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S.E.C. Registration Number

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(Company's Full Name)

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(Business Address : No. Street Company / Town / Province)

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Contact Person

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Company Telephone Number

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Day

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FORM TYPE

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Day

Annual Meeting

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Secondary License Type, If Applicable

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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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File Number

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Cashier

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SEC No. 200930125

File No. \_\_\_\_\_

**MERRYMART CONSUMER CORP.**

(Company's Full Name)

**DD Meridian Park Bay Area corner Macapagal Avenue and EDSA Extension**  
**Boulevard Brgy 76 Zone 10 San Rafael Pasay City 1302**

(Company's Address)

**(632) 8743-1111**

(Telephone Number)

**December 31**

(Fiscal Year ending)

**Form 17-Q for the Second Quarter of 2020**

(Form Type)

**N/A**

Amendment Designation

**N/A**

Period Ended Date

**N/A**

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **June 30, 2020**
2. Commission identification number **CS200930125** 3. BIR Tax Identification No. **281-768-124-000**
4. Exact name of issuer as specified in its charter: **MerryMart Consumer Corp.**
5. Province, country or other jurisdiction of incorporation or organization: **Republic of the Philippines**
6. Industry Classification Code:  (SEC Use Only)
7. Address of issuer's principal office and Postal Code: **DD Meridian Park Bay Area corner Macapagal Avenue and EDSA Extension Boulevard Brgy 76 Zone 10 San Rafael Pasay City 1302**
8. Issuer's telephone number, including area code: **(632) 8743-1111**
9. Former name, former address and former fiscal year, if changed since last report: **N/A**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class

Number of shares of common  
stock outstanding and amount  
of debt outstanding

**Common Shares**

**7,594,936,709**

11. Are any or all of the securities listed on a Stock Exchange?  
Yes ☒ No ☐

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

Stock Exchange: **Philippine Stock Exchange**

Securities Listed: **Common Shares**

12. Indicate by check mark whether the registrant:

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

Yes ☒ No ☐ N/A

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

Yes ☒ No ☐ N/A

## **PART I--FINANCIAL INFORMATION**

### **Item 1. Financial Statements.**

The following financial statements are submitted as part of this report:

- a) Unaudited Condensed Consolidated Interim Statements of Comprehensive Income for the three months ended June 30, 2020 and June 30, 2019; Unaudited Condensed Consolidated Interim Statements of Comprehensive Income for the six months ended June 30, 2020 and June 30, 2019;
- b) Notes to the Unaudited Condensed Consolidated Interim Financial Statement
- c) Unaudited Condensed Consolidated Interim Statements of Financial Position as of June 30, 2020 and December 31, 2019 (audited);
- d) Unaudited Condensed Consolidated Interim Statements of Changes in Equity for the six months ended June 30, 2020 and June 30, 2019; and
- e) Unaudited Condensed Consolidated Interim Statements of Cash Flows for the six months ended June 30, 2020 and June 30, 2019.

**MERRYMART CONSUMER CORP. AND SUBSIDIARY**  
**(Formerly Injap Supermart Inc.)**  
**(A Wholly-owned Subsidiary of Injap Investments, Inc.)**

**CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

	June 30, 2020 Unaudited PHP	December 31, 2019 Audited PHP
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	P1,940,179,908	P270,308,599
Receivables	6,609,643	9,841,735
Inventories	332,589,096	183,418,743
Prepaid expenses and other current assets	86,277,551	46,369,239
<b>Total Current Assets</b>	<b>2,365,656,198</b>	<b>509,938,316</b>
<b>Noncurrent Asset</b>		
Property and equipment - net	366,796,108	221,794,668
Right-of-use asset	417,224,656	118,264,628
Intangible asset	19,181,601	14,612,773
Deferred tax asset	10,723,133	8,352,008
Other noncurrent assets	87,497,198	41,672,212
<b>Total Noncurrent Asset</b>	<b>901,422,696</b>	<b>404,696,289</b>
	<b>P3,267,078,894</b>	<b>P914,634,605</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and other current liabilities	P278,325,920	P145,041,049
Loans payable	450,000,000	150,000,000
Income tax payable	7,727,327	37,782,980
Due to related parties	205,836,104	49,762,571
<b>Total Current Liabilities</b>	<b>941,889,351</b>	<b>382,586,600</b>
<b>Noncurrent Liability</b>		
Retirement liability	6,522,841	6,196,332
Other noncurrent liabilities	9,283,251	1,380,000
Lease Liability	431,082,744	117,477,991
Deposit for future subscription	-	298,750,000
<b>Total Noncurrent Liabilities</b>	<b>446,888,836</b>	<b>423,804,323</b>
<b>Total Liabilities</b>	<b>1,388,778,187</b>	<b>806,390,923</b>
<b>Equity</b>		
Capital stock	1,766,039,088	1,250,000
Retained earnings	112,261,619	106,993,682
<b>Total Equity</b>	<b>1,878,300,707</b>	<b>108,243,682</b>
	<b>P3,267,078,894</b>	<b>P914,634,605</b>

**MERRYMART CONSUMER CORP. AND SUBSIDIARY**  
**(Formerly Injap Supermart Inc.)**  
**(A Wholly-owned Subsidiary of Injap Investments, Inc.)**

**CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE  
INCOME**

	For the six months ended June 30, 2020 Unaudited	For the six months ended June 30, 2019 Unaudited
<b>REVENUE</b>		
Sale of goods	P1,623,836,174	P1,204,357,979
Display rental	11,972,455	9,708,410
Other operating income	5,381,959	39,840
	<b>1,641,190,588</b>	<b>1,214,106,229</b>
<b>COST OF SALES</b>	<b>(1,516,023,691)</b>	<b>(1,159,498,607)</b>
<b>GROSS PROFIT</b>	<b>125,166,897</b>	<b>54,607,622</b>
<b>OPERATING EXPENSES</b>	<b>(97,937,950)</b>	<b>(38,896,772)</b>
<b>INCOME FROM OPERATIONS</b>	<b>27,228,947</b>	<b>15,710,850</b>
INTEREST EXPENSE	(9,374,942)	-
INTEREST INCOME	1,170,134	32,851
<b>INCOME BEFORE TAX</b>	<b>19,024,139</b>	<b>15,743,701</b>
<b>INCOME TAX (EXPENSE) BENEFIT</b>	<b>(5,356,202)</b>	<b>(4,713,255)</b>
<b>NET INCOME/TOTAL COMPREHENSIVE INCOME</b>	<b>P13,667,937</b>	<b>P11,030,446</b>

**MERRYMART CONSUMER CORP. AND SUBSIDIARY**  
**(Formerly Injap Supermart Inc.)**  
**(A Wholly-owned Subsidiary of Injap Investments, Inc.)**

**CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE  
INCOME**

	<b>For the quarter ended June 30, 2020 Unaudited</b>	<b>For the quarter ended June 30, 2019 Unaudited</b>
<b>REVENUE</b>		
Sale of goods	<b>P836,362,141</b>	P640,349,779
Display rental	<b>6,970,228</b>	5,064,509
Other operating income	<b>2,950,442</b>	39,840
	<b>846,282,811</b>	645,454,128
<b>COST OF SALES</b>	<b>(782,949,605)</b>	(614,910,422)
<b>GROSS PROFIT</b>	<b>63,333,206</b>	30,543,706
<b>OPERATING EXPENSES</b>	<b>(51,459,419)</b>	(22,733,830)
<b>INCOME FROM OPERATIONS</b>	<b>11,873,787</b>	7,809,876
INTEREST EXPENSE	<b>(5,532,018)</b>	-
<b>INTEREST INCOME</b>	<b>877,748</b>	14,916
<b>INCOME (LOSS) BEFORE TAX</b>	<b>7,219,517</b>	7,824,792
<b>INCOME TAX EXPENSE (BENEFIT)</b>		
Current	<b>(4,240,476)</b>	(3,652,152)
Deferred	<b>2,337,945</b>	1,309,190
	<b>(1,902,531)</b>	(2,342,962)
<b>NET INCOME</b>	<b>P5,316,986</b>	P5,481,830

**MERRYMART CONSUMER CORP. AND SUBSIDIARY**  
**(Formerly Injap Supermart Inc.)**  
**(A Wholly-owned Subsidiary of Injap Investments, Inc.)**

**CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**

	Retained Earnings				
	Additional				
	Capital Stock	Paid-in Capital	Unappropriated	Appropriated	Total
Balance at December 31, 2018	P1,250,000	P-	P41,984,350	P37,000,000	P78,984,350
Net income/total comprehensive income for the period	-	-	11,030,446	-	11,030,446
Balance at June 30, 2019	P1,250,000	P-	P53,014,796	P37,000,000	P90,014,796
Balance at December 31, 2019	P1,250,000	P-	(P10,006,318)	P117,000,000	P106,993,682
Issuance of capital stock	378,496,835	1,386,292,253	-	-	-
Dividends Declared	-	-	(8,400,000)	-	(8,400,000)
Unappropriation during the period	-	-	6,000,000	(6,000,000)	-
Net income/total comprehensive income for the period	-	-	13,667,937	-	13,667,937
Balance at June 30, 2020	P379,746,835	P1,386,292,253	P1,261,619	P111,000,000	P112,261,619
					P1,878,300,707



**MERRYMART CONSUMER CORP. AND A SUBSIDIARY**  
**(Formerly Injap Supermart Inc.)**  
**(A Wholly-owned Subsidiary of Injap Investments, Inc.)**  
**CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
**UNAUDITED**

	<b>Six Months Ended June 30</b>	
	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	<b>P19,024,139</b>	P15,743,701
Adjustments for:		
Depreciation and amortization	<b>28,997,667</b>	732,335
Interest expense	<b>9,374,942</b>	-
Retirement benefits expense	<b>326,508</b>	970,169
Interest income	<b>(1,170,134)</b>	(32,851)
Operating income before working capital changes	<b>56,553,122</b>	17,413,354
Decrease (increase) in:		
Receivables	<b>3,232,092</b>	(36,976)
Inventories	<b>(149,170,353)</b>	(54,142,722)
Other current assets	<b>(39,908,312)</b>	(7,513,280)
Increase (decrease) in:		
Accounts payable and other current liabilities	<b>133,284,871</b>	19,757,890
Due to a related party	<b>156,073,533</b>	87,995,194
Cash generated from operations	<b>160,064,953</b>	63,473,460
Income tax paid	<b>(37,857,970)</b>	(13,151,424)
Interest paid	<b>(9,828,125)</b>	-
Interest received	<b>1,170,134</b>	(32,851)
Net cash provided by operating activities	<b>113,548,992</b>	50,289,185
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property and equipment	<b>(154,031,852)</b>	(50,780,341)
Additions to intangible assets	<b>(5,980,321)</b>	(2,228,252)
Increase in other noncurrent assets	<b>(42,813,273)</b>	-
Net cash used in investing activities	<b>(202,825,446)</b>	(53,008,593)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from initial public offering, net of issuance costs	<b>1,465,999,088</b>	-
Proceeds from availment of loans	<b>300,000,000</b>	-
Increase in other noncurrent liabilities	<b>7,903,251</b>	-
Dividends paid	<b>(8,400,000)</b>	-
Lease payment	<b>(6,354,576)</b>	-
Net cash provided by financing activities	<b>1,759,147,763</b>	-
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,669,871,309</b>	(2,719,408)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>270,308,599</b>	20,907,865
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>P1,940,179,908</b>	P18,188,457

**MERRYMART CONSUMER CORP. AND SUBSIDIARY**  
**(Formerly Injap Supermart Inc.)**  
**(A Wholly-owned Subsidiary of Injap Investments, Inc.)**

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**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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**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 December 18, 2019, the SEC approved the change in Company’s name to MerryMart Consumer Corp.

On January 23, 2020, the SEC approved the increase in authorized capital stock from P5,000,000.00 divided into 50,000 shares of the par value of P100.00 each to P1,200,000,000.00 divided into 24,000,000,000 shares of the par value of P0.05 each. On the same date, the SEC also approved the amendment of the principal place of business to the 9th Floor, Tower 1, DoubleDragon Plaza, DD Meridian Park, Corner Macapagal Avenue and Edsa Extension, Bay Area, Baranggay 76, Pasay City.

**2. Basis of Preparation**

The condensed consolidated interim financial statements have been prepared in accordance with Philippine Accounting Standards (PAS) 34, Interim Financial Reporting. Selected explanatory notes are included to explain events and transactions that are significant to the understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended December 31, 2019. The condensed consolidated interim financial statements do not include all the information required for a complete set of financial statements in accordance with Philippine Financial Reporting Standards (PFRS), and should be read in conjunction with the audited consolidated financial statements of MerryMart Consumer Corp and Subsidiary (collectively referred to as the “Group”) as at and for the year ended December 31, 2019.

The condensed consolidated interim financial statements were prepared solely for the information and use by the management of DD and is not intended to be, and should not be used by anyone other than for the specified purpose.

The condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors (BOD) on August 13, 2020.

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.

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.

The Parent Company and its Subsidiary are both domiciled in the Philippines.

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### 3. Summary of Significant Accounting Policies

Except as described below, the accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as of and for the year ended December 31, 2019. The following changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as of and for the year ended December 31, 2018.

#### Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The Group has adopted the following amendments to standards starting January 1, 2020 and accordingly changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Group's condensed consolidated interim financial statements.

- 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.

#### 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. Use of Judgments and Estimates

In preparing the condensed consolidated interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those the applied to the consolidated financial statements as at and for the year ended December 31, 2019.

#### 5. Cash and Cash Equivalents

This account consists of:

	June 30, 2020	December 31, 2019
Cash on hand	<b>P9,720,182</b>	P13,381,041
Cash in banks	<b>930,459,726</b>	186,927,558
Short-term placements	<b>1,000,000,000</b>	70,000,000
	<b>P1,940,179,908</b>	P270,308,599

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 P1,170,134 and P32,851 for the six months ended June 30, 2020 and June 30, 2019, respectively.

#### 6. Receivables

This account consists of:

	June 30, 2020	December 31, 2019
Trade	<b>P1,346,388</b>	P8,817,130
Advances to suppliers	<b>2,617,506</b>	823,028
Advances to employees	<b>2,463,249</b>	-
Others	<b>182,500</b>	201,577
	<b>P6,609,643</b>	P9,841,735

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.

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**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 June 30, 2020 and December 31, 2019 amounted to P332.59 million and P183.42 million, respectively.

Inventories charged to cost of sales amounted to P1,516.02 million and P1,159.50 million for the six months ended June 30, 2020 and June 30, 2019, respectively.

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**8. Prepaid expenses and other current assets**

This account consists of prepaid expenses, input VAT and other miscellaneous current assets.

Input VAT, which amounted to P61.47 million and P46.31 million as at June 30, 2020 and December 31, 2019, 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.

Prepaid expenses amounting to P24.16 million as at June 30, 2020, pertains to unamortized portion of taxes and licenses and payments made in advance for advertisements & promotions, supplies and others.

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**9. Right-of-use Asset**

Details of this account follows:

	June 30, 2020	December 31, 2019
<b>Cost</b>		
Balance, beginning of the period	P127,475,614	P -
Additions during the period	318,927,282	127,475,614
	<b>446,402,896</b>	127,475,614
<b>Accumulated Amortization</b>		
Balance, beginning of the period	P9,210,986	P -
Amortization during the period/year	19,967,254	9,210,986
	<b>29,178,240</b>	9,210,986
	<b>P417,224,656</b>	P118,264,628

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**10. Intangible Asset**

This account pertains to computer software licenses. Intangible assets as at June 30, 2020 and December 31, 2019 amounted to P19.18 million and P14.61 million, respectively. Additional cost and amortization for the six months ended June 30, 2020 amounted to P5.98 million and P1.41 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.

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**11. Loans Payable**

Loans payable represents unsecured short-term loans obtained from local banks which bears interest ranging from 6.00% to 7.25% per annum, with terms of less than one year. Loans payable amounted to P450 million and P150 million as at June 30, 2020 and December 31, 2019, respectively. There are no loan covenants on the Company's short-term loans.

Capitalized borrowing costs amounted to P9.1 million and nil for the six months ended June 30, 2020 and 2019, respectively. Interest expense recognized amounted to P650,000 and nil for the six months ended June 30, 2020 and 2019, respectively.

## 12. 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:

	For the six months ended June 30, 2020	For the six months ended June 30, 2019
Sale of goods	<b>P1,623,836,174</b>	P1,204,357,979
Application fees*	<b>4,400,000</b>	-
	<b>P1,628,236,174</b>	P1,204,357,979

\* 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.

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.

## 13. Cost of Sales

This account consists of:

	For the six months ended June 30, 2020	For the six months ended June 30, 2019
Beginning inventory	<b>P183,418,743</b>	P270,448,890
Add: Purchases	<b>1,665,194,044</b>	1,213,641,329
Total goods available for sale	<b>1,848,612,787</b>	1,484,090,219
Less: Ending inventory	<b>332,589,096</b>	324,591,612
	<b>P1,516,023,691</b>	P1,159,498,607

## 14. 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
<b>Stockholders</b>					
Advances from stockholders	<b>June 30, 2020</b>	<i>a</i>	<b>P302,032,352</b>	<b>P 205,911,074</b>	<b>Due and demandable; non-interest bearing; unsecured; payable in cash</b>
	December 31, 2019	<i>a</i>	P -	P49,762,571	Due and demandable; non-interest bearing; unsecured; payable in cash
Deposit for future stock subscription	December 31, 2019	<i>b</i>	298,750,000	298,750,000	To be applied against future stock subscription
	<b>June 30, 2020</b>			<b>P205,911,074</b>	
	December 31, 2019			P348,512,571	

*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.

*c. Key Management Personnel*

No key management personnel compensation is recognized for the six months ended June 30, 2020 and 2019.

## 15. 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:

- 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.
- The Group leases its warehouse space and store space from various lessors with lease terms ranging from 3 to 12 years.

Related right-of-use asset from these lease arrangements are disclosed in Note 9.

Interest expense recognized in profit or loss amounted to P8.72 million and nil for the six months ending June 30, 2020 and June 30, 2019, respectively.

The Group also entered into 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 P723.2 thousand for six months ending June 30, 2020.

Total security deposits from these lease arrangements amounted to P66.1 million and P40.42



million as at June 30, 2020 and December 31, 2019, respectively. These are included under “Other noncurrent assets” account in the consolidated interim statements of comprehensive position.

## 18. Income Taxes

Income tax expense (benefit) consists of:

	For the six months ended June 30, 2020	For the six months ended June 30, 2019
Current	P7,727,327	6,303,603
Deferred	(2,371,125)	(1,590,348)
	<b>P5,356,202</b>	<b>4,713,255</b>

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:

	For the six months ended June 30, 2020	For the six months ended June 30, 2019
Income before income tax	<b>P19,024,139</b>	<b>P15,743,701</b>
Income tax at the statutory income tax rate of 30%	<b>P5,707,242</b>	<b>4,723,110</b>
Income tax effects of interest income subjected to final tax	<b>(351,040)</b>	<b>(9,855)</b>
	<b>P5,356,202</b>	<b>P4,713,255</b>

## 19. Equity and Earnings per Share

### Capital Stock

As at June 30, 2020 and December 31, 2019, the authorized and issued capital stock of the Parent Company consists of:

	June 30, 2020	December 31, 2019
<b>Authorized Capital Stock</b>		
Common – June 30, 2020 - P0.05 par value, December 31, 2019 - P100 par value	<b>P1,200,000,000</b>	P5,000,000
<b>Number of Shares Authorized</b>		
Common	<b>24,000,000,000</b>	50,000
<b>Issued Capital Stock</b>		
Common – June 30, 2020 - P0.05 par value, December 31, 2019 - P100 par value	<b>P379,746,835</b>	P1,250,000
<b>Number of Shares Issued</b>		
Common	<b>7,594,936,709</b>	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 Injap Investments Inc (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 as at December 31, 2019.

On January 23, 2020, the SEC approved the increase in authorized capital stock from P5,000,000.00 divided into 50,000 shares of the par value of P100.00 each to P1,200,000,000.00 divided into 24,000,000,000 shares of the par value of P0.05 each.

On June 15, 2020, the Company issued 1,594,936,709 additional shares of capital stock.

#### Retained Earnings

On February 18, 2020, the BOD approved the declaration of cash dividends amounting to P8.4 million, payable to stockholders of record on February 21, 2020. The cash dividends were paid on February 26, 2020. There was no dividend declaration in 2019.

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.

#### EPS

EPS is computed as follows:

	<b>For the six months ended June 30, 2020</b>	For the six months ended June 30, 2019
Net income attributable to common shareholders of the Parent Company	<b>P13,667,937</b>	P11,030,446
Weighted average number of common shares for basic EPS	<b>5,376,368,410</b>	12,500
Basic/Diluted EPS	<b>P0.0025</b>	P882.44

The basic and diluted EPS are the same as there are no dilutive preferred shares, convertible loans and stock options.

## **20. 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:

	<b>June 30, 2020</b>	December 31, 2019
Cash and cash equivalents (excluding cash on hand)	<b>P1,930,459,726</b>	P256,927,558
Receivables (excluding advances to suppliers and employees)	<b>1,528,888</b>	9,018,707
Security deposits (included under other noncurrent assets)	<b>66,085,907</b>	40,420,029
	<b>P1,998,074,521</b>	P306,366,294

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 June 30, 2020 and December 31, 2019.

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:

June 30, 2020	Carrying Amount	Contractual Cash Flow	1 Year or Less	1 Year - 5 Years	More than 5 Years
<b>Financial Liabilities</b>					
Accounts payable and other current liabilities*	P273,189,470	P273,189,470	P273,189,470	P -	P -
Loans payable	450,000,000	450,000,000	450,000,000	-	-
Due to a related party	203,511,074	203,511,074	203,511,074	-	-
Lease liability**	445,319,517	548,678,624	70,684,633	222,714,423	255,279,568

\* excluding statutory obligations, current portion of lease liability and unearned franchise fees

\*\*including current portion of lease liability

December 31, 2019	Carrying Amount	Contractual Cash Flow	1 Year or Less	1 Year - 5 Years	More than 5 Years
<b>Financial Liabilities</b>					
Accounts payable and other current liabilities*	P112,365,673	P112,365,673	P112,365,673	P -	P -
Loans payable	150,000,000	150,000,000	150,000,000	-	-
Due to a related party	49,762,571	49,762,571	49,762,571	-	-
Lease liability**	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

### 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 June 30, 2020 and December 31, 2019. The Group is not subject to externally-imposed capital requirements.

**MERRYMART CONSUMER CORP. AND SUBSIDIARY**  
(Formerly Injap Supermart Inc.)  
**As of June 30, 2020**

	Total	Neither past due nor impaired	Past due but not impaired			
			1 - 90 days	91 - 180 days	181 - 360 days	> 360 days
<b>Receivables</b>	<b>6,609,643</b>	<b>6,609,643</b>	-	-	-	-

**MERRYMART CONSUMER CORP. AND SUBSIDIARY**

(Formerly Injap Supermart Inc.)

**UNAUDITED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME**

For the periods ended June 30, 2020 and June 30, 2019

	For the quarter ended June 30, 2020	For the quarter ended June 30, 2019	For the six months ended June 30, 2020	For the six months ended June 30, 2019
<b>REVENUES</b>				
Sale of goods	<b>₱836,362,141</b>	₱640,349,779	<b>₱1,623,836,174</b>	₱1,204,357,979
Display rental	<b>6,970,228</b>	5,064,509	<b>11,972,455</b>	9,708,410
Other operating income	<b>2,950,442</b>	39,840	<b>5,381,959</b>	39,840
	<b>846,282,811</b>	645,454,128	<b>1,641,190,588</b>	1,214,106,229
<b>COST OF SALES</b>	<b>782,949,605</b>	614,910,422	<b>1,516,023,691</b>	1,159,498,607
<b>GROSS PROFIT</b>	<b>63,333,206</b>	30,543,706	<b>125,166,897</b>	54,607,622
<b>OPERATING EXPENSES</b>	<b>51,459,419</b>	22,733,830	<b>97,937,950</b>	38,896,772
<b>INCOME FROM OPERATIONS</b>	<b>11,873,787</b>	7,809,876	<b>27,228,947</b>	15,710,850
INTEREST EXPENSE	<b>5,532,018</b>	-	<b>9,374,942</b>	-
INTEREST INCOME	<b>877,748</b>	14,916	<b>1,170,134</b>	32,851
<b>INCOME BEFORE TAX</b>	<b>7,219,517</b>	7,824,792	<b>19,024,139</b>	15,743,701
<b>INCOME TAX EXPENSE</b>	<b>1,902,531</b>	2,342,962	<b>5,356,202</b>	4,713,255
<b>NET INCOME/TOTAL COMPREHENSIVE INCOME</b>	<b>₱5,316,986</b>	₱5,481,830	<b>₱13,667,937</b>	₱11,030,446

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

### June 30, 2020 versus June 30, 2019 Results of Operations

#### MERRYMART CONSUMER CORP. AND SUBSIDIARY

(Formerly Injap Supermart Inc.)

#### UNAUDITED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

For the quarters ended June 30, 2020 and June 30, 2019

	June 30, 2020	June 30, 2019	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		2020	2019
<b>REVENUES</b>						
Sale of goods	₱836,362,141	₱640,349,779	₱196,012,362	30.6%	98.8%	99.2%
Display rental	6,970,228	5,064,509	1,905,719	37.6%	0.8%	0.8%
Other operating income	2,950,442	39,840	2,910,602	7305.7%	0.3%	0.0%
	<b>846,282,811</b>	<b>645,454,128</b>	<b>200,828,683</b>	<b>31.1%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>COST OF SALES</b>	782,949,605	614,910,422	168,039,183	27.3%	92.5%	95.3%
<b>GROSS PROFIT</b>	<b>63,333,206</b>	<b>30,543,706</b>	<b>32,789,500</b>	<b>107.4%</b>	<b>7.5%</b>	<b>4.7%</b>
<b>OPERATING EXPENSES</b>	51,459,419	22,733,830	28,725,589	126.4%	6.1%	3.5%
<b>INCOME FROM OPERATIONS</b>	<b>11,873,787</b>	<b>7,809,876</b>	<b>4,063,911</b>	<b>52.0%</b>	<b>1.4%</b>	<b>1.2%</b>
INTEREST EXPENSE	5,532,018	0	5,532,018	0.0%	0.7%	0.0%
INTEREST INCOME	877,748	14,916	862,832	5784.6%	0.1%	0.0%
<b>INCOME BEFORE TAX</b>	<b>7,219,517</b>	<b>7,824,792</b>	<b>-605,275</b>	<b>-7.7%</b>	<b>0.9%</b>	<b>1.2%</b>
<b>INCOME TAX EXPENSE</b>	<b>1,902,531</b>	<b>2,342,962</b>	<b>(440,431)</b>	<b>-18.8%</b>	<b>0.2%</b>	<b>0.4%</b>
<b>NET INCOME/TOTAL COMPREHENSIVE INCOME</b>	<b>₱5,316,986</b>	<b>₱5,481,830</b>	<b>-164,844</b>	<b>-3.0%</b>	<b>0.6%</b>	<b>0.8%</b>

#### First Half Ended June 30, 2020 compared to first half ended June 30, 2019

For the first half ended June 30, 2020, the Group earned a consolidated revenue of ₱1,641.19 million an increase of 35.2% from ₱1,214.11 million in the same period in 2019. This was driven by the expansion of the Group's grocery retail store with the opening new MerryMart-branded groceries and store and the continuous strong growth of the first two grocery stores in Roxas, Capiz. As of June 30, 2020, MerryMart has seven (7) operating branches compared to three (3) operating branches in the same period last year.

For the first half ended June 30, 2020, sale of goods contributes 98.9% of the total revenue.

The other operating income relates mainly the franchise fees of the Group and listing fees of new products in the store.

For the first half ended June 30, 2020, the Group's cost of sales is ₱1,516.02 million, an increase of 30.7% compared to ₱1,159.50 million for the first half ended June 30, 2019, which is in line with the increase of revenues.

For the first half ended June 30, 2020, the Group realized an increase of 129.2% in consolidated gross profit from ₱54.61 million in 1H 2019 at 4.5% margin to ₱125.17 million at 7.6% margin in 1H 2020, driven by strong sales growth from old and new stores and higher margin for MerryMart Grocery stores.

Operating expenses increased by ₱59.04 million or 151.8% from the ₱38.90 million in the first half ended June 30, 2019 to ₱97.94 million in the first half ended June 30, 2020. The additional operating expenses are mainly

attributable to the operating expenses of new operational stores and the ramp up of head office expenses to support the anticipated growth of MerryMart based on its expansion plans..

Interest expense amounted to ₱9.37 million for the first half 2020. The amount pertains to the interest expense on the lease liabilities of the Group in accordance with PFRS 16.

Income tax expense for the first half of 2020 amounted to ₱5.36 million, an increase of 13.6% from first half 2019. The increase is due to the higher taxable income of the company for the first half of 2020.

For the first half ended June 30, 2020, the Group earned a consolidated net income of ₱13.67 million, an increase of 23.9% from ₱11.03 million in first half ended June 30, 2019. The increase in revenues are driven by the higher gross profit margin for the quarter and sales from additional operating stores.

## June 30, 2020 versus December 31, 2019 Statements of Financial Position

MERRYMART CONSUMER CORP. AND SUBSIDIARY

(Formerly Injap Supermart Inc.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited June 30, 2020	Audited December 31, 2019	Horizontal Analysis Increase (Decrease)	Vertical Analysis		
				2020	2019	
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	₱1,940,179,908	₱270,308,599	₱1,669,871,309	617.8%	59.4%	29.6%
Receivables	6,609,643	9,841,735	(3,232,092)	-32.8%	0.2%	1.1%
Inventories	332,589,096	183,418,743	149,170,353	81.3%	10.2%	20.1%
Prepaid expenses and other current assets	86,277,551	46,369,239	39,908,312	86.1%	2.6%	5.1%
<b>Total Current Assets</b>	<b>2,365,656,198</b>	<b>509,938,316</b>	<b>1,855,717,882</b>	<b>363.9%</b>	<b>72.4%</b>	<b>55.8%</b>
<b>Noncurrent Assets</b>						
Property and equipment - net	366,796,108	221,794,668	145,001,440	65.4%	11.2%	24.2%
Right-of-use asset	417,224,656	118,264,628	298,960,028	252.8%	12.8%	12.9%
Intangible asset	19,181,601	14,612,773	4,568,828	31.3%	0.6%	1.6%
Deferred tax asset	10,723,133	8,352,008	2,371,125	28.4%	0.3%	0.9%
Other noncurrent assets	87,497,198	41,672,212	45,824,986	110.0%	2.7%	4.6%
<b>Total Noncurrent Assets</b>	<b>901,422,696</b>	<b>404,696,289</b>	<b>496,726,407</b>	<b>122.7%</b>	<b>27.6%</b>	<b>44.2%</b>
	<b>₱3,267,078,894</b>	<b>₱914,634,605</b>	<b>₱2,352,444,289</b>	<b>257.2%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Accounts payable and other current liabilities	₱278,325,920	₱145,041,049	₱133,284,871	91.9%	8.5%	15.9%
Loans payable	450,000,000	150,000,000	300,000,000	200.0%	13.8%	16.4%
Income tax payable	7,727,327	37,782,980	(30,055,653)	-79.5%	0.2%	4.1%
Due to related parties	205,836,104	49,762,571	156,073,533	313.6%	6.3%	5.4%
<b>Total Current Liabilities</b>	<b>941,889,351</b>	<b>382,586,600</b>	<b>559,302,751</b>	<b>146.2%</b>	<b>28.8%</b>	<b>41.8%</b>



<b>Noncurrent Liabilities</b>						
Retirement liability	6,522,841	6,196,332	326,509	5.3%	0.2%	0.7%
Other noncurrent liabilities	9,283,251	1,380,000	7,903,251	572.7%	0.3%	0.2%
Lease liability	431,082,744	117,477,991	313,604,753	266.9%	13.2%	12.8%
Deposit for future subscription	-	298,750,000	(298,750,000)	-100.0%	0.0%	32.7%
<b>Total Noncurrent Liabilities</b>	<b>446,888,836</b>	<b>423,804,323</b>	<b>23,084,513</b>	<b>5.4%</b>	<b>13.7%</b>	<b>46.3%</b>
<b>Total Liabilities</b>	<b>1,388,778,187</b>	<b>806,390,923</b>	<b>582,387,264</b>	<b>72.2%</b>	<b>42.5%</b>	<b>88.2%</b>
<b>Equity</b>						
Capital stock	1,766,039,088	1,250,000	1,764,789,088	141183.1%	54.1%	0.1%
Retained earnings	112,261,619	106,993,682	5,267,937	4.9%	3.4%	11.7%
<b>Total Equity</b>	<b>1,878,300,707</b>	<b>108,243,682</b>	<b>1,770,057,025</b>	<b>1635.3%</b>	<b>57.5%</b>	<b>11.8%</b>
<b>Total Liabilities and Equity</b>	<b>₱3,267,078,894</b>	<b>₱914,634,605</b>	<b>₱2,352,444,289</b>	<b>257.2%</b>	<b>100.0%</b>	<b>100.0%</b>

#### As of June 30, 2020 vs December 31, 2019

Total assets as at June 30, 2020 is ₱3.27 billion compared to ₱914.63 million as at December 31, 2019, or a 257.2% increase.

#### Current Assets

As at June 20, 2020 and December 31, 2019, total current assets amounted to ₱2.37 billion or 72.4% of total assets, and ₱509.94 million or 55.8% of total assets, respectively, for an increase of ₱1.86 billion or 363.9%.

Cash and cash equivalents increased by 617.8% from ₱270.31 million as at December 31, 2019 to ₱1.94 billion as at June 30, 2020 primarily due to the proceeds received from the public offering of the Company.

Receivables only accounts for 0.2% of the total assets as at June 30, 2020. It decreased by 32.8% from ₱9.84 million as at December 31, 2019 to ₱6.61 million as at June 30, 2020.

Inventories increased by 81.3% from ₱183.42 million as at December 31, 2019 to ₱332.59 million as at June 30, 2020. Inventories accounts for 10.2% of the total assets as of June 30, 2020. Increase in inventories was due to the opening of another distribution center of the Group.

Prepaid expenses and other current assets increased by 86.1% from ₱46.37 million as at December 31, 2019 to ₱86.28 million as at June 30, 2020 primarily due to the increased in input VAT related to the construction of new stores and additional prepayments recognized subject to amortization.

#### Noncurrent Assets

As at June 30, 2020 and December 31, 2019, total noncurrent assets amounted to ₱901.42 million or 27.6% of total assets, and ₱404.70 million or 44.2% of total assets, respectively, for an increase of ₱496.73 million or 122.7%.

Property and equipment increased by 65.4% from ₱221.79 million as at December 31, 2019 to ₱366.80 million as at June 30, 2020 due primarily to the increase in leasehold improvements of the new stores, as well as acquisitions of store equipment and office furniture and fixtures for MerryMart's new office.

Right-of-Use is in relation to the adoption of PFRS 16 in 2019. Right-of-Use Assets amounted to ₱417.22 million as at June 30, 2020, which is 12.8% of total assets and ₱118.26 as at December 31, 2019. The increase in due to the recognition of Right-of-Use related to lease contracts of new stores.

Intangible Assets increased by 31.3% from ₱14.61 million as at December 31, 2019 to ₱19.18 million as at June 30, 2020 due primarily to the installation of MerryMart's SAP system.

Deferred tax assets increased by 28.4% from ₱8.35 million as at December 31, 2019 to ₱10.72 million as at June 30, 2020.

Increase in other noncurrent assets mainly pertain to the deposits made by the Group for new lease for its new and upcoming stores. Other noncurrent assets amounted to ₱87.50 million as at June 30, 2020 or 2.7% of total assets and ₱41.67 million as at December 31, 2019.

### ***Current Liabilities***

As at June 30, 2020 and December 31, 2019, total current liabilities amounted to ₱941.89 million or 28.8% of total assets, and ₱382.59 million or 41.8% of total assets, respectively, for an increase of ₱559.30 million or 146.2%.

Accounts payable and other current liabilities increased by 91.9% to ₱278.33 million as at June 30, 2020, or 8.5% of total assets, due to higher payables to suppliers as at June 30, 2020.

Loans payable amounted to ₱450 million as at June 30, 2020, the increase is due to the short-term loans availed by the Company in the first quarter of 2020.

Due to related parties amounted to ₱205.84 million as at June 30, 2020 from ₱49.76 as at December 31, 2019, which accounts to 6.3% and 5.4% of total assets, respectively. The increase was mainly due to anticipated higher working capital and capital expenditure requirements.

Income tax payable amounted to ₱7.73 million as at June 30, 2020 or 0.2% of total asset, 79.5% lower than ₱37.78 million as at December 31, 2019.

### ***Noncurrent Liabilities***

As at June 30, 2020 and December 31, 2019, total noncurrent liabilities amounted to ₱446.89 million or 13.7% of total assets, and ₱423.80 million or 46.3% of total assets, respectively, for an increase of ₱23.08 million or 5.4%.

Retirement benefits liability increased by ₱0.33 million or 5.3% due to the additional retirement cost recognized by the Group for its retirement obligation to its employees.

Deposit for future subscription amounted to ₱298.75 million as at December 31, 2019 was converted to Capital Stock during the first half of 2020.

Lease liability amounting to ₱431.08 million as at June 30, 2020 and ₱117.48 as at December 31, 2019 pertains to the contractual lease liability recognized by the Group for its stores and office space in relation to the PFRS 16. The increase in lease liability was due to lease contracts for the period for the period qualified under PFRS 16.

### ***Equity***

As at June 30, 2020 and December 31, 2019, total equity amounted to ₱1.88 billion or 57.5% of total assets, and ₱108.24 million or 11.8% of total assets, respectively, for an increase of ₱1.77 billion or 1635.3%. The increase in equity is due to the conversion of deposit for future subscription of ₱298.75 and issuance of new shares during the public offering of the Company.

### Key Performance Indicators of the Company

	<b>Unaudited June 30, 2020</b>	<b>Audited December 31, 2019</b>
Current Ratio	2.5	1.3
Asset to Equity	1.7	8.4
Debt to Equity Ratio	0.2	1.4
Acid Test Ratio	2.07	0.73

	<b>Unaudited For the six months ending June 30, 2020</b>	<b>Unaudited For the six months ending June 30, 2019</b>
Return on Equity	1.4%	13.0%
Net Income to Revenue	0.8%	0.9%
Revenue Growth	35.2%	38.0%
Income Growth	40.5%	10.32%
EBITDA	PhP 36,281,794	PhP 16,476,036
Solvency Ratio	0.031	0.030
Interest Coverage Ratio	2.77	-

The following are the formula by which the Company calculates the foregoing performance indicators are as follows:

1. Current Ratio  $\frac{\text{Current Assets}}{\text{Current Liabilities}}$
2. Asset to Equity Ratio  $\frac{\text{Total Assets}}{\text{Total Stockholders' Equity}}$
3. Debt to Equity Ratio  $\frac{\text{Total Interest Bearing Short-Term and Long-Term Debt}}{\text{Total Equity}}$
4. Return on Equity  $\frac{\text{Net Income Attributable to Owners of the Parent}}{\text{Average Equity Attributable to the Owners of the Parent}}$

5. Net Income to Revenue	$\frac{\text{Net Income Attributable to Owners of the Parent}}{\text{Total Revenue}}$	
6. Revenue Growth	$\frac{\text{Total Revenue (Current Period)} - \text{Total Revenue (Prior Period)}}{\text{Total Revenue (Prior Period)}}$	
7. Income Growth	$\frac{\text{Net Income Attributable to Owners of the Parent (Current Period)}}{\text{Net Income Attributable to Owners of the Parent (Prior Period)}}$	-1
8. EBITDA	Income from Operations + Depreciation and Amortization + Interest Expense	
9. Acid Test Ratio	$\frac{\text{Cash} + \text{Accounts Receivable} + \text{Marketable Securities}}{\text{Current Liabilities}}$	
10. Solvency Ratio	$\frac{\text{Net Income} + \text{Depreciation and Amortization}}{\text{Total Liabilities}}$	
11. Interest Coverage Ratio	$\frac{\text{Earnings Before Interest and Taxes}}{\text{Interest Paid}}$	

## PART II--OTHER INFORMATION

N/A

## SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer MERRYMART CONSUMER CORP.



Signature and Title **Jose Roelph E. Desales**  
Chief Information Officer

Date August 14, 2020

Principal Financial/Accounting Officer/Controller: **Marriana Yulo-Luccini**



Signature and Title **Marriana Yulo-Luccini**  
Chief Finance Officer

Date August 14, 2020



15 July 2020

**Philippine Stock Exchange, Inc.**

6<sup>th</sup> Floor, PSE Tower, 5th Avenue corner 28th Street, Bonifacio Global City, Taguig City

Attention: **Ms. Janet A. Encarnacion**  
Head, Disclosure Department

**Securities and Exchange Commission**

Secretariat Building, PICC Complex, Roxas Boulevard, Pasay City

Attention: **Hon. Vicente Graciano P. Felizmenio, Jr.**  
Director, Markets and Securities Regulation Department

Subject: **Summary of the Application of Proceeds from the Initial Public Offering**

Ladies and Gentlemen,

In line with the Initial Public Offering (IPO) of MerryMart Consumer Corp. (MM) on June 15, 2020, we submit herewith our report on the application of the actual net proceeds coming from MM Initial Public Offering amounting to **ONE BILLION FOUR HUNDRED SIXTY SIX MILLION THREE HUNDRED THIRTY FIVE THOUSAND EIGHTY EIGHT PESOS AND FIVE CENTAVOS (P1,466,335,088.05)**.

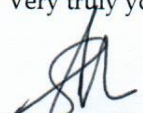
	(Actual in Php)
Gross Total Proceeds	1,594,936,709
IPO Expense	128,601,621
<b>Net Proceeds</b>	<b>1,466,335,088</b>

For the second quarter of 2020, the application of the net proceeds is broken down as follows:

(in Php)	Allocation of Actual Net Proceeds	Actual Disbursement Q2 2020	Actual Remaining as of 30 JUN 2020
Capital expenditures and initial working capital for store network expansion	1,030,800,000	1,361,980	1,029,438,020
Investments in distribution centers	220,900,000	-	220,900,000
General corporate purpose	214,635,088	22,321,430	192,313,658
<b>Total</b>	<b>1,466,335,088</b>	<b>23,683,410</b>	<b>1,442,651,678</b>

Thank you.

Very truly yours,

  
**Marriana H. Yulo-Luccini**  
CFO/CIO

# MERRYMART CONSUMER CORP.

**REPORT OF FACTUAL FINDINGS ON THE  
APPLICATION OF PROCEEDS FROM THE INITIAL PUBLIC  
OFFERING**



R.G. Manabat & Co.  
The KPMG Center, 9/F  
6787 Ayala Avenue, Makati City  
Philippines 1226  
Telephone +63 (2) 8885 7000  
Fax +63 (2) 8894 1985  
Website home.kpmg/ph  
Email ph-inquiry@kpmg.com

## REPORT OF FACTUAL FINDINGS

The Board of Directors and Stockholders  
**MERRYMART CONSUMER CORP.**  
9<sup>th</sup> Floor, Tower 1, DoubleDragon Plaza  
DD Meridian Park, Corner Macapagal Avenue and EDSA Extension  
Bay Area, Barangay 76, Pasay City, NCR, Philippines

We have performed the procedures agreed with you and enumerated below with respect to the Progress Report on the application of proceeds from the Initial Public Offering ("IPO") of MerryMart Consumer Corp. (the "Company") on June 15, 2020. The procedures were performed solely to comply with the requirement of the Philippine Stock Exchange (PSE) for the Company to submit an external auditors' report of factual findings on the accuracy of the information being represented by the Company relating to the use of proceeds from the IPO whenever a report is submitted to the PSE. Our engagement was undertaken in accordance with Philippine Standard on Related Services (PSRS) 4400, *Engagements to Perform Agreed-upon Procedures Regarding Financial Information*.

The agreed-upon procedures are summarized as follows:

1. Obtain and check the mathematical accuracy of the Quarterly Progress Report from the Company.
2. Agree the amount of the net proceeds from the IPO as stated in the Quarterly Progress Report to the related supporting documents such as bank statements, passbook and other documents evidencing the receipt thereof.
3. Compare the list of all the disbursements in the Quarterly Progress Report with the schedule of planned use of proceeds from the IPO in the Offering Circular ("Prospectus") and agree the amounts to the related supporting documents such as memorandum of agreements, invoices, deposit slips, passbook and letter of instructions.
4. Obtain written management representation as to any reallocation (or absences thereof) on the Company's planned use of proceeds or any change in the work program as disclosed in the Prospectus.





The results of the procedures performed are summarized in Annex A, which is an integral part of this report.

The procedures that we performed did not constitute either an audit or review made in accordance with Philippine Standards on Auditing (PSA) or Philippine Standard on Review Engagements (PSRE), thus, we do not express any assurance on the use of proceeds from the IPO based on the said standards.

Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with PSA and PSRE, other matters might have come to our attention that would have been reported to you.

We have no responsibility to update this report for events or circumstances occurring after the date of this report.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. This report relates only to the report on the Company's use of the proceeds from the IPO and items specified above and do not extend to any financial statements of the Company taken as a whole.

**R.G. MANABAT & CO.**

A handwritten signature in black ink, appearing to read 'Darwin P. Virocel', with a long horizontal line extending to the left.

DARWIN P. VIROCEL

Partner

CPA License No. 0094495

SEC Accreditation No. 94495-SEC, Group A, effective for five (5) years  
covering the audit of 2019 to 2023 financial statements

July 15, 2020

Makati City, Metro Manila

## Summary of Results of Agreed-Up Procedures Performed Annex A

We report the results of our work as follows:

1. We have obtained and checked the mathematical accuracy of the Company's Quarterly Progress Report for the quarter ended June 30, 2020. No exceptions noted.
2. We have agreed the amount of the net proceeds from the IPO as stated in the Quarterly Progress Report to the related supporting document such as passbook evidencing the receipt thereof. Based on inspection, the total amount received from the underwriters is net of the total related expenses arising from commissions and other fees. We agreed the reconciliation of the amount of the net proceeds from the IPO and the actual amount received from the underwriters. No exceptions noted.
3. We have compared the list of all the disbursements in the Quarterly Progress Report with the schedule of planned use of proceeds from the IPO in the Prospectus and agreed the amounts to the related supporting documents. No exceptions noted.

As presented by the Company and based on the above procedures, the table below lists the details of the disbursements made during the quarter ended June 30, 2020, from the P1,466.3 million net IPO proceeds.

	Allocation per Prospectus (in millions)	Allocation of Actual Net Proceeds (in millions)	Actual Disbursements for 2020-Q2 (in millions)	Balance as at end of 2020-Q2 (in millions)
Capital expenditures and initial working capital for store network expansion	P1,030.8	P1,030.8	P1.4	P1,029.4
Investment in distribution centers	220.9	220.9	-	220.9
General corporate purposes	220.1	214.6	22.3	192.3
<b>Total</b>	<b>P1,471.8</b>	<b>P1,466.3</b>	<b>P23.7</b>	<b>P1,442.6</b>

Relative to the actual disbursements for the period, the following procedures were also performed:

- a. Compared and agreed the actual disbursements for the quarter ended June 30, 2020 submitted by the Company to the PSE to the related supporting documents which includes bank account passbooks, official receipts, collection receipts and bank deposit slips. No exceptions noted.
- b. Checked the details of the disbursements made as shown above to the related supporting documents and noted that the portion of the proceeds allocated for capital expenditures and initial working capital for store network expansion of various stores has been disbursed by the Company totaling P1.4 million and a disbursement of P22.3 million for the Company's general corporate requirements. Such transactions and amounts thereof were agreed to the related vouchers and official receipts.



We also observed that there were disbursements included in the report which are made before the actual receipt of the proceeds from the IPO. These disbursements form part of the total capital expenditures and initial working capital for store network expansion and general corporate requirements. No exceptions noted.

4. We have obtained written management representation and noted that there were no reallocations made on the Company's planned use of proceeds from the IPO or any changes in the work program as disclosed in the Prospectus.