# Annex C
# 2021 Annual Report and
# 2021 Audited Financial Statements

# COVER SHEET

CS200930125

S.E.C. Registration Number

**MERRYMART CONSUMER CORP. AND SUBSIDIARY**

(Formerly Injap Supermart Inc.)

(Company's Full Name)

DD MERIDIAN PARK AREA COR. MACAPAGAL AVE. AND EDSA EXT. BLVD. SAN RAFAEL, PASAY CITY

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

Rizza Marie Joy Sia

Contact Person

(02) 8743-1111

Company Telephone Number

12 31

*Month* *Day*

17-A

FORM TYPE

12 17

*Month* *Day*

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes.

**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)

**SEC Form 17-A Annual Report**
(Form Type)

**N/A**
Amendment Designation

**December 31, 2021**
Period Ended Date

**N/A**
(Secondary License Type and File Number)

**SECURITIES AND EXCHANGE COMMISSION**

## SEC FORM 17-A, AS AMENDED

## ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **December 31, 2021**

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 [ x ] 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 [ x ] No [ ] N/A

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

    Yes [ x ] No [ ] N/A

13. Aggregate market value of the voting stock held by non-affiliates: **P3,964,172,789.59** as of December 31, 2021.

# Table of Contents

## PART I BUSINESS AND GENERAL INFORMATION

### ITEM 1. BUSINESS

MerryMart Consumer Corp., 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 Injap Investments, Inc. (“III”), which is the investment holding company of the Sia family, primarily led by its major shareholder and Chairman, Edgar J. Sia II.

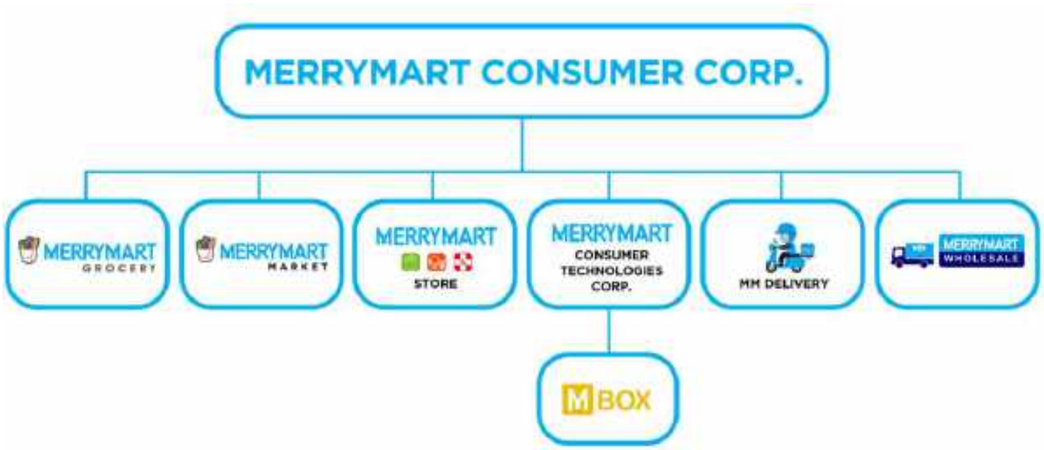
MM was incorporated in 2009. However, the Sia family has long been engaged in the supermarket business. MM opened its first two stores, Injap Supermart TATC and Injap Supermart Burgos Roxas City after its incorporation in 2009. Injap Supermarts like MerryMart Groceries are full size supermarkets offering 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.

MERRYMART has set its Vision 2030 with the goal of rolling out a total of 1,200 MERRYMART branches nationwide with an aim of reaching Php 120 Billion in systemwide sales revenue.

On June 15, 2020, the Company’s shares debuted on the Philippine Stock Exchange’s (“PSE”) Small, Medium, and Emerging Board (“SME Board”) under the stock symbol “MM” through an initial public offering of 21% of its outstanding common shares.

MM 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 brick and mortar grocery retail formats and two online 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.


4. MerryMart Delivery

On November 16, 2020, MM launched its inhouse online delivery app www.merrymartdelivery.com.ph today which will enable shoppers across Metro Manila to have MERRYMART products delivered to their doorstep with no minimum purchase.


5. MerryMart Wholesale

On October 10, 2021 MM Group soft launched its online Wholesale platform which is served from the MM Group's central distribution center in CentralHub-Tarlac. The online Wholesale platform features live inventory and next day delivery. The MerryMart Wholesale app on iOS and Android is expected to be ready by May 2022.


As of December 31, 2021, MM Group has 45 operational branches, opening 26 new stores in 2021 across the country. In addition to its operational branches, it has secured another 56 branches through its recent acquisitions, bringing its total network of branches to 101 nationwide.


*Map shows the distribution of the MM Group's operational branches as of December 31, 2021*

For the year ended December 31, 2021, the MM Group booked consolidated revenues of ₱3.9 billion, an increase of 13.1% from the prior year's consolidated revenues of ₱3.5 billion. For the year ended December 31, 2021, the MM Group booked consolidated net income of ₱34.0 million, a decrease of 29.5% from the prior year's consolidated net income of ₱48.2 million.

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 December 31, 2021, the MM Group owns and operates 45 stores nationwide (excluding recent acquisitions).

The table below shows the historical sale of goods growth for MM Group, with CAGR of 21.82% for 2017 to 2021.

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| Sale of goods | 1,750,689,674 | 2,095,408,067 | 2,482,302,804 | 3,412,521,282 | 3,855,509,832 |

Venturing to widen reach, on November 8, 2021 the Group finalized the acquisition of 75.08% equity stake in Carlos Drugs-Lucena Inc. ("Carlos SuperDrug"), the biggest pharmacy chain in Quezon Province. Carlos SuperDrug brand was founded in 1946 in Lucena City by the husband & wife team of Diomedes & Generosa Carlos.

On November 8, 2021, the Company signed an agreement for the acquisition of 75.08% equity stake in Carlos Drugs-Lucena Inc. ("Carlos SuperDrug"). The Company will acquire 287,856 secondary shares representing 71.96% in Carlos SuperDrug for P289.53 million as soon as all conditions precedents are completed by the Selling Shareholders which include among others the approval of the SEC of the amendment of the Articles of Incorporation and By-Laws of the Corporation. The Company will also purchase an additional 50,000 primary shares for P50.29 million.

On January 6, 2022, the Securities and Exchange Commission (SEC) approved the amended provisions of articles of incorporation of Carlos Drugs-Lucena, Inc. allowing the Company to complete its acquisition of shares.

The acquisition gave the Company a 71.96% ownership and control on January 6, 2022. For the convenience purposes, the Company used December 31, 2021 as the cut-off date in determining the net assets of Carlos Drugs-Lucena. The purchase price allocation has been prepared on a preliminary basis as the fair values are being finalized. Preliminary net asset value of Carlos Drugs-Lucena is P108.17 million.

On March 09, 2022 MM signed the agreement with ZC Ramthel Corporation (Cecile's Pharmacy) finalizing the acquisition of majority 53.125% stake in the Mindanao based pharmacy chain.

Cecile's Pharmacy is the biggest pharmacy chain in the city of Zamboanga in Mindanao Region, and the brand has been in operation for 57 years since 1964 with 21 strategically located operating branches to date, with over 300 workforce.

*Actual photos of MERRYMART opening*


*MERRYMART Grocery –Arayat*

*MERRYMART Grocery – Umbria*


*MERRYMART Grocery – Bacalso with Carlos SuperDrug Pharmacy*

On October 10, 2021, MerryMart launched its MM Wholesale Club program. The MM Wholesale Club is open for business or individual memberships and the membership is currently free of charge. Business membership will be suited for sari-sari stores, restaurants, carinderias, minimarts, hotels, offices, canteens, LGUs, hospitals, catering services, etc. While individual membership will be suited for any individual who opts to buy supplies in bulk or by the case for household consumption, or for any of their wholesale requirements from time to time for special events.

MERRYMART WHOLESALE

Always cheaper by the case!


*MERRYMART WHOLESALE – MM Logistics Distribution Center in CentralHub-Tarlac*

The MM wholesale operations commenced and fully service its members in 2021, in time for the full completion of the new modern 11,000-sq.m. MM Logistics Distribution Center in CentralHub-Tarlac in North Luzon. Currently, MM's operating distribution center is located in South Luzon (Laguna).

On October 9, 2021, MERRYMART opened its first Drive Thru store along Diversion Road, Iloilo City.

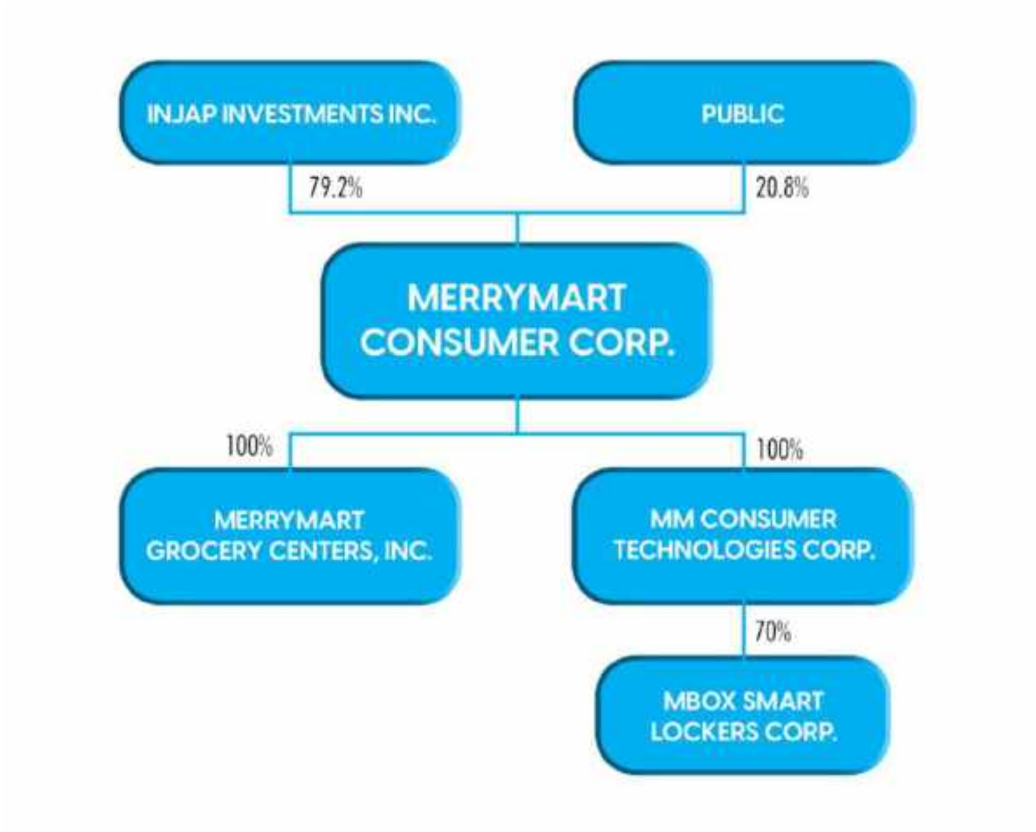

*MERRYMART's first Drive Thru store located on Diversion Road, Iloilo City*

On October 7, 2021, MM Group's consumer technology arm started rolling out MBOX Smart Lockers, which are revolutionary system of self-service lockers similar to post office boxes that are accessible 24/7, where customers can collect and drop off packages at their convenience at minimal or no additional cost. As soon as a package arrives, the locker sends a pickup code via SMS/App notification to alert the receiver.


*MBOX Smart Locker is now available in MerryMart Grocery Branch in DD Meridian Park*

**CORPORATE STRUCTURE**

The following chart sets forth an overview of the corporate structure of the MM Group as of December 31, 2021.




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.

***MerryMart Grocery Centers Inc.***

MM wholly owns MMGC, which operates and acts as the master franchisor, owner and operator 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 branded retail stores.

***MM Consumer Technologies Corp.***

MM wholly owns MTech,  it was incorporated on February 23, 2019 to engage in the business to acquire hold, own, operate, or manage of various consumer technology ventures. MTech serves as the arm for consumer technology related ventures.

***MBox Smart Lockers Corp.***

Incorporated on February 29, 2019, MM holds 70% MBox thru MTech, which operates and acts as the arm for investment, development, management of operations related but not limited to storage and distribution, including smart lockers, storage and other logistic tools.

## EMPLOYEES

As of December 31, 2021, the MM Group has 318 direct employees.

| | Direct Employees |
|---|---|
| MerryMart Consumer Corp. | 117 |
| MerryMart Grocery Centers, Inc. | 240 |
| Total | 357 |

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 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.

## 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 as of December 31, 2021:

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

| | | | | |
|---|---|---|---|---|
| MERRYMART 3-in-1 | | MerryMart Grocery Centers Inc. | 05 February 2021 | 05 February 2031 |
| MERRYMART MM Smiley | | MerryMart Grocery Centers Inc. | 23 April 2021 | 23 April 2031 |

The above trademarks are 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.

The Company is also the owner of one domain name: https://merrymart.com.ph.

**HEALTH, SAFETY AND ENVIRONMENT**

The MM Group regards occupational health and safety as one of its most important corporate and social responsibilities and it is the Company's corporate policy to comply with existing environmental laws and regulations. Permits and approvals are regularly monitored by the MM Group to ensure that all are properly renewed and maintained. The Group also conducts regular trainings on environment, health and safety.

**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. 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.

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.

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.

## 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.

## 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.

## 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. 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.

## 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, 2020. 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.

## 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.

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.

## CUSTOMERS

### Customer Loyalty Programs – MerryMart Wholesale Club

The Group offers wholesale program, the MM Wholesale Club, wherein members can earn a point for every 200 pesos worth of purchase. Points earned may be used for bulk orders at MerryMart Wholesale Online Grocery. Members and Loyalty Card holders also gives access and convenience of picking up bulk order at MM Distribution Center in Tarlac Centralhub.

## ITEM 2. PROPERTIES

As of December 31, 2021, the MM Group owns the following parcels of land:

| LOCATION | AREA (in square meter) | LIENS |
|---|---|---|
| Jaro, Iloilo City | 255 | None |
| Mandurriao, Iloilo City | 1,800 | None |
| Tabuc Suba, Jaro, Iloilo City | 2,246 | None |
| Nabitasan, Lapaz, Iloilo City | 1,702 | None |

As of December 31, 2021, MM owns the following store structures for the Group's retail operations:

| FORMAT | STORE LOCATION | STRUCTURE |
|---|---|---|
| Grocery | Injap Supermart – Tatc Roxas City | Company Owned |
| Grocery | Injap Supermart – Burgos Roxas City | Company Owned |
| Grocery | Merrymart Grocery – Doubledragon Plaza Pasay | Company Owned |
| Grocery | Merrymart Grocery – Calamba Laguna | Company Owned |
| Store | Merrymart Store - Ayala Malls Manila Bay | Company Owned |
| Grocery | Merrymart Grocery – Sorsogon City | Company Owned |
| Grocery | Merrymart Grocery – Mayombo Dagupan City | Company Owned |
| Grocery | Merrymart Grocery – Isulan | Company Owned |
| Grocery | Merrymart Grocery - Bulua Cdo City | Company Owned |
| Grocery | Merrymart Grocery - Roxas Avenue Capiz* | Company Owned |
| Grocery | Merrymart Grocery - San Carlos City Pangasinan | Company Owned |
| Grocery | Merrymart Grocery - Mactan Town Center Cebu City | Company Owned |
| Grocery | Merrymart Grocery - Calapan City Mindoro | Company Owned |
| Store | Merrymart Store - Lapaz Iloilo City | Under Franchise |
| Market | Merrymart Market - Rockwell Arton Strip Qc | Company Owned |
| Store | Merrymart Store – Alimall | Company Owned |
| Grocery | Merrymart Grocery - Cadiz City Negros | Company Owned |
| Grocery | Merrymart Grocery - Iponan Cdo City | Company Owned |
| Store | Merrymart Store - Market Market | Company Owned |
| Store | Merrymart Store – Tsquare | Company Owned |
| Store | Merrymart Store - Roxas Ave | Company Owned |
| Store | Merrymart Store - J De Leon | Company Owned |
| Store | Merrymart Store - Quintin Salas Jaro | Company Owned |
| Store | Merrymart Store - Pavia Iloilo | Company Owned |
| Grocery | Merrymart Grocery – Tuguegarao | Company Owned |
| Store | Merrymart Store – Tuguegarao | Company Owned |
| Grocery | Merrymart Grocery – Aparri | Company Owned |
| Store | Merrymart Store – Aparri | Company Owned |
| Store | Merrymart Store – Mambusao | Under Franchise |
| Store | Merrymart Store - West End | Company Owned |
| Store | Merrymart Store - Bloc10 | Company Owned |
| Store | Merrymart Store - Riala Cebu | Company Owned |
| Store | Merrymart Store - Tatc Roxas | Company Owned |
| Store | Merrymart Store - Burgos Roxas | Company Owned |

| | | |
|---|---|---|
| Grocery | Merrymart Grocery - Anabu | Company Owned |
| Store | Merrymart Store - Camp 7 Kennon Road Baguio | Under Franchise |
| Store | Merrymart Store - Diversion Road, Iloilo | Company Owned |
| Store | Merrymart Store - Antique | Company Owned |
| Store | Merrymart Store - High Street Bgc | Company Owned |
| Grocery | Merrymart Grocery - Bocaue Bulacan | Company Owned |
| Store | Merrymart Store - Bocaue Bulacan | Company Owned |
| Grocery | Merrymart Grocery - Arayat | Company Owned |
| Store | Merrymart Store – Arayat | Company Owned |
| Grocery | Merrymart Grocery - Umbria Laguna | Company Owned |
| Store | Merrymart Store - Northpoint Subic | Company Owned |

The MM Group leases spaces for their retail stores as well as their distribution centers from both related parties and non-related parties. 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 1% 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.

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.

## ITEM 3. LEGAL PROCEEDINGS

As of December 31, 2021, the MM Group is not involved in any litigation regarding an event which occurred during the past five years that they consider material.

## ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

1. **Approval of the 2021 Audited Financial Statements and 2021 Annual Report**
   Date of Approval by Board of Directors : May 13, 2022

2. **Ratification of the Actions of the Board of Directors and Officers**
   Date of Approval by Stockholders : December 17, 2021

3. **Election of Directors**
   Date of Approval by Stockholders : December 17, 2021

4. **Appointment of External Auditors**
   Date of Approval by Stockholders : December 17, 2021

## PART II OPERATIONAL AND FINANCIAL INFORMATION

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS

### MARKET INFORMATION

The Company's Common Shares are traded and listed with the Philippine Stock Exchange starting June 15, 2020.

**2021** Prices (in PhP/share)

| | High | Low | Close |
|---|---|---|---|
| **First Quarter** | ₱ 8.56 | ₱ 4.39 | ₱ 5.44 |
| **Second Quarter** | ₱ 5.74 | ₱ 3.65 | ₱ 4.06 |
| **Third Quarter** | ₱ 4.29 | ₱ 3.02 | ₱ 3.86 |
| **Fourth Quarter** | ₱ 3.92 | ₱ 2.28 | ₱ 2.51 |

**2020** Prices (in PhP/share)

| | High | Low | Close |
|---|---|---|---|
| **First Quarter** | - | - | - |
| **Second Quarter** | ₱ 3.71 | ₱ 1.00 | ₱ 3.50 |
| **Third Quarter** | ₱ 3.36 | ₱ 2.19 | ₱ 3.03 |
| **Fourth Quarter** | ₱ 6.25 | ₱ 3.00 | ₱ 6.18 |

As of December 31, 2021, the closing price of the Company's common shares was ₱2.51 per share with a total market capitalization of ₱19,063,291,140.

The price information as of the close of the latest practicable trading date May 13, 2022 is 1.50 per share with a total market capitalization of ₱ 11,164,556,96.

### DIVIDENDS AND DIVIDENDS 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.

### *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 History*

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.

## PRINCIPAL SHAREHOLDERS

The following table sets forth the largest shareholders of the Company's Common Shares as of December 31, 2021.

| | Name | Nationality | No. of Shares | Percentage |
|---|---|---|---|---|
| 1 | PCD – Filipino | Filipino | 7,567,143,525 | 99.6% |
| 2 | PCD- Non Filipino | Non - Filipino | 27,733,179 | 0.4% |
| 3 | Irish Hazel G. Manaois | Filipino | 23,000 | 0.0% |
| 4 | Myra P. Villanueva | Filipino | 9,000 | 0.0% |
| 5 | Daphne Dianne D. Mendoza | Filipino | 5,000 | 0.0% |
| 6 | Joyce Anne M. Coralde | Filipino | 5,000 | 0.0% |
| 7 | Myrna P. Villanueva | Filipino | 5,000 | 0.0% |
| 8 | Edgar J. Sia | Filipino | 2,000 | 0.0% |
| 9 | Edgar J. Sia II | Filipino | 2,000 | 0.0% |
| 10 | Ferdinand J. Sia | Filipino | 2,000 | 0.0% |
| 11 | Pacita J. Sia | Filipino | 2,000 | 0.0% |
| 12 | Rizza Marie Joy J. Sia | Filipino | 2,000 | 0.0% |
| 13 | Milagros P. Villanueva | Filipino | 1,000 | 0.0% |
| 14 | Marietta V. Cabreza | Filipino | 1,000 | 0.0% |
| 15 | Juan Carlos V. Cabreza | Filipino | 1,000 | 0.0% |
| 16 | Marriana H. Yulo-Luccini | Filipino | 1 | 0.0% |
| 17 | Jacqueline Ann Marie O. Gomez | Filipino | 1 | 0.0% |
| 18 | Jose Roelph E. Desales | Filipino | 1 | 0.0% |
| 19 | Victoria R. Tamayao | Filipino | 1 | 0.0% |
| 20 | Gary Emerson P. Cheng | Filipino | 1 | 0.0% |
| | **Total** | | **7,594,936,709** | **100.0%** |

## ITEM 6. MANAGEMENT’S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

## Calendar Year Ended December 31, 2021 and 2020

### RESULTS OF OPERATION

**MERRYMART CONSUMER CORP. AND SUBSIDIARY**
**Audited Consolidated Statements of Comprehensive Income**
**For the year ended December 31, 2021 & 2020**

| | | | Horizontal Analysis | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| | December 31, 2021 | December 31, 2020 | Increase (Decrease) | | 2021 | 2020 |
| **REVENUES** | | | | | | |
| Sale of goods | 3,855,509,832 | 3,412,521,282 | 442,988,550 | 13.0% | 98.1% | 98.2% |
| Display rental | 21,034,255 | 26,326,260 | (5,292,005) | (20.1%) | 0.5% | 0.8% |
| Other operating income | 52,842,525 | 35,236,233 | 17,606,292 | 50.0% | 1.3% | 1.0% |
| | **3,929,386,612** | **3,474,083,775** | **455,302,837** | **13.1%** | **100.0%** | **100.0%** |
| COST OF SALES | 3,277,257,704 | 3,145,722,630 | 131,535,074 | 4.2% | 83.4% | 90.5% |
| **GROSS PROFIT** | **652,128,908** | **328,361,145** | **323,767,763** | **98.6%** | **16.6%** | **9.5%** |
| OPERATING EXPENSES | 582,763,356 | 304,656,866 | 278,106,490 | 91.3% | 14.8% | 8.8% |
| **INCOME FROM OPERATIONS** | **69,365,552** | **23,704,279** | **45,661,273** | **192.6%** | **1.8%** | **0.7%** |
| INTEREST EXPENSE | 15,960,615 | 12,550,872 | 3,409,743 | 27.2% | 0.4% | 0.4% |
| INTEREST INCOME | 1,750,905 | 5,769,988 | (4,019,083) | (69.7%) | 0.0% | 0.2% |
| **INCOME BEFORE TAX** | **55,155,842** | **16,923,395** | **38,232,447** | **225.9%** | **1.4%** | **0.5%** |
| **INCOME TAX EXPENSE (BENEFIT)** | **(21,158,303)** | **31,317,679** | **(52,475,982)** | **(167.6%)** | **(0.5%)** | **0.9%** |
| **NET INCOME** | **33,997,539** | **48,241,074** | **(14,243,535)** | **(29.5%)** | **0.9%** | **1.4%** |
| **OTHER COMPREHENSIVE INCOME** | | | | | | |
| REMEASUREMENT GAIN ON DEFINED BENEFIT LIABILITY | 2,115,694 | (1,456391) | 3,572,085 | (245.3%) | 0.1% | (0.0%) |
| **NET COMPREHENSIVE INCOME (LOSS)** | **36,113,233** | **46,784,683** | **(10,671,450)** | **(22.8%)** | **0.9%** | **1.3%** |
| NET INCOME TO PARENT | 34,304,682 | 48,241,074 | (13,936,392) | (28.9%) | 0.9% | 1.4% |
| NCI NET INCOME (LOSS) | (307,143) | - | (307,143) | 0.0% | (0.0%) | 0.0% |
| NET INCOME | 33,997,539 | 48,241,074 | (14,243,535) | (29.5%) | 0.9% | 1.4% |
| NET INCOME TO PARENT | 36,420,376 | - | 36,420,376 | 0.0% | 0.9% | 0.0% |
| NCI NET INCOME (LOSS) | (307,143) | - | (307,143) | 0.0% | (0.0%) | 0.0% |
| NET COMPREHENSIVE INCOME | 36,113,233 | 46,784,683 | (10,671,450) | (22.8%) | 0.9% | 1.3% |

For the year ended December 31, 2021, the MM Group earned a consolidated revenue of ₱3.9 billion an increase of 13.0% from ₱3.5 billion in 2020. This was driven by the expansion of the Group's grocery retail store with the opening of additional MerryMart-branded groceries and stores and the continuous growth of the existing stores. In 2021, the Group opened additional 26 MerryMart branches.

For the year ended December 31, 2021, sale of goods contributes 98.1% of the total revenue.

The increase in display rental is due to more stores operating in 2021.

The increase in other operating income is due to the increase in product listing fee, supplier opening support and franchise application fees of the MM Group.

For the year ended December 31, 2021, the MM Group's cost of sales is ₱3,277.3 million, an increase of 4.2% compared to ₱3,145.7 million for the year ended December 31, 2020, which is in line with the increase of revenues, primarily driven by the increase in sales.

For the year ended December 31, 2021, the MM Group realized an increase of 98.6% in consolidated gross profit from ₱328.4 million in 2020 at 9.5% margin to ₱652.1 million at 16.6% margin in the same period of 2021, driven by strong sales growth and increase in other operating income of the Group.

Operating expenses increased by ₱278.1 million or 91.3% from the ₱304.7 million in the year ended December 31, 2020 to ₱582.8 million in 2021. 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 pertains to the accounting adjustment for the adoption of PFRS 16. The amount is the computed interest expense for the lease contract liability recognized. The increase in interest expense of ₱3.4 million or 27.2% from ₱12.6 million in the year ended December 31, 2020 to ₱16.0 million in 2021 is due to additional leases of MM Group qualified under PFRS 16.

Interest income decreased by 69.7% in 2021 due to decrease in deposit placement.

Pre-tax income increased by 225.9% year-on-year to ₱55.16 Million due to the increase in the revenue of the Group.

Income tax expense for the year ended December 31, 2021 amounted to ₱21.2 million due to taxable income driven by sales growth for the period and due to one-off tax adjustments as a result of the downward adjustment in the deferred tax assets due to the change in corporate income tax rate.

For the year ended December 31, 2021, the MM Group earned a consolidated net income of ₱34.0 million a decrease of 29.5% from ₱48.2 million in 2020. The decrease is mainly due to the higher income tax expense as a result of one-time adjustments recorded.

## FINANCIAL POSITION

## MERRYMART CONSUMER CORP. AND SUBSIDIARY

**Audited Consolidated Statements of Financial Position**
**As at December 31, 2021 & 2020**

| | December 31, 2021 | December 31, 2020 | Horizontal Analysis Increase (Decrease) | | Vertical Analysis 2021 | Vertical Analysis 2020 |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| **Current Assets** | | | | | | |
| Cash and cash equivalents | ₱2,030,327,961 | ₱940,641,989 | ₱1,089,685,972 | 115.8% | 31.3% | 27.1% |
| Receivables | 86,062,063 | 25,071,685 | 60,990,378 | 243.3% | 1.3% | 0.7% |
| Inventories | 1,372,727,670 | 737,572,923 | 635,154,747 | 86.1% | 21.1% | 21.2% |
| Prepaid expenses and other current assets | 292,638,800 | 199,090,553 | 93,548,247 | 47.0% | 4.5% | 5.7% |
| **Total Current Assets** | **3,781,756,494** | **1,902,377,150** | **1,879,379,344** | **98.8%** | **58.2%** | **54.7%** |
| **Noncurrent Assets** | | | | | | |
| Property and equipment - net | 1,718,685,658 | ₱908,849,180 | 809,836,478 | 89.1% | 26.5% | 26.1% |
| Right-of-use asset | 449,025,449 | 402,933,511 | 46,091,938 | 11.4% | 6.9% | 11.6% |
| Intangible asset | 54,962,301 | 42,910,253 | 12,052,048 | 28.1% | 0.8% | 1.2% |
| Deferred tax asset | 37,919,270 | 44,276,810 | (6,357,540) | (14.4%) | 0.6% | 1.3% |
| Other noncurrent assets | 450,109,053 | 174,714,961 | 275,394,092 | 157.6% | 6.9% | 5.0% |
| **Total Noncurrent Assets** | **2,710,701,731** | **1,573,684,715** | **1,137,017,016** | **72.3%** | **41.8%** | **45.3%** |
| | **₱6,492,458,225** | **₱3,476,061,865** | **₱3,016,396,360** | **86.8%** | **100.0%** | **100.0%** |
| **LIABILITIES AND EQUITY** | | | | | | |
| **Current Liabilities** | | | | | | |
| Accounts payable and other current liabilities | ₱822,473,155 | ₱416,433,885 | ₱406,039,270 | 97.5% | 12.7% | 12.0% |
| Loans payable | 1,295,000,000 | 450,000,000 | 845,000,000 | 187.8% | 19.9% | 12.9% |
| Income tax payable | - | - | - | 0.0% | 0.0% | 0.0% |
| Due to related parties | - | 62,482,842 | (62,482,842) | (100.0%) | 0.0% | 1.8% |
| **Total Current Liabilities** | **2,117,473,155** | **928,916,727** | **1,188,556,428** | **128.0%** | **32.6%** | **26.7%** |
| **Noncurrent Liabilities** | | | | | | |
| Retirement liability | 9,085,689 | 8,024,699 | 1,060,990 | 13.2% | 0.1% | 0.2% |
| Loans Payable - noncurrent | 1,997,053,555 | 250,000,000 | 1,747,053,555 | 698.8% | 30.8% | 7.2% |
| Other noncurrent liabilities | 2,580,000 | 1,380,000 | 1,200,000 | 87.0% | 0.0% | 0.0% |
| Lease liability | 407,535,140 | 376,322,986 | 31,212,154 | 8.3% | 6.3% | 10.8% |
| Deposit for future subscription | - | - | - | 0.0% | 0.0% | 0.0% |
| **Total Noncurrent Liabilities** | **2,416,254,384** | **635,727,685** | **1,780,526,699** | **280.1%** | **37.2%** | **18.3%** |
| **Total Liabilities** | **4,533,727,539** | **1,564,644,412** | **2,969,083,127** | **189.8%** | **69.8%** | **45.0%** |
| **Equity** | | | | | | |
| Capital stock | 379,746,835 | 379,746,835 | - | 0.0% | 5.8% | 10.9% |
| Additional Paid-up Capital | 1,386,292,253 | 1,386,292,253 | - | 0.0% | 21.4% | 39.9% |
| Retained earnings | 180,339,438 | 146,834,756 | 33,504,682 | 22.8% | 2.8% | 4.2% |
| Remeasurement gain on defined benefit liability | 659,303 | (1,456,391) | 2,115,694 | (145.3%) | 0.0% | (0.0%) |
| | 1,947,037,829 | 1,911,417,453 | 35,620,376 | 1.9% | 30.0% | 55.0% |
| Non-controlling interest | 11,692,857 | - | 11,692,857 | 0.0% | 0.2% | 0.0% |
| **Total Equity** | **1,958,730,686** | **1,911,417,453** | **47,313,233** | **2.5%** | **30.2%** | **55.0%** |
| **Total Liabilities and Equity** | **₱6,492,458,225** | **₱3,476,061,865** | **₱3,016,396,360** | **86.8%** | **100.0%** | **100.0%** |

**ASSETS**

Total assets as at December 31, 2021 is ₱6,492.5 million compared to ₱3,476.1 million as at December 31, 2020, a ₱3,016.4 million or 86.8% increase.

***Current Assets***

As at December 31, 2021 and 2020, total current assets amounted to ₱3,781.8 million or 58.2% of total assets, and ₱1,902.4 million or 54.7% of total assets, respectively, for an increase of ₱1,879.4 million or 98.8%.

Cash and cash equivalents increased by 115.8% from ₱940.6 million as at December 31, 2020 to ₱2,030.3 million as at December 31, 2021 primarily due from the proceeds of loan and cash from operations.

Receivables accounts for 1.3% of the total assets as at December 31, 2021. It increased by 243.3% from ₱25.1 million as at December 31, 2020 to ₱86.1 million as at December 31, 2021 due to receivables from credit card transactions that are settled within 1-3 days from transaction date and receivables from display rental.

Inventories increased by 86.1% from ₱737.6 million as at December 31, 2020 to ₱1,372.7 million as at December 31, 2021. This increase is due from the increase in operations of the Group, with 26 additional stores in 2021 and the launching of MerryMart Wholesale.

Prepaid expenses and other current assets increased by 47.0% from ₱199.1 million as at December 31, 2020 to ₱292.6 million as at December 31, 2021 primarily due to the increased in input VAT related to the construction of new stores, additional prepayments and advances to suppliers.

***Noncurrent Assets***

As at December 31, 2021 and 2020, total noncurrent assets amounted to ₱2,710.7 million or 41.8% of total assets, and ₱1,573.7 million or 45.3% of total assets, respectively, for an increase of ₱1,137.0 million or 72.3%.

Property and equipment increased by 89.1% from ₱908.8 million as at December 31, 2020 to ₱1,718.7 million as at December 31, 2021 due primarily to the increase in construction in progress and leasehold improvements for MerryMart's additional stores, as well as acquisition of land and store equipment.

Right-of-Use asset is in relation to the adoption of PFRS 16. Right-of-Use Assets amounted to ₱449.0 million and ₱402.9 million as at December 31, 2021 and December 31, 2020, respectively, which is 6.9% of total assets. The increase in right-of-use asset is due to the additional leases of the Group qualified under PFRS 16.

Intangible Assets increased by 28.1% from ₱42.9 million as at December 31, 2020 to ₱55.0 million as at December 31, 2021 due to installation of additional POS systems for new operational stores during the period.

Deferred tax assets decreased by 14.4% from ₱44.3 million as at December 31, 2020 to ₱37.9 million as at December 31, 2020 due to application of prior period's NOLCO in 2021.

Other noncurrent assets mainly pertain to the deposits made by the Group for new lease for its new and upcoming stores. Other noncurrent assets increased by ₱275.4 million or 157.6% from ₱174.7 million as at December 31, 2020 to ₱450.1 million in December 31, 2021, which is 6.9% of the total assets.

**LIABILITIES**

Total liabilities as at December 31, 2021 is ₱4,533.7 million compared to ₱1,564.6 million as at December 31, 2020, a ₱2,969.1 million or 189.8% increase.

***Current Liabilities***

As at December 31, 2021 and 2020, total current liabilities amounted to ₱2,117.5 million or 32.6% of total assets, and ₱928.9 million or 26.7% of total assets, respectively, for an increase of ₱1,188.6 million or 128.0%.

Accounts payable and other current liabilities increased by 97.5% to ₱ 822.5 million as at December 31, 2021, or 12.7% of total assets, due to higher payables to suppliers, accrued expenses and current portion lease liabilities as at December 31, 2021.

Short-term loans payable amounted to ₱1,295.0 million as at December 31, 2021, an increase of ₱845.0 million or 187.8% from ₱450.0 million as at December 31, 2020. The increase is due to the short-term loans and current portion of the long-term loan availed by the Group in 2021 in preparation for its growth and expansion.

Income tax payable is nil for December 31, 2021, all income taxes due were paid by the Group before December 31, 2021.

Due to related parties amounted to nil as at December 31, 2021 from ₱ 62.5 million, 1.8% of total assets, as at December 31, 2020. The decrease is due to payment of advances during the period.

***Noncurrent Liabilities***

As at December 31, 2021 and 2020, total noncurrent liabilities amounted to ₱2,416.3 million or 37.2% of total assets, and ₱635.7 million or 18.3% of total assets, respectively, for an increase of ₱1,780.5 million or 280.1%.

Retirement benefits liability increased by ₱1.1 million or 13.2% due to the additional accrual recognized by the MM Group for its retirement obligation to its employees.

Long-term loans payable amounted to ₱1,997.1 million on December 31, 2021, an increase of ₱1,747.1 million or 698.8% from ₱250.00 million as at December 31, 2020. The increase is due to availment of long-term loan from a local bank in preparation for investments in its company-owned store expansion and distribution centers nationwide.

Lease liability pertains to the contractual lease liability recognized by the MM Group for its stores and office space in relation to the PFRS 16 adoption amounting to ₱407.5 million as at December 31, 2021, an increase of ₱31.2 million or 8.3% from ₱376.3 million as at December 31, 2020. The increase in lease liability is due to additional spaces qualified under PFRS 16 leased by the Group for its newly opened stores.

**EQUITY**

As at December 31, 2021 and 2020, total equity amounted to ₱1,958.7 million or 30.2% of total assets, and ₱1,911.4 million or 55.0% of total assets, respectively, for an increase of ₱47.3 million or 2.5%. The increase in equity is due to the Group's non-controlling interest and net income for the period.

## Calendar Year Ended December 31, 2020 and 2019

**RESULTS OF OPERATION**

**MERRYMART CONSUMER CORP. AND SUBSIDIARY**
**Audited Consolidated Statements of Comprehensive Income**
**For the year ended December 31, 2020 & 2019**

| | | | Horizontal Analysis | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| | December 31, 2020 | December 31, 2019 | Increase (Decrease) | | 2020 | 2019 |
| **REVENUES** | | | | | | |
| Sale of goods | 3,412,521,282 | 2,482,302,804 | 930,218,478 | 37.5% | 98.2% | 98.7% |
| Display rental | 26,326,260 | 20,870,590 | 5,455,670 | 26.1% | 0.8% | 0.8% |
| Other operating income | 35,236,233 | 12,062,959 | 23,173,274 | 192.1% | 1.0% | 0.5% |
| | **3,474,083,775** | **2,515,236,353** | **958,847,422** | **38.1%** | **100.0%** | **100.0%** |
| COST OF SALES | 3,145,722,630 | 2,370,672,389 | 775,050,241 | 32.7% | 90.5% | 94.3% |
| **GROSS PROFIT** | **328,361,145** | **144,563,964** | **183,797,181** | **127.1%** | **9.5%** | **5.7%** |
| OPERATING EXPENSES | 304,656,866 | 98,053,988 | 206,602,878 | 210.7% | 8.8% | 3.9% |
| **INCOME FROM OPERATIONS** | **23,704,279** | **46,509,976** | **(22,805,697)** | **(49.0%)** | **0.7%** | **1.8%** |
| INTEREST EXPENSE | 12,550,872 | 6,653,777.00 | 5,897,095 | 88.6% | 0.4% | 0.3% |
| INTEREST INCOME | 5,769,988 | 109,993 | 5,659,995 | 5145.8% | 0.2% | 0.0% |
| **INCOME BEFORE TAX** | **16,923,395** | **39,966,192** | **(23,042,797)** | **(57.7%)** | **0.5%** | **1.6%** |
| **INCOME TAX EXPENSE (BENEFIT)** | **31,317,679** | **(11,956,860)** | **43,274,539** | **(361.9%)** | **0.9%** | **(0.5%)** |
| **NET INCOME** | **48,241,074** | **28,009,332** | **20,231,742** | **72.2%** | **1.4%** | **1.1%** |
| **OTHER COMPREHENSIVE INCOME** | | | | | | |
| REMEASUREMENT GAIN ON DEFINED BENEFIT LIABILITY | (1,456,391) | - | (1,456,391) | 0.0% | (0.0%) | 0.0% |
| **NET COMPREHENSIVE INCOME (LOSS)** | **46,784,683** | **28,009,332** | **18,775,351** | **67.0%** | **1.9%** | **1.3%** |

For the year ended December 31, 2020, the MM Group earned a consolidated revenue of ₱3.5 billion an increase of 38.1% from ₱2.5 billion in 2019. This was driven by the expansion of the MM Group's grocery retail store with the opening of 22 additional stores in 2020 and the continuous strong growth of the first two grocery stores in Roxas, Capiz.

For the year ended December 31, 2020, sale of goods contributes 98.2% of the total revenue.

The increase in display rental is due to more stores operating in 2020.

The increase in other operating income is due to the increase in product listing fee, supplier opening support and franchise application fees of the MM Group.

For the year ended December 31, 2020, the MM Group's cost of sales is ₱3,145.7 million, an increase of 32.7% compared to ₱2,370.7 million for the year ended December 31, 2019, which is in line with the increase of revenues, primarily driven by the increase in sales.

For the year ended December 31, 2020, the MM Group realized an increase of 127.1% in consolidated gross profit from ₱144.6 million in 2019 at 5.7% margin to ₱328.4 million at 9.5% margin in the same period of 2020, driven by strong sales growth from old and new stores and increase in other operating income.

Operating expenses increased by ₱206.6 million or 210.7% from the ₱98.1 million in the year ended December 31, 2019 to ₱304.7 million in 2020. The additional operating expenses are mainly attributable to the opening of a new stores in 2020 and the pre-operating expenses of some branches.

Interest expense pertains to the accounting adjustment for the adoption of PFRS 16. The amount is the computed interest expense for the lease contract liability recognized. The increase in interest expense of ₱5.9 million or 88.6% from ₱6.7 million in the year ended December 31, 2019 to ₱12.6 million in 2020 is due to additional leases of MM Group qualified under PFRS 16.

Interest income increased by 5,145.8% in 2020 due to increase in deposit placement.

Income tax benefit for the year ended December 31, 2020 amounted to ₱31.3 million due to the net operating loss from the Company's subsidiary.

For the year ended December 31, 2020, the MM Group earned a consolidated net income of ₱48.2 million an increase of 72.2% from ₱₱28.0 million in 2019. The increase is due to the increase in revenue of the Group and income tax benefit recorded for the year.

## FINANCIAL POSITION

### MERRYMART CONSUMER CORP. AND SUBSIDIARY
**Audited Consolidated Statements of Financial Position**
**As at December 31, 2020 & 2019**

| | December 31, 2020 | December 31, 2019 (As reclassified - Note 24) | Horizontal Analysis Increase (Decrease) | | Vertical Analysis 2020 | Vertical Analysis 2019 |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| **Current Assets** | | | | | | |
| Cash and cash equivalents | ₱940,641,989 | ₱270,308,599 | ₱670,333,390 | 248.0% | 27.1% | 30.0% |
| Receivables | 25,071,685 | 9,018,707 | 16,052,978 | 178.0% | 0.7% | 1.0% |
| Inventories | 737,572,923 | 183,418,743 | 554,154,180 | 302.1% | 21.2% | 20.4% |
| Prepaid expenses and other current assets | 199,090,553 | 32,369,229 | 166,721,324 | 515.1% | 5.7% | 3.6% |
| **Total Current Assets** | **1,902,377,150** | **495,115,278** | **1,407,261,872** | **284.2%** | **54.7%** | **55.0%** |
| **Noncurrent Assets** | | | | | | |
| Property and equipment - net | 908,849,180 | ₱221,794,668 | 687,054,512 | 309.8% | 26.1% | 24.6% |
| Right-of-use asset | 402,933,511 | 118,264,628 | 284,668,883 | 240.7% | 11.6% | 13.1% |
| Intangible asset | 42,910,253 | 14,612,773 | 28,297,480 | 193.6% | 1.2% | 1.6% |
| Deferred tax asset | 44,276,810 | 8,352,008 | 35,924,802 | 430.1% | 1.3% | 0.9% |
| Other noncurrent assets | 174,714,961 | 41,672,212 | 133,042,749 | 319.3% | 5.0% | 4.6% |
| **Total Noncurrent Assets** | **1,573,684,715** | **404,696,289** | **1,168,988,426** | **288.9%** | **45.3%** | **45.0%** |
| | **₱3,476,061,865** | **₱899,811,567** | **₱2,576,250,298** | **286.3%** | **100.0%** | **100.0%** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **LIABILITIES AND EQUITY** | | | | | | |
| **Current Liabilities** | | | | | | |
| Accounts payable and other current liabilities | ₱416,433,885 | ₱130,218,011 | ₱286,215,874 | 219.8% | 12.0% | 14.5% |
| Loans payable | 450,000,000 | 150,000,000 | 300,000,000 | 200.0% | 12.9% | 16.7% |
| Income tax payable | - | 37,782,980 | (37,782,980) | (100.0%) | 0.0% | 4.2% |
| Due to related parties | 62,482,842 | 49,762,571 | 12,720,271 | 25.6% | 1.8% | 5.5% |
| **Total Current Liabilities** | **928,916,727** | **367,763,562** | **561,153,165** | **152.6%** | **26.7%** | **40.9%** |
| **Noncurrent Liabilities** | | | | | | |
| Retirement liability | 8,024,699 | 6,196,332 | 1,828,367 | 29.5% | 0.2% | 0.7% |
| Loans Payable - noncurrent | 250,000,000 | 0 | 250,000,000 | 0.0% | 7.2% | 0.0% |
| Other noncurrent liabilities | 1,380,000 | 1,380,000 | - | 0.0% | 0.0% | 0.2% |
| Lease liability | 376,322,986 | 117,477,991 | 258,844,995 | 220.3% | 10.8% | 13.1% |
| Deposit for future subscription | - | 298,750,000 | (298,750,000) | (100.0%) | 0.0% | 33.2% |
| **Total Noncurrent Liabilities** | **635,727,685** | **423,804,323** | **211,923,362** | **50.0%** | **18.3%** | **47.1%** |
| **Total Liabilities** | **1,564,644,412** | **791,567,885** | **773,076,527** | **97.7%** | **45.0%** | **88.0%** |
| **Equity** | | | | | | |
| Capital stock | 379,746,835 | 1,250,000 | 378,496,835 | 30279.7% | 10.9% | 0.1% |
| Additional Paid-up Capital | 1,386,292,253 | - | 1,386,292,253 | 0.0% | 39.9% | 0.0% |
| Retained earnings | 146,834,756 | 106,993,682 | 39,841,074 | 37.2% | 4.2% | 11.9% |
| Remeasurement gain on defined benefit liability | (1,456,391) | - | (1,456,391) | 0.0% | (0.0%) | 0.0% |
| **Total Equity** | **1,911,417,453** | **108,243,682** | **1,803,173,771** | **1665.8%** | **55.0%** | **12.0%** |
| **Total Liabilities and Equity** | **₱3,476,061,865** | **₱899,811,567** | **₱2,576,250,298** | **286.3%** | **100.0%** | **100.0%** |

## ASSETS

Total assets as at December 31, 2020 is ₱3,476.1 million compared to ₱914.6 million as at December 31, 2019, a ₱2,561.4 million or 280.0% increase.

### *Current Assets*

As at December 31, 2020 and 2019, total current assets amounted to ₱1,902.4 million or 54.7% of total assets, and ₱509.9 million or 55.8% of total assets, respectively, for an increase of ₱1,392.4 million or 273.1%.

Cash and cash equivalents increased by 248.0% from ₱270.3 million as at December 31, 2019 to ₱940.6 million as at December 31, 2020 primarily due from the proceeds of loan and issuance of shares by the Company.

Receivables only accounts for 0.7% of the total assets as at December 31, 2020. It increased by 154.8% from ₱9.8 million as at December 31, 2019 to ₱25.1 million as at December 31, 2020 due to increase in receivables from credit card and QR-based mobile payment sales.

Inventories increased by 302.1% from ₱183.4 million as at December 31, 2019 to ₱737.6 million as at December 31, 2020 this increase is due from the increase in operations of the Group, with 22 additional stores in 2020.

Prepaid expenses and other current assets increased by 329.4% from ₱46.4 million as at December 31, 2019 to ₱199.1 million as at December 31, 2020 primarily due to the increased in input VAT related to the construction of new stores and prepaid expenses.

***Noncurrent Assets***

As at December 31, 2020 and 2019, total noncurrent assets amounted to ₱1,573.7 million or 45.3% of total assets, and ₱404.7 million or 44.2% of total assets, respectively, for an increase of ₱1,169.0 million or 288.9%.

Property and equipment increased by 309.8% from ₱221.8 million as at December 31, 2019 to ₱908.8 million as at December 31, 2020 due primarily to the increase in construction in progress and leasehold improvements for MerryMart's additional stores.

Right-of-Use asset is in relation to the adoption of PFRS 16. Right-of-Use Assets amounted to ₱402.9 million and ₱118.3 million as at December 31, 2020 and December 31, 2019, respectively, which is 11.6% of total assets. The increase in right-of-use asset is due to the additional leases of the Group qualified under PFRS 16.

Intangible Assets increased by 193.6% from ₱14.6 million as at December 31, 2019 to ₱42.9 million as at December 31, 2020 due to additional cost for the installation and implementation of MM's SAP system.

Deferred tax assets increased by 430.1% from ₱8.4 million as at December 31, 2019 to ₱44.3 million as at December 31, 2020 due to increase in the deferred tax component of NOLCO from the Company's subsidiary.

Other noncurrent assets mainly pertain to the deposits and prepaid rent for the leases of its stores. Other noncurrent assets increased by ₱174.7 million or 319.3% from ₱41.7 million as at December 31, 2019 to ₱174.7 million in December 31, 2020, which is 5.0% of the total assets.

**LIABILITIES**

Total liabilities as at December 31, 2020 is ₱1,564.6 million compared to ₱806.4 million as at December 31, 2019, a ₱758.3 million or 94.0% increase.

***Current Liabilities***

As at December 31, 2020 and 2019, total current liabilities amounted to ₱928.9 million or 26.7% of total assets, and ₱382.6 million or 41.8% of total assets, respectively, for an increase of ₱546.3 million or 142.8%.

Accounts payable and other current liabilities increased by 187.1% to ₱416.4 million as at December 31, 2020, or 12.0% of total assets, due to higher payables to suppliers, accrued expenses and current portion lease liabilities as at December 31, 2020.

Loans payable amounted to ₱450 million as at December 31, 2020, an increase of ₱300.0 million or 200.0% from ₱150.0 million as at December 31, 2019. The increase is due to the short-term loans availed by the Group in 2020.

Income tax payable is nil for December 31, 2020, all income taxes due were paid by the Group before December 31, 2020.

Due to related parties increased by 25.6% or ₱12.7 million from ₱49.8 million as at December 31, 2019 to ₱62.5 million, 1.8% of total assets, in December 31, 2020 due to advances made for the year.

***Noncurrent Liabilities***

As at December 31, 2020 and 2019, total noncurrent liabilities amounted to ₱635.7 million or 18.3% of total assets, and ₱423.8 million or 46.3% of total assets, respectively, for an increase of ₱211.9 million or 50.0%.

Retirement benefits liability increased by ₱1.8 million or 29.5% due to the additional accrual recognized by the MM Group for its retirement obligation to its employees.

Lease liability pertains to the contractual lease liability recognized by the MM Group for its stores and office space in relation to the PFRS 16 adoption amounting to ₱376.3 million as at December 31, 2020, an increase of ₱258.8 million or 220.3% from ₱117.5 million as at December 31, 2019. The increase is due to additional leases by the Group qualified under PFRS 16.

Deposit for future subscription is nil as at December 31, 2020, 100.0 % decrease from ₱298.8 million as at December 31, 2019. The deposit for future subscription has been converted to equity in 2020.

**EQUITY**

As at December 31, 2020 and 2019, total equity amounted to ₱1,911.4 million or 55.0% of total assets, and ₱108.2 million or 11.8% of total assets, respectively, for an increase of ₱1,803.2 million or 1,665.8%. The increase in equity is due to increase in Capital stock and recognition of additional paid-in capital for the year, and net income for the year offset by the dividends declared.

## Calendar Year Ended December 31, 2019 and 2018

### RESULTS OF OPERATION

**MERRYMART CONSUMER CORP. AND SUBSIDIARY**
**Audited Consolidated Statements of Comprehensive Income**
**For the year ended December 31, 2019 & 2018**

| | December 31, 2019 | December 31, 2018 | Horizontal Analysis Increase (Decrease) | | Vertical Analysis 2019 | 2018 |
|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | |
| Sale of goods | 2,482,302,804 | 2,095,408,067 | 386,894,737 | 18.5% | 98.7% | 99.0% |
| Display rental | 20,870,590 | 21,562,804 | (692,214) | (3.2%) | 0.8% | 1.0% |
| Other operating income | 12,062,959 | - | 12,062,959 | 0.0% | 0.5% | 0.0% |
| | **2,515,236,353** | **2,116,970,871** | **398,265,482** | **18.8%** | **100.0%** | **100.0%** |
| COST OF SALES | 2,370,672,389 | 2,023,262,656 | 347,409,733 | 17.2% | 94.3% | 95.6% |
| **GROSS PROFIT** | **144,563,964** | **93,708,215** | **50,855,749** | **54.3%** | **5.7%** | **4.4%** |
| OPERATING EXPENSES | 98,053,988 | 35,781,808 | 62,272,180 | 174.0% | 3.9% | 1.7% |
| **INCOME FROM OPERATIONS** | **46,509,976** | **57,926,407** | **(11,416,431)** | **(19.7%)** | **1.8%** | **2.7%** |
| INTEREST EXPENSE | 6,653,777 | - | 6,653,777 | 0.0% | 0.3% | 0.0% |
| INTEREST INCOME | 109,993 | 49,649 | 60,344 | 121.5% | 0.0% | 0.0% |
| **INCOME BEFORE TAX** | **39,966,192** | **57,976,056** | **(18,009,864)** | **(31.1%)** | **1.6%** | **2.7%** |
| **INCOME TAX EXPENSE** | **(11,956,860)** | **(17,377,922)** | **5,421,062** | **(31.2%)** | **(0.5%)** | **(0.8%)** |
| **NET INCOME/TOTAL COMPREHENSIVE INCOME** | **28,009,332** | **40,598,134** | **(12,588,802)** | **(31.0%)** | **1.1%** | **1.9%** |

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 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:*

| | 2018 | 2019 |
|---|---|---|
| Sale of Goods | 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.

## FINANCIAL POSITION

**MERRYMART CONSUMER CORP. AND SUBSIDIARY**
**Audited Consolidated Statements of Financial Position**
**As at December 31, 2019 & 2018**

| | December 31, 2019 (As reclassified - Note 24) | December 31, 2018 | Horizontal Analysis | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| | | | Increase (Decrease) | | 2019 | 2018 |
| **ASSETS** | | | | | | |
| **Current Assets** | | | | | | |
| Cash and cash equivalents | ₱270,308,599 | ₱20,907,865 | ₱249,400,734 | 1192.9% | 30.0% | 6.3% |
| Receivables | 9,018,707 | 914,421 | 8,104,286 | 886.3% | 1.0% | 0.3% |
| Inventories | 183,418,743 | 270,448,890 | (87,030,147) | (32.2%) | 20.4% | 81.0% |
| Prepaid expenses and other current assets | 32,369,229 | 3,838,876 | 28,530,353 | 743.2% | 3.6% | 1.2% |
| **Total Current Assets** | **495,115,278** | **296,110,052** | **199,005,226** | **67.2%** | **55.0%** | **88.7%** |
| **Noncurrent Assets** | | | | | | |
| Property and equipment - net | 221,794,668 | 29,011,645 | 192,783,023 | 664.5% | 24.6% | 8.7% |
| Right-of-use asset | 118,264,628 | - | 118,264,628 | 0.0% | 13.1% | 0.0% |
| Intangible asset | 14,612,773 | 7,200,000 | 7,412,773 | 103.0% | 1.6% | 2.2% |
| Deferred tax asset | 8,352,008 | 1,417,238 | 6,934,770 | 489.3% | 0.9% | 0.4% |
| Other noncurrent assets | 41,672,212 | - | 41,672,212 | 0.0% | 4.6% | 0.0% |
| **Total Noncurrent Assets** | **404,696,289** | **37,628,883** | **367,067,406** | **975.5%** | **45.0%** | **11.3%** |
| | **₱899,811,567** | **₱333,738,935** | **₱566,072,632** | **169.6%** | **100.0%** | **100.0%** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **LIABILITIES AND EQUITY** | | | | | | |
| **Current Liabilities** | | | | | | |
| Accounts payable and other current liabilities | ₱130,218,011 | ₱95,187,658 | ₱35,030,353 | 36.8% | 14.5% | 28.5% |
| Loans payable | 150,000,000 | - | 150,000,000 | 0.0% | 16.7% | 0.0% |
| Income tax payable | 37,782,980 | 19,163,976 | 18,619,004 | 97.2% | 4.2% | 5.7% |
| Due to related parties | 49,762,571 | 134,896,958 | (85,134,387) | (63.1%) | 5.5% | 40.4% |
| **Total Current Liabilities** | **367,763,562** | **249,248,592** | **118,514,970** | **47.5%** | **40.9%** | **74.7%** |
| | | | | | | |
| **Noncurrent Liabilities** | | | | | | |
| Retirement liability | 6,196,332 | 4,255,993 | 1,940,339 | 45.6% | 0.7% | 1.3% |
| Loans Payable - noncurrent | - | - | - | 0.0% | 0.0% | 0.0% |
| Other noncurrent liabilities | 1,380,000 | - | 1,380,000 | 0.0% | 0.2% | 0.0% |
| Lease liability | 117,477,991 | - | 117,477,991 | 0.0% | 13.1% | 0.0% |
| Deposit for future subscription | 298,750,000 | - | 298,750,000 | 0.0% | 33.2% | 0.0% |
| **Total Noncurrent Liabilities** | **423,804,323** | **4,255,993** | **419,548,330** | **9857.8%** | **47.1%** | **1.3%** |
| **Total Liabilities** | **791,567,885** | **253,504,585** | **538,063,300** | **212.2%** | **88.0%** | **76.0%** |
| | | | | | | |
| **Equity** | | | | | | |
| Capital stock | 1,250,000 | 1,250,000 | - | 0.0% | 0.1% | 0.4% |
| Additional Paid-up Capital | - | - | - | 0.0% | 0.0% | 0.0% |
| Retained earnings | 106,993,682 | 78,984,350 | 28,009,332 | 35.5% | 11.9% | 23.7% |
| Remeasurement gain on defined benefit liability | - | - | - | 0.0% | 0.0% | 0.0% |
| **Total Equity** | **108,243,682** | **80,234,350** | **28,009,332** | **34.9%** | **12.0%** | **24.0%** |
| **Total Liabilities and Equity** | **₱899,811,567** | **₱333,738,935** | **₱566,072,632** | **169.6%** | **100.0%** | **100.0%** |

## ASSETS

Total assets as at December 31, 2019 is ₱899.8 million compared to ₱333.7 million as at December 31, 2018, or a 169.6% increase.

### *Current Assets*

As at December 31, 2019 and 2018, total current assets amounted to ₱495.1 million or 55.0% of total assets, and ₱296.1 million or 88.7% of total assets, respectively, for an increase of ₱199.0 million or 67.2%.

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 1.0% of the total assets as at December 31, 2019. It increased by 886.3% from ₱914.4 thousand as at December 31, 2018 to ₱9,018.7 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 743.2% from ₱3.8 million as at December 31, 2018 to ₱32.4 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 45.0% 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.

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 13.1% 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.

**LIABILITIES**

***Current Liabilities***

As at December 31, 2019 and 2018, total current liabilities amounted to ₱367.8 million or 40.9% of total assets, and ₱249.3 million or 74.7% of total assets, respectively, for an increase of ₱118.5 million or 47.5%.

Accounts payable and other current liabilities increased by 36.8% to ₱130.2 million as at December 31, 2019, or 14.5% 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.

Income tax payable amounted to ₱37.8 million as at December 31, 2019 or 4.2% 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.

Due to related parties decreased by 63.1% due to payments made in 2019. Due to related parties accounts to 5.5% of total assets.

***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.

**Key Performance Indicators of the Company**

The following are the key performance indicators used by the Group as at December 31, 2021, 2020 and 2019.

| | **December 31, 2021** | **December 31, 2020** | **December 31, 2019** |
|---|---|---|---|
| Current Ratio | 1.79 | 2.05 | 1.33 |
| Asset to Equity | 3.31 | 1.82 | 8.45 |
| Debt to Equity Ratio | 1.68 | 0.37 | 1.39 |
| Acid Test Ratio | 1.00 | 1.04 | 0.73 |
| Return on Equity | 1.76% | 4.78% | 29.72% |
| Net Income to Revenue | 0.87% | 1.39% | 1.11% |
| Revenue Growth | 13.11% | 38.12% | 18.81% |
| Income Growth | -29.53% | 72.23% | -31.01% |
| EBITDA (PHP in thousands) | 128,561.0 | 91,125.1 | 65,020.5 |
| Solvency Ratio | 0.03 | 0.07 | 0.06 |

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 | Total Assets / Total Stockholders' Equity |
| 3. Debt to Equity Ratio | Total Interest Bearing Short-Term and Long-Term Debt / Total Equity |
| 4. Return on Equity | Net Income Attributable to Owners of the Parent / Average Equity Attributable to the Owners of the Parent |
| 5. Net Income to Revenue | Net Income Attributable to Owners of the Parent / Total Revenue |
| 6. Revenue Growth | Total Revenue (Current Period) - Total Revenue (Prior Period) / Total Revenue (Prior Period) |
| 7. Income Growth | Net Income Attributable to Owners of the Parent (Current Period) - Net Income Attributable to Owners of the Parent (Prior Period) / Net Income Attributable to Owners of the Parent (Prior Period) |
| 8. EBITDA | Income from Operations + Depreciation and Amortization + Interest Expense |
| 9. Acid Test Ratio | Cash + Accounts Receivable + Marketable Securities / Current Liabilities |
| 10. Solvency Ratio | Net Income + Depreciation and Amortization / Total Liabilities |

**Liquidity & Capital Resources**

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 issuance of shares. It may from time to time seek other sources of funding, which may include debt or equity financings, depending on its financing needs and market conditions.

Principal uses of cash are for working capital requirements and capital expenditures for stores expansion.

**Cash Flows**

***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 used in operating activities amounted to ₱224.40 million for the year ended December 31, 2021, while net cash provided by operating activities amounted to ₱416.02 million for the year ended December 31, 2020.

***Net cash used in investing activities***

Net cash used in investing activities amounted to ₱1,158.99 million and ₱876.60 million for the year ended December 31, 2021 and 2020, 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 from financing activities amounted to ₱2,493.08 million and ₱1,962.95 million for the year ended December 31, 2021 and 2020. Consolidated net cash from financing was attributable mainly from issuance of new shares and availment of loans, offset by dividend payments and lease payments.

**Material Events and Uncertainties**

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 has no material off-balance sheet transactions, arrangements, or obligations that were likely to have a current or future material effect on our financial condition, revenues or expenses, results of operations, liquidity or capital expenditures.

MM Group has no material commitments for capital expenditures other than those performed in the ordinary course of trade of business and MM Group's store expansion plan.

MM Group also has no unconsolidated subsidiaries.

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

MM Group experiences the fourth quarter of the year with increase in sales due to Christmas & New Year holidays.

**Operational and financial impact of COVID19**

The Company’s stores have continued to be operational during the COVID 19 and manage to open additional 26 stores in 2021. The Company continuous to be of service to the community providing grocery and pharmacy essentials.

The COVID 19 pandemic has shifted consumer demands and preferences, and with this the Company launched in 2020 its inhouse online delivery platform and partnered with different online delivery apps to increase sales and continuously deliver essential goods to customers.

The pandemic has caused challenges to store’s construction activities and disruptions to the supply chain as movement of goods and manpower are restricted. The Company implemented business continuity plan which includes equipping the employees to work remotely to support the supply chain with the purpose of minimizing the impact of this business disruption.

The Company complies with strict community quarantine regulations for the safety of its stakeholders, particularly its store frontliners. The Company have continuously reassessed store operations procedures and re-orient store frontliners for the any new health and safety protocols.

The Company closely monitors updates from the Philippine Department of Health and other reliable sources publishing information regarding COVID-19 and shall continue to comply with all government-mandated measures relating to COVID-19. Despite this challenging business environment, the Company does not foresee any going concern issue affecting its business operations, and the Company projects that it would continue to report positive results of operations and would remain liquid to meet current obligation as it falls due.

## ITEM 7. FINANCIAL STATEMENTS

Please see the attached consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules.

## ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS AND FINANCIAL DISCLOSURE

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

## PART III CONTROL AND COMPENSATION INFORMATION

### ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS AND REGISTRANTS

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 December 17, 2021. 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 | Position | Citizenship |
|---|---|---|
| Edgar J. Sia II…………………….…….. | Chairman/CEO | Filipino |
| Ferdinand J. Sia…………………… | President/COO | Filipino |
| Marriana H. Yulo-Luccini…………. | CFO/CIO | Filipino |
| Atty. Jacqueline Ann Marie O. Gomez………................................. | Corporate Secretary | Filipino |
| Jose Roelph E. Desales…………………..…….. | Assistant Corp. Secretary | Filipino |
| Atty. Victoria R. Tamayao | Independent Director | Filipino |
| Gary P. Cheng | Independent Director | Filipino |

The following table sets forth MM's key executive and corporate officers ("**Senior Management**"):

| Name | Position | Citizenship |
|---|---|---|
| Edgar J. Sia II…………………….…….. | Chairman/CEO | Filipino |
| Ferdinand J. Sia…………………… | President/COO | Filipino |
| Shella A. Sia……………………… | Treasurer/EVP | Filipino |
| Rizza Marie Joy J. Sia-Javelona…... | Comptroller | Filipino |
| Marriana H. Yulo-Luccini…………. | CFO/CIO | Filipino |
| Mercedes L. Taleon……………….. | Chief Development Officer | Filipino |
| Maribel N. Sibayan………………... | Subsidiary COO | Filipino |
| Atty. Jacqueline Ann Marie O. Gomez………................................. | Corporate Secretary | Filipino |

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

*Edgar J. Sia II,* 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*, 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,* 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,* 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*, 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,* 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,* 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,* 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,* 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*, 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 Roelph E. Desales*, 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.

## FAMILY RELATIONSHIPS

As of December 31, 2020, 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-Javelona 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.

## 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:

1. • Any change/s in accounting policies and practices
2. • Areas where a significant amount of judgment has been exercised
3. • Significant adjustments resulting from the audit
4. • Going concern assumptions
5. • Compliance with accounting standards
6. • 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 December 31, 2021, the Audit and Risk Management Committee is chaired by Mr. Gary P. Cheng, while Mr. Ferdinand J. Sia and Ms. Marriana H. Yulo-Luccini 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 December 31, 2021 , 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 December 31, 2021, 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.

## 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.

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

There are no known related party transactions other than those described in Note 18 (Related Party Transactions) of the Notes to the Consolidated Financial Statements.

## ITEM 10. EXECUTIVE COMPENSATION

For each of the years ended December 31, 2019, 2020 and 2021 the total salaries and allowances and bonuses paid to all other officers as a group unnamed are as follows:

| Name & Position | Year | Salary, Bonus and Other Benefits |
|---|---|---|
| Edgar J. Sia II<br>Ferdinand J. Sia<br>Rizza Marie J. Sia-Javelona<br>Shella A. Sia<br>Marriana H. Yulo-Luccini<br>Mercedes L. Taleon<br>Maribel N. Sibayan<br>Atty. Jacqueline Ann Marie O. Gomez<br>*Aggregate compensation paid to all officers and directors as a group* | FY 2021 | ₱7,875,580 |
| | FY 2020 | ₱7,368,210 |
| | FY 2019 | ₱- |

*For the year 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 2020. For the years ended December 31, 2021 and December 31, 2020, total directors fee amounts to P720,000 and P360,000, respectively. For the year ended December 31, 2019 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.

***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.

***Other Arrangements***

There are no other arrangements pursuant to which any of the Company's Directors is compensated, directly or indirectly, for any service provided as a director.

## ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

### Security Ownership of Certain Record and Beneficial Owners of more than 5% of the Company's voting securities as of December 31, 2021

| Name and Address of Record Owners | Name of Beneficial Owner and Relationship with Record Owner | Citizenship | No. of Common Shares Held | % of Total Outstanding Shares |
|---|---|---|---|---|
| Injap Investments, Inc Fuentes St, Iloilo City | The record owner is the beneficial owner of the shares indicated | Filipino | 5,999,989,995 | 79.00% |
| PCD - Filipino | - | Filipino | 1,589,500,709 | 20.93% |

As of December 31, 2021, foreign shareholders owned 0.05% of the Common Shares of the Company.

### Security Ownership of Directors and Officers as of the date of this report.

The following table sets forth security ownership of the Company's Directors, and Officers, as of December 31, 2021:

| 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 | 0.00% |
| Common | Edgar J. Sia II | Director | Filipino | 2,000 shares | 0.00% |
| Common | Ferdinand J. Sia | Director | Filipino | 2,000 shares | 0.00% |
| Common | Marriana H. Yulo-Luccini | Director | Filipino | 1 share | 0.00% |
| Common | Atty. Jacqueline Ann Marie O. Gomez | Director | Filipino | 1 share | 0.00% |
| Common | Jose Roelph E. Desales | Director | Filipino | 1 share | 0.00% |
| Common | Atty. Victoria R. Tamayao | Independent Director | Filipino | 1share | 0.00% |
| Common | Gary P. Cheng | Independent Director | Filipino | 1 share | 0.00% |

Except as disclosed above, there is no director or key officer of the Company that owns at least 10% of its issued and outstanding shares of common.

**Voting Trust Holders of five percent or More**

As of December 31, 2021, 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**

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

## ITEM 12. CERTAIN RELATIONSHIP AND RELATED TRANSACTIONS

The Company and its Subsidiaries, in their ordinary course of business, engage in transactions with related parties and affiliates. These transactions include advances, cost allocations and reimbursement of expenses. Except where indicated in the table below, settlement of outstanding balances of advances at year end occurs in cash. As of December 31, 2021, 2020 and 2019, the Company has not made any provision for impairment losses relating to amounts owed by related parties.

The summary of the Company's transactions with its related parties for the year ended December 31, 2021, and 2020 and the related outstanding balances as of December 31, 2021 and 2020 are as follows:

| Category | Year | *Ref* | Amount of Transaction | Outstanding Balances | Terms and Conditions |
|---|---|---|---|---|---|
| **Stockholders** | | | | | |
| Advances from stockholders | **2021** | ***a*** | | | **Due and demandable; non-interest bearing; unsecured; payable in cash** |
| | 2020 | *a* | P12,720,271 | P62,482,842 | Due and demandable; non-interest bearing; unsecured; payable in cash |
| Land acquired | **2021** | ***b*** | | | **Due and demandable; non-interest bearing; unsecured; payable in cash** |
| | 2020 | *b* | 146,608,491 | - | Due and demandable; non-interest bearing; unsecured; payable in cash |
| | **2021** | | | | |
| | 2020 | | | P62,482,842 | |

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. *Land acquired*
In December 2021, a subsidiary acquired two parcels of land from III, which has been fully settled in 2021. In December 2020, the Parent Company acquired two parcels of land from III, which has been settled in 2020.

c. *Key Management Personnel*
Short-term benefits of key management personnel amounted to P7.37 million, P7.37 million and nil in 2021, 2020 and 2019, respectively. Directors' fee paid amounted to P0.72 million, P0.36 million and nil in 2021, 2020 and 2019, respectively.

# PART IV CORPORATE GOVERNANCE

## ITEM 13. CORPORATE GOVERNANCE

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 conducts an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees.

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.

As of December 31, 2020, there has been no reported deviation from the Manual and MM continually endeavors to comply with the Manual. The Board of Directors are continually assessing policies that could further improve the corporate governance of the Company.

# PART V EXHIBITS AND SCHEDULES

## ITEM 14. EXHIBITS AND REPORTS ON SEC FORM 17-C

### A EXHIBITS

See accompanying Index to Exhibits (page 83).

The following exhibit is filed as a separate section of this report:

2021 Audited Consolidated Financial Statements

The other exhibits, as indicated in the Index to Exhibits are either not applicable to the Company or require no answer.

### B REPORTS ON SEC FORM 17-C (CURRENT REPORT)

None.

**INDEX TO EXHIBITS**

**INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES**

**SIGNATURE**

INDEX TO EXHIBITS
**Form 17-A**



* These Exhibits are either not applicable to the Company or require no answer.

**EXHIBIT 18 SUBSIDIARIES OF THE REGISTRANT**

Please refer to Item 1 under “Business” and *Note 2* of the accompanying Notes to the Consolidated Financial Statements for details.

**MERRYMART CONSUMER CORP. AND SUBSIDIARIES**
**(Formerly Injap Land Corporation)**
**INDEX TO THE FINANCIAL STATEMENTS**
**AND SUPPLEMENTARY SCHEDULES**
**FORM 17-A, ITEM 7**

**Consolidated Financial Statements**



**Supplementary Schedules**



**These schedules, which are required by SRC Rule 68.1, As Amended (2011), have been omitted because they are either not applicable or the information required to be presented is included in the Company's consolidated financial statements or the notes to consolidated financial statements*

## SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in ______________________ on ____________________.

By:

**MERRYMART CONSUMER CORP.**

| | |
|---|---|
| **EDGAR J. SIA II**<br>Chairman and Chief Executive Officer | **FERDINAND J. SIA**<br>President |
| **MARRIANA H. YULO**<br>Chief Financial Officer | **JACQUELINE ANN MARIE O. GOMEZ**<br>Corporate Secretary |

**SUBSCRIBED AND SWORN** to before me this 13 MAY 2022 at CITY OF PASAY affiants exhibiting to me their competent evidence of identity, to wit:

1) EDGAR J. SIA II with Passport No. P8371489B issued by DFA Manila expiring on December 2, 2031
2) FERDINAND J. SIA with Passport No. P7882199A issued by DFA Manila expiring on July 10, 2028
3) MARRIANA H. YULO with Passport No. P7881601A issued by DFA Manila expiring on July 10, 2028
4) JACQUELINE ANN MARIE O. GOMEZ with Passport No. P6783876A issued by DFA Manila expiring on April 15, 2028

Doc 401
Page 82
Book 43
Series of 2022

ATTY. ELENA MELITA L. CHICA-LLEDO
NOTARY PUBLIC
UNIT 719 TOWER E SEA RESIDENCE MOA PASAY CITY
MY COMMISSION EXPIRES ON DEC. 31, 2020
BM 3795 2ND EXTENSION UNTIL JUNE 30 2022
PTR NO 7696496 1-3-22 ROLL NO. 38180
IBP LIFE TIME NO. 0073 CAM SUR CHAPTER
MCLE NO. VI-0024746 MAY 07, 2019

MERRYMART

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**

The management of **MERRYMART CONSUMER CORP. AND SUBSIDIARIES** (the "Group"), is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2021, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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.

The Board of Directors (BOD) is responsible for overseeing the Group's financial reporting process.

The BOD reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders or members.

**R.G. Manabat & Co.**, the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature ____________________
Edgar J. Sia II, CEO/Chairman

Signature ____________________
Ferdinand J. Sia, President

Signature ____________________
Marriana H. Yulo, CFO

Signed this 13th day of May 2022

DOC. NO. 397
PAGE NO. 81
BOOK NO. 43
SERIES 2022

ATTY. ELENA MELITA L. CHICA-LLEDO
NOTARY PUBLIC
UNIT 719 TOWER E SEA RESIDENCE MOA, PASAY CITY
MY COMMISSION EXPIRES ON DEC. 31, 2020
BM 3795 2ND EXTENSION UNTIL JUNE 30, 2022
PTR NO. 7696496 1-3-22 ROLL NO. 38180
IBP LIFE TIME NO. 0873 CAM. SUR CHAPTER
MCLE NO. VI-0024746 MAY 07, 2019

# MERRYMART CONSUMER CORP.
# AND SUBSIDIARIES
(Formerly Injap Supermart Inc.)
(A Subsidiary of Injap Investments, Inc.)

**CONSOLIDATED FINANCIAL STATEMENTS**
**December 31, 2021, 2020 and 2019**

With Independent Auditors' Report

R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

**REPORT OF INDEPENDENT AUDITORS**

The Board of Directors and Stockholders
**MerryMart Consumer Corp. and Subsidiaries**
9th Floor Tower 1
DoubleDragon Plaza, DD Meridian Park
Pasay City

*Opinion*

We have audited the consolidated financial statements of MerryMart Consumer Corp., formerly Injap Supermart Inc. (a subsidiary of Injap Investments, Inc.) and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021, and notes, comprising a summary of 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, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021, 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 the 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.

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

*Revenue Recognition (P3,855.51 million)*
Refer to Note 14 to the consolidated financial statements.

*The risk*
The Group's revenue is mainly generated from the sale of retail goods which is not complex but an important measure to evaluate the Group's performance, which increases the risk of material misstatement that revenue may be inappropriately recognized.

*Our response*
We performed the following audit procedures, among others, on revenue recognition:

- We evaluated and assessed the revenue recognition policies of the Group in accordance with PFRS 15, *Revenue from Contracts with Customers*.

- We evaluated and assessed the design and operating effectiveness of the key controls over the revenue process.

- We tested, on a sample basis, sales transactions for a selected period before and after year-end to supporting documentation such as generated sales summary reports from the point-of-sale (POS) system, as reconciled with the cash receipts, to assess whether these transactions are recorded in the correct reporting period.

- We vouched, on a sample basis, sales transactions throughout the year to supporting documentation such as generated sales summary reports from the POS system, delivery documents and bank deposit slips, to ascertain that the revenue recognition criteria are met.

- We tested, on a sample basis, journal entries posted to revenue accounts to identify unusual or irregular items.

- We evaluated the adequacy of the financial statements disclosures.

*Existence and Completeness of Inventories (P1,372.73 million)*
Refer to Note 7 to the consolidated financial statements.

*The risk*
The Group's inventories represent 36% of the Group's total current assets. The Group has several warehouses and operates multiple stores across the country. Since the inventories are material to the consolidated financial statements, and various warehouses and stores are geographically dispersed across the country, we consider this as a key audit matter.

*Our response*
We performed the following audit procedures, among others, over the existence and completeness of inventories:

- We obtained an understanding of the Group's inventory management process and performed tests of operating effectiveness of internal controls.

- We visited selected stores and warehouses and observed the physical inventory counts.

- We performed test counts and compared the results to the Group's inventory compilation reports to determine if the compilation reports accurately reflect the results of the inventory count.

- We traced a sample of supporting documents for shipments, receipt and transfers, occurring immediately prior to the inventory count observation, to the accounting records of sales and purchases.

- We reviewed the reconciliations of the valued physical inventory compilation with the general ledger accounts and tested the reconciling items.

- We reviewed the roll-forward and roll-backward procedures performed by management and on sampling basis, and tested the transactions from the date of inventory count to the reporting date.

- We vouched, on a sample basis, purchase transactions for a selected period before and after year-end to supporting documentation to assess whether these transactions are recorded in the correct reporting period.

- We performed analytical procedures which involved identifying plausible and predictable relationships among relevant data on sales and gross profit for the last two years, and determined whether recorded amounts are reasonably within developed expectations.

*Other Information*

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Darwin P. Virocel.

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

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
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 8854088
Issued January 3, 2022 at Makati City

May 15, 2022
Makati City, Metro Manila

**MERRYMART CONSUMER CORP. AND SUBSIDIARIES**
**(Formerly Injap Supermart Inc.)**
**(A Subsidiary of Injap Investments, Inc.)**

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | | December 31 | |
|---|---|---|---|
| | *Note* | **2021** | 2020 |
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | *4, 5, 23* | **P2,030,327,961** | P940,641,989 |
| Receivables | *4, 6, 23* | **86,062,063** | 25,071,685 |
| Inventories | *4, 7, 15* | **1,372,727,670** | 737,572,923 |
| Prepaid expenses and other current assets | *8* | **292,638,800** | 199,090,553 |
| **Total Current Assets** | | **3,781,756,494** | 1,902,377,150 |
| **Noncurrent Assets** | | | |
| Property and equipment | *4, 9* | **1,718,685,658** | 908,849,180 |
| Right-of-use assets | *4, 20* | **449,025,449** | 402,933,511 |
| Intangible asset | *4, 11* | **54,962,301** | 42,910,253 |
| Deferred tax assets | *4, 21* | **37,919,270** | 44,276,810 |
| Other noncurrent assets | *4, 10, 20, 23, 25* | **450,109,053** | 174,714,961 |
| **Total Noncurrent Assets** | | **2,710,701,731** | 1,573,684,715 |
| | | **P6,492,458,225** | P3,476,061,865 |
| **LIABILITIES AND EQUITY** | | | |
| **Current Liabilities** | | | |
| Accounts payable and other current liabilities | *12, 23* | **P822,473,155** | P416,433,885 |
| Loans payable - current | *13, 23* | **1,295,000,000** | 450,000,000 |
| Due to a related party | *18, 23* | **-** | 62,482,842 |
| **Total Current Liabilities** | | **2,117,473,155** | 928,916,727 |
| **Noncurrent Liabilities** | | | |
| Retirement benefits liability | *16, 17, 19* | **9,085,689** | 8,024,699 |
| Lease liabilities | *20, 23* | **407,535,140** | 376,322,986 |
| Loans payable - net of current portion | *13, 23* | **1,997,053,555** | 250,000,000 |
| Other noncurrent liabilities | | **2,580,000** | 1,380,000 |
| **Total Noncurrent Liabilities** | | **2,416,254,384** | 635,727,685 |
| **Total Liabilities** | | **4,533,727,539** | 1,564,644,412 |
| **Equity Attributable to Equity Holders of the Parent Company** | | | |
| Capital stock | *22* | **379,746,835** | 379,746,835 |
| Additional paid-up capital | *22* | **1,386,292,253** | 1,386,292,253 |
| Retained earnings | *22* | **180,339,438** | 146,834,756 |
| Remeasurement loss on defined benefit | *19* | **659,303** | (1,456,391) |
| | | **1,947,037,829** | 1,911,417,453 |
| Non-controlling interest | | **11,692,857** | - |
| **Total Equity** | | **1,958,730,686** | 1,911,417,453 |
| | | **P6,492,458,225** | P3,476,061,865 |

*See Notes to the Consolidated Financial Statements.*

**MERRYMART CONSUMER CORP. AND SUBSIDIARIES**
**(Formerly Injap Supermart Inc.)**
**(A Subsidiary of Injap Investments, Inc.)**

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | | | Years Ended December 31 | |
|---|---|---|---|---|
| | ***Note*** | **2021** | 2020 | 2019 |
| **REVENUES** | | | | |
| Sale of goods | *14* | **P3,855,509,832** | P3,412,521,282 | P2,482,302,804 |
| Display rental | *14* | **21,034,255** | 26,326,260 | 20,870,590 |
| Other operating income | *14,17* | **52,842,525** | 35,236,233 | 12,062,959 |
| | | **3,929,386,612** | 3,474,083,775 | 2,515,236,353 |
| **COST OF SALES** | *7, 15* | **3,277,257,704** | 3,145,722,630 | 2,370,672,389 |
| **GROSS PROFIT** | | **652,128,908** | 328,361,145 | 144,563,964 |
| **OPERATING EXPENSES** | *16* | **582,763,356** | 304,656,866 | 98,053,988 |
| **INCOME FROM OPERATIONS** | | **69,365,552** | 23,704,279 | 46,509,976 |
| **INTEREST EXPENSE** | *13, 20* | **(15,960,615)** | (12,550,872) | (6,653,777) |
| **INTEREST INCOME** | *5* | **1,750,905** | 5,769,988 | 109,993 |
| **INCOME BEFORE INCOME TAX** | | **55,155,842** | 16,923,395 | 39,966,192 |
| **INCOME TAX EXPENSE (BENEFIT)** | *21* | **21,158,303** | (31,317,679) | 11,956,860 |
| **NET INCOME** | | **33,997,539** | 48,241,074 | 28,009,332 |
| **OTHER COMPREHENSIVE LOSS** | | | | |
| ***Item that will not be reclassified to profit or loss*** | | | | |
| Remeasurement gain (loss) on defined benefit plan | *19* | **2,959,628** | (2,080,559) | - |
| Deferred tax effect | *21* | **(843,934)** | 624,168 | - |
| | | **2,115,694** | (1,456,391) | - |
| **TOTAL COMPREHENSIVE INCOME** | | **P36,113,233** | P46,784,683 | P28,009,332 |
| **Net income attributable to:** | | | | |
| Equity holders of the Parent Company | | **P34,304,682** | P48,241,074 | P28,009,332 |
| Non-controlling interest | | **(307,143)** | - | - |
| | | **P33,997,539** | P48,241,074 | P28,009,332 |
| **Total comprehensive income attributable to:** | | | | |
| Equity holders of the Parent Company | | **P36,420,376** | P46,784,683 | P28,009,332 |
| Non-controlling interest | | **(307,143)** | - | - |
| | | **P36,113,233** | P46,784,683 | P28,009,332 |
| **BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY** | *22* | **P0.005** | P0.01 | P1.12 |

*See Notes to the Consolidated Financial Statements.*

# MERRYMART CONSUMER CORP. AND SUBSIDIARIES
## (Formerly Injap Supermart Inc.)
## (A Subsidiary of Injap Investments, Inc.)
# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years Ended December 31

| | Note | Capital Stock | Additional Paid-up Capital | Remeasurement Gain (Loss) on Defined Benefit | Retained Earnings Unappropriated | Retained Earnings Appropriated | Retained Earnings Total | Non-controlling Interest | Total |
|---|---|---|---|---|---|---|---|---|---|
| Balance at January 1, 2019 | | P1,250,000 | P - | P - | P 41,984,350 | P 37,000,000 | P 78,984,350 | P - | P80,234,350 |
| 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 | 24 | 1,250,000 | - | - | (10,006,318) | 117,000,000 | 106,993,682 | - | 108,243,682 |
| Net income | | - | - | - | 48,241,074 | - | 48,241,074 | - | 48,241,074 |
| Remeasurement loss on defined benefit plan | 22 | - | - | (1,456,391) | - | - | - | - | (1,456,391) |
| Total comprehensive income | | - | - | (1,456,391) | 48,241,074 | - | 48,241,074 | - | 46,784,683 |
| Issuance of shares | 22 | 378,496,835 | 1,515,189,874 | - | - | - | - | - | 1,893,686,709 |
| Stock issuance cost | 22 | - | (128,897,621) | - | - | - | - | - | (128,897,621) |
| Reversal of appropriation during the year | 22 | - | - | - | 117,000,000 | (117,000,000) | - | - | - |
| Dividends | 22 | - | - | - | (8,400,000) | - | (8,400,000) | - | (8,400,000) |
| Transaction with owners | | 378,496,835 | 1,386,292,253 | - | 108,600,000 | (117,000,000) | (8,400,000) | - | 1,756,389,088 |
| Balance at December 31, 2020 | | 379,746,835 | 1,386,292,253 | (1,456,391) | 146,834,756 | - | 146,834,756 | - | 1,911,417,453 |
| Net income | | - | - | - | 34,304,682 | - | 34,304,682 | (307,143) | 33,997,539 |
| Remeasurement gain on defined benefit plan | | - | - | 2,115,694 | - | - | - | - | 2,115,694 |
| Total comprehensive income | | - | - | 2,115,694 | 34,304,682 | - | 34,304,682 | (307,143) | 36,113,233 |
| Stock issuance cost | 2 | - | - | - | (800,000) | - | (800,000) | - | (800,000) |
| Noncontrolling interest in incorporated subsidiary | 2 | - | - | - | - | - | - | 12,000,000 | 12,000,000 |
| **Balance at December 31, 2021** | | **P379,746,835** | **P1,386,292,253** | **P659,303** | **P180,339,438** | P - | **P180,339,438** | **P11,692,857** | **P1,958,730,686** |

*See Notes to the Consolidated Financial Statements.*

## MERRYMART CONSUMER CORP. AND SUBSIDIARIES
## (Formerly Injap Supermart Inc.)
## (A Subsidiary of Injap Investments, Inc.)
## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Note | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| | | | | **Years Ended December 31** |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Income before income tax | | P55,155,842 | P16,923,395 | P39,966,192 |
| Adjustments for: | | | | |
| Depreciation and amortization | *9, 10, 11, 16* | 120,889,622 | 61,650,803 | 18,400,538 |
| Interest expense | *13, 20* | 15,960,615 | 12,550,872 | 6,653,777 |
| Retirement benefits expense (income) | *19* | 4,020,618 | (252,191) | 1,940,339 |
| Gain on lease modification | *17, 20* | (956,794) | - | - |
| Interest income | *5* | (1,750,905) | (5,769,988) | (109,993) |
| Operating income before working capital changes | | 193,318,998 | 85,102,891 | 66,850,853 |
| Decrease (increase) in: | | | | |
| Receivables | | (64,144,820) | (12,898,536) | (8,104,286) |
| Inventories | | (635,154,747) | (554,154,180) | 87,030,147 |
| Prepaid expenses and other current assets | | (98,937,112) | (166,721,324) | (43,353,391) |
| Increase (decrease) in: | | | | |
| Accounts payable and other current liabilities | | 380,626,727 | 259,832,645 | 36,706,574 |
| Unearned franchise fees | | 1,200,000 | - | - |
| Cash generated from (absorbed by) operations | | (223,090,954) | (388,838,504) | 139,129,897 |
| Interest received | | 4,905,347 | 2,615,546 | 109,993 |
| Income tax paid | | (10,255,832) | (41,765,936) | (272,626) |
| Interest paid | *13, 20* | (15,960,615) | (52,365,872) | (2,477,083) |
| Net cash provided by (used in) operating activities | | (244,402,054) | (480,354,766) | 136,490,181 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Additions to intangible assets | *11* | (19,381,517) | (31,821,035) | (7,562,710) |
| Increase in other noncurrent assets | *10* | (275,394,092) | (133,042,749) | (41,672,212) |
| Additions to property and equipment | *9* | (864,217,613) | (671,917,935) | (201,822,638) |
| Net cash used in investing activities | | (1,158,993,222) | (836,781,719) | (251,057,560) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Proceeds from availment of loans | *13* | 2,664,970,222 | 550,000,000 | 150,000,000 |
| Proceeds from issuance of shares by a subsidiary | *2* | 12,000,000 | - | - |
| Proceeds from deposit for future stock subscription | *22* | - | - | 298,750,000 |
| Proceeds from issuance of shares | *22* | - | 1,594,936,709 | 1,380,000 |
| Payments of cash dividends | *22* | - | (8,400,000) | - |
| Stock issuance cost | *22* | (800,000) | (128,897,621) | - |
| Lease payments | *20* | (47,689,465) | (32,889,484) | (1,027,500) |
| (Repayment) proceeds of cash advances to stockholders | | (62,482,842) | 12,720,271 | (85,134,387) |
| Payment of loans | *13* | (72,916,667) | - | - |
| Net cash provided by financing activities | | 2,493,081,248 | 1,987,469,875 | 363,968,113 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | 1,089,685,972 | 670,333,390 | 249,400,734 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR** | *5* | 940,641,989 | 270,308,599 | 20,907,865 |
| **CASH AND CASH EQUIVALENTS AT END OF THE YEAR** | *5* | P2,030,327,961 | P940,641,989 | P270,308,599 |

*See Notes to the Consolidated Financial Statements.*

# 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; and 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.

The Parent Company is a subsidiary of Injap Investments, Inc. (III), a company incorporated in the Philippines.

On January 23, 2020, the SEC approved the increase in the Parent Company's authorized capital stock from P5,000,000 divided into 50,000 shares of the par value of P100.00 each to P1,200,000,000 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 its primary purpose and of the principal place of business of the Parent Company to the 9th Floor, Tower 1, DoubleDragon Plaza, DD Meridian Park, Corner Macapagal Avenue and Edsa Extension, Bay Area, Barangay 76, Pasay City.

On January 23, 2020, the Board of Directors (BOD) and shareholders of the Parent Company approved to offer, subject to compliance with existing laws, and the rules and regulations of the SEC, up to 1,594,936,709 primary common shares through an initial public offering (IPO) at the price up to P1.00 per share. On January 27, 2020, the Parent Company filed its Registration Statement with the SEC covering its IPO.

On March 10, 2020, the SEC approved the Parent Company's Registration Statement for 7,594,936,709 common shares to be listed and traded on the Small, Medium and Emerging Board of the Philippine Stock Exchange ("PSE"). The offering consists of 1,594,936,709 primary common shares with the maximum price set at P1.00 per share.

On June 15, 2020, the Parent Company completed its IPO and was listed in the PSE under the stock symbol "MM". III remains as the ultimate parent company and controlling shareholder of MM. As at December 31, 2021, there are twenty (20) shareholders of the Parent Company's securities.

## 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 consolidated financial statements of the Group and the Parent Company's financial statements as at and for the years ended December 31, 2021 and 2020 were approved and authorized for issuance by the BOD on May 13, 2022.

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 include the accounts of the Parent Company and the following subsidiaries (collectively referred herein to as the "Group").

| | **Percentage of Ownership** | |
|---|---|---|
| Subsidiaries | **2021** | 2020 |
| MerryMart Grocery Centers, Inc. (MMGC)[(a)] | **100** | 100 |
| MM Consumer Technologies Corp. (MTech) [(b)] | **100** | - |

*(a) Consolidated effective September 28, 2018.*
*(b) Consolidated effective May 27, 2021.*

*MMGC*

MMGC 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.

*MTech*
MTech was registered with the SEC on May 27, 2021 primarily to invest in, purchase, or otherwise acquire, and own, hold, use sell, assign, transfer, lease, mortgage, exchange, develop, or otherwise dispose of real and personal property of every kind and description, including shares of stock, bonds, debentures, notes, evidence of indebtedness, and other securities and obligations of any corporation or corporations, association or associations, joint ventures, incorporated or otherwise, domestic or foreign, for whatever lawful purpose or purposes the same may have been organized and to pay therefor in money or by exchanging therefor stocks, bonds, or other evidences of indebtedness or securities of this or any other corporation, and while the owner or holder of any such real or personal property, stocks, bonds, debentures, contracts, or obligations, to receive, collect and dispose of the interest, dividends, and income arising from such property; to possess and exercise in respect thereof, all the rights, powers and privileges of ownership, including all voting powers of any stock so owned, to carry on, provide support and manage the general business of any corporation, company, association or joint venture and to secure and guarantee the loans and obligations of , and act as surety for its subsidiaries, affiliates or associates as may be authorized by the Board of Directors; and to exercise such powers, act or functions as may be essential or necessary to carry out the purpose stated herein.

MTech has not yet started its operations as at December 31, 2021.

MTech has a subsidiary namely, MBOX Smart Lockers Corp. (MBox), which is included in the consolidated financial statements.

*MBOX*
MBox was incorporated and registered with the SEC on June 4, 2021. It is engaged to invest, own, operate, manage, develop infrastructure, facilities, services, applications and systems for storage and distribution, which includes smart lockers, storages and other logistics systems, tools, equipment and services.

MBox is 70% owned by MTech.

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 subsidiaries 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 subsidiaries 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.

Non-controlling interests include the portion of profit or loss and net assets not attributable to the equity holders of the Parent Company and are presented in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from the equity attributable to equity holders of the Parent Company.

Non-controlling interests also include the interests not held by MTech in MBox as at December 31, 2021.

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 place of incorporation and the place of registration of the subsidiaries are the same with the Parent Company. The Parent Company and its Subsidiaries are 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.

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

The Group has adopted the following new standards, amendments to standards and interpretations starting January 1, 2021 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on the Group's consolidated financial statements.

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to PFRS 16). The amendment extends the practical expedient introduced in the 2020 amendment which simplified how a lessee accounts for rent concessions that are a direct consequence of COVID-19, permitting lessees to apply the practical expedient to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.

  The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Earlier application is permitted. A lessee applies the amendments retrospectively, recognizing the cumulative effect of the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate. The adoption is mandatory for lessees that chose to apply the practical expedient introduced by the 2020 amendments and may result in reversal of lease modifications that was ineligible for the practical expedient under the 2020 amendments, but becomes eligible as a result of the extension.

Standards Issued But Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2021. However, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements.

*Effective January 1, 2022*

- Property, Plant and Equipment - Proceeds before Intended Use (Amendments to PAS 16, *Property, Plant and Equipment*). The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, *Inventories*.

  The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

  For the sale of items that are not part of a company's ordinary activities, the amendments require the company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

- Onerous Contracts - Cost of Fulfilling a Contract (Amendment to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*). The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprise both incremental costs and an allocation of other direct costs.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.

- *Annual Improvements to PFRS Standards 2018-2020.* This cycle of improvements contains amendments to four standards, of which the following is applicable to the Group:

  - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities *(Amendment to* PFRS 9, *Financial Instruments)*. The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. It applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  - *Lease Incentives* (Amendment to Illustrative Examples accompanying PFRS 16). The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

- Reference to the Conceptual Framework (Amendment to PFRS 3, *Business Combinations*). The amendments:

  - updated PFRS 3 so that it now refers to the 2018 Conceptual Framework;

  - added a requirement that, for transactions and other events within the scope of PAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

  - added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

  The amendments are effective for business combinations occurring in reporting periods starting on or after January 1, 2022. Earlier application is permitted.

*Effective January 1, 2023*

- Classification of Liabilities as Current or Noncurrent (Amendments to PAS 1, *Presentation of Financial Statements*). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:

  - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

  - clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

In November 2021, the International Accounting Standards Board issued the Exposure Draft, Noncurrent Liabilities with Covenants after considering stakeholder feedback on the December 2020 tentative agenda decision issued by the IFRS Interpretations Committee about the amendments. The exposure draft proposes to again amend IAS 1 as follows:

- Conditions which the entity must comply within twelve months after the reporting period will have no effect on the classification as current or non-current.

- Additional disclosure requirements will apply to non-current liabilities subject to such conditions to enable the assessment of the risk that the liability could become repayable within twelve months.

- Separate presentation in the statement of financial position will be required for non-current liabilities for which the right to defer settlement is subject to conditions within 12 months after the reporting period.

- The effective date of the amendments will be deferred to no earlier than January 1, 2024.

Comments on the Exposure Draft was due on March 21, 2022.

▪ Definition of Accounting Estimates (Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remain unchanged. The amendments also provide examples on the application of the new definition.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

- Disclosure of Accounting Policies (Amendments to PAS 1 and PFRS Practice Statement 2, *Making Materiality Judgements*). The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:

  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;

  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

  The amendments to PFRS Practice Statement 2 include guidance and additional examples on the application of materiality to accounting policy disclosures.

  The amendments are effective from January 1, 2023. Earlier application is permitted.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12, *Income Taxes*). The amendments clarify that that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations. The amendments apply for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

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.

<u>*Financial Assets*</u>
*Classification and Subsequent Measurement*
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, 2021 and 2020.

*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 (excluding advances to suppliers and advances to employees) and security deposits (included under "Other Noncurrent Assets") are included in this category (Notes 5, 6, 10 and 23).

*Financial Liabilities*

The Group classifies its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. The Company 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, 2021 and 2020

*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.

As at December 31, 2021 and 2020, the Company's accounts payable and other current liabilities (excluding payables to the government and unearned franchise fee), loans payable, due to a related party and lease liabilities are included in this category (Notes 12, 13, 18 and 23).

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.

For a modification of the financial asset that does not result in derecognition, the difference between the present value of the modified cash flows discounted using the original effective interest rate and the present value of the original cash flows, is recognized in profit or loss as a gain or loss from modification. Costs or fees in relation to the modification of the financial asset are recognized as part of the carrying amount of the asset and amortized over the remaining term of the instrument. A modification of the original financial asset that results in derecognition of the financial asset, requires the recognition of a new financial asset in line with the general requirements for the initial recognition (i.e. at fair value plus transaction costs).

*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.

The Group derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed shall be recognized in profit or loss.

Impairment of Financial Assets
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.

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.

Debt Issue Costs
Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the effective interest rate method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in profit or loss.

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 estimated costs necessary to make the sale.

Prepaid Expenses and Other Current Assets
Prepaid expenses and other current assets represent expenses not yet incurred but already paid in cash. These are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are recognized in profit or loss as they are consumed in operations or expire with the passage of time.

Other current assets are classified in the consolidated statements of financial position as current assets when the costs or expenses related to the assets are expected to be incurred within one year or the Group's normal operating cycle, whichever is longer. Otherwise, assets are classified as noncurrent assets.

Input Value-added Tax (VAT)
Input tax represents the VAT due or paid on purchases of goods and services subjected to VAT that the Group can claim against any future liability to the Bureau of Internal Revenue (BIR) for output VAT received from sale of goods and services subjected to VAT. The input tax can also be recovered as tax credit against future income tax liability of the Group upon approval of the BIR. Input tax is stated at net realizable value. An allowance is provided for any portion of the input tax that cannot be claimed against output tax or recovered as tax credit against future income tax liability. Input tax that are expected to be realized for no more than 12 months after the reporting period are classified as current asset, otherwise, these are classified as other noncurrent asset.

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.

Land is carried at cost less any impairment in value, if any. The initial cost of land comprises its purchase price and other directly attributable costs of bringing the asset to its working condition and location for its intended use. It excludes the costs of day-to-day servicing. Land is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the land (calculated as the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss in the year the asset is derecognized.

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.

Other Noncurrent Assets

Other noncurrent assets consist of advances to Carlos Drugs – Lucena, Inc. (Carlos Superdrug), prepaid rent and security deposits. Advances to Carlos Superdrug pertains to the amount paid in advance for the purchase of shares and wherein the Group has no control yet. Prepaid rent is rent paid prior to the rental period to which it relates, or an amount of rent paid that has not yet been used. Security deposits represent noninterest-bearing deposits which are generally applied against unpaid rentals should the lessee decide not to renew the lease or are forfeited as damages for any violation of contract.

Business Combination

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a ‘concentration test’ that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer’s previously held equity interest in the acquiree is remeasured at the acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

The Group measures goodwill at the acquisition date as: a) the fair value of the consideration transferred; plus b) the recognized amount of any non-controlling interests in the acquiree; plus c) if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less d) the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. Subsequently, goodwill is measured at cost less any accumulated impairment in value. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired.

Non-controlling Interests (NCI)

The acquisitions of NCI are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. Any difference between the purchase price and the net assets of the acquired entity is recognized in equity. The adjustments to non-controlling interests are based on a proportionate amount of the identifiable net assets of the subsidiary.

Impairment of Nonfinancial 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.

Capital stock are classified as equity. Incremental costs directly attributable to the issuance of common stock are recognized as a deduction from equity, net of any tax effects, and any excess of the proceeds over the par value of shares issued less any incremental costs directly attributable to the issuance, net of tax, is presented in equity as additional paid-in capital.

Additional Paid-in Capital

Additional paid-in capital represents the amount received in excess of the par value of the capital stock issued.

Stock issuance costs are transaction costs that are directly attributable to the issuance of new shares accounted for as a deduction from equity, net of any related income tax benefit. Such costs are deducted from additional paid-in capital arising from the share issuance. If the additional paid-in capital is insufficient to absorb such expenses, the excess shall be charged to stock issuance costs to be reported as a contra equity account as a deduction from the following in the order of priority: (1) additional paid-in capital from previous stock issuance; and (2) retained earnings.

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 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.

Cost of Sales
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.

Expense Recognition
Expenses are recognized when they are incurred and are reported in the consolidated financial statements in the periods to which they relate.

Expenses are also recognized when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably has arisen. Expenses are recognized on the basis of a direct association between costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition as an asset.

Operating Expenses
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 (ROU) asset and a lease liability at the lease commencement date. The ROU 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 ROU 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 ROU asset reflects that the Group will exercise a purchase option. In that case the ROU 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 ROU 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 ROU asset or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero.

Variable lease payments that depend on sales or usage are excluded from the lease liability. The payments are recognized in profit or loss in the period in which the performance or use occurs.

*Short-term Leases and Leases of Low-value Assets*
Short-term lease recognition exemption applies to leases that have a lease term of twelve months or less from the commencement date and do not contain a purchase option. Lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short- term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Borrowing Costs
Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset otherwise it's expensed out. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

The amount of specific borrowing costs capitalized is net of the investment income on any temporary investment of the funds pending expenditure on the asset. On the other hand, general borrowing costs capitalized is exclusive of any investment income earned.

Employee Benefits
*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 actuarially determined using the projected unit credit method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in equity and are not reclassified to profit or loss in subsequent period.

The defined benefit retirement liability is the aggregate of the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods.
Defined benefit costs comprise the following:

- Service costs

- Net interest on the defined benefit retirement liability

- Remeasurements of defined benefit retirement liability

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the defined benefit retirement liability is the change during the period as a result of contributions and benefit payments, which is determined by applying the discount rate based on the government bonds to the defined benefit retirement liability. Net interest on the defined benefit retirement liability is recognized as expense or income in profit or loss.

Remeasurements of defined benefit retirement liability comprising actuarial gains and losses are recognized immediately in other comprehensive income in the period in which they arise.

<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 except:

- where the tax incurred on purchase of assets or services are not recoverable from the taxation authority, in which case, the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" and "Payables to the government" under "Accounts payables 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 to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) subsidiaries; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that give them significant influence over the Group and close members of the family of any such individual; and (d) members of the key management of the Group.

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, *Operating Segments* 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 Nonfinancial Assets*
PFRSs 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, ROU assets, advances to Carlos Superdrug and intangible assets with finite lives amounted to P2,338.48 million and P1,354.69 million as at December 31, 2021 and 2020 respectively (Notes 9, 10, 11, 20 and 25).

*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 2021 and 2020.

*Determination of whether the Group is acting as a Principal or an Agent*
The Group is a principal if it controls the specified good or service before it is transferred to a customer. The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party and the Group does not control the good or service before it is transferred to the customer.

The Group assesses its concession agreements against the following indicators to help determine whether it is acting as a principal or an agent:

- whether the Group has primary responsibility for providing the services;
- whether the Group has inventory risk; and
- whether the Group has discretion in establishing prices.

In 2019, the Group concluded that it is acting as the agent on its concession agreements as 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. The Group recognizes concession income which pertains to the net margin from sales of concessionaire suppliers' goods inside the store.

In 2020, the Group revised its concession agreements and concluded that it is acting as the principal as it has the primary responsibility for fulfilling the promise to provide the goods under concession to its customers. The Group has the right to direct the use of and obtain substantially all of the remaining benefits of the goods under concession and has the discretion in establishing the price for the goods.

As a result, starting 2020 the Group is acting as the principal in selling the goods to end-customers. The gross proceeds from the sale of goods under concession were recognized as part of the sales of goods and the related costs were charged as part of cost of sales.

*Determination on whether an Arrangements Contains a Lease*
The Group uses its judgment in determining whether an arrangement is or contains a lease. A contract contains a lease if the determination of contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time if the customer has the right to obtain substantially all of the economic benefits from the use of the identified assets and the right to direct the use of the identified assets.

*Determination of Incremental Borrowing Rate on Leases*
The Group cannot readily determine the interest rate implicit in its leases. Therefore, it uses the relevant incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The IBR, therefore, reflects what the Group would have to pay, which requires estimation when no observable rates are available (such as when the Group does not enter into financing transactions) and to make adjustments to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to consider certain contract and entity-specific judgement estimates.

*Business Combinations*
At the time of acquisition, the Group considers whether the acquisition represents of net assets the acquisition of a business. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made with regard to the extent to which significant processes are acquired. If investment property is acquired, the assessment includes reference to the guidance in PAS 40, *Investment Property* and considers relevant factors including whether property management services are acquired and the nature of those services, and the level and nature of ancillary services. When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized.

*Determination of Control*
The Parent Company determines control when it is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. The Parent Company controls an entity if and only if the Parent Company has all of the following:

a. power over the entity;

b. exposure, or rights, to variable returns from its involvement with the entity; and

c. the ability to use its power over the entity to affect the amount of the Parent Company's returns.

<u>Estimates and Assumptions</u>
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.* 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 2021 and 2020.

The carrying amounts of financial assets at amortized cost are as follows:

| | ***Note*** | **2021** | 2020 |
|---|---|---|---|
| Cash and cash equivalents (excluding cash on hand) | *5, 23* | **P1,967,743,019** | P894,848,375 |
| Receivables (excluding advances to suppliers and advances to employees) | *6, 23* | **74,860,264** | 19,898,437 |
| Security deposits (included under other noncurrent assets) | *10, 20, 23* | **161,447,516** | 112,804,660 |
| | | **P2,204,050,799** | P1,027,551,472 |

*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 2021, 2020 and 2019.

The carrying amounts of the Group’s inventories amounted to P1,372.73 million and P737.57 million as at December 31, 2021 and 2020, respectively (Note 7).

*Estimating Useful Lives of Property and Equipment, ROU Assets and Intangible Asset with Finite Life*
The Group estimates the useful lives of property and equipment, ROU assets 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 P1,718.69 million and P908.85 million as at December 31, 2021 and 2020, respectively. Accumulated depreciation and amortization of property and equipment amounted to P95.41 million and P41.02 million as at December 31, 2021 and 2020, respectively (Note 9).

Intangible asset with finite life, net of accumulated amortization, amounted to P54.96 million and P42.91 million as at December 31, 2021 and 2020, respectively. Accumulated amortization of the intangible asset with finite life amounted to P11.00 million and P3.67 million as at December 31, 2021 and 2020, respectively (Note 11).

ROU assets carried at cost, net of accumulated amortization, amounted to P449.03 million and P402.93 million as at December 31, 2021 and 2020, respectively. Accumulated amortization of ROU assets amounted to P99.18 million and P42.66 million as at December 31, 2021 and 2022, respectively (Note 20).

*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 P37.92 million and P44.28 million as at December 31, 2021 and 2020 respectively (Note 21).

## 5. Cash and Cash Equivalents

This account consists of:

| | *Note* | **2021** | 2020 |
|---|---|---|---|
| Cash in banks | *4, 23* | **P1,967,743,019** | P492,198,125 |
| Cash on hand | | **62,584,942** | 45,793,614 |
| Short-term placements | *4, 23* | **-** | 402,650,250 |
| | | **P2,030,327,961** | P940,641,989 |

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. The short-term placements as at December 31, 2020 have matured in 2021.

Total interest income earned from cash and cash equivalents amounted to P1.75 million, P5.77 million, and P0.11 million in 2021, 2020 and 2019, respectively.

## 6. Receivables

This account consists of:

| | *Note* | **2021** | 2020 |
|---|---|---|---|
| Trade | *23* | **P60,549,738** | P13,750,206 |
| Receivable from franchisee | *23* | **6,831,305** | 2,904,879 |
| Advances to employees | | **8,385,060** | 5,173,248 |
| Advances to suppliers | | **2,816,739** | - |
| Accrued interest | *23* | **-** | 3,154,442 |
| Others | *23* | **7,479,221** | 88,910 |
| | *4* | **P86,062,063** | P25,071,685 |

Trade receivables pertain to receivables from credit card sales and in-house charge sales. These receivables generally have 1-7 days credit terms.

Accrued interest pertains to the interest income earned from the short-term placements.

Other receivables mainly pertain to receivables from employees and insurance company.

## 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.

| | **2021** | 2020 |
|---|---|---|
| Merchandise inventories | **P1,359,218,058** | P732,754,059 |
| Packaging materials | **13,509,612** | 4,818,864 |
| | **P1,372,727,670** | P737,572,923 |

Inventories at cost is lower than its NRV as at December 31, 2021 and 2020.

Inventories charged to cost of sales amounted to P3,277.26 million, P3,145.72 million and P2,370.67 million in 2021, 2020 and 2019, respectively (Note 15).

## 8. Prepaid Expenses and Other Current Assets

This account consists of:

| | **2021** | 2020 |
|---|---|---|
| Input VAT - net | **P261,328,991** | P168,134,439 |
| Prepaid expenses | **18,929,482** | 17,783,148 |
| Advances to suppliers | **10,640,710** | 8,447,793 |
| Creditable withholding tax | **1,270,463** | 3,287,562 |
| Prepaid taxes | **469,154** | 1,437,611 |
| | **P292,638,800** | P199,090,553 |

Input VAT represents accumulated input taxes from purchases of goods and services for business operations and purchases of materials and services for the store construction which can be applied against future output VAT.

Prepaid expenses include advertising and insurance which will be amortized within one (1) year.

Creditable withholding taxes pertain to taxes withheld by the Group's customers which can be applied against any future income tax liability.

## 9. Property and Equipment

The movements and balances of this account consist of:

| | Leasehold Improvements | Furniture, Fixtures and Equipment | Transportation Equipment | Machineries | Construction in Progress | Land | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Balance, January 1, 2020 | P37,669,047 | P48,953,698 | P5,979,800 | P - | P145,538,016 | P - | P238,140,561 |
| Additions | 53,984,360 | 80,085,455 | 19,332,042 | - | 411,722,588 | 146,608,490 | 711,732,935 |
| Reclassifications | 68,291,878 | 83,303,566 | - | - | (151,595,444) | - | - |
| Balance, December 31, 2020 | 159,945,285 | 212,342,719 | 25,311,842 | - | 405,665,160 | 146,608,490 | 949,873,496 |
| Additions | 47,495,153 | 236,412,681 | 9,501,703 | 15,678,898 | 168,278,998 | 386,850,180 | 864,217,613 |
| Reclassifications | 124,708,758 | - | | - | (124,708,758) | - | - |
| **Balance, December 31, 2021** | **332,149,196** | **448,755,400** | **34,813,545** | **15,678,898** | **449,235,400** | **533,458,670** | **1,814,091,109** |
| **Accumulated Depreciation** | | | | | | | |
| Balance, January 1, 2020 | 2,471,568 | 11,988,505 | 1,885,820 | - | - | - | 16,345,893 |
| Depreciation for the year | 4,887,734 | 16,812,959 | 2,977,730 | - | - | - | 24,678,423 |
| Balance, December 31, 2020 | 7,359,302 | 28,801,464 | 4,863,550 | | - | - | 41,024,316 |
| Depreciation for the year | 14,270,078 | 35,376,710 | 4,614,620 | 119,727 | - | - | 54,381,135 |
| **Balance, December 31, 2021** | **21,629,380** | **64,178,174** | **9,478,170** | **119,727** | **-** | **-** | **95,405,451** |
| **Carrying Amount** | | | | | | | |
| As at December 31, 2020 | P152,585,983 | P183,541,255 | P20,448,292 | **P -** | P405,665,160 | P146,608,490 | P908,849,180 |
| **As at December 31, 2021** | **P310,519,816** | **P384,577,226** | **P25,335,375** | **P15,559,171** | **P449,235,400** | **P533,458,670** | **P1,718,685,658** |

Depreciation expense charged to "Operating expense" account amounted to P54.38 million, P24.68 million and P9.04 million in 2021, 2020 and 2019, respectively (Note 16).

There were no property and equipment pledged or mortgaged as security as at December 31, 2021 and 2020.

## 10. Other Noncurrent Assets

Details of this account follows:

| | *Note* | **2021** | 2020 |
|---|---|---|---|
| Prepaid rent | *20* | **P170,478,144** | P59,536,551 |
| Security deposits | *4, 20, 23* | **161,447,516** | 112,804,660 |
| Advances to third party | *25* | **115,810,226** | - |
| Construction bond | | **2,373,167** | 2,373,750 |
| | | **P450,109,053** | P174,714,961 |

Prepaid rent pertains to the amount paid in advance for the use of place or property.

Security deposits pertain to non-interest bearing deposits paid to and held by the Group's lessors which are refundable at the end of the lease term.

Advances to a third-party pertains to the initial payment made to Carlos Superdrug for its acquisition of the latter's shares and for which the closing date of the business combination was determined to be subsequent to December 31, 2021 (Note 25).

## 11. Intangible Asset

This account pertains to computer software licenses which have been built, installed or supplied by the manufacturer ready to operate or require some customization based on the Group's specific requirements.

The movements and balances of this account consist of:

| | *Note* | **2021** | 2020 |
|---|---|---|---|
| **Cost** | | | |
| Beginning balance | | **P46,583,745** | P14,762,710 |
| Additions | | **19,381,517** | 31,821,035 |
| | | **65,965,262** | 46,583,745 |
| **Accumulated Amortization** | | | |
| Beginning balance | | **3,673,492** | 149,937 |
| Amortization for the year | *16* | **7,329,469** | 3,523,555 |
| | | **11,002,961** | 3,673,492 |
| | | **P54,962,301** | P42,910,253 |

## 12. Accounts Payable and Other Current Liabilities

This account consists of:

| | Note | 2021 | 2020 |
|---|---|---|---|
| Trade | 3, 23 | **P706,258,744** | P319,260,360 |
| Current portion of lease liabilities | 3, 20 | **64,934,043** | 39,521,500 |
| Accrued expenses | 3, 23 | **26,638,056** | 40,800,454 |
| Accrued interest expense | 3, 23 | **12,075,208** | 1,975,000 |
| Payables to the government | | **2,022,425** | 1,877,341 |
| Current portion of unearned franchise fees | | **676,000** | 676,000 |
| Others | 3, 23 | **9,868,679** | 12,323,230 |
| | | **P822,473,155** | P416,433,885 |

Trade payables are liabilities arising from the purchases of inventories. These are non-interest bearing and are normally settled within 7-60 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:

| | 2021 | 2020 |
|---|---|---|
| Current | **P676,000** | P676,000 |
| Noncurrent | **1,380,000** | 1,380,000 |
| | **P2,056,000** | P2,056,000 |

## 13. Loans Payable

This account consists of:

| | Note | 2021 | 2020 |
|---|---|---|---|
| Current | | **P1,295,000,000** | P450,000,000 |
| Noncurrent | | **1,997,053,555** | 250,000,000 |
| | 23 | **P3,292,053,555** | P700,000,000 |

Loans payable pertains to unsecured loans obtained from local banks.

Long-term Loans Payable

On November 4, 2020, the Group obtained an unsecured loan amounting to P250 million for the construction of the Group's branches. This loan bears fixed interest rate of 6.00% per annum and is payable until May 2023. The loan agreement does not contain any financial or non-financial covenants. Total payments made on this loan amounted to P72.92 million in 2021. Total remaining loans payable amounted to P177.08 million as at December 31, 2021, wherein P125 million is due in 2022 and the remaining P52.08 million is due in 2023.

On December 16, 2021, the Group obtained an unsecured loan amounting to P2,000 million for the construction of the Group's branches with an issue cost amounting to P35.03 million. This loan, which bears an annual fixed interest of 5.97%, and is payable until December 16, 2026. The loan contains financial covenants relating to maintenance of certain financial ratios. Out of the P2,000 million loans payable as at December 31, 2021, P20 million is due in 2022 while the remaining P1,980 is payable until 2026.

The financial tests under the second loan agreement include compliance relating to maintenance of certain financial ratios.

As at December 31, 2021, the Group is in compliance with the covenants of its debt agreements.

Short-term Loans Payable

The Group obtained short-term loans from various financial institutions which are payable within one year. The proceeds from these borrowings were used for working capital purposes more specifically in the development of the Group's new stores. The interest rates on these short-term borrowings are repriced monthly based on negotiated rates or prevailing market rates.

Total interest expense, exclusive of the capitalized borrowing costs, recognized in profit or loss amounted to P1.04 million, P0.75 million and P2.48 million in 2021, 2020 and 2019, respectively. Total capitalized borrowing costs charged in "Property and equipment - net" account amounted to P62.39 million and P41.79 million as at December 31, 2021 and 2020, respectively (Note 9).

The movement of loans arising from these loan agreements are as follows:

| | **2021** | 2020 |
|---|---|---|
| Balance at beginning of year | **P700,000,000** | P150,000,000 |
| Proceeds from loans payable net of issue cost | **2,664,970,222** | 550,000,000 |
| Payment of loans payable | **(72,916,667)** | - |
| Balance at end of year | **P3,292,053,555** | P700,000,000 |

The schedules for principal payments for loans payable are as follow:

| | **2021** | 2020 |
|---|---|---|
| Due within one year | **P1,295,000,000** | P450,000,000 |
| Beyond one year but not later than five years | **1,997,053,555** | 250,000,000 |
| | **P3,292,053,555** | P700,000,000 |

## 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* | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Sale of goods | | **P3,855,509,832** | P3,412,521,282 | P2,482,302,804 |
| Display rental | | **21,034,255** | 26,326,260 | 20,870,590 |
| Concession income* | *17* | **-** | - | 9,152,292 |
| Application fees* | *17* | **3,300,000** | 7,700,000 | 2,200,000 |
| | | **P3,879,844,087** | P3,446,547,542 | P2,514,525,686 |

** 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.

In 2019, 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.

In 2020, the Group revised its concession agreements wherein it has the primary responsibility for fulfilling the promise to provide the goods under concession to its customers. The Group has the right to direct the use of and obtain substantially all of the remaining benefits of the goods under concession and has the discretion in establishing the price for the goods. As a result, starting 2020, the Group is acting as the principal in selling the goods to end-customers. The gross proceeds from the sale of goods under concession were recognized as part of the sales of goods and the related costs were charged as part of cost of sales.

Application fees pertain to the amount received in processing the franchise application of its franchisees. 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* | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Beginning inventory | *4, 7* | **P737,572,923** | P183,418,743 | P270,448,890 |
| Add: Purchases | | **3,912,412,451** | 3,699,876,810 | 2,283,642,242 |
| Total goods available for sale | | **4,649,985,374** | 3,883,295,553 | 2,554,091,132 |
| Less: Ending inventory | *4, 7* | **1,372,727,670** | 737,572,923 | 183,418,743 |
| | | **P3,277,257,704** | P3,145,722,630 | P2,370,672,389 |

## 16. Operating Expenses

This account consists of:

| | Note | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Electricity and water | | **P121,956,498** | P33,294,797 | P 8,586,803 |
| Depreciation and amortization | 9, 11, 20 | **120,889,622** | 61,650,803 | 18,400,538 |
| Salaries, wages and other benefits | | **121,453,457** | 74,403,575 | 23,787,350 |
| Contracted services | | **105,511,833** | 55,913,720 | 6,415,950 |
| Taxes and licenses | | **42,768,250** | 19,467,014 | 9,206,374 |
| Marketing | | **17,013,186** | 8,288,926 | 13,656,957 |
| Supplies | | **11,756,754** | 5,927,670 | 2,830,925 |
| Transportation and travel | | **6,583,633** | 14,462,416 | 1,296,201 |
| Repairs and maintenance | | **5,824,068** | 1,931,771 | 817,102 |
| Professional fees | | **5,431,287** | 1,482,387 | 2,569,656 |
| Communications | | **4,706,585** | 2,814,862 | 1,303,689 |
| Retirement benefits | 19 | **4,020,618** | 1,880,449 | 1,940,339 |
| Insurance | | **1,441,737** | 1,220,030 | 615,637 |
| Rent expenses | | **321,646** | 13,846,925 | 1,001,828 |
| Donations and sponsorships | | **-** | 250,000 | 5,100,000 |
| Miscellaneous | | **13,084,182** | 7,821,521 | 524,639 |
| | | **P582,763,356** | P304,656,866 | P98,053,988 |

Miscellaneous pertains to service fees, representation expenses and membership fees.

## 17. Other Operating Income

This account consists of:

| | Note | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Product enlistment fee | | **P17,243,186** | P11,086,555 | P - |
| Application fees | 14 | **3,300,000** | 7,700,000 | 2,200,000 |
| Opening support | | **2,942,675** | 2,942,675 | - |
| Concession income | 14 | **-** | - | 9,152,292 |
| Others | 19, 20 | **29,356,664** | 13,507,003 | 710,667 |
| | | **P52,842,525** | P35,236,233 | P12,062,959 |

Others consist of transition liability gain from retirement benefit, incentives from suppliers and gain from lease modification (Notes 19 and 20).

## 18. Related Party Transactions

All material related party transactions are subject to approval by the BOD. Material related party transactions pertain to those transactions, either individually, or in aggregate over a 12-month period, that exceed 10% of the Group's total assets, based on the latest audited financial statements. All other related party transactions that are considered not material are approved by management.

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 | **2021** | *a* | **(P62,482,842)** | **P -** | **Due and demandable; non-interest bearing; unsecured; payable in cash** |
| | 2020 | *a* | 12,720,271 | 62,482,842 | Due and demandable; non-interest bearing; unsecured; payable in cash |
| Land acquired | **2021** | *b* | **386,850,180** | **-** | |
| | 2020 | *b* | 146,608,491 | - | |
| | **2021** | | | **P -** | |
| | 2020 | | | P62,482,842 | |

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. *Land Acquired*
In 2021, the Group acquired certain parcels of land from III amounting to P38.5 million which has been fully paid in 2021.

In 2020, the Group acquired two parcels of land from III, which has been fully paid in 2020.

c. *Key Management Personnel*
Short-term benefits of key management personnel amounted to P7.40 million, P7.37 and nil in 2021, 2020 and 2019, respectively. Directors' fees paid amounted to P0.36 million, nil and nil in 2021, 2020 and 2019, respectively.

## 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 principal actuarial assumptions used to determine retirement benefits with respect to the discount rate and salary rate increases were based on historical and projected normal rates.

The Plan is exposed to both financial and demographic risks. Risks associated to the Plan are as follows:

- Liquidity Risk - The inability to meet benefit obligation payout when due.

- Interest Rate Risk - The present value of DBO is relatively sensitive and inversely related to the discount rate. In particular, if the discount rate, which is referenced to government bonds decreases, then the DBO increases.

- Salary Risk - The present value of DBO is relatively sensitive and directly related to future salary rate increases. In particular, if the actual salary rate increases in the future are higher than expected then the DBO and benefits are higher as well.

- Persistency Risk - The present value of DBO is relatively sensitive and inversely related to the turnover rates. In particular, lower turnover rates, which means employees persist or stay with the Group longer, correspond to higher DBO and benefit payouts.

Since there is no retirement plan asset, there is no asset-liability matching strategy.

The following table below shows the reconciliation from the opening to the closing balances for DBO and its components:

| | ***Note*** | **2021** | 2020 |
|---|---|---|---|
| Balance at January 1 | | **P8,024,699** | P6,196,332 |
| Transition asset | *17* | **-** | (2,132,641) |
| Adjusted balance at January 1 | | **8,024,699** | 4,063,691 |
| **Included in Profit or Loss** | | | |
| Current service cost | | **3,284,191** | 1,336,418 |
| Interest cost | | **736,427** | 544,031 |
| | *16* | **4,020,618** | 1,880,449 |
| | | **12,045,317** | 5,944,140 |
| **Included in Other Comprehensive Income (OCI)** | | | |
| Remeasurement loss (gain): | | | |
| Actuarial loss (gain) arising from: | | | |
| ▪ Experience adjustments | | **(1,322,600)** | 2,349,978 |
| ▪ Financial assumptions | | **(1,637,028)** | (269,419) |
| | | **(2,959,628)** | 2,080,559 |
| **Balance at December 31** | | **P9,085,689** | P8,024,699 |

Retirement benefits expense amounting to P4.02 million, P1.88 million and P1.94 million in 2021, 2020 and 2019 is presented under “Retirement benefits” and “Miscellaneous” under “Operating expenses” account in the consolidated statements of comprehensive income.

The principal actuarial assumptions used at December 31 are as follows:

| | **2021** | 2020 |
|---|---|---|
| Discount rate | **5.20%** | 4.10% |
| Future salary growth | **4.00%** | 4.00% |

Maturity analysis of the benefit payments are as follows:

| | **Carrying Amount** | **Contractual Cash Flows** | **Within 1 - 5 Years** | **More than 5 Years** |
|---|---|---|---|---|
| **2021** | **P9,085,689** | **P210,039,275** | **P2,283,925** | **P207,755,350** |
| 2020 | 8,024,699 | 185,946,689 | 2,194,338 | 183,752,351 |

As at December 31, 2021 and 2020, the weighted-average duration of the DBO is 23 and 13 years, respectively.

Sensitivity Analysis
Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the DBO by the amounts shown below.

| | **DBO** | |
|---|---|---|
| **2021** | **Increase** | **Decrease** |
| Discount rate (1% movement) | **P3,612,917** | **(P6,283,764)** |
| Future salary growth (1% movement) | **5,604,616** | **(4,794,657)** |

| | DBO | |
|---|---|---|
| 2020 | Increase | Decrease |
| Discount rate (1% movement) | P4,941,303 | (P9,383,848) |
| Future salary growth (1% movement) | 9,324,808 | (6,953,403) |

Each sensitivity run is based on a change in a sole actuarial assumption while holding all other assumptions constant. However, the sensitivity runs may not be representative of the actual change in the DBO as it is unlikely that a change in assumption would occur in isolation as the assumptions may be correlated.

Furthermore, DBO figures in this sensitivity runs have been calculated using the PUC method, the same method used in the calculation of DBO.

## 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 for the recognition of ROU assets and lease liabilities 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 shall escalate 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 shall escalate by 5% every year. The agreement is subject to renewal upon mutual agreement of the parties.

c. The Group leases store spaces. The terms of the leases are for periods ranging from 5 to 15 years, renewable upon mutual agreement of the parties. The rent shall escalate by an average of 5% each year.

Movements in the ROU assets as at December 31, 2021 and 2020 follows:

| | *Note* | 2021 | 2020 |
|---|---|---|---|
| **Cost** | | | |
| Beginning balance | | **P445,593,322** | P127,475,614 |
| Additions | | **182,301,058** | 318,117,708 |
| Write-off | | **(79,686,312)** | - |
| **Ending balance** | | **548,208,068** | 445,593,322 |
| **Accumulated Amortization** | | | |
| Beginning balance | | **42,659,811** | 9,210,986 |
| Amortization for the year | *16* | **59,179,018** | 33,448,825 |
| Write-off | | **(2,656,210)** | - |
| **Ending balance** | | **99,182,619** | 42,659,811 |
| **Net Carrying Amount** | | **P449,025,449** | P402,933,511 |

Write-off pertains to modification of terms of the lease agreement in 2021. In 2021, the Group and the lessor modified the terms of the lease agreement and changed the payments to variable consideration rentals in which the payments will be based on the Company's monthly sales. The modification of the terms of the said lease agreement resulted to a gain on lease modification amounting to P0.96 million and is presented as part of "Other operating income" in the consolidated statements of comprehensive income (Note 17). The balance of the ROU and the lease liabilities as at December 31, 2020 were derecognized in 2021 after the modification of the lease agreement.

Movements and balances of lease liabilities as at December 31, 2021 and 2020 follows:

| | 2021 | 2020 |
|---|---|---|
| Beginning balance | **P415,844,486** | P130,616,262 |
| Additions | **182,301,058** | 318,117,709 |
| Interest expense | **14,915,682** | 11,802,459 |
| Payments of lease liabilities and interest | **(62,605,147)** | (44,691,944) |
| Write-off | **(77,986,896)** | - |
| Ending balance | **P472,469,183** | P415,844,486 |
| Current portion | **64,934,043** | 39,521,500 |
| Noncurrent portion | **407,535,140** | 376,322,986 |

Interest expense recognized in profit or loss amounted to P14.92 million, P11.80 million and P4.17 million in 2021, 2020 and 2019, respectively.

The Group also entered into various lease agreements for its store spaces. These lease agreements are based on percentage of sales, which are considered as variable considerations. Rent expense recognized from these agreements amounted to P2.72 million and P12.56 million in 2021 and 2020 and is recognized as part of "Rent expense" in the "Operating expenses" account.

Leases for several parking spaces and equipment with lease term of less than one year were expensed during the year. Rent expense amounted to P2.04 million and P1.29 million in 2021 and 2020, respectively. This is included under "Rent expenses" in the "Operating expenses" account.

The total cash outflow from leases amounted to P78.89 million, P58.54 million and P2.03 million in 2021, 2020 and 2019, respectively.

Total security deposits and advance rental payments from these lease arrangements amounted to P331.93 million and P172.34 million as at December 31, 2021 and 2020, respectively. These are included under “Other noncurrent assets” account in the consolidated statements of financial position (Note 10).

## 21. Income Taxes

Income tax expense (benefit) consists of:

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Income tax: | | | |
| Current | **P16,640,438** | P3,982,955 | P18,891,630 |
| Effect on change in tax rate | **(995,739)** | - | - |
| | **15,644,699** | 3,982,955 | 18,891,630 |
| Deferred tax: | | | |
| Current | **(1,761,837)** | (35,300,634) | (6,934,770) |
| Effect on change in tax rate | **7,275,441** | - | - |
| | **5,513,604** | (35,300,634) | (6,934,770) |
| | **P21,158,303** | (P31,317,679) | P11,956,860 |

The components and movements of the Group’s deferred tax assets and deferred tax liabilities, relating to temporary differences, are shown below.

| | January 1, 2021 | Charged to Profit or Loss | Charged to Other Comprehensive Income | Impact of CREATE | December 31, 2021 |
|---|---|---|---|---|---|
| **Deferred Tax Asset** | | | | | |
| NOLCO | P44,848,343 | P18,435,159 | P - | (P7,474,724) | P55,808,778 |
| Excess of lease payments over amortization of ROU | 3,818,095 | 2,633,190 | - | (636,349) | 5,814,936 |
| Retirement benefits liability | 3,047,203 | 1,005,155 | (739,907) | (507,867) | 2,804,584 |
| Difference between financial depreciation and tax depreciation | 67,780 | 586,783 | - | (11,298) | 643,265 |
| Accrued expense | 269,998 | 225,000 | - | (45,000) | 449,998 |
| Unearned franchise income | 256,800 | - | - | (42,800) | 214,000 |
| | P52,308,219 | P22,885,287 | (P739,907) | (P8,718,038) | P65,735,561 |

| | January 1, 2021 | Charged to Profit or Loss | Charged to Other Comprehensive Income | Impact of CREATE | December 31, 2021 |
|---|---|---|---|---|---|
| **Deferred Tax Liability** | | | | | |
| Capitalized interest claimed outright | P7,391,617 | P12,366,004 | P - | (P1,231,936) | P18,525,685 |
| Debt issue cost | - | 8,757,446 | - | - | 8,757,446 |
| Gain from transitional asset | 639,792 | - | - | (106,632) | 533,160 |
| | 8,031,409 | 21,123,450 | - | (1,338,568) | 27,816,291 |
| **Total** | P44,276,810 | P1,761,837 | (P739,907) | (P7,379,470) | P37,919,270 |

| | January 1, 2020 | Charged to Profit or Loss | Charged to Other Comprehensive Income | December 31, 2020 |
|---|---|---|---|---|
| Deferred Tax Asset | | | | |
| NOLCO | P5,381,415 | P39,466,928 | P - | P44,848,343 |
| Excess of lease payments over amortization of ROU | 943,693 | 2,942,182 | - | 3,885,875 |
| Retirement benefits liability | 1,858,900 | 564,135 | 624,168 | 3,047,203 |
| Accrued expense | - | 269,998 | - | 269,998 |
| Unearned franchise income | 168,000 | 88,800 | - | 256,800 |
| | P8,352,008 | P43,332,043 | P624,168 | P52,308,219 |

| | January 1, 2020 | Charged to Profit or Loss | Charged to Other Comprehensive Income | December 31, 2020 |
|---|---|---|---|---|
| Deferred Tax Liability | | | | |
| Capitalized interest claimed outright | P - | P7,391,617 | P - | P7,391,617 |
| Gain from transitional asset | - | 639,792 | - | 639,792 |
| | - | 8,031,409 | - | 8,031,409 |
| Total | P8,352,008 | P35,300,634 | P624,168 | P44,276,810 |

The reconciliation of the income tax expense (benefit) computed at the statutory income tax rates to the actual income tax expense (benefit) as shown in profit or loss is as follows:

| | **2021** | 2020 | 2019 |
|---|---|---|---|
| Income before income tax | **P55,155,842** | P16,923,395 | P39,966,192 |
| Income tax at the statutory income tax rate | **P13,875,392** | P5,077,019 | P11,989,858 |
| Tax effect due to change in tax rate in 2020 | **6,279,702** | - | - |
| Nondeductible expenses | **1,402,129** | 22,629 | - |
| Unrecognized deferred tax assets | **117,034** | - | - |
| Income tax effects of interest income subjected to final tax | **(435,954)** | (1,730,996) | (32,998) |
| MCIT | **-** | 3,982,955 | - |
| Stock issuance cost | **(80,000)** | (38,669,286) | - |
| | **P21,158,303** | (P31,317,679) | P11,956,860 |

The BIR issued Revenue Regulations (RR) No. 25-2020 to implement Section 4 of Republic Act (RA) No. 11494, Bayanihan to Recover as One Act, which provides that the NOLCO incurred for taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

Details of the Group's NOLCO which are available for offsetting against future taxable income are as follows:

| Year Incurred | Expiry Date | Balance January 1, 2021 | Addition | Expired/ Applied | **Balance December 31, 2021** |
|---|---|---|---|---|---|
| 2021 | December 31, 2026 | P - | P 89,340,935 | P - | P89,340,935 |
| 2020 | December 31, 2025 | 131,556,427 | - | (14,706,954) | 116,849,473 |
| 2019 | December 31, 2022 | 17,469,918 | - | - | 17,469,918 |
| 2018 | December 31, 2021 | 468,134 | - | - | 468,134 |
| | | **P149,494,479** | **P89,340,935** | **(14,706,954)** | **P224,128,460** |

On March 26, 2021, the President of the Philippines has approved the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act (the "CREATE Act"), with nine (9) provisions vetoed by the President. Below are the salient features of the CREATE Act that are relevant to the Company:

a) Corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million. All other domestic corporations and resident foreign corporations will be subject to 25% income tax. Said reductions are effective July 1, 2020.

b) MCIT rate is reduced from 2% to 1% effective July 1, 2020 to June 30, 2023.

c) The imposition of improperly accumulated earnings tax has been repealed.

On April 8, 2021, the BIR issued the following implementing RR that are effective immediately upon publication:

- BIR RR No. 2-2021, *Amending Certain Provisions of RR No. 2-98, As Amended, to Implement the Amendments Introduced by Republic Act No. 11534, or the CREATE Act, to the National Revenue Code of 1997, as Amended, Relative to the Final Tax on Certain Passive Income;*

- BIR RR No. 3-2021, *Rules and Regulations Implementing Section 3 of the CREATE Act, Amending Section 20 of the National Internal Revenue Code of 1997, As Amended;*

- BIR RR No. 4-2021, *Implementing the Provisions on Value-Added Tax (VAT) and Percentage Tax Under the CREATE Act Which Further Amended the National Revenue Code of 1997, as Amended, as Implemented by RR No. 16-2005 (Consolidated VAT Regulations of 2005), As Amended;* and

- BIR RR No. 5-2021, *Implementing the New Income Tax Rates on the Regular Income of Corporations, on Certain Passive Incomes, Including Additional Allowable Deductions from Gross Income of Persons Engaged in Business or Practice of Profession Pursuant to CREATE Act, Which Further Amended the National Revenue Code of 1997.*

## 22. Equity and Earnings Per Share

Capital Stock
As at December 31, 2021 and 2020, the authorized and issued capital stock of the Parent Company consists of:

| | **2021** | 2020 |
|---|---|---|
| **Authorized Capital Stock** | | |
| Common: | | |
| 2021 - P0.05 par value | **P1,200,000,000** | |
| 2020 - P0.05 par value | | P1,200,000,000 |
| **Number of Shares Authorized for Issue** | | |
| Common | **24,000,000,000** | 24,000,000,000 |

Details of the shares issued are as follows:

| | **2021** | 2020 |
|---|---|---|
| Balance at beginning of year | **7,594,936,709** | 12,500 |
| Issuance of shares | **-** | 7,594,924,209 |
| | **7,594,936,709** | 7,594,936,709 |

Details of the issued capital stock are as follows:

| | **2021** | 2020 |
|---|---|---|
| Balance at beginning of year | **P379,746,835** | P1,250,000 |
| Issuance of shares | **-** | 378,496,835 |
| | **P379,746,835** | P379,746,835 |

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

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

Retained Earnings
On December 21, 2020, the BOD approved the reversal of P111 million appropriated retained earnings made in 2016 and 2018.

On February 18, 2020, the BOD approved the declaration of cash dividends amounting to P8.4 million or P0.0014 per share, 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 February 18, 2020, the BOD approved the reversal of the appropriated retained earnings of P6 million made on December 16, 2016.

EPS
EPS is computed as follows:

| | **2021** | 2020 | 2019 |
|---|---|---|---|
| Net income attributable to common shareholders of the Parent Company | **P34,304,682** | P48,241,074 | P28,009,332 |
| Weighted average number of common shares for basic EPS, before retrospective effect of stock split | **7,594,936,709** | 6,490,143,969 | 12,500 |
| Retrospective effect of change in par value from P100 to P0.05 (stock split) on January 23, 2020 | **-** | 1,570,253 | 24,987,500 |
| Weighted average number of common shares for basic EPS, as adjusted | **7,594,936,709** | 6,491,714,222 | 25,000,000 |
| Basic EPS | **P0.005** | P0.01 | P1.12 |
| Diluted EPS | **P0.005** | P0.01 | P1.12 |
| Basic EPS, as previously presented | **P -** | P - | P2,240.75 |
| Diluted EPS, as previously presented | **P -** | P - | P2,240.75 |

In accordance with PAS 33, *Earnings per Share*, retrospective adjustment was made to the EPS calculation for the effect of the stock split resulting from the approval by the SEC of the increase in authorized capital stock from P5,000,000 divided into 50,000 shares with par value of P100.00 each to P1,200,000,000 divided into 24,000,000,000 shares with par value of P0.05 each, which adjusted the number of common shares outstanding from 12,500 to 25,000,000 without a corresponding change in the Group's resources.

In the calculation of weighted average number of common shares, the number of shares outstanding was adjusted for the proportionate change in the number of ordinary shares outstanding as if the share split occurred at the beginning of the earliest period presented.

In 2021, 2020 and 2019, the Parent Company has no potential dilutive debt or equity instruments.

## 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* | **2021** | 2020 |
|---|---|---|---|
| Cash and cash equivalents (excluding cash on hand) | *4, 5* | **P1,967,743,019** | P894,876,375 |
| Receivables (excluding advances to suppliers and advances to employees) | *4, 6* | **74,860,264** | 19,898,437 |
| Security deposits (included under other noncurrent assets) | *10* | **161,447,516** | 112,804,660 |
| | | **P2,204,050,799** | P1,027,579,472 |

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, 2021 and 2020.

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, 2021** | ***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* | **754,840,687** | **754,840,687** | **754,840,687** | **P -** | **P -** |
| Loans payable | *13* | **3,292,053,555** | **3,368,747,222** | **1,334,010,628** | **2,034,736,594** | **-** |
| Lease liabilities** | *12, 20* | **472,469,183** | **545,845,371** | **80,606,629** | **288,599,225** | **176,639,517** |

** excluding payables to the, current portion of lease liabilities, payable to the government and unearned franchise fees amounting to P64,934,043, P2,022,425 and P676,000, respectively.*
***including current portion of lease liabilities*

| December 31, 2020 | *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* | P374,359,044 | P374,359,044 | P374,359,044 | P - | P - |
| Loans payable | *13* | 700,000,000 | 731,204,043 | 546,047,793 | 185,156,250 | - |
| Due to a related party | *18* | 62,482,842 | 62,482,842 | 62,482,842 | - | - |
| Lease liabilities** | *12, 20* | 415,844,486 | 498,555,760 | 53,375,246 | 202,604,777 | 242,575,737 |

** excluding current portion of lease liabilities, payables to the government and unearned franchise fees amounting to P39,521,500, P1,877,341 and P676,000, respectively.*
***including current portion of lease liabilities*

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/Short-term 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 Liabilities*
Security deposits and lease liabilities are reported at their present values, which approximate the cash amounts that would fully satisfy the obligations as at reporting date.

*Long-term Loans Payable*
The fair value of the interest-bearing fixed-rate long-term loans payable is based on the discounted value of expected future cash flows using the applicable market rates for similar types of loans as of reporting date. Carrying amounts approximates fair value since the impact of discounting is immaterial.

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, 2021, 2020 and 2019. The Group is not subject to externally-imposed capital requirements.

## 24. Other Matters

Effect of COVID-19 Pandemic
To manage and contain the COVID-19 spread in the country, national and local government imposed several measures including travel restrictions, home quarantine and temporary suspension or regulation of business operations, among others, limiting activities related to the provision of essential goods and services.

The COVID-19 pandemic triggered unprecedented quarantine restrictions locally and across the globe causing massive disruptions in business activities and economies.

The gradual opening-up of economies and easing up of pandemic restrictions especially alongside robust vaccination efforts contributed to the modest recovery in 2021 in terms of sales and volumes. However, the extent to which the COVID-19 pandemic will continue to impact the Group will depend on future developments, including the timeliness and effectiveness of actions taken or not taken to contain and mitigate the effects of COVID-19 both in the Philippines and internationally by governments, central banks, healthcare providers, health system participants, other businesses and individuals, which are highly uncertain and cannot be predicted.

Impact of Ukraine-Russia Conflict
On February 21, 2022, the Russian Federation officially recognized two breakaway regions in eastern Ukraine and authorized the use of military force in those territories. On 24 February 2022, Russian troops invaded Ukraine and commenced military operations in multiple locations. These ongoing operations have led to casualties, significant dislocation of the population, damage to infrastructure and disruption to economic activity in Ukraine. This event has not only affected the countries involved in particular, but also impacted the global economy negatively. One of the major effects of the invasion was the rise on fuel prices which resulted to higher prices of commodities. The extent of the consequences on the financial performance of the Group will depend on certain developments on this event such as the duration of the conflict between the two countries and programs and plans made by the global market in managing the prices of fuel over the months to come, all of which are uncertain as at the date of issuance of the separate financial statements. The Group cannot reliably estimate the impacts on its financial position and results of operations, but the management will continue monitoring and evaluating the impact during the 2022 financial year.

## 25. Subsequent Events

On November 8, 2021, the Group signed an agreement for the acquisition of 75.08% equity stake in Carlos Drugs-Lucena Inc. (“Carlos Superdrug”). The Group will acquire 287,856 secondary shares representing 71.96% in Carlos Superdrug for P289.53 million as soon as all conditions precedents are completed by the Selling Shareholders which include among others the approval of the SEC of the amendment of the Articles of Incorporation and By-Laws of the Corporation. The Group will also purchase an additional 50,000 primary shares for P50.29 million.

On January 6, 2022, the Securities and Exchange Commission (SEC) approved the amended provisions of articles of incorporation of Carlos Drugs-Lucena, Inc. allowing the Group to complete its acquisition of shares.

The acquisition gave the Group a 71.96% ownership and control on January 6, 2022. For the convenience purposes, the Group used December 31, 2021 as the cut-off date in determining the net assets of Carlos Drugs-Lucena. The purchase price allocation has been prepared on a preliminary basis as the fair values are being finalized. Preliminary net asset value of Carlos Drugs-Lucena is P108.17 million.

On January 10, 2022, the Group paid P25.00 million to Carlos Drugs-Lucena for the subscription of 50,000 shares which will increase the Parent Company’s ownership to 75%.

On November 15, 2021, the Group signed an Agreement with ZC Ramthel Corporation (“Cecile's Pharmacy”) to acquire a majority stake in the Mindanao based pharmacy chain.

On March 9, 2022, the Company signed an Agreement with ZC Ramthel Corporation (“Cecile's Pharmacy”) for the acquisition of 25,000 secondary shares representing 25.00% and the subscription of 60,000 shares out of the increase in authorized capital stock of Cecile’s Pharmacy for an aggregate amount of P398.18 million to bring the Company’s ownership go 53.125%.

As of May 13, 2022, the increase in Cecile’s Pharmacy authorized capital stock is still in process.

# COVER SHEET

for

## AUDITED FINANCIAL STATEMENTS

**SEC Registration Number**

C S 2 0 0 9 3 0 1 2 5

**COMPANY NAME**

MERRYMART CONSUMER CORP. AND SUBSIDIARIES (Formerly Supermart, Inc.) (A Subsidiary of Injap Investments, Inc.)

**PRINCIPAL OFFICE** (No. / Street / Barangay / City / Town / Province)

9th Floor, Tower 1, DoubleDragon Plaza, DD Meridian Park Area Corner Macapagal Avenue and EDSA Extension, Bay Area, Barangay 76, Pasay City

| 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 |
|---|---|---|
| N/A | 02-8253-0356 | 0917-560-7273 |

| No. of Stockholders | Annual Meeting (Month / Day) | Fiscal Year (Month / Day) |
|---|---|---|
| | 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**

DD Meridian Park Area Cor. Macapagal Ave. and EDSA Ext. BLVD. San. San Rafael, Pasay 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.*

R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

## REPORT OF INDEPENDENT AUDITORS ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
**MerryMart Consumer Corp.**
9th Floor Tower 1
DoubleDragon Plaza, DD Meridian Park
Pasay City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of MerryMart Consumer Corp., formerly Injap Supermart Inc., (a subsidiary of Injap Investments, Inc.) and its subsidiaries (the "Group") as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated May 15, 2022.

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, 2021, and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

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

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
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 8854088
Issued January 3, 2022 at Makati City

May 15, 2022
Makati City, Metro Manila

**MERRYMART CONSUMER CORP.**
**Key Performance Indicators of the Company**

The following are the key performance indicators used by the Group as at December 31, 2021 and 2020.

| | **December 31, 2021** | **December 31, 2020** |
|---|---|---|
| Current Ratio | 1.79 | 2.05 |
| Asset to Equity | 3.31 | 1.82 |
| Debt to Equity Ratio | 1.68 | 0.37 |
| Acid Test Ratio | 1.00 | 1.04 |
| Return on Equity | 1.76% | 4.78% |
| Net Income to Revenue | 0.87% | 1.39% |
| Revenue Growth | 13.11% | 38.12% |
| Income Growth | -29.53% | 72.23% |
| EBITDA (PHP in thousands) | 128,561.0 | 91,125.1 |
| Solvency Ratio | 0.03 | 0.07 |

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
$$\frac{\text{Total Revenue (Current Period) - Total Revenue (Prior Period)}}{\text{Total Revenue (Prior Period)}}$$

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

$$\frac{\text{Cash + Accounts Receivable + Marketable Securities}}{\text{Current Liabilities}}$$

10. Solvency Ratio

$$\frac{\text{Net Income + Depreciation and Amortization}}{\text{Total Liabilities}}$$

R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

**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.**
9th Floor Tower 1
DoubleDragon Plaza, DD Meridian Park
Pasay City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of MerryMart Consumer Corp., formerly Injap Supermart Inc., (a subsidiary of Injap Investments, Inc.) and its subsidiaries (the "Group") as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, included in this Form 17-A, and have issued our report thereon dated May 15, 2022.

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
- Reconciliation of Retained Earnings Available for Dividend Declaration
- Supplementary Schedules of Annex 68-E

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

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.

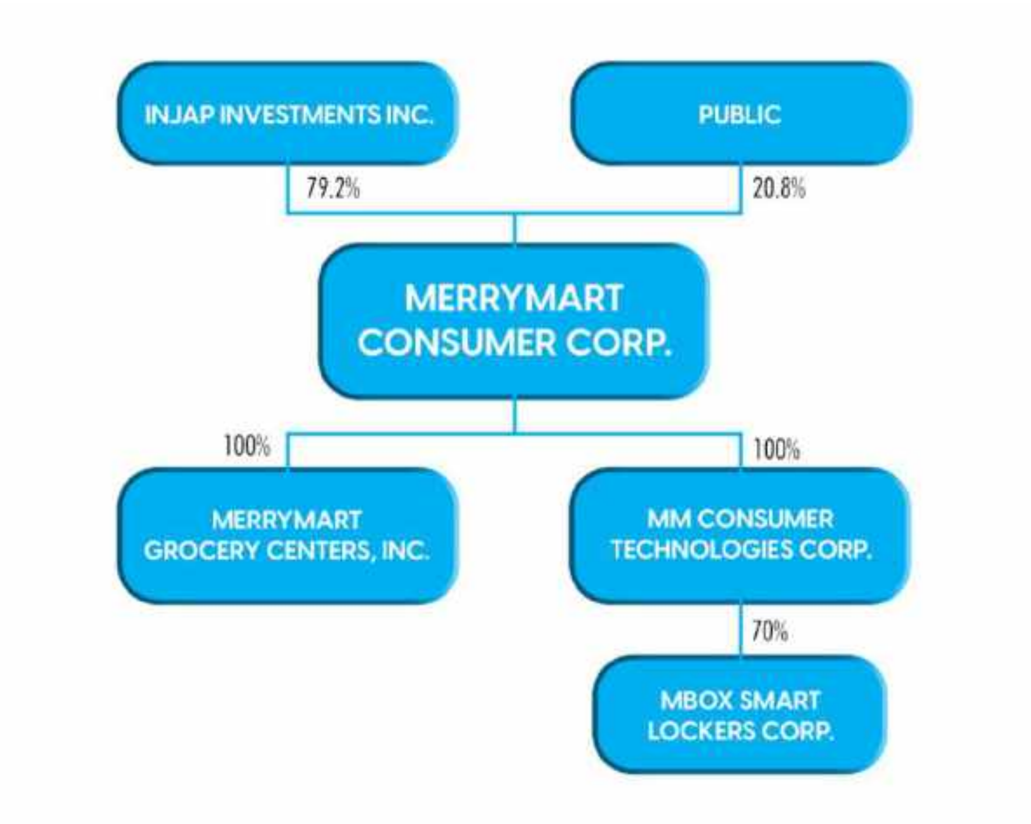
**R.G. MANABAT & CO.**

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
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 8854088
Issued January 3, 2022 at Makati City

May 15, 2022
Makati City, Metro Manila

KPMG

**MERRYMART CONSUMER CORP.**
**CORPORATE STRUCTURE**
**DECEMBER 31, 2021**



**RECONCILATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION**
**AS OF DECEMBER 31, 2021**

**MERRYMART CONSUMER CORP.**
9th Floor, Tower 1, DoubleDragon Plaza, DD Meridian Park
Corner Macapagal Avenue and EDSA Extension, Bay Area
Brgy 76, Pasay City, Metro Manila

| | | |
|---|---|---|
| **Unappropriated Retained Earnings, beginning** | | **P243,454,283** |
| **Adjustments:** | | |
| (see adjustments in previous year' reconciliation) | | - |
| **Unappropriated Retained Earnings, as adjusted, beginning** | | **243,454,283** |
| **Add: Net income** | **119,360,227** | |
| **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 unrealized 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** | | **119,360,227** |
| Add (Less): | | |
| Dividend declaration for the period | | - |
| Appropriations of Retained Earnings during the period | | - |
| Reversal of appropriations | | - |
| Effect of prior period adjustments | | - |
| Treasury Shares | | - |
| **Unappropriated Retained Earnings, as adjusted, ending** | | **P362,814,510** |

KPMG

# MERRYMART CONSUMER CORP. AND SUBSIDIARIES
# SCHEDULE A – FINANCIAL ASSETS
# FOR THE YEAR ENDED DECEMBER 31, 2021

| 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) | Value based on market quotation at end of reporting period (iii) (PhP) | Income received and accrued (PhP) |
|---|---|---|---|---|
| Cash and Cash Equivalents | N/A | 2,030,327,961 | 2,030,327,961 | 1,750,905 |
| Receivables | N/A | 86,062,063 | 86,062,063 | - |
| Due from related parties | N/A | - | - | - |
| Refundable Deposits | N/A | 161,447,516 | 161,447,516 | - |

KPMG

# MERRYMART CONSUMER CORP. AND SUBSIDIARIES
# SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS
# FOR THE YEAR ENDED DECEMBER 31, 2021

| 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) | Non 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) | - | - | - | - | - | - | - |

KPMG

## MERRYMART CONSUMER CORP. AND SUBSIDIARIES
## SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
## FOR THE YEAR ENDED DECEMBER 31, 2021

| 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) | Non Current (PhP) | Balance at end of period (PhP) |
|---|---|---|---|---|---|---|---|
| MerryMart Grocery Centers Inc. (Subsidiary) | 1,409,943,743 | 1,303,329,688 | 2,713,273,431 | - | 2,713,273,431 | - | - |

KPMG

**MERRYMART CONSUMER CORP. AND SUBSIDIARIES**
**SCHEDULE D – INTANGIBLE ASSETS – OTHER ASSETS**
**FOR THE YEAR ENDED DECEMBER 31, 2021**

| Name and Designation of Debtor (i) | Balance at beginning of period (PhP) | Additions (PhP) | Amortization (ii) (Php) | Amounts written off (iii) (PhP) | Current (PhP) | Non Current (PhP) | Balance at end of period (PhP) |
|---|---|---|---|---|---|---|---|
| Software licenses | 42,910,253 | 19,381,517 | 7,329,469 | - | - | 54,962,301 | 54,962,301 |

KPMG

# MERRYMART CONSUMER CORP. AND SUBSIDIARIES
# SCHEDULE E – LONG-TERM DEBT
# FOR THE YEAR ENDED DECEMBER 31, 2021

| Title of issue and type of obligation (i) | Amount authorized by indenture<br><br>(PhP) | Amounts shown under caption “Current portion of long-term debt” in related balance sheet (ii)<br><br>(PhP) | Amounts shown under caption “Long-Term debt” in related balance sheet (iii)<br><br>(Php) |
|---|---|---|---|
| Loans | 2,142,053,555 | 145,000,000 | 1,997,053,555 |

MERRYMART CONSUMER CORP. AND SUBSIDIARIES
SCHEDULE F – INDEBTEDNESS TO RELATED PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2021

| Name of related party (i) | Balance at beginning of period (PhP) | Balance at end of period (PhP) |
|---|---|---|
| Injap Investments Inc. (Parent Company) | 62,482,842 | - |

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 SECURITIES OF OTHER ISSUERS**
**FOR THE YEAR ENDED DECEMBER 31, 2021**

| 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 |

KPMG

**MERRYMART CONSUMER CORP. AND SUBSIDIARIES**
**SCHEDULE H – CAPITAL STOCK**
**FOR THE YEAR ENDED DECEMBER 31, 2021**

| Title of Issue (i) | Number of shares authorized | Number of shares issued and outstanding as 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) | Director, officers and employees | Others (iii) |
|---|---|---|---|---|---|---|
| Common shares | 24,000,000,000 | 7,594,936,709 | - | 5,999,989,995 | 6,005 | - |

KPMG

**Annex 68-I**

## SCHEDULE FOR LISTED COMPANIES WITH A RECENT OFFERING OF SECURITIES TO THE PUBLIC

**MerryMart Consumer Corp. (formerly Injap Supermarket Inc.)**

For the Period Ended December 31, 2021

1. Gross and net proceeds as disclosed in the final prospectus
   **P1,594,936,709**.

2. Actual gross and net proceeds
   **P1,466,335,088**.

3. Each expenditure item where the proceeds were used

| | |
|---|---|
| Capital expenditures and initial working capital for store network expansion investments in distribution centers | P728,090,056 |
| Investments in distribution centers | 191,271,675 |
| General corporate purpose | 214,635,088 |

4. Balance of the proceeds as at the end of the reporting period
   **P332,338,269**.

**MERRYMART CONSUMER CORP.**
**COMPUTATION OF PUBLIC OWNERSHIP**
**AS OF DECEMBER 31, 2021**

| | Direct | Indirect | Total Direct and Indirect Shares | % to Total Issued and Outstanding Shares |
|---|---|---|---|---|
| **Number of Common Shares Issued and Outstanding** | 7,594,936,709 | - | 7,594,936,709 | 100.00% |
| | | | | |
| **Directors** | | | | |
| Edgar J. Sia II | 838,000 | - | 838,000 | 0.01% |
| Ferdinand J. Sia | 276,000 | - | 276,000 | 0.00% |
| Marriana H. Yulo-Luccini | 1 | 10,500,000 | 10,500,001 | 0.14% |
| Gary P. Cheng | 1 | 500,000 | 500,001 | 0.01% |
| Victoria R. Tamayao | 1 | - | 1 | 0.00% |
| Jose Roelph E. Desales | 1 | 725,000 | 725,001 | 0.01% |
| Jacqueline Ann Marie O. Gomez | 1 | 2,000,000 | 2,000,001 | 0.03% |
| | | - | - | 0.00% |
| **Subtotal** | **1,114,005** | **13,725,000** | **14,839,005** | **0.20%** |
| | | | | |
| **Officers** | | | | |
| Edgar J. Sia II (same as above) | - | - | - | 0.00% |
| Ferdinand J. Sia (same as above) | - | - | - | 0.00% |
| Marriana H. Yulo-Luccini (same as above) | - | - | - | 0.00% |
| Jacqueline Ann Marie O. Gomez (same as above) | - | - | - | 0.00% |
| Shella A. Sia | - | - | - | 0.00% |
| Rizza Marie Joy J. Sia | 2,000 | | 2,000 | 0.00% |
| Maribel N. Sibayan | - | 600,000 | 600,000 | 0.01% |
| Ma. Mercedes L. Taleon | - | 150,000 | 150,000 | 0.00% |
| **Subtotal** | **2,000** | **750,000** | **752,000** | **0.01%** |
| **Principal/Substantial Stockholders** | | | | |
| Injap Investments Inc. | 5,999,989,995 | - | 5,999,989,995 | 79.00% |
| | | - | - | 0.00% |
| **Subtotal** | **5,999,989,995** | **-** | **5,999,989,995** | **79.00%** |
| | | | | |
| **Others** | | | | |
| Edgar J. Sia | 2,000 | - | 2,000 | |
| Pacita J. Sia | 2,000 | - | 2,000 | |
| **Subtotal** | **4,000** | **-** | **4,000** | **0.00%** |
| | | | | |
| **Total Shares held by Directors, Officers, Principal/Substantial Stockholders and Affiliates** | **6,001,110,000** | **14,475,000** | **6,015,585,000** | **79.21%** |
| | | | | |
| **Total Number of Shares Owned by the Public** | | | **1,579,351,709** | **20.79%** |

MERRYMART

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**

The management of **MERRYMART CONSUMER CORP.** (the "Company"), is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

The BOD reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

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

Signature ______________________
Edgar J. Sia II, CEO/Chairman

Signature ______________________
Ferdinand J. Sia, President

Signature ______________________
Marriana H. Yulo, CFO

Signed this 13th day of May 2022

DOC. NO. 396
PAGE NO. 81
BOOK NO. 43
SERIES 2022

ATTY. ELENA MELITA L. CHICA-LLEDO
NOTARY PUBLIC
UNIT 719 TOWER E SEA RESIDENCE MOA, PASAY CITY
MY COMMISSION EXPIRES ON DEC. 31, 2020
BM 3795 2ND EXTENSION UNTIL JUNE 30, 2022
PTR NO. 7696496 1-3-22 ROLL NO. 38180
IBP LIFE TIME NO. 0073 CAM. SUR CHAPTER
MCLE NO. VI-0024746 MAY 07, 2019

# MERRYMART CONSUMER CORP.
(Formerly Injap Supermart Inc.)
(A Subsidiary of Injap Investments, Inc.)

**SEPARATE FINANCIAL STATEMENTS**
**December 31, 2021 and 2020**

With Independent Auditors' Report

R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

# REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
**MerryMart Consumer Corp.**
9th Floor Tower 1
DoubleDragon Plaza, DD Meridian Park
Pasay City

## Report on the Audit of the Separate Financial Statements

*Opinion*

We have audited the separate financial statements of MerryMart Consumer Corp., formerly Injap Supermart Inc. (a subsidiary of Injap Investments, Inc.) (the "Company"), which comprise the separate statements of financial position as at December 31, 2021 and 2020, separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at December 31, 2021 and 2020, and its unconsolidated financial performance and its unconsolidated 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 Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the separate financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

*Auditors' Responsibilities for the Audit of the Separate Financial Statements*

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate 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 Company to cease to continue as a going concern.

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

**Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue**

Our audit was conducted for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The supplementary information in Note 26 to the separate financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic separate financial statements. Such information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic separate financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic separate financial statements taken as a whole.

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

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
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 8854088
Issued January 3, 2022 at Makati City

May 15, 2022
Makati City, Metro Manila

R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SEPARATE FINANCIAL STATEMENTS FOR FILING
WITH THE BUREAU OF INTERNAL REVENUE**

The Board of Directors and Stockholders
**MerryMart Consumer Corp.**
9th Floor Tower 1
DoubleDragon Plaza, DD Meridian Park
Pasay City

We have audited the accompanying separate financial statements of MerryMart Consumer Corp. (the "Company") as at and for the year ended December 31, 2021, on which we have rendered our report dated May 15, 2022.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholder of the Company.

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

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
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 8854088
Issued January 3, 2022 at Makati City

May 15, 2022
Makati City, Metro Manila

**MERRYMART CONSUMER CORP.**
**(Formerly Injap Supermart Inc.)**
**(A Subsidiary of Injap Investments, Inc.)**

# SEPARATE STATEMENTS OF FINANCIAL POSITION

| | | December 31 | |
|---|---|---|---|
| | *Note* | **2021** | 2020 |
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | *4, 5, 22* | **P1,841,284,283** | P755,398,575 |
| Receivables | *4, 6, 22* | **8,639,792** | 7,780,306 |
| Inventories | *4, 7, 16* | **371,992,965** | 221,742,763 |
| Due from related parties | *4, 18* | **2,713,273,431** | 1,409,943,743 |
| Prepaid expenses and other current assets | *8* | **25,678,701** | 32,614,718 |
| **Total Current Assets** | | **4,960,869,172** | 2,427,480,105 |
| **Noncurrent Assets** | | | |
| Investment in subsidiaries | *9* | **65,000,000** | 25,000,000 |
| Property and equipment | *10* | **268,521,607** | 206,825,655 |
| Right-of-use asset | *14* | **-** | 77,030,102 |
| Deferred tax assets | *20* | **-** | 2,341,178 |
| Other noncurrent assets | *4, 11* | **343,964,019** | 76,876,593 |
| **Total Noncurrent Assets** | | **677,485,626** | 388,073,528 |
| | | **P5,638,354,798** | P2,815,553,633 |
| **LIABILITIES AND EQUITY** | | | |
| **Current Liabilities** | | | |
| Accounts payable and other current liabilities | *12* | **P341,044,120** | P178,873,323 |
| Loans payable - current | *13* | **1,145,000,000** | 300,000,000 |
| **Total Current Liabilities** | | **1,486,044,120** | 478,873,323 |
| **Noncurrent Liabilities** | | | |
| Loans payable - net of current portion | *13* | **1,997,053,555** | 250,000,000 |
| Noncurrent portion of lease liability | *14* | **-** | 72,194,265 |
| Deferred tax liabilities | *20* | **20,958,467** | - |
| Retirement benefits liability | *19* | **4,811,738** | 5,435,078 |
| **Total Noncurrent Liabilities** | | **2,022,823,760** | 327,629,343 |
| **Total Liabilities** | | **3,508,867,880** | 806,502,666 |
| **Equity** | | | |
| Capital stock | *21* | **379,746,835** | 379,746,835 |
| Additional paid-up capital | | **1,386,292,253** | 1,386,292,253 |
| Retained earnings | *21* | **362,814,510** | 243,454,283 |
| Retirement gain (loss) on defined benefit | *19* | **633,320** | (442,404) |
| **Total Equity** | | **2,129,486,918** | 2,009,050,967 |
| | | **P5,638,354,798** | P2,815,553,633 |

*See Notes to the Separate Financial Statements.*

**MERRYMART CONSUMER CORP.**
**(Formerly Injap Supermart Inc.)**
**(A Subsidiary of Injap Investments, Inc.)**

# SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

| | | Years Ended December 31 | |
|---|---|---|---|
| | ***Note*** | **2021** | 2020 |
| **REVENUES** | | | |
| Sale of goods | | **P2,625,139,682** | P2,611,965,472 |
| Display rental | *15, 23* | **18,866,291** | 17,819,331 |
| Other operating income | *15, 23* | **26,003,604** | 15,912,640 |
| | | **2,670,009,577** | 2,645,697,443 |
| **COST OF SALES** | *7, 16* | **(2,410,307,673)** | (2,445,156,359) |
| **GROSS PROFIT** | | **259,701,904** | 200,541,084 |
| **OPERATING EXPENSES** | *17* | **(102,978,793)** | (71,916,061) |
| **INCOME FROM OPERATIONS** | | **156,723,111** | 128,625,023 |
| **INTEREST INCOME** | *5* | **1,180,752** | 5,539,950 |
| **INTEREST EXPENSE** | *14* | **-** | (764,680) |
| **INCOME BEFORE INCOME TAX** | | **157,903,863** | 133,400,293 |
| **INCOME TAX EXPENSE (BENEFIT)** | | | |
| Current tax expense | | **15,644,699** | 3,982,956 |
| Deferred tax expense (benefit) | | **22,898,937** | (292,677) |
| | *20* | **38,543,636** | 3,690,279 |
| **NET INCOME** | | **119,360,227** | 129,710,014 |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | |
| **Item that will not be reclassified to profit or loss** | | | |
| Remeasurement gain (loss) on defined benefit plan | *19* | **1,476,431** | (632,005) |
| Tax effect | *20* | **(400,707)** | 189,601 |
| | | **1,075,724** | (442,404) |
| **TOTAL COMPREHENSIVE INCOME** | | **P120,435,951** | P129,267,610 |
| **BASIC AND DILUTED EARNINGS PER SHARE** | *21* | **P0.02** | P0.02 |

*See Notes to the Separate Financial Statements.*

**MERRYMART CONSUMER CORP.**
**(Formerly Injap Supermart Inc.)**
**(A Subsidiary of Injap Investments, Inc.)**

# SEPARATE STATEMENTS OF CHANGES IN EQUITY

**Years Ended December 31**

| | Note | Capital Stock | Additional Paid-in Capital | Remeasurement Gain (Loss) on Retirement Benefits Liability | Retained Earnings Unappropriated | Retained Earnings Appropriated | Retained Earnings Total | Total Equity |
|---|---|---|---|---|---|---|---|---|
| Balance as at January 1, 2020 | | P1,250,000 | P - | P - | P5,144,269 | P117,000,000 | P122,144,269 | P123,394,269 |
| Net income | | - | - | - | 129,710,014 | - | 129,710,014 | 129,710,014 |
| Remeasurement loss on defined benefit plan | *19* | - | - | (442,404) | - | - | - | (442,404) |
| Total comprehensive income | | - | - | (442,404) | 129,710,014 | - | 129,710,014 | 129,267,610 |
| Issuance of shares | *21* | 378,496,835 | 1,515,189,874 | - | - | - | - | 1,893,686,709 |
| Stock issuance cost | *21* | - | (128,897,621) | - | | - | - | (128,897,621) |
| Reversal of appropriation during the year | *21* | - | - | - | 117,000,000 | (117,000,000) | - | - |
| Dividends | *21* | - | - | - | (8,400,000) | - | (8,400,000) | (8,400,000) |
| Transactions with owners | | 378,496,835 | 1,386,292,253 | - | 108,600,000 | (117,000,000) | (8,400,000) | 1,756,389,088 |
| Balance as at December 31, 2020 | | 379,746,835 | 1,386,292,253 | (442,404) | 243,454,283 | - | 243,454,283 | 2,009,050,967 |
| Net income | | **-** | **-** | **-** | **119,360,227** | **-** | **119,360,227** | **119,360,227** |
| Remeasurement gain on defined benefit plan | *19* | **-** | **-** | **1,075,724** | **-** | **-** | **-** | **1,075,724** |
| **Balance as at December 31, 2021** | | **P379,746,835** | **P1,386,292,253** | **P633,320** | **P362,814,510** | **P -** | **P362,814,510** | **P2,129,486,918** |

*See Notes to the Separate Financial Statements.*

**MERRYMART CONSUMER CORP.**
**(Formerly Injap Supermart Inc.)**
**(A Subsidiary of Injap Investments, Inc.)**

# SEPARATE STATEMENTS OF CASH FLOWS

| | | Years Ended December 31 | |
|---|---|---|---|
| | *Note* | **2021** | 2020 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income before income tax | | **P157,903,863** | P133,400,293 |
| Adjustments for: | | | |
| Depreciation and amortization | *10, 14, 17* | **8,062,655** | 6,073,047 |
| Retirement benefits expense (gain) | *19* | **853,091** | (1,393,259) |
| Interest expense | *14* | **-** | 764,680 |
| Gain on rent concession | *14* | **-** | (2,464,096) |
| Gain on lease modification | *14* | **(956,794)** | - |
| Interest income | *5* | **(1,180,752)** | (5,539,950) |
| Operating income before working capital changes | | **164,682,063** | 130,840,715 |
| (Increase) decrease in: | | | |
| Receivables | | **(4,013,929)** | (3,757,994) |
| Inventories | | **(150,250,202)** | (73,338,175) |
| Due from related parties | | **(1,303,329,688)** | (1,214,193,743) |
| Prepaid expenses and other current assets | | **1,547,150** | (26,730,762) |
| Increase (decrease) in: | | | |
| Accounts payable and other current liabilities | | **152,963,429** | 143,072,085 |
| Due to a related party | | **-** | (1,418,455) |
| Cash absorbed by operations | | **(1,138,401,177)** | (1,045,526,329) |
| Interest received | | **4,335,195** | 2,385,507 |
| Income tax paid | | **(10,255,832)** | (47,563,432) |
| Interest paid | *13* | **(43,568,056)** | (31,575,000) |
| Net cash used in operating activities | | **(1,187,889,870)** | (1,122,279,254) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Investment in a subsidiary | *9* | **(25,000,000)** | - |
| Additions to property and equipment | *10* | **(26,190,551)** | (174,863,379) |
| Advances to a third-party | *11* | **(115,810,226)** | - |
| Increase in other noncurrent assets | *11* | **(151,277,200)** | (76,876,593) |
| Cash used in investing activities | | **(318,277,977)** | (251,739,972) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from loans payable - net | *13* | **2,664,970,222** | 550,000,000 |
| Payment of loans payable | *13* | **(72,916,667)** | - |
| Proceeds from issuance of stocks | *21* | **-** | 1,466,039,088 |
| Cash dividends paid | *21* | **-** | (8,400,000) |
| Net cash provided by financing activities | | **2,592,053,555** | 2,007,639,088 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **1,085,885,708** | 633,619,862 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR** | | **755,398,575** | 121,778,713 |
| **CASH AND CASH EQUIVALENTS AT END OF THE YEAR** | *5* | **P1,841,284,283** | P755,398,575 |

*See Notes to the Separate Financial Statements.*

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

## 1. Corporate Information

MerryMart Consumer Corp. (formerly Injap Supermart Inc.) (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 9, 2009.

The 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 Company is a subsidiary of Injap Investments, Inc. (III), a company incorporated in the Philippines.

On January 23, 2020, the SEC approved the increase in the Company's 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 its primary purpose and of the principal place of business of the Company to the 9th Floor, Tower 1, DoubleDragon Plaza, DD Meridian Park, Corner Macapagal Avenue and Edsa Extension, Bay Area, Baranggay 76, Pasay City.

On January 23, 2020, the Board of Directors (BOD) and shareholders approved to offer, subject to compliance with existing laws, and the rules and regulations of the SEC, up to 1,594,936,709 primary common shares through an initial public offering (IPO) at the price up to P1.00 per share. On January 27, 2020, the Company filed its Registration Statement with the SEC covering its IPO.

On March 10, 2020, the SEC approved the Company's Registration Statement for 7,594,936,709 common shares to be listed and traded on the Small, Medium and Emerging Board of the Philippine Stock Exchange ("PSE"). The offering consists of 1,594,936,709 primary common shares with the maximum price set at P1.00 per share.

On June 15, 2020, the Company completed its IPO and was listed in the Philippine Stock Exchange ("PSE") under the stock symbol "MM". III remains as the ultimate parent company and controlling shareholder of MM. As at December 31, 2021, there are twenty (20) shareholders of the Company's securities.

## 2. Basis of Preparation

Statement of Compliance

The accompanying separate 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 consists of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Philippine Financial Reporting Standards Council (FRSC).

The separate financial statements of the Company as at and for the years ended December 31, 2021 and 2020 were approved and authorized for issuance by the BOD on May 13, 2022.

Basis of Measurement

The separate financial statements of the Company 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.

The Company also prepares and issues consolidated financial statements for the same period as the separate financial statements presented in accordance with PFRS. Such consolidated financial statements provide information about the economic activities of the Company and its subsidiaries. The consolidated financial statements can be obtained from the Company's business address.

Functional and Presentation Currency

The separate financial statements are presented in Philippine peso, which is the Company's functional currency. All financial information presented in Philippine peso has been rounded off to the nearest peso, unless otherwise stated.

## 3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all the years presented in these separate financial statements, except for the changes in accounting policies as explained below.

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

The Company has adopted the following new standards, amendments to standards and interpretations starting January 1, 2021 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on the Company's separate financial statements.

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to *PFRS 16*). The amendment extends the practical expedient introduced in the 2020 amendment which simplified how a lessee accounts for rent concessions that are a direct consequence of COVID-19, permitting lessees to apply the practical expedient to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Earlier application is permitted. A lessee applies the amendments retrospectively, recognizing the cumulative effect of the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate. The adoption is mandatory for lessees that chose to apply the practical expedient introduced by the 2020 amendments and may result in reversal of lease modifications that was ineligible for the practical expedient under the 2020 amendments, but becomes eligible as a result of the extension.

Standards Issued But Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2021. However, the Company has not early adopted the following new or amended standards in preparing these separate financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's separate financial statements.

- Onerous Contracts - Cost of Fulfilling a Contract (Amendment to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*). The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprise both incremental costs and an allocation of other direct costs.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS Standards 2018-2020. This cycle of improvements contains amendments to four standards, of which the following is applicable to the Company:

  - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment *to* PFRS 9, *Financial Instruments).* The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. It applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  - Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16). The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

- Reference to the Conceptual Framework (Amendment to PFRS 3, *Business Combinations*). The amendments:

  - updated PFRS 3 so that it now refers to the 2018 Conceptual Framework;

  - added a requirement that, for transactions and other events within the scope of PAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

  - added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

  The amendments are effective for business combinations occurring in reporting periods starting on or after January 1, 2022. Earlier application is permitted.

*Effective January 1, 2023*

- Classification of Liabilities as Current or Non-current (Amendments to PAS 1, *Presentation of Financial Statements).* To promote consistency in application and clarify the requirements on determining whether a liability is current or non-current, the amendments:

  - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

  - clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and

  - clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

  The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

  In November 2021, the International Accounting Standards Board issued the Exposure Draft, Non-Current Liabilities with Covenants after considering stakeholder feedback on the December 2020 tentative agenda decision issued by the IFRS Interpretations Committee about the amendments. The exposure draft proposes to again amend IAS 1 as follows:

  - Conditions which the entity must comply within twelve months after the reporting period will have no effect on the classification as current or non-current.

  - Additional disclosure requirements will apply to non-current liabilities subject to such conditions to enable the assessment of the risk that the liability could become repayable within twelve months.

- Separate presentation in the statement of financial position will be required for non-current liabilities for which the right to defer settlement is subject to conditions within 12 months after the reporting period.

- The effective date of the amendments will be deferred to no earlier than January 1, 2024.

Comments on the Exposure Draft is due on March 21, 2022.

- Definition of Accounting Estimates (Amendments to PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors). To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remain unchanged. The amendments also provide examples on the application of the new definition.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

- Disclosure of Accounting Policies (Amendments to PAS 1 and PFRS Practice Statement 2, *Making Materiality Judgements).* The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:

  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;

  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements.

  The amendments to PFRS Practice Statement 2 include guidance and additional examples on the application of materiality to accounting policy disclosures.

  The amendments are effective from January 1, 2023. Earlier application is permitted.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12, *Income Taxes).* The amendments clarify that that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations. The amendments apply for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

<u>Current versus Noncurrent Classification</u>
The Company presents assets and liabilities in the separate 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.

<u>Financial Instruments</u>
*Date of Recognition*
The Company recognizes a financial asset or financial liability in the separate 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.

<u>*Financial Assets*</u>
*Classification and Subsequent Measurement*
The Company 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 Company for managing the financial assets.

Subsequent to initial recognition, financial assets are not reclassified unless the Company 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 Company 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 Company 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 Company'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 Company 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 Company 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 Company'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 Company has no financial assets at FVOCI and FVPL as at December 31, 2021 and 2020.

*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 Company's cash and cash equivalents, receivables, due from related parties and security deposits (included in "Other noncurrent assets) are included in this category (Notes 5, 6, 9, 11, 18 and 22).

*Financial Liabilities*

The Company classifies its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. The Company 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 Company has no financial liabilities at FVPL as at December 31, 2021 and 2020.

*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 separate 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 Company's accounts payable and other current liabilities (excluding payables to government agencies) and loans payable are included in this category (Notes 12, 13 and 22).

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 Company 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 Company 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 Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company 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 Company has retained.

For a modification of the financial asset that does not result in derecognition, the difference between the present value of the modified cash flows discounted using the original effective interest rate and the present value of the original cash flows, is recognized in profit or loss as a gain or loss from modification. Costs or fees in relation to the modification of the financial asset are recognized as part of the carrying amount of the asset and amortized over the remaining term of the instrument. A modification of the original financial asset that results in derecognition of the financial asset, requires the recognition of a new financial asset in line with the general requirements for the initial recognition (i.e. at fair value plus transaction costs).

*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

The Company 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 Company in accordance with the contract and the cash flows that the Company 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 Company 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 Company 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 Company’s historical experience and informed credit assessment and including forward-looking information.

The Company recognizes lifetime ECLs for receivables that do not contain significant financing component. The Company uses provision matrix that is based on the Company’s historical credit loss experience, adjusted for forward-looking factors specific to the borrowers and the economic environment.

At each reporting date, the Company 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 Company 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 Company 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 Company 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 Company'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.

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 Company; 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 Company 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 separate 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 separate 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 Company.

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 Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the separate 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 separate financial statements on a recurring basis, the Company 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 Company 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 estimated costs necessary to make the sale.

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets represent expenses not yet incurred but already paid in cash. These are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are recognized in profit or loss as they are consumed in operations or expire with the passage of time.

Other current assets are classified in the separate statements of financial position as current assets when the costs or expenses related to the assets are expected to be incurred within one year or the Company's normal operating cycle, whichever is longer. Otherwise, assets are classified as noncurrent assets.

Input Value-added Tax (VAT)

Input tax represents the VAT due or paid on purchases of goods and services subjected to VAT that the Company can claim against any future liability to the Bureau of Internal Revenue (BIR) for output VAT received from sale of goods and services subjected to VAT. The input tax can also be recovered as tax credit against future income tax liability of the Company upon approval of the BIR. Input tax is stated at net realizable value. An allowance is provided for any portion of the input tax that cannot be claimed against output tax or recovered as tax credit against future income tax liability. Input tax that are expected to be realized for no more than 12 months after the reporting period are classified as current asset, otherwise, these are classified as other noncurrent asset.

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 Company 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.

Land is carried at cost less any impairment in value, if any. The initial cost of land comprises its purchase price and other directly attributable costs of bringing the asset to its working condition and location for its intended use. It excludes the costs of day to day servicing. Land is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the land (calculated as the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss in the year the asset is derecognized.

Construction in-progress represents structures under construction and is stated at cost. This includes the costs of construction and other direct costs.

Investment in Subsidiaries

The Company's investments in shares of stock of subsidiaries is accounted for under the cost method. The investment is carried in the separate statements of financial position at cost less any impairment in value. The Company recognizes dividend from a subsidiary in its separate statements of comprehensive income when its right to receive the dividend is established.

A subsidiary is an entity controlled by the Company. In accordance with *PFRS 10, Consolidated Financial Statements,* the Company 'controls' an entity when it 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 financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Other Noncurrent Assets

Other noncurrent assets consist of advances to Carlos Drugs - Lucena, Inc. (Carlos SuperDrug), prepaid rent and security deposits. Advances to Carlos SuperDrug pertains to the amount paid in advance for the purchase of shares and wherein the Company has no control yet. Prepaid rent is rent paid prior to the rental period to which it relates, or an amount of rent paid that has not yet been used. Security deposits represent noninterest-bearing deposits which are generally applied against unpaid rentals should the lessee decide not to renew the lease or are forfeited as damages for any violation of contract.

Business Combination

The Company accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Company. In determining whether a particular set of activities and assets is a business, the Company assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Company has an option to apply a ‘concentration test’ that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer’s previously held equity interest in the acquiree is remeasured at the acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

The Company measures goodwill at the acquisition date as: a) the fair value of the consideration transferred; plus b) the recognized amount of any non-controlling interests in the acquiree; plus c) if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less d) the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. Subsequently, goodwill is measured at cost less any accumulated impairment in value. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired.

Impairment of Nonfinancial 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 Company 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 Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Proceeds and/or fair value of considerations received in excess of par value are recognized as additional paid-in capital.

Capital stock are classified as equity. Incremental costs directly attributable to the issuance of common stock are recognized as a deduction from equity, net of any tax effects, and any excess of the proceeds over the par value of shares issued less any incremental costs directly attributable to the issuance, net of tax, is presented in equity as additional paid-in capital.

<u>Additional Paid-in Capital</u>
Additional paid-in capital represents the amount received in excess of the par value of the capital stock issued.

Stock issuance costs are transaction costs that are directly attributable to the issuance of new shares accounted for as a deduction from equity, net of any related income tax benefit. Such costs are deducted from additional paid-in capital arising from the share issuance. If the additional paid-in capital is insufficient to absorb such expenses, the excess shall be charged to stock issuance costs to be reported as a contra equity account as a deduction from the following in the order of priority: (1) additional paid-in capital from previous stock issuance; and (2) retained earnings.

<u>Retained Earnings</u>
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.

<u>Revenue Recognition</u>
*Revenue from Contracts with Customers*
The Company 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 Company expects to be entitled in exchange for those goods or services. Revenues exclude 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 Company performs its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

The Company assesses its revenue arrangements to determine if it is acting as principal or agent. The Company 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 operating 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, which includes incentives and gain on remeasurement of retirement benefits liability and lease modification, is recognized when earned during the period.

*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.

Cost of Sales
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.

Expense Recognition
Expenses are recognized when they are incurred and are reported in the separate financial statements in the periods to which they relate.

Expenses are also recognized when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably has arisen. Expenses are recognized on the basis of a direct association between costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition as an asset.

Operating Expenses
Operating expenses constitute costs of administering the business. These are recognized as expenses as incurred.

Leases
At inception of a contract, the Company 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 Company 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 Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

(c) the Company has the right to direct the use of the asset. The Company 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 Company has the right to direct the use of the asset if either:

   i. the Company has the right to operate the asset; or

   ii. the Company designed the asset in a way that predetermines how and for what purpose it will be used.

*Company as Lessee*
The Company 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 Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company 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 Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company 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 Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company 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 Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company 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.

Operating Lease

Company as Lessee

Leases which do not transfer to the Company substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term. Contingent rents are recognized as expense in the period in which they are incurred. Associated costs such as maintenance and insurance are expensed as incurred.

The Company does not recognize right of use assets and lease liabilities for variable lease payments linked to future sales as it does not meet the definition of lease payments. Consequently, those payments are treated as rent expense under operating lease.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset otherwise it's expensed out. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. The amount of specific borrowing costs capitalized is net of the investment income on any temporary investment of the funds pending expenditure on the asset. On the other hand, general borrowing costs capitalized is exclusive of any investment income earned.

Employee Benefits

*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 Company 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 Company 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 actuarially determined using the projected unit credit method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in equity and are not reclassified to profit or loss in subsequent period.

The defined benefit retirement liability is the aggregate of the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods.

Defined benefit costs comprise the following:

- Service costs
- Net interest on the defined benefit retirement liability
- Remeasurements of defined benefit retirement liability

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the defined benefit retirement liability is the change during the period as a result of contributions and benefit payments, which is determined by applying the discount rate based on the government bonds to the defined benefit retirement liability. Net interest on the defined benefit retirement liability is recognized as expense or income in profit or loss.

Remeasurements of defined benefit retirement liability comprising actuarial gains and losses are recognized immediately in other comprehensive income in the period in which they arise.

Taxes

*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 Company.

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 Company 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 except:

- where the tax incurred on purchase of assets or services are not recoverable from the taxation authority, in which case, the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Accounts payable and other current liabilities" account in the separate statements of financial position (Note 12).

<u>Related Parties</u>
Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) subsidiaries; (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that give them significant influence over the Company and close members of the family of any such individual; and (d) members of the key management of the Company.

<u>Basic and Diluted Earnings Per Common Share (EPS)</u>
Basic EPS is computed by dividing the net income for the period attributable to equity holders of the 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 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 Company'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 Company has single segment, which is the sale of goods to customers.

The measurement policies the Company used for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in the separate 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 separate financial statements. These are disclosed in the notes to the separate financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the separate financial statements but are disclosed in the notes to the separate 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 separate financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the separate financial statements when material.

## 4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the separate financial statements in accordance with PFRS require 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 separate 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 Company'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 separate financial statements:

*Determination on whether an Arrangements Contains a Lease*
The Company uses its judgment in determining whether an arrangement is or contains a lease. A contract contains a lease if the determination of contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time if the customer has the right to obtain substantially all of the economical benefits from the use of the identified assets and the right to direct the use of the identified assets.

*Lease Commitments - Company as a Lessee*
The Company entered into various lease agreements as a lessee. In 2020, the long-term lease of its store space has been accounted for under PFRS 16 Leases wherein the Company recognizes a right-of-use (ROU) asset and lease liability upon initial adoption. In 2021, the Company and the lessor mutually agreed to modify the related lease agreements which were previously accounted under PFRS 16. Under the new lease agreement, payments are based on percentage of sales hence not considered as lease payments to be included in the measurement of lease liabilities (Note 14).

Amortization expense of ROU asset recognized in profit or loss in 2021 and 2020 amounted to nil and P2.66 million, respectively. The carrying amount of ROU asset as at December 31, 2021 and 2020 amounted to nil and P77.03 million, respectively. The carrying amount of the lease liability as at December 31, 2021 and 2020 amounted to nil and P72.19 million, respectively (Notes 14 and 17).

*Business Combinations*
At the time of acquisition, the Company considers whether the acquisition represents acquisition of a business. The Company accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made with regard to the extent to which significant processes are acquired. The significance of any process is judged with reference to the guidance in PAS 40, *Investment Property on ancillary services*. When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized.

*Determination of Control*
The Company determines control when it is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. The Company controls an entity if and only if the Company has all of the following:

- power over the entity;
- exposure, or rights, to variable returns from its involvement with the entity; and
- the ability to use its power over the entity to affect the amount of the Parent Company's returns.

As at December 31, 2021, the Company did not obtain control over the acquired businesses as there is no exposure, or rights, to variable returns from its involvement with the entity.

*Provisions and Contingencies*
The Company, 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 separate financial statements in 2021 and 2020.

*Determination of whether the Company is acting as a Principal or an Agent*
The Company is a principal if it controls the specified good or service before it is transferred to a customer. The Company is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party and the Company does not control the good or service before it is transferred to the customer.

The Company assesses its concession agreements against the following indicators to help determine whether it is acting as a principal or an agent:

- whether the Company has primary responsibility for providing the services;

- whether the Company has inventory risk; and

- whether the Company has discretion in establishing prices.

In 2019, the Company concluded that it is acting as the agent on its concession agreements as the Company does not, at any point, have control of the goods which are sold. Although the Company transacts with the end-customers, it does not set prices and take inventory risk. The Company 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. The Group recognizes concession income which pertains to the net margin from sales of concessionaire suppliers’ goods inside the store.

In 2020, the Company revised its concession agreements and concluded that it is acting as the principal as it has the primary responsibility for fulfilling the promise to provide the goods under concession to its customers. The Company has the right to direct the use of and obtain substantially all of the remaining benefits of the goods under concession and has the discretion in establishing the price for the goods. The Company is acting as the principal in selling the goods to end-customers wherein the gross proceeds from the sale of goods under concession were recognized as part of the sales of goods and the related costs were charged as part of cost of sales. The same policy applies for the period ended December 31, 2021.

Estimates and Assumptions
The key estimates and assumptions used in the separate financial statements are based upon management’s evaluation of relevant facts and circumstances as at the date of the separate financial statements. Actual results could differ from such estimates.

*Assessment for ECL on Other Financial Assets at Amortized Cost.* The Company 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 Company 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 Company 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 Company 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 Company 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 2021 and 2020.

The carrying amounts of financial assets at amortized cost are as follows:

| | ***Note*** | **2021** | 2020 |
|---|---|---|---|
| Cash and cash equivalents (excluding cash on hand) | *5* | **P1,819,046,203** | P733,868,041 |
| Receivables | *6* | **8,639,792** | 7,780,306 |
| Due from related parties | *18* | **2,713,273,431** | 1,409,943,743 |
| Security deposit* | *11* | **69,933,743** | 33,696,144 |
| | | **P4,610,893,169** | P2,185,288,234 |

**Included under "Other Noncurrent Assets" (Note 11).*

*Write-down of Inventories*
The Company 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 2021 and 2020.

The carrying amounts of the Company's inventories amounted to P371.99 million and P221.74 million as at December 31, 2021 and 2020, respectively (Note 7).

*Estimating Useful Lives of Property and Equipment*
The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment 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 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 would increase recorded depreciation and amortization expenses and decrease noncurrent assets.

Property and equipment, net of accumulated depreciation and amortization, amounted to P268.52 million and P206.83 million as at December 31, 2021 and 2020, respectively. Accumulated depreciation and amortization of property and equipment amounted to P20.25 million and P12.19 million as at December 31, 2021 and 2020, respectively (Note 10).

*Incremental Borrowing Rate for Leases*
The Company uses the incremental borrowing rate to measure lease liabilities as the interest rate implicit in the lease cannot be readily determined. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow over a similar term the funds necessary to obtain an asset of a similar value to the right-of-use assets in a similar economic environment.

The incremental borrowing rate reflects what the Company "would have to pay", which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the incremental borrowing rate using observable inputs such as market interest rates and the Company's stand-alone credit rating.

*Realizability of Deferred Tax Assets*
The Company reviews its deferred tax asset 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 asset to be utilized. The Company's assessment on the recognition of deferred tax asset on deductible temporary difference is based on the projected taxable income in the following periods.

Deferred tax assets (liabilities) amounted to (P20.96 million) and P2.34 million as at December 31, 2021 and 2020, respectively (Note 20).

*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 separate 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, advances to Carlos SuperDrug and investments in subsidiaries amounted to P449.33 million and P308.86 million as at December 31, 2021 and 2020, respectively (Notes 9, 10, 11 and 14).

## 5. Cash and Cash Equivalents

This account consists of:

| | *Note* | **2021** | 2020 |
|---|---|---|---|
| Cash in banks | *22* | **P1,819,046,203** | P331,217,791 |
| Cash on hand | | **22,238,080** | 21,530,534 |
| Short-term placements | *22* | **-** | 402,650,250 |
| | | **P1,841,284,283** | P755,398,575 |

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 Company, and earn annual interest at the respective short-term placement rates. The short-term placements as at December 31, 2020 have matured in 2021.

Total interest income earned from cash and cash equivalents amounted to P1.18 million and P5.54 million in 2021 and 2020, respectively.

## 6. Receivables

This account consists of:

| | *Note* | **2021** | 2020 |
|---|---|---|---|
| Trade receivables | | **P8,639,792** | P4,625,863 |
| Accrued interest receivable | | **-** | 3,154,443 |
| | *22* | **P8,639,792** | P7,780,306 |

Trade receivables pertain to receivables from credit card sales and in-house charge sales. These receivables generally have 1-7 days credit terms.

Accrued interest receivable pertains to the interest income earned from the short-term placements.

## 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.

Inventories at cost is lower than its NRV as at December 31, 2021 and 2020.

Cost of inventories as at December 31, 2021 and 2020 amounted to P371.99 million and P221.74 million, respectively.

Inventories charged to cost of sales amounted to P2,410.31 million and P2,445.16 million in 2021 and 2020, respectively (Note 16).

## 8. Prepaid Expenses and Other Current Assets

This account consists of:

| | **2021** | 2020 |
|---|---|---|
| Input VAT | **P20,125,406** | P25,834,539 |
| Prepaid expenses | **5,553,295** | 6,780,179 |
| | **P25,678,701** | P32,614,718 |

Input VAT 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 pertain advance payment of administrative expenses related to real property and business taxes, insurance, among others.

## 9. Investments in Subsidiaries

As at December 31, 2021 and 2020, this account pertains to investment in MerryMart Grocery Centers, Inc. (MMGCI) and MM Consumer Technologies Corp. (MTech), which are both incorporated in the Philippines.

The composition of the account as at December 31, 2021 and 2020 is as follows:

| | **2021** | 2020 |
|---|---|---|
| MMGCI | **P25,000,000** | P25,000,000 |
| MTech | **40,000,000** | - |
| | **P65,000,000** | P25,000,000 |

a. MMGCI was incorporated and registered with the SEC on September 28, 2018. It is engaged to acquire, hold, own, operate or manage 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.

   MMGCI is a wholly-owned subsidiary of the Company.

   The summarized financial information of MMGCI follow:

| | **2021** | 2020 |
|---|---|---|
| Current assets | **P1,515,735,306** | P885,032,548 |
| Noncurrent assets | **2,102,329,716** | 1,210,611,189 |
| Current liabilities | **3,359,328,743** | 1,860,178,910 |
| Noncurrent liabilities | **414,389,091** | 308,098,342 |
| Revenue | **1,299,963,470** | 830,656,028 |
| Net loss/total comprehensive loss | **(82,946,869)** | (82,482,928) |

b. MTech was incorporated and registered with SEC on May 27, 2021 primarily to invest in, purchase, or otherwise acquire, and own, hold, use sell, assign, transfer, lease, mortgage, exchange, develop, or otherwise dispose of real and personal property of every kind and description, including shares of stock, bonds, debentures, notes, evidence of indebtedness, and other securities and obligations of any corporation or corporations, association or associations, joint ventures, incorporated or otherwise, domestic or foreign, for whatever lawful purpose or purposes the same may have been organized and to pay therefor in money or by exchanging therefor stocks, bonds, or other evidences of indebtedness or securities of this or any other corporation, and while the owner or holder of any such real or personal property, stocks, bonds, debentures, contracts, or obligations, to receive, collect and dispose of the interest, dividends, and income arising from such property; to possess and exercise in respect thereof, all the rights, powers and privileges of ownership, including all voting powers of any stock so owned, to carry on, provide support and manage the general business of any corporation, company, association or joint venture and to secure and guarantee the loans and obligations of , and act as surety for its subsidiaries, affiliates or associates as may be authorized by the BOD; and to exercise such powers, act or functions as may be essential or necessary to carry out the purpose stated herein.

   The Company subscribed to 400 million common shares of MTech at P0.10 par value. As at December 31, 2021, the Company has subscription payable to MTech amounting to P15 million.

   The summarized financial information of MTech follows:

| | **2021** |
|---|---:|
| Current assets | **P10,200,172** |
| Noncurrent assets | **28,170,210** |
| Current liabilities | **14,050,000** |
| Net loss/total comprehensive loss | **(279,618)** |

## 10. Property and Equipment

The movements and balances of this account consist of:

| | Furniture, Fixtures and Equipment | Transportation Equipment | Leasehold Improvements | Construction in Progress | Land | Total |
|---|---:|---:|---:|---:|---:|---:|
| **Cost** | | | | | | |
| Balance, January 1, 2020 | P 10,560,060 | P 2,015,000 | P - | P - | P - | P12,575,060 |
| Additions | 27,047,648 | 4,842,442 | 19,604,014 | 8,335,784 | 146,608,491 | 206,438,379 |
| Balance, January 1, 2021 | 37,607,708 | 6,857,442 | 19,604,014 | 8,335,784 | 146,608,491 | 219,013,439 |
| Additions | 10,243,846 | 3,195,047 | 22,141,728 | 34,177,986 | - | 69,758,607 |
| Reclassification | - | - | 8,335,784 | (8,335,784) | - | - |
| **Balance, December 31, 2021** | **47,851,554** | **10,052,489** | **50,081,526** | **34,177,986** | **146,608,491** | **288,772,046** |
| **Accumulated Depreciation and Amortization** | | | | | | |
| Balance, January 1, 2020 | 7,149,447 | 1,621,500 | - | - | - | 8,770,947 |
| Depreciation and amortization | 2,322,416 | 605,037 | 489,384 | - | - | 3,416,837 |
| Balance, January 1, 2021 | 9,471,863 | 2,226,537 | 489,384 | - | - | 12,187,784 |
| Depreciation and amortization | 4,113,118 | 608,290 | 3,341,247 | - | - | 8,062,655 |
| **Balance, December 31, 2021** | **13,584,981** | **2,834,827** | **3,830,631** | **-** | **-** | **20,250,439** |
| **Carrying Amount** | | | | | | |
| December 31, 2020 | P28,135,845 | P4,630,905 | P19,114,630 | P8,335,784 | P146,608,491 | P206,825,655 |
| **December 31, 2021** | **P34,266,573** | **P7,217,662** | **P46,250,895** | **P34,177,986** | **P146,608,491** | **P268,521,607** |

The cost of fully depreciated property and equipment used by the Company amounted to P6.37 million and P1.26 million as at December 31, 2021 and 2020, respectively.

Depreciation and amortization are charged to “Operating expenses” account in 2021 and 2020, respectively (Note 17).

There were no property and equipment pledged or mortgaged as security as at December 31, 2021 and 2020.

## 11. Other Noncurrent Assets

This account consists of:

| | ***Note*** | **2021** | 2020 |
|---|---|---|---|
| Prepaid rent | | **P158,220,050** | P43,180,449 |
| Advances to a third-party | | **115,810,226** | - |
| Security deposit | *4, 14* | **69,933,743** | 33,696,144 |
| | | **P343,964,019** | P76,876,593 |

Prepaid rent pertains to the amount paid in advance for the use of place or property.

Advances to a third-party pertains to the initial payment made to Carlos Superdrug for its acquisition of the latters’ shares and for which the closing date of the business combination was determined to be subsequent to December 31, 2021 (Note 24).

Security deposit represents the amount paid as security for the faithful performance of the terms of the lease agreement which were paid upon the commencement of the lease and refundable at the end of the lease term.

## 12. Accounts Payable and Other Current Liabilities

This account consists of:

| | ***Note*** | **2021** | 2020 |
|---|---|---|---|
| Trade payables | *22* | **P272,736,729** | P160,989,975 |
| Gift certificate liability | | **20,021,000** | - |
| Accrued expenses | *22* | **15,736,137** | 4,938,742 |
| Subscription payable | *22* | **15,000,000** | - |
| Accrued interest | *22* | **12,075,208** | 1,975,000 |
| Nontrade payables | *22* | **3,470,452** | 3,227,445 |
| Withholding taxes | | **2,004,594** | 1,757,767 |
| Current portion of lease liability | *22* | **-** | 5,792,631 |
| Output VAT - net | | **-** | 191,763 |
| | | **P341,044,120** | P178,873,323 |

Trade payables are liabilities arising from the purchases of inventories. These are non-interest bearing and are normally settled within 30-60 days.

Gift certificate liability arises from the distribution of gift certificate for future sale of goods.

Accrued expenses pertain to unbilled expenses for professional fees, utilities and other charges.

Subscription payable pertains to the unpaid subscribed shares of Carlos Superdrug (see Note 9).

## 13. Loans Payable

This account consists of:

| | Note | 2021 | 2020 |
|---|---|---|---|
| Current | | **P1,145,000,000** | P300,000,000 |
| Noncurrent | *4, 14* | **1,997,053,555** | 250,000,000 |
| | | **P3,142,053,555** | P550,000,000 |

Loans payable pertains to unsecured loans obtained from local banks.

Long-term Loans Payable
On November 4, 2020, the Company obtained an unsecured loan amounting to P250 million for the construction of the Company's stores. This loan, which bears an annual fixed interest of 6.00%, and is payable until May 4, 2023. The loan agreement does not contain any financial or non-financial covenants.

On December 16, 2021, the Company obtained an unsecured loan amounting to P2,000 million for the construction of the Company's branches with an issue cost amounting to P35.03 million. This loan, which bears an annual fixed interest of 5.97%, and is payable until December 16, 2026. The loan contains financial covenants relating to maintenance of certain financial ratios. Out of the P2,000 million loans payable as at December 31, 2021, P20 million is due in 2022 while the remaining P1,800 is payable until 2026.

The financial tests under the second loan agreement include compliance relating to maintenance of certain financial ratios.

As at December 31, 2021, the Company is in compliance with the covenants of its debt agreements.

Short-term Loans Payable
The Company obtained short-term loans from various financial institutions which are payable within one year. The proceeds from these borrowings were used for working capital purposes more specifically in the development of the Company's new stores. The interest rates on these short-term borrowings are repriced monthly based on negotiated rates or prevailing market rates.

Total interest expense capitalized as borrowing costs under "Property and equipment- net" account amounted to P53.67 million and P31.58 as at December 31, 2021 and 2020, respectively. Total interest paid amounted to P41.66 million and P31.56 million in 2021 and 2020, respectively.

The movements of loans and interest arising from this loan are as follow:

| | 2021 | 2020 |
|---|---|---|
| Balance at beginning of year | **P550,000,000** | P - |
| Loan availment | **2,700,000,000** | 550,000,000 |
| Payment of loans payable | **(72,916,667)** | - |
| Issue cost | **(35,029,778)** | - |
| Balance at end of year | **P3,142,053,555** | P550,000,000 |

The schedules for principal payments for loans payable are as follow:

| | **2021** | 2020 |
|---|---|---|
| Due within one year | **P1,145,000,000** | P300,000,000 |
| Beyond one year but not later than five years | **1,997,053,555** | 250,000,000 |
| | **P3,142,053,555** | P550,000,000 |

## 14. Lease Arrangements

The Company has a lease agreement for its store space located in City Mall, Roxas Avenue, Roxas City which qualifies under PFRS 16, *Leases,* for the period ended December 31, 2020.

The Company leases its store space for a period of 10 years starting September 8, 2020 until August 8, 2030. The monthly rental rate for the first year amounted to P0.62 million, and thereafter, will increase by 5% annually. The agreement is subject to renewal upon mutual agreement of the parties.

In 2021, the Company and the lessor modified the terms of the lease agreement and changed the payments to variable consideration rentals in which the payments will be based on the Company's monthly sales. The modification of the terms of the said lease agreement resulted to a gain on lease modification amounting to P0.96 million and is presented as part of "Other operating income" in the separate statements of comprehensive income. The balance of the ROU and the lease liabilities as at December 31, 2020 were derecognized in 2021 after the modification of the lease agreement.

The carrying amount of ROU asset as at December 31, 2021 and 2020 amounted to nil and P77.03 million, respectively. The carrying amount of the lease liability as at December 31, 2021 and 2020 amounted to nil and P77.99 million, respectively .

Depreciation expense amounting to nil and P2.66 million in 2021 and 2020, respectively, is presented as part of "Depreciation and amortization" in the separate statements of comprehensive income (Note 17).

Interest expense recognized in profit or loss amounted to nil and P0.76 million in 2021 and 2020, respectively.

Gain on rent concession amounting to P2.46 million in 2020, is presented as part of "Other operating income" in the statement of comprehensive income.

Total security deposit from this lease arrangement amounted to P69.93 and P33.70 millions at December 31, 2021 and 2020, respectively. This is included under "Other noncurrent assets" account in the separate statements of financial position (Note 11).

## 15. Revenues

The Company generates revenue primarily from trading and selling goods and consumer products on a wholesale or retail basis. Revenues pertain mainly to sale of goods which amounted to P2,625.14 million and P2,611.97 million in 2021 and 2020, respectively.

Sale of goods
This is recognized at point in time when control of the asset is transferred to the customer, generally upon delivery.

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.

Other Income
Other income pertains to enlistment fees, application fees, merchandise support and other miscellaneous income.

## 16. Cost of Sales

This account consists of:

| | ***Note*** | **2021** | 2020 |
|---|---|---|---|
| Beginning inventories | | **P221,742,763** | P148,404,588 |
| Add: Purchases | | **2,560,557,875** | 2,518,494,534 |
| Total goods available for sale | | **2,782,300,638** | 2,666,899,122 |
| Less: Ending inventories | *7* | **371,992,965** | 221,742,763 |
| | | **P2,410,307,673** | P2,445,156,359 |

## 17. Operating Expenses

This account consists of:

| | ***Note*** | **2021** | 2020 |
|---|---|---|---|
| Taxes and licenses | | **P27,985,541** | P15,334,690 |
| Salaries, wages and other benefits | | **16,253,801** | 17,323,288 |
| Contracted services | | **16,629,919** | 11,890,935 |
| Electricity and water | | **14,542,214** | 8,328,139 |
| Depreciation and amortization | *10, 14* | **8,062,655** | 6,073,047 |
| Marketing | | **8,044,894** | 6,162,844 |
| Transportation and travel | | **3,726,073** | 3,932,791 |
| Professional fees | | **3,362,000** | 535,000 |
| Miscellaneous | | **1,177,713** | 520,219 |
| Rent expense | | **900,000** | 900,000 |
| Retirement benefits | *19* | **853,091** | - |
| Director's fees | | **720,000** | 360,000 |
| Listing fee | | **250,000** | - |
| Communications | | **241,478** | 175,689 |
| Insurance | | **229,414** | 379,419 |
| | | **P102,978,793** | P71,916,061 |

Taxes and licenses pertains to business tax paid on government agencies.

## 18. Related Party Transactions

The Company, in the normal course of business, has transactions with its related parties as follows:

| Category | Year | Ref | Amount of Transaction | Outstanding Balance Due from (to) Related Parties | Terms and Conditions |
|---|---|---|---|---|---|
| **Subsidiary** | | | | | |
| Advances | **2021** | *a* | **P1,492,366,018** | **P2,707,362,058** | **Due and demandable; non-interest bearning; unsecured; payable in cash** |
| | 2020 | *a* | 1,214,996,040 | 1,409,327,585 | Due and demandable; non-interest bearing; unsecured; payable in cash |
| Sale and Purchase of Merchandise | **2021** | | **36,970,967** | **5,911,373** | **Due and demandable; non-interest bearning; unsecured; payable in cash** |
| | 2020 | | 616,158 | 616,158 | Due and demandable; non-interest bearning; unsecured; payable in cash |
| | **2021** | | | **P2,713,273,431** | |
| | 2020 | | | P1,409,943,743 | |

a. *Cash Advances*
These pertain 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.

b. *Key Management Personnel*
No key management personnel compensation is recognized in 2021 and 2020 since the administrative and finance functions of the Company are being administered by III.

All material related party transactions are subject to approval by the BOD. Material related party transactions pertain to those transactions, either individually, or in aggregate over a 12-month period, that exceed 10% of the Company's total assets, based on the latest audited separate financial statements. All other related party transactions that are considered not material are approved by management.

## 19. Retirement Benefits

The Company 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 most recent actuarial valuation was carried out at December 31, 2021 by a qualified independent actuary.

The Company's retirement benefits liability amounted to P4.81 million and P5.44 million as at December 31, 2021 and 2020, respectively. Retirement benefits amounting to P0.85 million in 2021 is presented under "Operating expenses" account in the separate statements of comprehensive income. Retirement benefit gain amounting to P1.39 million is presented under "Other income" in the separate statements of comprehensive income.

The principal actuarial assumptions used to determine retirement benefits with respect to the discount rate and salary rate increases were based on historical and projected normal rates.

The Plan is exposed to both financial and demographic risks. Risks associated to the Plan are as follows:

- Liquidity Risk - The inability to meet benefit obligation payout when due.
- Interest Rate Risk - The present value of DBO is relatively sensitive and inversely related to the discount rate. In particular, if the discount rate, which is referenced to government bonds decreases, then the DBO increases.
- Salary Risk - The present value of DBO is relatively sensitive and directly related to future salary rate increases. In particular, if the actual salary rate increases in the future are higher than expected then the DBO and benefits are higher as well.
- Persistency Risk - The present value of DBO is relatively sensitive and inversely related to the turnover rates. In particular, lower turnover rates, which means employees persist or stay with the Company longer, correspond to higher DBO and benefit payouts.

The Company has no retirement plan asset hence there is no asset-liability matching strategy as at December 31, 2021 and 2020.

The following table below shows the reconciliation from the opening to the closing balances for DBO and its components:

| | **2021** | 2020 |
|---|---|---|
| Balance at January 1 | **P5,435,078** | P6,196,332 |
| Transition asset | **-** | (2,132,641) |
| Adjusted balance at January 1 | **5,435,078** | 4,063,691 |
| **Included in Profit or Loss** | | |
| Current service cost | **222,838** | 219,439 |
| Interest cost | **630,253** | 519,943 |
| | **853,091** | 739,382 |
| | **6,288,169** | 4,803,073 |
| **Included in Other Comprehensive Income (OCI)** | | |
| Remeasurement (gain) loss: | | |
| Actuarial (gain) loss arising from: | | |
| ▪ Experience adjustments | **(648,977)** | 901,424 |
| ▪ Financial assumptions | **(827,454)** | (269,419) |
| | **(1,476,431)** | 632,005 |
| **Balance at December 31** | **P4,811,738** | P5,435,078 |

The retirement expense amounting to P0.85 million pertains to the current service cost and interest expense in 2021, and is presented as “Retirement benefits” under operating expenses in the separate statement of comprehensive income (Note 17).

The principal actuarial assumptions used at December 31 are as follows:

| | **2021** | 2020 |
|---|---|---|
| Discount rate | **5.20%** | 4.10% |
| Future salary growth | **4.00%** | 4.00% |

Maturity analysis of the benefit payments are as follows:

| | Carrying Amount | Contractual Cash Flows | Within 1 - 5 Years | More than 5 Years |
|---|---|---|---|---|
| **2021** | **P4,811,738** | **P41,148,604** | **P1,193,760** | **P39,954,844** |
| 2020 | P5,435,078 | P41,301,059 | P1,053,532 | P40,247,527 |

As at December 31, 2021 and 2020, the weighted-average duration of the DBO is 22.95 and 13 years, respectively.

Sensitivity Analysis
Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the DBO by the amounts shown below.

| | **DBO** | |
|---|---|---|
| **2021** | **Increase** | **Decrease** |
| Discount rate (1% movement) | **P4,206,248** | **(P5,555,751)** |
| Future salary growth (1% movement) | **5,533,543** | **(4,212,516)** |

| | DBO | |
|---|---|---|
| 2020 | Increase | Decrease |
| Discount rate (1% movement) | P4,720,416 | (P6,322,406) |
| Future salary growth (1% movement) | 6,286,039 | (4,734,564) |

Each sensitivity run is based on a change in a sole actuarial assumption while holding all other assumptions constant. However, the sensitivity runs may not be representative of the actual change in the DBO as it is unlikely that a change in assumption would occur in isolation as the assumptions may be correlated.

Furthermore, DBO figures in this sensitivity runs have been calculated using the PUC method, the same method used in the calculation of DBO.

## 20. Income Taxes

Income tax expense consists of:

| | **2021** | 2020 |
|---|---|---|
| Income tax: | | |
| Current | **P16,640,438** | P3,982,956 |
| Effect on change in tax rate | **(995,739)** | - |
| | **15,644,699** | 3,982,956 |
| Deferred tax expense (benefit): | | |
| Current | **22,540,340** | (292,677) |
| Effect on change in tax rate | **358,597** | - |
| | **22,898,937** | (292,677) |
| | **P38,543,636** | P3,690,279 |

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:

| | **2021** | 2020 |
|---|---|---|
| Income before income tax | **P157,903,863** | P133,400,293 |
| Income tax expense at statutory tax rate of 25% and 30% in 2021 and 2020 | **P39,475,966** | P40,020,088 |
| Stock issuance cost | **-** | (38,669,286) |
| Minimum corporate income tax (MCIT) | **-** | 3,982,956 |
| Nondeductible expenses | **-** | 18,506 |
| Income tax effect of interest income subject to final tax | **(295,188)** | (1,661,985) |
| Tax effect due to change in tax rate in 2020 | **(637,142)** | - |
| | **P38,543,636** | P3,690,279 |

The components and movements of the Company's deferred tax assets (liabilities) recognized in the statement of financial position and statement of comprehensive income as at December 31, 2021 and 2020 are as follows:

| | **At January 1, 2021** | **Recognized in Profit or Loss** | **Recognized in Other Comprehensive Income (OCI)** | **Impact of CREATE** | **At December 31, 2021** |
|---|---|---|---|---|---|
| **Deferred Tax Assets** | | | | | |
| Retirement benefits liability | **P1,858,900** | **P213,273** | **P -** | **(P309,817)** | **P1,762,356** |
| Difference between financial depreciation and tax depreciation | **67,780** | **586,783** | **-** | **(11,297)** | **643,266** |
| Accrued expenses | **270,000** | **225,000** | **-** | **(45,000)** | **450,000** |
| Actuarial loss | **189,601** | **-** | **(31,600)** | **-** | **158,001** |
| NOLCO | **4,412,086** | **(3,676,738)** | **-** | **(735,348)** | **-** |
| Excess of lease payments over amortization of ROU | **287,038** | **(239,198)** | **-** | **(47,840)** | **-** |
| | **7,085,405** | **(2,890,880)** | **(31,600)** | **(1,149,302)** | **3,013,623** |
| **Deferred Tax Liabilities** | | | | | |
| Capitalized interest claimed outright | **4,326,249** | **10,892,014** | **-** | **(721,042)** | **14,497,221** |
| Debt issue cost | **-** | **8,757,446** | **-** | **-** | **8,757,446** |
| Actuarial gain | **-** | **-** | **369,108** | **-** | **369,107** |
| Gain from transitional asset | **417,978** | **-** | **-** | **(69,663)** | **348,315** |
| | **4,744,227** | **19,649,460** | **369,108** | **(790,705)** | **23,972,090** |
| | **P2,341,178** | **(P22,540,340)** | **(P400,708)** | **(P358,597)** | **(P20,958,467)** |

| | At January 1, 2020 | Recognized in Profit or Loss | Recognized in Other Comprehensive Income (OCI) | At December 31, 2020 |
|---|---|---|---|---|
| Deferred Tax Assets | | | | |
| NOLCO | P - | P4,412,086 | P - | P4,412,086 |
| Retirement benefits liability | 1,858,900 | - | 189,601 | 2,048,501 |
| Excess of lease payments over amortization of ROU | - | 354,818 | - | 354,818 |
| Accrued expenses | - | 270,000 | - | 270,000 |
| | 1,858,900 | 5,036,904 | 189,601 | 7,085,405 |
| Deferred Tax Liabilities | | | | |
| Capitalized interest claimed outright | - | 4,326,249 | - | 4,326,249 |
| Gain from transitional asset | - | 417,978 | - | 417,978 |
| | - | 4,744,227 | - | 4,744,227 |
| | P1,858,900 | P292,677 | P189,601 | P2,341,178 |

The BIR issued Revenue Regulations (RR) No. 25-2020 to implement Section 4 of Republic Act (RA) No. 11494, Bayanihan to Recover as One Act, which provides that the NOLCO incurred for taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

The component of the NOLCO which can be applied against future taxable income is as follows:

| Year Incurred | Expiry Date | Balance January 1, 2021 | Addition | Expired/ Applied | **Balance December 31, 2021** |
|---|---|---|---|---|---|
| 2020 | December 31, 2025 | P14,706,954 | P - | P14,706,954 | **P -** |

On March 26, 2021, the President of the Philippines has approved the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act (the "CREATE Act"), with nine (9) provisions vetoed by the President. Below are the salient features of the CREATE Act that are relevant to the Company:

a) Corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million. All other domestic corporations and resident foreign corporations will be subject to 25% income tax. Said reductions are effective July 1, 2020.

b) MCIT rate is reduced from 2% to 1% effective July 1, 2020 to June 30, 2023.

c) The imposition of improperly accumulated earnings tax has been repealed.

On April 8, 2021, the BIR issued the following implementing RR that are effective immediately upon publication:

- BIR RR No. 2-2021, *Amending Certain Provisions of RR No. 2-98, As Amended, to Implement the Amendments Introduced by Republic Act No. 11534, or the CREATE Act, to the National Revenue Code of 1997, as Amended, Relative to the Final Tax on Certain Passive Income;*

- BIR RR No. 3-2021, *Rules and Regulations Implementing Section 3 of the CREATE Act, Amending Section 20 of the National Internal Revenue Code of 1997, As Amended;*

- BIR RR No. 4-2021, *Implementing the Provisions on Value-Added Tax (VAT) and Percentage Tax Under the CREATE Act Which Further Amended the National Revenue Code of 1997, as Amended, as Implemented by RR No. 16-2005 (Consolidated VAT Regulations of 2005), As Amended;* and

- BIR RR No. 5-2021, *Implementing the New Income Tax Rates on the Regular Income of Corporations, on Certain Passive Incomes, Including Additional Allowable Deductions from Gross Income of Persons Engaged in Business or Practice of Profession Pursuant to CREATE Act, Which Further Amended the National Revenue Code of 1997.*

## 21. Equity and Earnings Per Share

Capital Stock

As at December 31, 2021 and 2020, the authorized and issued capital stock of the Company consist of:

| | **2021** | 2020 |
|---|---|---|
| **Authorized Capital Stock** | | |
| Common: | | |
| 2021 - P0.05 par value | **1,200,000,000** | P - |
| 2020 - P0.05 par value | **P -** | P1,200,000,000 |
| **Number of Shares Authorized for Issue** | | |
| Common | **24,000,000,000** | 24,000,000,000 |

Details of the shares issued are as follows:

| | **2021** | 2020 |
|---|---|---|
| Balance at beginning of year | **7,594,936,709** | 12,500 |
| Issuance of shares | **-** | 7,594,924,209 |
| | **7,594,936,709** | 7,594,936,709 |

Details of the issued capital stock are as follows:

| | **2021** | 2020 |
|---|---|---|
| Balance at beginning of year | **P379,746,835** | P1,250,000 |
| Issuance of shares | **-** | 378,496,835 |
| | **P379,746,835** | P379,746,835 |

On January 23, 2020, the SEC approved the increase in authorized capital stock from P5,000,000 divided into 50,000 shares of the par value of P100.00 each to P1,200,000,000 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 December 21, 2020, the BOD approved the reversal of P111 million appropriated retained earnings.

On February 18, 2020, the BOD approved the declaration of cash dividends amounting to P8.4 million or P0.0014 per share, payable to stockholders of record on February 21, 2020. The cash dividends were paid on February 26, 2020.

On February 18, 2020, the BOD approved the reversal of the appropriated retained earnings of P6 million made on December 16, 2016.

EPS
EPS is computed as follows:

| | **2021** | 2020 |
|---|---|---|
| Net income attributable to common shareholders of the Company | **P119,360,227** | P129,710,014 |
| Weighted average number of common shares for basic EPS, before retrospective effect of stock split | **7,594,936,709** | 6,490,143,969 |
| Retrospective effect of change in par value from P100 to P0.05 (stock split) on January 23, 2020 | **-** | 1,570,253 |
| Weighted average number of common shares for basic EPS, as adjusted | **7,594,936,709** | 6,491,714,222 |
| Basic EPS | **P0.02** | P0.02 |
| Diluted EPS | **P0.02** | P0.02 |

## 22. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies
The Company 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 Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital.

The main purpose of the Company'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 Company's risk management framework. The BOD has established the Executive Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee identifies all issues affecting the operations of the Company and reports regularly to the BOD on its activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, 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 Company's activities. All risks faced by the Company 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 Company's operations and forecasted results. The Company, 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 Company's principal financial assets include cash and cash equivalents, receivables, due from related parties, accrued interest receivable and security deposit. These financial assets are used to fund the Company's operations and capital expenditures.

Credit Risk
Credit risk represents the risk of loss the Company would incur if credit customers and counterparties fail to perform their contractual obligations. The risk arises principally from the Company's cash, receivables and advances to a subsidiary. 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*** | **2021** | 2020 |
|---|---|---|---|
| Cash and cash equivalents (excluding cash on hand) | *5* | **P1,819,046,203** | P733,868,041 |
| Receivables | *6* | **8,639,792** | 7,780,306 |
| Due from related parties | *18* | **2,713,273,431** | 1,409,943,743 |
| Security deposit | *11* | **69,933,743** | 33,696,144 |
| | | **P4,610,893,169** | P2,185,288,234 |

These financial assets are subjected to 12-month ECL.

The Company's process in assessing the ECLs are discussed in Note 4 to the separate financial statements.

These financial assets are neither past due nor impaired and has credit quality of high grade financial assets as at December 31, 2021 and 2020.

The Company 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 Company performs credit investigation and evaluation of each buyer to establish paying capacity and creditworthiness. The credit risk for advances to a subsidiary is considered negligible as this is mainly from a subsidiary that is generally financially stable.

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company 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 Company'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, 2021** | ***Note*** | **Carrying Amount** | **Contractual Cash Flow** | **1 Year or Less** | **Within 1 - 5 Years** | **More than 5 Years** |
|---|---|---|---|---|---|---|
| **Financial Liabilities** | | | | | | |
| Accounts payable and other current liabilities* | *12* | **P317,552,668** | **P317,552,668** | **P317,552,668** | **P -** | **P -** |
| Loans payable | *13* | **3,142,053,555** | **3,218,747,222** | **1,184,010,628** | **2,034,736,594** | **-** |

** Excluding statutory obligations and gift certificate liability amounting to P3,470,452 and P20,021,000, respectively*

| December 31, 2020 | *Note* | Carrying Amount | Contractual Cash Flow | 1 Year or Less | Within 1 - 5 Years | More than 5 Years |
|---|---|---|---|---|---|---|
| Financial Liabilities | | | | | | |
| Accounts payable and other current liabilities* | *12* | P176,923,793 | P176,923,793 | P176,923,793 | P - | P - |
| Loans payable | *13* | 550,000,000 | 590,170,139 | 405,013,889 | 185,156,250 | - |
| Lease liability | *14* | 77,986,896 | 90,515,308 | 7,515,493 | 34,012,349 | 48,987,466 |

** Excluding statutory obligations amounting to P1,949,530*

Fair Values

The following methods and assumptions are used to estimate the fair values of each class of financial instruments:

*Cash and Cash Equivalents/Receivables/Due from related parties/Security Deposit/Accounts Payable and Other Current Liabilities/Short-term Loans Payable/Lease Liability/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.

Capital Management

The Company'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 Company 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 Company 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 Company defines capital as equity, which includes capital stock and retained earnings. There were no changes in the Company's approach to capital management as at December 31, 2021 and 2020. The Company is not subject to externally-imposed capital requirements.

## 23. Reclassification of Accounts

Enlistment fee which was previously presented under display rentals was reclassified to the other income account to conform with the current year's presentation as follows:

| | ***Note*** | **As Previously Reported** | **Effect of Reclassification** | **As Reclassified** |
|---|---|---|---|---|
| **Separate Statement of Comprehensive Income** | | | | |
| Display rentals | *15* | P23,780,331 | (P5,961,000) | P17,819,331 |
| Other income | *15* | 9,951,640 | 5,961,000 | 15,912,640 |

The reclassification did not have any impact on the separate statements of financial position and separate statements of cash flows.

## 24. Other Matters

Effect of COVID-19 Pandemic

To manage and contain the COVID-19 spread in the country, national and local government imposed several measures including travel restrictions, home quarantine and temporary suspension or regulation of business operations, among others, limiting activities related to the provision of essential goods and services.

The COVID-19 pandemic triggered unprecedented quarantine restrictions locally and across the globe causing massive disruptions in business activities and economies.

The gradual opening-up of economies and easing up of pandemic restrictions especially alongside robust vaccination efforts contributed to the modest recovery in 2021 in terms of sales and volumes. However, the extent to which the COVID-19 pandemic will continue to impact the Company will depend on future developments, including the timeliness and effectiveness of actions taken or not taken to contain and mitigate the effects of COVID-19 both in the Philippines and internationally by governments, central banks, healthcare providers, health system participants, other businesses and individuals, which are highly uncertain and cannot be predicted.

Impact of Ukraine-Russia Conflict

On February 21, 2022, the Russian Federation officially recognized two breakaway regions in eastern Ukraine and authorized the use of military force in those territories. On 24 February 2022, Russian troops invaded Ukraine and commenced military operations in multiple locations. These ongoing operations have led to casualties, significant dislocation of the population, damage to infrastructure and disruption to economic activity in Ukraine. This event has not only affected the countries involved in particular, but also impacted the global economy negatively. One of the major effects of the invasion was the rise on fuel prices which resulted to higher prices of commodities. The extent of the consequences on the financial performance of the Company will depend on certain developments on this event such as the duration of the conflict between the two countries and programs and plans made by the global market in managing the prices of fuel over the months to come, all of which are uncertain as at the date of issuance of the separate financial statements. The Company cannot reliably estimate the impacts on its financial position and results of operations, but the management will continue monitoring and evaluating the impact during the 2022 financial year.

## 25. Subsequent Events

On November 8, 2021, the Company signed an agreement for the acquisition of 75.08% equity stake in Carlos Drugs-Lucena Inc. (“Carlos SuperDrug”). The Company will acquire 287,856 secondary shares representing 71.96% in Carlos SuperDrug for P289.53 million as soon as all conditions precedents are completed by the Selling Shareholders which include among others the approval of the SEC of the amendment of the Articles of Incorporation and By-Laws of the Corporation. The Company will also purchase an additional 50,000 primary shares for P50.29 million.

On January 6, 2022, the Securities and Exchange Commission (SEC) approved the amended provisions of articles of incorporation of Carlos Drugs-Lucena, Inc. allowing the Company to complete its acquisition of shares.

The acquisition gave the Company a 71.96% ownership and control on January 6, 2022. For the convenience purposes, the Company used December 31, 2021 as the cut-off date in determining the net assets of Carlos Drugs-Lucena. The purchase price allocation has been prepared on a preliminary basis as the fair values are being finalized. Preliminary net asset value of Carlos Drugs-Lucena is P108.17 million.

On January 10, 2022, the Company paid P25.00 million to Carlos Drugs-Lucena for the subscription of 50,000 shares which will increase the Company's ownership to 75%.

On November 15, 2021, the Company signed an Agreement with ZC Ramthel Corporation ("Cecile's Pharmacy") to acquire a majority stake in the Mindanao based pharmacy chain.

On March 9, 2022, the Company signed an Agreement with ZC Ramthel Corporation ("Cecile's Pharmacy") for the acquisition of 25,000 secondary shares representing 25.00% and the subscription of 60,000 shares out of the increase in authorized capital stock of Cecile's Pharmacy for an aggregate amount of P398.18 million to bring the Company's ownership go 53.125%.

As of May 13, 2022, the increase in Cecile's Pharmacy authorized capital stock is still in process.

## 26. Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue (BIR)

In addition to the disclosure mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the separate financial statements, certain supplementary information for the taxable year. The amounts relating to such supplementary information may not necessarily be the same with those amounts disclosed in the separate financial statements which were prepared in accordance with PFRS. Following are the tax information/disclosures required for the taxable year ended December 31, 2021:

### A. VAT

| | | **Amount** |
|---|---|---|
| 1. | Output VAT | **P314,968,382** |
| | Basis of the Output VAT: | |
| | Vatable sales | **P2,624,736,515** |
| | Exempt sales | **41,797,361** |
| | Total vatable sales | **P2,666,533,876** |
| 2. | Input VAT | |
| | Beginning of the year | **P -** |
| | Current year's domestic purchases | **302,048,769** |
| | Output VAT applied | **312,121,046** |
| | Balance at the end of the year | **P2,847,336** |

B. **Withholding Taxes**

| | Amount |
|---|---|
| Expanded withholding taxes | **P25,539,435** |
| Creditable withholding taxes | **776,547** |
| | **P26,315,982** |

C. **All Other Taxes (Local and National)**

| | Amount |
|---|---|
| ***Other taxes paid during the year recognized as "Taxes and licenses" account under Operating expenses*** | |
| Business tax | **P23,888,229** |
| Documentary stamp tax | **3,476,712** |
| BIR annual registration | **2,500** |
| Others | **618,100** |
| | **P27,985,541** |

D. **Tax Assessments and Tax Cases**

As at December 31, 2021, the Company has no pending tax court cases or tax assessment notices from the BIR.

Information on amounts of custom duties, tariff fees, excise taxes and documentary stamp taxes are not applicable since there are no transactions that the Company would be subjected to these taxes in 2021.

# COVER SHEET

for

## AUDITED FINANCIAL STATEMENTS

**SEC Registration Number**

C S 2 0 0 9 3 0 1 2 5

**COMPANY NAME**

MERRYMART CONSUMER CORP.
(Formerly Injap Supermart Inc.)

**PRINCIPAL OFFICE** (No. / Street / Barangay / City / Town / Province)

9th Flr. Tower 1 DoubleDragon Plaza, DD Meridian Park Pasay City

| Form Type | Department requiring the report | Secondary License Type, If Applicable |
|---|---|---|
| AFS21 | | |

**COMPANY INFORMATION**

| Company's email Address | Company's Telephone Number/s | Mobile Number |
|---|---|---|
| www.merrymart.com.ph | (02)-8253-0356 | 0917-560-7273 |

| No. of Stockholders | Annual Meeting (Month / Day) | Fiscal Year (Month / Day) |
|---|---|---|
| 19 | 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 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.*

# 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
Telefax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

**REPORT OF FACTUAL FINDINGS**

The Board of Directors and Stockholders
**MERRYMART CONSUMER CORP.**
9th 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. 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.

3. 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.**

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

April 15, 2021
Makati City, Metro Manila

KPMG

## Summary of Results of Agreed-Upon 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 first quarter ended March 31, 2021. No exceptions noted.

2. 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 March 31, 2021, from the P1,466.3 million net IPO proceeds.

| | Allocation per Prospectus (in millions) | Allocation of Actual Net Proceeds (in millions) | Actual Disbursement | | Balance as at end of 2020-Q1 (in millions) |
|---|---|---|---|---|---|
| | | | Actual Disbursement for 2021-Q1 (in millions) | Total Cumulative Disbursement (in millions) | |
| Capital expenditures and initial working capital for store network expansion | P1,030.80 | P1,030.80 | P88.64 | P399.11 | P631.69 |
| Investment in distribution centers | 220.90 | 220.90 | 5.71 | 123.03 | 97.87 |
| General corporate purposes | 220.10 | 214.63 | 2.24 | 105.33 | 109.30 |
| **Total** | **P1,471.80** | **P1,466.33** | **P96.59** | **P627.47** | **P838.86** |

   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 March 31, 2021 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 P88.64 million, disbursement amounting to P5.71 million for investment in distribution centers related to one of the stores, and disbursement of P2.24 million for the Company's general corporate requirements. Such transactions and amounts thereof were agreed to the related vouchers and official receipts.

3. 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.

# MERRYMART CONSUMER CORP.

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

KPMG

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 |
| Internet | www.home.kpmg/ph |
| Email | ph-inquiry@kpmg.com |


## REPORT OF FACTUAL FINDINGS

The Board of Directors and Stockholders
**MERRYMART CONSUMER CORP.**
9th 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. 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.

3. 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.

KPMG

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.**

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, 2021
Makati City, Metro Manila

REPUBLIC OF THE PHILIPPINES )
Makati City ) S.S.

I, Darwin P. Virocel, a Partner of R.G. Manabat & Co., do solemnly swear that all matters set forth in the above report are true and correct to the best of my knowledge.

Darwin P. Virocel
Partner

SUBSCRIBED AND SWORN TO before me, this 15th day of July 2021 in Makati City, Metro Manila, affiant exhibiting to me his PRC Professional Identification Card as Certified Public Accountant with Registration No. 0094495, which expires on December 17, 2022.

Doc No. 325
Page No. 14
Book No. III
Series of 2021.

MARIA ELYANNA D. VALDEZ
NOTARY PUBLIC
ROLL NO. 69907
MAKATI CITY, PHILIPPINES

ATTY. MARIA ELYANNA D. VALDEZ
*Notary Public for Makati City*
Appointment No. M-105
Valid until 12/31/2021
Roll No. 69907
PTR No. MKT 8554493; Makati City
IBP Lifetime No. 016903; Quezon City
MCLE Compliance No. VI- 0009137 valid until 04/14/20
The KPMG Center, 9/F, 6787 Ayala Ave. Makati City

**Summary of Results of Agreed-Upon Procedures Performed**
***<u>Annex A</u>***

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 second quarter ended June 30, 2021. No exceptions noted.

2. 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, 2021, from the P1,466,335,088 net IPO proceeds.

| *In (PHP)* | Allocation of Actual Net Proceeds | Actual Disbursements | | | Actual Remaining as at 30 JUN 2021 |
|---|---|---|---|---|---|
| | | As at 31 MAR 2021 | Q2 2021 | Total as at 30 JUN 2021 | |
| Capital expenditures and initial working capital for store network expansion | P1,030,800,000 | P399,113,033 | P66,271,963 | P465,384,996 | P565,415,004 |
| Investment in distribution centers | 220,900,000 | 123,032,817 | 11,160,205 | 134,193,022 | 86,706,978 |
| General corporate purposes | 214,635,088 | 105,327,534 | 49,748,672 | 155,076,206 | 59,558,882 |
| **Total** | **P1,466,335,088** | **P627,473,384** | **P127,180,840** | **P754,654,224** | **P711,680,864** |

   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, 2021 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 to P66,271,963, disbursement amounting to P11,160,205 for investment in distribution centers related to one of the distribution centers, and disbursement of P49,748,672 for the Company's general corporate requirements. Such transactions and amounts thereof were agreed to the related vouchers and official receipts.

      We have also observed disbursements pertaining to prior quarters which were included in the report amounting to P67,183,577. No exceptions noted.

3. 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.

# MERRYMART CONSUMER CORP.

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

KPMG

# REPORT OF FACTUAL FINDINGS

The Board of Directors and Stockholders
**MERRYMART CONSUMER CORP.**
9th 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. 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.

3. 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.**

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

October 14, 2021
Makati City, Metro Manila

REPUBLIC OF THE PHILIPPINES )
Makati City ) S.S.

I, Darwin P. Virocel, a Partner of R.G. Manabat & Co., do solemnly swear that all matters set forth in the above report are true and correct to the best of my knowledge.

Darwin P. Virocel
Partner

SUBSCRIBED AND SWORN TO before me, this 15th day of October 2021 in Makati City, Metro Manila, affiant exhibiting to me his PRC Professional Identification Card as Certified Public Accountant with Registration No. 0094495, which expires on December 17, 2022.

Doc No. 472
Page No. 49
Book No. III
Series of 2021.

MARIA ELYANNA D. VALDEZ
NOTARY PUBLIC
ROLL NO. 69907
MAKATI CITY, PHILIPPINES

**ATTY. MARIA ELYANNA D. VALDEZ**
*Notary Public for Makati City*
Appointment No. M-205
Valid until 12/31/2021
Roll No. 69907
PTR No. MKT8554413; Makati City
IBP Lifetime No. 016903; Quezon City
MCLE Compliance No. VI- 0009137 valid until 04/14/2022
The KPMG Center, 9/F, 6787 Ayala Ave. Makati City

## Summary of Results of Agreed-Upon 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 third quarter ended September 30, 2021. No exceptions noted.

2. 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 September 30, 2021, from the P1,466,335,088 net IPO proceeds.

| *In (PHP)* | Allocation of Actual Net Proceeds | Actual Disbursement | | | Actual Remaining as at 30 SEPT 2021 |
|---|---|---|---|---|---|
| | | As at 30 JUN 2021 | Q3 2021 | Total as at 30 SEPT 2021 | |
| Capital expenditures and initial working capital for store network expansion | P1,030,800,000 | P465,384,996 | P81,648,866 | P547,033,862 | P483,766,138 |
| Investments in distribution centers | 220,900,000 | 134,193,022 | 38,261,014 | 172,454,036 | 48,445,964 |
| General corporate purposes | 214,635,088 | 155,076,206 | 31,522,251 | 186,598,457 | 28,036,631 |
| **Total** | **P1,466,335,088** | **P754,654,224** | **P151,432,131** | **P906,086,335** | **P560,248,733** |

   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 September 30, 2021 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 P81,648,866, disbursement amounting to P38,261,014 for investment in distribution centers related to one of the distribution centers, and disbursement of P31,522,251 for the Company's general corporate requirements. Such transactions and amounts thereof were agreed to the related vouchers and official receipts.

      We have also observed disbursements pertaining to prior quarter which were included in the report amounting to P29,957,860. No other exceptions noted.

3. 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.

# MERRYMART CONSUMER CORP.

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

KPMG

## REPORT OF FACTUAL FINDINGS

The Board of Directors and Stockholders
**MERRYMART CONSUMER CORP.**
9th 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. 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.

3. 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.**

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

January 15, 2022
Makati City, Metro Manila

REPUBLIC OF THE PHILIPPINES )
Makati City PASAY CITY ) S.S.

I, Darwin P. Virocel, a Partner of R.G. Manabat & Co., do solemnly swear that all matters set forth in the above report are true and correct to the best of my knowledge.

Darwin P. Virocel
Partner

SUBSCRIBED AND SWORN TO before me, this 15th day of January 2022 in Pasay City, Metro Manila, affiant exhibiting to me his PRC Professional Identification Card as Certified Public Accountant with Registration No. 0094495, which expires on December 17, 2022.

Doc No. 448
Page No. 91
Book No. 6
Series of 2022.

ERIKA ESTEL G. CUSI
Notary Public for Pasay
Until December 31, 2021
Commission No.
Roll No. 83306
IBP Lifetime Member No. 012614 03/25/2014
PTR No. 7036507 01/03/2022/Pasay City
DoubleDragon Headquarters, 10th Floor, Tower 1
DoubleDragon Plaza, DD Meridian Park
Cor. Macapagal Avenue & EDSA Ext., Bay Area, Pasay City
WITH FURTHER EXTENSION OF NOTARIAL
COMMISSION UNTIL 30 JUNE 2022

**Summary of Results of Agreed-Upon 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 fourth quarter ended December 31, 2021. No exceptions noted.

2. 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 December 31, 2021, from the P1,466,335,088 net IPO proceeds.

| *In (PHP)* | Allocation of Actual Net Proceeds | Actual Disbursement | | | Actual Remaining as at 31 DEC 2021 |
|---|---|---|---|---|---|
| | | As at 30 SEPT 2021 | Q4 2021 | Total as at 31 DEC 2021 | |
| Capital expenditures and initial working capital for store network expansion | P1,030,800,000 | P547,033,862 | P181,056,194 | P728,090,056 | P302,709,944 |
| Investments in distribution centers | 220,900,000 | 172,454,036 | 18,817,639 | 191,271,675 | 29,628,325 |
| General corporate purposes | 214,635,088 | 186,598,457 | 28,036,631 | 214,635,088 | - |
| Total | **P1,466,335,088** | **P906,086,355** | **P227,910,464** | **P1,133,996,819** | **P332,338,269** |

   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 December 31, 2021 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 P181,056,194, disbursement amounting to P18,817,639 for investment in distribution centers related to one of the distribution centers, and disbursement of P28,036,631 for the Company's general corporate requirements. Such transactions and amounts thereof were agreed to the related vouchers and official receipts.

      We have also observed disbursements pertaining to prior quarter which were included in the report amounting to P18,657,535. No other exceptions noted.

3. 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.

# MERRYMART CONSUMER CORP.

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

KPMG

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226

| | |
|---|---|
| Telephone | +63 (2) 8885 7000 |
| Telefax | +63 (2) 8894 1985 |
| Internet | www.home.kpmg/ph |
| Email | ph-inquiry@kpmg.com |


## REPORT ON FACTUAL FINDINGS

The Board of Directors and Stockholders
**MERRYMART CONSUMER CORP.**
9th 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 on 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 Annual Progress Report from the Company.

2. Compare the list of all the disbursements in the Annual 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.

3. 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.

KPMG

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.**

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

January 28, 2022
Makati City, Metro Manila

REPUBLIC OF THE PHILIPPINES )
~~Pasay~~ Makati City ) S.S.

I, Darwin P. Virocel, a Partner of R.G. Manabat & Co., do solemnly swear that all matters set forth in the above report are true and correct to the best of my knowledge.

Darwin P. Virocel
Partner

SUBSCRIBED AND SWORN TO before me, this 28th day of January 2022 in ~~Pasay~~ Makati City, Metro Manila, affiant exhibiting to me his PRC Professional Identification Card as Certified Public Accountant with Registration No. 0094495, which expires on December 17, 2022.

Doc No. 196
Page No. 41
Book No. 1
Series of 2022.

REGIDOR A. BONFERRADA
NOTARY PUBLIC FOR MAKATI CITY
Appt. No. M-54, Until 31 December 2022
Level 17, 6750 Ayala Office Tower
6750 Ayala Avenue, Makati City
PTR No. 8531351, 01/05/2021, Makati City
IBP Lifetime Member Roll No. 0R626, Quezon City
Roll of Attorneys No. 57102
MCLE Compliance No. VI-0014735 - 11/13/2018

KPMG

**Summary of Results of Agreed-Upon 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 Annual Progress Report for the year ended December 31, 2021. No exceptions noted.

2. We have compared the list of all the disbursements in the Annual 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 period ended December 31, 2021, from the P1,466.3 million net IPO proceeds.

| | Allocation of Actual Net Proceeds (in millions) | Actual Disbursements (in millions) | | | | | | | Balance as at December 31, 2021 |
|---|---|---|---|---|---|---|---|---|---|
| | | As of 31 December 2020 | 2021 Q1 | 2021 Q2 | 2021 Q3 | 2021 Q4 | Total | As at December 31, 2021 | |
| Capital expenditures and initial working capital for store network expansion | P1,030.8 | P310.5 | P88.8 | P66.3 | P81.6 | P181.1 | P417.6 | P728.1 | P302.7 |
| Investment in distribution centers | 220.9 | 117.3 | 5.7 | 11.2 | 38.3 | 18.8 | 74.0 | 191.3 | 29.6 |
| General corporate purposes | 214.6 | 103.1 | 2.3 | 49.7 | 31.5 | 28.0 | 111.5 | 214.6 | - |
| Total | P1,466.3 | P530.9 | P96.8 | P127.2 | P151.4 | P227.9 | P603.1 | P1,134.0 | P332.3 |

   Relative to the actual disbursements for the year, we have compared and agreed the actual disbursements for the year ended December 31, 2021 submitted by the Company to the PSE to the related supporting documents, which includes the bank account passbooks, related check vouchers, official receipts, collection receipts and bank deposit slips. We have noted that the portion of the proceeds allocated for the capital expenditures and initial working capital for store network expansion, investment in distribution centers and general corporate purposes has been disbursed by the Company to various related expenditures totaling P417.6 million, P74.0 million and P111.5 million, respectively. No exceptions noted.

3. 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.

## GENERAL INFORMATION SHEET (GIS)

FOR THE YEAR 2021

**STOCK CORPORATION**

**GENERAL INSTRUCTIONS:**

1. FOR USER CORPORATION: THIS GIS SHOULD BE SUBMITTED WITHIN THIRTY (30) CALENDAR DAYS FROM THE DATE OF THE ANNUAL STOCKHOLDERS' MEETING. **DO NOT LEAVE ANY ITEM BLANK.** WRITE "N.A." IF THE INFORMATION REQUIRED IS NOT APPLICABLE TO THE CORPORATION OR "NONE" IF THE INFORMATION IS NON-EXISTENT. IF THE ANNUAL STOCKHOLDERS' MEETING IS HELD ON A DATE OTHER THAN THAT STATED IN THE BY-LAWS, THE GIS SHALL BE SUBMITTED WITHIN THIRTY (30) CALENDAR DAYS AFTER THE ELECTION OF THE DIRECTORS, TRUSTEES AND OFFICERS OF THE CORPORATION AT THE ANNUAL MEMBERS' MEETING.
2. IF NO MEETING IS HELD, THE CORPORATION SHALL SUBMIT THE GIS NOT LATER THAN JANUARY 30 OF THE FOLLOWING YEAR. HOWEVER, SHOULD AN ANNUAL STOCKHOLDERS' MEETING BE HELD THEREAFTER, A NEW GIS SHALL BE SUBMITTED/FILED.
3. THIS GIS SHALL BE ACCOMPLISHED IN ENGLISH AND CERTIFIED AND SWORN TO BY THE **CORPORATE SECRETARY** OF THE CORPORATION.
4. THE SEC SHOULD BE TIMELY APPRISED OF RELEVANT CHANGES IN THE SUBMITTED INFORMATION AS THEY ARISE. FOR CHANGES RESULTING FROM ACTIONS THAT AROSE BETWEEN THE ANNUAL MEETINGS, THE CORPORATION SHALL SUBMIT AMENDED GIS CONTAINING THE NEW INFORMATION TOGETHER WITH A COVER LETTER SIGNED THE CORPORATE SECRETARY OF THE CORPORATION. THE AMENDED GIS AND COVER LETTER SHALL BE SUBMITTED WITHIN SEVEN (7) DAYS AFTER SUCH CHANGE OCCURED OR BECAME EFFECTIVE.
5. SUBMIT FOUR (4) COPIES OF THE GIS TO THE RECEIVING SECTION AT THE SEC MAIN OFFICE, OR TO SEC SATELLITE OFFICES OR EXTENSION OFFICES. ALL COPIES SHALL UNIFORMLY BE ON A4 OR LETTER-SIZED PAPER. THE PAGES OF ALL COPIES SHALL USE ONLY ONE SIDE
6. **ONLY THE GIS ACCOMPLISHED IN ACCORDANCE WITH THESE INSTRUCTIONS SHALL BE CONSIDERED AS HAVING BEEN FILED.**
7. THIS GIS MAY BE USED AS EVIDENCE AGAINST THE CORPORATION AND ITS RESPONSIBLE DIRECTORS/OFFICERS FOR ANY VIOLATION OF EXISTING LAWS, RULES AND REGULATIONS

=============================== PLEASE PRINT LEGIBLY ====================================

| | |
|---|---|
| **CORPORATE NAME:** MERRYMART CONSUMER CORP. | **DATE REGISTERED:** 9/9/2009 |
| **BUSINESS/TRADE NAME:** MERRYMART CONSUMER CORP. | **FISCAL YEAR END:** December 31 |
| **SEC REGISTRATION NUMBER:** CS200930125 | |
| **DATE OF ANNUAL MEETING PER BY-LAWS:** November 11 | **CORPORATE TAX IDENTIFICATION NUMBER (TIN)** 281-768-124 |
| **ACTUAL DATE OF ANNUAL MEETING:** 17-Dec-21 | **WEBSITE/URL ADDRESS:** www.merrymart.com.ph |
| **COMPLETE PRINCIPAL OFFICE ADDRESS:** 9TH FLR. TOWER 1 DOUBLEDRAGON PLAZA, DD MERIDIAN PARK, PASAY CITY | **E-MAIL ADDRESS:** N.A |
| **COMPLETE BUSINESS ADDRESS:** 9TH FLR. TOWER 1 DOUBLEDRAGON PLAZA, DD MERIDIAN PARK, PASAY CITY | **FAX NUMBER:** N.A |

| OFFICIAL E-MAIL ADDRESS | ALTERNATE E-MAIL ADDRESS | OFFICIAL MOBILE NUMBER | ALTERNATE MOBILE NUMBER |
|---|---|---|---|
| jacqueline.gomez@merrymart.com.ph | jay.ugalingan@merrymart.com.ph | 0917-560-7273 | 0917-861-4456 |

| | | |
|---|---|---|
| **NAME OF EXTERNAL AUDITOR & ITS SIGNING PARTNER:** KPMG R.G. MANABAT & Co. | **SEC ACCREDITATION NUMBER (if applicable):** | **TELEPHONE NUMBER(S):** (02)8743-1111 |
| **PRIMARY PURPOSE/ACTIVITY/INDUSTRY PRESENTLY ENGAGED IN:** Supermart/Food Shop | **INDUSTRY CLASSIFICATION:** Retail Trade | **GEOGRAPHICAL CODE:** Philippines |

=============================== INTERCOMPANY AFFILIATIONS ======================================

| PARENT COMPANY | SEC REGISTRATION NO. | ADDRESS |
|---|---|---|
| Injap Investments Inc. | CS200725757 | Fuentes St. Iloilo City |
| **SUBSIDIARY/AFFILIATE** | **SEC REGISTRATION NO.** | **ADDRESS** |
| MerryMart Grocery Centers Inc. | CS201821883 | 9th Flr. Tower 1 DoubleDragon Plaza, DD Meridian Park |
| | | |
| | | |
| | | |
| | | |

NOTE: USE ADDITIONAL SHEET IF NECESSARY

GENERAL INFORMATION SHEET

STOCK CORPORATION

=============================== PLEASE PRINT LEGIBLY ===============================

**Corporate Name:** MerryMart Consumer Corp.

**A. Is the Corporation a covered person under the Anti Money Laundering Act (AMLA), as amended? (Rep. Acts. 9160/9164/10167/10365)** ○ Yes ◉ No

**Please check the appropriate box:**

**1.**

- ☐ a. Banks
- ☐ b. Offshore Banking Units
- ☐ c. Quasi-Banks
- ☐ d. Trust Entities
- ☐ e. Non-Stock Savings and Loan Associations
- ☐ f. Pawnshops
- ☐ g. Foreign Exchage Dealers
- ☐ h. Money Changers
- ☐ i. Remittance Agents
- ☐ j. Electronic Money Issuers
- ☐ k. Financial Institutions which Under Special Laws are subject to Bangko Sentral ng Pilipinas' (BSP) supervision and/or regulation, including their subsidiaries and affiliates.

**2.**

- ☐ a. Insurance Companies
- ☐ b. Insurance Agents
- ☐ c. Insurance Brokers
- ☐ d. Professional Reinsurers
- ☐ e. Reinsurance Brokers
- ☐ f. Holding Companies
- ☐ g. Holding Company Systems
- ☐ h. Pre-need Companies
- ☐ i. Mutual Benefit Association
- ☐ j. All Other Persons and entities supervised and/or regulated by the Insurance Commission (IC)

**3.**

- ☐ a. Securities Dealers
- ☐ b. Securities Brokers
- ☐ c. Securities Salesman
- ☐ d. Investment Houses
- ☐ e. Investment Agents and Consultants
- ☐ f. Trading Advisors
- ☐ g. Other entities managing Securities or rendering similar services
- ☐ h. Mutual Funds or Open-end Investment Companies
- ☐ i. Close-end Investment Companies
- ☐ j. Common Trust Funds or Issuers and other similar entities
- ☐ k. Transfer Companies and other similar entities
- ☐ l. Other entities administering or otherwise dealing in currency, commodities or financial derivatives based there on
- ☐ m. Entities administering of otherwise dealing in valuable objects
- ☐ n. Entities administering or otherwise dealing in cash Substitutes and other similar monetary instruments or property supervised and/or regulated by the Securities and Exchange Commission (SEC)

**4.** ☐ Jewelry dealers in precious metals, who, as a business, trade in precious metals

**5.** ☐ Jewelry dealers in precious stones, who, as a business, trade in precious stone

**6.** Company service providers which, as a business, provide any of the following services to third parties:

- ☐ a. acting as a formation agent of juridical persons
- ☐ b. acting as (or arranging for another person to act as) a director or corporate secretary of a company, a partner of a partnership, or a similar position in relation to other juridical persons
- ☐ c. providing a registered office, business address or accommodation, correspondence or administrative address for a company, a partnership or any other legal person or arrangement
- ☐ d. acting as (or arranging for another person to act as) a nominee shareholder for another person

**7.** Persons who provide any of the following services:

- ☐ a. managing of client money, securities or other assets
- ☐ b. management of bank, savings or securities accounts
- ☐ c. organization of contributions for the creation, operation or management of companies
- ☐ d. creation, operation or management of juridical persons or arrangements, and buying and selling business entities

**8.** ✓ None of the above

| Describe nature of business: | Retail selling in supermarkets |
|---|---|

**B. Has the Corporation complied with the requirements on Customer Due Diligence (CDD) or Know Your Customer (KYC), record-keeping, and submission of reports under the AMLA, as amended, since the last filing of its GIS?** ○ Yes ◉ No

GENERAL INFORMATION SHEET

STOCK CORPORATION

=================================== **PLEASE PRINT LEGIBLY** =================================

| | |
|---|---|
| **CORPORATE NAME:** | MerryMart Consumer Corp. |

**CAPITAL STRUCTURE**

**AUTHORIZED CAPITAL STOCK**

| | TYPE OF SHARES * | NUMBER OF SHARES | PAR/STATED VALUE | AMOUNT (PhP) (No. of shares X Par/Stated Value) |
|---|---|---|---|---|
| | Common | 24,000,000,000 | 0.05 | 1,200,000,000.00 |
| | **TOTAL** | **24,000,000,000** | **TOTAL P** | **1,200,000,000.00** |

**SUBSCRIBED CAPITAL**

| FILIPINO | NO. OF STOCK-HOLDERS | TYPE OF SHARES * | NUMBER OF SHARES | NUMBER OF SHARES IN THE HANDS OF THE PUBLIC ** | PAR/STATED VALUE | AMOUNT (PhP) | % OF OWNERSHIP |
|---|---|---|---|---|---|---|---|
| | 19 | Common | 7,567,203,530 | | 0.05 | 378,360,176.50 | 99.63 |
| | | **TOTAL** | **7,567,203,530** | **TOTAL** | **TOTAL P** | **378,360,176.50** | **99.63** |

| FOREIGN (INDICATE BY NATIONALITY) | NO. OF STOCK-HOLDERS | TYPE OF SHARES * | NUMBER OF SHARES | NUMBER OF SHARES IN THE HANDS OF THE PUBLIC ** | PAR/STATED VALUE | AMOUNT (PhP) | % OF OWNERSHIP |
|---|---|---|---|---|---|---|---|
| | 1 | Common | 27,733,179 | | 0.05 | 1,386,658.95 | 0.37 |
| **Percentage of Foreign Equity :** | | **TOTAL** | **27,733,179** | **TOTAL** | **TOTAL P** | **1,386,658.95** | **0.37** |
| | | | | | **TOTAL SUBSCRIBED P** | **379,746,835.45** | **100%** |

**PAID-UP CAPITAL**

| FILIPINO | NO. OF STOCK-HOLDERS | TYPE OF SHARES * | NUMBER OF SHARES | PAR/STATED VALUE | AMOUNT (PhP) | % OF OWNERSHIP |
|---|---|---|---|---|---|---|
| | 19 | Common | 7,567,203,503 | 0.05 | 378,360,176.50 | 99.63 |
| | | **TOTAL** | **7,567,203,503** | **TOTAL P** | **378,360,176.50** | **99.63** |

| FOREIGN (INDICATE BY NATIONALITY) | NO. OF STOCK-HOLDERS | TYPE OF SHARES * | NUMBER OF SHARES | PAR/STATED VALUE | AMOUNT (PhP) | % OF OWNERSHIP |
|---|---|---|---|---|---|---|
| | 1 | Common | 27,733,179 | 0.05 | 1,386,658.95 | 0.37 |
| | | **TOTAL** | **27,733,179** | **TOTAL P** | **1,386,658.95** | **0.37** |
| | | | | **TOTAL PAID-UP P** | **379,746,835.45** | **100%** |

NOTE: USE ADDITIONAL SHEET IF NECESSARY

* Common, Preferred or other classification

** Other than Directors, Officers, Shareholders owning 10% of outstanding shares.

# GENERAL INFORMATION SHEET

STOCK CORPORATION

=============================== PLEASE PRINT LEGIBLY ===============================

**CORPORATE NAME:** **MerryMart Consumer Corp.**

**D I R E C T O R S / O F F I C E R S**

| NAME/CURRENT RESIDENTIAL ADDRESS | NATIONALITY | INC'R | BOARD | GENDER | STOCK HOLDER | OFFICER | EXEC. COMM. | TAX IDENTIFICATION NUMBER |
|---|---|---|---|---|---|---|---|---|
| 1. **EDGAR J. SIA II** | FILIPINO | Y | C | M | Y | Chairman/CEO | | 192-003-450 |
| 2. **FERDINAND J. SIA** | FILIPINO | Y | M | M | Y | President | | 917-782-960 |
| 3. **MARRIANA H. YULO** | FILIPINO | N | M | F | Y | CFO/CIO | | 930-989-138 |
| 4. **VICTORIA R. TAMAYAO** | FILIPINO | N | I | F | Y | Independent Director | | 107-043-084 |
| 5. **GARY P. CHENG** | FILIPINO | N | I | M | Y | Independent Director | | 214-614-988 |
| 6. **JOSE ROELPH E. DESALES** | FILIPINO | N | M | M | Y | Ass. Corp. Secretary | | 907-735-837 |
| 7. **JACQUELINE ANN MARIE GOMEZ** | FILIPINO | N | M | F | Y | Corporate Secretary | | 941-650-485 |
| 8. | | | | | | | | |
| 9. | | | | | | | | |
| 10. | | | | | | | | |
| 11. | | | | | | | | |
| 12. | | | | | | | | |
| 13. | | | | | | | | |
| 14. | | | | | | | | |
| 15. | | | | | | | | |

INSTRUCTION:

FOR SEX COLUMN, PUT "F" FOR FEMALE, "M" FOR MALE.
FOR BOARD COLUMN, PUT "C" FOR CHAIRMAN, "M" FOR MEMBER, "I" FOR INDEPENDENT DIRECTOR.
FOR INC'R COLUMN, PUT "Y" IF AN INCORPORATOR, "N" IF NOT.
FOR STOCKHOLDER COLUMN, PUT "Y" IF A STOCKHOLDER, "N" IF NOT.
FOR OFFICER COLUMN, INDICATE PARTICULAR POSITION IF AN OFFICER, FROM VP UP INCLUDING THE POSITION OF THE TREASURER, SECRETARY, COMPLIANCE OFFICER AND/OR ASSOCIATED PERSON.
FOR EXECUTIVE COMMITTEE, INDICATE "C" IF MEMBER OF THE COMPENSATION COMMITTEE; "A" FOR AUDIT COMMITTEE; "N" FOR NOMINATION AND ELECTION COMMITTEE. ADDITIONALLY WRITE "C" AFTER SLASH IF CHAIRMAN AND "M" IF MEMBER.

GENERAL INFORMATION SHEET
STOCK CORPORATION

| =============================== PLEASE PRINT LEGIBLY =============================== | | | | | | |
|---|---|---|---|---|---|---|
| **CORPORATE NAME:** | MerryMart Consumer Corp. | | | | | |
| **TOTAL NUMBER OF STOCKHOLDERS:** | **20** | | **NO. OF STOCKHOLDERS WITH 100 OR MORE SHARES EACH:** | | | |
| **TOTAL ASSETS BASED ON LATEST AUDITED FINANCIAL STATEMENTS:** | | | **Php 2,815,553,633.00** | | | |
| **STOCKHOLDER'S INFORMATION** | | | | | | |
| **NAME, NATIONALITY AND CURRENT RESIDENTIAL ADDRESS** | **SHARES SUBSCRIBED** | | | | **AMOUNT PAID (PhP)** | **TAX IDENTIFICATION NUMBER** |
| | **TYPE** | **NUMBER** | **AMOUNT (PhP)** | **% OF OWNER-SHIP** | | |
| 1 **INJAP INVESMENTS, INC** (lodged under PCD NOMINEE CORP.(F)) FILIPINO Fuentes St., Iloilo City | Common | 5,999,989,995 | 299,999,499.75 | 79.00% | 299,999,499.75 | 006-461-843 |
| | | | | | | |
| | | | | | | |
| | **TOTAL** | **5,999,989,995** | **299,999,499.75** | | | |
| 2. **PCD NOMINEE CORP. (F)** FILIPINO 37/F Tower 1, The Enterprise Tower 6766 Ayala Ave. Makati City. | Common | 1,567,153,530 | 78,357,676.50 | 20.63% | 78,357,676.50 | 004-774-849 |
| | | | | | | |
| | | | | | | |
| | **TOTAL** | **1,567,153,530** | **78,357,676.50** | | | |
| 3. **PCD NOMINEE (NF)** FILIPINO 37/F Tower 1, The Enterprise Tower 6766 Ayala Ave. Makati City. | Common | 27,733,179 | 1,386,658.95 | 0.37% | 1,386,658.95 | 004-774-849 |
| | | | | | | |
| | | | | | | |
| | **TOTAL** | **27,733,179** | **1,386,658.95** | | | |
| 4. **OTHER STOCKHOLDERS** FILIPINO | Common | 60,005 | 3,000.25 | | 3,000.25 | |
| | | | | | | |
| | | | | | | |
| | **TOTAL** | **60,005** | **3,000.25** | | | |
| 5. | | | | | | |
| | | | | | | |
| | | | | | | |
| | **TOTAL** | | | | | |
| 6. | | | | | | |
| | | | | | | |
| | | | | | | |
| | **TOTAL** | | | | | |
| 7. | | | | | | |
| | | | | | | |
| | | | | | | |
| | **TOTAL** | | | | | |
| **TOTAL AMOUNT OF SUBSCRIBED CAPITAL** | | | | **100.00%** | **379,746,835.45** | |
| | | | **TOTAL AMOUNT OF PAID-UP CAPITAL** | | | |

INSTRUCTION: SPECIFY THE TOP 20 STOCKHOLDERS AND INDICATE THE REST AS OTHERS

***Note: For PDTC Nominee included in the list, please indicate further the beneficial owners owning more than 5% of any class of the company's voting securities. Attach separate sheet, if necessary.***

GENERAL INFORMATION SHEET

STOCK CORPORATION

=================================== PLEASE PRINT LEGIBLY =================================

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **CORPORATE NAME:** | MerryMart Consumer Corp. | | | | | | |
| **TOTAL NUMBER OF STOCKHOLDERS:** | **20** | | **NO. OF STOCKHOLDERS WITH 100 OR MORE SHARES EACH:** | | | | |
| **TOTAL ASSETS BASED ON LATEST AUDITED FS:** | **Php. 2,815,553,633** | | | | | | |
| **STOCKHOLDER'S INFORMATION** | | | | | | | |
| **NAME, NATIONALITY AND CURRENT RESIDENTIAL ADDRESS** | **SHARES SUBSCRIBED** | | | | **AMOUNT PAID (PhP)** | **TAX IDENTIFCATION NUMBER** |
| | **TYPE** | **NUMBER** | **AMOUNT (PhP)** | **% OF OWNER-SHIP** | | |
| 8. | | | | | | |
| | | | | | | |
| | | | | | | |
| | **TOTAL** | | | | | |
| 9. | | | | | | |
| | | | | | | |
| | | | | | | |
| | **TOTAL** | | | | | |
| 10. | | | | | | |
| | | | | | | |
| | | | | | | |
| | **TOTAL** | | | | | |
| 11. | | | | | | |
| | | | | | | |
| | | | | | | |
| | **TOTAL** | | | | | |
| 12. | | | | | | |
| | | | | | | |
| | | | | | | |
| | **TOTAL** | | | | | |
| 13. | | | | | | |
| | | | | | | |
| | | | | | | |
| | **TOTAL** | | | | | |
| 14. | | | | | | |
| | | | | | | |
| | | | | | | |
| | **TOTAL** | | | | | |
| **TOTAL AMOUNT OF SUBSCRIBED CAPITAL** | | | | **0.00%** | **0.00** | |
| | | | **TOTAL AMOUNT OF PAID-UP CAPITAL** | | | |

INSTRUCTION: SPECIFY THE TOP 20 STOCKHOLDERS AND INDICATE THE REST AS OTHERS

**Note:** ***For PDTC Nominee included in the list, please indicate further the beneficial owners owning more than 5% of any class of the company's voting securities. Attach separate sheet, if necessary.***

GENERAL INFORMATION SHEET
STOCK CORPORATION
================================== PLEASE PRINT LEGIBLY ================================

| | | | |
|---|---|---|---|
| **CORPORATE NAME:** | MerryMart Consumer Corp. | | |
| **TOTAL NUMBER OF STOCKHOLDERS:** | **20** | NO. OF STOCKHOLDERS WITH 100 OR MORE SHARES EACH: | |
| **TOTAL ASSETS BASED ON LATEST AUDITED FS:** | **Php. 2,815,553,633.00** | | |

**STOCKHOLDER'S INFORMATION**

| NAME, NATIONALITY AND CURRENT RESIDENTIAL ADDRESS | SHARES SUBSCRIBED | | | | AMOUNT PAID (PhP) | TAX IDENTIFICATION NUMBER |
|---|---|---|---|---|---|---|
| | TYPE | NUMBER | AMOUNT (PhP) | % OF OWNER-SHIP | | |
| 15. | | | | | | |
| | | | | | | |
| | | | | | | |
| | **TOTAL** | | | | | |
| 16. | | | | | | |
| | | | | | | |
| | | | | | | |
| | **TOTAL** | | | | | |
| 17. | | | | | | |
| | | | | | | |
| | | | | | | |
| | **TOTAL** | | | | | |
| 18. | | | | | | |
| | | | | | | |
| | | | | | | |
| | **TOTAL** | | | | | |
| 19. | | | | | | |
| | | | | | | |
| | | | | | | |
| | **TOTAL** | | | | | |
| 20. | | | | | | |
| | | | | | | |
| | | | | | | |
| | **TOTAL** | | | | | |
| 21. **OTHERS (Indicate the number of the remaining stockholders)** | | | | | | |
| | | | | | | |
| | | | | | | |
| | **TOTAL** | | | | | |
| **TOTAL AMOUNT OF SUBSCRIBED CAPITAL** | | | | 0.00% | **0.00** | |
| **TOTAL AMOUNT OF PAID-UP CAPITAL** | | | | | | |

INSTRUCTION: SPECIFY THE TOP 20 STOCKHOLDERS AND INDICATE THE REST AS OTHERS

**Note:** ***For PDTC Nominee included in the list, please indicate further the beneficial owners owning more than 5% of any class of the company's voting securities. Attach separate sheet, if necessary.***

GENERAL INFORMATION SHEET

STOCK CORPORATION

PLEASE PRINT LEGIBLY

**CORPORATE NAME:** MerryMart Consumer Corp.

| 1. INVESTMENT OF CORPORATE FUNDS IN ANOTHER CORPORATION | AMOUNT (PhP) | DATE OF BOARD RESOLUTION |
|---|---|---|
| 1.1 STOCKS | | |
| 1.2 BONDS/COMMERCIAL PAPER (Issued by Private Corporations) | | |
| 1.3 LOANS/ CREDITS/ ADVANCES | | |
| 1.4 GOVERNMENT TREASURY BILLS | | |
| 1.5 OTHERS | | |

| 2. INVESTMENT OF CORPORATE FUNDS IN ACTIVITIES UNDER ITS SECONDARY PURPOSES (PLEASE SPECIFY:) | DATE OF BOARD RESOLUTION | DATE OF STOCKHOLDERS RATIFICATION |
|---|---|---|
| N/A | | |

| 3. TREASURY SHARES | NO. OF SHARES | % AS TO THE TOTAL NO. OF SHARES ISSUED |
|---|---|---|
| | | |

4. UNRESTRICTED/UNAPPROPRIATED RETAINED EARNINGS AS OF END OF LAST FISCAL YEAR

5. DIVIDENDS DECLARED DURING THE IMMEDIATELY PRECEDING YEAR: N/A

| TYPE OF DIVIDEND | AMOUNT (PhP) | DATE DECLARED |
|---|---|---|
| 5.1 CASH | | |
| 5.2 STOCK | | |
| 5.3 PROPERTY | | |
| TOTAL | P | |

6. ADDITIONAL SHARES ISSUED DURING THE PERIOD:

| DATE | NO. OF SHARES | AMOUNT |
|---|---|---|
| | | |
| | | |
| | | |
| | | |

SECONDARY LICENSE/REGISTRATION WITH SEC AND OTHER GOV'T AGENCY:

| NAME OF AGENCY: | SEC | B S P | I C |
|---|---|---|---|
| TYPE OF LICENSE/REGN. | | | |
| DATE ISSUED: | | | |
| DATE STARTED OPERATIONS: | | | |

| TOTAL ANNUAL COMPENSATION OF DIRECTORS DURING THE PRECEDING FISCAL YEAR (in PhP) | TOTAL NO. OF OFFICERS | TOTAL NO. OF RANK & FILE EMPLOYEES | TOTAL MANPOWER COMPLEMENT |
|---|---|---|---|
| N/A | | | |

NOTE: USE ADDITIONAL SHEET IF NECESSARY

I, JACQUELINE ANN MARIE O. GOMEZ,, Corporate Secretary of MERRYMART CONSUMER CORP. declare under penalty of perjury that all matters set forth in this GIS have been made in good faith, duly verified by me and to the best of my knowledge and belief are true and correct.

I hereby attest that all the information in this GIS are being submitted in compliance with the rules and regulations of the Securities and Exchange Commission (SEC) the collection, processing, storage and sharing of said information being necessary to carry out the functions of public authority for the performance of the constitutionally and statutorily mandated functions of the SEC as a regulatory agency.

I further attest that I have been authorized by the Board of Directors/Trustees to file this GIS with the SEC.

I understand that the Commission may place the corporation under delinquent status for failure to submit the reportorial requirements three (3) times, consecutively or intermittently, within a period of five (5) years (*Section 177, RA No. 11232*).

Done this ____ day of FEB 1 1 2022, 20 ___ in PASAY CITY.

JACQUELINE ANN MARIE O. GOMEZ

**SUBSCRIBED AND SWORN TO** before me in PASAY CITY on FEB 1 1 2022 by affiant who personally appeared before me and exhibited to me his/her competent evidence of identity consisting of ______________ issued at ________ on ____________.

**Doc. No. 71 ;**
**Page No. 16 ;**
**Book No 7 ;**
**Series of 2022**

ERIKA ESTEL G. CUSI
NOTARY PUBLIC
Notary Public for Pasay
Until December 31, 2021
Commission No.
Roll No. 63306
IBP Lifetime Member No. 012614 03/28/2014
PTR No. 7636507 01/03/2022/Pasay City
DoubleDragon Headquarters, 10th Floor, Tower 1
DoubleDragon Plaza, DD Meridian Park
Cor. Macapagal Avenue & EDSA Ext., Bay Area, Pasay City
WITH FURTHER EXTENSION OF NOTARIAL COMMISSION UNTIL 30 JUNE 2022

## COVER SHEET

CS200930125

S.E.C. Registration Number

MerryMart Consumer Corp.

(Company's Full Name)

9th Flr Tower DD Meridian Park

Macapagal Ave. cor. EDSA Ext.

Brgy. 76 Pasay City

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

Jacqueline O. Gomez

Contact Person

(02) 8743-1111

Company Telephone Number

Month Day

IACGR

FORM TYPE

11 11

Month Day

Annual Meeting

Secondary License Type, If Applicable

MSRD

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

---

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes.

Securities and Exchange Commission
PHILIPPINES



# SEC FORM – I-ACGR

# INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

1. For the fiscal year ended: 2020

2. SEC Identification Number: CS200930125 3. BIR Tax Identification No: 281-768-124

4. Exact name of issuer as specified in its charter: MerryMart Consumer Corp.

5. PASAY CITY, PHILIPPINES
Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
Industry Classification Code:

7. 9th Floor Tower 1 DoubleDragon Plaza, DD Meridian Park, Macapagal Ave. cor. EDSA Extension, Pasay City
Address of principal office

1302
Postal Code

8. +63(2)8743-1111
Issuer's telephone number, including area code

9. Not Applicable
Former name, former address, and former fiscal year, if changed since last report.

Securities and Exchange Commission
PHILIPPINES

**SEC FORM – I-ACGR**

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

**GENERAL INSTRUCTIONS**

## A. Use of Form I-ACGR

This SEC Form shall be used as a tool to disclose Publicly-Listed Companies' compliance/non-compliance with the recommendations provided under the Code of Corporate Governance for Publicly-Listed Companies, which follows the "comply or explain" approach, and for harmonizing the corporate governance reportorial requirements of the SEC and the Philippine Stock Exchange (PSE).

## B. Preparation of Report

These general instructions are not to be filed with the report. The report shall contain the numbers and captions of all items.

The I-ACGR has four columns, arranged as follows:

| RECOMMENDED CG PRACTICE/POLICY | COMPLIANT/ NON-COMPLIANT | ADDITIONAL INFORMATION | EXPLANATION |
|---|---|---|---|
| Contains CG Practices/ Policies, labelled as follows:<br><br>(1) **"Recommendations"** - derived from the CG Code for PLCs;<br>(2) **"Supplement to Recommendation"** - derived from the PSE CG Guidelines for Listed Companies;<br>(3) **"Additional Recommendations"** - CG Practices not found in the CG Code for PLCs and PSE CG Guidelines but are expected already of PLCs; and<br>(4) **"Optional Recommendation"** - practices taken from the ASEAN Corporate Governance Scorecard<br><br>***Items under (1) – (3) must be answered/disclosed by the PLCs following the "comply or explain" approach. Answering of items under (4) are left to the discretion of PLCs.** | The company shall **indicate compliance or non-compliance** with the recommended practice. | The company shall provide additional information to **support their compliance** with the recommended CG practice | The PLCs shall **provide the explanations for any non-compliance,** pursuant to the "comply or explain" approach.<br><br>Please note that the explanation given should describe the non-compliance and include **how the overall Principle being recommended is still being achieved** by the company.<br><br>***"Not Applicable" or "None" shall not be considered as sufficient explanation** |

## C. Signature and Filing of the Report

a. Three (3) copies of a fully accomplished I-ACGR shall be filed with the Main Office of the Commission **on or before May 30 of the following year for every year that the company remains listed in the PSE;**

b. At least one (1) complete copy of the I-ACGR shall be duly notarized and shall bear **original and manual** signatures

c. The I-ACGR shall be signed under oath by: (1) Chairman of the Board; (2) Chief Executive Officer or President; (3) All Independent Directors; (4) Compliance Officer; and (5) Corporate Secretary.

d. The I-ACGR shall cover all relevant information from January to December of the given year.

e. All reports shall comply with the full disclosure requirements of the Securities Regulation Code.

## INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

| | COMPLIANT/ NON-COMPLIANT | ADDITIONAL INFORMATION | EXPLANATION |
|---|---|---|---|
| **The Board's Governance Responsibilities** | | | |
| **Principle 1:** The company should be headed by a competent, working board to foster the long- term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long- term best interests of its shareholders and other stakeholders. | | | |
| **Recommendation 1.1** | | | |
| 1. Board is composed of directors with collective working knowledge, experience or expertise that is relevant to the company's industry/sector. | **COMPLIANT** | Provide information or link/reference to a document containing information on the following:<br><br>1. Academic qualifications, industry knowledge, professional experience, expertise and relevant trainings of directors<br>2. Qualification standards for directors to facilitate the selection of potential nominees and to serve as benchmark for the evaluation of its performance | MerryMart Consumer Corp. is composed of the following directors who possess the knowledge, experience and expertise that are relevant to the company's industry/sector:<br><br>1. **Edgar J. Sia II** – is the Chairman and Chief Executive Officer of Injap Investments Inc. Mr. Sia II is also the Founder of Mang Inasal Philippines, Inc. and various other companies. He obtained his Doctorate Degree from the University of San Agustin Honoris Causa Major in Management in 2012.<br><br>2. **Ferdinand J. Sia** – is the President and Chief Operating Officer of Injap Investments Inc. He also served as Director of Mang Inasal Philippines, Inc. from 2006-2016. He graduated from the University of the Philippines Visayas with a degree in Bachelor of Arts in Political Science and took up law in Arellano University School of Law. |
| 2. Board has an appropriate mix of competence and expertise. | **COMPLIANT** | | |
| 3. Directors remain qualified for their positions individually and collectively to enable them to fulfill their roles and responsibilities and respond to the needs of the organization. | **COMPLIANT** | | |

| | | | |
|---|---|---|---|
| | | | 3. **Marriana H. Yulo-Luccini** – 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.<br><br>4. **Jose Roelph E. Desales** – 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. |

| | | | |
|---|---|---|---|
| | | | 5. **Atty. Jacqueline Ann Marie O. Gomez** – 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.<br><br>6. **Gary P. Cheng** – is an investment banking professional with over 20 years of corporate finance and capital markets experience. He is currently the Managing Director and co-founder of Fortman Cline Capital Markets Limited since 2007. Dr. Cheng served as the former President/CEO of Amalgamated Investment Bancorporation from 2003 and 2008 and former Vice President of Investment Banking at J.P. Morgan from 1993 to 2001. Dr. Cheng obtained his doctorate in Philosophy from University of Leeds, England in 1991.<br><br>7. **Atty. Victoria R. Tamayao** – 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 |

<table>
<tr><td></td><td></td><td></td><td>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.</td></tr>
<tr><td colspan="4">Recommendation 1.2</td></tr>
<tr><td>1. Board is composed of a majority of non-executive directors.</td><td>COMPLIANT</td><td>Identify or provide link/reference to a document identifying the directors and the type of their directorships</td><td>The Board is composed of a majority of Non-Executive Directors:
<table>
<tr><th>NAME OF DIRECTORS</th><th>TYPE OF DIRECTORSHIP</th></tr>
<tr><td>EDGAR J. SIA II</td><td>EXECUTIVE DIRECTOR</td></tr>
<tr><td>FERDINAND J. SIA</td><td>EXECUTIVE DIRECTOR</td></tr>
<tr><td>MARRIANA H. YULO-LUCCINI</td><td>EXECUTIVE DIRECTOR</td></tr>
<tr><td>ATTY. JACQUELINE ANN MARIE O. GOMEZ</td><td>NON-EXECUTIVE DIRECTOR</td></tr>
<tr><td>JOSE ROELPH E. DESALES</td><td>NON-EXECUTIVE DIRECTOR</td></tr>
<tr><td>GARY P. CHENG</td><td>INDEPENDENT DIRECTOR</td></tr>
<tr><td>ATTY. VICTORIA R. TAMAYAO</td><td>INDEPENDENT DIRECTOR</td></tr>
</table></td></tr>
<tr><td colspan="4">Recommendation 1.3</td></tr>
<tr><td>1. Company provides in its Board Charter and Manual on Corporate Governance a policy on training of directors.</td><td>COMPLIANT</td><td>Provide link or reference to the company's Board Charter and Manual on Corporate Governance relating to its policy on training of directors.</td><td>ensure that they are appropriately apprised of their duties and responsibilities, before beginning their directorships; and relevant annual continuing for all incumbent directors which will promote an effective board performance and continuing</td></tr>
</table>

| | | | |
|---|---|---|---|
| | | | **qualification of the directors in carrying-out their duties and responsibilities.** |
| 2. Company has an orientation program for first time directors. | **COMPLIANT** | Provide information or link/reference to a document containing information on the orientation program and trainings of directors for the previous year, including the number of hours attended and topics covered. | The **Corporate Governance** of MerryMart Consumer Corp. provides that:<br><br>"MM shall conduct an **orientation program for first-time directors to ensure that they are appropriately apprised of their duties and responsibilities, before beginning their directorships;** and relevant annual continuing for all incumbent directors which will promote an effective board performance and continuing qualification of the directors in carrying-out their duties and responsibilities |
| 3. Company has relevant annual continuing training for all directors. | **COMPLIANT** | | The **Code of Corporate Governance** of MerryMart Consumer Corp. provides that:<br><br>"MM shall conduct an orientation ensure that they are appropriately apprised of their duties and responsibilities, before beginning their directorships; **and relevant annual continuing for all incumbent directors which will promote an effective board** |

| | | | |
|---|---|---|---|
| | | | **performance and continuing qualification of the directors in carrying out their duties and responsibilities.**<br><br>Aside from the company attendance in continuing orientations held by the Securities Exchange Commission (SEC) and the Philippine Stock Exchange (PSE), MM is exploring service providers of online directorship training programs which are in line with the relevant changes implemented by the SEC and the PSE. |
| **Recommendation 1.4** | | | |
| 1. Board has a policy on board diversity. | **COMPLIANT** | Provide information on or link/reference to a document containing information on the company's board diversity policy.<br><br>Indicate gender composition of the board. | The **Code of Corporate Governance** of MerryMart Consumer Corp. provides:<br><br>"MM encourages diversity in its Board. Board diversity may refer to distinctions in age, ethnicity, culture, skills, competence, knowledge, gender, among other things. A diverse Board promotes different perspectives and ideas and mitigates groupthink to achieve optimal decision-making."<br><br>The current Board is composed of four (4) male directors and three (3) female directors. |
| **Optional: Recommendation 1.4** | | | |

| | | | |
|---|---|---|---|
| 1. Company has a policy on and discloses measurable objectives for implementing its board diversity and reports on progress in achieving its objectives. | | Provide information on or link/reference to a document containing the company's policy and measureable objectives for implementing board diversity.<br><br>Provide link or reference to a progress report in achieving its objectives. | |
| **Recommendation 1.5** | | | |

| | | | |
|---|---|---|---|
| 1. Board is assisted by a Corporate Secretary. | **COMPLIANT** | Provide information on or link/reference to a document containing information on the Corporate Secretary, including his/her name, qualifications, duties and functions. | The Code of Corporate Governance of MerryMart Consumer Corp., provides that:<br>"The Board, at all times, is assisted inits duties by a Corporate Secretary, who is a separate individual from the Compliance Officer. The Corporate Secretary should annually attend a training on corporate governance and shall likewise be apprised of his duties and responsibilities through continuing training.<br><br>The Corporate Secretary is primarily responsible to the corporation and its shareholders, and not to the Chairman or President of the Company and has, among others, the following duties and responsibilities.<br><br>a. Assists the Board and the board committees in the conduct of their meetings, including preparing an annual schedule of Board and committee meetings and the annual board calendar, and assisting the chairs of the Board and its committees to set agendas for those meetings;<br>b. Safe keeps and preserves the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the Corporation;<br>c. Keeps abreast on relevant |

| | | | |
|---|---|---|---|
| | | | laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advises the Board and the Chairman on all relevant issues as they arise;<br>d. Works fairly and objectively with the Board, Management and stockholders and contributes to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including shareholders;<br>e. Advises on the establishment of board committees and their terms of reference;<br>f. Informs members of the Board, in accordance with the by-laws, of the agenda of their meetings at least five working days in advance, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;<br>g. Attends all board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so;<br>h. Performs required |

| | | | |
|---|---|---|---|
| | | | administrative functions;<br>i. Oversees the drafting of the by-laws and ensures that they conform with regulatory requirements; and<br>j. Performs such other duties and responsibilities as may be provided by the SEC."<br><br>The Corporate Secretary of MerryMart Consumer Corp. is Atty. Jacqueline Ann Marie O. Gomez<br><br>Please refer to the Prospectus in relation to the Code of Corporate Governance<br><br>https://www.merrymart.com.ph/company-disclosures?section=prospectus |

| | | | |
|---|---|---|---|
| 2. Corporate Secretary is a separate individual from the Compliance Officer. | **COMPLIANT** | | The Code of Corporate Governance of MerryMart Consumer Corp., provides that:<br>"The Board, at all times, is assisted inits duties by a Corporate Secretary, **who is a separate individual from the Compliance Officer.** The Corporate Secretary, should annually attend a training on corporate governance and shall likewise be apprised of his duties and responsibilities through continuing training." |
| 3. Corporate Secretary is not a member of the Board of Directors. | **NON - COMPLIANT** | | The Corporate Secretary is a member of the Board of Directors as allowed under the Board's Charter. |
| 4. Corporate Secretary attends training/s on corporate governance. | **COMPLIANT** | Provide information or link/reference to a document containing information on the corporate governance training attended, including number of hours and topics covered | The **Corporate Governance** of MerryMart Consumer Corp. provides that:<br><br>"The Board, at all times, is assisted in its duties by a Corporate Secretary, who is a separate individual from the Compliance Officer. The Corporate Secretary **should annually attend a training on corporate governance** and shall likewise be apprised of his duties and responsibilities through continuing training. "<br><br>The current Corporate Secretary is **Atty. Jacqueline Ann Marie O. Gomez.** She has been a member of the Bar since 2009 and has relevant legal and corporate experience. She has attended the Company Disclosure seminar conducted by the PSE |

| | | | |
|---|---|---|---|
| | | | annually since the appointment (June 2020, and March 2021) and attends the SEC webinars since the implementation of the shift to online transactions. |
| **Optional: Recommendation 1.5** | | | |
| 1. Corporate Secretary distributes materials for board meetings at least five business days before scheduled meeting. | | Provide proof that corporate secretary distributed board meeting materials at least five business days before scheduled meeting | |
| **Recommendation 1.6** | | | |
| 1. Board is assisted by a Compliance Officer. | **COMPLIANT** | Provide information on or link/reference to a document containing information on the Compliance Officer, including his/her name, position, qualifications, duties and functions. | The Code of Corporate Governance of MerryMart Consumer Corp., provides that:<br><br>The duties and responsibilities of the Compliance Officer: "<br><br>a. Ensures proper onboarding of new directors (i.e., orientation on the company's business, charter, articles of incorporation and by-laws, among other);<br>b. Monitors, reviews, evaluates and ensures the compliance by the corporation, its officers and directors with the relevant laws, this Code, rules and regulations and all governance issuances of regulatory agencies;<br>c. Reports the matter to the Board if violations are found and recommends the imposition of |

| | | | |
|---|---|---|---|
| | | | appropriate disciplinary action;<br>d. Ensures the integrity and accuracy of all documentary submissions to regulators;<br>e. Appears before the SEC when summoned in relation to compliance with this Code;<br>f. Collaborates with other departments to properly address compliance issues, which may be subject to investigation;<br>g. Identifies possible areas of compliance issues and works towards the resolution of the same;<br>h. Ensures attendance of Board members and key officers to relevant trainings; and<br>i. Performs such other duties and responsibilities as may be provided by the SEC."<br><br>The Compliance Officer is **Jose Roelph E. Desales.** He Certified Public Accountant and is experienced in corporate management and finance. |

| | | | |
|---|---|---|---|
| 2. Compliance Officer has a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation. | **COMPLIANT** | | The **Code of Corporate Governance** of MerryMart Consumer Corp., provides that:<br><br>"The Board should ensure that it is assisted in its duties by a Compliance Officer, with **adequate stature and authority in the MM**. " |

| | | | |
|---|---|---|---|
| 3. Compliance Officer is not a member of the board. | **NON-COMPLIANT** | | The Compliance Officer is a member of the Board of Directors due to the key role and responsibility accorded to the position. This position is currently under review of the Management. |
| 4. Compliance Officer attends training/s on corporate governance. | **COMPLIANT** | Provide information on or link/reference to a document containing information on the corporate governance training attended, including number of hours and topics covered | MerryMart Consumer Corp. has been updated with the SEC and PSE for the required seminars and orientations.<br><br>The latest Company Disclosure Requirements Orientation of the PSE was attended by the Compliance Officer held on March 16, 2021. |
| | | | |
| **Principle 2:** The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the company's articles and by-laws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to stockholders and other stakeholders<br><br>. | | | |
| **Recommendation 2.1** | | | |
| 1. Directors act on a fully informed basis,in good faith, with due diligence and care, and in the best interest of the company. | **COMPLIANT** | Provide information or reference to a document containing information on how the directors performed their duties (can include board resolutions, minutes of meeting) | The **Code of Corporate Governance** of MerryMart Consumer Corp. provides that:<br><br>"The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the company's articles and by-laws, and other legal pronouncements and guidelines, should be clearly made known to all directors as well as to shareholders and other stakeholders.<br><br>The Board members should act on a fully informed basis, in good faith, with due diligence and care, and in the |

| | | | |
|---|---|---|---|
| | | | best interest of the company and all shareholders." |
| **Recommendation 2.2** | | | |
| 1. Board oversees the development, review and approval of the company's business objectives and strategy. | **COMPLIANT** | Provide information or link/reference to a document containing information on how the directors performed this function (can include board resolutions, minutes of meeting)<br>Indicate frequency of review of business objectives and strategy | The **Code of Corporate Governance of** MerryMart Consumer Corp. provides that:<br><br>"The Board should oversee the development of and approve the company's business objectives and strategy, and monitor their implementation, in order to sustain the company's long-term viability and strength."<br><br>Review of business objectives will come with the ongoing operations and execution of the strategic objectives of the company. |
| 2. Board oversees and monitors the implementation of the company's business objectives and strategy. | **COMPLIANT** | | |
| **Supplement to Recommendation 2.2** | | | |
| 1. Board has a clearly defined and updated vision, mission and core values. | **COMPLIANT** | Indicate or provide link/reference to a document containing the company's vision, mission and core values.<br><br>Indicate frequency of review of the vision, mission and core values. | https://www.merrymart.com.ph/mission-vision-and-values<br><br>The course of the business allows for the update of the visions and mission. |
| 2. Board has a strategy execution process that facilitates effective management performance and is attuned to the company's business environment, and culture. | **COMPLIANT** | Provide information on or link/reference to a document containing information on the strategy execution process. | The Board seeks a strategy execution which effectively incorporates corporate governance development of the Management in the course of the business operation for its effective performance. |
| **Recommendation 2.3** | | | |

| | | | |
|---|---|---|---|
| 1. Board is headed by a competent and qualified Chairperson. | **COMPLIANT** | Provide information or reference to a document containing information on the Chairperson, including his/her name and qualifications | The Chairperson is Mr. Edgar J. Sia II.<br><br>The website includes the Board of Directors, organizational chart and the company disclosures including the prospectus. |
| **Recommendation 2.4** | | | |

| | | | |
|---|---|---|---|
| 1. Board ensures and adopts an effective succession planning program for directors, key officers and management. | **COMPLIANT** | Disclose and provide information or link/reference to a document containing information on the company's succession planning policies and programs and its implementation | The **Code of Corporate Governance** of MerryMart Consumer Corp. provides that: The Board should be responsible for ensuring and adopting an effective succession planning program or directors,key officers and management to ensure growth and a continued increase in the shareholders' value. This should include adopting a policy on the retirement age for directors and key officers as part of management succession and to promote dynamism in the corporation"<br><br>**Nomination and Succession**<br><br>"The Board should have and disclose in its Code a formal and transparent board nomination and election policy that should include how it accepts nominations from minority shareholders and reviews nominated candidates. The policy should also include an assessment of the effectiveness of the Board's processes and procedures in the nomination, election, or replacement of a director. In addition, its process of identifying the quality of directors should be aligned |

| | | | |
|---|---|---|---|
| 2. Board adopts a policy on the retirement for directors and key officers. | **COMPLIANT** | | with the strategic direction of the company.<br>For Executive and Non-executive Directors:<br><br>The election of all Directors is held during each regular stockholders' meeting, unless a vacancy occurred which shall be filled in immediately during a meeting called for the purpose and the person so elected shall serve only the unexpired portion of his predecessor in office.<br><br>For Independent Directors:<br><br>1. The nomination of the independent director shall be conducted by the Nomination Committee prior to a stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.<br>2. After the nomination, the Nomination Committee shall prepare a final list of candidates which shall contain all the information about all the nominees for the independent directors. The list shall be made available to the SEC and to all the stockholders through the filing and distribution of the Information Statement or Proxy Statement, or in such other reports the Corporation is required to submit to the Commission.<br>3. Only nominees whose names |

| | | | |
|---|---|---|---|
| | | | appearon the Final List of Candidates shall be eligible for election as an Independent Director. No other nomination shall be entertained after the Final List of Candidates shall have been prepared. No further nomination shall be entertained or allowed on the floor during the actual stockholders' meeting.<br><br>4. The specific slot for independent directors shall not be filled-up by unqualified nominees.<br><br>5. In case of failure of election for the independent director, the Chairman of the meeting shall call a separate election during the same meeting to fill up the vacancy. |

| Recommendation 2.5 | | | |
|---|---|---|---|
| 1. Board aligns the remuneration of key officers and board members with long-term interests of the company. | **COMPLIANT** | Provide information on or link/reference to a document containing information on the company's remuneration policy and its implementation, including the relationship between remuneration and performance. | The Code of Corporate Governance of MerryMart Consumer Corp., provides:<br><br>**Remuneration of Directors and Officers**<br><br>"The levels of remuneration of MM should be sufficient to be able to attract and retain the services of qualified and competent directors and officers. A portion of the remuneration of executive directors may be structured or be based on corporate and individual performance.<br><br>MM may establish formal and transparent procedures for the development of a policy on executive remuneration or determination of remuneration levels for individual directors and officers depending on the particular needs of the corporation. No director should participate in deciding on his remuneration.<br><br>MM's annual reports and information and proxy statements shall include a clear, concise and understandable disclosure of all fixed and variable |
| 2. Board adopts a policy specifying the relationship between remuneration and performance. | **COMPLIANT** | | |
| 3. Directors do not participate in discussions or deliberations involving his/her own remuneration. | **COMPLIANT** | | |

| | | | |
|---|---|---|---|
| | | | compensation that may be paid, directly or indirectly, to its directors and top four (4) management officers during the preceding fiscal year.<br><br>To protect the funds of MM, the Commission may, in exceptional cases, e.g., when a corporation is under receivership or rehabilitation, regulate the payment of the party compensation, allowances, fees and fringe benefits to its directors and officers." |
| **Optional: Recommendation 2.5** | | | |
| 1. Board approves the remuneration of senior executives. | | Provide proof of board approval | |
| 2. Company has measurable standards to align the performance-based remuneration of the executive directors and senior executives with long-term interest, such as claw back provision and deferred bonuses. | | Provide information on or link/reference to a document containing measurable standards to align performance-based remuneration with the long-term interest of the company. | |
| **Recommendation 2.6** | | | |

| | | | |
|---|---|---|---|
| 1. Board has a formal and transparent board nomination and election policy. | **COMPLIANT** | Provide information or reference to a document containing information on the company's nomination and election policy and process and its implementation, including the criteria used in selecting new directors, how the shortlisted candidates and how it encourages nominations from shareholders.<br>Provide proof if minority shareholders have a right to nominate candidates to the board<br><br>Provide information if there was an assessment of the effectiveness of the Board's processes in the nomination, election or replacement of a director. | The company's **Code of Governance** provides that:<br><br>**Nomination and Succession**<br><br>"The Board should have and disclose in its Code a formal and transparent board nomination and election policy that should include how it accepts nominations from minority shareholders and reviews nominated candidates. The policy should also include an assessment of the effectiveness of the Board's processes and procedures in the nomination, election, or replacement of a director. In addition, its process of identifying the quality of directors should be aligned with the strategic direction of the company.<br><br><u>For Executive and Non-executive Directors:</u><br><br>The election of all Directors is held during each regular stockholders' meeting, unless a vacancy occurred which shall be filled in immediately during a meeting called for the purpose and the person so elected shall serve only the unexpired portion of his predecessor in office.<br><br><u>For Independent Directors:</u><br><br>1. The nomination of the independent director shall be conducted by the |

| | | | |
|---|---|---|---|
| | | | Nomination Committee prior to a stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.<br><br>2. After the nomination Committee shall prepare, a final list of candidates which shall contain all the information about all the nominees for the independent directors. The list shall be made available to the SEC and to all the stockholders through the filing and distribution of the Information Statement or Proxy Statement, or in such other reports the Corporation is required to submit to the Commission.<br><br>3. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as an Independent Director. No other nomination shall be entertained after the Final List of Candidates shall have been prepared. No further nomination shall be entertained or allowed on the floor during the actual stockholders' meeting.<br><br>4. The specific slot for independent directors shall not be filled-up by unqualified nominees.<br><br>5. In case of failure of election for the independent director, the Chairman of the meeting shall call a separate |

| | | | |
|---|---|---|---|
| | | | election during the same meeting to fill up the vacancy." |

| |
|---|
| **A. Selection and Election Requirements/Criteria** |
| **i. Executive Directors** |
| 1. Holder of at least one (1) share of a capital stock of the Company.<br>2. Must be a college graduate or equivalent academic degree.<br>3. Must have practical understanding of the business of the Company.<br>4. Membership in good standing in relevant industry, business or professional organizations.<br>5.Must have previous business experience. |
| **ii. Independent Directors** |
| 1. Holder of at least one (1) share of stock of the corporation.<br>2. He shall be at least a college graduate or he shall have been engaged or exposed to the business of the corporation for at least five(5) years.<br>3. He shall possess integrity and probity.<br>4. He shall be assiduous. |
| **B. Reappointment Requirements/Criteria** |
| **i. Executive Directors** |
| Shall follow the process of nomination of directors. Must have all the qualifications and |

| | | | | |
|---|---|---|---|---|
| | | | | none of the disqualifications of a director as mentioned above.<br>**ii. Non-Executive Directors**<br>Shall follow the process of nomination of directors. Must have all the qualifications and none of the disqualifications of a director as mentioned above.<br>**iii. Independent Directors**<br>Shall follow the process of nomination of directors. Must have all the qualifications and none of the disqualifications of a director as mentioned above.<br>**C. Permanent Disqualification**<br>**i. Executive Directors & Independent Directors**<br>Following the procedural rules of the Corporation Code and the basis for disqualifications under Code of Corporate Governance for Publicly-listed Companies:<br><br>**Procedure:**<br><br>**Sec. 28. Corporation Code,** Removal of directors or trustees. - Any director or trustee of a corporation may be removed from office by a vote of the stockholders holding or representing at least two thirds (2/3) of the outstanding capital stock. Provided, That such removal shall take place either at a regular meeting of the corporation or at a special meeting called for the purpose, and in either case, after previous |

| | | | | |
|---|---|---|---|---|
| | | | | notice to stockholders or members of the corporation of the intention to propose such removal at the meeting. A special meeting of the stockholders or members of a corporation for the purpose of removal of directors or trustees, or any of them, must be called by the secretary on order of the president or on the written demand of the stockholders representing or holding at least a majority of the outstanding capital stock.<br><br>Should the secretary fail or refuse to call the special meeting upon such demand or fail or refuse to give the notice, or if there is no secretary, the call for the meeting may be addressed directly to the stockholders or members by any stockholder or member of the corporation signing the demand.<br><br>Notice of the time and place of such meeting, as well as of the intention to propose such removal, must be given by publication or by written notice prescribed in the Corporation Code. Removal may be with or without cause: Provided, That removal without cause may not be used to deprive minority stockholders or members of the right of representation to which they may be entitled under Section 24 of the Corporation |

| | | | | |
|---|---|---|---|---|
| | | | | Code.<br><br>**Disqualifications:**<br><br>Without prejudice to a specific provision of law prescribing disqualifications of a director, the following shall be permanently disqualified of a director:<br><br>1. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that<br>(a) involves the purchase and sale of securities as defined in the SRC;<br>(b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or<br>(c) arises out of his fiduciary relationship with a bank, quasi- bank, trust company, investment house or as an affiliated person of any of them.<br>2. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final |

| | | | | |
|---|---|---|---|---|
| | | | | judgment or order of the Commission or any court or administrative body competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company (c) engaging inor continuing any conduct or practice in any of the capacities mentioned in sub-paragraph s (a) and (b) above, or willfully violating the laws that govern securities and banking activities.<br>3. Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzle-ment, theft, estafa, counterfeiting, misapprop-riation, forgery, bribery, false affirmation, perjury or other fraudulent acts.<br>4. Any person who has been adjudged by final |

| | | | | |
|---|---|---|---|---|
| | | | | judgment or order of the Commission, court, or competent administrative body have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, SRC or any other law administer-ed by the Commission or BSP or any of its rule, regulation or order.<br>5. Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation.<br>6. Any person judicially declared as insolvent.<br>7. Judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in paragraph s 1 and 5 above.<br>8. Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or |

| | | | |
|---|---|---|---|
| | | | appointment. |
| | | | **D. Temporary Disqualification** |
| | | | **i. Executive Directors / Non-Executive Directors/ Independent Directors** |
| | | | 1. Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists.<br>2. Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.<br>3. Dismissal or termination for cause as director of any corporation covered by the Corporation Code. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.<br>4. If the beneficial equity ownership of an |

| | | | |
|---|---|---|---|
| | | | independent director in the corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.<br>5. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final. A temporarily disqualified director shall, within sixty(60) business days from such disqualification, take the appropriate action to remedy or. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent. |
| | | | **E. Removal** |
| | | | **i. Executive Directors / Non- Executive Directors/ Independent Directors** |
| | | | The procedure of the removal follows Art. 28 of the Corporation Code mentioned, on the basis of possession of the grounds for permanent disqualifications and those provided under applicable laws. |
| | | | **F. Reinstatement** |
| | | | **i. Executive Directors / Non- Executive Directors/ Independent Directors** |

| | | | |
|---|---|---|---|
| | | | The procedure of reinstatement when the director subsequently have all the qualifications and none of the disqualification of a director shall follow the procedure for the Selection and Election Policies mentioned.<br>**G. SUSPENSION**<br>**i. Executive Directors / Non-Executive Directors/ Independent Directors**<br>The suspension is dependent on the basis of the disqualification which may be temporary or permanent, |
| 2. Board nomination and election policy is disclosed in the company's Manual on Corporate Governance. | **COMPLIANT** | | The Code of Corporate Governance of MerryMart Consumer Corp., provides that:<br><br>**Nomination and Succession**<br><br>"The Board should have and disclose in its Code a formal and transparent |
| 3. Board nomination and election policy includes how the company accepted nominations from minority shareholders. | **COMPLIANT** | | |

| | | | |
|---|---|---|---|
| 4. Board nomination and election policy includes how the board shortlists candidates. | **COMPLIANT** | | board nomination and election policy that should include how it accepts nominations from minority shareholders and reviews nominated candidates. The policy should also include an assessment of the effectiveness of the Board's processes and procedures in the nomination, election, or replacement of a director. In addition, its process of identifying the quality of directors should be aligned with the strategic direction of the company.<br><br><u>For Executive and Non-executive Directors:</u><br><br>The election of all Directors is held during each regular stockholders' meeting, unless a vacancy occurred which shall be filled in immediately during a meeting called for the purpose and the person so elected shall serve only the unexpired portion of his predecessor in office.<br><br><u>For Independent Directors:</u><br><br>1. The nomination of the independent director shall be conducted by the Nomination Committee prior to a stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees. |
| 5. Board nomination and election policy includes an assessment of the effectiveness of the Board's processes in the nomination, election or replacement of a director. | **COMPLIANT** | | |
| 6. Board has a process for identifying the quality of directors that is aligned with the strategic direction of the company. | **COMPLIANT** | | |

| | | | |
|---|---|---|---|
| | | | 2. After the nomination, the Nomination Committee shall prepare a final list of candidates which shall contain all the information about all the nominees for the independent directors. The list shall be made available to the SEC and to all the stockholders through the filing and distribution of the Information Statement or Proxy Statement, or in such other reports the Corporation is required to submit to the Commission.<br>3. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as an Independent Director. No other nomination shall be entertained after the Final List of Candidates shall have been prepared. No further nomination shall be entertained or allowed on the floor during the actual stockholders' meeting.<br><br>4. The specific slot for independent directors shall not be filled-up by unqualified nominees.<br><br>5. In case of failure of election for the independent director, the Chairman of the meeting shall call a separate election during the same meeting to fill up the vacancy." |
| **Optional: Recommendation to 2.6** | | | |
| 1. Company uses professional search firms or other external sources of candidates (such as director databases set up by director or | | Identify the professional search firm used or other external sources of candidates | |

| | | | |
|---|---|---|---|
| shareholder bodies) when searching for candidates to the board of directors. | | | |
| **Recommendation 2.7** | | | |
| 1. Board has overall responsibility in ensuring that there is a group-wide policy and | **COMPLIANT** | Provide information on or reference to a document containing the company's policy on related party transaction, including policy on review and approval of significant RPTs.<br><br>Identify transactions that were approved pursuant to the policy. | **Corporate Governance** of MerryMart Consumer Corp. provides that:<br><br>"The Board may also organize a Related Party Transaction (RPT) Committee, which should be tasked with reviewing all material related party transaction of the company and should be composed of at least three non-executive directors, two of whom should be independent, including the Chairman."<br><br>The company has a Conflict of Interest Policy which is in tandem with Related Party Transactions Policy found in the website in the Company Policies section. |
| 2. RPT policy includes appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions. | **COMPLIANT** | | |
| 3. RPT policy encompasses all entities within the group, taking into account their size, structure, risk profile and complexity of operations. | **COMPLIANT** | | |
| **Supplement to Recommendations 2.7** | | | |
| 1. Board clearly defines the threshold for disclosure and approval of RPTs and categorizes such transactions according to those that are considered *de minimis* or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. The aggregate amount of RPTs within any twelve (12) month period should be considered for purposes of applying the thresholds for | **COMPLIANT** | Provide information on a materiality threshold for RPT disclosure and approval,<br><br>if any.<br><br>Provide information on RPT categories | Under Paragraph 4 of the company's **Conflict of Interest Policy**,<br><br>"A director who is related with one of the Company's supplier or client, or the owner or representative of the supplier, client, or any person or entity who has business dealings with the Company, *within the 4th civil degree of* |

| | | | |
|---|---|---|---|
| disclosure and approval. | | | *consanguinity or affinity, should* |
| | | | *disclose such relationship with the Board.*<br><br>The requisites for approval are: (a) the present of the Director in the Board meeting in which the transaction or contract was approved was not necessary to constitute a quorum for such meeting; (b) That the vote of said Director was not necessary for the approval of the transaction or contract; and (c) that the transaction or contract is fair and reasonable under the circumstances. |
| 2. Board establishes a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions during shareholders' meetings. | **COMPLIANT** | Provide information on voting system, if any. | Under paragraph 4.4 of the company's **Conflict of Interest Policy**, the transaction or contract may be ratified by the vote of the shareholders representing at least two-thirds (2/3) of the outstanding capital stock in a meeting called for the purpose, provided that full disclosure of the adverse interest of the Directors/s is made at such meeting. |
| **Recommendation 2.8** | | | |
| 1. Board is primarily responsible for approving the selection of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive). | **COMPLIANT** | Provide information on or reference to a document containing the Board's policy<br>and responsibility for approving the selection of management.<br>Identity the Management team appointed | The **Code of Corporate Governance** of MerryMart Consumer Corp., provides that:<br>"The Board should be responsible for ensuring and adopting an effective succession planning program for directors, key officers and management to |

| | | | |
|---|---|---|---|
| | | | ensure growth and a continued increase in the shareholders' value. This should include adopting a policy on the retirement age for directors and key officers as part of management succession and to promote dynamism in the corporation."<br><br>The Management Team composition may be found in the website https://www.merrymart.com.ph/management. It is the same team provided and discussed in the prospectus, which was examined by the SEC and PSE. |
| 2. Board is primarily responsible for assessing the performance of Management led by<br><br>the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive). | **COMPLIANT** | Provide information on or reference to a document containing the Board's policy<br>and responsibility for assessing the performance of management.<br><br>Provide information on the assessment process and indicate frequency of assessment of performance. | The **Code of Corporate Governance** of MerryMart Consumer Corp. provides that:<br><br>"The Board should be responsible for ensuring and adopting an effective succession planning program for directors, key officers and management to ensure growth and a continued increase in the shareholders' value. This should include adopting a policy on the retirement age for directors and key officers as part of management succession and to promote dynamism in the corporation" |
| **Recommendation 2.9** | | | |
| 1. Board establishes an effective performance management framework that ensures that Management's performance is at par with the standards set by the Board and Senior Management. | **COMPLIANT** | Provide information on or link/reference to a document containing the Board's performance management framework for management and personnel. | The **Code of Corporate Governance** of MerryMart Consumer Corp. provides that:<br><br>"The Board should formulate the |

| | | | |
|---|---|---|---|
| | | | corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.<br><br>And that they:<br><br>"Provide sound strategic policies and guidelines to the corporation on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance." |
| 2. Board establishes an effective performance management framework that ensures that personnel's performance is at par with the standards set by the Board and Senior Management. | **COMPLIANT** | | |
| **Recommendation 2.10** | | | |
| 1. Board oversees that an appropriate internal control system is in place. | **COMPLIANT** | Provide information on or link/reference to a document showing the Board's responsibility for overseeing that an appropriate internal control system is in | The **Code of Corporate Governance** of MerryMart Consumer Corp. provides that: |

| | | | |
|---|---|---|---|
| 2. The internal control system includes a mechanism for monitoring and managing potential conflict of interest of the Management, members and shareholders. | **COMPLIANT** | place and what is included in the internal control system | “The control environment of the corporation consists of (a) the Board which ensures that the corporation is properly and effectively managed and supervised; (b) a Management that actively manages and operates the corporation in a sound and prudent manner; (c) the organizational and procedural controls supported by effective management information and risk management reporting systems; and (d) an independent audit mechanism to monitor the adequacy and effectiveness of the corporation’s governance, operations, and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations and contracts.<br><br>(i) The minimum internal control mechanisms for the performance of the Board’s oversight responsibility may include:<br><br>a. Definition of the duties and responsibilities of the President and CEO who is ultimately |

| | | | |
|---|---|---|---|
| | | | accountable for the corporation's organizational and operational controls;<br>b. Selection of the person who possesses the ability, integrity and expertise essential for the position of President and CEO;<br>c. Evaluation of proposed senior management appointments;<br>d. Selection and appointment of qualified and competent management officers; and<br>e. Review of the corporation's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan.<br><br>(ii) The scope and particulars of the systems of effective organizational and operational controls may differ among corporations depending on, among others, the following factors: nature and complexity of the business and the business culture; volume, size and complexity of transactions; degree of risks involved; degree of centralization and delegation of authority; extent and effectiveness of information technology; and |

| | | | |
|---|---|---|---|
| | | | extent of regulatory compliance." |
| 3. Board approves the Internal Audit Charter. | **COMPLIANT** | Provide reference or link to the company's Internal Audit Charter | The Code of Corporate Governance of MerryMart Consumer Corp., provides that:<br><br>"MM may establish an internal audit system that can reasonably assure the Board, Management and stockholders that its key organizational and operational controls are faithfully complied with. The Board may appoint an Internal Auditor to perform the audit function, and may require him to report to a level in the organization that allows the internal audit activity to fulfill its mandate. The Internal Auditor shall be guided by the International Standards on Professional Practice of Internal Auditing." |
| **Recommendation 2.11** | | | |
| 1. Board oversees that the company has in place a sound enterprise risk management (ERM) framework to effectively identify, monitor, assess and manage key business risks. | **COMPLIANT** | Provide information on or link/reference to a document showing the Board's oversight responsibility on the establishment of a sound enterprise risk management framework and how the board was guided by the framework.<br><br>Provide proof of effectiveness of risk management strategies, if any. | The Code of Corporate Governance of MerryMart Consumer Corp., provides that:<br><br>**"XII. Strengthening the Internal Control System and Enterprise Risk Management Framework**<br><br>**C. Enterprise Management System** |
| 2. The risk management framework guides the board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies. | **COMPLIANT** | | |

| | | | |
|---|---|---|---|
| | | | MM shall establish a separate, efficient enterprise risk management function to identify, assess and monitor key risk exposures. The risk management function involves the following activities, among others:<br><br>a. Defining a risk management strategy;<br>b. Identifying and analyzing key risk exposures relating to economic, environmental, social and governance (EESG) factors and the achievement of the organization's strategic objectives;<br>c. Evaluating and categorizing each identified risk using the Company's predefined risk categories and parameters;<br>d. Establishing a risk register with clearly defined, prioritized and residual risks;<br>e. Developing a risk mitigation plan for the most important risks to the Company, as defined by the risk management strategy;<br>f. Communicating and reporting significant risk exposures including business risks (i.e., strategic, compliance, operational, financial and reputational risks), control issues and risk mitigation plan to the Board Risk Oversight Committee; and |

| | | | |
|---|---|---|---|
| | | | g. Monitoring and evaluating the effectiveness of the organization's risk management process. |
| **Recommendation 2.12** | | | |
| 1. Board has a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary role. | **COMPLIANT** | Provide link to the company's website where the Board Charter is disclosed. | https://www.merrymart.com.ph/commitee-charters |
| 2. Board Charter serves as a guide to the directors in the performance of their functions. | **COMPLIANT** | | |
| 3. Board Charter is publicly available and posted on the company's website. | **COMPLIANT** | | |
| **Additional Recommendation to Principle 2** | | | |
| 1. Board has a clear insider trading policy. | **COMPLIANT** | Provide information on or link/reference to a document showing company's insider trading policy. | https://merrymart.com.ph/insider-trading.pdf |
| **Optional: Principle 2** | | | |
| 1. Company has a policy on granting loans to directors, either forbidding the practice or ensuring that the transaction is conducted at arm's length basis and at market rates. | | Provide information on or link/reference to a document showing company's policy on granting loans to directors, if any. | |
| 2. Company discloses the types of decision requiring board of directors' approval. | | Indicate the types of decision requiring board of directors' approval and where there are disclosed. | |
| | | | |
| **Principle 3:** Board committees should be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all committees established should be contained in a publicly available Committee Charter. | | | |

| | | | |
|---|---|---|---|
| **Recommendation 3.1** | | | |
| 1. Board establishes board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities. | **COMPLIANT** | Provide information or link/reference to a document containing information on all the board committees established by the company. | The Code of Corporate Governance of MerryMart Consumer Corp., provides that:<br><br>" III. Establishing Board Committees<br><br>The Board shall constitute the proper committees to assist it in good corporate governance.<br><br>i. The Executive Committee;<br>ii. The Audit Committee;<br>iii. Nomination Committee;<br>iv. Compensation and Personnel Committee;<br><br>The Board may also organize the following:<br><br>v. Corporate Governance Committee;<br>vi. Board Risk Oversight Committee;<br>vii. Related Party Transaction Committee. |
| **Recommendation 3.2** | | | |
| 1. Board establishes an Audit Committee to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations. | **COMPLIANT** | Provide information or link/reference to a document containing information on the Audit Committee, including its functions.<br><br>Indicate if it is the Audit Committee's responsibility to recommend the | The Code of Corporate Governance of MerryMart Consumer Corp., provides that: |

| | | | |
|---|---|---|---|
| | | appointment and removal of the company's external auditor. | "The Audit Committee shall consist of at least three (3) directors, who shall preferably have accounting and finance backgrounds, one of whom shall be an independent director and another with audit experience. The chair of the Audit Committee should be an independent director. The committee shall have the following functions:<br><br>a. 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;<br><br>b. Through the Internal Audit (IA) Department, monitors and evaluates the adequacy and effectiveness of the corporation'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 (d) ensure compliance with applicable laws and regulations;<br><br>c. 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;<br><br>d. 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;<br><br>e. Reviews and monitors Management's responsiveness to the Internal Auditor's findings and recommendations;<br><br>f. 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;<br><br>g. 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 corporation'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 the corporation's Annual Report and Annual Corporate Governance Report;<br><br>h. Reviews and approves the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:<br><br>• Any change/s in accounting policies and practices<br>• Areas where a significant amount of judgment has been exercised<br>• Significant adjustments resulting from the audit<br>• Going concern assumptions<br>• Compliance with accounting standards<br>• Compliance with tax, legal and regulatory requirements<br><br>i. Reviews the disposition of the recommendations in the External Auditor's management letter; |

| | | | |
|---|---|---|---|
| | | | j. Performs oversight functions over the corporation's Internal and External Auditors. 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;<br>k. Coordinates, monitors and facilitates compliance with laws, rules and regulations;<br>l. Recommends to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an independent audit of the corporation, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders."<br><br>The Audit Committee meets with the Board without the presence of the CEO and periodically meets with the head of the internal audit. |
| 2. Audit Committee is composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman is independent. | **NON-COMPLIANT** | Provide information or link/reference to a document containing information on the members of the Audit Committee, including their qualifications and type of directorship. | The **Code of Corporate Governance** of MerryMart Consumer Corp. provides that: |

| | | | |
|---|---|---|---|
| 3. All the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance. | **COMPLIANT** | Provide information or link/reference to a document containing information on the background, knowledge, skills, and/or experience of the members of the Audit Committee. | "The Audit Committee shall consist of at least three (3) directors, who shall preferably have accounting and finance backgrounds, one of whom shall be an independent director and another with audit experience. The chair of the Audit Committee should be an independent director.<br><br>The members of the Audit Committee are:<br><br>1. Mr. Gary P. Cheng (Chairman);<br>2. Mr. Ferdinand J. Sia (Member); and<br>3. Ms. Marriana H. Yulo (Member).<br><br>**Gary P. Cheng** is an investment banking professional with over 20 years of corporate finance and capital markets experience. He is currently the Managing Director and co-founder of Fortman Cline Capital Markets Limited since 2007. Dr. Cheng served as the former President/CEO of Amalgamated Investment Bancorporation from 2003 and 2008 and former Vice President of Investment Banking at J.P. Morgan from 1993 to 2001. Dr. Cheng obtained his doctorate in Philosophy from University of Leeds, England in 1991.<br><br>**Ferdinand J. Sia** – is the President and Chief Operating Officer of Injap Investments Inc. He also served as Director of Mang Inasal Philippines, Inc. from 2006-2016. He graduated |

| | | | |
|---|---|---|---|
| | | | from the University of the Philippines Visayas with a degree in Bachelor of Arts in Political Science and took up law in Arellano University School of Law.<br><br>**Marriana H. Yulo-Luccini** – 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. |

| | | | |
|---|---|---|---|
| 4. The Chairman of the Audit Committee is not the Chairman of the Board or of any other committee. | **COMPLIANT** | Provide information or link/reference to a document containing information on the Chairman of the Audit Committee | The Chairman of the Audit Committee is Mr. Gary P. Cheng.<br><br>https://www.merrymart.com.ph/board-committees |
| **Supplement to Recommendation 3.2** | | | |
| 1. Audit Committee approves all non-audit services conducted by the external auditor. | **COMPLIANT** | Provide proof that the Audit Committee approved all non-audit services conducted by the external auditor. | The Code of Corporate Governance of MerryMart Consumer Corp., provides that the Audit Committee:<br><br>"Evaluates and determines that 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 corporations' 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 the corporation's Annual Report and Annual Corporate Governance Report." |
| 2. Audit Committee conducts regular meetings and dialogues with the external audit team without anyone from management present. | **COMPLIANT** | Provide proof that the Audit Committee conducted regular meetings and dialogues with the external audit team without anyone from management present. | There is non-interference from the management when it comes to the meetings periodically done by the Audit Committee regarding the external audit team. |
| **Optional: Recommendation 3.2** | | | |

| | | | |
|---|---|---|---|
| 1. Audit Committee meet at least four times during the year. | | Indicate the number of Audit Committee meetings during the year and provide proof | |
| 2. Audit Committee approves the appointment and removal of the internal auditor. | | Provide proof that the Audit Committee approved the appointment and removal of the internal auditor. | |
| **Recommendation 3.3** | | | |
| 1. Board establishes a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee. | **NON-COMPLIANT** | Provide information or reference to a document containing information on the Corporate Governance Committee, including its functions<br>Indicate if the Committee undertook the process of identifying the quality of directors aligned with the company's strategic direction, if applicable. | The company has yet to establish the Corporate Governance Committee. |
| 2. Corporate Governance Committee is composed of at least three members, all of whom should be independent directors. | **NON-COMPLIANT** | Provide information or link/reference to a document containing information on the members of the Corporate Governance Committee, including their qualifications and type of directorship. | |
| 3. Chairman of the Corporate Governance Committee is an independent director. | **NON-COMPLIANT** | Provide information or link/reference to a document containing information on the Chairman of the Corporate Governance Committee. | |
| **Optional: Recommendation 3.3.** | | | |
| 1. Corporate Governance Committee meet at least twice during the year. | | Indicate the number of Corporate Governance Committee meetings held during the year and provide proof thereof. | |
| **Recommendation 3.4** | | | |

| | | | |
|---|---|---|---|
| 1. Board establishes a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness. | **NON-COMPLIANT** | Provide information or link/reference to a document containing information on the Board Risk Oversight Committee (BROC), including its functions | The company has yet to establish the Board Risk Oversight Committee (BROC). |
| 2. BROC is composed of at least three members, the majority of whom should be independent directors, including the Chairman. | **NON-COMPLIANT** | Provide information or link/reference to a document containing information on the members of the BROC, including their qualifications and type of directorship | |
| 3. The Chairman of the BROC is not the Chairman of the Board or of any other committee. | **NON-COMPLIANT** | Provide information or link/reference to a document containing information on the Chairman of the BROC | |
| 4. At least one member of the BROC has relevant thorough knowledge and experience on risk and risk management. | **NON-COMPLIANT** | Provide information or link/reference to a document containing information on the background, skills, and/or experience of the members of the BROC. | |
| **Recommendation 3.5** | | | |
| 1. Board establishes a Related Party Transactions (RPT) Committee, which is tasked with reviewing all material related party transactions of the company. | **NON-COMPLIANT** | Provide information or link/reference to a document containing information on the Related Party Transactions (RPT) Committee, including its functions. | The company has yet to establish the Related Party Transaction (RPT) Committee. |

| | | | |
|---|---|---|---|
| 2. RPT Committee is composed of at least three non-executive directors, two of whom should be independent, including the Chairman. | **NON-COMPLIANT** | Provide information or link/reference to a document containing information on the members of the RPT Committee, including their qualifications and type of directorship. | |
| **Recommendation 3.6** | | | |
| 1. All established committees have a Committee Charter stating in plain terms their respective purposes, memberships, structures, operations, reporting process, resources and other relevant information. | **COMPLIANT** | Provide information on or link/reference to the company's committee charters, containing all the required information, particularly the functions of the Committee that is necessary for performance evaluation purposes. | The Code of Corporate Governance of MerryMart Consumer Corp., provides that:<br><br>**(i) The Executive Committee**<br><br>The Executive Committee shall consist of at least (3) members of the Board. Members of the Committee shall be appointed by the Board, who shall also appoint a Committee Chairperson and Committee Secretary. In accordance with this, members of the Committee may be removed or replaced, and any vacancies in the Committee shall be filled by the Board.<br><br>The Executive Committee's primary purpose is to function when the Board is not in session. The Committee shall have all the power and authority of the Board in the governance, management and direction of the business and affairs of the Company except for those |
| 2. Committee Charters provide standards for evaluating the performance of the Committees. | **COMPLIANT** | | |

| | | | |
|---|---|---|---|
| | | | matters expressly provided for in Section 35 of the Corporation Code, the Company's By-Laws and other pertinent laws, rules or regulations.<br><br>The Executive Committee shall have the following duties and responsibilities:<br><br>a. Assist the Board in overseeing the implementation of strategies and sustaining the Corporation's long-term success and competitiveness in a manner consistent with its mission/ vision;<br>b. Review of major issues facing the organization;<br>c. Monitoring of the operating activities of each business group;<br>d. Defining and monitoring the Company's performance improvement goals;<br>e. Defining group-wide policies and actions and overseeing their implementation;<br>f. Fostering the sharing of information in all areas of the business group; and<br>g. Performs other duties and responsibilities as the Committee may deem appropriate within the scope |

| | | | |
|---|---|---|---|
| | | | of its primary functions or as may be assigned by the Board.<br><br>**(ii) The Audit Committee**<br><br>The Audit Committee shall consist of at least three (3) directors, who shall preferably have accounting and finance backgrounds, one of whom shall be an independent director and another with audit experience. The chair of the Audit Committee should be an independent director. The committee shall have the following functions:<br><br>a. Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal, and other risks of the Corporation. This function shall include regular receipt from Management of information on risk exposures and risk management activities;<br><br>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 the corporation'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;<br><br>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<br><br>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;<br><br>g. Review the annual internal audit plan to ensure its conformity with the objectives of the Corporation. The plan shall include the audit scope, resources, and budget necessary to implement it;<br><br>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;<br><br>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 corporation'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 the corporation's Annual Report and Annual Corporate Governance |

| | | | |
|---|---|---|---|
| | | | Report;<br><br>j. Reviews and approves the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:<br><br>• Any change/s in accounting policies and practices<br>• Areas where a significant amount ofjudgment has been exercised<br>• Significant adjustments resulting from the audit<br>• Going concern assumptions<br>• Compliance with accounting standards<br>• Compliance with tax, legal and regulatory requirements<br><br>k. Reviews the disposition of the recommendations in the External Auditor's management letter;<br><br>l. Performs oversight functions over the corporation'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;<br><br>m. Coordinates, monitors and facilitates compliance with laws, rules and regulations;<br><br>n. Recommends to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an independent audit of the corporation, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders.<br><br>The Audit Committee meets with the Board without the presence of the CEO and periodically meets with the head of the internal audit.<br><br>**(ii) The Nomination Committee**<br><br>The Nomination Committee shall consist of at least three (3) directors, who shall preferably have accounting and finance backgrounds, one of whom shall be an independent |

| | | | |
|---|---|---|---|
| | | | director and another with audit experience.<br><br>The Nomination Committee shall review and evaluate 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<br><br>**(iii) The Compensation and Personnel Committee**<br><br>The Compensation and Personnel Committee shall consist of at least three (3) directors, one of whom shall be an independent director.<br><br>The Compensation and Personnel Committee shall establish a **formal** and transparent procedure for developing a policy for remuneration of directors and officers to ensure that<br><br>**(iv) The Compensation and Personnel Committee**<br><br>(a) The Board may also organize the following committees<br>(1) A Corporate Governance Committee that should be tasked to assist the Board in the performance of its corporate governance |

| | | | |
|---|---|---|---|
| | | | responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee. It should be composed of at least three members, all of whom should be independent directors, including the Chairman thereof.<br>(2) A separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness. The BROC should be composed of at least three members, the majority of whom should be independent directors, including the Chairman thereof. The Chairman should not be the Chairman of the Board or of any other committee. At least one member of the committee must have relevant thorough knowledge and experience on risk and risk management.<br>(3) A Related Party Transaction (RPT) Committee, which should be tasked with reviewing all material related party transactions of the company and should be composed of at least three non-executive directors, two of whom should be independent, including the Chairman. |

| | | | |
|---|---|---|---|
| 3. Committee Charters were fully disclosed on the company's website. | **COMPLIANT** | Provide link to company's website where the Committee Charters are disclosed. | https://www.merrymart.com.ph/corporate-governance?section=board-committees-27 |
| | | | |
| **Principle 4:** To show full commitment to the company, the directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the corporation's business. | | | |
| **Recommendation 4.1** | | | |
| 1. The Directors attend and actively participate in all meetings of the Board, Committees and shareholders in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission. | **COMPLIANT** | Provide information or link/reference to a document containing information on the process and procedure for tele/videoconferencing board and/or committee meetings.<br><br>Provide information or link/reference to a document containing information on the attendance and participation of directors to Board, Committee and shareholders' meetings. | The **Code of Corporate Governance** of MerryMart Consumer Corp. provides that:<br>"To show full commitment to the company, the directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the corporation's business.<br>The directors should attend and actively participate in all meetings of the Board Committees, and Shareholders, in person or through tele-/-videoconferencing, conducted in accordance with the rules and regulations of the Commission, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent them from doing so. In Board and Committee meetings, the director should review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations." |
| 2. The directors review meeting materials for all Board and Committee meetings. | **COMPLIANT** | | |

| | | | |
|---|---|---|---|
| 3. The directors ask the necessary questions or seek clarifications and explanations during the Board and Committee meetings. | **COMPLIANT** | Provide information or link/reference to a document containing information on any questions raised or clarification/explanation sought by the directors | The members of the Board are permitted to raise questions on items presented before them. There are no impediments that prevent them from doing so. |
| **Recommendation 4.2** | | | |
| 1. Non-executive directors concurrently serve in a maximum of five publicly-listed companies to ensure that they have sufficient time to fully prepare for minutes, challenge Management's proposals/views, and oversee the long-term strategy of the company. | **COMPLIANT** | Disclose if the company has a policy setting the limit of board seats that a non-executive director can hold simultaneously.<br>Provide information or reference to a document containing information on the directorships of the company's directors in both listed and non-listed companies | **Guidelines**:<br><br>Multiple Board Seats<br><br>The Board may consider the adoption of guidelines on the number of directorship that its members can hold in stock and non-stock corporations. The optimum number should take into consideration the capacity of a director to diligently and efficiently perform his duties and responsibilities.<br><br>The Chief Executive Officer (CEO) and other directors may be covered by a lower indicative limit for membership in other boards. A similar limit may apply to independent who, at the same time, serve as full-time executives in other corporations. In any case, the capacity of the directors to diligently and efficiently perform their duties and responsibilities to the boards they serve should not be compromised. |
| **Recommendation 4.3** | | | |

| | | | |
|---|---|---|---|
| 1. The directors notify the company's board before accepting a directorship in another company. | **NON - COMPLIANT** | Provide copy of written notification to the board or minutes of board meeting wherein the matter was discussed. | The company has yet to form a policy requiring directors to notify the company's Board before accepting a directorship in another company. |
| **Optional: Principle 4** | | | |
| 1. Company does not have any executive directors who serve in more than two boards of listed companies outside of the group. | | | |
| 2. Company schedules board of directors' meetings before the start of the financial year. | | | |
| | | | |
| 3. Board of directors meet at least six times during the year. | | Indicate the number of board meetings during the year and provide proof | |
| 4. Company requires as minimum quorum of at least 2/3 for board decisions. | | Indicate the required minimum quorum for board decisions | |
| | | | |
| **Principle 5:** The board should endeavor to exercise an objective and independent judgment on all corporate affairs | | | |
| **Recommendation 5.1** | | | |
| 1. The Board has at least 3 independent directors or such number as to constitute one-third of the board, whichever is higher. | **NON - COMPLIANT** | Provide information or link/reference to a document containing information on the number of independent directors in the board | The Board has two (2) independent directors. |
| **Recommendation 5.2** | | | |

| | | | |
|---|---|---|---|
| 1. The independent directors possess all the qualifications and none of the disqualifications to hold the positions. | **COMPLIANT** | Provide information or link/reference to a document containing information on the qualifications of the independent directors. | MerryMart Consumer Corp. has two (2) independent directors, namely:<br><br>1. **Gary P. Cheng** – is an investment banking professional with over 20 years of corporate finance and capital markets experience. He is currently the Managing Director and co-founder of Fortman Cline Capital Markets Limited since 2007. Dr. Cheng served as the former President/CEO of Amalgamated Investment Bancorporation from 2003 and 2008 and former Vice President of Investment Banking at J.P. Morgan from 1993 to 2001. Dr. Cheng obtained his doctorate in Philosophy from University of Leeds, England in 1991.<br><br>2. **Atty. Victoria R. Tamayao** – 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. |

**Supplement to Recommendation 5.2**

| | | | |
|---|---|---|---|
| 1. Company has no shareholder agreements, by-laws provisions, or other arrangements that constrain the directors' ability to vote independently. | **COMPLIANT** | Provide link/reference to a document containing information that directors are not constrained to vote independently. | No shareholders agreement with independent directors. |
| **Recommendation 5.3** | | | |
| 1. The independent directors serve for a cumulative term of nine years (reckoned from 2020). | **COMPLIANT** | Provide information or link/reference to a document showing the years IDs have served as such. | The Independent Directors are:<br><br>a) Mr. Gary P. Cheng who served as such for one (1) year; and<br><br>(b) Atty. Victoria R. Tamayao who served as such for one (1) year. |
| 2. The company bars an independent director from serving in such capacity after the term limit of nine years. | **COMPLIANT** | Provide information or link/reference to a document containing information on the company's policy on term limits for its independent director | The current set of independent directors served for one (1) year. |
| 3. In the instance that the company retains an independent director in the same capacity after nine years, the board provides meritorious justification and seeks shareholders' approval during the annual shareholders' meeting. | **COMPLIANT** | Provide reference to the meritorious justification and proof of shareholders' approval during the annual shareholders' meeting. | No independent director has served for more than nine (9) years. |
| **Recommendation 5.4** | | | |
| 1. The positions of Chairman of the Board and Chief Executive Officer are held by separate individuals. | **NON - COMPLIANT** | Identify the company's Chairman of the Board and Chief Executive Officer | The Chairman of the Board and Chief Executive Officer is Edgar J. Sia II. |
| 2. The Chairman of the Board and Chief Executive Officer have clearly defined responsibilities. | **NON - COMPLIANT** | Provide information or link/reference to a document containing information on the roles and responsibilities of the Chairman of the Board and Chief Executive Officer.<br><br>Identify the relationship of Chairman and CEO. | |

| | | | |
|---|---|---|---|
| **Recommendation 5.5** | | | |
| 1. If the Chairman of the Board is not an independent director, the board designates a lead director among the independent directors. | **NON-COMPLIANT** | Provide information or link/reference to a document containing information on a lead independent director and his roles and responsibilities, if any.<br><br>Indicate if Chairman is independent. | The company has yet to establish the Corporate Governance Committee and has yet to incorporate its Code of Governance regarding this policy. |
| **Recommendation 5.6** | | | |
| 1. Directors with material interest in a transaction affecting the corporation | **NON-COMPLIANT** | Provide proof of abstention, if this was the case | The company currently does not have a policy in the Code of Corporate Governance requiring directors with |
| abstain from taking part in the deliberations on the transaction. | | | material interest in a transaction affecting the corporation abstain from taking part in the deliberations on the transaction. |
| **Recommendation 5.7** | | | |
| 1. The non-executive directors (NEDs) have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive present. | **NON-COMPLIANT** | Provide proof and details of said meeting, if any.<br><br>Provide information on the frequency and attendees of meetings. | The **Code of Corporate Governance** provides: Audit Committee meet with the external auditor and the head of the Corporation's internal audit to discuss interim and annual financial statements of the Corporation at least twice a year to discuss the audit plan and audit results.<br><br>The company has yet to incorporate its Code of Governance regarding this policy. |
| 2. The meetings are chaired by the lead independent director. | **COMPLIANT** | | |
| | | | |
| **Principle 6:** The best measure of the Board's effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies. | | | |
| **Recommendation 6.1** | | | |
| 1. Board conducts an annual self-assessment of its performance as a whole. | **COMPLIANT** | Provide proof of self-assessments conducted for the whole board, the | The Code of Corporate Governance of MerryMart Consumer Corp., |

| | | | |
|---|---|---|---|
| 2. The Chairman conducts a self-assessment of his performance. | **COMPLIANT** | individual members, the Chairman and the Committees | provides that:<br><br>**Assessing Board Performance**<br><br>The best measure of the Board's effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.<br><br>**A. Board Evaluation**<br><br>(i) The Board should conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees. Every three years, the assessment should be supported by an external facilitator.<br>(ii) The Board should have in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, the individual directors, committees and such system should allow for a feedback mechanism from the shareholders. |
| 3. The individual members conduct a self-assessment of their performance. | **COMPLIANT** | | |
| 4. Each committee conducts a self-assessment of its performance. | **COMPLIANT** | | |
| 5. Every three years, the assessments are supported by an external facilitator. | **COMPLIANT** | Identify the external facilitator and provide proof of use of an external facilitator. | |
| **Recommendation 6.2** | | | |

| | | | |
|---|---|---|---|
| 1. Board has in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, individual directors and committees. | **COMPLIANT** | Provide information or link/reference to a document containing information on the system of the company to evaluate the performance of the board, individual directors and committees, including a feedback mechanism from shareholders | The Code of Corporate Governance of MerryMart Consumer Corp., provides that:<br><br>**Assessing Board Performance**<br><br>The best measure of the Board's effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.<br><br>**A. Board Evaluation**<br><br>(i) The Board should conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees. Every three years, the assessment should be supported by an external facilitator.<br>(ii) The Board should have in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, the individual directors, committees and such system should allow for a feedback mechanism from the shareholders. |
| 2. The system allows for a feedback mechanism from the shareholders. | **COMPLIANT** | | |

**Principle 7:** Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.

| | | | |
|---|---|---|---|
| 1. Board adopts a Code of Business Conduct and Ethics, which provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of the company. | | Provide information on or link/reference to the company's Code of Business Conduct and Ethics. | |
| 2. The Code is properly disseminated to the Board, senior management and employees. | **COMPLIANT** | Provide information on or discuss how the company disseminated the Code to its Board, senior management and employees. | |
| 3. The Code is disclosed and made available to the public through the company website. | **COMPLIANT** | Provide a link to the company's website where the Code of Business Conduct and Ethics is posted/ disclosed. | |

| | | | |
|---|---|---|---|
| **Supplement to Recommendation 7.1** | | | |
| 1. Company has clear and stringent policies and procedures on curbing and penalizing company involvement in offering, paying and receiving bribes. | | Provide information on or link/reference to a document containing information on the company's policy and procedure on curbing and penalizing bribery | The Code of Corporate Governance of MerryMart Consumer Corp., provides:<br><br>**<u>DISQUALIFICATION OF DIRECTORS</u>**<br><br>Permanent Disqualification<br><br>The following shall be grounds for the permanent disqualification of a director:<br><br>xxx xxx<br><br>(iii) Any person convicted byfinal judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation,forgery, bribery, false affirmation, perjury or other fraudulent acts;." |
| **Recommendation 7.2** | | | |
| 1. Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics. | **COMPLIANT** | Provide proof of implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies.<br><br>Indicate who are required to comply with | The company's Code of Ethics is firmly ensconced in the company. Publication of policies internally and externally holds the directors and personnel accountable to the Code. |

| | | | |
|---|---|---|---|
| 2. Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies. | **COMPLIANT** | the Code of Business Conduct and Ethics and any findings on non-compliance. | Everyone affiliated with the company is required to comply with the Code. |
| **Disclosure and Transparency** | | | |
| **Principle 8:** The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations. | | | |
| **Recommendation 8.1** | | | |
| 1. Board establishes corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of a company's financial condition, results and business operations. | **COMPLIANT** | Provide information on or link/reference to the company's disclosure policies and procedures including reports distributed/made available to shareholders and other stockholders | The Code of Corporate Governance of MerryMart Consumer Corp., provides:<br><br>**"DISCLOSURE AND TRANSPARENCY**<br><br>**VIII. Enhancing Company Disclosure Policies and Procedures**<br><br>The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations. |

| | | | |
|---|---|---|---|
| | | | (i) The Board should establish corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of a company's financial condition, results and business operations.<br><br>(ii) The Company should have a policy requiring all directors and officers to disclose/report to the company any dealings in the company's shares within three business days.<br><br>The Board should fully disclose all relevant and material information on individual board members and key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.<br>(iv) The company should provide a clear disclosure of its policies and procedure for setting Board and executive remuneration, as well as the level and mix of the same in the Annual Corporate Governance Report. Also, companies should disclose the remuneration on an individual basis, including termination and retirement provisions. |

| | | | |
|---|---|---|---|
| | | | (v) The company should disclose its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions in their Manual on Corporate Governance. The material or significant RPTs reviewed and approved during the year should be disclosed in its Annual Corporate Governance Report.<br><br>(vi) The company should make a full, fair, accurate and timely disclosure to the public of every material fact or event that occurs, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders. Moreover, the Board of the offeree company should appoint an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.<br><br>(vii) The company's corporate governance policies, programs and procedures should be contained in its Manual on Corporate Governance, which should be submitted to the regulators and posted on the company's website."<br><br>Please see disclosures on the website.<br><br>www.merrymart.com.ph |

| | | | |
|---|---|---|---|
| **Supplement to Recommendations 8.1** | | | |
| 1. Company distributes or makes available annual and quarterly consolidated reports, cash flow statements, and special audit revisions. Consolidated financial statements are published within ninety (90) days from the end of the fiscal year, while interim reports are published within forty-five (45) days from the end of the reporting period. | **COMPLIANT** | Indicate the number of days within which the consolidated and interim reports were published, distributed or made available from the end of the fiscal year and end of the reporting period, respectively. | The consolidated financial statements of MerryMart Consumer Corp. are published within ninety (90) days from the end of the fiscal year, while interim reports are published within forty-five (45) days from the end of the reporting period, as required by the SEC. |
| 2. Company discloses in its annual report the principal risks associated with the identity of the company's controlling shareholders; the degree of ownership concentration; cross-holdings among company affiliates; and any imbalances between the controlling shareholders' voting power and overall equity position in the company. | **COMPLIANT** | Provide link or reference to the company's annual report where the following are disclosed:<br>1. principal risks to minority shareholders associated with the identity of the company's controlling shareholders;<br>2. cross-holdings among company affiliates; and<br>3. any imbalances between the controlling shareholders' voting power and overall equity position in the company. | MerryMart Consumer Corp.'s Annual Report shall be published in the website which will be submitted on its first year with this report. The link prepared is as follow under Company Disclosures.<br><br>[www.merrymart.com.ph](www.merrymart.com.ph) |
| **Recommendation 8.2** | | | |
| 1. Company has a policy requiring all directors to disclose/report to the company any dealings in the company's shares within three business days. | **COMPLIANT** | Provide information on or link/reference to the company's policy requiring directors and officers to disclose their dealings in the company's share. | The Code of Corporate Governance of MerryMart Consumer Corp., provides: |

| | | | |
|---|---|---|---|
| 2. Company has a policy requiring all officers to disclose/report to the company any dealings in the company's shares within three business days. | **COMPLIANT** | Indicate actual dealings of directors involving the corporation's shares including their nature, number/percentage and date of transaction. | **"DISCLOSURE AND TRANSPARENCY**<br><br>**VIII. Enhancing Company Disclosure Policies and Procedures**<br><br>The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations<br><br>(ii) The Company should have a policy requiring all directors and officers to disclose/report to the company any dealings in the company's shares within three business days." |
| **Supplement to Recommendation 8.2** | | | |
| 1. Company discloses the trading of the corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders. This includes the disclosure of the company's purchase of its shares from the market (e.g. share buy-back program). | **COMPLIANT** | Provide information on or link/reference to the shareholdings of directors, management and top 100 shareholders.<br><br>Provide link or reference to the company's Conglomerate Map. | The monthly reports, the Top 100 shareholders, any purchase or shareholdings of the Directors and officers are indicated in the Public Ownership report and From 23 filed at the PSE and/or SEC as required.<br><br>https://www.merrymart.com.ph/consumer-corp |
| **Recommendation 8.3** | | | |

| | | | |
|---|---|---|---|
| 1. Board fully discloses all relevant and material information on individual board members to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment. | **COMPLIANT** | Provide link or reference to the directors' academic qualifications, share ownership in the company, membership in other boards, other executive positions, professional experiences, expertise and relevant trainings attended. | This is provided currently in the Prospectus of the company.<br><br>https://www.merrymart.com.ph/company-disclosures-prospectus |
| 2. Board fully discloses all relevant and material information on key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment. | **COMPLIANT** | Provide link or reference to the key officers' academic qualifications, share ownership in the company, membership in other boards, other executive positions, professional experiences, expertise and relevant trainings attended. | |
| **Recommendation 8.4** | | | |
| 1. Company provides a clear disclosure of its policies and procedure for setting Board remuneration, including the level and mix of the same. | **COMPLIANT** | Disclose or provide link/reference to the company policy and practice for setting board remuneration | The Code of Corporate Governance of MerryMart Consumer Corp., provides:<br><br>**REMUNERATION OF DIRECTORS AND OFFICERS**<br><br>The levels of remuneration of MM shouldbe sufficient to be able to attract and retain the services of qualified and competent directors and officers. A portion of the remuneration of executive directors may be structured or be based on corporate and individual performance.<br>MM may establish formal and transparent procedures for the development of a policy on executive remuneration or determination of remuneration levels for individual directors and |
| 2. Company provides a clear disclosure of its policies and procedure for setting executive remuneration, including the level and mix of the same. | **COMPLIANT** | Disclose or provide link/reference to the company policy and practice for determining executive remuneration | |

| | | | |
|---|---|---|---|
| | | | officers depending on the particular needs of the corporation. No director should participate in deciding on his remuneration.<br><br>MM's annual reports and information and proxy statements shall include a clear, concise and understandable disclosure of all fixed and variable compensation that may be paid, directly or indirectly, to its directors and top four (4) management officers during the preceding fiscal year.<br><br>To protect the funds of MM, the Commission may, in exceptional cases, e.g., when a corporation is under receivership or rehabilitation, regulate the payment of the compensation, allowances, fees and fringe benefits to its directors and officers. |

| | | | |
|---|---|---|---|
| 3. Company discloses the remuneration on an individual basis, including termination and retirement provisions. | **COMPLIANT** | Provide breakdown of director remuneration and executive compensation, particularly the remuneration of the CEO. | The remuneration of the Directors is shown on the Annual Report to be submitted with this Report. |
| **Recommendation 8.5** | | | |
| 1. Company discloses its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions in their Manual on Corporate Governance. | **COMPLIANT** | Disclose or provide reference/link to company's RPT policies<br><br>Indicate if the director with conflict of interest abstained from the board discussion on that particular transaction. | The Code of Corporate Governance of MerryMart Consumer Corp., provides:<br><br>**<u>"DISCLOSURE AND TRANSPARENCY</u>**<br><br>**VIII. Enhancing Company Disclosure Policies and Procedures**<br><br>The company should disclose its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions in their Manual on Corporate Governance. The material or significant RPTs reviewed and approved during the year should be disclosed in its Annual Corporate Governance Report." |

| | | | |
|---|---|---|---|
| 2. Company discloses material or significant RPTs reviewed and approved during the year. | **COMPLIANT** | Provide information on all RPTs for the previous year or reference to a document containing the following information on all RPTs:<br>1. name of the related counterparty;<br>2. relationship with the party;<br>3. transaction date;<br>4. type/nature of transaction;<br>5. amount or contract price;<br>6. terms of the transaction;<br>7. rationale for entering into the transaction;<br>8. the required approval (i.e., names of the board of directors approving, names and percentage of shareholders who approved) based on the company's policy; and<br>9. other terms and conditions | The Financial Statement also has a discussion on Related Party Transactions. |

| | | | |
|---|---|---|---|
| **Supplement to Recommendation 8.5** | | | |
| 1. Company requires directors to disclose their interests in transactions or any other conflict of interests. | **COMPLIANT** | Indicate where and when directors disclose their interests in transactions or any other conflict of interests. | Directors disclose their interest on a particular transaction to prevent conflict of interest. |
| **Optional : Recommendation 8.5** | | | |
| 1. Company discloses that RPTs are conducted in such a way to ensure that they are fair and at arms' length. | | Provide link or reference where this is disclosed, if any | |
| **Recommendation 8.6** | | | |
| 1. Company makes a full, fair, accurate and timely disclosure to the public of every material fact or event that occur, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders. | **COMPLIANT** | Provide link or reference where this is disclosed | Any remuneration of the Directors is shown on the Annual Report to be submitted with this Report. |
| 2. Board appoints an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets. | **COMPLIANT** | Identify independent party appointed to evaluate the fairness of the transaction price<br><br>Disclose the rules and procedures for evaluating the fairness of the transaction price, if any. | The company is aware of market values of properties acquired through third party agents and different property appraisers to ensure fairness of the transaction. |
| **Supplement to Recommendation 8.6** | | | |
| 1. Company discloses the existence, justification and details on shareholder agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the company. | **NON-COMPLIANT** | Provide link or reference where these are disclosed. | The company has yet to disclose the trust agreements. |
| **Recommendation 8.7** | | | |

| | | | |
|---|---|---|---|
| 1. Company's corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance (MCG). | **COMPLIANT** | Provide link to the company's website where the Manual on Corporate Governance is posted. | https://www.merrymart.com.ph/corporate-governance?section=manual-on-corporate-governance-24 |
| 2. Company's MCG is submitted to the SEC and PSE. | **COMPLIANT** | | |

| | | | |
|---|---|---|---|
| 3. Company's MCG is posted on its company website. | **COMPLIANT** | | |
| **Supplement to Recommendation 8.7** | | | |
| 1. Company submits to the SEC and PSE an updated MCG to disclose any changes in its corporate governance practices. | **COMPLIANT** | Provide proof of submission. | The Company has just submitted the Code of Corporate Governance on January 24, 2020. There is no update yet on the Code. |
| **Optional: Principle 8** | | | |
| 1. Does the company's Annual Report disclose the following information: | **COMPLIANT** | Provide link or reference to the company's Annual Report containing the said information. | The Annual Report submitted with this Report discloses the information indicated including the Risk factors and will be provided under the company disclosures on the website. |
| a. Corporate Objectives | **COMPLIANT** | | |
| b. Financial performance indicators | **COMPLIANT** | | |
| c. Non-financial performance indicators | **COMPLIANT** | | |
| d. Dividend Policy | **COMPLIANT** | | |
| e. Biographical details (at least age, academic qualifications, date of first appointment, relevant experience, and other directorships in listed companies) of all directors | **COMPLIANT** | | |
| f. Attendance details of each director in all directors meetings held during the year | **COMPLIANT** | | |
| g. Total remuneration of each member of the board of directors | **COMPLIANT** | | |

| | | | |
|---|---|---|---|
| 2. The Annual Report contains a statement confirming the company's full compliance with the Code of Corporate Governance and where there is non-compliance, identifies and explains reason for each such issue. | **COMPLIANT** | Provide link or reference to where this is contained in the Annual Report | |
| 3. The Annual Report/Annual CG Report discloses that the board of directors conducted a review of the company's material controls (including operational, financial and compliance controls) and risk management systems. | **COMPLIANT** | Provide link or reference to where this is contained in the Annual Report | |
| 4. The Annual Report/Annual CG Report contains a statement from the board of directors or Audit Committee commenting on the adequacy of the company's internal controls/risk management systems. | **COMPLIANT** | Provide link or reference to where this is contained in the Annual Report | |
| 5. The company discloses in the Annual Report the key risks to which the company is materially exposed to (i.e. financial, operational including IT, environmental, social, economic). | **COMPLIANT** | Provide link or reference to where these are contained in the Annual Report | |
| | | | |
| **Principle 9:** The company should establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality. | | | |
| **Recommendation 9.1** | | | |
| 1. Audit Committee has a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditors. | **COMPLIANT** | Provide information or link/reference to a document containing information on the process for approving and recommending the appointment, reappointment, removal and fees of the company's external auditor. | The Code of Corporate Governance of MerryMart Consumer Corp., provides:<br><br>**INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT FRAMEWORK**<br><br>**IX. Strengthening the External** |
| 2. The appointment, reappointment, removal, and fees of the external auditor is | **COMPLIANT** | Indicate the percentage of shareholders that ratified the appointment, | |

| | | | |
|---|---|---|---|
| recommended by the Audit Committee, approved by the Board and ratified by the shareholders. | | reappointment, removal and fees of the external auditor. | **Auditor's Independence and Improving Audit Quality**<br><br>The company should establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.<br><br>"(A) External Auditor<br><br>The Audit Committee should have a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditor. The appointment, reappointment, removal, and fees of the external auditor should be recommended by the Audit Committee, approved by the Board and ratified by the shareholders. For removal of the external auditor, the reasons for removal or change should be disclosed to the regulators and the public through the company website and required disclosures.<br>The Audit Committee Charter should include the Audit Committee's responsibility on assessing the integrity and independence of external auditors and exercising effective oversight to review and monitor the |

| | | | |
|---|---|---|---|
| | | | external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements. The Charter should also contain the Audit Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.<br><br>The company should disclose the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest. The Audit Committee should be alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity." |
| 3. For removal of the external auditor, the reasons for removal or change are disclosed to the regulators and the public through the company website and required disclosures. | **COMPLIANT** | Provide information on or link/reference to a document containing the company's reason for removal or change of external auditor. | The same external auditor is retained prior to and in the first year from listing. |
| **Supplement to Recommendation 9.1** | | | |
| 1. Company has a policy of rotating the lead audit partner every five years. | **COMPLIANT** | Provide information on or link/reference to a document containing the policy of rotating the lead audit partner every five years. | The lead auditor of the company which audited the financial statements of the company changed last 2014 and it is still the current lead auditor of the company. |
| **Recommendation 9.2** | | | |
| 1. Audit Committee Charter includes the | **COMPLIANT** | Provide link/reference to the company's | The **Code of Corporate Governance** |

| | | | |
|---|---|---|---|
| Audit Committee's responsibility on:<br>i. assessing the integrity and independence of external auditors;<br>ii. exercising effective oversight to review and monitor the external auditor's independence and objectivity; and<br>iii. exercising effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements. | | Audit Committee Charter | Of MerryMart Consumer Corp. provides that:<br>"The Audit Committee shall consist of at least three (3) directors, who shall preferably have accounting and finance backgrounds, one of whom shall be an independent director and another with audit experience. The chair of the Audit Committee should be an independent director. The committee shall have the following functions:<br>a. 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;<br>b. Through the Internal Audit (IA) Department, monitors and evaluates the adequacy and effectiveness of the corporation'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 |
| 2. Audit Committee Charter contains the Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis. | **COMPLIANT** | Provide link/reference to the company's Audit Committee Charter | |

| | | | |
|---|---|---|---|
| | | | 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 (d) ensure compliance with applicable laws and regulations;<br><br>c. 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;<br><br>d. 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;<br><br>e. Reviews and monitors Management's responsiveness to the Internal Auditor's findings and recommendations;<br>f. 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;<br><br>g. 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 corporation'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 the corporation's Annual Report and Annual Corporate Governance Report;<br><br>h. Reviews and approves the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:<br><br>• Any change/s in accounting policies and practices<br>• Areas where a significant amount of judgment has been exercised<br>• Significant adjustments resulting from the audit<br>• Going concern assumptions<br>• Compliance with accounting standards |

| | | | |
|---|---|---|---|
| | | | • Compliance with tax, legal and regulatory requirements<br><br>i. Reviews the disposition of the recommendations in the External Auditor's management letter;<br><br>j. Performs oversight functions over the corporation's Internal and External Auditors. 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;<br><br>k. Coordinates, monitors and facilitates compliance with laws, rules and regulations;<br><br>l. Recommends to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an independent audit of the corporation, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders."<br><br>The Audit Committee meets with the Board without the presence of the CEO and periodically meets with the |
| | | | head of the internal audit. |

| Supplement to Recommendations 9.2 | | | |
|---|---|---|---|
| 1. Audit Committee ensures that the external auditor is credible, competent and has the ability to understand complex related party transactions, its counterparties, and valuations of such transactions. | **COMPLIANT** | Provide link/reference to the company's Audit Committee Charter | The **Code of Corporate Governance** of MerryMart Consumer Corp. provides that:<br><br>**(ii) The Audit Committee**<br><br>The Audit Committee shall consist of at least three (3) directors, who shall preferably have accounting and finance backgrounds, one of whom shall be an independent director and another with audit experience. The chair of the Audit Committee should be an independent director. The committee shall have the following functions:<br><br>c. Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal, and other risks of the Corporation. This function shall include regular receipt from Management of information on risk exposures and risk management activities;<br><br>d. 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; |

| | | | |
|---|---|---|---|
| | | | k. Through the Internal Audit (IA) Department, monitors and evaluates the adequacy and effectiveness of the corporation'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;<br><br>l. 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<br><br>m. 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<br><br>n. Reviews and monitors |

| | | | |
|---|---|---|---|
| | | | Management's responsiveness to the Internal Auditor's findings and recommendations;<br><br>o. Review the annual internal audit plan to ensure its conformity with the objectives of the Corporation. The plan shall include the audit scope, resources, and budget necessary to implement it;<br><br>p. 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;<br><br>q. 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 corporation'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 the corporation's Annual Report and Annual Corporate Governance Report; |

| | | | |
|---|---|---|---|
| | | | r. Reviews and approves the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:<br><br>• Any change/s in accounting policies and practices<br>• Areas where a significant amount ofjudgment has been exercised<br>• Significant adjustments resulting from the audit<br>• Going concern assumptions<br>• Compliance with accounting standards |

| | | | |
|---|---|---|---|
| 2. Audit Committee ensures that the external auditor has adequate quality control procedures. | **COMPLIANT** | Provide link/reference to the company's Audit Committee Charter | The **Code of Corporate Governance** of MerryMart Consumer Corp. provides that:<br><br>"The Audit Committee shall consist of at least three (3) directors, who shall preferably have accounting and finance backgrounds, one of whom shall be an independent director and another with audit experience. The chair of the Audit |

| | | |
|---|---|---|
| | | Committee should be an independent director. The committee shall have the following functions:<br><br>a. 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;<br><br>b. Through the Internal Audit (IA) Department, monitors and evaluates the adequacy and effectiveness of the corporation'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 (d) ensure compliance with applicable laws and regulations;<br><br>c. 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;<br><br>d. 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;<br><br>e. Reviews and monitors Management's responsiveness to the Internal Auditor's findings and recommendations;<br>f. 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;<br><br>g. 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 corporation'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 the corporation's Annual Report and Annual Corporate Governance Report;<br><br>h. Reviews and approves the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:<br><br>• Any change/s in accounting policies and practices<br>• Areas where a significant amount of judgment has been exercised<br>• Significant adjustments resulting from the audit | | |

| | | | |
|---|---|---|---|
| | | | • Going concern assumptions<br>• Compliance with accounting standards<br>• Compliance with tax, legal and regulatory requirements<br><br>k. Reviews the disposition of the recommendations in the External Auditor's management letter;<br><br>l. Performs oversight functions over the corporation'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;<br><br>o. Coordinates, monitors and facilitates compliance with laws, rules and regulations;<br><br>p. Recommends to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an independent audit of the corporation, and provides an objective assurance on the manner by which the financial |

| | | | |
|---|---|---|---|
| | | | statements should be prepared and presented to the stockholders.<br><br>The Audit Committee meets with the Board without the presence of the CEO and periodically meets with the head of the internal audit.<br><br>https://merrymart.com.ph/audit-charter.pdf |

| | | | |
|---|---|---|---|
| **Recommendation 9.3** | | | |
| 1. Company discloses the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest. | **COMPLIANT** | Disclose the nature of non-audit services performed by the external auditor, if any. | There are no non-audit services performed by the external auditor. |
| 2. Audit Committee stays alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity. | **COMPLIANT** | Provide link or reference to guidelines or policies on non-audit services | The **Code of Corporate Governance** Of MerryMart Consumer Corp. provides that the Audit Committee:<br><br>"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 corporation'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 the corporation's Annual Report and Annual Corporate Governance Report." |
| **Supplement to Recommendation 9.3** | | | |
| 1. Fees paid for non-audit services do not outweigh the fees paid for audit services. | **COMPLIANT** | Provide information on audit and non-audit fees paid. | The Audit Fees and Audit Related Fees of the External Auditor outweigh the all other fees. |

**Additional Recommendation to Principle 9**

| | | | |
|---|---|---|---|
| 1. Company's external auditor is duly accredited by the SEC under Group A category. | **COMPLIANT** | Provide information on company's external auditor, such as:<br><br>1. Name of the audit engagement partner;<br>2. Accreditation number;<br>3. Date Accredited;<br>4. Expiry date of accreditation; and<br>5. Name, address, contact number of the audit firm. | The company's external auditor is:<br><br>1. Daryl P. Virocel of R.G. Manabat & Co. (KPMG);<br>2. With Accreditation no. of 1386-AR-1;<br>3. Date Accredited: June 15, 2017;<br>4. Expiry Date of Accreditation: June 14, 2020; and<br>5. Name of Audit Firm: R.G. Manabat & Co.,<br>Address: The KPMG Center, 6787 Ayala Ave, Makati<br>Contact Number: (02) 885 7000 |
| 2. Company's external auditor agreed to be subjected to the SEC Oversight Assurance Review (SOAR) Inspection Program conducted by the SEC's Office of the General Accountant (OGA). | **COMPLIANT** | Provide information on the following:<br>1. Date it was subjected to SOAR inspection, if subjected;<br>2. Name of the Audit firm; and<br>3. Members of the engagement team inspected by the SEC. | Since R.G. Manabat & Co., audits listed companies it is subject to the SEC's SOAR inspection. However, it has yet to receive notification from the SEC for this matter. |

**Principle 10:** The company should ensure that the material and reportable non-financial and sustainability issues are disclosed.

**Recommendation 10.1**

| | | | |
|---|---|---|---|
| 1. Board has a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability. | **COMPLIANT** | Disclose or provide link on the company's policies and practices on the disclosure of non-financial information, including EESG issues. | The Code of Corporate Governance of MerryMart Consumer Corp., provides that:<br><br>"**Increasing Focus on Non-Financial and Sustainability Reporting**<br><br>MM ensures that the material and reportable non-financial and sustainability issues are disclosed. The Board should have a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability." |
| 2. Company adopts a globally recognized standard/framework in reporting sustainability and non-financial issues. | **COMPLIANT** | Provide link to Sustainability Report, if any. Disclose the standards used. | https://merrymart.com.ph/social-responsibility.pdf |
| | | | |
| **Principle 11:** The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users. | | | |
| **Recommendation 11.1** | | | |
| 1. Company has media and analysts' briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors. | **COMPLIANT** | Disclose and identify the communication channels used by the company (i.e., website, Analyst's briefing, Media briefings /press conferences, Quarterly reporting, Current reporting, etc.). Provide links, if any. | https://www.merrymart.com.ph/news |

| Supplemental to Principle 11 | | | |
|---|---|---|---|
| 1. Company has a website disclosing up-to-date information on the following: | **COMPLIANT** | Provide link to company website | www.merrymart.com.ph<br><br>Company disclosures there include:<br>a. Financial Statements<br>b. Press Releases<br>c. Annual Report<br>d. Notices and Minutes of ASM ( currently has a ready link in preparation for the conduct of the ASM).<br>e. Company's Articles of Incorporation |
| a. Financial statements/reports (latest quarterly) | **COMPLIANT** | | |
| b. Materials provided in briefings to analysts and media | **COMPLIANT** | | |
| c. Downloadable annual report | **COMPLIANT** | | |
| d. Notice of ASM and/or SSM | **NON-COMPLIANT** | | |
| e. Minutes of ASM and/or SSM | **NON-COMPLIANT** | | |
| f. Company's Articles of Incorporation and By-Laws | **COMPLIANT** | | |

| | | | |
|---|---|---|---|
| **Additional Recommendation to Principle 11** | | | |
| 1. Company complies with SEC-prescribed website template. | **COMPLIANT** | | Pursuant to SEC Memorandum Circular No. 11 Series of 2014 providing for the template for publicly-listed companies' website, MM has complied with such and its website is:<br><br>https://www.merrymart.com.ph/ |
| **Internal Control System and Risk Management Framework** | | | |
| **Principle 12:** To ensure the integrity, transparency and proper governance in the conduct of its affairs, the company should have a strong and effective internal control system and enterprise risk management framework. | | | |
| **Recommendation 12.1** | | | |
| 1. Company has an adequate and effective internal control system in the conduct of its business. | **COMPLIANT** | List quality service programs for the internal audit functions.<br><br>Indicate frequency of review of the internal control system | The Code of Corporate Governance of MerryMart Consumer Corp., provides:<br><br>**"XII. Strengthening the Internal Control System and Enterprise Risk Management Framework**<br><br>A. To ensure the integrity, transparency and proper governance |

| | | | |
|---|---|---|---|
| | | | in the conduct of its affairs, MM shall have a strong and effective internal control system and enterprise risk management framework. MM shall observe the following:<br><br>ii. MM shall have in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the company's operations. The following are the functions of the internal audit, among others:<br><br>a. Provides an independentrisk-based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control processes in (1) promoting the right values and ethics, (2) ensuring effective performance management and accounting in the organization, (3) communicating risk and control information, and (4) coordinating the activities and information among the Board, external and internal auditors, and Management;<br><br>b. Performs regular and special audit as contained in the annual audit plan and/or based on the company's risk assessment; |

| | | | |
|---|---|---|---|
| | | | c. Performs consulting and advisory services related to governance and control as appropriate for the organization;<br><br>d. Performs compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;<br><br>e. Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the company;<br><br>f. Evaluates operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned;<br><br>g. Evaluates specific operations at the request of the Board or Management, as appropriate; and<br><br>h. Monitors and evaluates governance processes."<br><br>During the course of the company operations, the frequency of the review will be determined for this policy. |

| | | | |
|---|---|---|---|
| 2. Company has an adequate and effective enterprise risk management framework in the conduct of its business. | **COMPLIANT** | Identify international framework used for Enterprise Risk Management<br><br>Provide information or reference to a document containing information on:<br><br>1. Company's risk management procedures and processes<br>2. Key risks the company is currently facing<br>3. How the company manages the key risks<br><br>Indicate frequency of review of the enterprise risk management framework. | The Code of Corporate Governance of MerryMart Consumer Corp., provides:<br><br>**C. Enterprise Management System**<br><br>MM shall establish a separate, effective enterprise risk management function to identify, assess and monitor key risk exposures. The risk management function involves the following activities, among others:<br><br>a. Defining a risk management strategy;<br>b. Identifying and analyzing key risk exposures relating to economic, environmental, social and governance (EESG) factors and the achievement of the organization's strategic objectives;<br>c. Evaluating and categorizing each identified risk using the |

| | | | |
|---|---|---|---|
| | | | Company's predefined risk categories and parameters;<br>d. Establishing a risk register with clearly defined, prioritized and residual risks;<br>e. Developing, a risk mitigation plan for the most important risks to the Company, as defined by the risk management strategy;<br>f. Communicating and reporting significant risk exposures including business risks (i.e., strategic, compliance, operational, financial and reputational risks), control issues and risk mitigation plan to the Board Risk Oversight Committee; and<br>g. Monitoring and evaluating the effectiveness of the organization's risk management processes. |
| **Supplement to Recommendations 12.1** | | | |
| 1. Company has a formal comprehensive enterprise-wide compliance program covering compliance with laws and relevant regulations that is annually reviewed. The program includes appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances. | **COMPLIANT** | Provide information on or link/ reference to a document containing the company's compliance program covering compliance with laws and relevant regulations.<br><br>Indicate frequency of review. | The company is complying with the SEC Rules on all the requirements to be submitted by a publicly-listed corporation (e.g. submission of the Annual Corporate Governance Report). |

| | | | |
|---|---|---|---|
| **Optional: Recommendation 12.1** | | | |
| 1. Company has a governance process on IT issues including disruption, cyber security, and disaster recovery, to ensure that all key risks are identified, managed and reported to the board. | **COMPLIANT** | Provide information on IT governance process | The company has an IT governance process providing that for any disruption, there is an immediate troubleshoot to the company's servers/systems as well as assist and inform the users. For disaster recovery, the IT department of the company has a daily back-up using Net backup and a High Availability Disaster Recovery (HADR) which is located at PLDT E-Vitro in Pasig to avoid any data loss. For the company email, Equicom is a third-party service provider for troubleshooting and data security for all the emails.<br><br>For any cyber-related issues there are web protection and security application to every computer issued by the company to restrict and avoid any malicious websites. |
| **Recommendation 12.2** | | | |
| 1. Company has in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the company's operations. | **COMPLIANT** | Disclose if the internal audit is in-house or outsourced. If outsourced, identify external firm. | The internal audit is in-house. |
| **Recommendation 12.3** | | | |
| 1. Company has a qualified Chief Audit Executive (CAE) appointed by the Board. | **COMPLIANT** | Identify the company's Chief Audit Executive (CAE) and provide information | The Chief Audit Executive is Ms. Alona Gison. Her responsibility is to monitor |

| | | | |
|---|---|---|---|
| | | on or reference to a document containing his/her responsibilities. | and evaluate the adequacy of effectiveness of the company's internal control system, integrity of financial reporting, and security of physical and information assets. |
| 2. CAE oversees and is responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider. | **COMPLIANT** | | |
| 3. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel is assigned the responsibility for managing the fully outsourced internal audit activity. | **COMPLIANT** | Identify qualified independent executive or senior management personnel, if applicable. | The qualified independent executive is Ms. Alona Gison. |
| **Recommendation 12.4** | | | |
| 1. Company has a separate risk management function to identify, assess and monitor key risk exposures. | **COMPLIANT** | Provide information on company's risk management function. | The Code of Corporate Governance of MerryMart Consumer Corp., provides:<br><br>**"Enterprise Management System**<br><br>MM shall establish a separate, effective enterprise risk management function to identify, assess and monitor key risk exposures. The risk management function involves the following activities, among others:<br><br>a. Defining a risk management strategy;<br>b. Identifying and analyzing key risk exposures relating to economic, environmental, |

| | | | |
|---|---|---|---|
| | | | social and governance (EESG) factors and the achievement of the organization's strategic objectives;<br>c. Evaluating and categorizing each identified risk using the Company's predefined risk categories and parameters;<br>d. Establishing a risk register with clearly defined, prioritized and residual risks;<br>e. Developing, a risk mitigation plan for the most important risks to the Company, as defined by the risk management strategy;<br>f. Communicating and reporting significant risk exposures including business risks (i.e., strategic, compliance, operational, financial and reputational risks), control issues and risk mitigation plan to the Board Risk Oversight Committee; and<br>g. Monitoring and evaluating the effectiveness of the organization's risk management processes. " |
| **Supplement to Recommendation 12.4** | | | |
| 1. Company seeks external technical support in risk management when such competence is not available internally. | **COMPLIANT** | Identify source of external technical support, if any. | The company seeks external technical support such as the Traffic Impact Assessment Study and Asian Appraisal should the project requires it. |

| | | | |
|---|---|---|---|
| **Recommendation 12.5** | | | |
| 1. In managing the company's Risk Management System, the company has a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM). | **NON - COMPLIANT** | Identify the company's Chief Risk Officer (CRO) and provide information on or reference to a document containing his/her responsibilities and qualifications/background. | Currently, the Company has not designated a Chief Risk Officer. However, the Company's Code of Corporate Governance provides that the Company shall have a Risk Officer-in-Charge who is the ultimate champion of Enterprise Risk Management (ERM) and has adequate authority, stature, resources and support to fulfill his/her responsibilities, subject to company's size, risk profile and complexity of operations. |
| 2. CRO has adequate authority, stature, resources and support to fulfill his/her responsibilities. | **NON - COMPLIANT** | | |
| **Additional Recommendation to Principle 12** | | | |
| 1. Company's Chief Executive Officer and Chief Audit Executive attest in writing, at least annually, that a sound internal audit, control and compliance system is in place and working effectively. | **NON-COMPLIANT** | Provide link to CEO and CAE's attestation | In this I-ACGR, the CEO AND CAE assure that there is a sound internal audit, control and compliance system that is in place and working effectively. |
| **Cultivating a Synergic Relationship with Shareholders** | | | |
| **Principle 13:** The company should treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights. | | | |
| **Recommendation 13.1** | | | |
| 1. Board ensures that basic shareholder rights are disclosed in the Manual on Corporate Governance. | **COMPLIANT** | Provide link or reference to the company's Manual on Corporate Governance where shareholders' rights are disclosed. | The Code of Corporate Governance of MerryMart Consumer Corp., provides:<br><br>**"Promoting Shareholder Rights** |

| | | | |
|---|---|---|---|
| | | | MM shall treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.<br><br>(i) It shall be the duty of the Board to promote shareholder rights, remove impediments to the exercise of shareholder rights and allow possibilities to seek redress for violation of their rights. The Board shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. The Board shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The Board shall pave the way for electronic filing and distribution of shareholder information necessary to make informed decisions, subject to legal constraints.<br><br>(ii) In addition to the sending of notices, open communications shall be maintained with stockholders to encourage them to personally attend the stockholders' meeting. If they cannot attend, they shall be apprised ahead of time of their right to appoint a proxy. The Board shall encourage active shareholder participation by sending the Notice of Annual and |

| | | | |
|---|---|---|---|
| | | | Special Shareholders' Meeting with sufficient and relevant information at least twenty eight (28) business days before the meeting.<br><br>(iii) The Board shall encourage active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day. In addition, the Minutes of the Annual and Special Shareholders' Meeting shall be available on the Company website within five (5) business days from the end of the meeting.<br><br>(iv) The Board shall commit to respect the following rights of the stockholders:<br><br>a. Voting Rights<br>b. Pre-emptive Right<br>c. Right of Inspection<br>d. Right to Information<br>e. Right to Dividend<br>f. Appraisal Right<br><br>(v) It is the responsibility of the Board of Directors to establish an alternative dispute resolution system to settle intra-corporate disputes in an amicable and effective manner. As such, the Board of Directors normally engages the services of a neutral third party to assist in the resolution of issues |

| | | | |
|---|---|---|---|
| | | | between MM and stockholders, third parties and regulatory authorities. The alternative dispute resolution system may include arbitration, mediation, conciliation, early neutral evaluation, mini-trial, or any combination thereof, as MM and the circumstances sees fit. Consideration is given to the need to promote candor through confidentiality of the process, the policy of fostering prompt, economical, and amicable resolution of disputes in accordance with the principles of integrity of determination by the parties, and the policy that the decision-making authority in the process rests with the parties.<br><br>(vi) MM shall establish an Investor Relations Office (IRO) to facilitate constant engagement with its shareholders. The IRO shall be present at every shareholders' meeting.<br><br>**<u>DUTIES TO STAKEHOLDERS</u>**<br><br>**XIV. Respecting Rights of Stakeholders and Effective Redress for Violation of Stakeholder's Rights**<br><br>The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' |

| | | | |
|---|---|---|---|
| | | | rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.<br><br>(i) The Board should identify the company's various stakeholders and promote cooperation between them and the company in creating wealth, growth and sustainability.<br>(ii) The Board should establish clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.<br><br>(iii) The Board should adopt a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights." |
| 2. Board ensures that basic shareholder rights are disclosed on the company's website. | **COMPLIANT** | Provide link to company's website | |
| **Supplement to Recommendation 13.1** | | | |
| 1. Company's common share has one vote for one share. | **COMPLIANT** | | The Company's common share has one (1) vote for one share. |
| 2. Board ensures that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights. | **COMPLIANT** | Provide information on all classes of shares, including their voting rights if any. | There is only one (1) class of shares, enjoying the same voting rights. |

| | | | |
|---|---|---|---|
| 3. Board has an effective, secure, and efficient voting system. | **NON-COMPLIANT** | Provide link to voting procedure. Indicate if voting is by poll or show of hands. | The Board voting system is by poll but the provided on the website once the ASM will be conducted by the Company for this year. |
| 4. Board has an effective shareholder voting mechanisms such as supermajority or "majority of minority" requirements to protect minority shareholders against actions of controlling shareholders. | **NON - COMPLIANT** | Provide information on shareholder voting mechanisms such as supermajority or "majority of minority", if any. | There is no voting mechanism that requires "supermajority" or "Majority of minority". |
| 5. Board allows shareholders to call a special shareholders' meeting and submit a proposal for consideration or agenda item at the AGM or special meeting. | **COMPLIANT** | Provide information on how this was allowed by board (i.e., minutes of meeting, board resolution) | Shareholders meeting, for any purpose or purposes, may be called by any of the following: (a) Board of Directors, at its own instance, or by (b) President. |
| 6. Board clearly articulates and enforces policies with respect to treatment of minority shareholders. | **COMPLIANT** | Provide information or link/reference to the policies on treatment of minority shareholders | The Code of Corporate Governance of MerryMart Consumer Corp., provides:<br><br>**Promoting Shareholder Rights**<br><br>"MM shall treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights." |
| 7. Company has a transparent and specific dividend policy. | **COMPLIANT** | Provide information on or link/reference to the company's dividend Policy.<br><br>Indicate if company declared dividends. If yes, indicate the number of days within which the dividends were paid after declaration. In case the company has offered scrip-dividends, indicate if the | https://merrymart.com.ph/upload/dividend-policy.pdf |

| | | | |
|---|---|---|---|
| | | company paid the dividends within 60 days from declaration | |
| **Optional: Recommendation 13.1** | | | |
| 1. Company appoints an independent party to count and/or validate the votes at the Annual Shareholders' Meeting. | **COMPLIANT** | Identify the independent party that counted/validated the votes at the ASM, if any. | The company intends to have the Votes bvalidated and counted by the company's Stock and Transfer Agent, Rizal Commercial Banking Corporation, as adjoined by its Auditors, KPMG R.G. Manabat & Co. |
| **Recommendation 13.2** | | | |
| 1. Board encourages active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 28 days before the meeting. | **COMPLIANT** | Indicate the number of days before the annual stockholders' meeting or special stockholders' meeting when the notice and agenda were sent out<br><br>Indicate whether shareholders' approval of remuneration or any changes therein were included in the agenda of the meeting.<br><br>Provide link to the Agenda included in the company's Information Statement (SEC Form 20-IS) | The Code of Corporate Governance of MerryMart Consumer Corp provides twenty-eight (28) days. |
| **Supplemental to Recommendation 13.2** | | | |
| 1. Company's Notice of Annual Stockholders' Meeting contains the following information: | **NON-COMPLIANT** | Provide link or reference to the company's notice of Annual Shareholders' Meeting | The ASM is yet to be set and conducted for the first year.<br><br>The information mentioned in the recommendation will be included in the Notice of the ASM. |
| a. The profiles of directors (i.e., age, academic qualifications, date of first appointment, experience, and directorships in other listed companies) | **NON-COMPLIANT** | | |
| b. Auditors seeking appointment/re-appointment | **NON-COMPLIANT** | | |

| | | | |
|---|---|---|---|
| c. Proxy documents | **NON-COMPLIANT** | | |
| **Optional: Recommendation 13.2** | | | |
| 1. Company provides rationale for the agenda items for the annual stockholders meeting | **NON-COMPLIANT** | Provide link or reference to the rationale for the agenda items | The Company Disclosures on the website has a ready link for the upload of the minutes for the conduct of the ASM in this first year. |
| **Recommendation 13.3** | | | |
| 1. Board encourages active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day. | **NON-COMPLIANT** | Provide information or reference to a document containing information on all relevant questions raised and answers during the ASM and special meeting and the results of the vote taken during the most recent ASM/SSM. | The Company Disclosures on the website has a ready link for the upload of the.minutes to contain the information, once the ASM is conducted. |
| 2. Minutes of the Annual and Special Shareholders' Meetings were available on the company website within five business days from the end of the meeting. | **NON-COMPLIANT** | Provide link to minutes of meeting in the company website.<br><br>Indicate voting results for all agenda items, including the approving, dissenting and abstaining votes.<br><br>Indicate also if the voting on resolutions was by poll.<br><br>Include whether there was opportunity to ask question and the answers given, if any | |

| | | | |
|---|---|---|---|
| **Supplement to Recommendation 13.3** | | | |
| 1. Board ensures the attendance of the external auditor and other relevant individuals to answer shareholders questions during the ASM and SSM. | **COMPLIANT** | Indicate if the external auditor and other relevant individuals were present during the ASM and/or special meeting | Yes. The external auditor and other relevant individuals were present during the ASM. |
| **Recommendation 13.4** | | | |
| 1. Board makes available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner. | **COMPLIANT** | Provide details of the alternative dispute resolution made available to resolve intra-corporate disputes | The **Code of Corporate Governance** of MerryMart Consumer Corp., provides:<br><br>**General Responsibility**<br><br>"Establish and maintain an alternative dispute resolution system in the corporation that can amicably settle conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including the regulatory authorities."<br><br>**Promoting Shareholder Rights**<br><br>"It is the responsibility of the Board of Directors to establish an alternative dispute resolution system to settle intra-corporate disputes in an amicable and effective manner. As such, the Board of Directors normally engages the services of a neutral third party to assist in the resolution of issues between MM and stockholders, third parties and regulatory authorities. The alternative dispute resolution system may include arbitration, mediation, conciliation, early neutral evaluation, mini-trial, or any |
| 2. The alternative dispute mechanism is included in the company's Manual on Corporate Governance. | **COMPLIANT** | Provide link/reference to where it is found in the Manual on Corporate Governance | |

| | | | |
|---|---|---|---|
| | | | combination thereof, as MM and the circumstances sees fit. Consideration is given to the need to promote candor through confidentiality of the process, the policy of fostering prompt, economical, and amicable resolution of disputes in accordance with the principles of integrity of determination by the parties, and the policy that the decision-making authority in the process rests with the parties." |
| **Recommendation 13.5** | | | |
| 1. Board establishes an Investor Relations Office (IRO) to ensure constant engagement with its shareholders. | **COMPLIANT** | Disclose the contact details of the officer/office responsible for investor relations, such as:<br>1. Name of the person<br>2. Telephone number<br>3. Fax number<br>4. E-mail address | 1. Marriana H. Yulo<br>2.+632 8743 1111<br>3. +632 8743 1111<br>4. mhy@merrymart.com.ph |
| 2. IRO is present at every shareholder's meeting. | **COMPLIANT** | Indicate if the IRO was present during the ASM. | Yes, the IRO was present during the ASM. |
| **Supplemental Recommendations to Principle 13** | | | |
| 1. Board avoids anti-takeover measures or similar devices that may entrench ineffective management or the existing controlling shareholder group | **COMPLIANT** | Provide information on how anti-takeover measures or similar devices were avoided by the board, if any. | The anti-takeover measures or similar devices were avoided by allowing stockholders to participate and exercise their voting rights and their right to be voted upon, as well as increase their shareholdings. |
| 2. Company has at least thirty percent (30%) public float to increase liquidity in the market. | **NON-COMPLIANT** | Indicate the company's public float. | 20.80%<br>(a |
| **Optional: Principle 13** | | | |

| | | | |
|---|---|---|---|
| 1. Company has policies and practices to encourage shareholders to engage with the company beyond the Annual Stockholders' Meeting | | Disclose or provide link/reference to policies and practices to encourage shareholders' participation beyond ASM | |
| 2. Company practices secure electronic voting in absentia at the Annual Shareholders' Meeting. | | Disclose the process and procedure for secure electronic voting in absentia, if any. | |

| **Duties to Stakeholders** | | | |
|---|---|---|---|
| **Principle 14:** The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights. | | | |
| **Recommendation 14.1** | | | |
| 1. Board identifies the company's various stakeholders and promotes cooperation between them and the company in creating wealth, growth and sustainability. | **COMPLIANT** | Identify the company's shareholder and provide information or reference to a document containing information on the company's policies and programs for its stakeholders. | The **Code of Corporate Governance** of MerryMart Consumer Corp.., provides:<br><br>**Promoting Shareholder Rights**<br><br>"MM shall treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.<br><br>(i) It shall be the duty of the Board to promote shareholder rights, remove impediments to the exercise of shareholder rights and allow possibilities to seek redress for violation of their rights. The Board shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. The Board shall be instrumental in removing excessive costs |

| | | | |
|---|---|---|---|
| | | | and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The Board shall pave the way for electronic filing and distribution of shareholder information necessary to make informed decisions, subject to legal constraints.<br><br>(ii) In addition to the sending of notices, open communications shall be maintained with stockholders to encourage them to personally attend the stockholders' meeting. If they cannot attend, they shall be apprised ahead of time of their right to appoint a proxy. The Board shall encourage active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least twenty eight (28) business days before the meeting.<br><br>(iii) The Board shall encourage active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day. In addition, the Minutes of the Annual and Special Shareholders' Meeting shall be available on the Company website within five (5) business days from the end of the meeting.<br><br>(iv) The Board shall commit to respect the following rights of the stockholders: |

| | | | |
|---|---|---|---|
| | | | a. Voting Rights<br>b. Pre-emptive Right<br>c. Right of Inspection<br>d. Right to Information<br>e. Right to Dividend<br>f. Appraisal Right<br><br>(v) It is the responsibility of the Board of Directors to establish an alternative dispute resolution system to settle intra-corporate disputes in an amicable and effective manner. As such, the Board of Directors normally engages the services of a neutral third party to assist in the resolution of issues between MM and stockholders, third parties and regulatory authorities. The alternative dispute resolution system may include arbitration, mediation, conciliation, early neutral evaluation, mini-trial, or any combination thereof, as MM and the circumstances sees fit. Consideration is given to the need to promote candor through confidentiality of the process, the policy of fostering prompt, economical, and amicable resolution of disputes in accordance with the principles of integrity of determination by the parties, and the policy that the decision-making authority in the process rests with the parties.<br>(vi) shall establish an Investor Relations Office (IRO) to facilitate constant engagement with its shareholders. The IRO shall be present at every shareholders' meeting. |

| | | | |
|---|---|---|---|
| | | | **DUTIES TO STAKEHOLDERS**<br><br>**Respecting Rights of Stakeholders and Effective Redress for Violation of Stakeholder's Rights**<br><br>"The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.<br><br>(i) The Board should identify the company's various stakeholders and promote cooperation between them and the company in creating wealth, growth and sustainability.<br><br>(ii) The Board should establish clearpolicies and programs to provide a mechanism on the fair treatment and protection of stakeholders.<br><br>(iii) The Board should adopt a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights." |

| Recommendation 14.2 | | | |
|---|---|---|---|
| 1. Board establishes clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders. | **COMPLIANT** | Identify policies and programs for the protection and fair treatment of company's stakeholders | The **Code of Corporate Governance** of MerryMart Consumer Corp. provides:<br><br>**Promoting Shareholder Rights**<br><br>"MM shall treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.<br><br>(i) It shall be the duty of the Board to promote shareholder rights, remove impediments to the exercise of shareholder rights and allow possibilities to seek redress for violation of their rights. The Board shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. The Board shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The Board shall pave the way for electronic filing and distribution of shareholder information necessary to make informed decisions, subject to legal constraints.<br>(ii) In addition to the sending of notices, open communications shall be maintained with stockholders to encourage them to personally attend the stockholders' meeting. If they cannot attend, they shall be apprised ahead of time of their right to appoint a proxy. The Board shall |

| | | | |
|---|---|---|---|
| | | | encourage active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least twenty eight (28) business days before the meeting.<br><br>(iii) The Board shall encourage active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day. In addition, the Minutes of the Annual and Special Shareholders' Meeting shall be available on the Company website within five (5) business days from the end of the meeting.<br><br>(iv) The Board shall commit to respect the following rights of the stockholders:<br><br>a. Voting Rights<br>b. Pre-emptive Right<br>c. Right of Inspection<br>d. Right to Information<br>e. Right to Dividend<br>f. Appraisal Right<br><br>(v) It is the responsibility of the Board of Directors to establish an alternative dispute resolution system to settle intra-corporate disputes in an amicable and effective manner. As such, the Board of Directors normally engages the services of a neutral third party to assist in the resolution of issues |

| | | | |
|---|---|---|---|
| | | | between MM and stockholders, third parties and regulatory authorities. The alternative dispute resolution system may include arbitration, mediation, conciliation, early neutral evaluation, mini-trial, or any combination thereof, as MM and the circumstances sees fit. Consideration is given to the need to promote candor through confidentiality of the process, the policy of fostering prompt, economical, and amicable resolution of disputes in accordance with the principles of integrity of determination by the parties, and the policy that the decision-making authority in the process rests with the parties.<br><br>(vi) MM shall establish an Investor Relations Office (IRO) to facilitate constant engagement with its shareholders. The IRO shall be present at every shareholders' meeting."<br><br>**DUTIES TO STAKEHOLDERS**<br><br>**Respecting Rights of Stakeholders and Effective Redress for Violation of Stakeholder's Rights**<br><br>The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of |

| | | | |
|---|---|---|---|
| | | | their rights.<br><br>(i) The Board should identify the company's various stakeholders and promote cooperation between them and the company in creating wealth, growth and sustainability.<br><br>(ii) The Board should establish clearpolicies and programs to provide a mechanism on the fair treatment and protection of stakeholders.<br><br>(iii) The Board should adopt a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights." |

| Recommendation 14.3 | | | |
|---|---|---|---|
| 1. Board adopts a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights. | **COMPLIANT** | Provide the contact details (i.e., name of contact person, dedicated phone number or e-mail address, etc.) which stakeholders can use to voice their concerns and/or complaints for possible violation of their rights.<br><br>Provide information on whistleblowing policy, practices and procedures for stakeholders | The Investor Relations Department with contact number +632 8743 1111<br><br>The policy on Whistle-blowing adopted is published on the website, as follows:<br><br>[https://merrymart.com.ph/whistleblowing-policy.pdf](https://merrymart.com.ph/whistleblowing-policy.pdf) |

| Supplement to Recommendation 14.3 | | | |
|---|---|---|---|
| 1. Company establishes an alternative dispute resolution system so that conflicts and differences with key stakeholders is settled in a fair and expeditious manner. | **COMPLIANT** | Provide information on the alternative dispute resolution system established by the company. | The **Code of Corporate Governance** of MerryMart Consumer Corp., provides that:<br><br>"It is the responsibility of the Board of Directors to establish an alternative dispute resolution system to settle intra-corporate disputes in an amicable and effective manner. As such, the Board of Directors normally engages the services of a neutral third party to assist in the resolution of issues between MM and stockholders, third parties and regulatory authorities. The alternative dispute resolution system may include arbitration, mediation, conciliation, early neutral evaluation, mini-trial, or any combination thereof, as MM and the circumstances sees fit. Consideration is given to the need to promote candor through confidentiality of the process, the policy of fostering prompt, economical, and amicable resolution of disputes in accordance with the principles of integrity of determination by the parties, and the policy that the decision-making authority in the process rests with the parties." |

| | | | |
|---|---|---|---|
| **Additional Recommendations to Principle 14** | | | |
| 1. Company does not seek any exemption from the application of a law, rule or regulation especially when it refers to a corporate governance issue. If an exemption was sought, the company discloses the reason for such action, as well as presents the specific steps being taken to finally comply with the applicable law, rule or regulation. | **COMPLIANT** | Disclose any requests for exemption by the company and the reason for the request. | |
| 2. Company respects intellectual property rights. | **COMPLIANT** | Provide specific instances, if any. | |
| **Optional: Principle 14** | | | |
| 1. Company discloses its policies and practices that address customers' welfare | **COMPLIANT** | Identify policies, programs and practices that address customers' welfare or provide link/reference to a document containing the same. | Concerns of customers can be conveyed to the company through its Customer Care. |
| 2. Company discloses its policies and practices that address supplier/contractor selection procedures | **COMPLIANT** | Identify policies, programs and practices that address supplier/contractor selection procedures or provide link/reference to a document containing the same. | The company has adopted a policy on the accreditation and selection of suppliers and contractors through bidding. |
| | | | |
| **Principle 15:** A mechanism for employee participation should be developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes. | | | |
| **Recommendation 15.1** | | | |

| | | | |
|---|---|---|---|
| 1. Board establishes policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance. | **COMPLIANT** | Provide information on or link/reference to company policies, programs and procedures that encourage employee participation. | The **Code of Corporate Governance** of provides:<br><br>**Encouraging Employees' Participation**<br><br>"A mechanism for employee participation should be developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes.<br><br>(i) The Board should establish policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance.<br><br>(ii) The Board should set the tone and make a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct. Further, the Board should disseminate the policy and program to employees across the organization through trainings to embed them in the company's culture.<br><br>(iii) The Board should establish a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns. The |

| | | | |
|---|---|---|---|
| | | | Board should be conscientious in establishing the framework, as well as in supervising and ensuring its enforcement." |
| **Supplement to Recommendation 15.1** | | | |
| 1. Company has a reward/compensation policy that accounts for the performance of the company beyond short-term financial measures. | **NON-COMPLIANT** | Disclose if company has in place a merit-based performance incentive mechanism such as an employee stock option plan (ESOP) or any such scheme that awards and incentivizes employees, at the same time aligns their interests with those of the shareholders. | . |
| 2. Company has policies and practices on health, safety and welfare of its employees. | **COMPLIANT** | Disclose and provide information on policies and practices on health, safety and welfare of employees. Include statistics and data, if any. | https://merrymart.com.ph/Health&Safety.pdf |
| 3. Company has policies and practices on training and development of its employees. | **COMPLIANT** | Disclose and provide information on policies and practices on training and development of employees. Include information on any training conducted or attended. | The company facilitates training and Development of employees through update of skills and knowledge.<br><br>https://merrymart.com.ph/safety-training.pdf |

| | | | |
|---|---|---|---|
| **Recommendation 15.2** | | | |
| 1. Board sets the tone and makes a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct. | **COMPLIANT** | Identify or provide link/reference to the company's policies, programs and practices on anti-corruption | The **Code of Corporate Governance** of MerryMart Consumer Corp., provides:<br><br>**Encouraging Employees' Participation**<br><br>"The Board should set the tone and make a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct. Further, the Board should disseminate the policy and program to employees across the organization through trainings to embed them in the company's culture." |
| 2. Board disseminates the policy and program to employees across the organization through trainings to embed them in the company's culture. | **COMPLIANT** | Identify how the board disseminated the policy and program to employees across the organization | The initial policy against receipt of gifts for third parties and the need to surrender of any Christmas gifts to the Human Resources was disseminated through the organization through electronic mail. |
| **Supplement to Recommendation 15.2** | | | |
| 1. Company has clear and stringent policies and procedures on curbing and penalizing employee involvement in offering, paying and receiving bribes. | **COMPLIANT** | Identify or provide link/reference to the company policy and procedures on penalizing employees involved in corrupt practices. Include any finding of violations of the company policy. | The Code of Business Ethics provides on receiving gifts from third parties that:<br><br>"Every employee must perform his duties in accordance with the highest ethical and professional standards of the Company with diligence of a good father of a family. Further, receipt of gifts from third parties must at all times be dealt with in a prudent manner."<br><br>https://merrymart.com.ph/code-of-ethics.pdf |

| Recommendation 15.3 | | | |
|---|---|---|---|
| 1. Board establishes a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation | **COMPLIANT** | Disclose or provide link/reference to the company whistle-blowing policy and procedure for employees.<br><br>Indicate if the framework includes procedures to protect the employees from retaliation.<br><br>Provide contact details to report any illegal or unethical behavior. | Section 5 of the Whistle-Blowing Policy provides that:<br><br>"PROTECTION OF AND REMEDIES OF A WHISTLE-BLOWER<br>5.1 For this policy to be effective, the concerned parties must be adequately assured that the information given will be treated in a confidential manner and, above all, that they will be protected against retaliation from within or without the Company. The Company will maintain as confidential the whistle-blower's identity unless: xxxxx<br>5.2 Retaliation against any whistleblower shall not be permitted."<br><br>Section 2 , on Purpose of the Policy, provides:<br><br>" xxxx The other aims if this Policy are:<br><br>a) To provide an avenue for raising concerns related to corruption, fraud and other misconduct."<br><br>Further, in Section 5, the Policy commits to the whistle-blower the help of the President and the Managing Director under certain circumstances:<br><br>"xxxxx the President or his duly authorized representative, subject to the Company's rules and regulations, shall guarantee the confidentiality of the identity an individual who submits a |
| 2. Board establishes a suitable framework for whistleblowing that allows employees to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns. | **COMPLIANT** | | |
| 3. Board supervises and ensures the enforcement of the whistleblowing framework. | **COMPLIANT** | Provide information on how the board supervised and ensured enforcement of the whistleblowing framework, including any incident of whistleblowing. | |

| | | | |
|---|---|---|---|
| | | | whistle-blowing complaint or is a witness in an investigation;<br>xxxxx<br>c) Where a party external to the Company reasonably believes he or she is threatened with retaliation because he or she assisted in an investigation or an audit by the Company, the Managing Director, on the recommendation of the President or his duly authorized representative, shall commit the Company to provide reasonable and appropriate assistance to secure that party's protection." |

| | | | |
|---|---|---|---|
| **Principle 16:** The company should be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development. | | | |
| **Recommendation 16.1** | | | |
| 1. Company recognizes and places importance on the interdependence between business and society, and promotes a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates. | **COMPLIANT** | Provide information or reference to a document containing information on the company's community involvement and environment-related programs. | The Code of Corporate Governance<br><br>"The company should be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.<br><br>The company should recognize and place an importance on the interdependence between business and society, and promote a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates." |
| **Optional: Principle 16** | | | |
| 1. Company ensures that its value chain is environmentally friendly or is consistent with promoting sustainable development | **COMPLIANT** | Identify or provide link/reference to policies, programs and practices to ensure that its value chain is environmentally friendly or is consistent with promoting sustainable development. | https://merrymart.com.ph/social-responsibility.pdf |
| 2. Company exerts effort to interact positively with the communities in which it operates | **COMPLIANT** | Identify or provide link/reference to policies, programs and practices to | The Company has signed a Corporate Social Responsibility Partnership deal with |

| | | | |
|---|---|---|---|
| | | interact positively with the communities in which it operates. | Jollibee Group Foundation on June 27, 2019 to support its programs, primarily the Farmer Entrepreneurship Program. This program aims to increase the capabilities of smallholder farmers as well as enhance their income by linking them to the supply chain of institutional markets such as Jollibee and MerryMart. All MerryMart supermarkets nationwide will also host the foundation's coin banks for its Busog Lusog Talino school feeding program across the country |

Pursuant to the requirement of the Securities and Exchange Commission (SEC), this Integrated Annual Corporate Governance Report of the MerryMart Consumer Corp.(Company) is signed by the undersigned in PASAY CITY on MAY 14 2021.

**EDGAR J. SIA II**
**Chairman**

**FERDINAND J. SIA**
**President**

**JOSE ROELPH E. DESALES**
**Compliance Officer**

**ATTY. JACQUELINE ANN MARIE O. GOMEZ**
**Corporate Secretary**

ATTY. VICTORIA R. TAMAYAO
Independent Director

GARY P. CHENG
Independent Director

SUBSCRIBED AND SWORN to before me this MAY 14 2021, Affiants exhibited to me the following competent evidence of Identity, as follows:

| Name | Passport/ID | Valid Until | Issued At |
|---|---|---|---|
| EDGAR J. SIA II | P2057771A | February 27, 2022 | DFA Manila |
| FERDINAND J. SIA | P7882199A | July 10, 2028 | DFA Manila |
| JOSE ROELPH E. DESALES | F04-95-027676 | April 2, 2024 | LTO Manila |
| JACQUELINE ANN MARIE O. GOMEZ | P6783876A | April 16, 2028 | DFA Manila |
| VICTORIA R. TAMAYAO | P7676941A | 6/25/2028 | DFA Manila |
| GARY P. CHENG | P7178698A | 5/15/2028 | DFA Manila |

Doc. No. 358
Page No. 73
Book No. 4
Series of 2021

ERIKA ESTELA G. CUSI
Notary Public for Pasay
Until December 31, 2021
Commission No.
Roll No. 63306
IBP Lifetime Member No. 012614 03/28/2014
PTR No. 7358012 01/04/2021/Pasay City
DoubleDragon Headquarters, 10th Floor, Tower 1
DoubleDragon Plaza, DD Meridian Park
Cor. Macapagal Avenue & EDSA Ext., Bay Area Pasay

SUSTAINABILITY REPORT

## Contextual Information

| **Company Details** | |
|---|---|
| Name of Organization | **MerryMart Consumer Corp.** ("MM" or the "Company") |
| Location of Headquarters | 9th Floor, Tower 1, DoubleDragon Plaza, EDSA Extension corner Macapagal Avenue, Pasay City |
| Location of Operations | Various places around the Philippines (Annex A) |
| Report Boundary: Legal entities (e.g. subsidiaries) included in this report* | MerryMart Grocery Centers, Inc. |
| Business Model, including Primary Activities, Brands, Products, and Services | MERRYMART is composed of company-owned and franchised retail stores and wholesale/distribution centers. The business model is to shift existing local and traditional groceries to modern branded retail chain network using online digital network and applications, in line with the future developments of the country. |
| Reporting Period | January 1, 2021- December 31, 2021 |
| Highest Ranking Person responsible for this report | Jose Roelph Desales – Chief Compliance Officer |

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

**Materiality Process**

| **Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.**[1] |
|---|
| The experience brought in by key executive and managerial personnel of the Company complemented by interaction and close dealings with customers, regulators, suppliers and other stakeholders (collectively "stakeholders") contributed largely to the determination of the factors which are key to the operations of the Company.<br><br>The following steps were undertaken:<br>- Understanding the Sustainability Context.<br>- Consultations and Dialogue with Stakeholders.<br>- Identifying Material Topics.<br>- Measuring Performance and Defining Management Approaches.<br><br>We referred to the UN Sustainable Development Goals as our reference to evaluate our impact to environment, economy, and society is linked to delivering on specific SDG targets. |

## ECONOMIC

MERRYMART is committed to the **12-12-12 Vision** 2030 with the goal of rolling out a total of 1,200 MERRYMART branches nationwide. This number and volume will achieve the Php 120 Billion in systemwide sales revenue envisioned, and eyes a timetable to achieve the set targets within 12 years from listing in the year of 2020. MM's aims and ensures that it will have all the essential goods in one place or just a digital click away to help guarantee this mission and vision.

### Economic Performance

Direct Economic Value Generated and Distributed

| Disclosure | Amount | Units |
|---|---|---|
| Direct economic value generated (revenue) | 3,931,137,517 | PhP |
| Direct economic value distributed: | | |
| a. Operating costs | 3,860,021,060 | PhP |
| b. Employee wages and benefits | 121,453,457 | PhP |
| c. Payments to suppliers, other operating costs | 3,912,412,452 | Php |
| d. Dividends given to stockholders and interest payments to loan providers | - | PhP |
| e. Taxes given to government | 118,926,898 | PhP |
| f. Investments to community (e.g. donations, CSR) | - | PhP |

1 See GRI 102-46 (2016) for more guidance.

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| The Company has 78 stores operating nationwide in the year 2021.<br><br>The company will continue to innovate in the distribution centers and online order and system. | Employees, Community, Suppliers, Investors, Creditors, Government | The Company continues to prioritize inclusive growth and building the network to sustainably connect the products to the end-user. |

| What are the Risk/s Identified? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| The current risks identified are market competition, weather catastrophes that causes disruption in the chain of delivery of consumer goods and logistical challenges racing along with the e-commerce.<br><br>MM will continue to increase and improve its flow of goods has a fixed capacity in terms of storage, sale and delivery.The Annual Report contains the discussion of the risks identified during the operations. | Employees, Suppliers, Investors, Government | The MM management will continue to use its advantage of nimble execution to fully respond to the current conditions of the market. It will continue its approach of ably fine-tuning its execution to mitigate any risks and challenges during the operations.<br><br>The management already prioritizes digital innovations for faster distribution of goods, in response to the needs of the customers especially in the areas with limited movement programs. |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| The significant opportunity highlighted by the pandemic experience is the need for a larger and more robust and responsive essential goods service network. The need to focus on better delivery of service was a clear takeaway from the company's experience. | Employees, Suppliers, Investors, the Community and Government | Along with the continuous move towards automation of processes, and online presence. The management will pursue collaborative opportunities with the local government to serve and help the specific needs of each community, and on the precise moment they need it. |

Climate-related risks and opportunities[2]

MM will continue to find opportunities to lessen the negative impact of operations on the climate.

MM is aware that climate-related risks are manifested as natural catastrophes. The Company will align with initiatives to help the general welfare, locally and nationally. The operations team have experienced the effect of several typhoons but have never shut down operations. These challenges provide the team with invaluable scenarios to apply and set the best-practice protocol to future-proof the MM operations.

MM will further study and apply sustainable practices in the course of its operations.

[2] Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset

owners.

**Procurement Practices**

Proportion of spending on local suppliers

| Disclosure | Quantity | Units |
|---|---|---|
| Percentage of procurement budget used for significant locations of operations that is spent on local suppliers | Not yet monitored | % |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| MM continues to provide fresh capital in this expansion stage by investing in more areas nationwide. It redounds to the benefit and advantage of the localities of its stores and centers.<br><br>MM continues in its plan to support and expand the development of every locality in which it operates the business. | Suppliers and contractors | The Company's accreditation process requires or supports the proper registration of business entities and yearly reporting (e.g. SEC and DTI Registration, BIR registration, Business Permits, Audited Financial Statements). The local pool of suppliers and contractors are tapped for provisions of the sites. |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| Logistic delays, availability of goods based on demand, and damage to the quality of goods that may occur due to the nature or the items, are risks identified in the distribution of the supplies. | Employees, Suppliers, and Customers. | The Company continues to learn, innovate and set the protocols and standards of its operations through policies and make sure that all stakeholders will be able to comply with it.<br><br>MM values the best approaches learned through experience and being part of the industry, it uses the industry standards as the guidelines for the Company Policies and Conduct within its organization and highlighted during the relevant orientation of the stakeholders. |

| What are the Opportunity/ies Identified? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| New channels for business such as better and more sustainable materials for packaging to ensure uniform standard of goods, service and delivery.<br><br>Better synergy with the suppliers and customers with the use of technology and the online network for faster, consistent, uniform and efficient routine transactions. | Employees, Suppliers, and Customer. | The Company monitors and checks the system of sourcing and collaboration with the providers regularly. This will ensure competitive edge in the industry. |

## Anti-corruption

Training on Anti-corruption Policies and Procedures

| Disclosure | Quantity | Units |
|---|---|---|
| Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to | 100 | % |
| Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to | 100 | % |
| Percentage of directors and management that have received anti-corruption training | N/A | % |
| Percentage of employees that have received anti-corruption training | 100 | % |

MM's has a strict policy against corruption.

This policy is likewise discussed in every orientation for new employees and annual employee general assembly.

The company will continue to review the policies aimed to prevent and deter corruption.

- Conflict of Interest
- Conduct of Business and Fair Dealings
- Prohibition on Solicitation/Receipt of Gifts from Third Parties
- Compliance with Laws and Regulations
- Respect for Trade Secrets/Use of Non-public Information
- Protection of Data Privacy
- Use of Company Funds and Assets
- Employment and Labor Laws and Policies
- Whistleblowing
- Related Party Transactions

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| MM knows the impact and effects of Corruption is inconsistent with its priorities and vision. Unfair practices will be implemented once corruption is in the system, Corrupt practices will erode the goals set to achieve the common vision of the Company. | Employees, Suppliers, Government Regulators | The Company has the above policies to keep employees and other stakeholders aware of the proper actions in transactions and dealings. These policies are either posted in the Company's website and incorporated in various contracts entered by the Company.<br><br>The Company ensures to keep the implementation of anti-corrupt practices consistent from top to bottom of the company and give it the proper importance, educating all the stakeholders to be mindful in everyday dealings. |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| Stakeholders will only lookout for themselves and their immediate concern. The net benefit to the company and all the stakeholders will be diminished and delay the growth potential of the company. | Employees, Suppliers, Investors | The Company ensures the standards set in the Policies are always given importance by the employees, and suppliers. Programs are continuously being developed to keep everyone educated of the proper way in doing transactions to avoid corrupt practices. |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| No significant opportunities identified. | | |

Incidents of Corruption

| Disclosure | Quantity | Units |
|---|---|---|
| Number of incidents in which directors were removed or disciplined for corruption | 0 | # |
| Number of incidents in which employees were dismissed or disciplined for corruption | 0 | # |
| Number of incidents when contracts with business partners were terminated due to incidents of corruption | 0 | # |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| There was no case of corruption within or against the Company in the reporting year. | Employees, Suppliers and Government | The Company continues as practice, introduces the Anti-corruption policies to all the stakeholders, especially the employees. Then the internal controls and monitoring put in place in the daily transactions strengthens it during implementation of tasks and dealings. |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| The risk will be always present as the Company continually grows, develops and evolves for its needs. | Employees, Suppliers and Government | The Company will always make the Policies a priority during the selection and hiring of new employees, and regularly conduct re-orientation programs.<br><br>As the Company uses more technologically advanced tools for more efficiency and responsive actions for the needs of the times, the management will ensure that checks and balances will be in place to ensure and comply with the Anti-Corruption Policies. |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| The Company implements and continuously finds ways to advance with technology. There is an opportunity to integrate applications and securities as check and balances for corruption. | Employees, Suppliers and Government. | The Company will allocate enough resources to ensure that the Policies will be given the same advancement through technology. |

## ENVIRONMENT

**Resource Management**

Energy consumption within the organization:

| Disclosure | Quantity | Units |
|---|---|---|
| Energy consumption (renewable sources) | N/A | GJ |
| Energy consumption (gasoline) | 58,247.22 | liters |
| Energy consumption (LPG) | N/A | GJ |
| Energy consumption (diesel) | 2,518.69 | liters |
| Energy consumption (electricity) | 10,414,544.00 | kWh |

Reduction of energy consumption

| Disclosure | Quantity | Units |
|---|---|---|
| Energy reduction (gasoline) | N/A | GJ |
| Energy reduction (LPG) | N/A | GJ |
| Energy reduction (diesel) | N/A | GJ |
| Energy reduction (electricity) | N/A | kWh |
| Energy reduction (gasoline) | N/A | GJ |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| It is to be expected that there is a continues increase in the Company's energy consumption and dependency on the grid because of it is in its fast- growing stage of its business operations.<br><br>The Company bears in minds and keeps sustainable practices in the use of resources as it continues to build more establishments and sites. | Employees, suppliers and customers | The management explores ways to implement sustainable practices in the operations. It keeps abreast of advancements and best practices for future implementation within the organization. |

| What are the Risk/s Identified? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| No identified significant risks yet. | | |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| There is a greater push to increase online presence through online stores, online payment and better logistic delivery systems. This would help in the efficient use of energy and resources to deliver the items to the consumers. | Landlords if any, suppliers, and customers. | The Company will continue to align with programs to ensure reduction of energy consumption. In the business operations, sustainable practices will be given priority in the planning and execution of these plans. |

Water consumption within the organization

| Disclosure | Quantity | Units |
|---|---|---|
| Water withdrawal | N/A | Cubic meters |
| Water consumption | 14,238 | Cubic meters |
| Water recycled and reused | N/A | Cubic meters |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| The Company continues and only sources its water supply from compliant water companies and providers. We do not use water from unregulated suppliers exploiting underground water causing water depletion.<br><br>The Company continues to adhere to safety and pollution controls in the efficient use of its water supply. | Suppliers, customers, employees and community | The management has already put in place and continue the program on water conservation education in areas where water is used in each department. The employees are trained to keep these conservation policies in each location. Each site has the pollution control officers ensure that each location is compliant on the level required by the government |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| Water depletion and shortage. | Suppliers, employees, customers, the community and the Company itself. | The Company will prioritize water haulers/suppliers with proper government accreditation and safe practices.<br><br>The Company will align its contracts and Policies towards mitigating these risks. |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| The developments towards use of technology and the digital network will provide an opportunity for less consumption of the water resource. | Suppliers, employees, customers, the community and the Company itself. | The Company may explore avenues to use less and contribute in keep our underground water with enough levels to sustain the future needs. |

Materials used by the organization

| Disclosure | Quantity | Units |
|---|---|---|
| Materials used by weight or volume | | |
| renewable | N/A | kg/liters |
| non-renewable | N/A | kg/liters |
| Percentage of recycled input materials used to manufacture the organization's primary products and services | N/A | % |

The Company is located in malls with properly government- accredited garbage haulers. And the Company will only contract with haulers who are compliant with government standards.

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| *N/A* | *N/A* | *N/A* |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| *N/A* | *N/A* | *N/A* |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| *N/A* | *N/A* | *N/A* |

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

| Disclosure | Quantity | Units |
|---|---|---|
| Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | N/A | |
| Habitats protected or restored | N/A | ha |
| IUCN[3] Red List species and national conservation list species with habitats in areas affected by operations | N/A | |

[3] International Union for Conservation of Nature

None of the Company's operational sites are located within protected areas.

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| *N/A* | *N/A* | *N/A* |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| *N/A* | *N/A* | *N/A* |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| *N/A* | *N/A* | *N/A* |

**Environmental impact management**

Air Emissions

*GHG*

| Disclosure | Quantity | Units |
|---|---|---|
| Direct (Scope 1) GHG Emissions | No available data | Tonnes $CO_2e$ |
| Energy indirect (Scope 2) GHG Emissions | No available data | Tonnes $CO_2e$ |
| Emissions of ozone-depleting substances (ODS) | N/A | Tonnes |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| The scope 1 GHG emissions are the result of operation of generator sets, which are provided by the malls.<br><br>The Company's impact is only in places prone to temporary power outage. | Landlords (malls, and other sites), customers and the community. | The Company is participating in trainings and seminars of the Department of Energy and Natural Resources on reduction of emission of Greenhouse Gases. Planning ahead of announced power outage will limit the operations reliance on the power given by the generator sets. |

| What are the Risk/s Identified? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| No significant risk identified *yet*. | | |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| No significant opportunities identified yet. | | |

*Air pollutants*

| Disclosure | Quantity | Units |
|---|---|---|
| $NO_X$ | N/A | kg |
| $SO_X$ | N/A | kg |
| Persistent organic pollutants (POPs) | N/A | kg |
| Volatile organic compounds (VOCs) | N/A | kg |
| Hazardous air pollutants (HAPs) | N/A | kg |
| Particulate matter (PM) | N/A | kg |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| The Company is not yet operating any generator sets causing air pollution. So far the impact of the company is insignificant. | Employees, customers and community. | The Company will comply with the standards set by the government for clean air emissions. |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| No significant risks identified yet. | | |
| ***What are the Opportunity/ies Identified?*** | **Which stakeholders are affected?** | **Management Approach** |
| No significant opportunities yet. | | |

## Solid and Hazardous Wastes

*Solid Waste*

| Disclosure | Quantity | Units |
|---|---|---|
| Total solid waste generated | N/A | kg |
| Reusable | N/A | kg |
| Recyclable | N/A | kg |
| Composted | N/A | kg |
| Incinerated | N/A | kg |
| Residuals/Landfilled | N/A | kg |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| The Company observes proper disposition of waste before it is collected by accredited waste disposal contractors. This practice gives the haulers a more efficient way to recycle the waste materials. | Contractors, customers, and the community. | The management will strengthen pollution controls in the business operations. Pollution Control training will be conducted by the officers sent by the company for training with the Department of Environment and Natural Resources. |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| No significant risks are identified yet. | | |

| What are the Opportunity/ies Identified? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| No significant opportunities are identified yet. | | |

*Hazardous Waste*

| Disclosure | Quantity | Units |
|---|---|---|
| Total weight of hazardous waste generated | N/A | kg |
| Total weight of hazardous waste transported | N/A | kg |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| The Company knows and observes the proper waste disposal of hazardous materials. It ensures that the collection of these materials will be compliant to the proper process. | Suppliers, customers and community. | The Company ensures that hazardous waste is hauled by a contracted waste disposal contractor duly accredited by the DENR which dispose it in landfills duly identified by the government. . |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| No significant risks are identified yet. | | |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| No significant opportunities identified yet. | | |

Effluents

| Disclosure | Quantity | Units |
|---|---|---|
| Total volume of water discharges | N/A | Cubic meters |
| Percent of wastewater recycled | N/A | % |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| The Company knows that the proper way of disposal of waste water is through waste water treatment facilities. The Company requires and asks that its landlords which are usually the malls, to make sure it observes waste water treatment. | Community, suppliers , employees and government | The Company ensures that its wastewater treatment facilities comply with the regulatory requirements set by the DENR. It prioritizes the importance of safety of the stakeholders in the community. |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| No significant risks are identified yet. | | |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| No significant opportunities are identified yet. | | |

**Environmental compliance**

Non-compliance with Environmental Laws and Regulations

| Disclosure | Quantity | Units |
|---|---|---|
| Total amount of monetary fines for non-compliance with environmental laws and/or regulations | 0 | PhP |
| No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations | N/A | # |
| No. of cases resolved through dispute resolution mechanism | N/A | # |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| The company studies and complies the government standards in the use of the natural resources. The Policies being put in place considers the standards set by the government for compliance of the Company thereby reducing unlawful use of water, and other resources. | Employees, the Company and community. | The Company ensures compliance of environmental laws and standards on all of its sites and units. |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| No significant risks identified yet. | | |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| No significant opportunities identified yet. | | |

## SOCIAL

### Employee Management

#### Employee Hiring and Benefits

*Employee data*

| Disclosure | Quantity | Units |
|---|---|---|
| Total number of employees[4] | 360 | |
| a. Number of female employees | 200 | # |
| b. Number of male employees | 160 | # |
| Attrition rate5 | 1.7% | Ave Rate |
| Ratio of lowest paid employee against minimum wage | 1:1 | |

*Employee benefits*

| List of Benefits | Y/N | % of female employees who availed for the year | % of male employees who availed for the year |
|---|---|---|---|
| SSS | Y | 100% | 100% |
| PhilHealth | Y | 100% | 100% |
| Pag-IBIG | Y | 100% | 100% |
| Parental leaves | Y | | |
| Vacation leaves | Y | 100% | 100% |

| | | | |
|---|---|---|---|
| Sick leaves | Y | 100% | 100% |
| Medical benefits (aside from PhilHealth)) | Y | HMO –57% | HMO – 43% |
| Housing assistance (aside from Pag-IBIG) | N | | |
| Retirement fund (aside from SSS) | Y | | |
| Further education support | Y | | |
| Company stock options | N | | |
| Telecommuting | Y | | |
| Flexible-working Hours | Y | | |
| (Others) Life Insurance | Y | | |

***Unutilized sick and vacation leaves are convertible to cash.*
****All employees are covered by mandatory benefits set by law.*

MM is fully compliant to mandatory benefits, minimum wage and the labor standards set by law. The Company also provides additional benefits and perks based on industry standards to provide and take care of its employees..

4 Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)
5 Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

## Workplace Safety

Much like in the year 2020, in 2021 the Company had no incidents resulting to deaths, nor serious injuries involving permanent or probationary employees. The Company will continue to monitor and ensure that work safety standards in place are maintained to keep the safety of employees a priority.

| **What is the impact and where does it occur? What is the organization's involvement in the impact?** | **Management Approach** |
|---|---|
| The Company provides and or renovates its sites to be a safe environment in each locality, following the prescribed standards of its consultants and the building and accessibility laws.<br><br>The impact on the over-all surroundings of the employees generate a healthier and safer work environment. | MM provides in addition to the basic employee benefits mandated by law, competitive compensation and benefit package which are higher than the minimum. The Company also provides ample amount of commutable leave credits, health card availment, so that prevention of sickness will be available for the employees and others. |
| **What are the Risk/s Identified?** | **Management Approach** |
| The Covid-19 measure implemented during the pandemic identified risks of travel and health safety of our front-liners in the business. The Company prioritizes and provides subsidy for the employee's well-being. | MM puts importance in employee welfare. Subsidies for essentials are provided as well as shelter accommodations during lockdown to maintain the free flow of essential goods in the market. |

| What are the Opportunity/ies Identified? | Management Approach |
|---|---|
| MM will explore more advanced tools to limit the risk exposures in the frontlines. | MM will continuously improve in providing adequate automated facilities and tools for its employees. |

## Employee Training and Development

| Disclosure | Quantity | Units |
|---|---|---|
| Total training hours provided to employees | | |
| a. Female employees | 440 | hours |
| b. Male employees | 536 | hours |
| Average training hours provided to employees | | |
| a. Female employees | 2.2 | hours/employee |
| b. Male employees | 3.35 | hours/employee |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| MM is newly-expanding company and knows the need to train and develop employee skills and supporting career development. By providing opportunities for training and development, the Company hopes that the employees will also quickly adapt to new challenges in the company's hypergrowth years. | The Company, throughout the pandemic continued hiring. The team still provided departmental immersion and safety compliance during training of the new hires.<br><br>Selected key employees continue to attend certification training such as Basic Occupational Health and Safety Training. |

| What are the Risk/s Identified? | Management Approach |
|---|---|
| The need for safety compliance and social distancing has provided challenges for the team in providing relevant experience training and orientation. | Through Management support and priority, the team provides online materials and training seminars for the employees. |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| The Company has established training materials and development program that will continue to address the competency requirements of the employees to increase productivity and improve engagement in the workplace.<br><br>The Company will continue to develop online or materials based training. | The Company has implemented Performance Review process and will continue to provide baseline reference to create learning and development programs. |

Labor-Management Relations

| Disclosure | Quantity | Units |
|---|---|---|
| % of employees covered with Collective Bargaining Agreements | 0 | % |
| Number of consultations conducted with employees concerning employee-related policies | 0 | # |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| MM management continues its vital role of harmonious labor-management relations. As the Company continues on its growth, the employees are given greater chance to contribute in the company policies and plans through feedbacks and suggestions. | The management implements a consultative and open-door approach to raise concerns and gather feedback from our employees.<br><br>These concerns whether business or personal related are addressed and given priority during Policy changes.. |

| What are the Risk/s Identified? | Management Approach |
|---|---|
| No material risks identified yet. | |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| No opportunities identified yet. | |

Diversity and Equal Opportunity

| Disclosure | Quantity | Units |
|---|---|---|
| % of female workers in the workforce | 55 | % |
| % of male workers in the workforce | 45 | % |
| Number of employees from indigenous communities and/or vulnerable sector* | 2 | # |

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| The Company does not discriminate its employees on the basis of personal characteristics, such as but not limited to, race, sex, religion, gender orientation, political opinion, and others. In fact, the company has more or less an equal number of male and female employees. | The Company promotes equal employment opportunity to applicants, without discrimination on the basis of race, sex, religion, gender orientation, or other personal characteristics.<br><br>The Company also ensures to comply with Philippine labor laws related to diversity; including policies on discrimination and harassment, and unfair treatment in the workplace. |
| **What are the Risk/s Identified?** | **Management Approach** |
| No significant risks identified yet. | |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| No opportunities identified yet. | |

## Workplace Conditions, Labor Standards, and Human Rights

### Occupational Health and Safety

| Disclosure | Quantity | Units |
|---|---|---|
| Safe Man-Hours | N/A | Man-hours |
| No. of work-related injuries | 0 | # |
| No. of work-related fatalities | 0 | # |
| No. of work related ill-health | 0 | # |
| No. of safety drills | 0 | # |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| The Company's designed workplaces follows drawings and designs of consultants to minimize or prevent accidents as well as raise efficiency.<br><br>Before hiring the employees are physically checked for conditions which may be at risk at work and the annual physical exam is done to keep everyone healthy within the workplace.<br><br>Because the company allocates resources for proper renovations with workplace safety in mind, the stores in leased premises are identical to company-owned stores. These have passed the standards and inspection of the government agencies. | The Company partners with a Health Maintenance Organization (HMO) and ensures its employees' health and wellness by mandating employees to undergo annual physical examinations. The Company aims to prevent illnesses and/or progress of illnesses.<br><br>The company supports the training of Safety Officers and First-Aiders and an nurses/doctors, if the number of employees require it, who provide immediate assistance. Moreover, various sites have partnerships with nearby clinics and hospitals. Personnel can assist in taking the employee to a nearby medical facility for treatment.<br><br>The Company also sends representatives for Basic Occupational Safety & Health Training, as well as first-aid training. |
| **What are the Risk/s Identified?** | **Management Approach** |
| No risks identified yet. | |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| No opportunities identified yet. | |

### Labor Laws and Human Rights

| Disclosure | Quantity | Units |
|---|---|---|
| No. of legal actions or employee grievances involving forced or child labor | 0 | # |

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

| Topic | Y/N | If Yes, cite reference in the Company policy |
|---|---|---|
| Forced labor | N | While the Company does not have a written policy on these subjects, the Company complies with the provisions of labor laws which prohibits forced labor, child labor and ensures protection of human rights. |
| Child labor | N | |
| Human Rights | N | |

*For holding companies, the services and products of its subsidiaries may be disclosed.*

**Relationship with Community**

Significant Impacts on Local Communities

| Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations) | Location | Vulnerable groups (if applicable)* | Does the particular operation have impacts on indigenous people (Y/N)? | Collective or individual rights that have been identified that or particular concern for the community | Mitigating measures (if negative) or enhancement measures (if positive) |
|---|---|---|---|---|---|
| No data yet. | | | | | |

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates ifavailable:

**Not applicable.**

| Certificates | Quantity | Units |
|---|---|---|
| FPIC process is still undergoing | N/A | # |
| CP secured | N/A | # |

| What are the Risk/s Identified? | Management Approach |
|---|---|
| No significant risks identified yet. | |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| MM will support local retail suppliers. It will align with the DTI, for local retailers to have opportunities. | The Company will align with the LGUs and local communities to offer support on programs to strengthen community relationships and bonds. |

## Customer Management

*Customer Satisfaction*

| Disclosure | Score | Did a third party conduct the customer satisfaction study (Y/N)? |
|---|---|---|
| Customer satisfaction | N/A | N |

No survey on customer satisfaction has been conducted by a third party.

*Health and Safety*

| Disclosure | Quantity | Units |
|---|---|---|
| No. of substantiated complaints on product or service health and safety* | 0 | # |
| No. of complaints addressed | N/A | # |

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

*Marketing and labeling*

| Disclosure | Quantity | Units |
|---|---|---|
| No. of substantiated complaints on marketing and labeling | 0 | # |
| No. of complaints addressed | 0 | # |

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| The Company's commitment to compliance with building standards, health and sanitation programs, procedures and facilities ensures that the sites are safe for the customers and employees.<br><br>The Company ensures that the structures under its management are equipped and safe lessening the over-all risk of accidents in the locality. | The Company endeavors to update itself in the progress of accessible facilities and equipment and other measures for priority persons such as children, senior citizens and the differently-abled persons.<br><br>The Company participates in fire prevention drills, national disaster coordination and will continue to join the programs of the government in preparation for any disaster. |

| What are the Risk/s Identified? | Management Approach |
|---|---|
| Occurrence of situations like Covid,-19 outbreak and pandemic, accidental mishaps and natural disasters most of the time cannot be prevented. | The Company will continue to assess, prepare and implement health programs of the government, disaster preparedness and training. The Company will give proper support for the training of the employees. |

| | |
|---|---|
| | Medical and administrative teams at every project will be equipped to handle first aid procedures in case of emergencies, and cooperation with clinics are also on standby for any emergency, and have connections with hospitals near the malls for major emergencies. |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| No Opportunities identified yet. | |

*Customer privacy*

| Disclosure | Quantity | Units |
|---|---|---|
| No. of substantiated complaints on customer privacy* | 0 | # |
| No. of complaints addressed | N/A | # |
| No. of customers, users and account holders whose information is used for secondary purposes | 0 | # |

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

Data Security

| Disclosure | Quantity | Units |
|---|---|---|
| No. of data breaches, including leaks, thefts and losses of data | 0 | # |

Data Privacy and Security

MM collects personal data of its customers, clients and other individuals the Company has transactions depending on the type of information the law requires to support and complete a particular transaction. The data is processed in local servers equipped with access controls and logs through specific and designated computers. MM ensures that it contracts IT and data services only with reputable and credible companies .

## UN SUSTAINABLE DEVELOPMENT GOALS

### Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

| Key Products and Services | Societal Value / Contribution to UN SDGs | Potential Negative Impact of Contribution | Management Approach to Negative Impact |
|---|---|---|---|
| Essential Goods Supply and Distribution Through Stores<br><br>Creation of Online Order and Delivery Systems | The Company provides an accessible and safe way to respond to the current needs of the customers. It contributes to a faster, more efficient and safer operation to support an increased economic activity and promote job creation in the areas where our businesses are located. | Use of non-sustainable packaging. | The Company will endeavor to use sustainable packaging and consider best practices towards this goal. |
| Distribution Centers in Other Localities of the Philippines<br><br>Partnerships with Online Distribution Companies | Decentralizing supply centers will help keep more supplies for localities and decongest the ports and roads due to frequent need for stocking and deliveries.<br><br>It will help empower the localities because of the sufficient supply of goods in the area. | These centers will be large structures had a negative effect with the use on raw materials and smoke emissions during construction. | The Company will explore avenues to throughout its operations to provide positive impact in the locality. |

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*