment. The EIS refers to the document, prepares and submitted by the project proponent and/or the Environmental Impact Assessment Consultant which provides for a comprehensive study of the significant impacts of a project to the environment. On the other hand, a non-environmentally critical project in an environmentally critical area is generally required to submit an Initial Environmental Examination (the "**IEE**") to the proper EMB regional office. In the case of an environmentally critical project within an environmentally critical area, an EIS is required in addition to the IEE.

The IEE refers to the document and the study describing the environmental impact, including mitigation and enhancement measures, for projects in environmentally critical areas. While the terms and conditions of an EIS or an IEE may vary from project to project, as a minimum it contains all relevant information regarding the project's environmental effects. The entire process of organization, administration and assessment of the effects of any project on the quality of the physical, biological and socioeconomic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS System. The EIS System successfully culminates in the issuance of an ECC.

The issuance of an ECC is a Philippine government certification that the proposed project or undertaking will not cause a significant negative environmental impact; that the proponent has complied with all the requirements of the EIS System; and that the proponent is committed to implementing its approved Environmental Management Plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures provided therein before or during the operations of the project and in some cases, during the abandonment phase of the project. 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.

In general, there have been no materially significant or extraordinary costs incurred by the MM Group, taken as a whole, in respect of environmental compliance. MM stores are not required to each secure ECCs. Instead, the buildings in which such stores are located are required to secure an ECC. The MM Group's costs of compliance with applicable environmental laws and regulations vary from project to project depending on various factors, especially local conditions. However, none of such costs have been material in respect of their finances as a whole.

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, at least two of whom are independent directors. Except for Mr. Edgar J. Sia II and Mr. Ferdinand J. Sia, who have been directors since MM's incorporation, all the directors were elected at MM's stockholders meeting on January 24, 2020. All directors will hold office for a period of one (1) year from their election and until their successors have been duly elected and qualified.

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

Name	Age	Position	Citizenship
Edgar J. Sia II…………………….……..	43	Chairman/CEO	Filipino
Ferdinand J. Sia……………………	41	President/COO	Filipino
Marriana H. Yulo-Luccini………….	36	CFO/CIO	Filipino
Atty. Jacqueline Ann Marie O. Gomez………..................................	36	Corporate Secretary	Filipino
Jose E. Desales…………………….……..		Assistant Corp. Secretary	Filipino
Atty. Victoria R. Tamayao	60	Independent Director	Filipino
Gary P. Cheng	55	Independent Director	Filipino

The following table sets forth MM's key executive and corporate officers ("**Senior Management**"):

Name	Age	Position	Citizenship
Edgar J. Sia II…………………….……..	43	Chairman/CEO	Filipino
Ferdinand J. Sia……………………	41	President/COO	Filipino
Shella A. Sia……………………….	40	Treasurer/EVP	Filipino
Rizza Marie Joy J. Sia-Javelona…...	30	Comptroller	Filipino
Marriana H. Yulo-Luccini………….	36	CFO/CIO	Filipino
Mercedes L. Taleon………………..	56	Chief Development Officer	Filipino
Maribel N. Sibayan………………...	48	Subsidiary COO	Filipino
Atty. Jacqueline Ann Marie O. Gomez………..................................	36	Corporate Secretary	Filipino

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

Edgar J. Sia II, 43, is the Chairman and Chief Executive Officer of MM from 2019 to present and has been a director of MM since incorporation to present. He is the Founder of Mang Inasal and Co-Founder, Chairman and Chief Executive Officer of DD from 2012 to present and Chairman and Chief Executive Officer of III from 2007 to present. Mr. Sia took up Bachelors of Science in Architecture at the University of San Agustin and the same university in 2011 conferred him an Honorary Doctorate Degree – Major in Management.

Ferdinand J. Sia, 41, is the President and Chief Operating Officer of MM from 2019 to present and has been a director of MM since incorporation to present. He is currently the President and Chief Operating Officer of DD since 2012 to present and III since 2007 to present. He previously served as Director and President of Mang Inasal from 2007 to 2012. He graduated from the Arellano University School of Law.

Shella A. Sia, 40, is the Treasurer and Executive Vice President of MM from 2020 to present. She also serves as the Corporate Secretary of III since 2007 to present. She previously served as the Executive Vice President and Treasurer of Mang Inasal from 2007 to present. She took up Bachelors of Science in Economics in the University of San Agustin.

Rizza Marie J. Sia-Javelona, 30, is the Comptroller of MM from 2020 to present. She also serves as Comptroller of MM's subsidiary, MMGC from 2020 to present. She is currently the Treasurer and Chief Finance Officer of DD from 2012 to present and III from 2007 to present. She graduated Bachelors of Science in Accountancy at the University of the Philippines – Visayas and is a Certified Public Accountant.

Marriana H. Yulo-Luccini, 37, is the Chief Financial Officer and Chief Investment Officer of MM from 2020 to present and has been a director of MM from 2020 to present. She also serves as Chief Investment Officer of DD from

2015 to present. She was previously Chief Financial Officer of Alphaland Corporation and Group Chief Financial Officer of PhilWeb Corporation, ISM Communications Corporation, and Atok Big-Wedge Co. Inc. from 2011 to 2014. She graduated in Business Administration – Major in Management at Palawan State University and has a Masters in Business Administration Degree from the University of St. La Salle.

Mercedes L. Taleon, 56, is the Chief Development Officer of MM from 2020 to present. She also serves as Chief Development Officer of MM's subsidiary, MMGC from 2020 to present. She was previously General Manager of MMGC from 2018 to 2020. She also served as Vice President in Leasing and Regional Operations Manager of Robinsons Land Corporation from 2016 to 2018. She graduated Bachelors of Science in Biological Sciences at the West Visayas State University.

Maribel N. Sibayan, 48, is the Chief Operating Officer of the subsidiary of MM, MMGC from 2020 to present. She was previously General Manager of All Day Marts, Inc. from 2015 to 2018 and Chief Merchandising Officer of Metro Gaisano from 2010 to 2014. She was also Assistant Vice President of the Fast Moving Consumer Goods Division of Rustans Supercenters, Inc. from 2004 to 2009. Ms. Sibayan graduated Bachelor of Arts- Major in Communication Arts from the University of Santo Tomas and also has completed 36 units of the Masters in Business Administration Progran of the Graduate School of Business of De La Salle University.

Gary P. Cheng, 55, is an Independent Director of MM from 2020 to present. He is currently the Managing Director and Co-Founder of Fortman Cline Capital Markets Limited from 2007 to present. Dr. Cheng also serves as Independent Director of DD from 2013 to present. Dr. Cheng served as the former President/CEO of Amalgamated Investment Bancorporation from 2003 to 2018 and former Vice President of Investment Banking at J.P. Morgan from 1993 to 2002. Dr. Cheng obtained his doctorate in Philosophy from the University of Leeds, England.

Atty. Victoria R. Tamayao, 60, is an Independent Director of MM from 2020 to present. She is the Senior and Managing Partner of Tamayao & Affiliates, Attorneys-at-Law from 2006 to present and is the Chairman and President of Glory Facilities and Development Inc. from 2019 to present. She obtained her Bachelor of Laws and Bachelors of Science in Business Economics degrees from the University of the Philippines, Diliman.

Atty. Jacqueline Ann Marie O. Gomez, 36, is the Corporate Secretary and director of MM from 2020 to present. She joined III in 2014 to present and was previously an associate at Falgui Law Office from 2009 to 2013. She graduated cum laude from the University of the Philippines – Diliman with an Economics degree and obtained Juris Doctor Degree from the same university in 2008. Atty Gomez was admitted to the Philippine Bar in 2009.

Jose E. Desales, 41, is the Assistant Corporate Secretary and director of MM from 2020 to present. He joined III in 2014 to present and was previously with VXI Global Holdings B.V. (Philippines) as Associate Director for Finance from 2010 to 2012. He graduated Bachelor of Science in Accountancy at the University of the Philippines in the Visayas and is a Certified Public Accountant.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS OF DIRECTORS AND SENIOR MANAGEMENT

To the best of MM's knowledge, except for the case provided below, the above-named directors and executive officers in the five-year period prior to the date of this Prospectus were not subject to any of 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.

Plaridel C. Nava II vs. Jed Patrick E. Mabilog, Normal F. Tabud, Roberto E. Divinagracia, Tony Tancaktiong, Edgar J. Sia and Ferdinand J. Sia (Office of the Ombudsman (OMB-V-C-16-0353))

A complaint for violation of Section 3(e) of Republic Act 3019 or the Anti-Graft and Corrupt Practices Act was filed by Plaridel C. Nava II ("Complainant") against the respondents in relation to the joint venture agreement entered into by the City Government of Iloilo with DoubleDragon Properties Corp. for the development of the Iloilo Ferry Terminal. Section 3(e) refers to causing any undue injury to any party, including the government, or giving any private party unwarranted benefits, advantage or preference in the discharge of official functions through manifest partiality, evident bad faith or gross inexcusable negligence. This violation is committed by officers and employees of offices or government corporations charged with granting of permits or other concessions.

Complainant questions the development of a community mall or "CityMall" within the ferry terminal premises. Private respondents, in their Counter-Affidavit, questioned the merit of the Complaint for failure to identify any overt act showing conspiracy to commit the crime alleged. Complainant failed to substantiate his allegation that a crime was committed and that there was a conspiracy among the respondents. Moreover, the agreement clearly provides that the terminal complex would include an area for terminal proper as well as a commercial building with leasable spaces. The construction of the ferry terminal came at zero risk for the government considering that not a single centavo of public funds was used for its construction.

In a Joint Resolution issued by the Graft Investigation and Prosecution Officer II on May 25, 2018, which was approved by the Office of the Ombudsman on November 13, 2019, the complaint was DISMISSED on the ground that there is no probable cause to indict the respondents for violation of Section 3(e) of Republic Act 3019. It was also noted that based on the joint venture agreement and development plans, it is clear that the City Government of Iloilo was aware that such commercial building was part of the terminal complex project. No motion for reconsideration has been filed in the Office of the Ombudsman.

The above case was filed against some of the directors or executive officers in their capacity as directors and officers of DD, an affiliate of the Company. The Company believes that this is a nuisance case which does not pose any serious question on the integrity or capability of said directors and officers.

CORPORATE GOVERNANCE

MM submitted its Manual on Corporate Governance (the "Manual") to the SEC on January 27, 2020. MM and its respective directors, officers and employees have complied with the best practices and principles on good corporate governance as embodied in its Corporate Governance Manual. An evaluation system has been established by MM to measure or determine the level of compliance of the Board of Directors and top level management with its Manual of Corporate Governance. The Board of Directors should conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees. This self-assessment should be supported by an external facilitator every three (3) years.

The Board of Directors are primarily responsible for the governance of the Company. 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. The MM board's independent directors are aware of their duties as such under the Manual. These independent directors are expected to look after the interests of minority shareholders as well as other MM stakeholders.

In adopting the Manual, we understand the responsibilities of the Board and its members, in governing the conduct of the business of the Company and 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.

To date there has been no reported deviation from the Manual and MM continually endeavours to comply with the Manual. The Board of Directors are continually assessing policies that could further improve the corporate governance of the Company.

Independent Directors

The Manual requires MM to have at least two independent directors in the Board of Directors who serves as the Chairman of the Audit Committee and as a member of the Compensation Commission. An independent director is defined as a person who has not been an officer or employee of MM, its Subsidiaries or affiliates or related interests during the past three years counted from date of his election, or any other individual having a relationship with the institution, its parent, subsidiaries or related interest, or to any of MM's director, officer or stockholder holding shares of stock sufficient to elect one seat in the board of directors or any of its related companies within the fourth degree of consanguinity or affinity, legitimate or common-law, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

COMMITTEES OF THE BOARD

To aid in complying with the principles of good governance, the Manual provides that the Board shall create and appoint Board members to each of the committees set forth below. Each member of the respective committees named below holds office as of the date of this Prospectus and will serve until his successor is elected and qualified.

Audit Committee

The Audit Committee is composed of at least three members of the Board who have accounting and finance backgrounds, at least one of whom is an independent director and another with audit experience. The chair of the Audit Committee should be an independent director.

The Audit Committee has the following functions:

(a) Provide oversight over management's activities in managing credit, market, liquidity, operational, legal, and other risks of MM. This function shall include regular receipt from Management of information on risk exposures and risk management activities;

(b) Recommends the approval the Internal Audit Charter ("**IA Charter**"), which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the IA Charter;

(c) Through the Internal Audit ("**IA**") Department, monitors and evaluates the adequacy and effectiveness of MM's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to (a) safeguard the company's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the company's financial data and information technology security, and (d) ensure compliance with applicable laws and regulations;

(d) Oversees the Internal Audit Department, and recommends the appointment and/or grounds for approval of an internal audit head or Chief Audit Executive (CAE). The Audit Committee should also approve the terms and conditions for outsourcing internal audit services;

(e) Establishes and identifies the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. For this purpose, he should directly report to the Audit Committee;

(f) Reviews and monitors Management's responsiveness to the Internal Auditor's findings and recommendations;

(g) Review the annual internal audit plan to ensure its conformity with the objectives of MM. The plan shall include the audit scope, resources, and budget necessary to implement it;

(h) Prior to the commencement of the audit, discusses with the External Auditor the nature, scope and expenses of the audit, and ensures the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;

(i) Evaluates and determines the non-audit work, if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the MM's overall consultancy expenses. The committee should 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 MM's Annual Report and Annual Corporate Governance Report;

(j) Reviews and approves the Interim 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

• Areas where a significant amount of judgment has been exercised

• Significant adjustments resulting from the audit

• Going concern assumptions

• Compliance with accounting standards

• Compliance with tax, legal and regulatory requirements

(k) Reviews the disposition of the recommendations in the External Auditor's management letter;

(l) Performs oversight functions over MM's Internal and External Auditors, including the review of reports submitted by them. It ensures the independence of Internal and External Auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;

(m) Coordinates, monitors and facilitates compliance with laws, rules and regulations;

(n) Recommends to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the SEC, who undertakes an independent audit of MM, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders.

As of the date of this Prospectus, the Audit and Risk Management Committee is chaired by Mr. Gary P. Cheng, while Mr. Ferdinand J. Sia and Ms. Marriana H. Yulo serve as its members.

Nomination Committee

The Nomination Committee is composed of at least three members of the Board. The Nomination Committee reviews and evaluates the qualifications of all persons nominated to the Board and other appointments that require Board approval and shall assess the effectiveness of the Board's processes and procedures in the election or replacement of directors.

As of the date of this Prospectus, the Nomination Committee is chaired by Atty. Victoria R. Tamayao, while Mr. Ferdinand J. Sia and Ms. Marriana H. Yulo serve as its members.

Compensation and Personnel Committee

The Compensation Committee is composed of at least three members of the Board, one of whom is an independent director. The Compensation Committee may establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with MM's culture, strategy and the business strategy in which it operates.

As of the date of this Prospectus, the Compensation Committee is chaired by Edgar J. Sia II , while Mr. Ferdinand J. Sia and Atty. Victoria R. Tamayao serve as members.

EVALUATION SYSTEM AND COMPLIANCE

As part of its system for monitoring and assessing compliance with the Manual and the SEC Code of Corporate Governance, each committee is required to report regularly to the Board of Directors and the Manual is subject to quarterly review. The Compliance Officer is responsible for determining and measuring compliance with the Manual and the SEC Code of Corporate Governance. Any violation of MM's Corporate Governance Manual shall subject the responsible officer or employee to the following penalties:

- For a first violation, the offender shall be reprimanded.

- For a second violation, suspension from office shall be imposed on the offender. The duration of suspension shall depend on the gravity of the violation. This penalty shall not apply to the members of the Board of Directors.

- For a third violation, the maximum penalty of removal from office shall be imposed on the offender. The commission of a third violation by any member of the board or MM or its Subsidiaries and affiliates shall be sufficient cause for removal from directorship. In case the offender is a member of the Board of Directors, the provisions of Section 27 of the Revised Corporation Code shall be observed.

COMPLIANCE WITH RULES ON CORPORATE GOVERNANCE

The Issuer is in the process of implementing its Manual. It will monitor compliance with the Rules on Corporate Governance issued by the SEC and will remain committed in ensuring the adoption of other systems and practices of good corporate governance to enhance its value for its stockholders.

EXECUTIVE COMPENSATION SUMMARY

Compensation

For each of the years ended December 31, 2018, 2019 and 2020 (projected) the total salaries and allowances and bonuses paid to all other officers as a group unnamed are as follows:

Names	Position	Year	Salary	Bonus
Aggregate executive compensation for the following key management officers:				
Edgar J. Sia II	Chairman/CEO			
Ferdinand J. Sia	President/COO	Actual 2018	N/A	N/A
Rizza Maria Joy J. Sia-Javelona	Comptroller	Actual 2019	N/A	N/A
Shella A. Sia	Treasurer/EVP	Projected 2020	₱40,000,000	
Marriana H. Yulo-Luccini	CFO/CIO			
Mercedes L. Taleon	Chief Development Officer			
Aggregate executive compensation of all other officers and directors, unnamed:		Actual 2018 Actual 2019 Projected 2020	N/A N/A ₱40,000,000	N/A N/A

For the years 2018 and 2019, MM did not recognize expenses for key management compensation.

Compensation of Directors

Independent directors and advisors to the Board will receive a standard per diem for attendance in Board meetings effective January 24, 2020. For the years ended December 31, 2019 and 2018 the Directors did not receive any compensation. There are no other existing arrangements/agreements under which directors are to be compensated during the last completed fiscal year and the ensuing year.

The chart below sets forth the compensation received by the Directors of MM for the past three fiscal years:

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	As directors, they do not receive compensation for services rendered. They receive compensation as officers of MM if they hold position as such.	None	None
(b) Variable Remuneration	None	None	None
(c) Per diem Allowance	None	None	2018 - None 2019 - None 2020 (Projected) - ₱1,440,000
(d) Bonuses	None	None	None
(e) Stock Options and/or other financial instruments	None	None	None
(f) Others (Specify)	None	None	None
Total	_	_	**2018 - None** **2019 - None** **2020 (Projected) - ₱1,440,000**

STANDARD ARRANGEMENTS

Other than payment of reasonable gross per diem per non-executive director for every meeting, there are no standard arrangements pursuant to which the Board of Directors are compensated, or are to be compensated, director or indirectly, for any services provided as director.

SIGNIFICANT EMPLOYEES

MM believes that it is not dependent on any single employee. MM considers the collective efforts of all its employees as instrumental to its success. MM believes 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.

FAMILY RELATIONSHIPS

As of the date of this prospectus, family relationships (by consanguinity or affinity within the fourth civil degree) between Directors and members of MM's Senior Management are as follows:

Mr. Edgar J. Sia II, Mr. Ferdinand J. Sia and Ms. Rizza Marie Joy J. Sia are siblings. Ms. Shella A. Sia is the spouse of Mr. Edgar J. Sia II. 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.

Other than as disclosed above, there are no other family relationships between Directors and members of MM's Senior Management known to MM.

EMPLOYMENT CONTRACTS

MM and its Subsidiary have executed pro-forma employment contracts with its staff and officers. These contracts basically specify the scope of services expected from these individuals and the compensation that they shall receive.

There are no special employment contracts between the Company and Senior Management including named executive officers. Other than standard employment contracts, there are no special arrangements with named executive officers and non-executive employees of the Company.

There are no compensatory plans or arrangements to be received by named executive officers resulting from the resignation, retirement or any other termination of such executive officer's employment with MM and its subsidiary or from a change-in-control in MM or a change in the named executive officer's responsibilities following a change-in-control.

WARRANTS AND OPTIONS OUTSTANDING

There are no outstanding warrants or options held by Senior Management, and all officers and directors as a group.

PRINCIPAL SHAREHOLDERS

MM has 11 shareholders as of January 23, 2020, as follows:[9]

No.	Name of Shareholder	Nationality	No. of Common Shares Held	Amount Subscribed (₱)	Amount Paid-up (₱)	Percentage of Ownership
1	Injap Investments, Inc.	Filipino	5,999,989,995	299,999,499.75	299,999, 499.75	100%
2	Edgar J. Sia	Filipino	2,000	100	100	Nil
3	Edgar "Injap" J. Sia II	Filipino	2,000	100	100	Nil
4	Ferdinand J. Sia	Filipino	2,000	100	100	Nil
5	Pacita J. Sia	Filipino	2,000	100	100	Nil
6	Rizza Marie Joy J. Sia	Filipino	2,000	100	100	Nil
7	Marriana H. Yulo-Luccini	Filipino	1	0.05	0.05	Nil
8	Atty. Jacqueline Ann Marie O. Gomez	Filipino	1	0.05	0.05	Nil
9	Jose E. Desales	Filipino	1	0.05	0.05	Nil
10	Atty. Victoria R. Tamayao	Filipino	1	0.05	0.05	Nil
11	Gary P. Cheng	Filipino	1	0.05	0.05	Nil
	TOTAL		6,000,000,000	300,000,000	300,000,000	**100%**

PSE LOCK-UP REQUIREMENT

Under the PSE Consolidated Listing and Disclosure Rules, MM, as an applicant company under the SME Board, must cause all its existing shareholders to refrain from selling, assignment, encumbering, or in any manner disposing of their Shares for a period of one year after the listing of such Shares.

In addition, if there is any issuance 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 six months 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 Shares subscribed or acquired shall be subject to a lock-up period of at least one year from the listing of the aforesaid Shares.

Given the above rules, the following are covered by the One-Year Lock-Up requirement:

Shareholder	No. of Shares
III	5,999,989,995 common shares
Edgar J. Sia	2,000 common shares
Edgar "Injap" J. Sia II	2,000 common shares
Ferdinand J. Sia	2,000 common shares
Pacita J. Sia	2,000 common shares
Rizza Marie Joy J. Sia	2,000 common shares
Marriana H. Yulo-Luccini	1 common share

[9] A pro-forma presentation of the increase in authorized capital and conversion of deposits for future subscription to equity and its effect on the MM Group's selected financial information as of and for the year ended December 31, 2019 is shown in "Management's Discussion and Analysis of Financial Condition and Results of Operation – Statement of Financial Position – Equity" on page 72 of this Prospectus and in the following section "Effects of the Increase in Authorized Capital Stock and Conversion of Deposits for Future Subscription to Equity to the Consolidated Financial Statements of the MM Group".

Atty. Jacqueline Ann Marie O. Gomez	1 common share
Jose E. Desales	1 common share
Atty. Victoria R. Tamayao	1 common share
Gary P. Cheng	1 common share
TOTAL	**6,000,000,000 common shares**

To implement the lock-up requirement, MM and the foregoing shareholders shall enter into an escrow agreement with PNB Trust.

THE PRINCIPAL SHAREHOLDER

III was incorporated on January 15, 2007 with the primary purpose of being a holding company. The principal office of Injap Investments is located at Fuentes Street, Iloilo City. The following are the subsidiaries of III: DD, MM, People's Hotel Corporation, Roxas Ace Realty Corporation, and Deco's Lapaz Batchoy, Inc.

The following table below sets forth, for the Principal Shareholder, the number of Shares and percentage of outstanding shares held before the Offer, the maximum number of Shares to be sold in the Offer and the number of shares and percentage of outstanding shares owned immediately after the Offer:

Principal Shareholder	Shareholdings before the Offer	% of Shares Outstanding before the Offer	Shareholdings following completion of the Offer	% of Shares Outstanding following completion of the Offer
III	5,999,989,995	100%	5,999,989,995	79.0%

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS

As of January 23, 2020, 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 Record Owner	Citizenship	Number of Shares held	Percentage of Ownership
Common shares	Injap Investments, Inc. Fuentes St., Iloilo City Principal Shareholder	Injap Investments, Inc. Principal Shareholder	Filipino	5,999,989,995	100%

SECURITY OWNERSHIP OF MANAGEMENT

As of January 23, 2020, 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	Rizza Marie Joy J. Sia	Corporate Secretary	Filipino	2,000 shares	Nil
Common	Edgar J. Sia II	Director	Filipino	2,000 shares	Nil
Common	Ferdinand J. Sia	Director	Filipino	2,000 shares	Nil
Common	Marriana H. Yulo-Luccini	Director	Filipino	1 share	Nil
Common	Atty. Jacqueline Ann Marie O. Gomez	Director	Filipino	1 share	Nil
Common	Jose E. Desales	Director	Filipino	1 share	Nil
Common	Atty. Victoria R. Tamayao	Independent Director	Filipino	1share	Nil
Common	Gary P. Cheng	Independent Director	Filipino	1 share	Nil

Except for the foregoing, no other members of the Board or Senior Management own any shares in MM.

VOTING TRUST HOLDERS OF 5% OR MORE

As of December 31, 2019, MM is not aware of any person holding more than 5.0% of a class of its shares under a voting trust or similar agreement.

CHANGE IN CONTROL

There has been no change in the control of MM since it was incorporated in 2009.

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, the MM Group enters into various transactions with related parties and affiliates, principally consisting of leases of commercial spaces and spaces for its distribution centers. Each of MM and MMGC are separate and distinct entities from DD, CityMall, the Jollibee Group, and their related parties. While MM's affiliation with DD and CityMall brings positive synergies, its growth strategy is not fully reliant on the said affiliation, as the vast majority of its network expansion will be outside the properties of the said affiliates.

The MM Group's policy is to settle intercompany receivables and payables 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.

It is the policy of MM Group that related party transactions to be entered into by MM or its subsidiary shall be approved by the Board of Directors. To ensure a high standard of best practice for MM and its stockholders, it is the policy of MM Group that the Board shall conduct themselves with honesty, integrity and fairness in performance of their duties and their dealings that would ensure the honesty of any related-party transactions between and among the company, its subsidiaries and affiliates, stockholders, officers and directors, and of interlocking director relationship by members of the Board.

MM Group has the following significant transactions with related parties:

- In the ordinary course of business, MM Group has entered into lease agreements with III and DD and its subsidiaries, in order to lease commercial spaces and spaces for its distribution centers.

  List of commercial spaces and spaces for its distribution centers under lease with a related party:

  Injap Supermart - Tatc Roxas City
  Injap Supermart - Burgos Roxas City
  MerryMart Grocery -Doubledragon Plaza Pasay
  MerryMart Grocery - Calamba Laguna
  MerryMart Grocery – Sorsogon City
  MerryMart Grocery – Mayombo Dagupan City
  MerryMart Grocery - Isulan
  MerryMart Grocery - Bulua Cdo City
  MerryMart Grocery - Roxas Avenue Capiz
  MerryMart Store - Pavia Iloilo
  MerryMart Grocery - Iponan Cdo City
  MerryMart Grocery - San Carlos City Pangasinan
  MerryMart Grocery - Calapan City Mindoro
  MerryMart Grocery - Cadiz City Negros
  Distribution Center - Cagay Capiz

- In the ordinary course of business, MMGC leases its corporate office space located at the 9F DoubleDragon Plaza Tower 1, DD Meridian Park in the Manila Bay area. The office is leased by MMGC from DD Meridian Park Development Corp, a subsidiary of DD.

For more information on volume and amounts outstanding, see Note 18 of MM Group's audited financial statements as of and for the years ended December 31, 2017, 2018 and 2019.

Other than the above disclosed related party transactions and those disclosed in MM Group's audited financial statements, MM Group has no material transactions with negotiated terms that are not available from other, more clearly independent parties on an arm's length basis.

DESCRIPTION OF THE 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 ₱1.00 per Offer Share (the "**Offer Price**"). The determination of the Offer Price is further discussed on page 52 of this Prospectus. A total of 7,594,936,709 Shares will be outstanding after the Offer and the Offer Shares will comprise 21% of the outstanding Shares after the Offer.

SHARE CAPITAL INFORMATION

As of the date of this Prospectus, MM an authorized capital stock of ₱1,200,000,000.00 divided into 24,000,000,000 common shares with a par value of ₱0.05 per share. As of the date of this Prospectus, it has 6,000,000,000 common shares issued and outstanding. MM has no shares held in treasury.

The Offer Shares will consist of 1,594,936,709 unissued shares to be offered and issued by way of primary offer.

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.

MM's 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

MM may declare dividends out of its unrestricted retained earnings at such times and in such percentages as may be determined by its 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 its 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 MM

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

Pre-emptive Rights

Pursuant to its Articles of Incorporation, MM's stockholders are not entitled pre-emptive right to subscribe to any issue or disposition of shares of any class of MM.

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.

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 MM.

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. MM's by-laws provide for annual meetings on the second Monday of November 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 MM or its Board of Directors, at its own instance, or upon the written request of stockholders registered as the owners of majority of the outstanding capital stock of MM.

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 regular or special meetings of the stockholders shall be sent by the Secretary by personal delivery or by mail at least 15 business days 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.

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-à-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.

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

Pursuant to the SEC rules, cash dividends declared by corporations whose shares are listed on the PSE shall have a record date which shall not be less than ten and not more than 30 days from the date of declaration of cash dividends. As to stock dividends, the record date shall not be less than ten nor more than 30 days from the date of shareholder approval.

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 10 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 10 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, MM may issue additional shares to any individual for consideration deemed fair by its 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 MM's Corporate Secretary. Under the PSE Rules, only fully-paid shares may be listed on the PSE.

TRANSFER OF COMMON SHARES

All transfer of shares on the PSE shall be done by means of a book-entry system. Pursuant to this system of trading and settlement, a registered shareholder transfers legal title over the shares to such nominee, but retains beneficial ownership over the shares. A shareholder transfers legal title by surrendering the stock certificate representing his shares to participants of the PDTC System (i.e., brokers and custodian banks) that, in turn, lodge the same with the PCD Nominee. A shareholder may request his shares to be uplifted from the PDTC, in which case a certificate of stock is issued to the shareholder and the shares are registered in the name of the shareholder. See "*The Philippine Stock Market*" on page 154 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 "*Philippine Taxation*" on page 160 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 MM's share 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 154 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.

CHANGE IN CONTROL

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

FUNDAMENTAL MATTERS

The Revised Corporation Code provides that the following acts of the corporation require the approval of shareholders representing at least two-thirds 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. 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 MM's operations for the preceding year. This report is required to include audited financial statements.

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 MM, the Underwriter, nor any of their respective subsidiaries, affiliates or advisors in connection with sale of the Offer Shares.

BRIEF HISTORY

The Philippines initially 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-regulatory, governed by its respective board of governors elected annually by its members.

Several steps initiated by the Government have resulted in the unification of the two bourses into the PSE. The PSE was incorporated in 1992 by officers of both the Makati and the Manila Stock Exchanges. In March 1994, the licenses of the two exchanges were revoked. The PSE maintains a single, unified trading floor in Bonifacio Global City in Taguig City.

In June 1998, the SEC granted the PSE "Self-Regulatory Organization" status, 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 and converted from a non-stock member-governed institution into a stock corporation in compliance with the requirements of the SRC.

The PSE has an authorized capital stock of ₱120 million. As of February 8, 2019, PSE had 85,017,692 issued shares, of which 27,023 are treasury shares, resulting in 84,990,669 total shares outstanding. Each of the then 184 member-brokers was granted 50,000 shares of the new PSE at a par value of ₱1 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.

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 SME Board. Recently, the PSE issued Rules on Exchange Traded Funds ("**ETF**") which provides for the listing of ETFs on an ETF Board separate from the PSE's existing boards. Previously, the PSE allowed listing on the First Board, Second Board or the SME Board. With the issuance by the PSE of Memorandum No. CN-No. 2013-0023 dated June 6, 2013, revisions to the PSE Listing Rules were made, among which changes are the removal of the Second Board listing and the requirement that lock-up rules be embodied in the articles of incorporation of the Issuer. Each index represents the numerical average of the prices of component stocks.

The PSE has a benchmark index, referred to as the PSEi, which, as of the date thereof, reflects the price movements of selected stocks listed on the PSE, based on traded prices of stocks from the various sectors. The PSE shifted from full market capitalization to free float market capitalization effective as of April 3, 2006 simultaneous with the migration to the free float index and the renaming of the PHISIX to PSEi. The PSEi is composed of 30 selected stocks listed on the PSE. In July 2010, the PSE's new trading system, now known as PSE Trade, was launched. In June 2015, the PSE Trade system was replaced by PSE Trade XTS.

In December 2013, the PSE Edge, a new disclosure system co-developed with the Korea Exchange, went live. The EDGe system provided a dedicated portal for listed company disclosures and also offered a free-to download mobile application for easy access by investors.

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.

Furthermore, the PSE launched its Corporate Governance Guidebook in November 2010 to promote good governance among listed companies. It is composed of ten guidelines embodying principles of good business practice and is based on internationally recognized corporate governance codes and best practices.

The table below indicates the number of listed companies, market capitalization, and value of shares traded for the same period:

Year	Composite Index at Closing	Number of Listed Companies	Aggregate Market Capitalization	Combined Value of Turnover
			(in ₱ billions)	(in ₱ billions)
2000	1,494.5	229	2,576.5	357.7
2001	1,168.1	231	2,141.4	159.6
2002	1,018.4	234	2,083.2	159.7
2003	1,442.4	236	2,973.8	145.4
2004	1,822.8	235	4,766.3	206.6
2005	2,096.0	237	5,948.4	383.5
2006	2,982.5	239	7,173.2	572.6
2007	3,621.6	244	7,977.6	1,338.3
2008	1,872.9	246	4,069.2	763.9
2009	3,052.7	248	6,029.1	994.2
2010	4,201.1	253	8,866.1	1,207.4
2011	4,372.0	245	8,697.0	1,422.6
2012	5,812.7	254	10,952.7	1,771.7
2013	5,889.8	257	11,931.3	2,546.2
2014	7,230.6	263	14,251.7	2,130.1
2015	6,952.1	265	13,465.2	2,151.4
2016	7,629.7	268	14,438.8	1,929.5
2017	8,558.4	267	17,583.1	1,960.0
2018	7,466.0	267	16,150.0	1,740.0
2019	7,815.26	268	16,710.0	1,770.0

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. 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 noon for the morning session. It resumes at 1:30 p.m. and ends at 3:30 p.m. for the afternoon session, with a ten-minute extension during which transactions may be conducted, provided that they are executed at the last traded price and are only for the purpose of completing unfinished orders. Trading days are Mondays to Fridays, except legal and special holidays, days when the BSP clearing house is closed and such other days as may be declared by the SEC or the PSE, to be a non-trading day.

Minimum trading lots range from five 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 may 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 canceled 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 event 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% 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%. All orders breaching the 60% static threshold will be rejected by the PSE;

- in the event 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% for security cluster A and newly listed securities, 15% for security cluster B and 10% for security cluster C). Otherwise, such order will be rejected by the PSE.

NON-RESIDENT TRANSACTIONS

When the purchase or 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: (a) synchronizing the settlement of funds and the transfer of securities through delivery versus payment, as well as clearing and settlement of transactions of clearing members, who are also PSE trading participants; (b) guaranteeing the settlement of trades in the event of a PSE trading participant's default through the implementation of its "Fails Management System" and administration of the Clearing and Trade Guaranty Fund, and; (c) performing 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 noon of T+3. Securities sold should be in scripless form and lodged under the book-entry system of the Philippine Depository & Trust Corp. (formerly the Philippine Central Depository, Inc.) ("**PDTC**"). Each PSE trading participant maintains a cash settlement account with one of the nine existing settlement banks of SCCP which are BDO Unibank, Inc. ("**BDO Unibank**"), Rizal Commercial Banking Corporation ("**RCBC**"), Metropolitan Bank & Trust Company ("**Metrobank**"), Deutsche Bank AG Manila Branch ("**DB**"), The Union Bank of the Philippines, Inc. ("**Unionbank**"), The Hongkong and Shanghai Banking Corporation Limited ("**HSBC**"), Maybank Philippines, Inc. ("**Maybank**"), 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, 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, BDO Unibank, RCBC, Metrobank, DB, Unionbank, HSBC and Maybank.

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 of stock in favor of PCD Nominee Corporation ("**PCD Nominee**") whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged into the PDTC. On the other hand, immobilization is the process by which the warrant or share certificates of lodging holders are canceled by the transfer agent and the corresponding transfer of beneficial ownership of the immobilized shares to PCD Nominee will be recorded in the Issuer's registry. This trust arrangement between the participants and PDTC through 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 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, each beneficial owner of shares, through his participant, will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee. 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 execute 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 CCCS 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 stockholdings from the PDTC System, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedure of the PDTC for the upliftment of shares lodged under the name of 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 generally on the account of the uplifting shareholder.

The difference between the depository and the registry would be on the recording of the 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 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 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 PSE's Revised Listing Rules.

In addition to the foregoing, the PSE also apprised all listed companies and market participants 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 Exchange shall apply to all securities that are lodged with the PDTC or any other entity duly authorized by the SEC.

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 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 listing date;
- 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 cancelation. The transfer agent shall issue a registry confirmation advice to PCD Nominee evidencing the total number of shares registered in the name of PCD Nominee in the listed company's registry as of confirmation date.

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 withdrawal from the book-entry system and return to the conventional paper-based settlement. 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 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 the PCD Nominee.

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

On December 1, 2017, the SEC issued SEC Memorandum Circular No. 13, Series of 2017 ("**SEC MC 13-2017**") on the rules and regulations on minimum public ownership ("**MPO**") on initial public offerings.

Under SEC MC 13-2017, companies filing a registration statement pursuant to Sections 8 and 12 of the SRC and with intention to list their shares for trading in an exchange shall apply for registration with a public float of at least 20% of the companies' issued and outstanding shares. It shall, at all times, maintain an MPO of at least 20%. If the MPO of the company falls below 20% at any time after registration, such company shall bring the public float to at least 20% within a maximum period of 12 months from the date of such fall.

The determination of whether shareholdings are considered public or non-public is based on: (a) the amount of shareholdings and its significance to the total outstanding shares; (b) the purpose of investment; and (c) the extent of involvement in the management of the company.

The shares held by the following are generally considered as held by the public: (i) individuals whose shares are not of significant size and which are non-strategic in nature; (ii) PSE trading participants (such as brokers) whose shareholdings are non-strategic in nature; (iii) investment funds and mutual funds; (iv) pension funds which hold shares in companies other than the employing company or its affiliates; (v) PCD Nominee provided that none of the beneficial owners of the shares has significant holdings (i.e., shareholdings by an owner of 10% or more are excluded and considered non-public); and (vi) Social Security funds.

If an investment in a listed company is meant to partake of sizable shares for the purpose of gaining substantial influence on how the company is being managed, then the shareholdings of such investor are considered non-public. Ownership of 10% or more of the total issued and outstanding shares of a listed company is considered significant holding and therefore non-public.

Listed companies which become non-compliant with the minimum public ownership requirement will be suspended from trading for a period of not more than six months and will be automatically delisted if it remains non-compliant with the said requirement after the lapse of the suspension period.

Notwithstanding the quarterly public ownership report requirement of the PSE, listed companies listed on the PSE are required to required (a) establish and implement an internal policy and procedure to monitor its MPO levels on a continuous basis; and (b) immediately report to the SEC within the next business day if its MPO level has falls below 20%. Listed companies are also required to submit to the SEC a time-bound business plan describing the steps that the company will take to bring the public float to at least 20% within a maximum period of 12 months from, within ten days from knowledge that its MPO has become deficient. Listed companies are also required to submit to the SEC a public ownership report and progress report on any such submitted business plan within 15 days after end of each month until such time that its MPO reaches the required level.

The MPO requirement also forms part of the requirement for the registration of securities. Non-compliance with these MPO requirements subject publicly listed companies to administrative sanctions, including suspension and revocation of their registration with the SEC.

PHILIPPINE TAXATION

The following is a general description of certain Philippine tax aspects of the investment in MM. The following discussion is based upon laws, regulations, rulings, income tax treaties, administrative practices and judicial decisions in effect at the date of this prospectus and is subject to any changes occurring after such date. Subsequent legislative, judicial, or administrative changes or interpretations may be retroactive and could affect the tax consequences to the prospective investor.

The tax treatment of a prospective investor may vary depending on such investor's particular situation and certain investors may be subject to special rules not discussed below. This summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to invest in the shares and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rates. This discussion does not provide information regarding the tax aspects of acquiring, owning, holding or disposing of the shares under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequences in light of particular situations of acquiring, owning, holding and disposing of the shares in such other jurisdictions.

Each prospective investor should consult its own tax advisor as to the particular tax consequences of the acquisition, ownership, and disposition of the shares, including the applicability and effect of local and national 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 thereof. A "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen thereof. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien engaged in trade or business in the Philippines;" otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "non-resident alien not engaged in trade or business in the Philippines." A "domestic corporation" is created or organized under the laws of the Philippines; a "resident foreign corporation" is a non-Philippine corporation engaged in trade or business in the Philippines; and a "non-resident foreign corporation" is a non-Philippine corporation not engaged in trade or business in the Philippines. The term "non-resident holder" means a holder of the Shares:

- *who is an individual and is neither a citizen nor a resident of the Philippines, or an entity which is a non-resident foreign corporation; and*

- *should an income tax treaty be applicable, whose ownership of the Shares is not effectively connected with a fixed base or a permanent establishment in the Philippines.*

PHILIPPINE TAXATION

On January 1, 2018, Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion ("**TRAIN Law**") took effect. The TRAIN Law is the first package of the Philippine government's Comprehensive Tax Reform Program ("**CTRP**"). It amended various provisions of the Philippine 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. The corporate income tax portions of the Tax Code have yet to be amended under the TRAIN Law; however, this is expected to be addressed in the second package of the CTRP, which will reportedly aim to gradually lower corporate income taxes from 30% to 20%, and to modernize 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 30% of its taxable income from all sources within and outside the Philippines. Taxable net income refers to items of income specified under Section 32 (A) of the Philippine 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 corporations are 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.

A minimum corporate income tax of 2% 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.

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

Capital Gains Tax

Pursuant to the TRAIN Law, net capital gains realized by an individual taxpayer or domestic corporation other than a dealer in securities during each taxable year from the sale, exchange or disposition of shares of stock in a Philippine corporation listed at and effected outside of the facilities of the local stock exchange, are subject to a final tax at the rate of 15% beginning January 1, 2018. Net capital gains realized by resident and non-resident foreign corporations during each taxable year from the sale, exchange or disposition of shares of stock in a Philippine corporation listed at but effected outside of the facilities of the local stock exchange, are subject to a final tax as follows: 5% on net capital gains not exceeding ₱100,000.00 and 10% on net capital gains over ₱100,000.00.

Gains from such sale or disposition of shares in a Philippine corporation may be exempt from capital gains tax or subject to a preferential rate under a tax treaty. An application for tax treaty relief must be filed (and approved) by the Philippine tax authorities to obtain a confirmation of exemption or preferential tax rate under a tax treaty. Such application must be filed before the deadline for the filing of the documentary stamp tax return. An Eligible Shareholder and Institutional Investor should consult its own tax advisor with respect to the applicable rates under the relevant tax treaty.

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.

The transfer of shares shall not be recorded in the books of MM unless the BIR certifies that the capital gains tax, documentary stamp tax, and other internal revenue 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.

Taxes on Transfer of Shares Listed and Traded at the Philippine Stock Exchange

Beginning 1 January 2018, a sale, barter, exchange or other disposition of shares of stock listed at and effected through the facilities of the PSE by a resident or a non-resident holder, other than a dealer in securities, is subject to a stock transaction tax at the rate of 0.6% of the gross selling price or gross value in cash of the shares of stock sold, bartered, exchanged or otherwise disposed, unless an applicable treaty exempts such sale from the said tax. The stock transaction tax is classified as a percentage tax and is paid in lieu of the capital gains tax. In addition, a value added tax of 12% is imposed on the commission earned by the PSE-registered broker who facilitated the sale, barter, exchange or disposition through the PSE, and is generally passed on to the client.

On November 7, 2012, the BIR issued Revenue Regulations No. 16-2012 which provides that the sale, barter, transfer, and/or assignment of shares of listed companies that fail to meet the MPO requirement (*i.e.* the rule that requires listed companies to maintain a minimum percentage of listed securities held by the public or "public float" at 10% of such companies' issued and outstanding shares, exclusive of treasury shares, at all times) after 31 December 2012 will be subject to capital gains tax and documentary stamp tax. It also requires publicly listed companies to submit public ownership reports to the BIR within 15 days after the end of each quarter. The PSE gave non-compliant companies until 31 December 2012 to comply with the said requirement. Immediately after that grace period, listed companies which fail to maintain, at all times, a minimum percentage of listed securities held by the public at 20% of the listed companies' issued and outstanding shares shall be subject to a trading suspension for a period of not more than six months. After the lapse of the suspension period, a listed company that remains non-compliant with the MPO shall be automatically be delisted. The sale, barter, transfer and/or assignment of shares of listed companies that fail to meet the MPO requirement will be subject to capital gains tax and documentary stamp tax.

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 be subject to capital gains tax and documentary stamp tax.

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%, which shall be withheld by MM. Cash and property dividends received by non-resident alien individuals engaged in trade or business in the Philippines are subject to a 20% final withholding tax on the gross amount thereof, while cash and property dividends received by non-resident alien individuals not engaged in trade or business in the Philippines are subject to a final withholding tax at 25% 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 30%. If the non-resident foreign corporation is a resident of a country with which the Philippines has an existing tax treaty in force, the dividends will be subject to the applicable preferential tax rates under income tax treaties (please see discussion on tax treaties below.) However, if the non-resident foreign corporation is a resident of a country with no existing tax treaty with the Philippines, the 30% income tax rate for dividends may be reduced to a lower rate of 15% whenever:

(1) the country where the non-resident foreign corporation is domiciled imposes no tax on foreign sourced dividends, or

(2) the country of domicile of the non-resident foreign corporation allows at least 15% credit equivalent for taxes deemed to have been paid in the Philippines.

In order to avail of the 15% tax sparing rate, Revenue Memorandum Circular No. 80-91 (Publishing the Resolution of the Supreme Court dated March 7, 1990 in G.R. No. 76573 entitled "**Marubeni Corporation vs. Commissioner of Internal Revenue and Court of Tax Appeals**" re: pre-requisites for the availment of 15% preferential tax rate under then Section 24 (b)(1) [now Sec. 25(b)(5)(B)] of the Tax Code, as amended dated August 12, 1991) states that the non-resident foreign holder has to submit the following documents to the payor of the cash dividends:

(1) an authenticated certification issued by the foreign tax authority that the dividends received by the non-resident foreign corporation from the domestic corporation were not among the items considered in arriving at the income tax due from the non-resident foreign corporation;

(2) the income tax return of the non-resident foreign corporation for the taxable year when the dividends were received; and

(3) an authenticated document issued by the foreign tax authority showing that the foreign Government allowed a credit on the tax deemed paid in the Philippines or did not impose any tax on the dividends.

The income recipient must also file a request for a ruling from the BIR that the 15% income tax rate is applicable to its receipt of the dividends and the request has to comply with Revenue Memorandum Order No. 9-2014 (Requests for Rulings with the Law and Legislative Division dated February 6, 2014) and other relevant BIR issuances. The income recipient should thereafter provide the payor of the cash dividends with proof of its filing of an application for a ruling with the BIR before the deadline for the remittance to the BIR of the withholding tax on the dividends.

If the regular tax rate is withheld by MM 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 the 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 signed 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 tax treaty exemption ruling from the BIR shall be necessary in order to completely implement the transfer. For sale of shares made outside the PSE, a 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. 72-2010 (Guidelines on the Processing of Tax Treaty Relief Applications ("**TTRA**") Pursuant to Existing Philippine Tax Treaties dated August 25, 2010), BIR Form No. 0901-C, and other BIR issuances. These include, among others, proof of residence in the country that is a party to the income tax treaty. Proof of residence consists of a consularized certification from the tax authority of the country of residence of the seller of shares which provides that the seller is a resident of such country under the applicable income tax treaty. If the seller is a juridical entity, authenticated certified true copies of its articles of incorporation or association issued by the proper government authority should also be submitted to the BIR in addition to the certification of its residence from the tax authority of its country of residence.

The tax treaty relief application has to be filed with the BIR before the first taxable event as defined under Revenue Memorandum Order No. 72-2010, which is, in respect of capital gains tax, before the deadline for the payment of the documentary stamp tax on the sale of shares, or the fifth day following the end of the month when the document transferring ownership was executed.

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% when 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.

The BIR prescribed certain procedures for availment of tax treaty relief on dividends under Revenue Memorandum Order No. 8-2017 (Procedure for Claiming Tax Treaty Benefits for Dividend, Interest and Royalty Income of Nonresident Income Earners, dated October 24, 2016). The preferential treaty rates shall be applied by the withholding agent/income payor provided that the non-resident income recipient submits, before the dividends are credited or paid, a Certificate of Residence for Tax Treaty Relief ("**CORTT**") Form that complies with Revenue Memorandum Order No. 8-2017. After the remittance of the withholding tax to the BIR, the withholding agent/income payor shall submit within 30 days an original copy of the duly accomplished CORTT Form.

Despite these procedural requirements, the Philippine Supreme Court in Deutsche Bank AG Manila Branch v. CIR, G.R. No. 188550, ruled that the period of application for the availment of tax treaty relief should not operate to divest entitlement to the relief as it would constitute a violation of the duty required by good faith in complying with a tax treaty. At most, the application for a tax treaty relief to be filed with the BIR should merely operate to confirm the entitlement of the taxpayer to such relief.

Documentary Stamp Tax

Beginning January 1, 2018, the original issue of shares is subject to a documentary stamp tax of ₱2.00 for each ₱200.00, or a fractional part thereof, of the par value of the shares issued. The transfer of shares is subject to a documentary stamp tax of ₱1.50 for each ₱200.00, or a fractional part thereof of the par value of the shares transferred. However, the sale, barter or exchange of shares of stock listed and traded through the local stock exchange shall not be subject to documentary stamp tax.

Estate and Gift Taxes

Beginning January 1, 2018, the transfer of shares of stock upon the death of an individual holder to his heirs by way of succession, whether such holder was a citizen of the Philippines or an alien and regardless of residence, is subject to Philippine tax at the rate of 6% based on the value of the decedent's net estate.

Moreover, beginning January 1, 2018, individual and corporate holders, whether or not citizens or residents of the Philippines, who transfer shares of stock by way of gift or donation are liable to pay Philippine donors' tax on such a transfer of shares at the rate of 6% computed on the basis of the total gifts in excess of ₱250,000.00 made during the calendar year.

Estate and donors' taxes, however, shall not be collected in respect of intangible personal property, such as shares of stock: (a) if the deceased at the time of his death or the donor at the time of his 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 (b) if the laws of the foreign country of which the deceased 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.

Taxation outside the Philippines

Shares of stock in a domestic corporation are considered under Philippine law as situated in the Philippines and the gain derived from their sale is entirely from Philippine sources; hence, such gain is subject to Philippine income tax and capital gains tax and the transfer of such shares by gift (donation) or succession is subject to the donors' or estate taxes stated above. Sales or other dispositions of shares of stock in a domestic corporation through the facilities of the PSE by a resident or a non-resident holder, other than a dealer in securities, are, however, subject to a stock transaction tax at the rate of 0.6% of the gross selling price or gross value in money of the shares of stock sold or otherwise disposed, unless an applicable treaty exempts such sale from said tax. The tax treatment of a non-resident holder of shares of stock in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of domicile or business activities and such holder's particular situation. This Prospectus does not discuss the tax consideration on non-resident holders of shares of stock under laws other than those of the Philippines.

PLAN OF DISTRIBUTION

478,482,000 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 Underwriter 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**").

1,116,454,709 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 MM and the Underwriter. The Underwriter will underwrite, on a firm commitment basis, the Institutional Offer Shares, and the Trading Participants and Retail Offer Shares. There is no arrangement for the Underwriter to return any of the Offer Shares relating to the Trading Participants and Retail Offer or the Institutional Offer to MM.

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 Underwriter to the PSE Trading Participants and LSIs. Approximately 318,988,000 Offer Shares, or 20% of the Offer Shares, shall be allocated among the PSE Trading Participants. Each PSE Trading Participant shall initially be allocated approximately 2,492,000 Offer Shares (computed by dividing the Trading Participants and Retail Offer Shares allocated to the PSE Trading Participants among the 128 PSE Trading Participants) and subject to reallocation as may be determined by the Underwriter. The balance of 12,000 Offer Shares shall be allocated by the Underwriter to the PSE Trading Participants. In addition, approximately 159,494,000 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 Underwriter 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 Underwriter, or the general public, shall be purchased by the Underwriter pursuant to the terms and conditions of the Underwriting Agreement (as defined below).

To facilitate the Trading Participants and Retail Offer, MM has appointed PNB Capital and Investment Corporation to act as the Underwriter. MM and the Underwriter shall enter into a Underwriting Agreement to be dated on or about May 22, 2020 (the "**Underwriting Agreement**"), whereby the Underwriter agrees to underwrite, on a firm commitment basis, the Trading Participants and Retail Offer Shares and Institutional Offer Shares.

LSI Subscription through PSE EASy

A total of 159,494,000 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 ₱1,000.00 while the maximum subscription shall be 100,000 shares or up to ₱100,000.00. There will be no discount on the Offer Price. The procedure in subscribing to Offer Shares via PSE EASy is indicated in MM'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 Underwriter 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 Underwriter's clients shall be purchased by the Underwriter 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 Underwriter to purchase the Offer Shares for its own account.

PNB Capital

PNB Capital is a wholly owned subsidiary of the Philippine National Bank, 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 Underwriter and its affiliates, including PNB Trust, have engaged in transactions with, and have performed various investment banking, commercial banking and other services for MM or the Principal Shareholder in the past, and may do so for MM, the Principal Shareholder and their respective subsidiaries and affiliates from time to time in the future. However, all services provided by the Underwriter, including in connection with the Offer, have been provided as an independent contractor and not as a fiduciary to MM or the Principal Shareholder. The Underwriter does not have any right to designate or nominate a member of the Board. The Underwriter has no direct relationship with MM in terms of share ownership and, other than as Underwriter for the Offer, do not have any material relationship with MM or the Principal Shareholder.

On or before 11:00 a.m. on June 2, 2020, the PSE Trading Participants shall submit to the designated representatives of the Underwriter their respective firm orders and commitments to purchase Trading Participants and Retail Offer Shares.

The Underwriter shall receive from MM a fee equivalent to 2.00% of the gross proceeds of the sale of the Offer Shares, exclusive of the amounts to be paid to the PSE Trading Participants. The underwriting fees shall be withheld by the Underwriter from the proceeds of the Trading Participants and Retail Offer and proceeds from the sale of the Institutional Offer Shares allocated to the Underwriter.

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 Underwriter to the PSE Trading Participants within ten 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 Underwriter.

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 MM and the Underwriter. 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.

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

The Underwriter and its respective affiliates 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 MM, 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 Underwriter and their respective affiliates may trade MM's securities or the securities of MM'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.

LOCK-UP

The PSE rules require an applicant company under the SME Board to cause all its existing shareholders to refrain from selling, assigning, encumbering, or in any manner disposing of their Shares for a period of one year after the listing of the Shares. In addition, if there is any issuance 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 six months 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 Shares subscribed or acquired shall be subject to a lock-up period of at least one year from the listing of the aforesaid Shares. See "*Principal Shareholder*." 6,000,000,000 of MM's common shares, held by its existing shareholders, are therefore subject to the One-Year Lock-Up period.

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 if the foreign exchange needed to service capital repatriation or dividend remittance will be sourced from the Philippine banking system. Upon registration of the investment, proceeds of divestments, or dividends of registered investments are repatriable or remittable immediately and in full through the Philippine banking system, net of applicable tax, without need of BSP approval. The registration with the BSP of all foreign investments in the Offer Shares shall be the responsibility of the foreign investor. See "*Regulatory and Environmental Matters—Foreign Investment Laws and Restrictions—Registration of Foreign Investments and Foreign Exchange Regulations*."

LEGAL MATTERS AND INDEPENDENT AUDITORS

LEGAL MATTERS

Certain legal matters as to Philippine law relating to the Offer will be passed upon by Martinez Vergara Gonzalez & Serrano, 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 thereof (including options, warrants or rights thereto) pursuant to or in connection with the Offer.

INDEPENDENT AUDITORS

The financial statements of MM Group as of December 31, 2017, 2018, and 2019 were audited by R.G. Manabat & Co., independent auditors, as stated in their report attached to this Prospectus.

R.G. Manabat & Co. has acted as MM Group's external auditor since 2019 covering the years ended December 31, 2017, 2018, and 2019. Darwin Virocel is the current audit partner for MM Group and has served as such since 2019. MM 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.

R.G. Manabat & Co., has neither shareholdings in MM nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities of MM. R.G. Manabat & Co. will not receive any direct or indirect interest in MM 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.

AUDIT AND AUDIT-RELATED FEES

The following table sets out the aggregate fees paid to R.G. Manabat & Co. 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:

	2017	**2018**	**2019**
Audit and Audit Related Fees (in ₱)	600,000	600,000	900,000

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.

In relation to the audit of MM Group's annual financial statements, the Issuer's Manual on Corporate Governance, which was approved by the Board of Directors on January 24, 2020, provides that the audit committee shall, among other activities (i) ensure that the internal and external auditors act independently of 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; and (ii) ensure that other non-audit work provided by the external auditors are not in conflict with their functions as external auditors.

TAX FEES

MM Group has not engaged an external auditor for professional services covering tax accounting, compliance, advice, planning and any other form of tax services.

ALL OTHER FEES

In each of the last two (2) fiscal years, MM Group has not engaged an external auditor for products and services other than the services reported above.

The audit committee endorses all engagements and fees of an external auditor for approval of MM's Board of Directors.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS

The Issuer has not had any disagreements with its internal auditor or independent accountant on any matter of accounting principles or practices, financial statements, disclosure or auditing scope or procedure.

INDEX TO FINANCIAL STATEMENTS

MERRYMART CONSUMER CORP.
AND A SUBSIDIARY

(Formerly Injap Supermart Inc.)
(A Wholly-owned Subsidiary of Injap Investments, Inc.)

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019, 2018 and 2017

With Independent Auditors' Report

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
MerryMart Consumer Corp.
Injap Bldg., TATC
Plaridel St., Roxas City

Opinion

We have audited the consolidated financial statements of MerryMart Consumer Corp., formerly Injap Supermart Inc. (a wholly-owned subsidiary of Injap Investments, Inc.) and its subsidiary (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2019, 2018 and 2017, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes, including significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 2 to the consolidated financial statements which indicates that the separate financial statements of MerryMart Consumer Corp., formerly Injap Supermart Inc., (the "Parent Company") as at and for the years ended December 31, 2018 and 2017 were amended by the Parent Company.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

R.G. MANABAT & CO.

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 1386-AR, Group A, valid until June 14, 2020
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-031-2019
Issued August 7, 2019; valid until August 6, 2022
PTR No. MKT 8116787
Issued January 2, 2020 at Makati City

January 24, 2020
Makati City, Metro Manila

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REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
MerryMart Consumer Corp.
Injap Bldg., TATC
Plaridel St., Roxas City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of MerryMart Consumer Corp., formerly Injap Supermart Inc., (a wholly-owned subsidiary of Injap Investments, Inc.) and its subsidiary (the "Group") as at December 31, 2019, 2018 and 2017 and for each of the three years in the period ended December 31, 2019, included in this Form 17-A, and have issued our report thereon dated January 24, 2020.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements of the Group taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Group's management. Such additional components include:

- Map of the Conglomerate
- Supplementary Schedules of Annex 68-E
- Reconciliation of Retained Earnings Available for Dividend Declaration

These supplementary information are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements. Such information have been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

R.G. MANABAT & CO.

DARWIN P. VIROCEL
Partner
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REPORT OF INDEPENDENT AUDITORS ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
MerryMart Consumer Corp.
Injap Bldg., TATC
Plaridel St., Roxas City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of MerryMart Consumer Corp., formerly Injap Supermart Inc., (a wholly-owned subsidiary of Injap Investments, Inc.) and its subsidiary (the "Group") as at December 31, 2019, 2018 and 2017 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated January 24, 2020.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies.

This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019, 2018 and 2017 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

R.G. MANABAT & CO.

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 1386-AR, Group A, valid until June 14, 2020
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January 24, 2020
Makati City, Metro Manila

MERRYMART CONSUMER CORP. AND A SUBSIDIARY
(Formerly Injap Supermart Inc.)
(A Wholly-owned Subsidiary of Injap Investments, Inc.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION*

		December 31		
	Note	**2019**	2018	2017 (As Amended - Note 24)
ASSETS				
Current Assets				
Cash and cash equivalents	*5*	**P270,308,599**	P20,907,865	P19,814,939
Receivables	*6*	**9,841,735**	914,421	1,647,760
Inventories	*7*	**183,418,743**	270,448,890	202,159,330
Other current assets	*8*	**46,369,239**	3,838,876	-
Total Current Assets		**509,938,316**	296,110,052	223,622,029
Non-current Assets				
Property and equipment	*9*	**221,794,668**	29,011,645	4,967,385
Right-of-use asset	*10, 20*	**118,264,628**	-	-
Intangible asset	*11*	**14,612,773**	7,200,000	-
Deferred tax assets	*21*	**8,352,008**	1,417,238	1,081,104
Other noncurrent assets	*20*	**41,672,212**	-	-
Total Non-Current Assets		**404,696,289**	37,628,883	6,048,489
		P914,634,605	P333,738,935	P229,670,518
Current Liabilities				
Accounts payable and other current liabilities	*12*	**P145,041,049**	P95,187,658	P108,737,695
Loans payable	*13*	**150,000,000**	-	-
Due to a related party	*18*	**49,762,571**	134,896,958	72,548,854
Income tax payable		**37,782,980**	19,163,976	5,144,074
Total Current Liabilities		**382,586,600**	249,248,592	186,430,623
Noncurrent Liabilities				
Retirement benefits liability	*19*	**6,196,332**	4,255,993	3,603,679
Lease liability	*20*	**117,477,991**	-	-
Deposit for future stock subscription	*18, 22*	**298,750,000**	-	-
Other noncurrent liabilities	*12*	**1,380,000**	-	-
Total Noncurrent Liabilities		**423,804,323**	4,255,993	3,603,679
Total Liabilities		**806,390,923**	253,504,585	190,034,302
EQUITY	*22*			
Capital stock		**1,250,000**	1,250,000	1,250,000
Retained earnings		**106,993,682**	78,984,350	38,386,216
Total Equity		**108,243,682**	80,234,350	39,636,216
		P914,634,605	P333,738,935	P229,670,518

*The statements of financial position as at December 31, 2019 and 2018 refer to the consolidated accounts of the Group while the statement of financial position as at December 31, 2017 refers to the accounts of MerryMart Consumer Corp. (formerly Injap Supermart, Inc.) (Note 1)

See Notes to the Consolidated Financial Statements.

MERRYMART CONSUMER CORP. AND A SUBSIDIARY
(Formerly Injap Supermart Inc.)
(A Wholly-owned Subsidiary of Injap Investments, Inc.)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME*

				Years Ended December 31
	Note	**2019**	2018	2017 (As Amended - Note 24)
REVENUES	*14*			
Sale of goods		**P2,482,302,804**	P2,095,408,067	P1,750,689,674
Display rental		**20,870,590**	21,562,804	9,409,080
Other operating income	*17*	**12,062,959**	-	-
		2,515,236,353	2,116,970,871	1,760,098,754
COST OF SALES	*15*	**2,370,672,389**	2,023,262,656	1,690,409,665
GROSS PROFIT		**144,563,964**	93,708,215	69,689,089
OPERATING EXPENSES	*16*	**(98,053,988)**	(35,781,808)	(41,189,915)
INCOME FROM OPERATIONS		**46,509,976**	57,926,407	28,499,174
INTEREST EXPENSE	*13, 20*	**(6,653,777)**	-	-
INTEREST INCOME	*5*	**109,993**	49,649	48,082
INCOME BEFORE INCOME TAX		**39,966,192**	57,976,056	28,547,256
INCOME TAX EXPENSE	*21*	**(11,956,860)**	(17,377,922)	(8,549,752)
NET INCOME/TOTAL COMPREHENSIVE INCOME		**P28,009,332**	P40,598,134	P19,997,504
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	*22*	**P2,240.75**	P3,247.85	P1,599.80

*The statements of comprehensive income for the years ended December 31, 2019 and 2018 refer to the consolidated accounts of the Group while the statement of comprehensive income for the year ended December 31, 2017 refers to the accounts of MerryMart Consumer Corp. (formerly Injap Supermart, Inc.) (Note 1)

See Notes to the Consolidated Financial Statements.

MERRYMART CONSUMER CORP. AND A SUBSIDIARY
(Formerly Injap Supermart Inc.)
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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY*

			Retained Earnings			
	Note	**Capital Stock**	**Unappropriated**	**Appropriated**	**Total**	**Total**
Balance at January 1, 2017, as amended		P1,250,000	(P1,611,288)	P20,000,000	P18,388,712	P19,638,712
Net income/total comprehensive income for the year		-	19,997,504	-	19,997,504	19,997,504
Appropriation during the year	*22*	-	(8,000,000)	8,000,000	-	-
Balance at December 31, 2017, as amended	*24*	1,250,000	10,386,216	28,000,000	38,386,216	39,636,216
Net income/total comprehensive income for the year		-	40,598,134	-	40,598,134	40,598,134
Appropriation during the year	*22*	-	(9,000,000)	9,000,000	-	-
Balance at December 31, 2018		1,250,000	41,984,350	37,000,000	78,984,350	80,234,350
Net income/total comprehensive income for the year		-	28,009,332	-	28,009,332	28,009,332
Appropriation during the year	*22*	-	(80,000,000)	80,000,000	-	-
Balance at December 31, 2019		**P1,250,000**	**(P10,006,318)**	**P117,000,000**	**P106,993,682**	**P108,243,682**

*The statements of changes in equity for the years ended December 31, 2019 and 2018 refer to the consolidated accounts of the Group while the statement of changes in equity for the year ended December 31, 2017 refers to the accounts of MerryMart Consumer Corp. (formerly Injap Supermart, Inc.) (Note 1)

See Notes to the Consolidated Financial Statements.

MERRYMART CONSUMER CORP. AND A SUBSIDIARY
(Formerly Injap Supermart Inc.)
(A Wholly-owned Subsidiary of Injap Investments, Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS*

		Years Ended December 31		
	Note	**2019**	2018	2017 (As Amended - Note 24)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P39,966,192**	P57,976,056	P28,547,256
Adjustments for:				
Depreciation and amortization	*9, 10, 11, 16*	**18,400,538**	1,367,703	1,218,338
Interest expense	*13, 20*	**6,653,777**	-	-
Retirement benefits expense	*19*	**1,940,339**	652,314	709,742
Interest income	*5*	**(109,993)**	(49,649)	(48,082)
Operating income before working capital changes		**66,850,853**	59,946,424	30,427,254
Decrease (increase) in:				
Receivables		**(8,927,314)**	733,339	(356,975)
Inventories		**87,030,147**	(68,289,560)	(59,908,076)
Other current assets		**(42,530,363)**	(3,838,876)	-
Increase (decrease) in:				
Accounts payable and other current liabilities		**34,229,491**	(13,550,037)	80,911,863
Due to a related party		**(85,134,387)**	62,348,104	(40,672,385)
Cash generated from operations		**51,518,427**	37,349,394	10,401,681
Income tax paid		**(272,626)**	(3,694,154)	(3,730,515)
Interest received		**109,993**	49,649	48,082
Net cash provided by operating activities		**51,355,794**	33,704,889	6,719,248
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment	*9*	**(201,822,638)**	(25,411,963)	(1,077,910)
Additions to intangible assets	*11*	**(7,562,710)**	(7,200,000)	-
Increase in other noncurrent assets		**(41,672,212)**	-	-
Net cash used in investing activities		**(251,057,560)**	(32,611,963)	(1,077,910)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from deposit for future stock subscription	*22*	**298,750,000**	-	-
Proceeds from availment of loans	*13*	**150,000,000**	-	-
Increase in other noncurrent liabilities		**1,380,000**	-	-
Lease payment		**(1,027,500)**	-	-
Net cash provided by financing activities		**449,102,500**	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		**249,400,734**	1,092,926	5,641,338
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	*5*	**20,907,865**	19,814,939	14,173,601
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	*5*	**P270,308,599**	P20,907,865	P19,814,939

*The statements of comprehensive income for the years ended December 31, 2019 and 2018 refer to the consolidated accounts of the Group while the statement of comprehensive income for the year ended December 31, 2017 refers to the accounts of MerryMart Consumer Corp. (formerly Injap Supermart, Inc.) (Note 1)

See Notes to the Consolidated Financial Statements.

MERRYMART CONSUMER CORP. AND A SUBSIDIARY
(Formerly Injap Supermart Inc.)
(A Wholly-owned Subsidiary of Injap Investments, Inc.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

MerryMart Consumer Corp. (formerly Injap Supermart Inc.) (the “Parent Company”) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 9, 2009.

The Parent Company’s primary purpose is to engage in, conduct and carry on the business of buying, selling, manufacturing, distributing, marketing at wholesale and retail of consumer goods including liquor and agricultural, meat and fresh products; lease out store and office spaces and to offer advertising and maintenance services for a fee to its lessee or lease occupants.

The Parent Company is a wholly-owned subsidiary of Injap Investments, Inc. (III), a company incorporated in the Philippines.

On November 15, 2019, the Parent Company’s Board of Directors (BOD) and the stockholder approved the following relevant amendments of the Articles of Incorporation (AOI):

- Article I: Change in the Company’s name to MerryMart Consumer Corp.
- Article II: Change in the primary purpose of the Company, adding the following business purpose:

  - To establish and continue the business of general merchandise, mercantile, trading and marketing, processing, production making and manufacturing of consumer products and commodities, and engage in the importation of consumer goods, food and non-food items, agricultural and seafood products and fresh and processed, and other merchandise for the distribution and wholesale and retail of goods and other similar merchandise.

- Article III: Change in the Company’s registered office to 9th Floor, Tower 1, DoubleDragon Plaza, DD Meridian Park, Corner Macapagal Avenue and Edsa Extension, Bay Area, Baranggay 76, Pasay City.
- Article VII: Increase in authorized capital stock (Note 22).

On December 18, 2019, the application for the amendment in AOI Article I was approved by the SEC. As at the reporting date, the Parent Company is still waiting for the SEC’s approval on the amendments in Articles II, III and VII.

The financial statements as at and for the years ended December 31, 2019 and 2018 refers to the consolidated financial statements of the Group, comprising the financial statements of the Parent Company and Merrymart Grocery Centers, Inc. (the “Subsidiary”) (together with the Parent Company, collectively referred to as the “Group”), while the financial statements as at and for the year ended December 31, 2017 refers to the individual financial statements of the Parent Company.

The registered office of the Parent Company, which is also its principal place of business, is at Injap Bldg, TATC, Plaridel St., Roxas City.

2. Basis of Preparation

Statement of Compliance
The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Philippine Financial Reporting Standards Council (FRSC).

The Group issues the consolidated financial statements which contain additional comparative information on its financial performance and its cash flows for the year ended December 31, 2017 to comply with the requirements of Revised Securities Regulation Code (SRC) Rule 68 in relation to the Group's submission of registration statement for its planned initial public offering within 2020.

The Parent Company's separate financial statements as at and for the years ended December 31, 2018 and 2017 were prepared under the PFRS for Small and Medium Enterprise. Since the Parent Company is in the process of filing its financial statements for its planned initial public offering, the Parent Company adopted the full PFRS in 2019. The adoption of full PFRS did not have any significant impact on the 2018 and 2017 financial statements. Additional disclosures required by full PFRS were included in the consolidated financial statements.

The prior years' financial statements of the Parent Company as at and for the years ended December 31, 2018 and 2017 were amended by the Parent Company (Note 24).

The consolidated financial statements of the Group and the amended Parent Company's financial statements as at and for the years ended December 31, 2019 and 2018 and the amended financial statements as at and for the year ended December 31, 2017 were approved and authorized for issuance by the Board of Directors (BOD) on January 24, 2020.

Basis of Measurement
The consolidated financial statements of the Group have been prepared using the historical cost basis of accounting, except for retirement benefits liability which is measured at present value of defined benefit obligation.

Functional and Presentation Currency
The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional currency. All financial information presented in Philippine peso has been rounded off to the nearest peso, unless otherwise stated.

Basis of Consolidation
The consolidated financial statements as at December 31, 2019 and 2018 include the financial statements of the Parent Company and the Subsidiary. The consolidated financial statements as at December 31, 2017 include the financial statements of the Parent Company only. The Parent Company owns 100% of the Subsidiary.

The Subsidiary was incorporated and registered with the SEC on September 28, 2018. It is engaged to acquire, hold, own, operate or manage of wholesale or retail trade of foodstuffs, grocery items, household items, consumer goods and merchandise, on any lands, buildings, supermarkets, malls, stores, stalls or structures owned, leased, held, operated, managed or occupied by the entity.

A subsidiary is an entity controlled by the Group. The Group controls an entity if, and only if, the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

When the Group has less than majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangement with the other vote holders of the investee, rights arising from other contractual arrangements and the Group's voting rights and potential voting rights.

The financial statements of the subsidiary are included in the consolidated financial statements from the date when the Group obtains control and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiary are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Intergroup balances and transactions, including intergroup unrealized profits and losses, are eliminated in preparing the consolidated financial statements. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, the Group: (i) derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests and the cumulative transaction differences recorded in equity; (ii) recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss; and (iii) reclassify the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The Parent Company and its Subsidiary are both domiciled in the Philippines.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all the years presented in these consolidated financial statements, except for the changes in accounting policies as explained below.

<u>Adoption of New or Revised Standards, Amendments to Standards and Interpretations</u>
The Group has adopted the following new or revised standards, amendments to standards and interpretations starting January 1, 2019 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have significant impact on the Group's consolidated financial statements. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

- PFRS 16, *Leases,* supersedes PAS 17, *Leases,* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were also introduced.

- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments.* The interpretation clarifies how to apply the recognition and measurement requirements in PAS 12, *Income Taxes*, when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the consolidated financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the chosen tax treatment. If it is not probable that the tax authority will accept the chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty - either the most likely amount or the expected value. The interpretation also requires the reassessment of judgments and estimates applied if facts and circumstances change - e.g. as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.

- Long-term Interests (LTI) in Associates and Joint Ventures (Amendments to PAS 28, *Investments in Associates and Joint Ventures)*. The amendments require the application of PFRS 9, *Financial Instruments*, to other financial instruments in an associate or joint venture to which the equity method is not applied. These include LTI that, in substance, form part of the entity's net investment in an associate or joint venture. The amendment explains the annual sequence in which PFRS 9 and PAS 28 are to be applied. In effect, PFRS 9 is first applied ignoring any PAS 28 loss absorption in prior years. If necessary, prior years' PAS 28 loss allocation is adjusted in the current year which may involve recognizing more prior years' losses, reversing these losses or re-allocating them between different LTI instruments. Any current year PAS 28 losses are allocated to the extent that the remaining LTI balance allows and any current year PAS 28 profits reverse any unrecognized prior years' losses and then allocations against LTI.

- Prepayment Features with Negative Compensation (Amendment to PFRS 9). The amendment clarifies that a financial asset with a prepayment feature could be eligible for measurement at amortized cost or financial assets at fair value through other comprehensive income (FVOCI) irrespective of the event or circumstance that causes the early termination of the contract, which may be within or beyond the control of the parties, and a party may either pay or receive reasonable compensation for the early termination.

- Plan Amendment, Curtailment or Settlement (Amendments to PAS 19*, Employee Benefits*). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, an entity now uses updated actuarial assumptions to determine its current service cost and net interest for the period. The effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

- Annual Improvements to PFRS Cycles 2015 - 2017 contain changes to three standards:

  - Previously Held Interest in a Joint Operation (Amendments to PFRS 3*, Business Combinations,* and PFRS 11*, Joint Arrangements***)***.* The amendments clarify how an entity accounts for increasing its interest in a joint operation that meets the definition of a business. If an entity maintains (or obtains) joint control, the previously held interest is not remeasured. If an entity obtains control, the transaction is a business combination achieved in stages and the acquiring entity remeasures the previously held interest at fair value.

  - Income Tax Consequences of Payments on Financial Instrument Classified as Equity (Amendments to PAS 12). The amendments clarify that all income tax consequences of dividends, including payments on financial instruments classified as equity, are recognized consistently with the transactions that generated the distributable profits - i.e., in profit or loss, other comprehensive income or equity.

  Borrowing Costs Eligible for Capitalization (Amendments to PAS 23*, Borrowing Costs*). The amendments clarify that the general borrowings pool used to calculate eligible borrowing costs excludes borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale, or any non-qualifying assets, are included in that general pool.

  Except as otherwise indicated, the adoption of the new and amended standards and interpretation did not have a material effect on the consolidated financial statements.

New and Amended Standards and Interpretation Not Yet Adopted

A number of new and amended standards and interpretation are effective for annual periods beginning after January 1, 2019 and have not been applied in preparing the consolidated financial statements. Unless otherwise indicated, none of these is expected to have a significant effect on the consolidated financial statements.

The Group will adopt the following new and amended standards, interpretation and framework on the respective effective dates:

- Amendments to References to Conceptual Framework in PFRS sets out amendments to PFRS, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes: (a) a new chapter on measurement; (b) guidance on reporting financial performance; (c) improved definitions of an asset and a liability, and guidance supporting these definitions; and (d) clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Some standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee Framework for the Preparation and Presentation of Financial Statements adopted by the IASB in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

The amendments are effective for annual periods beginning on or after January 1, 2020. This forthcoming amendments do not add new disclosures or amend existing ones.

- Definition of a Business (*Amendments to PFRS 3*). The amendments narrowed and clarified the definition of a business. The amendments also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The amendments: (a) confirmed that a business must include inputs and a process, and clarified that the process must be substantive and the inputs and process must together significantly contribute to creating outputs; (b) narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and (c) added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

  The amendments apply to business combinations and asset acquisitions in annual reporting periods beginning on or after January 1, 2020, with early application is permitted.

- Definition of Material *(Amendments to PAS 1, Presentation of Financial Statements and PAS 8*). The amendments refine the definition of what is considered material. The amended definition of what is considered material states that such information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of what is considered material and its application by: (a) raising the threshold at which information becomes material by replacing the term ‘could influence’ with ‘could reasonably be expected to influence’; (b) including the concept of ‘obscuring information’ alongside the concept of ‘omitting’ and ‘misstating’ information in the definition; (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework; (d) clarifying the explanatory paragraphs accompanying the definition; and (e) aligning the wording of the definition of what is considered material across PFRS and other publications. The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements.

  The amendments apply prospectively for annual periods beginning on or after January 1, 2020, with early application permitted.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when: (a) it is expected to be settled in the normal operating cycle; (b) it is held primarily for trading; (c) it is due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

Financial Instruments

Date of Recognition

The Group recognizes a financial asset or financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

Initial Recognition of Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized initially at fair value. The initial measurement, except for those designated as FVPL, includes transaction costs.

Financial Assets

Classification and Subsequent Measurement - Policy Applicable from January 1, 2018

The Group classifies its financial assets, at initial recognition, and subsequently measured at amortized cost, FVOCI and FVPL. The classification depends on the contractual cash flow characteristics of the financial assets and the business model of the Group for managing the financial assets.

Subsequent to initial recognition, financial assets are not reclassified unless the Group changes the business model for managing financial assets. All affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

The business model refers to how the Group manages the financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The Group considers the following information in assessing the objective of the business model in which a financial asset is held at a portfolio level, which reflects the way the business is managed and how information is provided to management:

- the stated policies and objectives for the portfolio and the operations of those policies in practice;

- how the performance of the portfolio is evaluated and reported to the Group's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how employees of the business are compensated; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

For the purposes of assessing the cash flow characteristics of financial assets, "Principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

The Group considers the contractual terms of the instrument in assessing whether the contractual cash flows are solely payments of principal and interest. The assessment includes whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Group considers the following in making the assessment:

- contingent events that would change the amount or timing of cash flows;

- terms that may adjust the contractual coupon rate, including variable rate features;

- prepayment and extension features; and

- terms that limit the Group’s claim to cash flows from specified assets.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for financial assets acquired at a discount or premium to its contractual amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

For purposes of subsequent measurement, financial assets are classified in the following categories: financial assets at amortized cost, financial assets at FVOCI (with or without recycling of cumulative gains and losses) and financial assets at FVPL.

The Group has no financial assets at FVOCI and FVPL as at December 31, 2019 and 2018.

Financial Assets at Amortized Cost. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model with the objective of holding financial assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the financial asset is derecognized, modified or impaired.

The Group's cash and cash equivalents, receivables and security deposits are included in this category (Notes 5 and 6).

Classification and Subsequent Measurement - Policy Applicable before January 1, 2018
The Group classifies its financial assets, at initial recognition, in the following categories: financial assets at FVPL, loans and receivables, available-for-sale (AFS) financial assets and held-to-maturity (HTM) investments. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

The Group has no HTM investments, AFS financial assets and financial assets at FVPL as at December 31, 2017.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method, less any impairment in value. Any interest earned on loans and receivables is recognized as part of "Interest income" account in the consolidated statements of comprehensive income on an accrual basis. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The periodic amortization is also included as part of "Interest income" account in the consolidated statements of comprehensive income. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired.

Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

The Group's cash and cash equivalents and receivables are included in this category (Notes 5 and 6).

Financial Liabilities
The Group classifies its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. The Group determines the classification of its financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group has no financial liabilities at FVPL as at December 31, 2019, 2018 and 2017.

Other Financial Liabilities
This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability. The effective interest rate amortization is included in "Interest expense" account in the consolidated statements of comprehensive income. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

The Group's accounts payable and other current liabilities (excluding payables to government agencies and unearned franchise fees), due to a related party, loans payable and lease liability are included in this category (Notes 12, 13, 18 and 20).

Derecognition of Financial Assets and Financial Liabilities
Financial Assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- the rights to receive cash flows from the asset have expired; or

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes the associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Group has retained.

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

Impairment of Financial Assets

Policy Applicable from January 1, 2018

The Group recognizes allowance for expected credit losses (ECL) on financial assets at amortized cost.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive), discounted at the effective interest rate of the financial asset, and reflects reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

The Group recognizes an allowance for impairment based on either 12-month or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group recognizes lifetime ECLs for receivables that do not contain significant financing component. The Group uses provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the borrowers and the economic environment.

At each reporting date, the Group assesses whether financial assets at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The Group considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants.

The Group directly reduces the gross carrying amount of a financial asset when there is no reasonable expectation of recovering the contractual cash flows on a financial asset, either partially or in full. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

The ECLs on financial assets at amortized cost are recognized as allowance for impairment losses against the gross carrying amount of the financial asset, with the resulting impairment losses (or reversals) recognized in profit or loss.

Policy Applicable before January 1, 2018

The Group assesses, at the reporting date, whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortized cost such as loans and receivables, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If no objective evidence of impairment has been identified for a particular financial asset that was individually assessed, the Group includes the asset as part of a group of financial assets with similar credit risk characteristics and collectively assesses the group for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in the collective impairment assessment.

Evidence of impairment for specific impairment purposes may include indications that the borrower or a group of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower. For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows of the related assets.

If there is objective evidence of impairment, the amount of loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset’s original effective interest rate (i.e., the effective interest rate computed at initial recognition). Time value is generally not considered when the effect of discounting the cash flows is not material. If a loan or receivable has a variable rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. For collective impairment purposes, impairment loss is computed based on their respective default and historical loss experience.

The carrying amount of the asset is reduced either directly or through the use of an allowance account. The impairment loss for the period is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

Classification of Financial Instruments between Debt and Equity

From the perspective of the issuer, a financial instrument is classified as debt instrument if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Inventories

Inventories are measured at the lower of cost and net realizable value (NRV). Cost is determined using the first-in-first out (FIFO) method. Cost comprises of purchase price, including duties, applicable landing charges and other incidental expenses incurred in bringing the inventories to its present location and condition. NRV is the estimated selling price in the ordinary course of business less the estimate costs necessary to make the sale.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing.

The initial cost of property and equipment comprises its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the items can be measured reliably.

Depreciation and amortization, which commence when the assets are available for their intended use, are computed using the straight-line method over the following estimated useful lives of the assets:

	Useful Life in Years
Leasehold improvements	10 years or lease term, whichever is shorter
Furniture, fixtures and equipment	5 to 10
Transportation equipment	5 to 10

The remaining useful lives, residual values, and depreciation and amortization methods are reviewed and adjusted periodically, if appropriate, to ensure that such periods and methods of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property and equipment.

The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use.

An item of property and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period of retirement and disposal.

Construction in-progress represents structures under construction and is stated at cost. This includes the costs of construction and other direct costs.

Intangible Asset

Intangible asset acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

Intangible asset with finite life is amortized using the straight-line method over its useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for intangible asset with finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible asset with finite life is recognized in the consolidated statements of comprehensive income in the expense category consistent with the function of the intangible asset.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Costs associated with maintaining computer software are expensed as incurred. Capitalized costs are amortized on a straight-line basis over an estimated useful life of five years as the life of this intangible asset is considered limited.

Impairment of Non-financial Assets

The carrying amounts of non-financial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs of disposal and value in use. The fair value less costs of disposal is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

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

Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of past events; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount of the obligation can be made. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Capital Stock

Capital stock is measured at par value for all shares issued. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as deduction from equity, net of any tax effects.

Retained Earnings

Retained earnings represent the accumulated net income or losses, net of any dividend distributions and other capital adjustments. When the retained earnings account has a debit balance, it is called "deficit." A deficit is not an asset but a deduction from equity.

Revenue Recognition

Revenue from Contracts with Customers

The Group recognizes revenue from contracts with customers when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenues exclude value-added tax (VAT) and other fees collected on behalf of other parties.

The transfer of control can occur over time or at a point in time. Revenue is recognized at a point in time unless one of the following criteria is met, in which case it is recognized over time: (a) the customer simultaneously receives and consumes the benefits as the Group performs its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has generally concluded that it is the principal in its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognized:

- *Sale of Goods*
  Sale of goods from retail and food shop is recognized at point in time when the control of the asset is transferred to the customer, generally upon delivery.

- *Concession Income*
  Concession income, included as part of other income, pertains to the net margin from sales of concessionaire supplier's goods inside the store. The income is recognized when earned.

- *Other Income*
  Other income pertains to application fees, merchandise support and other miscellaneous income and are recognized when earned.

Revenues from Other Sources
Display Rental
Display rental from the use of the Group's gondola and store spaces is recognized upon use of the selected area.

Interest Income
Interest income is recognized as it accrues using the effective interest method. Interest income from banks which is presented net of final tax is recognized when earned.

<u>Cost of Sales</u>
Cost of sales includes the purchase price of the products sold, as well as costs that are directly attributable in bringing the merchandise to its intended condition and location.

<u>Operating Expenses</u>
Operating expenses constitute costs of administering the business. These are recognized as expenses as incurred.

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

(a) the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

(b) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

(c) the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:

    i. the Group has the right to operate the asset; or

    ii. the Group designed the asset in a way that predetermines how and for what purpose it will be used.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

<u>Employee Benefits</u>

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Costs

The Group has no established retirement plan for its permanent employees and only conforms to the minimum regulatory benefit under the Retirement Pay Law (Republic Act No. 7641) which is of the defined benefit type. The cost of providing benefits under the defined benefit retirement plan is periodically assessed by management for the recording of retirement benefit liability and cost.

<u>Taxes</u>

Current Tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred Tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and the carryforward tax benefits of the net operating loss carry-over (NOLCO) to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and the carryforward tax benefits of NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or a liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Future taxable profits will be available against which they can be used. If the amount of taxable temporary differences is insufficient to recognize deferred tax asset in full, the future taxable profits, adjusted for reversals of existing temporary differences, are considered based on the business plan of the Group.

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

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting date.

Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

VAT

Revenues, expenses and assets are recognized net of the amount of VAT. The net amount of tax recoverable from, or payable to, the taxation authority is included as part of “Other current assets” account or “Accounts payable and other current liabilities” account in the consolidated statements of financial position.

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

Basic and Diluted Earnings Per Common Share (EPS)
Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Parent Company by the weighted average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared. Diluted EPS is computed by dividing net income for the year attributable to common equity holders of the Parent Company by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares.

Operating Segments
The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Chief Executive Officer (the chief operating decision maker) reviews management reports on a regular basis. The Group has single segment, which is the sale of goods to customers.

The measurement policies the Group used for segment reporting under PFRS 8 are the same as those used in the consolidated financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods.

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

Events After the Reporting Date
Post year-end events that provide evidence of conditions that existed at the end of the reporting date (adjusting events) are recognized in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires management to exercise judgments, make estimates and use assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the consolidated financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

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

Impairment of Non-financial Assets
PFRS require that an impairment review be performed on non-financial assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining the recoverable amounts of these assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of recoverable amounts reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on the financial performance.

The combined carrying amounts of property and equipment, right-of-use asset and intangible assets with finite lives amounted to P354.67 million, P36.21 million and P4.97 million as at December 31, 2019, 2018 and 2017, respectively (Notes 9, 10 and 11).

Provisions and Contingencies
The Group, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account.

No provision for probable losses arising from legal contingencies was recognized in the Group's consolidated financial statements in 2019, 2018 and 2017.

Estimates and Assumptions
The key estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

Assessment for ECL on Other Financial Assets at Amortized Cost (Upon Adoption of PFRS 9). The Group determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- actual or expected external and internal credit rating downgrade;
- existing or forecasted adverse changes in business, financial or economic conditions; and
- actual or expected significant adverse changes in the operating results of the borrower.

The Group also considers financial assets at day one to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

The Group has assessed that the ECL on financial assets at amortized cost is not material because majority of the transactions with respect to these financial assets were entered into by the Group only with reputable banks and counterparties with good credit standing and relatively low risk of defaults. Accordingly, no provision for ECL on financial assets at amortized cost was recognized in 2019 and 2018.

The carrying amounts of financial assets at amortized cost are as follows:

	Note	**2019**	2018
Cash and cash equivalents (excluding cash on hand)	*5*	**P256,927,558**	P13,589,854
Receivables (excluding advances to supplies)	*6*	**9,018,707**	914,421
Security deposits	*20*	**40,420,029**	-
		P306,366,294	P14,504,275

Allowance for Impairment Losses on Receivables (Prior to Adoption of PFRS 9)
Provisions are made for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates these accounts on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the customers and counterparties, the current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience. The amount and timing of the recorded expenses for any period would differ if the Group made different judgments or utilized different methodologies. An increase in the allowance for impairment losses would increase the recorded general and administrative expenses and decrease current and noncurrent assets.
No impairment loss is recognized for receivables in 2017.

The carrying amounts of the Group's receivables amounted to P1.65 million as at December 31, 2017 (Note 6).

Write-down of Inventories
The Group writes-down the costs of inventories to NRV whenever NRV becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The estimate of the NRV is reviewed regularly.

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made on the amount the inventories are expected to be realized. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the reporting date to the extent that such events confirm conditions existing at the reporting date.

No inventories were written down to their net realizable values in 2019, 2018 and 2017.

The carrying amounts of the Group's inventories amounted to P183.42 million, P270.45 million and P202.16 million as at December 31, 2019, 2018 and 2017, respectively (Note 7).

Estimating Useful Lives of Property and Equipment and Intangible Asset with Finite Life

The Group estimates the useful lives of property and equipment and intangible asset with finite life based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and intangible asset with finite life are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, the estimation of the useful lives of property and equipment and intangible asset with finite life is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property and equipment and intangible asset with finite life would increase recorded depreciation and amortization expenses and decrease noncurrent assets.

Property and equipment, net of accumulated depreciation and amortization, amounted to P221.79 million, P29.01 million and P4.97 million as at December 31, 2019, 2018 and 2017, respectively. Accumulated depreciation and amortization of property and equipment amounted to P16.35 million, P7.31 million and P5.94 million as at December 31, 2019, 2018 and 2017, respectively (Note 9).

Intangible asset with finite life, net of accumulated amortization, amounted to P14.61 million, P7.2 million and nil as at December 31, 2019, 2018 and 2017, respectively. Accumulated amortization of the intangible asset with finite life amounted to P149,937 as at December 31, 2019 (Note 11).

Realizability of Deferred Tax Assets

The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax asset on deductible temporary difference and carryforward benefits of NOLCO is based on the projected taxable income in the following periods.

Deferred tax assets amounted to P8.35 million, P1.42 million and P1.08 million as at December 31, 2019, 2018 and 2017, respectively (Note 21).

5. Cash and Cash Equivalents

This account consists of:

	Note	**2019**	2018	2017 (As Amended - Note 24)
Cash on hand		**P13,381,041**	P7,318,011	P9,552,167
Cash in banks	*23*	**186,927,558**	13,589,854	10,262,772
Short-term placements	*23*	**70,000,000**	-	-
		P270,308,599	P20,907,865	P19,814,939

Cash in banks earn annual interest at the respective bank deposit rates. Short-term placements are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn annual interest at the respective short-term placement rates.

Total interest income earned from cash and cash equivalents amounted to P109,993, P49,649 and P48,082 in 2019, 2018 and 2017, respectively.

6. Receivables

This account consists of:

	Note	**2019**	2018	2017 (As Amended - Note 24)
Trade	*23*	**P8,817,130**	P914,421	P1,647,760
Advances to suppliers		**823,028**	-	-
Others	*23*	**201,577**	-	-
		P9,841,735	P914,421	P1,647,760

Trade receivables pertain to receivables from credit card sales and in-house charge sales. These receivables generally have 1-7 days credit terms.

Others pertain to advances to employees and miscellaneous receivables.

7. Inventories

This account consists of groceries and other consumer products held for sale in the ordinary course of business on wholesale or retail basis.

Cost of inventories as at December 31, 2019, 2018 and 2017 amounted to P183.42 million, P270.45 million and P202.16 million, respectively.

Inventories charged to cost of sales amounted to P2,370.67 million, P2,023.26 million and P1,690.41 million in 2019, 2018 and 2017, respectively (Note 15).

8. Other Current Assets

This account consists of input VAT and other miscellaneous current assets.

Input VAT, which amounted to P46.31 million and P3.84 million as at December 31, 2019 and 2018, respectively, represents accumulated input taxes from purchases of goods and services for business operations and purchases of materials and services for the building and leasehold construction which can be applied against future output VAT.

9. Property and Equipment

The movements and balances of this account consist of:

	Leasehold Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	Construction in Progress	Total
Cost					
Balance, January 1, 2017 (as amended - Note 24)	P -	P7,813,050	P2,015,000	P -	P9,828,050
Additions	-	1,077,910	-	-	1,077,910
Balance, December 31, 2017 (as amended - Note 24)	-	8,890,960	2,015,000	-	10,905,960
Additions	-	1,589,067	-	23,822,896	25,411,963
Balance, December 31, 2018	-	10,480,027	2,015,000	23,822,896	36,317,923
Additions	-	2,679,877	3,964,800	195,177,961	201,822,638
Reclassifications	37,669,047	35,793,794	-	(73,462,841)	-
Balance, December 31, 2019	**37,669,047**	**48,953,698**	**5,979,800**	**145,538,016**	**238,140,561**
Accumulated Depreciation and Amortization	-				
Balance, January 1, 2017 (as amended - Note 24)	-	3,703,237	1,017,000	-	4,720,237
Depreciation and amortization	-	1,016,838	201,500	-	1,218,338
Balance, December 31, 2017 (as amended - Note 24)	-	4,720,075	1,218,500	-	5,938,575
Depreciation and amortization	-	1,166,203	201,500	-	1,367,703
Balance, December 31, 2018	-	5,886,278	1,420,000	-	7,306,278
Depreciation and amortization	2,471,568	6,102,227	465,820	-	9,039,615
Balance, December 31, 2019	**2,471,568**	**11,988,505**	**1,885,820**	**-**	**16,345,893**
Carrying Amount					
As at December 31, 2017 (as amended - Note 24)	P -	P4,170,885	P796,500	P -	P4,967,385
As at December 31, 2018	P -	P4,593,749	P595,000	P23,822,896	P29,011,645
As at December 31, 2019	**P35,197,479**	**P36,965,193**	**P4,093,980**	**P145,538,016**	**P221,794,668**

Depreciation and amortization charged to "Operating expense" account amounted to P9.04 million, P1.37 million and P1.22 million in 2019, 2018 and 2017, respectively (see Note 16).

10. Right-of-use Asset

Details of this account follows:

	Note	2019
Cost		
Additions during the year	*20*	**P127,475,614**
Accumulated Amortization		
Amortization during the year	*16*	**9,210,986**
		P118,264,628

11. Intangible Asset

This account pertains to computer software licenses as at December 31, 2019. Cost and accumulated amortization as at December 31, 2019 amounted to P2.31 million and P149,937, respectively. Installation cost in progress as at December 31, 2019 and 2018 amounted to P12.45 million and P7.20 million, respectively.

The computer software licenses have been built, installed or supplied by the manufacturer ready to operate or require some customization based on the Group's specific requirements.

12. Accounts Payable and Other Current Liabilities

This account consists of:

	Note	2019	2018	2017 (As Amended - Note 24)
Trade	*23*	**P106,158,403**	P92,342,919	P106,177,618
Accrued expenses	*23*	**3,069,677**	635,087	334,094
Current portion of lease liability	*23*	**13,138,271**	-	-
Current portion of unearned franchise fees		**380,000**	-	-
Output VAT - net		**14,823,038**	126,934	101,248
Withholding taxes		**4,334,067**	2,075,295	2,124,735
Others	*23*	**3,137,593**	7,423	-
		P145,041,049	P95,187,658	P108,737,695

Trade payables are liabilities arising from the purchases of inventories. These are non-interest bearing and are normally settled within 30-60 days.

Accrued expenses pertain to unbilled expenses for professional fees, utilities and other charges.

Unearned franchise fees pertain to amounts collected in advance in relation to the franchise agreement. Breakdown of the unearned franchise fees follows:

	2019
Current	**P380,000**
Noncurrent	**1,380,000**
	P1,760,000

13. Loans Payable

Loans payable represents unsecured loan obtained from a local bank with due date of October 2020. This loan bears interest of 7.25% per annum. Outstanding balance of the loan amounted to P150,000,000 as at December 31, 2019 (Note 23).

Interest expense recognized in 2019 amounted to P2.48 million.

14. Revenues

Revenues from Contract with Customers
The Group generates revenues primarily from trading and selling goods and consumer products on a wholesale or retail basis. The revenues from contract with customers is disaggregated by revenue streams as follows:

	Note	**2019**	2018	2017 (As Amended - Note 24)
Sale of goods		**P2,482,302,804**	P2,095,408,067	P1,750,689,674
Concession income*	*17*	**9,152,292**	-	-
Application fees*	*17*	**2,200,000**	-	-
		P2,493,655,096	P2,095,408,067	P1,750,689,674

* *Included under "Other Operating income" account*

Sale of goods is recognized at point in time when control of the asset is transferred to the customer, generally upon delivery.

Concession income pertains to the net margin from sales of concessionaire suppliers' goods inside the store. The Group does not, at any point, have control of the goods which are sold. Although the Group transacts with the end-customers, it does not set prices and take inventory risk. The Group acts as an agent in selling to the end-customers and is receiving a "Commission" in consideration for the service that it is performing to the concessionaire.

Application fees pertain to the amount received in processing the franchise application of its customers. The fees are recognized when the service is rendered, which is generally once the franchise application is executed.

Display Rental
This account pertains to the rental income earned from the suppliers for the exclusive use of gondola and store spaces to display their products in the selling area situated in strategic locations.

15. Cost of Sales

This account consists of:

	Note	2019	2018	2017 (As Amended - Note 24)
Beginning inventory	7	**P270,448,890**	P202,159,330	P146,038,606
Add: Purchases		**2,283,642,242**	2,091,552,216	1,746,530,389
Total goods available for sale		**2,554,091,132**	2,293,711,546	1,892,568,995
Less: Ending inventory	7	**183,418,743**	270,448,890	202,159,330
		P2,370,672,389	P2,023,262,656	P1,690,409,665

16. Operating Expenses

This account consists of:

	Note	2019	2018	2017 (As Amended - Note 24)
Salaries, wages and other benefits		**P23,787,350**	P19,568,462	P19,305,728
Depreciation and amortization	*9,10, 11*	**18,400,538**	1,367,703	1,218,338
Marketing		**13,656,957**	39,600	39,600
Taxes and licenses		**9,206,374**	7,455,624	6,858,898
Electricity and water		**8,586,803**	3,208,933	10,186,381
Contracted services		**6,415,950**	57,323	-
Donations and sponsorships		**5,100,000**	-	-
Supplies		**2,830,925**	-	-
Professional fees		**2,569,656**	20,000	20,000
Retirement benefits	*19*	**1,940,339**	652,314	709,742
Communications		**1,303,689**	190,381	210,142
Transportation and travel		**1,296,201**	3,057,661	2,255,237
Repairs and maintenance		**817,102**	109,568	-
Insurance		**615,637**	-	380,316
Miscellaneous	*20*	**1,526,467**	54,239	5,533
		P98,053,988	P35,781,808	P41,189,915

17. Other Operating Income

This account consists of:

	Note	2019	2018	2017
Concession income	*14*	**P9,152,292**	P -	P -
Application fees	*14*	**2,200,000**	-	-
Others		**710,667**	-	-
		P12,062,959	P -	P -

18. Related Party Transactions

The Group, in the normal course of business, has transactions with its related parties as follows:

Category	Year	Ref	Amount of Transaction	Outstanding Balances	Terms and Conditions
Stockholders					
Advances from stockholders	**2019**	*a*	**P -**	**P49,762,571**	**Due and demandable; non-interest bearing; unsecured; payable in cash**
	2018	*a*	62,348,104	134,896,958	Due and demandable; non-interest bearing; unsecured; payable in cash
	2017*	*a*	-	72,548,854	Due and demandable; non-interest bearing; unsecured; payable in cash
Deposit for future stock subscription	**2019**	*b*	**298,750,000**	**298,750,000**	**To be applied against future stock subscription**
	2019			**P348,512,571**	
	2018			P134,896,958	
	2017*			P72,548,854	

** As amended, Note 24*

a. *Cash Advances*
These pertain to unsecured, non-interest bearing advances received from the stockholder for working capital requirements. These advances are generally settled within one year from the date of grant.

b. *Deposit for Future Stock Subscription*
In December 2019, the Parent Company received subscription from III for its increase in authorized capital stock (Note 22).

c. *Key Management Personnel*
No key management personnel compensation is recognized in 2019, 2018 and 2017.

19. Retirement Benefits

The Group does not have an established retirement plan and only conforms to the minimum regulatory benefit under Republic Act No. 7641, *The Retirement Pay Law,* which is of the defined benefit type and provides a retirement benefit equal to 22.5 days' pay for every year of credited service of employees who attain the normal retirement age of sixty (60) with at least five (5) years of service.

The Group's retirement benefits liability amounted to P6.20 million, P4.26 million and P3.60 million as at December 31, 2019, 2018 and 2017, respectively. Retirement benefits expense amounting to P1.94 million, P0.65 million and P0.71 million in 2019, 2018 and 2017 is presented under "Operating expenses" account in the consolidated statements of comprehensive income.

20. Lease Arrangements

The Group has various lease agreements for its office, warehouse and store spaces.

Information about leases for which the Group is a lessee that qualifies under PFRS 16 are as follows:

a. The Group leases its office space for a period of 10 years starting April 1, 2019 until January 30, 2029. The monthly rental rate for the first year amounted to P1,022,888, and thereafter, will increase by 5% every four years. The agreement is subject to renewal upon mutual agreement of the parties.

b. The Group leases its warehouse space for a period of 3 years starting November 4, 2019 until November 3, 2022. The monthly rental rate for the first year amounted to P513,750, and thereafter, will increase by 5% every year. The agreement is subject to renewal upon mutual agreement of the parties.

Related right-of-use asset from these lease arrangements are disclosed in Note 10.

The following table sets out a maturity analysis of lease payments, showing undiscounted and discounted lease payments to be received after the reporting date:

December 31, 2019	**Future Minimum Lease Payments**	**Interest**	**Present Value of Minimum Lease Payments**
Less than one year	**P18,921,244**	**P5,782,973**	**P13,138,271**
Between one to five years	**73,388,670**	**16,712,720**	**56,675,950**
More than 5 years	**67,859,087**	**7,057,046**	**60,802,041**
Total Lease Liability	**P160,169,001**	**P29,552,739**	**P130,616,262**

Total lease payments in 2019 amounted to P1.03 million.

Interest expense recognized in profit or loss amounted to P4.17 million in 2019.

The Group also entered into various lease agreements for its store spaces that do not qualify under PFRS 16. These lease agreements are based on variable consideration. Rent expense recognized from these agreements amounted to P1.00 million in 2019 and is recognized as part of "Miscellaneous" in the "Operating expenses" account.

Total security deposits from these lease arrangements amounted to P40.42 million as at December 31, 2019. These are included under "Other noncurrent assets" account in the consolidated statements of financial position.

21. Income Taxes

Income tax expense consists of:

	2019	2018	2017 (As amended - Note 24)
Current	**P18,891,630**	P17,714,056	P8,762,675
Deferred	**(6,934,770)**	(336,134)	(212,923)
	P11,956,860	P17,377,922	P8,549,752

The components and movements of the Group's deferred tax assets, relating to temporary differences, are shown below.

	January 1, 2019	**Charged to profit or loss**	**December 31, 2019**
NOLCO	P140,440	**P5,240,975**	**P5,381,415**
Retirement benefits liability	1,276,798	**582,102**	**1,858,900**
Lease arrangement	-	**943,693**	**943,693**
Unearned franchise income	-	**168,000**	**168,000**
Total	P1,417,238	**P6,934,770**	**P8,352,008**

	January 1, 2018	Charged to profit or loss	December 31, 2018
NOLCO	P -	P140,440	P140,440
Retirement benefits liability	1,081,104	195,694	1,276,798
Total	P1,081,104	P336,134	P1,417,238

	January 1, 2017 (As Amended, Note 24)	Charged to profit or loss	December 31, 2017
Retirement benefits liability	P868,181	P212,923	P1,081,104

The reconciliation of the income tax expense computed at the statutory income tax rate to the actual income tax expense as shown in profit or loss is as follows:

	2019	2018	2017 (As amended - Note 24)
Income before income tax	**P39,966,192**	P57,976,056	P28,547,256
Income tax at the statutory income tax rate of 30%	**P11,989,858**	P17,392,817	P8,564,177
Income tax effects of interest income subjected to final tax	**(32,998)**	(14,895)	(14,425)
	P11,956,860	P17,377,922	P8,549,752

Details of the Subsidiary's NOLCO which are available for offsetting against future taxable income are as follows:

Year Incurred	Amount Incurred	Year of Expiration
2019	P17,469,918	2022
2018	468,134	2021
	P17,938,052	

22. Equity and Earnings per Share

Capital Stock

As at December 31, 2019, 2018 and 2017, the authorized and issued capital stock of the Parent Company consists of:

Authorized Capital Stock	
Common - P100 par value	**P5,000,000**
Number of Shares Authorized	
Common	**50,000**
Issued Capital Stock	
Common - P100 par value	**P1,250,000**
Number of Shares Issued	
Common	**12,500**

On November 15, 2019, the Stockholders representing at least 2/3 of the outstanding capital stock and the BOD approved the increase in the Parent Company's authorized capital stock from P5,000,000 divided into 50,000 shares, with P100 par value to P1,200,000,000 divided into 24,000,000,000 shares, with P0.05 par value. Of the total increase in the authorized capital stock, 5,975,000,000 shares, equivalent to P298,750,000, was subscribed by the III. The payment for the subscription was received in December 2019 and was recorded under "Deposit for future stock subscription" account in the consolidated statements of financial position.

The application for the increase in authorized capital stock was filed with the SEC on January 17, 2020.

Retained Earnings

On December 19, 2019, the BOD approved the appropriation of retained earnings amounting to P80 million out of the Parent Company's unappropriated retained earnings as at December 31, 2019. The appropriation is intended for construction and establishment of the Parent Company's branches nationwide within 3 years.

On December 14, 2018, the BOD approved the appropriation of retained earnings amounting to P9 million out of the Parent Company's unappropriated retained earnings as at December 31, 2018. The appropriation is intended for the Parent Company's future expansion within 3 years.

On December 14, 2017, the BOD approved the appropriation of retained earnings amounting to P8 million out of the Parent Company's unappropriated retained earnings as at December 31, 2017. The appropriation is intended for the Parent Company's future expansion within 3 years.

EPS
EPS is computed as follows:

	2019	2018	2017
Net income attributable to common shareholders of the Parent Company	**P28,009,332**	P40,598,134	P19,997,504
Weighted average number of common shares for basic EPS	**12,500**	12,500	12,500
Basic/Diluted EPS	**P2,240.75**	P3,247.85	P1,599.80

23. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies
The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Credit Risk
- Liquidity Risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital.

The main purpose of the Group's dealings in financial instruments is to fund its respective operations and capital expenditures.

The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. The BOD has established the Executive Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee identifies all issues affecting the operations of the Group and reports regularly to the BOD on its activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. All risks faced by the Group are incorporated in the annual operating budget. Mitigating strategies and procedures are also devised to address the risks that inevitably occur so as not to affect the Group's operations and forecasted results. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's principal financial assets include cash and cash equivalents, receivables and security deposits. These financial assets are used to fund the Group's operations and capital expenditures.

Credit Risk
Credit risk represents the risk of loss the Group would incur if credit customers and counterparties fail to perform their contractual obligations. The risk arises principally from the Group's cash, receivables and security deposits. The objective is to reduce the risk of loss through default by counterparties.

Exposure to credit risk is monitored on an on-going basis. Credit is not extended beyond authorized limits. Credit granted is subject to regular review, to ensure it remains consistent with the customer's credit worthiness and appropriate to the anticipated volume of business.

Receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting period follows:

	Note	**2019**	2018	2017 (As Amended Note 24)
Cash and cash equivalents (excluding cash on hand)	*5*	**P256,927,558**	P13,589,854	P10,262,772
Receivables (excluding advances to suppliers)	*6*	**9,018,707**	914,421	1,647,760
Security deposits (included under other noncurrent assets)		**40,420,029**	-	-
		P306,366,294	P14,504,275	P11,910,532

These financial assets are subjected to 12-month ECL.

The Group's process in assessing the ECLs are discussed in Note 4 to the consolidated financial statements.

These financial assets are neither past due nor impaired and has credit quality of high grade financial assets as at December 31, 2019, 2018 and 2017.

The Group assessed the credit quality of cash and cash equivalents as high grade since this is deposited with reputable banks with low probability of insolvency. Receivables assessed as high grade pertains to receivable from banks for credit card purchases and customers that had no default in payment. The Group performs credit investigation and evaluation of each buyer to establish paying capacity and creditworthiness.

The credit risk for security deposits is considered negligible as these are mainly from Companies that are generally financially stable.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risks by forecasting projected cash flows and maintaining balance between continuity of funding and flexibility in operations. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational working capital requirements. Management closely monitors the Group's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

December 31, 2019	*Note*	**Carrying Amount**	**Contractual Cash Flow**	**1 Year or Less**	**1 Year - 5 Years**	**More than 5 Years**
Financial Liabilities						
Accounts payable and other current liabilities*	*12*	**P112,365,673**	**P112,365,673**	**P112,365,673**	**P -**	**P -**
Loans payable	*13*	**150,000,000**	**150,000,000**	**150,000,000**	**-**	**-**
Due to a related party	*18*	**49,762,571**	**49,762,571**	**49,762,571**	**-**	**-**
Lease liability**	*12,20*	**130,616,262**	**160,169,001**	**27,697,023**	**64,612,891**	**67,859,087**

** excluding statutory obligations, current portion of lease liability and unearned franchise fees*
***including current portion of lease liability*

December 31, 2018	*Note*	Carrying Amount	Contractual Cash Flow	1 Year or Less	1 Year - 5 Years	More than 5 Years
Financial Liabilities						
Accounts payable and other current liabilities*	*12*	P92,985,429	P92,985,429	P92,985,429	P -	P -
Due to a related party	*18*	134,896,958	134,896,958	134,896,958	-	-

** excluding statutory obligations*

December 31, 2017	*Note*	Carrying Amount	Contractual Cash Flow	1 Year or Less	1 Year - 5 Years	More than 5 Years
Financial Liabilities						
Accounts payable and other current liabilities*	*12*	P106,511,712	P106,511,712	P106,511,712	P -	P -
Due to a related party	*18*	72,548,854	72,548,854	72,548,854	-	-

** excluding statutory obligations*

Fair Values

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents/Receivables/Accounts Payable and Other Current Liabilities/Loans Payable/Due to a Related Party

The carrying amounts of these accounts approximate their fair values due to the relatively short-term nature of these financial instruments.

Security Deposits/Lease Liability

Security deposits and lease liability are reported at their present values, which approximate the cash amounts that would fully satisfy the obligations as at reporting date.

Capital Management

The Group's objectives when managing capital are to increase the value of shareholders' investment and maintain high growth by applying free cash flows to selective investments. The Group sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The BOD monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity. The BOD also monitors the level of dividends to shareholders.

The BOD seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group defines capital as equity, which includes capital stock and retained earnings. There were no changes in the Group's approach to capital management as at December 31, 2019, 2018 and 2017. The Group is not subject to externally-imposed capital requirements.

24. Effect of Amendment

As discussed in Note 2, the separate financial statements of the Parent Company as at and for the year ended December 31, 2017 was amended. The following adjustments were made as a result of the amendment:

Statement of Financial Position

		December 31, 2017		
	Ref.	As Previously Reported	Adjustment	As Amended
ASSETS				
Current Assets				
Cash and cash equivalents	*f*	P2,472,902	P17,342,037	P19,814,939
Receivables	*a*	-	1,647,760	1,647,760
Inventories	*b*	196,630,924	5,528,406	202,159,330
Input VAT	*g*	28,378,174	(28,378,174)	-
Total Current Assets		227,482,000	(3,859,971)	223,622,029
Non-current Assets				
Property and equipment	*c*	5,473,170	(505,785)	4,967,385
Deferred tax assets	*d*	-	1,081,104	1,081,104
Total Non-Current Assets		5,473,170	575,319	6,048,489
		P232,955,170	(P3,284,652)	P229,670,518
Current Liabilities				
Accounts payable and other current liabilities	*f*	P173,925,769	(P65,188,074)	P108,737,695
Due to a related party	*f*	-	72,548,854	72,548,854
Income tax payable	*d*	-	5,144,074	5,144,074
Other current liabilities	*f*	28,591,521	(28,591,521)	-
Total Current Liabilities		202,517,290	(16,086,667)	186,430,623
Noncurrent Liabilities				
Retirement benefits liability	*e*	-	3,603,679	3,603,679
Total Liabilities		202,517,290	(12,482,988)	190,034,302
EQUITY				
Capital stock		1,250,000	-	1,250,000
Retained earnings	*h*	29,187,880	9,198,336	38,386,216
Total Equity		30,437,880	9,198,336	39,636,216
TOTAL LIABILITIES AND EQUITY		P232,955,170	(P3,284,652)	P229,670,518

Statement of Comprehensive Income

	Ref.	For the year ended December 31, 2017 As Previously Reported	Adjustment	As Amended
REVENUES				
Sale of goods		P1,750,689,674	P -	P1,750,689,674
Display rental	*f*	1,428,665	7,980,415	9,409,080
		1,752,118,339	7,980,415	1,760,098,754
COST OF SALES	*b*	1,704,527,242	(14,117,577)	1,690,409,665
GROSS PROFIT		47,591,097	22,097,992	69,689,089
OPERATING EXPENSES	*f*	(35,155,775)	(6,034,140)	(41,189,915)
INCOME FROM OPERATIONS		12,435,322	16,063,852	28,499,174
INTEREST INCOME	*f*	-	48,082	48,082
INCOME BEFORE INCOME TAX		12,435,322	16,111,934	28,547,256
INCOME TAX EXPENSE	*d*	(3,730,596)	(4,819,156)	(8,549,752)
NET INCOME/TOTAL COMPREHENSIVE INCOME	*b , e, d, f*	P8,704,726	P11,292,778	P19,997,504

Statement of Cash Flows

	Ref.	**For the Year Ended December 31, 2017** As Previously Reported	Adjustment	As Amended
Net cash provided by operating activities	*c, b, e, d, f*	P144,177	P6,575,071	P6,719,248
Net cash used in investing activities	*c*	-	(1,077,910)	(1,077,910)
Net increase in cash and cash equivalent		144,177	5,497,161	5,641,338
Cash and cash equivalents at beginning of the year		2,328,725	11,844,876	14,173,601
Cash and cash equivalents at end of the year		P2,472,902	17,342,037	P19,814,939

The following are the nature of the adjustments:

a. The Parent Company recognized receivables which were previously unaccounted in the books amounting to P1,647,760.

b. Inventories were increased to adjust cost of inventory based on rollbackward procedures and recognize price adjustments. Corresponding cost of sales account were also adjusted.

c. The Parent Company written-off obsolete property and equipment and recognized equipment items that were previously unrecognized in the Parent Company's books.

d. The Parent Company assessed the impact of the adjustments on the current and deferred income tax expenses. Accordingly, the Parent Company adjusted the amount of current and deferred income tax expenses and income tax payable.

e. The Parent Company accrued retirement liabilities for their employees amounting to P3,603,679 to conform with the requirements of PAS 19, *Employee Benefits*.

f. Other adjustments pertain to reconciliation of cash accounts, payables and expenses, reconciliation and assessment of the related party transactions and recognition of certain revenue and expenses that were previously unaccounted.

   These adjustments resulted to the following:

   1. Increase in cash and cash equivalents amounting to P17,342,037;
   2. Decrease in accounts payable and other current liabilities amounting to P65,188,074;
   3. Increase in due to a related party amounting to P72,548,854;
   4. Decrease in other current liabilities amounting to P28,591,521;
   5. Increase in display rental amounting to P7,980,415;
   6. Increase in operating expenses amounting to P6,034,140;
   7. Increase in interest income amounting to P48,082

g. The Parent Company balance of input VAT amounting to P28,378,174 were offset to corresponding output VAT account to conform with the presentation in 2019 and 2018.

h. The Company increased its retained earnings as at December 31, 2017 as a result of current year and prior period amendments, arising mainly on unrecognized display rentals, adjustments in cost and expenses and other prior period errors.

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for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 0 9 3 0 1 2 5

COMPANY NAME

M E R R Y M A R T C O N S U M E R C O R P . A N D A

S U B S I D I A R Y

(F O R M E R L Y

I N J A P S U P E R M A R K E T , I N C .)

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

I n j a p B l d g . , T A T C

P l a r i d e l S t . , R o x a s C i t y

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
	8856-7111	0917-560-7273

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
6	November 11	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
RIZZA MARIE JOY J. SIA		8856-7111	

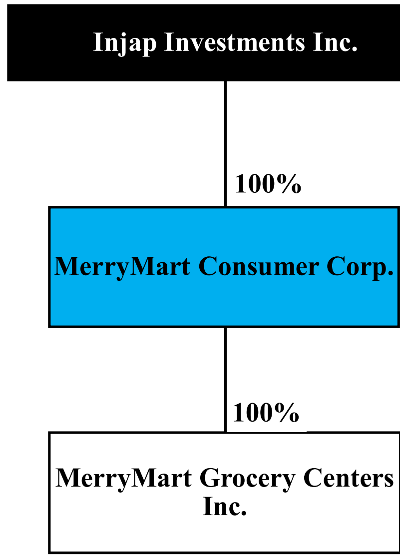
CONTACT PERSON's ADDRESS

Injap Bldg., TATC, Plaridel St., Roxas City

Note 1: *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2: *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

CORPORATE STRUCTURE



MERRYMART CONSUMER CORP. AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

Name of Issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (ii) (PhP)	Valued based on market quotation at end of reporting period (iii) (PhP)	Income received and accrued (PhP)
Cash and cash equivalents	N/A	270,308,599	270,308,599	109,993
Receivables	N/A	9,841,735	9,841,735	
Due from related parties	N/A	-	-	
Refundable deposits	N/A	40,420,029	40,420,029	

MERRYMART CONSUMER CORP. AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 2019

Name and Designation of debtor (i)	Balance at beginning of period (PhP)	Additions (PhP)	Amounts collected (ii) (PhP)	Amounts written off (iii) (PhP)	Current (PhP)	Not Current (PhP)	Balance at end of period (PhP)
Injap Investments Inc. (Parent Company)	-	-	-	-	-	-	-
Edgar J. Sia (Chairman)	-	-	-	-	-	-	-
Edgar J. Sia (Director)	-	-	-	-	-	-	-
Pacita J. Sia (Treasurer)	-	-	-	-	-	-	-
Ferdinand J. Sia (Director)	-	-	-	-	-	-	-
Rizza Marie Joy J. Sia (Corporate Secretary)	-	-	-	-	-	-	-

MERRYMART CONSUMER CORP. AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES
WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Name and Designation of debtor (i)	Balance at beginning of period (PhP)	Additions (PhP)	Amounts eliminated (ii) (PhP)	Amounts written off (iii) (PhP)	Current (PhP)	Not Current (PhP)	Balance at end of period (PhP)
MerryMart Grocery Centers Inc. (Subsidiary)	-	195,750,000.00	195,750,000.00	-	195,750,000.00	-	-

MERRYMART CONSUMER CORP. AND SUBSIDIARIES
SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

Description (i)	Beginning balance (PhP)	Additions at cost (ii) (PhP)	Charged to cost and expenses (PhP)	Charged to other accounts (PhP)	Other changes additions (deductions) (iii) (PhP)	Ending balance (PhP)
Software licenses	7,200,000	7,562,710	149,937	-	-	14,612,773

MERRYMART CONSUMER CORP. AND SUBSIDIARIES
SCHEDULE E - LONG-TERM DEBT
FOR THE YEAR ENDED DECEMBER 31, 2019

Title of Issue and type of obligation (i)	Amount authorized by indenture (PhP)	Amount shown under caption "Current portion of long-term debt" in related balance sheet (ii) (PhP)	Amount shown under caption "Long-Term Debt" in related balance sheet (iii) (PhP)
Loans	-	-	-

MERRYMART CONSUMER CORP. AND SUBSIDIARIES
SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2019

Name of related party (i)	Balance at beginning of period (PhP)	Balance at end of period (ii) (PhP)
Injap Investments Inc. (Parent Company)	134,896,958	49,762,571

The amount pertains to unsecured, non-interest bearing advances granted to and received from related parties for working capital requirements. These advances are generally settled within one year from the date of grant.

MERRYMART CONSUMER CORP. AND SUBSIDIARIES
SCHEDULE G - GUARANTEES OF SECURITES OF OTHER ISSUERS
FOR THE YEAR ENDED DECEMBER 31, 2019

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding (i)	Amount owned by person for which statement is filed	Nature of guarantee (ii)
N/A	N/A	N/A	N/A	N/A

MERRYMART CONSUMER CORP. AND SUBSIDIARIES
SCHEDULE H - CAPITAL STOCK
FOR THE YEAR ENDED DECEMBER 31, 2019

Title of Issue (i)	Number of Shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties (ii)	Directors, officers and employees	Others (iii)
Common shares	50,000	12,500	-	12,495	5	-

RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2019

MERRYMART CONSUMER CORP.
Injap Bldg., TATC
Plaridel St., Roxas City

Unappropriated Retained Earnings, beginning		**₱42,312,044**
Adjustments:		
(see adjustments in previous year' reconciliation)		-
Unappropriated Retained Earnings, as adjusted, beginning		**42,312,044**
Add: Net income	**42,832,225**	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	-	
Unrealized foreign exchange gain (loss) net (except those attributable to Cash and Cash Equivalents)	-	
Unrealized actuarial gain (loss)	-	
Fair value adjustments (M2M gains)	-	
Fair value adjustments of Investment Property resulting to gain	-	
Adjustments due to deviation from PFRS/GAAP - gain	-	
Other unrealiazed gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	-	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	-	
Adjustments due to deviation from PFRS/GAAP - gain	-	
Loss on fair value adjustments of investment Property (after tax)	-	
Net income actual/realized		**42,832,225**
Add (Less):		
Dividend declaration for the period		
Appropriations of Retained Earnings during the period		(80,000,000)
Reversal of appropriations		
Effect of prior period adjustments		
Treasury Shares		-
Unappropriated Retained Earnings, as adjusted, ending		**₱5,144,269**

MERRYMART CONSUMER CORP.
FINANCIAL RATIOS – KEY PERFORMANCE INDICATORS

	As of and for the years ended December 31,	
	2018	2019
Revenues (₱ in thousands)	2,116,970.9	2,515,236.4
Revenue Growth [(1)]	20.3%	18.8%
Gross Profit (₱ in thousands)	93,708.2	144,564.0
Gross Profit Margin [(2)]	4.4%	5.7%
Net Income (₱ in thousands)	40,598.1	28,009.3
Net Income Margin [(3)]	1.9%	1.1%
EBITDA (₱ in thousands) [(4)]	59,343.7	65,020.5
Current Ratio [(5)]	1.2	1.3
Asset to Equity Ratio [(6)]	4.2	8.4
Debt to Equity Ratio [(7)]	-	1.4
Debt to Total Assets [(8)]	-	0.2
Book Value per Share [(9)]	6,418.75	8,659.49

(1) Net Sales Growth is computed by dividing the current period's net sales less the prior period's net sales by net sales for the prior period.

(2) Gross Profit Margin is computed by dividing Gross Profit by total revenue.

(3) Net Income Margin (Net Income to Revenue) is computed by dividing total net income by total revenue.

(4) EBITDA is computed as net income add interest expense, tax expense and depreciation and amortization.

(5) Current Ratio is computed by dividing the total current assets by total current liabilities.

(6) Asset to Equity Ratio is computed by dividing the total assets by total equity.

(7) Debt to Equity Ratio is computed by dividing the loans payable by total equity.

(8) Debt to Total Assets is computed by dividing the loans payable by total assets.

(9) Book Value per Share is computed by dividing the total equity over total common shares outstanding

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Pasay City, Fourth District, NCR, Philippines, 1302

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