

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
Dec 31, 2023
2. SEC Identification Number
AS95003836
3. BIR Tax Identification No.
004-780-008-000
4. Exact name of issuer as specified in its charter
Upton International Corp.
5. Province, country or other jurisdiction of incorporation or organization
Metro Manila, Philippines
6. Industry Classification Code(SEC Use Only)
7. Address of principal office
Unit 2308, 23/F Capital House Tower 1, 9th Avenue corner 34th Street, Bonifacio Global
City, Taguig City
Postal Code
1635
8. Issuer's telephone number, including area code
+632 8526 7152
9. Former name or former address, and former fiscal year, if changed since last report
-
10. Securities registered pursuant to Sections 8 and 12 of the SRC 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	3,125,001,300

11. Are any or all of registrant's securities listed on a Stock Exchange?

☒ Yes ☐ No

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange, Inc. (Common Shares)

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 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 that the registrant was required to file such reports)

☒ Yes ☐ No

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

☒ Yes ☐ No

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form

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**APPLICABLE ONLY TO ISSUERS INVOLVED IN
INSOLVENCY SUSPENSION OF PAYMENTS PROCEEDINGS
DURING THE PRECEDING FIVE YEARS**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

☐ Yes ☒ No

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders

-

(b) Any information statement filed pursuant to SRC Rule 20

-

(c) Any prospectus filed pursuant to SRC Rule 8.1

-

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.

Upson International Corp.

UPSON

PSE Disclosure Form 17-1 - Annual Report
References: SRC Rule 17 and
Section 17.2 and 17.8 of the Revised Disclosure Rules

For the fiscal year ended	Dec 31, 2023
Currency	PhP

Balance Sheet

	Year Ending	Previous Year Ending
	Dec 31, 2023	Dec 31, 2022
Current Assets	5,053,072,947	3,687,813,987
Total Assets	6,226,703,035	4,689,163,596
Current Liabilities	3,254,953,412	3,512,019,814
Total Liabilities	3,424,697,703	3,641,097,352
Retained Earnings/(Deficit)	878,511,729	552,320,968
Stockholders' Equity	2,802,005,332	1,048,066,244
Stockholders' Equity - Parent	-	-
Book Value Per Share	0.9	0.42

Income Statement

	Year Ending	Previous Year Ending
	Dec 31, 2023	Dec 31, 2022
Gross Revenue	10,010,358,499	9,461,981,130
Gross Expense	9,608,958,898	8,812,902,809
Non-Operating Income	306,082,355	142,074,344
Non-Operating Expense	123,495,021	74,147,403
Income/(Loss) Before Tax	583,986,935	717,005,262
Income Tax Expense	119,796,117	179,149,281
Net Income/(Loss) After Tax	464,190,818	537,855,981
Net Income/(Loss) Attributable to Parent Equity Holder	0	0
Earnings/(Loss) Per Share (Basic)	0.16	0.22
Earnings/(Loss) Per Share (Diluted)	0.16	0.22

Financial Ratios

	Formula	Fiscal Year Ended	Previous Fiscal Year
		Dec 31, 2023	Dec 31, 2022
Liquidity Analysis Ratios:			
Current Ratio or Working Capital Ratio	Current Assets / Current Liabilities	1.55	1.05
Quick Ratio	(Current Assets - Inventory - Prepayments) / Current Liabilities	0.52	0.29
Solvency Ratio	Total Assets / Total Liabilities	1.82	1.29
Financial Leverage Ratios			
Debt Ratio	Total Debt/Total Assets	0.55	0.78
Debt-to-Equity Ratio	Total Debt/Total Stockholders' Equity	1.22	3.47
Interest Coverage	Earnings Before Interest and Taxes (EBIT) / Interest Charges	5.73	10.67
Asset to Equity Ratio	Total Assets / Total Stockholders' Equity	2.22	4.47
Profitability Ratios			
Gross Profit Margin	Sales - Cost of Goods Sold or Cost of Service / Sales	0.21	0.23
Net Profit Margin	Net Profit / Sales	0.05	0.06
Return on Assets	Net Income / Total Assets	0.07	0.11
Return on Equity	Net Income / Total Stockholders' Equity	0.17	0.51
Price/Earnings Ratio	Price Per Share / Earnings Per Common Share	1.25	0.91

Other Relevant Information

Per UPSON's Audited Financial Statements for the year ended December 31, 2023, UPSON's Solvency Ratios are 0.23 and 0.22 for years 2023 and 2022, respectively. The ratios stated herein are in compliance with the prescribed formula by this disclosure template.

Filed on behalf by:

Name	Arlene Louisa Sy
Designation	Chief Executive Officer

COVER SHEET

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S.E.C Registration No.

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(Company's Full name)

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(Principal Office)

Dennis F. Uy
Contact Person

(02) 85267152
Tel. No.

1 2
Month
Date

3 1
Day

1 7 - A
FORM TYPE

0 5 **2 5**
Month
(Annual Meeting)

N/A
For the year ended 31 December 2023

Secondary License, (if applicable type)

MSRD
Dept. requiring this doc

N/A
Amended Articles number

10
Total stockholders (certificated)

Domestic **Foreign**

To be accomplished by SEC personnel concerned

File Number **LCU**

Document I.D. **Cashier**

STAMPS

SEC Number: AS-95003836

UPSON INTERNATIONAL CORP.

**Doing business under the name and style of Octagon
Computer Superstore; Microvalley Computer Superstore;
Gadget World; Octagon Mobile; Uniso; Gadget King and
Lamp Light**

(Company's Full Name)

Unit 2308, 23/F Capital House Tower 1, 9th Avenue corner 34th
Street, Bonifacio Global City, Taguig City

(Company's Address)

(02) 85267152

(Telephone Number)

2023 December 31

(Fiscal Year Ending, month and day)

SEC FORM 17-A Annual Report

(Form Type)

Amendment Delegation

December 31, 2023

Period Ended Date

N/A

(Secondary License Type and File)

**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, 2023
2. SEC Identification Number..... AS-95003836
3. BIR Tax Identification No..... 004-780-008-000
4. Exact name of issuer as specified in its charter

UPSON INTERNATIONAL CORP. (Doing Business under the Name and Style of Octagon Computer Superstore; Microvalley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light)

5. Manila City, Philippines..... 6. (SEC Use Only)
Province, Country or other jurisdiction of Industry Classification Code:
incorporation or organization

7. Unit 2308, 23/F Capital House Tower 1, 9th Avenue corner 34th Street, Bonifacio Global City, Taguig City
Address of principal office Postal Code 1635

8. (02) 85267152.....
Issuer's telephone number, including area code

9. Not Applicable

.....
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
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COMMON SHARES	3,125,001,300
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11. Are any or all of these securities listed on a Stock Exchange.

Yes [☒] No [☐]

If yes, state the name of such stock exchange and the classes of securities listed therein:

PHILIPPINE STOCK EXCHANGE – COMMON SHARES

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 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 that the registrant was required to file such reports);

Yes [☒] No [☐]

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

Yes [☒]

No [☐]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant.

Not Applicable

**APPLICABLE ONLY TO ISSUERS INVOLVED IN
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS
DURING THE PRECEDING FIVE YEARS:**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

NOT APPLICABLE

Yes [☐]

No [☐]

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Audited Financial Statements as at December 31, 2023 and 2022, and for the years ended December 31, 2023, 2022 and 2021 - **Exhibit 1**

(b) Statement of Management's Responsibility for Financial Statements as at and for the years ended December 31, 2023, 2022 and 2021, part of Exhibit 1.

(c) 2023 Sustainability Report – **Exhibit 2**

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PART I. BUSINESS AND GENERAL INFORMATION

Item 1. Business

Background

Upson International Corp. (Doing Business Under the Name and Style of Octagon Computer Superstore; Microvalley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light) (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on April 19, 1995. The Company is primarily engaged in the business of buying, selling, distributing, marketing, at wholesale and retail all kinds of goods, commodities, wares and merchandise such as but not limited to computer hardware equipment, telecommunications and other similar products.

Our Company, Upson International Corp., is a leading retailer of IT-related merchandise including a wide range of hardware and software products. Our Company retails under the brand names **Octagon Computer Superstore (“Octagon”), Micro Valley, Gadget King, and Octagon Mobile**. With our strong track record, dedication, and commitment to excellence, we have been able to establish partnerships with well-known international brands such as Acer, Asus, Lenovo, Brother, HP, DELL, Sony, Samsung, and Sandisk, among others.

Octagon is our flagship brand among our prime stores. It offers our complete line and assortment of hardware and software products that span across nine major categories.

Micro Valley on the other hand is a specialty store for do-it-yourself components and customization of personal computers as well as gaming-specific PCs and peripherals for the growing gaming market.

Gadget King is our Company’s specialty store featuring IT accessories and peripherals.

Octagon Mobile is our specialty store focusing on communication and connectivity devices such as mobile phones, tablets, networking products, and mobile-related accessories.

Our Company caters to a broad consumer spectrum, with our target customers being home users, small-medium businesses, gamers, professionals, and students, among others. We currently offer our products through our prime stores, concept stores, mobile stores, and online through our Company website and well-known e-commerce platforms such as Lazada, Pick-a-roo, and Shopee, in order to broaden our sales channels and deepen customer engagement. To be able to cater to our growing customer base, as well as their evolving needs, our Company has been expanding our store network and retail formats.

According to a study by the University of Asia and the Pacific – Center for Research and Communication Foundation, Inc. (“**CRC**”) (2022), our Company is the largest in terms of store network and sales amongst mall-based consumer electronics retailers. As of December 31, 2023, we have a total of 232 branches nationwide, of which 33 are stand-alone stores, while 199 are mall-based stores. Our regional network of stores is found in the National Capital Region (74), North Luzon (43), South Luzon (43), Visayas (26), and Mindanao (46).

Our stores are in highly visible locations, mostly in retail spaces inside shopping malls and high-traffic areas of information technology hubs and consumer electronics shops. We ensure that our stores have good ventilation and air-conditioning, well-lit areas, neatly organized and optimized-positioned products, and well-trained staff. Our stores provide direct access to our network-wide merchandise mix and attentive services from our multi-skilled staff, which we believe creates the pleasant in-person shopping experience that consumers expect.

In addition to our physical store network, our Company also leases a total of six (6) warehouses. These are located in Manila (3), Cebu (1), Cagayan de Oro (1), and Davao City (1).

As of December 31, 2023, our Company's revenues grew 5.8% to ₱10,010.36 million from ₱9,461.98 million in 2022. Our Company's net income declined by 13.7% to ₱464.2 million from ₱537.9 million in 2022 as a result of lower gross margin and pre-opening costs, helped by other income mainly through promotional support from suppliers, such as volume-based rebates and sell-out incentive programs as well as inventory price protection to drive demand and replacement cycles.

HISTORY AND KEY MILESTONES

Our company was founded on April 19, 1995, as Proton Microsystems, Inc., which was later changed to Upson International Corp. and approved by the Philippine Securities and Exchange Commission on August 4, 2017.

We started out as a distributor of well-known global IT brands such as Logitech and Canon. In 1997, the Asian Financial Crisis unraveled, causing our distribution business to be short-lived. We had to streamline operations and redirect our efforts towards a more resilient business model—retailing. We then merged with former affiliate Columbia Computer International Corporation in 2003, and within 18 months, we opened 60 new stores around Metro Manila and in key cities such as Cebu and Davao. We opened our first Octagon Computer Superstore in 2004 and added the brands Micro Valley Computer Superstore in 2006 and Gadget King in 2019 into our portfolio. Our first stores were in SM Megamall for Octagon, in Greenhills Shopping Center for Micro Valley, and in Iloilo for Gadget King. From there, we have built a market-leading brand and established an extensive store network nationwide—thereby becoming the largest retailer of IT products in the country.

In a move to capture synergies and the potential for new customers, we scaled our omnichannel strategy through our website, www.octagon.com.ph, in 2017 and, made our products available in third-party e-commerce channels such as Lazada, Shopee, and Pick-a-roo, in 2020.

In 2021, we introduced a new store format, Concept Store, to provide our customers with an exclusive and full product suite of a single brand. Each Concept Store is dedicated entirely to a specific brand, including Acer, HP, Brother, and Silvertec.

As of December 31, 2023, our Company had the largest store network throughout the country with 232 branches, offering a complete line and up-to-date IT portfolio of over 13,000 SKUs and serving thousands of people every day. We have consistently been named Top Distributor, Dealer of the Year, Retail Partner of the Year, and Top National Sales by our long-standing suppliers such as Acer, Asus, Epson, HP, Seagate, and more.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths contribute to our success and differentiate us from competitors:

Fast-growing IT retailer with unparalleled store network nationwide

We are a fast-growing retailer of IT-related products in the Philippines. Within the past Four (4) years, we have steadily widened our nationwide reach from 165 stores in 2018 to 232 stores as of December 31, 2023, and have grown our revenues and net income at a compounded annual growth rate (CAGR) of 5% and 22%. For the years ended December 31, 2021, 2022 and 2023, our revenues hit ₱8,567.9 million, ₱9,462.0 million, and ₱10,010.4 million, respectively, making us the largest mall-based consumer electronics retailer in the country according to the study by the University of Asia and the Pacific – Center for Research and Communication Foundation (“CRC”).

In line with our vision, we have built a more extensive store network compared to our competitors. We are already present in 16 out of the 17 regions in the country, allowing us to reach and capture almost the entire population and income groups.

Our stores provide direct access to our network-wide merchandise mix and attentive services from our multi-skilled staff, which we believe creates the pleasant in-person shopping experience that consumers expect. Additionally, our products are made available on our website and in popular e-commerce platforms such as Lazada, Shopee, and Pick-a-roo to broaden our sales channels and deepen consumer engagement.

According to CRC, Filipinos still favor in-store shopping over online. They prefer to visit physical stores to check actual product quality and performance especially for larger devices and equipment and more expensive purchases. The ability to “see and touch the products” is regarded as an important reason for such preference as well as other factors such as the ease of asking questions and assistance, after-sales service including warranties and repairs, and lack of access to credit cards. Despite the rise of e-commerce, CRC expects that 70% of consumer electronics retail sales will still be generated through on-site channels and only 30% through online platforms in 2022, 2023 and 2024.

Authentic and untampered products

We pride ourselves in selling only authentic and untampered products. We believe product integrity is a basic requirement that suppliers and customers expect retailers like us to uphold. Since the beginning of our operations, we have had an unblemished record that attests to our high standards for product integrity. We believe this creates confidence and customer loyalty, knowing that the products they purchase from us are guaranteed by technology brands that are among the most respected names globally.

Our suppliers rely on us—as the Philippines’ largest IT retailer by sales, market share, and store count—for making their products accessible nationwide and delivering reliable customer service and support that is consistent with their brand image. For these reasons, along with the numerous recognitions from them, we believe we have become their retail partner of choice.

Moving forward, we will continue to invest in building customer awareness of the importance of untampered products on warranty and after-sales service so we can increase customer loyalty and maintain our reputation as the country’s trusted IT retailer.

Well-recognized brands with a comprehensive and regularly refreshed portfolio

Our brands, Octagon, Micro Valley, Gadget King, and Octagon Mobile, set the foundation for our competitiveness and allow us to continuously strengthen our reputation and top-of-mind awareness among consumers. We also offer a growing portfolio of exclusive branded products of Silvertec Global Philippines Inc. These products are available in our stores, including Silvertec, Delta Force, Imperio, Akawa, Norgicool, Lorenzo, and JW Concept. We believe these intellectual property and exclusive arrangements enable us to promote awareness of our brands and reinforce positive consumer perception towards us, while also protecting our proprietary rights.

Our comprehensive and frequently updated assortment of products allows us to be responsive to prevailing market needs and local preferences, making us more attractive to consumers and competitive in the marketplace. In 2021, for example, we introduced an average of approximately 200 new SKUs per month, which we believe is a strong performance considering the impact of the COVID-19 pandemic on global supply chains and distribution networks, and a testament to our strength in product category management. As of December 31, 2023, we maintained an active portfolio of more than 13,000 SKUs spanning across nine major categories, including personal computer, printing, communication, storage, networking, peripherals, components, accessories, and software. Some of the well-known brands we carry include Acer, Asus, Brother, Canon, Dell, D-Link, Epson, HP, Huawei, Kingston, Lenovo, Logitech, Microsoft, Samsung, Sandisk, Seagate, Sony and Transcend, among others.

We believe the combination of these advantages has increased our customer base and driven our robust financial performance. In the past three years, we served more than 2 million customers annually, allowing us to reach an average monthly revenue of approximately ₱4.0 million per store. For the year ended December 31, 2021, revenues rose 5% to ₱8,567.9 million, with personal computer accounting for 49% of total revenues, printing for 14%, communication for 13%, components and networking for 12%, accessories for 10%, and peripherals for 3%. For the year ended December 31, 2022, revenues rose 10.6% to ₱9,462.0 million in revenues, with personal computer accounting for 50% of total revenues, printing for 14%, communication for 13%, components and networking for 11%, accessories for 10%, and peripherals for 2%. As of December 31, 2023, we generated ₱10,010.4 million in revenues, with personal computer accounting for 52%, printing for 14%, communication for 13%, components and networking for 11%, accessories for 9% and peripherals for 2%.

Item 2. Properties

The Company has only one piece of land and building located in Pasong Tamo, Makati City. It entered into lease agreements with Upson Realty and Development Corporation (URDC), a related party, and other third parties, to lease the land and/or buildings where its stores and warehouses are situated. The Company plans to enter new leases in the next Five years. The Company intends to continue to lease appropriate real estate properties that meet the Company's standards and requirements.

Item 3. Legal Proceedings

The Company and its management are not involved in any governmental, legal or arbitration proceedings that may have a material effect on the Company's business, financial position, or profitability.

None of the members of the Board of Directors and executive officers of the Company is involved in any material criminal, bankruptcy or insolvency investigations or proceedings.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted during 2023 to a vote of the Company's stockholders, through solicitation of proxies or otherwise.

PART II. OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

Upson International Corp. was granted the Certificate to Offer Securities for Sale on March 20, 2023, by the Securities and Exchange Commission and listed on April 3, 2023 with the Main Board of the Philippine Stock Exchange under the Stock Symbol of "UPSON".

As of December 31, 2023, the market capitalization of the Corporation's 3,125,001,300 issued and outstanding shares amounts to PhP5,125,002,132.00 at PhP1.64 per share.

Item 6. Management's Discussion and Analysis of Plan of Operations

The following discussion should be read in conjunction with the accompanying financial statements and notes thereto, which form part of this SEC Form Amended 17-A as "Exhibit 1". The financial statements and notes thereto have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS).

Results of Operations for the year ended December 31, 2022

Key Highlights

UPSON closed with a net income of ₱464.2 million for the twelve months ended December 31, 2023. This yielded a net income margin of 4.6% or a decline of 13.7% year-on-year compared to the reported net income of ₱537.9 million in 2022.

Revenues

Net revenues reached ₱10,010.4 million, increasing by 5.8% from reported revenues of ₱9,462.0 million for the twelve months ended December 31, 2022. The Company opened 25 stores in 2023. This represents a 11.5% growth in store network from 208 in 2022 to 232 in 2023.

Cost of Sales

For the year ended 2023, cost of sales increased by 8.9% from ₱7,282.8 million in 2022 to ₱7,933.0 million. The increase in cost of sales was mainly caused by the proportionate increase in volume of sales for the twelve months ended December 31, 2023, as compared with the twelve months in 2022.

Gross Profit

Gross profit amounted to ₱2,077.4 million for the year 2023, a decline by 4.67% from ₱2,179.2 million in the previous year. This yielded a corresponding gross profit margin of 20.75% as a result of lower gross margin and pre-opening costs.

Operating Expenses

For the twelve months ended December 31, 2023, operating expenses totaled ₱1,676.0 million, representing 16.74% cost-to-sales ratio. This is ₱145.9 million or 9.53% higher compared to ₱1,530.1 million during the same period in 2022. Significant operating expenses include personnel costs, merchant discount, depreciation and amortization and rent. The increase in operating expenses was caused by the material increase in rental and personnel costs. These were mainly attributable to the 25 new stores that were added in 2023.

Finance Cost

For the twelve months ended December 31, 2023, finance cost reached ₱123.5 million, a 66.5% increase from ₱74.1 million for the twelve months ended December 31, 2022. The increase was mainly caused by the increase in interest rates in 2023.

Other Income

Other income totaled ₱306.1 million as of year-end 2023. This was composed mainly of rebates and other income, and interest income.

Income Tax Expense

Provision for income tax closed at ₱119.8 million for the twelve months ended December 31, 2023, lower by ₱59.4 million or 33.1% from the amount of ₱179.1 million for the twelve months ended December 31, 2022. The decrease was due to the lower Company's income before tax from ₱717.0 million in 2022 to ₱584.0 million in 2023.

Net Income

Net income for the twelve months ended December 31, 2022, reached ₱464.2 million, a decrease of 13.7% or ₱73.7 million as compared to the twelve months ended December 31, 2022, net income of ₱537.9 million. The decrease was attributable to the combined effects of pre-opening costs of the additional 25 stores opened in 2023, and the lower gross margin due to revenue mix and lower product margin rates from increased promotion, including product bundling and price discounts.

Financial Condition

The Company had total assets of ₱6,226.7 million as of December 31, 2023, an increase of ₱1,537.5 million from total assets of ₱4,689.2 million as of December 31, 2022.

Cash and cash equivalents

Cash and cash equivalents stood at ₱1,360.9 million as of December 31, 2023, an increase of 70.0% than the balance of ₱801.4 million as of December 31, 2022. The increase was due to total net cash inflows from IPO proceeds and operating activities of ₱559.5 million.

Trade and other receivables

Trade and other receivables stood at ₱181.1million as of December 31, 2023, an increase of 187.2% from the amount of ₱63.03 million as of December 31, 2022. Trade receivables represent mainly outstanding receivables from credit card companies and other payment service providers. The increase was due to the higher volume of sales in the last 3 days of December 31, 2023, and incentives on suppliers' rebates.

Inventories

As of December 31, 2023, inventories increased to ₱3,350.8 million from ₱2,666.6 million in 2022, an increase of 25.7% due to additional 25 store expansion in 2023.

Property and equipment

Property and equipment stood at ₱819.4 million as of December 31, 2023, an increase of 18.8% than the amount of ₱689.5 million as of December 31, 2022. The increase in property and equipment was caused by the net impact of the 25 new additional stores opened in 2023, mainly leasehold improvements, store furniture and equipment and transportation equipment.

Trade and other payables

Trade and other payables decreased by 13.9% for the full-year 2023 from ₱1,535.7 million to ₱1,322.8 million. The decrease was due to settlement of trade payables towards the end of 2023.

Bank loans and trust receipts

Bank loans and trust receipts amounted to ₱1,767.6 million as of December 31, 2023, increase by 1.9% from ₱1,734.6 million as of December 31, 2022. The increase was due to the additional inventory purchased in 2023.

Equity

Total equity stood at ₱2,802.0 million as of December 31, 2023, an increase of 167.4% from ₱1,048.1 million as of December 31, 2022. The increase represents the combined net effect of the additional paid-in capital due to Upson IPO and the total comprehensive income amounting to ₱461.6 million for the year ended December 31, 2023.

Cash flows

Net cash used in operating activities amounted to ₱68.4 million for the twelve months ended December 31, 2023, which consisted of income before tax of ₱584.0 million, increased by non-cash income and expense aggregating ₱393.6 million. Working capital changes which include increase in trade and other receivables, inventories, and other current assets, and increase in trade and other payables amounted to ₱759.6 million outflow.

For the twelve months ended December 31, 2023, the net cash used in investing activities, which included the expenditures for additional leasehold improvements, furniture and fixtures for the new stores amounted to ₱219.5 million.

Net cash provided by financing activities for the twelve months ended December 31, 2023 was ₱710.5 million, primarily through the combined effect of issuance of capital stock from Upson IPO, arising from dividends, additions to lease liabilities and interest payments.

All in all, net cash provided for the year totaled ₱559.5 million, leading to cash balance of ₱1,360.9 million as at year-ended 2023.

Key Performance Indicators (KPIs)

	For the year ended December 31	
	2022	2023
Gross Profit Margin	23.03%	20.75%
Net Income Margin	5.7%	4.6%
EBITDA (₱ thousands)	1,071,983	1,016,557
EBITDA Margin	11.33%	10.16%
Return on Average Assets	12.2%	8.5%
Returns of Average Equity	55.3%	24.1%
Current Ratio	1.06	1.56
Debt to Equity Ratio	3.47	1.22
Inventory Turnover (days)	104.7	124.1

1 Gross Profit Margin is gross profit as a percentage of revenues

2 Net Income Margin is net income as a percentage of revenues

3 EBITDA is defined as earnings before interest, tax, depreciation and amortization

4 EBITDA margin is EBITDA as a percentage of revenues

5 Return on Average Assets is net income as a percentage of the average of the assets as at year-end and assets as at end of the immediately preceding year

6 Return on Average Equity is net income as a percentage of the average of the equity as at year-end and equity as at end of the immediately preceding year

7 Current Ratio is current assets divided by current liabilities

8 Debt to Equity Ratio is total liabilities over total equity

9 Inventory Turnover (days) is average turnover divided by cost of goods sold multiplied by the number of days in the period covered (365 days for annual periods ended December 31, 2022 and 2023)

Item 7. Financial Statements

The Company's financial statements and notes thereto form part of this SEC Form as "Exhibit 1"

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There were no changes or disagreements with the Company's external auditor, Reyes Tacandong & Co., on accounting and financial statement disclosure.

External Audit Fees

The aggregate fees billed by Reyes Tacandong & Co., ("RTCo.") for the audit of the financial statements of the Company and other services in connection with the statutory and regulatory filings for 2023 is ₱2,700,000.00.

PART III. CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of Registrant

The following are the Directors and Officers of the Company for the year 2023:

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

THE BOARD AND SENIOR MANAGEMENT

Pursuant to our amended articles of incorporation, our Company's Board of Directors consists of ten (10) members, of whom two (2) are independent directors. The table below sets forth each member of our board of directors and senior management as of December 31, 2023.

Name	Age	Nationality	Position
Lawrence O. Lee	64	Filipino	Chairman of the Board and Director
Arlene Louisa T. Sy	50	Filipino	President, Chief Executive Officer, and Director
Rolando O. Raval, Jr.	56	Filipino	Chief Operations Officer and Director
Marcos A. Legaspi	68	Filipino	Chief Finance Officer and Director
Anita Lim	58	Filipino	Treasurer
Dennis F. Uy	62	Filipino	Corporate Secretary
Ricardo A. Lee	63	Filipino	Director
William Lim	64	Filipino	Director
Anthony Thomas C. Roxas, Jr.	58	Filipino	Executive Director
Chun Bing G. Uy	71	Filipino	Independent Director
Raul M. Leopando	73	Filipino	Director
Jose Vicente C. Bengzon, III	66	Filipino	Independent Director

The business experience of each of our directors and executive officers is set out below.

Lawrence O. Lee, 64, Filipino, is our Chairman and was our President from 2012 to 2022. He is a seasoned entrepreneur with at least 35 years of retail experience and is concurrently the Chairman and President of Jendres Holdings, Inc. and Upson Realty and Development Corporation, President of Silvertec Global Philippines, Inc. and Lamp Light International Corporation, and Director of Transway Hotels Group Corp. Mr. Lawrence Lee completed his Bachelor of Science degree major in Biology from the University of Santo Tomas.

Ricardo A. Lee, 63, Filipino, is currently a director and was the Chairman of the Corporation from 1995 to 2021. Mr. Lee is also involved in other business undertakings and serves as President of Transway Hotels Group Corp., Chairman of Unitrust Investments Corporation, Silvertec Global Philippines, Inc., and Lamp Light International Corporation, and director of Upson Realty and Development Corporation. He has been an entrepreneur for at least forty (40) years.

William Lim, 64, Filipino, has been a director of the Corporation since 1995. He was also the Corporation's Treasurer from 1995 to 2007. Mr. Lim is also the Chairman and President of Virdura Holdings, Inc., a director of Upson Realty and Development Corporation, Transway Hotels Group Corp., and Octagon International Marketing Corp. He received his Bachelor of Science Degree in Engineering major in Civil Engineering from the University of Mindanao. Mr. Lim has been an entrepreneur for at least forty (40) years.

Arlene Louisa T. Sy, 50, Filipino, is our President and Chief Executive Officer since 2022. Ms. Sy has been with the Corporation since 1995, serving various senior roles across product and category management, marketing and procurement planning, store management operations, and project management. Ms. Sy received her Bachelor of Science in Computer Science (Computer Hardware Specialization) degree from De La Salle University

Rolando O. Raval, Jr., 56, Filipino, is our Chief Operations Officer (COO), and was elected as director in 2022. Engr. Raval joined the Corporation in 2002 and has served as our COO since 2006. He is responsible for the day-to-day management of our business and for developing work processes and tools for customer service excellence and for risk management. Engr. Raval completed his Bachelor of Science Major in Civil Engineering degree from the Ateneo De Davao University. He also holds a postgraduate diploma in Research and Development Management from the University of the Philippines.

Marcos A. Legaspi, 68, Filipino, is our Chief Finance Officer (CFO), and was elected as director in 2022. He is concurrently the Principal Owner of M.A. Legaspi & Associates, and an AMLA Compliance Officer of ETC Realty Corporation. Prior to joining the Corporation in 2020, his 40-year career in finance included serving as CFO, management consultant, and external auditor across companies in the retail, manufacturing, telecommunications, real estate, and technology industries. He was also an auditor at Sycip Gorres Velayo & Co. earlier in his career. Mr. Legaspi holds a Bachelor of Science degree in Commerce with a Major in Accounting from the Polytechnic University of the Philippines. He is a Certified Public Accountant.

Anthony Thomas C. Roxas, Jr., 58, Filipino, is a director of the Corporation since 2022, and has been a financial advisor to key members of the Board of Directors since 2016. He brings with him at least 23 years of banking experience in Investment Banking and Corporate Banking with First Metro Investment Corporation and Metrobank. Currently, he is the Finance Executive Director of Orion Group International and Quantity Solutions Inc. He served as Finance Executive Director to HMR Philippines as well as Senior Management Advisor to Tapa King Inc from 2016 to 2018. His undergraduate studies in Economics are from the University of Sto. Tomas while his graduate studies were from the Asian Institute of Management and the University of Asia and the Pacific.

Raul M. Leopando, 73, Filipino, is a director of the Corporation since 2022. Mr. Leopando had been in Investment Banking for 46 years. Mr. Leopando was the Chairman of the Board of RCBC Securities Corporation, Vice Chairman of the Board of RCBC Bankard Services Inc., Consultant to the Chairman of RCBC and YGC, Director of RCBC Capital, Maibarara Geothermal Energy Inc., Petrogreen Energy Corporation, and Seafront Resources Corporation until 2022. He was a Senior Project Officer at First Metro Investment Corporation then later joined the Private Development Corporation of the Philippines as a Project Analyst and Manager. Mr. Leopando also worked for the Philippine Pacific Capital Corporation (PPCC) where he rose from the ranks to become PPCC's President and CEO. Mr. Leopando was concurrently the Chairman of the Board of RCBC Securities Corporation until December 31, 2010. He was a three-term President of the Investment Houses Association of the Philippines. Mr. Leopando also served as the Vice Chairman of the Capital Market Development Committee of FINEX and of the Capital Market Development Council. He was also formerly a member of the Board of several listed companies, such as Polar Mining Corp, Fil Hispano Ceramics Corp., Roxas Holdings Inc., Charter Land, Paxy's Corp., Petro Energy Corporation, and Marcventures. Mr. Leopando was the only Filipino accepted to attend the rigid full time International Stock and Bond Underwriting and Trading Course administered by the Nomura Research Institute in Tokyo, Japan.

Jose Vicente C. Bengzon III, 66, Filipino, has been an independent director of the Corporation since 2022. Mr. Bengzon is concurrently the Chairman (Non-executive Director) of Vitarich Corporation, the Vice Chairman of Commtrend Construction Corporation, an executive director of Inception Technology Phils., Corp., a Senior Adviser to the Board of Malayan Savings Bank, and

a director of UPCC Holdings Corporation. Prior to his election as an Independent Director of the Corporation, he held various key positions for both public and private organization, such as, Chief Privatization Officer (rank of Undersecretary) for the Department of Finance, Rep of the Philippines, Privatization and Management Office, and Financial Planning and Project Manager for Reuters America, among others. He was also the President and Chief Executive Officer of Torres Trading Company, Inc., and a director and the Risk Oversight Committee Chairman of Rizal Microbank (RCBC Subsidiary). Mr. Bengzon is a graduate of Bachelor of Arts degree, major in economics and Bachelor of Science in Commerce, major in accounting from De La Salle University. Mr. Bengzon also took a Master's in Business Administration from J.L. Kellogg School of Management Northwestern University.

Chun Bing G. Uy, 71, Filipino, is an independent director of the Corporation since 2022. Mr. Chun Bing Uy is concurrently a consultant and Senior Advisor of Corporate Banking Group of Rizal Commercial Banking Corporation. He was previously the Senior Executive Vice President and Group Head of the Corporate Banking Group (1997-2012) primarily responsible for all the corporate lending activities of the bank covering the conglomerates, local corporates, Japanese and global locators, SME and the Chinese banking segment. In addition, he is also the Chairman of Nippon Express Phils Corporation, the Chairman and President of FBIA Insurance Agency, a director of Luisita Industrial Park Corporation and an executive director of Strategic Equities Corporation (formerly Kim Eng Securities, Inc). He was also a past director of RCBC Savings Bank Corporation (2015-2016), an independent director of Discovery World Corporation (2015-2018) and of Liwayway (Global) Company, Ltd., a company to be listed in the HK Stock Exchange covering the operations of Liwayway Oishi in China and Vietnam (2019-2021). Mr. Chun Bing Uy holds a Bachelor of Science degree in Management Engineering, Cum Laude, in Ateneo de Manila University.

Dennis F. Uy, 62, Filipino, has been our Corporate Secretary since 2012. He is also the Chairman of Majestic Graphics Printing Corporation, and the Corporate Secretary of various companies, including Silvertec Global Philippines Inc., Upson Realty Development Corporation, Lamp Light International Corporation, and Octagon International Marketing. Mr. Dennis Uy was a manager for Maximax Office Automation from 1987 to 1995, sales executive for Automatic Center from 1985 to 1986, and manager for Shikaina Drug Store from 1984 to 1985. Mr. Dennis Uy graduated from the Philippine School of Business Administration with a degree of Bachelor of Science in Business Administration – Marketing.

Anita Lim, 58, Filipino, is the Treasurer of the Corporation since 2007. Prior to her appointment, she was with Upson Int'l Import and Export. Ms. Lim also served as an executive director of the Corporation. Ms. Lim has a Bachelor of Science Degree in Management from Centro Escolar University.

Significant Employees

The Company does not believe that its business is dependent on the services of any employee.

Involvement in Certain Legal Proceedings of Directors and Executive Officers

None of the Company's directors, nominees for election as director, or executive officers have in the five-year period prior to the date of this report: (1) had any petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a two-year period of that time, (2) have been convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offenses, (3) have been the subject of any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, or (4) have been found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, such judgment having not been reversed, suspended, or vacated.

Item 10. Executive Compensation Summary of Compensation Table
EXECUTIVE COMPENSATION TABLE

Compensation

The following table sets out our Chairman, and the four most highly compensated executive officers/directors for the period ended December 31, 2023:

Name	Position
Lawrence O. Lee	Chairman of the Board/Director
Anita Lim	Treasurer
Rolando O. Raval, Jr.	Chief Operations Officer / Director
Arlene Louisa T. Sy	President and Chief Executive Officer/Director
Marcos A. Legaspi	Chief Finance Officer and Director

The following table identifies and summarizes the aggregate compensation of our Chairman and the four most highly compensated executive officers/directors, as well as the aggregate compensation paid to all other directors and officers as a group, for the years ended December 31, 2023, 2022, and 2021:

Actual

	Year	Salary (in Php)	Bonus	Other annual compensation
Chairman, President and the three most highly compensated executive officers/directors named above	2021	8,010,964.00	N/A	N/A
	2022	8,914,776.00	N/A	N/A
	2023	10,279,023.00	N/A	N/A
Aggregate compensation paid to all other directors and officers as a group	2021	21,137,360.00	N/A	N/A
	2022	21,007,193.00	N/A	N/A
	2023	24,993,868.00	N/A	N/A

Standard Arrangements

Other than payment of reasonable per diem as may be determined by the Board for every meeting, there are no standard arrangements pursuant to which directors of the Company are compensated, or were compensated, directly or indirectly, for any services provided as a director and for their committee participation or special assignments.

Other Arrangements

There are no other arrangements pursuant to which any director of the Company was compensated, or to be 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 records and beneficial owners holding more than 5% of the company's voting securities as of date of this report.

The following table sets out our shareholders of more than 5% of our Company's voting securities and their respective shareholdings and corresponding percentage ownership as of December 31, 2023.

Title of Class	Name and address of record owners and relationship with the Company	Name of beneficial owner and relationship with record owner	Citizenship	% of total of outstanding shares
Common	Jendres Holdings, Inc. 1504 B Gotesco Regency Twin Towers Condominium, 1129 Natividad Lopez Street, Ermita, Manila <i>Stockholder</i>	Lawrence O. Lee Stockholder	Filipino	17.20
Common	Ricardo A. Lee <i>Stockholder</i>	-	Filipino	14.27
Common	Lawrence O. Lee <i>Stockholder</i>	-	Filipino	12.27
Common	William Lim <i>Stockholder</i>	-	Filipino	11.41
Common	Virdura Holdings, Inc. Gotesco Regency Twin Tower B 1129 Natividad Lopez Street, Ermita, Manila <i>Stockholder</i>	William Lim Stockholder	Filipino	10.00
Common	Unitrust Investments Corporation 2202 Gotesco Tower B Condominium Concepcion, Ermita, Manila <i>Stockholder</i>	Ricardo A. Lee Stockholder	Filipino	10.00
Common	PCD Nominee Corporation Non Filipino <i>Stockholder</i>	Various	Non Filipino	17.52

Security ownership of management as of December 31, 2023:

Title of Class	Name and address of record owners and relationship with the Company	Position	Amount and Nature of Beneficial Ownership	% of total of outstanding shares
Common	Anita Lim Treasurer	Treasurer	89,167,665 Direct and Indirect	2.85
Common	Arlene Louisa T. Sy Director, President and Chief Executive Officer	Chief Executive Officer and President	1,100 Indirect	0.00
Common	Rolando O. Raval, Jr. Director and Chief Operations Officer	Chief Operations Officer	1,100 Indirect	0.00
Common	Marcos A. Legaspi Director and Chief Finance Officer	Chief Finance Officer	13,100 Indirect	0.00
Common	Anthony Thomas C. Roxas, Jr. Executive Director	Executive Director	496,100 Indirect	0.02
Common	Dennis F. Uy Corporate Secretary	Corporate Secretary	1,000 Indirect	0.00

VOTING TRUST HOLDERS OF 5% OR MORE

There were no voting trust agreements.

CHANGES IN CONTROL

There were no arrangements which may result to a change in control.

Item 12. Certain Relationships and Related Transactions

The Company, in the ordinary course of business, engages in rental transactions with a related party, Upson Realty and Development Corporation.

For a detailed discussion of the material related party transactions of the Company, please see Note 14 - Related Party Transactions and Balances of the attached Audited Financial Statements of the Company.

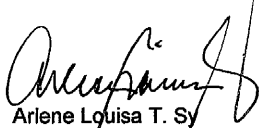
PART IV. EXHIBITS AND SCHEDULES

Exhibit 1 – Audited Financial Statements as at December 31, 2023 and 2022, and for the years ended December 31, 2023, 2022 and 2021

Exhibit 2 – Sustainability Report

SIGNATURES

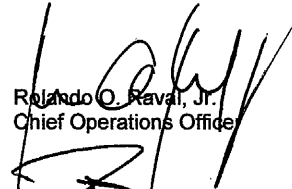
Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this Report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Manila on April 15, 2024.




Arlene Louisa T. Sy
President and Chief Executive Officer



Marcos A. Legaspi
Chief Finance Officer



Rolando O. Raval, Jr.
Chief Operations Officer



Dennis F. Uy
Corporate Secretary

APR 15 2024

SUBSCRIBED AND SWORN to before me this APR 15 2024 in Manila City affiants exhibiting to their TIN, as follows:

NAME	TIN	DATE OF ISSUE	PLACE OF ISSUE
Arlene Louisa T. Sy			
Rolando O. Raval, Jr.			
Marcos A. Legaspi			
Dennis F. Uy			

Notary Public

Doc. No. 120
Page No. 24
Book No. LV
Series of 2024.

ATTY. JOHN EDWARD TRINIDAD ANG
Notary Public for City of Manila- Until 12-31-2024
Notarial Commission No. 2024-091
2nd Floor Midland Plaza Hotel, Adriatico St., Ermita, Mla.
IBP NO. 393541-01/03/2024 Pasig City
P.T.R. NO. 1535522-Jan 3, 2024 Manila
ROLL NO. 68731 .MCLE COMPLIANCE NO. VII-0011675

COVER SHEET

for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A S 9 5 0 0 3 8 3 6

COMPANY NAME

U p s o n I n t e r n a t i o n a l C o r p . (D o i n g B u s i n e s s U n d e r t h e N a m e a n d S t y l e o f O c t a g o n C o m p u t e r S u p e r s t o r e ; M i c r o v a l l e y C o m p u t e r S u p e r s t o r e ; G a d g e t W o r l d ; O c t a g o n M o b i l e ; U n i s o ; G a d g e t K i n g a n d L a m p L i g h t)

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

U n i t 2 3 0 8 , 2 3 / F C a p i t a l H o u s e T o w e r 1 , 9 t h A v e n u e c o r n e r 3 4 t h S t r e e t , B o n i f a c i o G l o b a l C i t y , T a g u i g C i t y

Form Type

A A F S

Department requiring the report

C R M D

Secondary License Type, if Applicable

N / A

COMPANY INFORMATION

Company's Email Address

d_uy@octagon.com.ph

Company's Telephone Number/s

(02) 8 526-7152

Mobile Number

0920 960 9377

No. of Stockholders

10

Annual Meeting (Month / Day)

May 25

Calendar Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Ms. Anita Lim

Email Address

a_lim@octagon.com.ph

Telephone Number/s

(02) 8 526-7152

Mobile Number

-

CONTACT PERSON'S ADDRESS

Unit 2308, 23/F Capital House Tower 1, 9th Avenue corner 34th Street, Bonifacio Global City, Taguig 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 shall not excuse the corporation from liability for its deficiencies.

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


The management of **UPSON International Corp.** (the Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as at December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

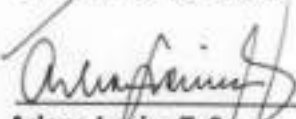
The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein and submits the same to the stockholders.

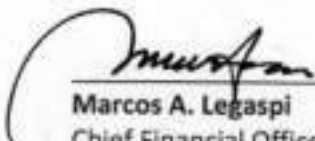
Reyes Tacandong & Co., the independent auditors appointed by the stockholders, have audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.



Lawrence Ong Lee
Chairman of the Board



Arlene Louisa T. Sy
President and Chief Executive Officer



Marcos A. Legaspi
Chief Financial Officer

Signed this 28th day of February 2024

SUBSCRIBED AND SWORN TO BEFORE ME
13 MAR 2024
at Manila, Philippines


RAUL JOHN Y. TAÑEDO
NOTARY PUBLIC

UNTIL DECEMBER 31, 2025

PTR NO. 2510325 / 01-23-24 QUEZON CITY

TBP LIFETIME NO. 02678 RSM / ROLL NO. 40849

MCLE COMPLIANCE NO. VII-0013342 / VALID UNTIL 04.14.2025

DO NO.
PAGE NO.
BOOK NO.
SERIES NO.



INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Upson International Corp.
Unit 2308, 23/F Capital House Tower 1
9th Avenue corner 34th Street
Bonifacio Global City, Taguig City

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Upson International Corp. (Doing Business Under the Name and Style of Octagon Computer Superstore; Microvalley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light) (the Company), which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2023, 2022 and 2021, and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years ended December 31, 2023, 2022 and 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 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 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 judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Accounting for Completeness and Valuation of Inventories

Inventories, net of allowance for inventory write down and losses, amounted to ₱3,350.8 million as at December 31, 2023. The accounting for the completeness and valuation of inventories is significant to our audit because inventories represent 54% of the total assets. Due to the significant amount, voluminous inventory items and fast-moving nature of the inventories, establishing the existence and completeness, and determining the proper valuation of inventories require extensive monitoring, and high degree of management judgment and estimation.

Our procedures included, among others, the review of the design and implementation of key controls on inventory management, the observation of the conduct of the inventory count, test of inventory summarization, review and test of inventory costing, and the determination of the lower of cost or net realizable value of inventories.

Necessary disclosures are included in Note 3, *Significant Judgments, Accounting Estimates and Assumptions*, and Note 6, *Inventories*.

Accounting for the Use of the Proceeds from the Initial Public Offering (IPO)

The shares of stock of the Company were listed with the Philippine Stock Exchange, Inc. on April 3, 2023. The net proceeds from the IPO amounted to ₱1,401.8 million, net of offer expenses of ₱98.2 million. The accounting for the use of the proceeds is significant to our audit because the unapplied proceeds of ₱983.0 million, which are maintained in the Company's cash in bank and cash equivalents, represent 16% of the total assets as at December 31, 2023. The Company is also required to adhere to the use of the proceeds as disclosed in the Offering Circular.

Our procedures included, among others, obtaining confirmation from the banks and examining the underlying documents to substantiate the cash in bank and cash equivalents, and checking the nature and validating the underlying documents supporting the actual disbursements of the IPO proceeds.

Necessary disclosures are included in Note 1, *Corporate Information* and Note 11, *Equity*.

Accounting for the Recognition and Measurement of Right-of-Use (ROU) Assets and Lease Liabilities

ROU assets and lease liabilities amounted to ₱275.4 million and ₱275.2 million as at December 31, 2023, respectively. The accounting for the recognition and measurement of ROU assets and lease liabilities are significant to our audit because there were significant additions in 2023 amounting to ₱232.9 million and ₱230.8 million for ROU assets and lease liabilities, respectively, arising from the Company's ongoing store network expansion. In addition, the recognition and measurement of ROU assets and lease liabilities involves the exercise of significant management judgment and estimate that include, among others, (a) assessing whether a contract contains a lease; (b) determining the lease term taking into consideration the renewal options; and (c) determining the appropriate discount rate.



Our procedures included, among others, the review of new and amended lease agreements to assess whether the arrangement contains a lease to be recognized as additional or remeasurement of ROU assets and lease liabilities, and the compliance of the Company with the required disclosures in the financial statements. We assessed the reliability of the data used in the computation of ROU assets and lease liabilities through inspection of source documents. We assessed the reasonableness of incremental borrowing rates used if it approximates the rate that the Company would have to pay to borrow funds for the purchase of similar asset with similar term and security, and the future lease payments through inspection of source documents. On a test basis, we also performed the recalculation of the recognized ROU assets and lease liabilities and assessed the reasonableness of the related amortization and interest expense on ROU assets and lease liabilities, respectively.

Necessary disclosures are included in Note 2, *Summary of Material Accounting Policy Information*, Note 3, *Significant Judgments, Accounting Estimates and Assumptions* and Note 16, *Lease Commitments*.

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, 2023, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditors' report.

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

In connection with our audits of the 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 financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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, these could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.



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The engagement partner on the audit resulting in this independent auditors' report is Darryll Reese Q. Salangad.

Report on the Supplementary Information Required under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue (BIR)

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes and licenses in Note 24 to financial statements is presented for purposes of filing with the BIR and is not a required part of the basic financial statements. Such information is the responsibility of the management of Upson International Corp. The information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

REYES TACANDONG & Co.


DARRYLL REESE Q. SALANGAD
Partner

CPA Certificate No. 107615

Tax Identification No. 227-770-760-000

BOA Accreditation No. 4782; Valid until April 13, 2024

BIR Accreditation No. 08-005144-016-2022

Valid until May 15, 2025

PTR No. 10072422

Issued January 2, 2024, Makati City

February 28, 2024

Makati City, Metro Manila

UPSON INTERNATIONAL CORP.

(Doing Business Under the Name and Style of Octagon Computer Superstore; Microvalley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light)

STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2023	2022
ASSETS			
Current Assets			
Cash and cash equivalents	4	₱1,360,873,502	₱801,412,803
Trade and other receivables	5	181,057,704	63,034,224
Inventories	6	3,350,825,684	2,666,559,469
Other current assets	7	160,316,057	156,807,491
Total Current Assets		5,053,072,947	3,687,813,987
Noncurrent Assets			
Property and equipment	8	819,418,924	689,495,330
Right-of-use (ROU) assets	16	275,426,853	251,313,980
Noncurrent portion of refundable lease deposits	7	59,723,407	40,143,243
Net deferred tax assets	17	19,060,904	20,397,056
Total Noncurrent Assets		1,173,630,088	1,001,349,609
		₱6,226,703,035	₱4,689,163,596
LIABILITIES AND EQUITY			
Current Liabilities			
Bank loans and trust receipts payable	10	₱1,767,613,865	₱1,734,644,813
Trade and other payables	9	1,322,843,184	1,535,686,751
Current portion of lease liabilities	16	147,320,374	154,972,049
Income tax payable		17,175,989	86,716,201
Total Current Liabilities		3,254,953,412	3,512,019,814
Noncurrent Liabilities			
Lease liabilities - net of current portion	16	127,873,298	95,638,729
Retirement liability	15	41,870,993	33,438,809
Total Noncurrent Liabilities		169,744,291	129,077,538
Total Liabilities		3,424,697,703	3,641,097,352
Equity			
Capital stock	11	625,000,260	500,000,060
Additional paid-in capital	11	1,305,308,048	—
Retained earnings	11	878,511,729	552,320,968
Accumulated rereasurement losses on retirement liability	15	(6,814,705)	(4,254,784)
Total Equity		2,802,005,332	1,048,066,244
		₱6,226,703,035	₱4,689,163,596

See accompanying Notes to Financial Statements.

UPSON INTERNATIONAL CORP.

(Doing Business Under the Name and Style of Octagon Computer Superstore; Microvalley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light)

STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	2023	2022	2021
NET SALES		₱10,010,358,499	₱9,461,981,130	₱8,567,941,202
COST OF SALES	6	(7,932,978,469)	(7,282,799,061)	(6,682,292,006)
GROSS INCOME		2,077,380,030	2,179,182,069	1,885,649,196
OPERATING EXPENSES	12	(1,675,980,429)	(1,530,103,748)	(1,322,687,810)
FINANCE COSTS	10	(123,495,021)	(74,147,403)	(116,263,266)
OTHER INCOME	13	306,082,355	142,074,344	90,852,948
INCOME BEFORE INCOME TAX		583,986,935	717,005,262	537,551,068
PROVISION FOR (BENEFIT FROM)				
INCOME TAX	17			
Current		117,606,658	184,132,156	112,615,259
Deferred		2,189,459	(4,982,875)	21,294,652
		119,796,117	179,149,281	133,909,911
NET INCOME		464,190,818	537,855,981	403,641,157
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Not to be reclassified to profit or loss in subsequent periods</i>				
Remeasurement gain (loss) on retirement liability - net of deferred income tax	15	(2,559,921)	1,990,447	(2,519,339)
TOTAL COMPREHENSIVE INCOME		₱461,630,897	₱539,846,428	₱401,121,818
BASIC/DILUTED EARNINGS PER SHARE	22	₱0.16	₱0.22	₱0.30

See accompanying Notes to Financial Statements.

UPSON INTERNATIONAL CORP.

(Doing Business Under the Name and Style of Octagon Computer Superstore; Microvalley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light)

STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31		
	Note	2023	2022	2021
CAPITAL STOCK	11			
Balance at beginning of year		₱500,000,060	₱500,000,000	₱267,500,000
Issuance		125,000,200	60	232,500,000
Balance at end of year		625,000,260	500,000,060	500,000,000
ADDITIONAL PAID-IN CAPITAL	11	1,305,308,048	—	—
RETAINED EARNINGS	11			
APPROPRIATED FOR CAPITAL EXPENDITURES		78,000,000	—	—
UNAPPROPRIATED				
Balance at beginning of year		552,320,968	404,464,987	307,823,830
Net income		464,190,818	537,855,981	403,641,157
Appropriation		(78,000,000)	—	—
Cash dividends		(138,000,057)	(390,000,000)	(307,000,000)
Balance at end of year		800,511,729	552,320,968	404,464,987
		878,511,729	552,320,968	404,464,987
ACCUMULATED REMEASUREMENT LOSSES				
ON RETIREMENT LIABILITY	15			
Balance at beginning of year		(4,254,784)	(6,245,231)	(3,477,499)
Remeasurement gain (loss) - net of deferred income tax		(2,559,921)	1,990,447	(2,519,339)
Effect of change in income tax rate		—	—	(248,393)
Balance at end of year		(6,814,705)	(4,254,784)	(6,245,231)
		₱2,802,005,332	₱1,048,066,244	₱898,219,756

See accompanying Notes to Financial Statements.

UPSON INTERNATIONAL CORP.

(Doing Business Under the Name and Style of Octagon Computer Superstore; Microvalley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light)

STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		₱583,986,935	₱717,005,262	₱537,551,068
Adjustments for:				
Depreciation and amortization	8	309,075,012	280,830,339	303,334,752
Finance costs	10	123,495,021	74,147,403	116,263,266
Interest income	4	(46,811,084)	(544,189)	(710,294)
Retirement expense	15	5,018,956	4,281,720	3,273,667
Provision for (reversal of) inventory obsolescence	12	2,916,376	24,841,900	(7,346,324)
Gain on lease modification	16	(102,070)	–	(621,157)
Gain on lease concessions	16	–	(17,500,079)	(52,687,895)
Operating income before working capital changes		977,579,146	1,083,062,356	899,057,083
Decrease (increase) in:				
Trade and other receivables		(108,765,398)	(24,351,690)	51,885,978
Inventories		(687,182,591)	(684,127,133)	(520,227,512)
Other assets		(25,182,984)	(32,216,675)	(23,897,105)
Increase (decrease) in trade and other payables		61,572,017	(527,961,576)	607,294,769
Net cash generated from (used for) operations		218,020,190	(185,594,718)	1,014,113,213
Income taxes paid		(187,146,870)	(135,154,934)	(91,805,655)
Interest received		37,553,002	544,189	710,294
Net cash provided by (used in) operating activities		68,426,322	(320,205,463)	923,017,852
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment	8	(219,496,536)	(109,233,206)	(58,818,497)
Decrease in advances to a related party		–	–	1,098,699,844
Net cash provided by (used in) investing activities		(219,496,536)	(109,233,206)	1,039,881,347
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Bank loans and trust receipts availments	10	2,611,018,632	2,870,048,222	2,854,817,472
Issuance of capital stock	11	1,430,308,248	60	232,500,000
Payments of:				
Bank loans and trust receipts	10	(2,578,049,580)	(2,381,838,159)	(4,093,501,174)
Lease liabilities	16	(220,119,782)	(180,629,861)	(126,213,919)
Interest		(119,320,548)	(62,825,209)	(103,552,641)
Dividends	21	(413,306,057)	(114,694,000)	(307,000,000)
Net cash provided by (used in) financing activities		710,530,913	130,061,053	(1,542,950,262)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		559,460,699	(299,377,616)	419,948,937
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		801,412,803	1,100,790,419	680,841,482
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	₱1,360,873,502	₱801,412,803	₱1,100,790,419

Years Ended December 31				
	Note	2023	2022	2021
NONCASH FINANCIAL INFORMATION				
Additions and modifications to ROU assets	16	(P232,540,827)	(P276,001,099)	(P198,491,372)
Additions and modifications to lease liabilities	16	230,344,503	276,001,099	197,870,215
Capitalized borrowing costs	8	11,074,116	—	—

See accompanying Notes to Financial Statements.

UPSON INTERNATIONAL CORP.

(Doing Business Under the Name and Style of Octagon Computer Superstore; Microvalley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light)

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2023 AND 2022

AND FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 and 2021

1. Corporate Information

Upson International Corp. (Doing Business Under the Name and Style of Octagon Computer Superstore; Microvalley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light) (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on April 19, 1995. The Company is primarily engaged in the business of buying, selling, distributing, marketing, at wholesale and retail all kinds of goods, commodities, wares and merchandise such as but not limited to computer hardware equipment, telecommunications and other similar products.

The registered office address of the Company is Unit 2308, 23/F Capital House Tower 1, 9th Avenue corner 34th Street, Bonifacio Global City, Taguig City.

Initial Public Offering (IPO)

On June 1, 2021, the Board of Directors (BOD) and the stockholders authorized the Company to undertake an IPO of its shares with the Philippine Stock Exchange (PSE). Pursuant to the IPO plan, the BOD and the stockholders approved the increase in the Company's authorized capital stock and share split. Details of the increase in capital stock are presented in Note 11. The increase in authorized capital stock and share split were approved by the SEC on December 17, 2021 and April 12, 2022, respectively.

On January 12 and 27, 2023, the SEC and the PSE, respectively, approved the Company's application for an IPO. On April 3, 2023, the Company's shares of stock were listed under the Main Board of the PSE under the stock symbol UPSON. The Company listed 625,001,000 common shares at an offer price of ₱2.40 a share resulting to proceeds aggregating ₱1,500.0 million from the IPO (see Note 11).

Approval of Financial Statements

The financial statements of the Company as at December 31, 2023 and 2022, and for the years ended December 31, 2023, 2022 and 2021 were approved and authorized for issuance by the Company's BOD, as approved and endorsed by the Audit Committee, on February 28, 2024.

2. Summary of Material Accounting Policy Information

The material accounting policies used in the preparation of the financial statements are consistently applied to all the years presented, unless otherwise stated.

Basis of Preparation and Statement of Compliance

The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretation from International Financial Reporting Interpretations Committee (IFRIC) issued by the Philippine Financial and Sustainability Reporting Standards Council and adopted by the SEC, including SEC pronouncements.

Measurement Bases

The financial statements are presented in Philippine Peso (Peso), which is the Company's functional currency. All values are rounded to nearest Peso, unless otherwise indicated.

The financial statements have been prepared on a historical cost basis, except for lease liabilities and retirement liability which are measured at present value. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and the fair value of the consideration received in exchange for incurring a liability. 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 transaction date.

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 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 (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Fair values of financial assets and liabilities are disclosed in Note 19.

Adoption of Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following relevant amended PFRS effective for annual periods beginning or after January 1, 2023:

- Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial,

(2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods.
- Amendments to PAS 12, *Income Taxes - Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.
- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments.

Under the prevailing circumstances, the adoption of the foregoing amended PFRS did not have any material effect on the financial statements of the Company. Additional disclosures were included in the financial statements, as applicable.

Amended PFRS in Issue but not yet Effective

Relevant amended PFRS, which is not yet effective as at December 31, 2023 and has not been applied in preparing the financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2024:

- Amendments to PAS 7, *Statement of Cash Flows* and PFRS 7, *Financial Instrument: Disclosures - Supplier Finance Arrangements* – The amendments introduced new disclosure requirements to enable users of the financial statements assess the effects of supplier finance arrangements on the liabilities, cash flows and exposure to liquidity risk. The amendments also provide transitional relief on certain aspects, particularly on the disclosures of comparative information. Earlier application is permitted.

Under the prevailing circumstances, the adoption of the foregoing amended PFRS is not expected to have any material effect on the financial statements of the Company. Additional disclosures will be included in the financial statements, as applicable.

Current versus Noncurrent Classification

The Company presents assets and liabilities in the 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 it is: (a) expected to be settled in the normal operating cycle; (b) held primarily for trading; (c) 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. The Company classifies all other assets and liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent.

Financial Assets and Liabilities

Date of Recognition. The Company recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

“Day 1” Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a “Day 1” difference) in profit or loss. In cases where there is no observable data on inception, the Company deems the transaction price as the best estimate of fair value and recognizes “Day 1” difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the “Day 1” difference.

Classification. The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Company’s business model and its contractual cash flow characteristics.

As at December 2023 and 2022, the Company does not have financial assets at FVPL and FVOCI, and financial liabilities at FVPL.

Financial Assets at Amortized Cost. A financial asset shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for expected credit loss (ECL), if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2023 and 2022, the Company's cash in banks, cash equivalents, trade receivables and accrued interest receivable are classified under this category. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placement and which are subject to an insignificant risk of changes in value.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or impaired or through the amortization process.

As at December 31, 2023 and 2022, the Company's trade and other payables (excluding statutory payables), bank loans and trust receipts payable, and lease liabilities are classified under this category.

Impairment of Financial Assets

The Company recognizes an allowance for ECL on its financial assets at amortized cost.

Trade Receivables. The Company recognizes lifetime ECL which are estimated using a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors, general economic condition and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Other Financial Instruments at Amortized Cost. The Company measures the ECL on its other financial assets at amortized cost based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL.

Reclassification

The Company reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income (OCI).

Derecognition of Financial Assets and Liabilities

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

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

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

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. 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, and the difference in the respective carrying amounts is recognized in the statements of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability. Net fees shall include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Company could raise debt with similar terms and conditions in the market. The difference between the carrying amount of the original liability and fair value of the new liability is recognized in the statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting of Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the 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 statements of financial position.

Classification of Financial Instrument between Liability and Equity

A financial instrument is classified as liability 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.

Inventories

Inventories are stated at the lower of cost and net realizable value (NRV). NRV represents the estimated selling price less all estimated costs to sell. Cost of inventories includes all costs of purchase and other costs incurred to bring the merchandise inventories to its present condition and location. Cost is determined using moving average method. In determining the estimated selling price less cost to sell, the Company considers any adjustment necessary for obsolescence.

When the NRV of the inventories is lower than the cost, the Company provides for an allowance for the decline in the value of the inventory and recognizes the write-down as an expense in profit or loss. The amount of any reversal of any write-down of inventories, arising from an increase in NRV, is recognized as a reduction in the amount of inventories recognized as expense in the year in which the reversal occurs.

Advances to Suppliers

Advances to suppliers consist of advance payments made to suppliers for the purchase of inventory. Advances to suppliers are measured at the amount of cash paid. Advances to suppliers are applied against billings upon receipt of inventory purchased.

Other Assets

Other assets include refundable lease deposits, prepayments and input value-added tax (VAT).

Refundable lease deposits. Refundable lease deposits pertain to deposits as required under the lease agreements to cover for repairs on damaged leased properties, which are refundable at the end of the lease term if unutilized. Refundable lease deposits are initially recorded at transaction cost and subsequently measured at cost less any impairment loss. Refundable lease deposits that are expected to be realized for no more than 12 months after the financial reporting period are classified as current assets. Otherwise, these are classified as noncurrent assets.

Prepayments. Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are recognized in profit or loss as these are consumed in operations or expire with the passage of time. Prepayments are classified in the statements of financial position as current assets when the cost of goods or services related to the prepayment are expected to be incurred within one year or the Company's normal operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

Property and Equipment

Land and buildings held for use in the supply of goods or for administrative purposes, transportation equipment and other items of property and equipment are stated at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent expenditures relating to an item of property and equipment that has already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditures are recognized as expenses in profit or loss in the period in which those are incurred.

Properties in the course of construction for supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes contractor fees and other construction costs; and for qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy. Depreciation of these assets, determined on the same basis as other items of property and equipment, commences when the assets are ready for their intended use.

Land is not depreciated and subsequently measured at cost less impairment loss, if any. Building and building improvements, leasehold improvements, store furniture and equipment, transportation equipment, and furniture and fixtures are subsequently measured at cost less accumulated depreciation, amortization and any impairment losses.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of property and equipment as follows:

	Number of Years
Building and building improvements	20-25
Leasehold improvements	3 years or the term of lease whichever is shorter
Store furniture and equipment	3-5
Transportation equipment	5
Furniture and fixtures	3

The estimated useful lives and the depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment with the effect of any changes in estimate accounted for on a prospective basis.

Fully depreciated and amortized assets are retained in the accounts until these are no longer in use and no further depreciation and amortization are credited or charged to operations.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Impairment of Nonfinancial Assets

The Company assesses at each reporting date whether there is an indication that the nonfinancial assets may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. Recoverable amount is the higher of fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. The fair value less cost to sell is the amount obtainable from the sale of the asset in an arm's length transaction. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset from its disposal at the end of its useful life. 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. Where the carrying amount of an asset exceeds its recoverable amount, the carrying amount of the asset is written down to its recoverable amount. Any impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but shall not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognized for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

IPO Costs

IPO costs include registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties, among others. The transaction costs in issuing the Company's own equity instruments are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are recognized as an expense.

Capital Stock

Capital stock is measured at par value for all shares issued.

Additional Paid-in Capital (APIC)

APIC represents the excess of proceeds or fair value of the consideration received over the par value of the shares issued net of directly attributable stock issuance costs.

Retained Earnings

Retained earnings represent the cumulative balance of the Company's results of operations, net of any dividend declaration.

Dividend Distribution

Dividend distribution to stockholders is deducted from retained earnings in the year the dividends are declared and approved.

Other Comprehensive Income (Loss)

Other comprehensive income (loss) pertains to the accumulated remeasurement gain or loss on the Company's retirement liability arising from experience adjustments and changes in financial assumptions. Remeasurements of retirement liability, and the corresponding deferred tax component, are recognized immediately in OCI and presented as a separate line item within equity. These are not reclassified to profit or loss in subsequent periods.

Basic and Diluted Earnings Per Share (EPS)

Basic EPS is computed by dividing net income for the year by the weighted average number of shares outstanding during the year, with retroactive adjustments for any stock dividends declared and share split. If the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalization, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share for all periods presented shall be adjusted retrospectively. If these changes occur after the reporting period but before the financial statements are authorized for issue, the per share calculations for those and any prior period financial statements presented shall be based on the new number of shares.

Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Where the EPS effect of potential dilutive ordinary shares would be anti-dilutive, basic and diluted EPS are stated at the same amount.

Segment Reporting

An operating segment is a component of an entity: (a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (c) for which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues, for example, start-up operations may be operating segments before earning revenues.

Revenue Recognition

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Company perform 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. Otherwise, revenue is recognized at a point in time. The Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent.

The Company has assessed that it acts as a principal in all of its revenue sources. Moreover, the Company generates its revenues from sale of goods which are recognized at a point in time.

Net Sales. Revenue is recognized upon delivery or pick up of goods and measured at the fair value of the consideration received or receivable, net of returns and trade discounts.

For revenue from other sources, the following specific recognition criteria must be met before revenue is recognized:

Interest Income. Interest income is recognized as the interest accrues using the effective interest method.

Other Income. Income is recognized when earned.

Cost and Expense Recognition

Costs and expenses are recognized in profit or loss when a decrease in future economic benefits related to a decrease in asset or an increase in liability has arisen that can be measured reliably.

Cost of Sales. Cost of sales is recognized as expense when the significant risk and rewards of ownership of the goods have passed to the buyer and the amount of cost can be measured reliably, which is normally upon transfer of goods to the buyer.

Operating expenses. Operating expenses constitute costs of administering the business, and the costs of selling and marketing the inventories for sale. These are recognized in profit or loss as incurred.

Borrowing Costs

Borrowing costs consist of interest and other financing costs that the Company incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the development of the Company's projects that necessarily take a substantial period of time to get ready for its intended use are capitalized. Capitalization of borrowing costs commences when activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization ceases when substantially all the activities necessary to prepare the asset for its intended use are complete. All other borrowing costs are recognized as expense in the period these are incurred based on the effective interest method.

Leases

The Company assesses whether the contract is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified assets for a period of time, the Company assesses whether, throughout the period of use, it has both of the following:

- i. the right to obtain substantially all of the economic benefits from the use of the identified asset; and
- ii. the right to direct the use of the identified asset.

If the Company has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

The Company also assesses whether a contract contains a lease for each potential lease component.

The Company as a Lessee. At the commencement date, the Company recognizes ROU assets and lease liabilities for all leases, except for leases with lease terms of 12 months or less (short-term leases) and leases for which the underlying asset is of low value in which case the lease payments associated with those leases are recognized as an expense on a straight-line basis.

ROU Assets. At commencement date, the Company measures ROU assets at cost. The cost comprises:

- i. the amount of the initial measurement of lease liabilities;
- ii. any lease payments made at or before the commencement date less any lease incentives received;
- iii. any initial direct costs; and
- iv. an estimation of costs to be incurred by the Company in dismantling and removing the underlying asset, when applicable.

The ROU assets are recognized at the present value of the liability at the commencement date of the lease, adding any directly attributable costs. After the commencement date, the ROU assets are carried at cost less any accumulated amortization and accumulated impairment losses and adjusted for any remeasurement of the related lease liabilities. The ROU assets are amortized over the lease terms ranging from more than one (1) year to three (3) years. The ROU assets are assessed for impairment at reporting date if there is any indication that the carrying amount will not be recovered through continued use.

Lease Liabilities. At commencement date, the Company measures a lease liability at the present value of future lease payments using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of a lease liability comprise the following:

- i. fixed payments, including in-substance fixed payments;
- ii. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- iii. amounts expected to be payable by the lessee under residual value guarantees; and
- iv. 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.

A lease liability is subsequently measured at amortized cost. Interest on the lease liability and any variable lease payments not included in the measurement of lease liability are recognized in profit or loss unless these are capitalized as costs of another asset. Variable lease payments not included in the measurement of the lease liability are recognized in profit or loss when the event or condition that triggers those payments occurs.

If there is a change in the lease term or if there is a change in the assessment of an option to purchase the underlying asset, the lease liability is remeasured using a revised discount rate considering the revised lease payments on the basis of the revised lease term or reflecting the change in amounts payable under the purchase option. The lease liability is also remeasured using the revised lease payments if there is a change in the amounts expected to be payable under a residual value guarantee or a change in future lease payments resulting from a change in an index or a rate used to determine those payments.

Employee Benefits

Short-term Benefits. The Company recognizes a liability for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Retirement Benefits. The Company has an unfunded, non-contributory defined benefit plan covering all qualified employees. The retirement expense is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Company recognizes service costs, comprising of current service costs and interest cost, in profit or loss. Interest cost is calculated by applying the discount rate to the retirement liability.

Remeasurements comprising actuarial gains and losses and any change in the effect of the asset ceiling (excluding interest on retirement liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The retirement liability, which is the present value of the retirement liability on which the obligations are to be settled directly, is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

Foreign Currency Transactions and Translation

Transactions in currencies other than Peso are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Gains and losses arising on retranslation are included in profit or loss for the year.

Related Party Relationships and Transactions

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel, directors, or its stockholders. Related parties may be individuals or corporate entities. An entity is also related to the Company when it directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with the Company.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. Transactions with related parties are accounted for at arm's length prices or terms similar to those offered to non-related entities in an economically comparable market.

Related party transactions are considered material and/or significant if, individually or in aggregate over a twelve (12)-month period with the same related party, these transactions amount to 10% or higher of the Company's total assets.

Income Tax

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

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 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 future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rate and tax laws that have been enacted or substantively enacted at the reporting date.

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

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in OCI or directly in equity, in which case, the current and deferred tax are also recognized in OCI or directly in equity respectively.

VAT

Revenue, expenses and assets are recognized net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT 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 VAT included.

The amount of VAT recoverable from or payable to the taxation authority is presented as “Input VAT” under “Other current assets” account or included as part of “Statutory payables” under “Trade and other payables” account in the statements of financial position.

Provisions

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

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance costs. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates.

Contingencies

Contingent liabilities and assets are not recognized in the financial statements. Contingent liabilities are disclosed in the notes to financial statements unless the possibility of an outflow of resources embodying economic benefit is remote. Contingent assets are disclosed in the notes to financial statements when inflows of economic benefits are probable.

Events after the Reporting Date

Post year-end events that provide additional information about the Company’s financial position at reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

3. Significant Judgments, Accounting Estimates and Assumptions

In applying the Company's accounting policies, management is required to make judgments (other than those involving estimations) that have a significant impact on the amounts recognized and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The judgment and estimates used in the financial statements are based upon management's evaluation of relevant facts and circumstances as at the reporting date. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments

The critical judgments, apart from those involving estimations, that the management has made and that have the most significant effect on the amounts recognized in the financial statements are discussed below.

Classifying Financial Instruments. The Company classifies a financial instrument, or its components, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the Company's statements of financial position.

Classifying Lease Commitments - Company as a Lessee. The Company has entered into commercial property leases for its office, stores, advertisement and warehouse spaces. For the Company's non-cancellable lease, the Company recognizes ROU assets and lease liabilities measured at the present value of lease payments to be made over the lease term using the Company's incremental borrowing rate. The Company availed exemption for short-term leases with term of 12 months or less. Accordingly, lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Assessing the Renewal Options of Lease Agreements. The Company's lease agreements contain renewal options that is exercisable upon the mutual agreement of the Company and the lessors. The Company makes an assessment, at the commencement of the lease, whether it is reasonably certain that the renewal options will be exercised by the Company and will be agreed to by the lessors under the circumstances. As at December 31, 2023 and 2022, the Company has assessed that it is not reasonably certain that the renewal options will be mutually agreed by the Company and the lessors. As a result, the renewal options in the lease agreements were not considered in determining the lease term of the agreements.

Determining the Appropriate Discount Rate for Lease Payments. The Company's ROU assets and lease liabilities are initially measured at the present value of lease payments. In determining the appropriate discount rate, the Company considered readily available interest rate implicit in the lease agreements, interest rate on its borrowings and the term of each lease commitment. The Company determined that the implicit rate in the lease agreements is not readily available. The Company used the incremental borrowing rate to determine the present value of ROU assets and lease liabilities.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimate at reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are discussed below.

Assessing the ECL on Trade Receivables. The Company applies the simplified approach in measuring ECL on trade receivables which uses a lifetime ECL allowance using a provision matrix. Depending on the diversity of its debtor's base, the Company uses its historical credit loss experience adjusted for forward-looking factors, as applicable.

The Company has assessed that the ECL on trade receivables are not material as these pertain mainly to receivables from credit card companies and reputable third parties which are generally collected within three (3) to thirty (30) days from the date of transaction. No ECL was recognized for trade receivables in 2023, 2022 and 2021.

The carrying amounts of trade receivables are disclosed in Note 5.

Assessing the ECL on Other Financial Assets at Amortized Cost. The Company determines the allowance for ECL on other financial assets at amortized cost using the general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets. The provision for ECL recognized during the period is limited to 12 months ECL because the Company's other financial assets at amortized cost are considered to have low credit risk. When there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL.

The information about the ECL on the Company's other financial assets at amortized cost, comprising of cash in banks, cash equivalents and accrued interest receivable, is disclosed in Note 18 to the financial statements. The carrying amounts of the Company's cash in banks and cash equivalents, and accrued interest receivable as at December 31, 2023 and 2022 are disclosed in Notes 4 and 5, respectively.

Estimating the NRV of Inventories. The NRV of inventories represents the estimated selling price for the asset less all estimated costs necessary to make the sale. The Company determines the estimated selling price based on the recent sale transactions of similar goods with adjustments to reflect any changes in economic conditions since the date the transactions occurred. The Company writes down the carrying amount of inventory for the excess of carrying amount over its NRV or fair value less cost to sell. While the Company believes that the estimates are reasonable and appropriate, significant differences in the actual experience or significant changes in estimates may materially affect the profit or loss and equity.

Refer to Note 6 for the carrying amounts of inventories as at December 31, 2023 and 2022. The Company wrote off inventories which were determined to be worthless amounting to ₱58.5 million in 2021. No inventories were written off in 2023 and 2022. Provision for (reversal of) inventory obsolescence amounted to ₱2.9 million, ₱24.8 million and (₱7.3 million) in 2023, 2022 and 2021, respectively. Allowance for inventory obsolescence amounted to ₱51.8 million and ₱48.9 million as at December 31, 2023 and 2022, respectively.

Estimating the Useful Lives of ROU Assets and Property and Equipment. The useful lives of the Company's ROU assets, and property and equipment (except land and construction in progress) are estimated based on the period over which the assets are expected to be available for use. The estimated useful lives 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 Company's ROU assets and property and equipment. In addition, the estimation of the useful lives is based on the Company's 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 ROU assets and property and equipment would increase the recognized expenses and decrease noncurrent assets.

As at December 31, 2023 and 2022, the carrying amounts of property and equipment and ROU assets are disclosed in Notes 8 and 16, respectively. There were no changes in the estimated useful lives of these property and equipment and ROU assets in 2023, 2022 and 2021.

Assessing the Impairment of Nonfinancial Assets. The Company is required to perform an impairment assessment when certain impairment indicators are present. Determining the value in use of nonfinancial assets requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets. Future events could cause the Company to conclude that nonfinancial assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial position and financial performance. While the Company believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future impairment charges.

The carrying amounts of the Company's nonfinancial assets are as follows:

	Note	2023	2022
Property and equipment	8	₱819,418,924	₱689,495,330
ROU assets	16	275,426,853	251,313,980
Refundable lease deposits	7	213,463,543	177,620,244
Advances to a stockholder	5	31,791,848	—
Prepayments	7	3,685,777	18,562,429
Advances to suppliers	5	3,308,220	7,694,633
Input VAT	7	2,890,144	768,061
Advances to officers and employees	5	1,763,413	30,021

There were no impairment loss recognized on nonfinancial assets in 2023, 2022 and 2021.

Estimating Retirement Liability. The determination of the retirement liability and expense is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Actual results that differ from the assumptions are accumulated and are recognized in OCI. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement liability.

The carrying amounts of retirement liability, retirement expense and the assumptions used in calculating such amounts, which include among others, discount rates and expected rates of salary increase, are disclosed in Note 15.

Assessing the Realizability of Deferred Tax Assets. The Company reviews the carrying amounts at the end of each reporting period and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Company will generate sufficient taxable profit to allow all or part of its deferred tax assets to be utilized.

The carrying amounts of deferred tax assets recognized in the statements of financial position are disclosed in Note 17.

4. Cash and Cash Equivalents

This account consists of:

	2023	2022
Cash on hand	₱2,365,464	₱2,151,136
Cash in banks	558,508,038	799,261,667
Cash equivalents	800,000,000	–
	₱1,360,873,502	₱801,412,803

Cash in banks earn interest at prevailing bank deposit rates. Cash equivalents pertain to time deposit with maturity term of three months and earns interest at 6% per annum.

As at December 31, 2023, the cash and cash equivalents include the unapplied proceeds amounting to ₱983.0 million (see Note 11).

Details of interest income are as follows (see Note 13):

	2023	2022	2021
Cash in banks	₱680,425	₱544,189	₱710,294
Cash equivalents	46,130,659	–	–
	₱46,811,084	₱544,189	₱710,294

Accrued interest receivable from cash equivalents amounted to ₱9.3 million and nil as at December 31, 2023 and 2022, respectively (see Note 5).

5. Trade and Other Receivables

This account consists of:

	Note	2023	2022
Trade		₱134,936,141	₱55,309,570
Advances to:			
Stockholder	14	31,791,848	–
Suppliers		3,308,220	7,694,633
Officers and employees		1,763,413	30,021
Accrued interest receivable	4	9,258,082	–
		₱181,057,704	₱63,034,224

Trade receivables are noninterest-bearing and are generally settled within three to 30 days after the reporting period. No ECL was recognized for trade receivables in 2023, 2022 and 2021.

Advances to suppliers pertain to advance payments for purchases of inventory and are immediately applied against billings for inventory delivered.

Advances to officers and employees are noninterest-bearing advances subject to liquidation and are generally liquidated in the subsequent period.

6. Inventories

This account consists of:

	2023	2022
At cost:		
Computers and peripherals	₱1,953,012,515	₱1,734,670,678
Accessories	589,958,494	515,993,669
Mobile phones	519,145,107	271,236,350
Printers and scanners	251,766,243	96,397,487
Consumables	88,712,318	97,113,902
	3,402,594,677	2,715,412,086
Less allowance for inventory obsolescence	(51,768,993)	(48,852,617)
At net realizable value	₱3,350,825,684	₱2,666,559,469

Movements in the allowance for inventory obsolescence are as follows:

	Note	2023	2022
Balance at beginning of year		₱48,852,617	₱24,010,717
Provision for inventory obsolescence	12	2,916,376	24,841,900
Balance at end of year		₱51,768,993	₱48,852,617

The Company's inventories are stated at NRV as at December 31, 2023 and 2022.

Under the terms of agreements, merchandise inventories amounting to ₱2,036.0 million and ₱2,510.2 million as at December 31, 2023 and 2022, respectively, are covered by trust receipts issued by local banks (see Note 10).

Cost of inventories sold during the period follows:

	2023	2022	2021
Inventories at beginning of year	₱2,715,412,086	₱2,031,284,953	₱1,569,558,866
Purchases	8,620,161,060	7,966,926,194	7,144,018,093
Cost of goods available for sale	11,335,573,146	9,998,211,147	8,713,576,959
Less inventories at end of year	(3,402,594,677)	(2,715,412,086)	(2,031,284,953)
	₱7,932,978,469	₱7,282,799,061	₱6,682,292,006

7. Other Assets

This account includes:

	Note	2023	2022
Refundable lease deposits	16	₱213,463,543	₱177,620,244
Prepayments		3,685,777	18,562,429
Input VAT		2,890,144	768,061
		220,039,464	196,950,734
Less noncurrent portion of refundable lease deposits		59,723,407	40,143,243
		₱160,316,057	₱156,807,491

Prepayments pertain to advance payment of rent under short-term leases and business permits.

Certain refundable lease deposits in 2022 were reclassified to conform with the current year presentation. The reclassification resulted to a reduction of the current assets by ₱40.1 million and consequently, increase in noncurrent assets as at December 31, 2022. There were no impact on the statement of comprehensive income and statement of cash flows for the year ended December 31, 2022.

8. Property and Equipment

Movements in this account follow:

December 31, 2023								
	Land	Building and Building Improvements	Leasehold Improvements	Store Furniture and Equipment	Transportation Equipment	Furniture and Fixtures	Construction in Progress	Total
Cost								
Balance at beginning of year	₱201,025,000	₱208,474,487	₱526,265,782	₱112,353,141	₱123,990,094	₱103,358,684	₱78,960,249	₱1,354,427,437
Additions	—	—	46,408,731	31,007,642	9,334,000	6,652,185	137,168,094	230,570,652
Transfers	—	—	36,808,413	—	—	—	(36,808,413)	—
Balance at end of year	201,025,000	208,474,487	609,482,926	143,360,783	133,324,094	110,010,869	179,319,930	1,584,998,089
Accumulated Depreciation and Amortization								
Balance at beginning of year	—	16,026,206	398,005,308	70,454,834	97,063,253	83,382,506	—	664,932,107
Depreciation and amortization	—	8,255,679	50,919,562	18,640,489	15,579,353	7,251,975	—	100,647,058
Balance at end of year	—	24,281,885	448,924,870	89,095,323	112,642,606	90,634,481	—	765,579,165
Carrying Amount	₱201,025,000	₱184,192,602	₱160,558,056	₱54,265,460	₱20,681,488	₱19,376,388	₱179,319,930	₱819,418,924

December 31, 2022								
	Land	Building and Building Improvements	Leasehold Improvements	Store Furniture and Equipment	Transportation Equipment	Furniture and Fixtures	Construction in Progress	Total
Cost								
Balance at beginning of year	₱201,025,000	₱29,192,000	₱494,069,077	₱87,740,359	₱121,320,451	₱97,465,164	₱214,382,180	₱1,245,194,231
Additions	—	—	5,408,056	24,612,782	2,669,643	5,893,520	70,649,205	109,233,206
Transfers	—	179,282,487	26,788,649	—	—	—	(206,071,136)	—
Balance at end of year	201,025,000	208,474,487	526,265,782	112,353,141	123,990,094	103,358,684	78,960,249	1,354,427,437
Accumulated Depreciation and Amortization								
Balance at beginning of year	—	7,784,533	335,440,152	57,305,383	81,536,984	80,187,625	—	562,254,677
Depreciation and amortization	—	8,241,673	62,565,156	13,149,451	15,526,269	3,194,881	—	102,677,430
Balance at end of year	—	16,026,206	398,005,308	70,454,834	97,063,253	83,382,506	—	664,932,107
Carrying Amount	₱201,025,000	₱192,448,281	₱128,260,474	₱41,898,307	₱26,926,841	₱19,976,178	₱78,960,249	₱689,495,330

Construction in progress represents the accumulated costs incurred in the construction of a warehouse and additional stores which are expected to be completed in 2024. As at December 31, 2023, the estimated total cost to complete the warehouse and store branches amounted to ₱53.4 million. In 2023, borrowing costs amounting to ₱11.1 million were capitalized using the capitalization rate of 5.69% (see Note 10).

The Company's building with a carrying amount of ₱164.9 million and ₱172.7 million as at December 31, 2023 and 2022, respectively, was used as collateral for a related party's outstanding loan with a local bank (see Note 14).

Fully depreciated property and equipment still being used by the Company amounted to ₱123.7 million and ₱118.6 million as at December 31, 2023 and 2022, respectively.

Depreciation and amortization are recognized from:

	Note	2023	2022	2021
ROU assets	16	₱208,427,954	₱178,152,909	₱168,388,201
Property and equipment		100,647,058	102,677,430	134,946,551
		₱309,075,012	₱280,830,339	₱303,334,752

Depreciation and amortization are charged to the following (see Note 12):

	2023	2022	2021
Selling and marketing expenses	₱219,442,677	₱208,411,535	₱244,093,555
General and administrative expenses	89,632,335	72,418,804	59,241,197
	₱309,075,012	₱280,830,339	₱303,334,752

9. Trade and Other Payables

This account consists of:

	Note	2023	2022
Trade		₱1,256,409,554	₱1,180,036,130
Advances from a related party	14	25,403,485	25,403,485
Statutory payables		18,219,072	27,226,159
Accrued expenses		17,203,355	19,651,708
Retention payables		3,112,053	1,918,233
Dividends payable	11	—	275,306,000
Others		2,495,665	6,145,036
		₱1,322,843,184	₱1,535,686,751

Trade payables are noninterest-bearing, unsecured and payable in cash within 90 days.

Statutory payables include VAT payable, withholding taxes payable and payables to other government agencies which are normally settled in the following month.

Accrued expenses pertain to interests, contracted and other services, professional fees and utilities which are settled within the next reporting period.

Retention payables pertain to the amounts retained by the Company from payments to contractors for the construction contracts. These are deducted as a percentage of the amount certified as due to the contractor and paid upon final acceptance of the constructed property.

Others pertain to refundable customer deposits and other nontrade payables.

10. Bank Loans and Trust Receipts Payable

Movements in this account are as follows:

	2023		
	Bank Loans	Trust Receipts	Total
Balance at beginning of year	₱641,666,667	₱1,092,978,146	₱1,734,644,813
Availments	575,000,000	2,036,018,632	2,611,018,632
Payments	(300,000,000)	(2,278,049,580)	(2,578,049,580)
Balance at end of year	₱916,666,667	₱850,947,198	₱1,767,613,865

	2022		
	Bank Loans	Trust Receipts	Total
Balance at beginning of year	₱409,166,666	₱837,268,084	₱1,246,434,750
Availments	359,846,890	2,510,201,332	2,870,048,222
Payments	(127,346,889)	(2,254,491,270)	(2,381,838,159)
Balance at end of year	₱641,666,667	₱1,092,978,146	₱1,734,644,813

As at December 31, 2023 and 2022, the bank loans and trust receipts have terms of three months to one year, subject to refinancing upon approval of the creditor bank. Bank loans were obtained for working capital purposes and to finance ongoing construction of the Company. Trust receipts were obtained to finance the purchase of inventories. Interest rates on the bank loans and trust receipts range from 3.50% to 9.25% in 2023 and 2022.

Trust Receipts

Under the terms of agreements, merchandise inventories amounting to ₱2,036.0 million and ₱2,510.2 million as at December 31, 2023 and 2022, respectively, were covered by trust receipts issued by local banks (see Note 6).

Covenants

As at December 31, 2022, the Company was compliant with loan covenants which include, among others, (1) not entering into any partnership or joint venture or commence a new business; sell, lease, transfer or otherwise dispose all or substantially all of its assets; or voluntarily suspend its business operations or work or dissolve its affairs; and (2) entering into management contracts and/or make any major policy change. As at December 31, 2023, the Company's bank loans are no longer subject to loan covenants.

Details of finance costs charged to operations are as follows:

	Note	2023	2022	2021
Interest on trust receipts		₱68,676,271	₱47,067,120	₱52,827,502
Interest on bank loans		51,534,693	16,295,368	51,378,472
Accretion of interest on lease liabilities	16	14,358,173	10,784,915	12,057,292
		134,569,137	74,147,403	116,263,266
Less capitalized borrowing cost	8	(11,074,116)	—	—
		₱123,495,021	₱74,147,403	₱116,263,266

In 2023, borrowing costs amounting to ₱11.1 million using a capitalization rate of 5.69% was capitalized (see Note 8). No finance costs were capitalized in 2022 and 2021. Accrued interest payable presented under “Accrued expenses” in the “Trade and other payables” account in the statements of financial position amounted to ₱3.8 million and ₱3.0 million as at December 31, 2023 and 2022, respectively (see Note 21).

11. Equity

Capital Stock

The Company’s capital stock comprise of common shares with par value of ₱0.20 a share as at December 31, 2023 and 2022, and ₱1.00 a share as at December 31, 2021.

Details of capital stock follow:

	2023		2022		2021	
	Shares	Amount	Shares	Amount	Shares	Amount
Authorized						
Balance at beginning of year	6,250,000,000	₱1,250,000,000	1,250,000,000	₱1,250,000,000	500,000,000	₱500,000,000
Effect of share split	—	—	5,000,000,000	—	—	—
Increase	—	—	—	—	750,000,000	750,000,000
Balance at end of year	6,250,000,000	₱1,250,000,000	6,250,000,000	₱1,250,000,000	1,250,000,000	₱1,250,000,000
Issued and outstanding						
Balance at beginning of year	2,500,000,300	₱500,000,060	500,000,000	₱500,000,000	267,500,000	₱267,500,000
Effect of share split	—	—	2,000,000,000	—	—	—
Issuance	625,001,000	125,000,200	300	60	232,500,000	232,500,000
Balance at end of year	3,125,001,300	₱625,000,260	2,500,000,300	₱500,000,060	500,000,000	₱500,000,000

On November 15, 2021, the Board of Directors (BOD) and the stockholders approved the increase in the Company’s authorized capital stock from 500,000,000 shares at ₱1 par value a share, or equivalent to ₱500.0 million, to 1,250,000,000 shares at the same par value, or equivalent to ₱1,250.0 million. This was approved by the SEC on December 17, 2021. Of the increase, 232,500,000 shares at ₱1 par value a share, or equivalent to ₱232.5 million, were subscribed and paid by the stockholders as at December 31, 2021 (see Note 1).

On February 2, 2022, the BOD and the stockholders approved the amendments to the Company’s articles of incorporation which included a five-to-one share split where one share at ₱1 par value a share will be converted to five shares at ₱0.20 par value a share. The SEC approved the share split on April 12, 2022. The increase in authorized capital stock and share split were pursuant to the public offering of the Company’s shares with the PSE (see Note 1).

In 2022, the Company issued 300 shares at a par value of ₱0.20 a share, or equivalent to ₱60, which were paid in cash.

On April 3, 2023, the Company completed the IPO of its 625,001,000 common shares at an offer price of ₱2.40 a share (see Note 1). The net proceeds from the IPO amounting to ₱1,401.8 million, net of offer expenses of ₱98.2 million, were intended for the Company's store network expansion and store improvement program. The unapplied proceeds as at December 31, 2023 amounted to ₱983.0 million and are maintained in the Company's cash in bank and cash equivalents.

Additional paid-in capital, which represents the excess of the offer price over the par value of the shares issued, net of directly attributable stock issuance costs of ₱69.7 million, amounted to ₱1,305.3 million.

Details of the additional paid-in capital are as follows:

	Amount
Additional paid-in capital	₱1,375,002,200
Less stock issuance costs:	
Underwriting and selling fees	49,107,219
Professional fees	15,332,630
Others	5,254,303
	<u>₱1,305,308,048</u>

Retained Earnings

Under Section 43 of the Revised Corporation Code of the Philippines, stock corporations are prohibited from retaining surplus profits in excess of one hundred (100%) percent of paid-in capital except when justified by corporate expansion projects and when it is necessary for special reserve for probable contingencies, among others. The Company's paid-in capital (including additional paid-in capital) amounted to ₱1,930.3 million and ₱500.0 million as at December 31, 2023 and 2022, respectively, while the unappropriated retained earnings of the Company amounted to ₱878.5 million and ₱552.3 million as at December 31, 2023 and 2022, respectively.

Dividend Declaration

Details of the cash dividends declared by the Company in 2023, 2022 and 2021 are as follows:

Date of BOD approval	Stockholders of record	Dividend per share	Amount
July 12, 2023	July 26, 2023	₱0.04	₱138,000,057
November 15, 2022	September 30, 2022	0.16	390,000,000
December 20, 2021	December 20, 2021	0.67	307,000,000

Dividends payable amounted to nil and ₱275.3 million as at December 31, 2023 and 2022, respectively (see Note 9).

Appropriations

On March 24, 2023, the BOD approved the appropriation of retained earnings amounting to ₱78.0 million for the construction of a warehouse. The completion of the construction of the warehouse was extended to 2024. On November 9, 2023, the BOD approved the retention of the appropriation.

Subsequent Events

On February 28, 2024, the BOD approved the declaration of cash dividends of ₱0.06 a share or a total of ₱187.5 million.

12. Operating Expenses

This account consists of:

	2023	2022	2021
Selling and marketing expenses	₱1,338,813,250	₱1,235,717,334	₱1,083,707,559
General and administrative expenses	337,167,179	294,386,414	238,980,251
	₱1,675,980,429	₱1,530,103,748	₱1,322,687,810

Selling and marketing expenses consist of:

	Note	2023	2022	2021
Merchant discount		₱304,859,917	₱296,226,878	₱297,563,734
Personnel costs		296,953,998	289,705,675	188,341,384
Rent	16	251,986,409	197,986,410	111,633,705
Depreciation and amortization	8	219,442,677	208,411,535	244,093,555
Utilities		131,221,218	116,674,928	97,583,181
Contracted and other services		97,759,776	65,315,214	134,388,881
Advertising		15,129,392	19,382,030	4,114,507
Freight and delivery		14,765,157	13,854,500	10,664,330
Retirement expense	15	3,778,330	3,318,264	2,670,606
Provision for (reversal of) inventory obsolescence	6	2,916,376	24,841,900	(7,346,324)
		₱1,338,813,250	₱1,235,717,334	₱1,083,707,559

General and administrative expenses consist of:

	Note	2023	2022	2021
Personnel costs		₱97,505,755	₱84,115,846	₱42,530,175
Depreciation and amortization	8	89,632,335	72,418,804	59,241,197
Taxes and licenses		61,079,416	56,505,615	57,001,480
IPO expense		16,546,052	8,273,027	—
Stationery and supplies		13,635,938	11,333,539	22,504,038
Repairs, warranties and maintenance		12,504,093	15,774,826	12,386,319
Transportation and travel		12,156,859	10,687,695	6,786,294
Representation		8,301,601	8,881,915	19,861,402
Professional fees		8,088,818	9,886,794	9,725,074
Insurance		7,817,667	4,986,726	3,668,483
Retirement expense	15	1,240,626	963,456	603,061
Rent	16	492,696	4,472,060	—
Others		8,165,323	6,086,111	4,672,728
		₱337,167,179	₱294,386,414	₱238,980,251

Personnel costs consist of:

	2023	2022	2021
Salaries and wages	₱346,795,528	₱322,011,067	₱206,355,220
Employee benefits	47,664,225	51,810,454	24,516,339
	₱394,459,753	₱373,821,521	₱230,871,559

13. Other Income

This account consists of:

	Note	2023	2022	2021
Interest income	4	₱46,811,084	₱544,189	₱710,294
Realized foreign exchange gain		7,472,929	7,021,758	—
Gain on lease modification	16	102,070	—	621,157
Gain on lease concessions	16	—	17,500,079	52,687,895
Other income		251,696,272	117,008,318	36,833,602
		₱306,082,355	₱142,074,344	₱90,852,948

Other income mainly pertains to income from product advertising or promotional support from suppliers.

14. Related Party Transactions

The Company has transactions with related parties in the ordinary course of business as follows:

	Nature of Transaction	Transactions during the Year			Outstanding Balance	
		2023	2022	2021	2023	2022
Trade and Other Receivables						
	Advances for business development expenses					
Stockholder		₱31,791,848	₱—	₱—	₱31,791,848	₱—
Advances to a Related Party						
Entity under common control	Advances (Collection)	₱—	₱—	(₱1,098,699,844)	₱—	₱—
Trade and Other Payables						
Entity under common control	Advances from a related party	₱—	₱—	₱25,403,485	₱25,403,485	₱25,403,485
Lease Arrangement (see Note 16)						
Entity under common control	ROU asset amortization	(₱68,963,541)	(₱56,663,023)	(₱37,956,875)	₱18,764,032	₱60,088,894
	Lease liability payment	(68,402,482)	(60,565,286)	(40,020,000)	19,350,782	59,671,472

Terms and Conditions

Advances to a Stockholder

Advances to a stockholder are unsecured noninterest-bearing advances for ordinary travel or business expenses which are subsequently liquidated.

Advances from a Related Party

Advances from a related party are unsecured, non-interest bearing, due and demandable and are settled in cash.

The Company's building with a carrying amount of ₱164.9 million and ₱172.7 million as at December 31, 2023 and 2022, respectively, was used as collateral for a related party's outstanding loan with a local bank (see Note 8).

Compensation of Key Management Personnel

The remuneration of the key management personnel of the Company are set out below:

	2023	2022	2021
Short-term employee benefits	₱6,853,860	₱6,853,860	₱3,120,000
Post-employment benefits	665,628	298,574	240,925
	₱7,519,488	₱7,152,434	₱3,360,925

15. Retirement Liability

The Company has an unfunded, non-contributory defined benefit plan covering substantially all qualified employees. The retirement liability is based on years of service and compensation based on the last year of employment as determined by an external actuary. The latest actuarial valuation was dated December 31, 2023.

There are no unusual or significant risks to which the retirement liability exposes the Company. However, in the event a benefit claim arises under the retirement liability, the benefit shall immediately be due and payable by the Company.

Retirement expense recognized in the statements of comprehensive income is as follows:

	2023	2022	2021
Current service cost	₱2,544,484	₱2,627,547	₱2,241,359
Interest cost	2,474,472	1,654,173	1,032,308
	₱5,018,956	₱4,281,720	₱3,273,667

Retirement expense is charged to the following (see Note 12):

	2023	2022	2021
Selling and marketing expenses	₱3,778,330	₱3,318,264	₱2,670,606
General and administrative expenses	1,240,626	963,456	603,061
	₱5,018,956	₱4,281,720	₱3,273,667

The movements in retirement liability recognized in the statements of financial position are as follows:

	2023	2022
Balance at beginning of year	₱33,438,809	₱31,811,018
Current service cost	2,544,484	2,627,547
Interest cost	2,474,472	1,654,173
Remeasurement (gain) loss	3,413,228	(2,653,929)
Balance at end of year	₱41,870,993	₱33,438,809

The assumptions used to determine retirement liability are as follows:

	2023	2022	2021
Discount rate	6.20%	7.40%	5.20%
Salary increase rate	3.00%	3.00%	3.00%

The sensitivity analyses based on reasonably possible changes of the assumptions as at December 31, 2023 follow:

	Basis Points	Effect on Present Value of Retirement Liability
Discount rate	+100	(₱2,871,944)
	-100	8,893,570
Salary increase rate	+100	9,036,696
	-100	(3,081,059)

The sensitivity analysis above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The Company does not maintain a fund for its retirement liability. While funding is not a requirement of the law, there is a risk that the Company may not have the cash if several employees retire within the same year.

The weighted average duration of the defined benefit plan at the end of the reporting period is 15 years.

Details of accumulated remeasurement losses on retirement liability recognized in equity are as follows:

	2023		
	Accumulated Remeasurement Losses	Deferred Tax (see Note 17)	Accumulated Remeasurement Losses, Net of Tax
Balance at beginning of year	₱5,673,046	(₱1,418,262)	₱4,254,784
Remeasurement loss	3,413,228	(853,307)	2,559,921
Balance at end of year	₱9,086,274	(₱2,271,569)	₱6,814,705

	2022		
	Accumulated Remeasurement Losses (Gains)	Deferred Tax (see Note 17)	Accumulated Remeasurement Losses, Net of Tax
Balance at beginning of year	₱8,326,975	(₱2,081,744)	₱6,245,231
Remeasurement gain	(2,653,929)	663,482	(1,990,447)
Balance at end of year	₱5,673,046	(₱1,418,262)	₱4,254,784

	2021		
	Accumulated Remeasurement Losses	Deferred Tax (see Note 17)	Accumulated Remeasurement Losses, Net of Tax
Balance at beginning of year	₱4,967,856	(₱1,490,357)	₱3,477,499
Remeasurement loss	3,359,119	(839,780)	2,519,339
Effect of change in income tax rate	–	248,393	248,393
Balance at end of year	₱8,326,975	(₱2,081,744)	₱6,245,231

As at December 31, 2023, the expected future benefit payments are as follows:

	Amount
More than 1 year to 5 years	₱12,736,044
More than 5 years to 10 years	4,958,200
10 years and up	311,643,997

16. Lease Commitments

Company as Lessee - Short-term Lease

The Company leases certain office, store and advertisement spaces for a period of less than one (1) year at a fixed rental based on agreement with the lessors.

Total rent expense on short-term leases is charged to the following (see Note 12):

	2023	2022	2021
Selling and marketing expenses	₱251,986,409	₱197,986,410	₱111,633,705
General and administrative expenses	492,696	4,472,060	–
	₱252,479,105	₱202,458,470	₱111,633,705

Company as Lessee - Long-term Lease

The Company has non-cancellable lease agreements with a related party and third parties for its warehouse, office, parking lots and store spaces for more than 12 months for which ROU assets and corresponding lease liabilities are recognized.

ROU Assets

The balance of and movements in ROU assets are as follows:

	Note	2023	2022
Cost			
Balance at beginning of year		₱1,017,780,596	₱741,779,497
Additions		232,869,169	197,206,057
Effect of lease modification		(328,342)	78,795,042
Balance at end of year		1,250,321,423	1,017,780,596
Accumulated amortization			
Balance at beginning of year		766,466,616	588,313,707
Amortization	8	208,427,954	178,152,909
Balance at end of year		974,894,570	766,466,616
Carrying Amount		₱275,426,853	₱251,313,980

Lease Liabilities

The balance and movements in lease liabilities are as follows:

	Note	2023	2022
Balance at beginning of year		₱250,610,778	₱161,954,704
Additions		230,774,915	197,206,057
Payments		(220,119,782)	(180,629,861)
Accretion	10	14,358,173	10,784,915
Effect of lease modification		(430,412)	78,795,042
Gain on lease concessions	13	–	(17,500,079)
Balance at end of year		275,193,672	250,610,778
Current portion		147,320,374	154,972,049
Noncurrent portion		₱127,873,298	₱95,638,729

Incremental borrowing rate ranging from 3.69% to 6.75% was applied to determine the discounted amount of lease liabilities in 2023 and 2022.

In 2023, the Company has pre-terminated one (1) lease agreement resulting to a gain on lease modification of ₱0.1 million (see Note 13). In 2022, there were certain modifications to the lease agreements arising from increase in monthly rentals, reduction in leased area and extension of lease terms prior to renewal, which resulted to the increase in ROU assets and lease liabilities by ₱78.8 million. No gain or loss on lease modification was recognized in 2022.

Gain on lease concessions pertains to the difference between contractual lease payments and the payments made under lease concession agreements directly attributable to COVID-19. Gains related to lease concessions amounted to nil, ₱17.5 million and ₱52.7 million in 2023, 2022 and 2021, respectively (see Note 13).

The future minimum lease payments and present value as at December 31, 2023 is as follows:

	Minimum Lease Payments	Present Value
Not later than one year	₱161,235,917	₱147,320,374
Later than one year but not more than five years	123,702,631	127,873,298
	₱284,938,548	₱275,193,672

Refundable Lease Deposits

Lease deposits, which are refundable at the end of the lease term if unutilized, aggregate ₱213.5 million and ₱177.6 million as at December 31, 2023 and 2022, respectively (see Note 7).

17. Income Taxes

The provision for current income tax pertains to regular corporate income tax (RCIT) in 2023, 2022 and 2021.

The reconciliation of income tax computed at the statutory tax rate to provision for income tax as shown in the statements of comprehensive income is as follows:

	2023	2022	2021
Income tax computed at the statutory tax rate	₱145,996,734	₱179,251,315	₱134,387,767
Adjustment for:			
Expenses charged to APIC	(17,423,538)	—	—
Interest income already subjected to final tax	(11,702,771)	(136,047)	(177,574)
Nondeductible expenses	2,925,692	34,013	44,394
Effect of change in income tax rate	—	—	(344,676)
	₱119,796,117	₱179,149,281	₱133,909,911

The Company's net deferred tax assets in the statements of financial position consist of the following:

	Note	2023	2022
Deferred Tax Assets:			
Allowance for inventory obsolescence		₱12,942,248	₱12,213,154
Retirement liability:			
Profit or loss		8,196,180	6,941,441
OCI	15	2,271,569	1,418,262
		23,409,997	20,572,857
Deferred Tax Liabilities:			
Capitalized borrowing cost		(2,768,529)	—
Unrealized foreign exchange gain		(1,522,269)	—
Excess of ROU asset over lease liability		(58,295)	(175,801)
		(4,349,093)	(175,801)
		₱19,060,904	₱20,397,056

18. Financial Risk Management

Financial Risk Management Objectives and Policies

The Company's business activities expose it to certain financial risks which includes credit risk, liquidity risk and interest rate risk. The Company's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Company. The BOD reviews and approves the policies for managing each of these risks.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. Financial assets that potentially subject the Company to credit risk consist primarily of cash in banks, cash equivalents, accrued interest receivables and trade receivables.

Risk Management. To manage credit risk, the Company deals only with reputable banks and creditworthy third parties. Sales to retail customers are required to be settled in cash or through major credit cards, further mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers and/or specific industry sectors.

The table below shows the gross maximum exposure of the Company to credit risk:

	2023	2022
Cash in banks and cash equivalents	₱1,358,508,038	₱799,261,667
Trade receivables	134,936,141	55,309,570
Accrued interest receivable	9,258,082	—
	₱1,502,702,261	₱854,571,237

As at December 31, 2023 and 2022, the amount of cash in banks, cash equivalents, accrued interest receivable and trade receivables are neither past due nor impaired and were classified as “*High Grade*”. High grade financial assets are those accounts with counterparties who are not expected by the Company to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions and companies. Credit quality was determined based on the credit standing of the counterparty.

Security. The Company does not hold collateral as security.

Impairment. Impairment analysis for trade receivables is performed at each reporting date using a provision matrix to measure ECL. The provision rates are based on days past due for groupings based on customer type and rating. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if collection cannot be made despite exhausting all extra-judicial and legal means of collection.

There are no guarantees against trade receivables but these receivables from credit card companies and reputable third parties which are generally collectible within three (3) to thirty (30) days from transaction date. Historical information and present circumstances do not indicate any significant risk of impairment. Thus, management did not recognize allowance for ECL.

For other financial assets at amortized cost which mainly comprise of cash in banks, cash equivalents and accrued interest receivable, the Company applies the general approach in measuring ECL. Management assessed that the application of the general approach does not result to significant expected credit losses and thus, did not recognize allowance for ECL.

The Company assessed that the credit risk on the financial assets has not increased significantly since initial recognition because cash in banks, cash equivalents and accrued interest receivable are deposited with reputable counterparty banks, which exhibit good credit ratings.

The following table summarizes the impairment analysis of the Company's financial assets at amortized cost. It indicates whether the financial assets at amortized cost were subject to a 12-month ECL or lifetime ECL allowance and, in the latter case, whether they were credit-impaired.

2023				
	12-Month ECL	Lifetime ECL - Not Credit Impaired	Lifetime ECL - Credit Impaired	Total
Cash in banks and cash equivalents	₱1,358,508,038	₱—	₱—	₱1,358,508,038
Trade receivables	—	134,936,141	—	134,936,141
Accrued interest receivable	9,258,082	—	—	9,258,082
	₱1,367,766,120	₱134,936,141	₱—	₱1,502,702,261

2022				
	12-Month ECL	Lifetime ECL - Not Credit Impaired	Lifetime ECL - Credit Impaired	Total
Cash in banks	₱799,261,667	₱—	₱—	₱799,261,667
Trade receivables	—	55,309,570	—	55,309,570
	₱799,261,667	₱55,309,570	₱—	₱854,571,237

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The tables below detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

2023				
	1 to 6 Months	6 Months to 1 Year	More than 1 Year	Total
Trade and other payables*	₱1,301,512,059	₱3,112,053	₱—	₱1,304,624,112
Bank loans and trust receipts payable	850,947,198	916,666,667	—	1,767,613,865
Lease liabilities	88,928,784	72,307,133	123,702,631	284,938,548
	₱2,241,388,041	₱992,085,853	₱123,702,631	₱3,357,176,525

*Excluding statutory payables.

2022				
	1 to 6 Months	6 Months to 1 Year	More than 1 Year	Total
Trade and other payables*	₱1,506,542,359	₱1,918,233	₱—	₱1,508,460,592
Bank loans and trust receipts payable	1,092,978,146	641,666,667	—	1,734,644,813
Lease liabilities	103,590,126	59,154,557	102,382,834	265,127,517
	₱2,703,110,631	₱702,739,457	₱102,382,834	₱3,508,232,922

*Excluding statutory payables.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates.

The Company's loans payable to local banks are subject to a repricing interest rate with and are exposed to fair value interest rate risk. The repricing of these instruments is done on a semiannual basis.

The Company regularly monitors interest rate movements and on the basis of current and projected economic and monetary data, decides on the best alternative to take. No sensitivity analysis is needed as future interest rate changes are not expected to significantly affect the Company's net income.

These loans are promissory notes under loan facilities which mature within 90 days to one year as at December 31, 2023 and 2022, and bear an effective interest rate ranging from 3.50% to 9.25% in 2023 and 2022.

19. Fair Value of Financial Assets and Liabilities

Fair values of the Company's financial assets and financial liabilities are shown below:

	2023		2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash in banks and cash equivalents	₱1,358,508,038	₱1,358,508,038	₱799,261,667	₱799,261,667
Trade receivables	134,936,141	134,936,141	55,309,570	55,309,570
Accrued interest receivable	9,258,082	9,258,082	–	–
	₱1,502,702,261	₱1,502,702,261	₱854,571,237	₱854,571,237
Financial Liabilities				
Trade and other payables*	₱1,304,624,112	₱1,304,624,112	₱1,508,460,592	₱1,508,460,592
Bank loans and trust receipts payable	1,767,613,865	1,767,613,865	1,734,644,813	1,734,644,813
Lease liabilities	275,193,672	268,423,967	250,610,778	213,611,942
	₱3,347,431,649	₱3,340,661,944	₱3,493,716,183	₱3,456,717,347

*Excluding statutory payables.

Due to the short-term maturities of cash in banks, cash equivalents, trade receivables, accrued interest receivable, trade and other payables (excluding statutory payables), and bank loans and trust receipts payable, their carrying amounts approximate their fair values.

Lease Liabilities. Estimated fair values have been calculated on the lease liabilities' expected cash flows using the prevailing market rates that are specific to the tenor of the instruments' cash flows at reporting dates (Level 3).

As at December 31, 2023 and 2022, there were no financial instruments measured at fair value. There were no transfers between levels of fair value hierarchy in 2023 and 2022.

20. Capital Risk Management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. No changes were made in the objectives, policies or processes in 2023, 2022 and 2021.

The capital structure of the Company consists of total liabilities and equity. The Company manages the capital structure and makes adjustments when there are changes in economic condition, its business activities, expansion programs and the risk characteristics of the underlying assets.

The Company is not subject to externally imposed capital requirements.

The Company's debt-to-equity ratio is as follows:

	2023	2022
Total liabilities	₱3,424,697,703	₱3,641,097,352
Total equity	2,802,005,332	1,048,066,244
Debt-to-equity ratio	1.22:1	3.47:1

21. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes as at December 31, 2023 and 2022:

	December 31, 2022	Additions	Accretion/ Interest expense	Payment	Non-cash Changes	December 31, 2023
Bank loans and trust receipts payable	₱1,734,644,813	₱2,611,018,632	₱-	(₱2,578,049,580)	₱-	₱1,767,613,865
Lease liabilities	250,610,778	230,774,915	14,358,173	(220,119,782)	(430,412)	275,193,672
Dividends payable	275,306,000	138,000,057	-	(413,306,057)	-	-
Accrued interest payable	2,953,922	-	120,210,964	(119,320,548)	-	3,844,338
	₱2,263,515,513	₱2,979,793,604	₱134,569,137	(₱3,330,795,967)	(₱430,412)	₱2,046,651,875

	December 31, 2021	Additions	Accretion/ Interest expense	Payment	Non-cash Changes	December 31, 2022
Bank loans and trust receipts payable	₱1,246,434,750	₱2,870,048,222	₱-	(₱2,381,838,159)	₱-	₱1,734,644,813
Lease liabilities	161,954,704	197,206,057	10,784,915	(180,629,861)	61,294,963	250,610,778
Dividends payable	-	390,000,000	-	(114,694,000)	-	275,306,000
Accrued interest payable	2,416,643	-	63,362,488	(62,825,209)	-	2,953,922
	₱1,410,806,097	₱3,457,254,279	₱74,147,403	(₱2,739,987,229)	₱61,294,963	₱2,263,515,513

22. Basic and Diluted Earnings Per Share

Basic earnings per share is computed as follows:

	2023	2022	2021
Net income	₱464,190,818	₱537,855,981	₱403,641,157
Divided by weighted average number of outstanding shares	2,968,751,050	2,500,000,300	1,337,500,000
	₱0.16	₱0.22	₱0.30

The earnings per share calculation reflects the changes in the number of outstanding shares as a result of the share split in 2022 and listing of shares in 2023 (see Note 11).

On April 3, 2023, the Company's shares of stock were listed under the Main Board of the PSE with an initial public offering of 625,001,000 common shares at an offer price of ₱2.40 a share (see Note 11).

The Company has no dilutive potential shares in 2023, 2022 and 2021.

23. Operating Segment Information

For management purposes, the Company is organized into operating segments based on brand names. However, due to the similarity in the economic characteristics, such segments have been aggregated into a single operating segment for external reporting purposes.

Sales reflected in the statements of comprehensive income are all from external customers and within the Philippines, which is the Company's domicile and primary place of operations. Additionally, the Company's noncurrent assets are also primarily acquired, located and used within the Philippines.

Sales are attributable to revenue from the general public, which are generated through the Company's store outlets. Consequently, the Company has no concentrations of revenue from a single customer in 2023, 2022 and 2021.

24. Supplementary Information Required by the Bureau of Internal Revenue under Revenue Regulations No. 15-2010

The information for 2023 required by the above regulation is presented below.

Output VAT

Output VAT declared by the Company for the year ended December 31, 2023 and the revenues subject to VAT are as follows:

	Revenues	Output VAT
Sale of goods and services:		
Subject to 12% VAT	₱10,141,956,869	₱1,217,034,824
Sales to Government	81,606,074	9,792,729
Zero rated sales/receipts	8,291,200	–
Total	10,231,854,143	1,226,827,553
Applied input VAT		1,220,190,079
Payments		6,637,474
VAT payable		₱–

The difference between the gross sales reported in the statement of comprehensive income and the gross sales declared in the VAT returns pertain to other income subject to VAT presented as part of “Other Income” in the statement of comprehensive income.

Input VAT

The movements in the input VAT claimed for by the Company for the year ended December 31, 2023 is shown below:

Input VAT carried over from previous period	₱768,061
Add current year payments for:	
Domestic purchases of goods other than capital goods	1,098,472,386
Domestic purchase of services	102,309,602
Importation of goods other than capital goods	20,814,674
Purchase of capital goods exceeding ₱1 million	381,600
Purchase of capital goods not exceeding ₱1 million	333,900
	1,223,080,223
Less applied against output VAT	1,220,190,079
	₱2,890,144

Importations

Taxes on the Company’s importations for the year ended December 31, 2023 consist of:

Landed cost of imports	₱173,039,486
Customs duties and tariff fees	416,130
	₱173,455,616

Documentary Stamp Tax (DST)

The Company’s DST paid during the year amounted to ₱17.7 million which is presented under “Taxes and licenses” account in the statement of comprehensive income for the year ended December 31, 2023.

All Other Local Taxes

The Company's other local and national taxes for the year ended December 31, 2023 consist of:

	Amount
Permits and licenses	₱42,776,570
Others	615,654
	₱43,392,224

The above local and national taxes are presented under "Taxes and licenses" account in the statements of comprehensive income for the year ended December 31, 2023.

Withholding Taxes

Summary of withholding taxes paid and accrued during the year:

	Paid	Accrued
Expanded withholding taxes	₱38,190,295	₱11,454,561
Final withholding taxes	25,394,999	—
Tax on compensation and benefits	15,605,093	—
	₱79,190,387	₱11,454,561

Tax Cases and Assessments

The Company has no outstanding tax assessments and tax cases as at and for the year ended December 31, 2023.

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR ANNUAL INCOME TAX RETURNS**

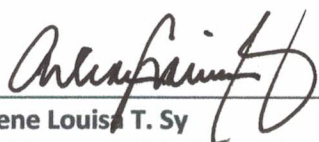
The Management of Upson International Corp. is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2023. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2023, and the accompanying Annual Income Tax Return are in accordance with the books and records of Upson International Corp. complete and correct in all material respects. Management likewise affirms that:

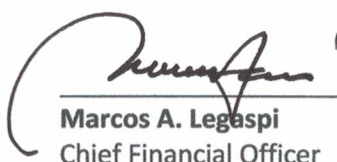
- (a) The Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b) Any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- (c) Upson International Corp. has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.



Lawrence Ong Lee
Chairman of the Board



Arlene Louise T. Sy
President and Chief Executive Officer



Marcos A. Legaspi
Chief Financial Officer



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

The Stockholders and the Board of Directors
Upson International Corp.
Unit 2308, 23/F Capital House Tower 1
9th Avenue corner 34th Street
Bonifacio Global City, Taguig City

We have audited the accompanying financial statements of Upson International Corp. (Doing Business Under the Name and Style of Octagon Computer Superstore; Microvalley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light) (the Company) as at December 31, 2023 and 2022, and for the years ended December 31, 2023, 2022 and 2021, on which we have rendered our report dated February 28, 2024.

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 stockholders of the Company.

REYES TACANDONG & Co.


DARRYLL REESE Q. SALANGAD
Partner

CPA Certificate No. 107615
Tax Identification No. 227-770-760-000
BOA Accreditation No. 4782; Valid until April 13, 2024
BIR Accreditation No. 08-005144-016-2022
Valid until May 15, 2025
PTR No. 10072422
Issued January 2, 2024, Makati City

February 28, 2024
Makati City, Metro Manila

Janice

From: eafs@bir.gov.ph
Sent: Friday, April 12 2024 11:38 am
To: JANICE@OCTAGON.COM.PH
Cc: JANICE@OCTAGON.COM.PH
Subject: Your BIR AFS eSubmission uploads were received

Hi UPSON INTERNATIONAL CORP.,

Valid files

- EAFS004780008AFSTY122023.pdf
- EAFS004780008ITRTY122023.pdf

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- <None>

Transaction Code: **AFS-0-PQRPRVQZ0C7589AKLQ1TZRSZP0MSM31XMX**
Submission Date/Time: **Apr 12, 2024 11:37 AM**
Company TIN: **004-780-008**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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From: eafs@bir.gov.ph
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- EAFS004780008TCRTY122023-01.pdf
- EAFS004780008TCRTY122023-02.pdf

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- <None>

Transaction Code: **AFS-0-QZW4QYNS04ZQVVQNQMVPX2MX30CFLCLHCG**
Submission Date/Time: **Apr 01, 2024 03:13 PM**
Company TIN: **004-780-008**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

Janice

From: eafs@bir.gov.ph
Sent: Monday, April 01 2024 3:17 pm
To: JANICE@OCTAGON.COM.PH
Cc: JANICE@OCTAGON.COM.PH
Subject: Your BIR AFS eSubmission uploads were received

Hi UPSON INTERNATIONAL CORP.,

Valid file

- EAFS004780008TCRTY122023-04.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-6F9EKJ5603TMVVYS4QTVQRP120PP1PQRSX**
Submission Date/Time: **Apr 01, 2024 03:16 PM**
Company TIN: **004-780-008**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

Janice

From: eafs@bir.gov.ph
Sent: Friday, April 12 2024 11:38 am
To: JANICE@OCTAGON.COM.PH
Cc: JANICE@OCTAGON.COM.PH
Subject: Your BIR AFS eSubmission uploads were received

Hi UPSON INTERNATIONAL CORP.,

Valid file

- EAFS004780008RPTTY122023.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-C58K87GH0B8H996JBQ2TNP13M04W2S32Z2**
Submission Date/Time: **Apr 12, 2024 11:38 AM**
Company TIN: **004-780-008**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

ANNUAL SUSTAINABILITY REPORT 2023



UPSON INTERNATIONAL CORP.

Sustainability Report

Upson International Corporation

Contextual Information

Company Details	
Name of Organization	Upson International Corp. (“Upson”, “we”, “our”, or “the Company”)
Location of Headquarters	Unit 2308, 23/F Capital House Tower 1, 9th Avenue corner 34th Street, Bonifacio Global City, Taguig City
Location of Operations	<p>As of December 31, 2023, we have a total of 232 branches nationwide, of which 33 are stand-alone stores, while 199 are mall-based stores.</p> <p>The regional network of the stores is found in the National Capital Region (74), North Luzon (43), South Luzon (43), Visayas (26), and Mindanao (46). In addition, the Company also leases a total of six (6) warehouses. These are located in Manila (3), Cebu (1), Cagayan de Oro (1), and Davao City (1).</p> <p><i>Refer to Appendix A for the specific locations of these stores.</i></p>
Business Model, including Primary Activities, Brands, Products, and Services	<p>Upson is a leading retailer of IT-related merchandise that includes a wide range of hardware and software products.</p> <p>The Company retails under the brand names Octagon Computer Superstore (“Octagon”), Micro Valley, Gadget King, and Octagon Mobile.</p> <ul style="list-style-type: none"> a) Octagon is the flagship brand among the company's prime stores. It offers a complete line and assortment of hardware and software products. b) Micro Valley is a specialty store for do-it-yourself components and customization of personal computers as well as gaming-specific PCs and peripherals for the growing gaming market. c) Gadget King is the Company's specialty store featuring IT accessories and peripherals. d) Octagon Mobile is a specialty store focusing on communication and connectivity devices such as mobile phones, tablets, networking products, and mobile-related accessories. <p>With our strong track record, dedication, and commitment to excellence, we have established partnerships with well-known international brands such as Acer, Asus, Lenovo, Brother, HP, DELL, Sony, Samsung, and Sandisk.</p> <p>The Company caters to a broad consumer spectrum, targeting customers such as home users, small-medium businesses, gamers, professionals, and students. Products are offered through prime stores, concept stores, mobile stores, and online through the Company website and well-known e-commerce platforms such as Lazada, Pick-a-roo, and Shopee.</p>

Report Boundary	This Sustainability Report ("Report") is specific to the operations of Upson International Corp. (Doing business under the name and style of Octagon Computer Superstore; Microvalley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light) only.
Reporting Period	January 1 to December 31, 2023
Highest Ranking Person responsible for this report	Arlene Louisa T. Sy President, Chief Executive Officer, and Director

OUR APPROACH TO SUSTAINABILITY

As we continue to grow, the Company works toward a sustainable future that resonates with its vision of technological leadership and commitment to the Filipino community. We aim to be the top IT product provider in the Philippines, focusing on a skilled team and sustainable profits. Our mission is to lead in offering the latest IT products and support the country towards technological advancement while growing sustainably. With unity, integrity, and commitment as our core values, we strive to ensure a diverse and supportive workplace for the community and environment.

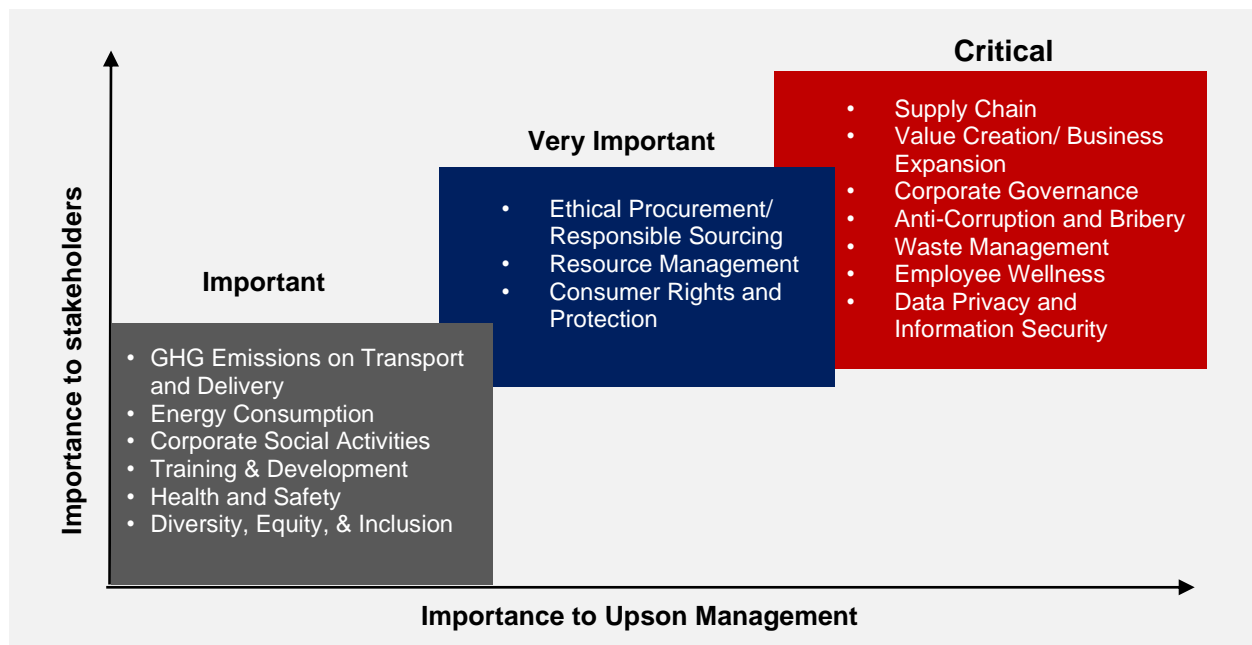


<p>We embed sustainability as a way to generate significant environmental, social, and financial value for all by aligning leaders, management and employees, including our suppliers/ business partners and customers, in a common goal and ambition.</p> <p>We will continue to include other stakeholder groups using existing touch points (e.g., customer management system) and separate engagements for a 360-degree view of our impacts, risks, and opportunities.</p>	<p>We continue to put action into our sustainability initiatives by implementing programs, formalized policies, and standardized guidelines, and we have acted on our sustainability goals.</p> <p>In 2023, we implemented our Extended Producer Responsibility (EPR) Program to address the worsening plastic pollution problem.</p> <p>Likewise, we have implemented several initiatives to protect the confidentiality of personal information of our internal and external stakeholders through our reinforcement of privacy programs.</p> <p>We will continue to use and improve sustainability as a benchmark throughout our business practices, whether managing our people, engaging with</p>	<p>We will establish a regular materiality review every two years to identify material topics important in diagnosing our directions, ensuring all our stakeholders' concerns and priorities are addressed, and further analyzing any gaps that may be revealed between external and internal stakeholders' priorities.</p> <p>We will continue to involve our stakeholders (e.g., employees, vendors, customers, and key management) to identify topics of importance to them.</p>	<p>Based on the results of the materiality assessment, we focused our data gathering on priority topics of the top management and our stakeholders to come up with our Sustainability Report.</p>
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the community, catering to our customers, doing business with our suppliers/ partners, or governing our Company.

Materiality Process

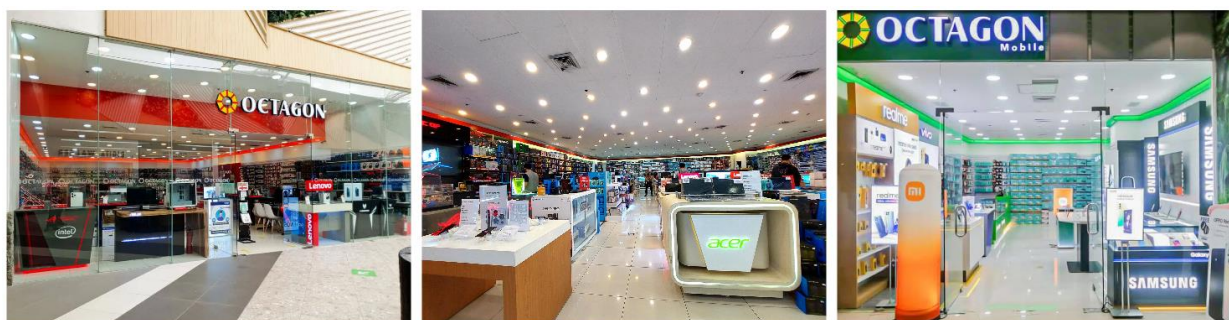
We have identified our material topics by involving our key management team and relevant stakeholders, as follows:



Based on the identified material topics, these are further grouped into the three pillars of Sustainability, as follows:

Pillar of Sustainability	Important	Very Important	Critical
Economic		Ethical Procurement/ Responsible Sourcing	Supply Chain Value Creation/ Business Expansion Corporate Governance Anti-Corruption and Bribery
Environmental	GHG Emissions on Transport and Delivery Energy Consumption	Resource Management	Waste Management (including compliance with Extended Producer Responsibility)
Social	Corporate Social Activities (Impact on Local Community)	Consumer Rights and Protection	Employee Wellness Data Privacy and Information Security

Training and Development
Health and Safety
Diversity, Equity and
Inclusion



ECONOMIC

Economic Performance

As of December 31, 2023, our Company's revenues grew by 5.80%, or ₱10,010.0 million from ₱9,462.0 million in 2022. Our Company's net income decreased by 13.70%, or ₱464.2 million from ₱537.9 million in 2022.

Within the past four (4) years, we have steadily widened our nationwide reach from 165 stores in 2018 to 232 stores as of December 31, 2023. For the years ended December 31, 2021, 2022, and 2023, our revenues hit ₱8,567.9 million, ₱9,462 million, and ₱10,010.4 million, respectively, making us the largest mall-based consumer electronics retailer¹ in the country. We are already present in 16 of the 17 regions in the country, allowing us to reach and capture almost the entire population and income groups.

Direct Economic Value Generated and Distributed

Disclosure	2022	2023	Units
Direct economic value generated (revenue)	9,461,981,130	10,010,358,499	₱
Direct economic value distributed:			
a. Operating costs	1,530,103,748	1,675,980,429	₱
b. Employee wages and benefits	373,821,521	394,459,753	₱
c. Payments to suppliers, other operating costs	8,374,689,954	8,543,787,636	₱
d. Dividends given to stockholders and interest payments to loan providers	177,519,209	532,626,605	₱
e. Taxes given to government	428,045,037	209,869,486	₱
f. Investments to the community (e.g. donations, CSR)	0	0	₱

As part of our management approach, we have built long-term, mutually beneficial relationships with our partner suppliers and customers that support the realization of our respective strategic goals. We outlined our initiatives, including critical collaborations with our partner suppliers focusing on product integrity, maintaining a comprehensive and regularly refreshed portfolio of well-recognized brands, and being accessible nationwide and on various platforms by providing responsible and honest marketing and advertising. These are as follows:

¹ According to the study of University of Asia and the Pacific – Center for Research and Communication Foundation.

Providing authentic and untampered products made us the preferred partner of stakeholders

We differentiate our business and product offerings through integrity, trustworthiness, and reliability. We pride ourselves in selling only authentic and untampered products because we believe that product integrity is an essential requirement that suppliers and customers expect retailers like us to uphold.

Since the beginning of our operations, we have had an unblemished record that attests to our high standards for product integrity. We believe this creates confidence and customer loyalty, knowing that technology brands guarantee the products they purchase from us are among the most respected names globally.

Maintaining a comprehensive and regularly refreshed portfolio of well-recognized brands made us the retail partner of choice

Our comprehensive and frequently updated assortment of products allows us to be responsive to prevailing market needs and local preferences, making us more attractive to consumers and competitive in the marketplace. As of December 31, 2023, we maintained an active portfolio of over 13,000 SKUs spanning nine major categories, including personal computers, printing, communication, storage, networking, peripherals, components, accessories, and software.

We believe the combination of these advantages has increased our customer base and driven our robust financial performance. In the past three years, we served more than 2 million customers annually. Likewise, our suppliers rely on us—as the Philippines' largest IT retailer by sales, market share, and store count—to make their products accessible nationwide and deliver reliable customer service and support consistent with their brand image. We have become their retail partner of choice.

Being accessible online and with our store selection and management made us always top of mind

We have successfully established our stores in key locations nationwide. We consider demographic characteristics, foot traffic, rent and retail space, and store accessibility critical factors in identifying a store location. We typically can complete construction and start the operation of our stores within two months, including the acquiring government and lessor approvals and the necessary permits and licenses.

We have also established operational procedures, principles, and policies for our store design and layout, product selection, inventory management, logistics, visual merchandising, pricing, marketing, employee training, and other business activities. In many instances, applying these procedures enables us to fast-track store openings.

Our stores provide direct access to our network-wide merchandise mix and attentive services from our multi-skilled staff, which creates the pleasant in-person shopping experience consumers expect. Additionally, our products are available on our website and in popular e-commerce platforms such as Lazada, Shopee, and Pick-a-roo to broaden our sales channels and deepen consumer engagement. With the consumers' positive adjustments to digital transformation and technological advancements, we strengthened our partnerships with these e-commerce platforms.

Providing responsible marketing and advertising for effective product use and post-sales support

We engage with various agencies for our outdoor advertising including billboards, window and door ads, and lamp post banners. In addition, we also utilize our relationship with manufacturers and/or distributors as marketing initiatives.

We also pride ourselves on excellent customer service and a wide range of products, which we consider an effective marketing tool that allows customers to return to the store for future needs. Moving forward, we will continue to build customer awareness of the importance of untampered products on warranty and after-sales service to increase customer loyalty and maintain our reputation as the country's trusted IT retailer.

Climate-related risks and opportunities

The natural or other catastrophes, including severe weather conditions, may materially disrupt our operations and financial condition. Our country, prone to natural disasters, has experienced several major natural catastrophes over the years, including typhoons, droughts, volcanic eruptions, and earthquakes. In this connection, our operations may be affected by utility shortages and power shutdowns caused by such natural catastrophes. To manage climate-related risks, we have implemented the following:

Getting insurance for our products in case of catastrophic events

We carry insurance for our products and warehouses in case of certain catastrophic events.

Operating on decentralized distribution centers

We have regional warehouses in Cebu, Davao, and Cagayan de Oro. Our Company is holding these regional warehouses under lease agreements. All our current six (6) warehouses are leased, while the lease agreements are yet to be secured for the additional nine (9) warehouses. This decentralization of distribution centers and warehouses is meant to address the risk of disruptions to the normal warehouse and product distribution operations due to natural disasters such as earthquakes, typhoons, floods, and fires which may also cause damage to the inventory.

Procurement Practices

As of 31 December 2023, the Company has over 100 suppliers including Brother International Philippines Inc., Canon Marketing Philippines Inc., Epson Philippines Corp., HP Inc., Acer Philippines Inc., Asus Philippines Inc., Lenovo Philippines Inc., Logitech Asia Pacific Ltd., to name a few. Our Company purchases items per order through purchase orders issued to suppliers. A purchase order provides the supplier details, payment terms are usually 60-90 days, discounts, entry date of order, delivery date, and cancellation date, if any. Most orders are delivered to our head office in Manila, while others have special arrangements and will be delivered to our warehouse in Visayas and Mindanao.

Our management approach includes the following:

Maintaining sustainable suppliers and long-term relations

Our long-standing, mutual-growth, and enabling relationship with our various suppliers has allowed us to continue to carry the same breadth and variety of product offerings. We rely on third-party suppliers for the provision of information technology-related products that we sell through our stores.

We seek new brand principals to diversify our supply chain and maintain synergistic partnerships with our existing vendors to ensure a mutually beneficial working relationship for all parties concerned. We strive to meet the vendors' expectations with our commitment to marketing and supporting their products.

We have established a strong relationship with most of our suppliers and have dealt with most of them for an average of 20 years. Our good working relationship with our suppliers helps us in many ways, including, but not limited to:

- a) Lowering our costs through volume incentives, bundling programs, and favorable payment terms;

- b) Supporting our efficiency efforts by shipping directly to our regional warehouses and certain store locations, subject to our instructions;
- c) Providing regular product training to our store personnel;
- d) Assisting us to obtain products that may be in short or limited supply; and,
- e) Sharing insights with us which we use to anticipate industry trends and practices.

Monitoring safety stock levels to ensure sufficient product supply

We regularly monitor our and maintain inventory levels typically lasting two to three months. We likewise forecast demand for our products for six months to a year and consider the lead time in replenishment to ensure we have sufficient inventory to meet customer demand for the products we carry. By securing stocks in advance and storing inventory for one quarter, we mitigate the risk if our domestic or international supply chains are disrupted.

Diversifying pool and careful selection of suppliers to address supply chain risks

We have a pool of alternate suppliers if a particular supplier fails to deliver. We are not dependent on a single or a limited number of suppliers for our product lineup.

In addition, we implement a careful selection policy for our prospective suppliers taking into consideration their track record of operations, clientele, location, industry reputation, available resources, and delivery capabilities, among others. In addition, we manage our inventory by factoring in supply disruptions to ensure that we have sufficient supply to meet local demand.

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that are spent on local suppliers	98.3	%
Percentage of procurement budget used for significant locations of operations that is spent on foreign suppliers	1.7	%

Maintaining good relations with our local lessors

As of December 31, 2023, the Company has 232 stores, 231 of which are held under lease, while one is owned. The additional 25 stores opened from January 1, 2023 to December 31, 2023, are leased. We lease our store spaces from local third parties.

Anti-corruption

We aim to operate our business with fairness and transparency. Following corporate governance principles, we establish strong internal control and audit processes to prevent any organizational risk and fraud. We have developed an anti-bribery and corruption policy and are taking action to demonstrate our commitment to anti-bribery and anti-corruption.

To inculcate this commitment, we continue to disseminate and educate our stakeholders, particularly our personnel, on our anti-bribery and anti-corruption policy. The Company's Code of Conduct likewise embodies accepting and giving gifts from customers, clients, and co-personnel.

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	100	%
Percentage of employees that have received anti-corruption training	100	%

Upson believes that the key to long-term sustainability and success largely depends on having a good name and solid reputation in the industry. Any management officer or staff aware of any violations of law, regulations, or policies should report the same to appropriate authorities, with protection from reprisal and discrimination. Reporting of violations is done in good faith and without malice.

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	#

All officers and Personnel of Upson are expected to observe and adhere strictly to the Company's Code of Conduct, Employee Handbook, and Policies and Procedures. The Code of Ethics is the ethical standard of the company's personnel in all their activities. It outlines the principles and policies that govern the organization's activities and sets forth the rules of conduct in the workplace and the standards of behavior of all the officers, management team, and staff in their activities and relationships with external stakeholders.

In addition, we encourage our stakeholders to report any issues or concerns of wrongdoing or non-compliance. We have assured our stakeholders that we will provide a trusted and safe avenue for disclosing any misconduct. We have established a Whistleblower Policy to guide the process.



ENVIRONMENT

Material environmental disclosures include resource management, environmental impact management, and environmental compliance due to the nature of the business, particularly the company's supply chain management.

Resource Management

Energy consumption within the organization

Energy consumption occurs within our organization's upstream and downstream activities associated with its operations. Lighting is one of the most significant energy-consuming activities in our store locations. Electronic products use high-intensity lighting to showcase products, consuming considerable levels of energy. Heating, Ventilation, and Air Conditioning (HVAC) systems are necessary to maintain comfortable indoor temperatures for customers and employees. HVAC systems can consume significant amounts of energy, especially during summer seasons.

Disclosure	Quantity	Unit
Renewable sources	0	GJ
Gasoline	4,365 ²	GJ
LPG	No Data	GJ
Diesel	No Data	GJ
Electricity	8,653,048	kWh

Water consumption within the organization

We have minimal water consumption because of the nature of our day-to-day operations. We operate in commercial or office spaces such as malls and store locations, which do not typically require large amounts of water. Water usage may be limited to basic office needs such as restrooms and cleaning, which can be managed through water-efficient fixtures and practices. Overall, while water usage may not be a significant concern for electronic products retail companies, we have taken steps to minimize their environmental impact and conserve resources, including water.

² Based on the given conversion factor of 0.0342 gigajoules per liter, 119,698 liters of gasoline would yield approximately 4,093.68 gigajoules of energy

Disclosure	Quantity	Unit
Water withdrawal	0	m ³
Water consumption	1,590	m ³
Water recycled and reused	0	m ³

Environmental Impact Management

Even if our environmental impact as a retail company is relatively low, we continuously work toward minimizing our ecological impact. Our rented facilities such as warehouses and stores primarily contribute to our carbon footprint.

Air Emissions

Air emissions of our business operations are typically associated with the transportation and distribution of products, and the operation of our facilities.

GHG

The transportation of products from our suppliers to our stores can result in emissions of greenhouse gases and other air pollutants from trucks, ships, and airplanes.

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	No Data	Tonnes CO ₂ e
Energy Indirect (Scope 2) GHG Emissions	No Data	Tonnes CO ₂ e
Emissions of ozone-depleting substances (ODS)	No Data	Tonnes

We acknowledge our contribution to climate change due to the nature of our business and supply chain management. We contemplate accounting for the Company's emissions from sourcing to distribution of our products to our end-customers and set targets with climate change actions through mitigation or adaptation solutions in the future.

Anticipating the need for Sustainability Reporting and Climate-related Reporting under S1 and S2 requirements, the Company will start monitoring its carbon footprint.

Solid and Hazardous Wastes

Solid waste generated by our organization comes from various sources, including packaging materials, obsolete products, and other materials associated with our operations. Electronic products may generate hazardous waste in the form of obsolete electronics, such as old smartphones, laptops, and other electronics that are no longer in use. These products may contain toxic chemicals and heavy metals like lead, cadmium, and mercury. We are following the proper waste disposal implemented by the law to minimize this hazardous waste.

Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	3,800 kgs of plastic waste (600 kgs flexibles, 3,200 kgs rigid plastics)	kg
Reusable	760 kgs (based on 20% recovery)	kg
Recyclable	760 kgs (based on 20% recovery)	kg
Composted	Not Applicable	kg
Incinerated	Not Applicable	kg
Residuals/Landfilled	Not Applicable	kg

In the Company's pursuit of environmental responsibility, Upson aims to minimize its plastic packaging footprint. The Company implemented its Extended Producer Responsibility (EPR) Program to reduce its plastic packaging footprint. Upson, along with its Project Partners, shall work together to take responsibility for their plastic packaging footprint by conducting programs that will help prevent, reduce, or even avoid the plastic packaging footprints of the Company, with the ultimate goal of contributing to the overall reduction of plastic packaging waste that is polluting the nature, while making sure that it feeds the circular economy.

As disclosed in the Company's EPR Program, the Company:

- a) adopts reusable packaging products and redesigns its packaging products to improve the packaging products reusability, recyclability, or retrievability,
- b) conducts information and education campaign schemes, and implements eco-labelling.

The Company has also partnered with Republic Cement & Building Materials, Inc. to ensure that the required amount of solid waste will be recovered, processed, disposed/diverted, accordingly. The Company set its minimum waste diversion/ recovery targets (20% for 2023, 40% for 2024, 50% for 2025, 60% for 2026, 70% for 2027, and 80% for 2028 onwards) in compliance with the EPR Act.

The Company measures and reports its solid waste generation and disposal practices through its compliance with the EPR Act, which requires the Company to submit an annual EPR Compliance Audit Report that includes the total plastic footprint of and recovered by the Company. The said Report shall be audited by an independent third-party auditor for verification/validation purposes.

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	No Data	kg
Total weight of hazardous waste transported	No Data	kg

Effluents

Disclosure	Quantity	Units
Total volume of water discharges	Not Applicable	Cubic meters
Percent of wastewater recycled	Not Applicable	%

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	0	#
No. of cases resolved through dispute resolution mechanism	0	#

Our waste management practices follow the RA 9003 or the Ecological Solid Waste Management Act which provides a systematic, comprehensive, and ecological waste management program to protect public health and the environment.

For the period covered, there were minimal reported cases of obsolescence and destruction of inventories that could result in hazards within the Company. Nonetheless, the Company is committed to developing a comprehensive and formal environmental policy and procedures to address any eventual increase of its waste disposal level in the future under RA 6969 Toxic Substances and Hazardous and Nuclear Waste Control Act of 1990 or the program of the DENR-EMB covers the sound and proper management of industrial chemicals and hazardous wastes in all aspects of its life cycle, from importation, manufacture, distribution, transportation, use, and disposal.



SOCIAL

Employee Management

We remain committed to our mission of creating a safe environment that respects our employees, cultivates knowledge and talent, and empowers them to be the best they can be through continuous career and development opportunities. We have training programs in place for our employees. We place great importance on attracting, developing, and retaining qualified employees. Our performance-based approach to compensation and rewards also contributes to our ability to attract and retain talent and drive performance.

We invest in our team by giving them opportunities for success. This starts with placing the right employees for the right jobs and giving them compensation and benefits which we believe are competitive and designed to support the financial well-being of our employees and their families. Our incentive program, which we regularly review, also supports our effort to retain talent. We also strive to manage talent development and engagement by continuously building skills at all levels and improving the work conditions and environment.

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees	795	
a. Number of female employees	244	#
b. Number of male employees	551	#
Attrition rate	3.52%	rate
Ratio of lowest paid employee against minimum wage	Not provided	ratio

Employee benefits

The Company pays fair and equitable compensation in accordance with “equal pay for equal work” and “no work, no pay” principles. In addition, we provide competitive salaries and performance-based cash bonuses. At the store level, our in-store management teams are also empowered and incentivized to drive sales and profitability of their respective stores.

List of Benefits	% of female employees who availed for the year	% of male employees who availed for the year
SSS	41.39%	32.85%
PhilHealth	9.43%	1.09%
Pag-ibig	30.33%	25.95%
Parental leaves	7.38%	3.09%
Vacation leaves	No Data	No Data
Sick leaves	2.05%	1.09%
Medical benefits (aside from PhilHealth))	2.05%	1.09%
Housing assistance (aside from Pag- ibig)	Not Applicable	Not Applicable
Retirement fund (aside from SSS)	Not provided	Not provided
Further education support	Not provided	Not provided
Company stock options	0	0
Telecommuting	Not provided	Not provided
Flexible-working Hours	Not provided	Not provided

Employee Training and Development

We aim to foster a strong sense of responsibility in a motivating environment to enhance our employees' incentives and loyalty. We conduct various training courses for different levels of staff, including training tailored to specific job duties. We equip our team members with comprehensive training and development programs, including knowledge of the latest trends in consumer behavior and preferences and after-sales support. We also arrange product training for store personnel with suppliers at least twice a year. As of December 31, 2023, key functions, such as sales and marketing, and procurement and supply chain management comprised approximately 70% of our total employees.

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	620	hours
b. Male employees	1,344	hours
Average training hours provided to employees		
a. Female employees	2.7	hours/employee
b. Male employees	2.3	hours/employee

The increase in training hours was attributable to the training sessions conducted by our external consultant in data privacy, internal audit, and EPR.

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	Not Applicable	%
Number of consultations conducted with employees concerning employee-related policies	No Data	#

Diversity and Equal Opportunity

Diversity and inclusiveness are core to who we are and how we work. We hold a collective commitment to foster an environment where all differences are valued, practices are equitable, and everyone experiences a sense of belonging — where people are inspired to team and lead inclusively in their interactions every day. We work with diversity and inclusion continuously in order to give all employees equal conditions for their individual career development.

Disclosure	Quantity	Units
% of female workers in the workforce	30.69%	%
% of male workers in the workforce	69.31%	%
Number of employees from indigenous communities and/or vulnerable sector ³	0	#

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	1,728	Man-hours
No. of work-related injuries	15	#
No. of work-related fatalities	0	#
No. of work-related ill-health	0	#
No. of safety drills	No Data	#

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
Forced labor	Y
Child labor	Y
Human Rights	Y

All officers and personnel of Upson follow the Company's Code of Conduct, Employee Handbook, and Policies and Procedures. The Code of Ethics is the ethical standard of the company's personnel in all their activities. It outlines the principles and policies that govern the organization's activities and sets forth the rules of conduct in the workplace and the standards of behavior of all the officers, management team, and staff in their activities and relationship with external stakeholders.

³ 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).

Supply Chain Management

The Company maintains a vendor accreditation policy to ensure that the Company only contracts with legitimate and reliable suppliers and to avoid disbursements to fictitious suppliers. This policy entails the assessment of possible whether they meet the Company's criteria and their approval. The vendor accreditation process ensures that new and existing suppliers and contractors of the Company are compliant in meeting specific minimum criteria, standards and organization requirements to be registered, eligible and approved to conduct business and provide services. It involves going through an extensive supplier accreditation and approval process to veto the supplying company or contractor in various areas, including their service provision, safety and performance history, financial capability, experience, insurance, and evidence of training and certifications.

The detailed process is outlined on page 57 of the Company's Accounting Manual Policies and Procedures.

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N
Environmental performance	Y
Forced labor	Y
Child labor	Y
Human rights	Y
Bribery and corruption	Y

Relationship with Community

As a retail company with operations nationwide, our entry into provincial centers can mean that the local economies in these areas are primed for greater activity, creating jobs for the personnel we will assign locally. This also means that with an expanded store network, we have become members of various local communities with which we aspire to grow mutually.

We create local jobs by hiring local personnel in stores from the local community, and likewise, we spend more than 98% on our local procurement as opposed to importation.

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) ⁴	Does the particular operation impact on indigenous people (Y/N)?	Collective or individual rights that have been identified that of particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
No Data					
No Data					

As we further mature in embedding sustainability in our business operations, we contemplate being involved in the local community where we operate through social activities and proactive support to various local units and agencies, civil and professional groups, aligned with their advocacies.

Customer Management

We maintain the Warranty Terms and Conditions policy across our store locations which is aligned with the Consumer Act of the Philippines, specifying that sellers are obliged to honor their warranties and grant corresponding remedies to consumers. As such, consumers should be allowed to return or exchange the goods, or avail themselves of other remedies, in case of hidden faults or defects, or any charge the buyer was unaware of at the time of purchase. In enforcing these remedies, however, consumers should bear in mind that they should at least prove the sale transaction and show evidence such as the official receipt. In cases where the official receipt is not available, the buyer may resort to any other alternative proof.

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	No Data	N

Our customers' satisfaction is highly dependent on the quality and effectiveness of the products we sell, and our ability to provide efficient after-sales services such as maintenance and repairs. While our suppliers cover service-related items such as warranty, maintenance, and repairs, a customer often directs and communicates with us for these services. Failing to provide satisfactory responses or being unresponsive can negatively impact customer satisfaction and loyalty.

To effectively manage this, we have established Policies and Procedures for Product Returns and Exchanges. Furthermore, we provide continuous training for our store teams handle customer needs and concerns efficiently. We also maintain strong relationship with our suppliers to ensure open lines of communication, particularly regarding customer-related issues.

⁴ 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)

Health and Safety

Safety is the concern of everybody. We are always doing our best to keep the workplace safe and free from hazards and potential risks that may cause harm or damage to both our employees and the Company. All personnel are being asked to cooperate and follow our safety rules, such as:

- a) To keep out from restricted and unauthorized areas.
- b) Smoking is not allowed inside the premises of the Company.
- c) Wet floors, any leakage, faulty wires or any unusual electrical incidents must be reported immediately
- d) The personnel must report any hazards seen or discovered in their work areas
- e) To use and follow the safety devices and signs installed in the Company
- f) Light, computers, and air-conditioning units must be turned off after duty
- g) Regular audits

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety	0	#
No. of complaints addressed	Not Applicable	#

Marketing and labelling

We ensure that only authentic and untampered products are sold and offered in our stores. Moreover, our performance-based approach to compensation and rewards has created a proactive culture whereby the entire organization is motivated to enhance the business operations and reputation of the Company.

We engage with various agencies for our outdoor advertising including billboards, window and door ads, and lamp post banners. In addition, we also utilize our relationship with manufacturers and/or distributors as marketing initiatives.

We believe we can utilize our store network in establishing a strong brand recall. We also pride ourselves on excellent customer service and a wide range of products, which we consider an effective marketing tool that allows customers to return to the store for future needs.

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling ⁵	0	#
No. of complaints addressed	Not Applicable	#

Our marketing strategy is positioning the Octagon, Micro Valley, Gadget King, and Octagon Mobile brands as convenience and one-stop shopping stores for PC hardware components and gaming products, mobiles and other PC-related items. Our objective is to make our brand the customer's preferred IT-related store.

Customer Privacy

We are committed to protecting the data privacy of its data subjects and ensuring that all personal information collected from them is processed according to the principles of transparency, legitimate purpose and proportionality pursuant to R.A. 10173 (Data Privacy Act of 2012 or DPA of 2012).

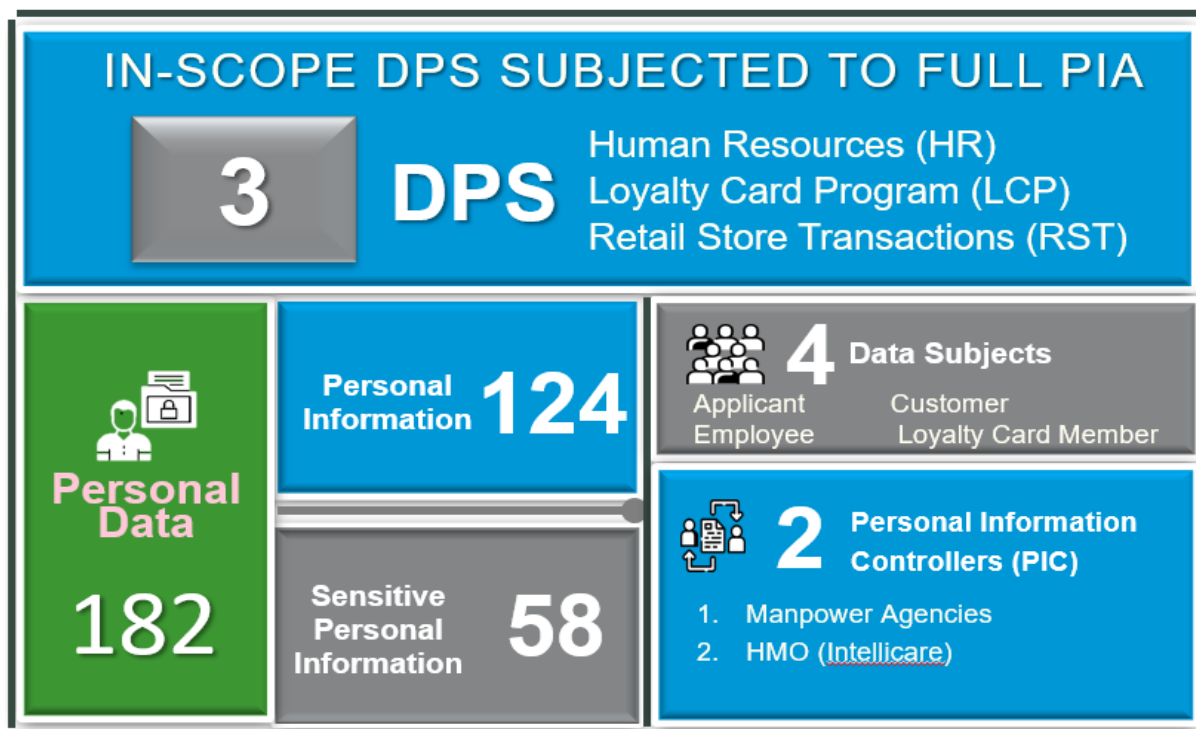
⁵ Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

Our Company's website has a Data Privacy Notice (<https://www.upson.com.ph/privacy-notice/>) in place that provides the minimum required information and disclosures relating to our personal data processing. This includes data subjects' rights and the Data Protection Officer's (DPO) contact information, where they can contact the DPO with any questions, feedback, or complaints. For the period covered, no customer complaints were received through the DPO email.

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy ⁶	0	#
No. of complaints addressed	Not Applicable	#
No. of customers, users and account holders whose information is used for secondary purposes	0	#

There was no personal information on the data subjects used for secondary purposes.

We have engaged the assistance of an external consultant to help the Company put together the Data Privacy and Governance Management which covered the following:



⁶ 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.

Some of the key actions by the Company included the following:

Deliverable + →	Key Actions
Training	<ul style="list-style-type: none"> • Conducted refresher training sessions on an annual or biannual basis. • Included awareness training as part of the orientation or onboarding activities of the new employees
NPC Registration	<ul style="list-style-type: none"> • Published seal of registration on the website and in the offices. • Ensure annual renewal of NPC registration. • Registered other data processing systems that handle personal data. Amend/update registered DPS, as necessary.
Data Privacy Manual	<ul style="list-style-type: none"> • Consulted the company's Legal Department to ensure that the manual complies with all applicable laws and regulations. • Regularly review and update the DP Manual to reflect changes in regulations and company operations, ideally annually
Privacy Impact Assessment (PIA)	<ul style="list-style-type: none"> • Implemented and continuous monitoring action plans based on the committed implementation date. • Performed PIA for other critical departments and new systems/programs that handle personal data.

Data Security

We are committed to continuing to enhance the security measures to keep up with the evolving threat landscape. As our world increasingly transitions from paper-based processes to digital, it is crucial to prioritize data security at all times. We commit to carefully selecting secure technologies, implementing effective policies, providing employee training, and staying vigilant against security threats and hackers.

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	0	#



There were no reported data leaks, thefts, or losses during this reporting period. Furthermore, in relation to our commitment to and compliance with the DPA of 2012, the Company has no security incidents or data breaches to report to the NPC.



UN SUSTAINABLE DEVELOPMENT GOALS

In consideration of the United Nation's Global Goals (the SDGs). These goals were created to help solve the world's toughest challenges such as poverty, inequality and climate change by 2030. Internal stocktaking of our operations and activities has enabled us to create positive synergies and conditions that can address developmental challenges, such as responsible consumption and production, providing decent work, taking action on climate change, sustainably using natural resources, and addressing gender equality.

We believe our Strategy is well aligned with the global goals. We will continue to innovate our operations to demonstrate our support for tackling these compelling issues.

UN SDG	Management Approach
 <p>3 GOOD HEALTH AND WELL-BEING</p>	<p>We implement health and safety procedures and standards in the Company to protect our personnel and customers. Our employee handbook provides policies, procedures, and guidelines that promote the wellness of our employees. Our guidelines for visitors to the workplace and stores provide protection to our customers.</p> <p>We ensure that the workplace is free from hazards and that all safety standards are met. This includes providing proper lighting, ventilation, and ergonomic workstations.</p> <p>We promote a positive work environment through open communication, recognition, rewarding employee achievements, and fostering a culture of respect and inclusivity.</p> <p>We will continue our efforts to create a friendly environment for our female leaders. To ensure the optimal foundation for promotions among women and a strong pipeline of talent, we continue to work long-term to ensure more women representation at all levels of our organization, and we are looking more closely into our various actions and programs to ensure progress in this area.</p>
 <p>5 GENDER EQUALITY</p>	<p>We ensure women's full and effective participation and equal leadership opportunities at all decision-making levels in our organization.</p> <p>We implement inclusive hiring practices to ensure that gender bias is minimized during recruitment and selection processes. We consider adopting diverse candidate slates, using gender-neutral job descriptions, and conducting structured interviews.</p>



We offer products that have become an integral part of modern society and have brought significant societal value in various ways. Electronic products such as smartphones, laptops, and tablets have greatly improved communication by making it easier and faster. People can now communicate with each other across the globe in real-time, and it has facilitated business, social interactions, and personal relationships. Electronic products have made it easier for people to access information, primarily through the Internet. With electronic devices, people can access vast amounts of information on various topics, including education, healthcare, finance, and entertainment.



We cater to a broad consumer spectrum, with our target customers being home users, small-medium businesses, gamers, professionals, and students, among others, that help them enable remote work arrangements and the continuous hybrid set-up.

We have significantly increased access to information and communications technology and accelerated digital transformation through our reliable electronic devices during the COVID-19 Pandemic.

We offer products that are accessible through our various delivery channels, such as prime stores, concept stores, mobile stores, and online to cater to our growing customer base and their evolving needs, and to deepen customer relationships.



We acknowledge our contribution to climate change due to the nature of our business and supply chain management. We contemplate accounting for the Company's emissions from sourcing to distribution of our products to our end-customers and set targets with climate change actions through mitigation or adaptation solutions in the future.

We recognize the need to revisit our packaging materials to be more eco-friendly.

Appendix A – List of Retail Operations and Locations

NO.	BRAND	LOCATION	SIZE
OCTAGON COMPUTER			
NATIONAL CAPITAL REGION			
1	Octagon SM Megamall	Highway Hills, Mandaluyong City	940.06
2	Octagon Festival Super Mall	Alabang, Muntinlupa City	682.56
3	Octagon Ayala De Bay	Macapagal Ave., Paranaque City	331.58
4	Octagon ATC	Alabang, Muntinlupa City	289.08
5	Octagon SM North EDSA	EDSA, Quezon City	266.51
6	Octagon SM Southmall	Zapote Road, Las Pinas City	367.27
7	Octagon Glorietta	Ayala Center, Makati City	214.25
8	Octagon Mall of Asia	Macapagal Ave., Pasay City	200.45
9	Octagon Pasong Tamo	Chino Roces Ave, Makati, 1203 Metro Manila	291.00
10	Octagon Sucat	Brgy. Dionisio, Paranaque City	161.49
11	Octagon SM San Mateo	Gen Luna St., San Mateo, Rizal	150.07
12	Octagon SM San Lazaro	Felix Huertas St., Sta Cruz, Manila	147.56
13	Octagon Uptown Mall	BGC, Taguig City	142.89
14	Octagon SM Sta Mesa	Aurora Blvd., Quezon City	142.22
15	Octagon Ayala Mall 30th	Meralco Ave. Pasig City	132.29
16	Octagon SM Masinag	Marcos Highway, Antipolo City	128.56
17	Octagon SM Grand Central	Rizal Ave., Caloocan City	128.00
18	Octagon SM BF Paranaque	BF Homes, Paranaque City	125.43
19	Octagon Fairview Terraces	Quirino Highway, Quezon City	112.69
20	Octagon Galleria	EDSA cor. Ortigas Ave., Quezon City	101.80
21	Octagon Trinoma	North Ave., Mindanao Ave. Quezon City	181.33
22	Octagon Greenbelt	Ayala Center, Makati City	97.74
23	Octagon SM Muntinlupa	National Road, Muntinlupa City	97.48
24	Octagon VMall Greenhills	Ortigas Ave., San Juan City	96.37
25	Octagon SM Fairview	Fairview, Quezon City	93.89
26	Octagon Cash & Carry	Filmore St., Palanan Makati City	88.59

NO.	BRAND	LOCATION	SIZE
27	Octagon Sta Lucia Grandmall	Marcos Highway, Cainta, Rizal	88.06
28	Octagon Robinsons Magnolia	Aurora Blvd., Kaunlaran, Quezon City	84.81
29	Octagon Eastwood	Bagumbayan Quezon City	81.30
30	Octagon SM Cubao	Cubao, Quezon City	80.03
31	Octagon SM Taytay	Taytay, Rizal	78.75
32	Octagon SM Novaliches	Quirino Highway, Quezon City	75.89
33	Octagon SM Marikina	Marcos Highway, Marikina City	73.32
34	Octagon Robinsons Manila	M. Adriatico St., Ermita, Manila	70.47
35	Octagon Ayala Mall Feliz	Marcos Highway, Pasig City	67.69
36	Octagon SM Bicutan	Dona Soledad Ave., Paranaque City	65.91
37	Octagon SM Manila	Ermita, Manila	62.88
38	Octagon SM Valenzuela	Mc Arthur Highway, Valenzuela City	132.82
39	Octagon SM Caloocan	3/F SM Center Sangandaan, Caloocan	56.90
40	Octagon Market Market	BGC, Taguig City	120.00
41	Octagon Unimart	Capitol Commons, Shaw Blvd., Pasig Cit	48.04
42	Octagon Magsaysay	UPSON bldg. 2934 Magsaysay Blvd, Sta.Mesa, Manila	215.00
43	Octagon Vertis North	Ayala Vertis North, Quezon City	201.32
44	Octagon Cloverleaf	Ayala Cloverleaf Mall, Balintawak, Quezon City	61.00
45	Octagon Lucky Chinatown	Lucky Chinatown Mall, Reina Regente Street, Binondo, Manila	128.68
NORTH LUZON			
46	Octagon SM Baliwag	Dona Remedios Trinidad Highway, Baliuag, Bulacan	176.64
47	Octagon SM Pampanga	San Jose, San Fernando, Pampanga	166.03
48	Octagon SM Baguio	Luneta Hill, Baguio City	161.99
49	Octagon Robinsons Ilocos	San Francisco, San Nicolas, Ilocos Norte	150.00
50	Octagon NE Pacific Mall	Maharlika Highway, Cabanatuan City	148.72
51	Octagon Urdaneta CB Mall	Mc Arthur Highway, Urdaneta City	146.00
52	Octagon SM San Jose	San Jose del Monte, Bulacan	130.21
53	Octagon SM Tuguegarao	Mabini St., Cor. Luna St., Tuguegarao City	123.47
54	Octagon SM Cabanatuan	Hermogenes C. Concepcion Sr., Cabanatuan City	116.48

NO.	BRAND	LOCATION	SIZE
55	Octagon SM Marilao	Ibayo, Marilao, Bulacan	115.14
56	Octagon SM Urdaneta	Mc Arthur Highway, Urdaneta City	114.61
57	Octagon SM Olongapo	Central East Tapinac, Olongapo City	106.60
58	Octagon Robinsons Tuguegarao	Tanza, Tuguegarao City	105.55
59	Octagon Vigan Xentromall	Quezon Ave., Vigan City	105.00
60	Octagon Robinsons Pangasinan	Calasiao, Pangasinan	104.51
61	Octagon Robinsons La Union	MacArthur Highway, Brgy, San Fernando, La Union	96.83
62	Octagon SM City Tarlac	Mc Arthur Highway, Tarlac City	93.67
63	Octagon Laoag	Paco Roman St., Laoag City, Ilocos Norte	90.00
64	Octagon Tuguegarao	Gosiengfiao Bldg., Tuguegarao City	85.00
65	Octagon SM Telabastagan	Mc Arthur Highway, San Fernando, Pampanga	81.31
66	Octagon Robinsons Santiago	Maharlika Highway, Mabini, Santiago City	78.15
67	Octagon Vigan	19 Quezon Avenue, Vigan City, Ilocos Sur	73.00
68	Octagon Starmall	San Francisco Del Monte, Bulacan	72.25
69	Octagon SM Olongapo	Gordon Ave., Olongapo City	70.62
70	Octagon SM Center Pulilan	Pulilan, Bulacan	67.19
71	Octagon SM Cauayan	Cauayan City, Isabela	50.16
72	Octagon SM Clark	Malabánias, Angeles City	50.00
73	Octagon Nepo Mall	Arellano St., Dagupan City	36.00
74	Octagon SM City Tuguegarao	2nd Floor SM City, Caritan Norte, Tuguegarao City	90.07
75	OCTAGON SM Rosales	Ground Level, SM City Rosales, Carmen East, Rosales, Pangasinan	54.61
76	OCTAGON Gapan	Robinsons Gapan, Nueva Ecija	116.32
77	OCTAGON Bataan	SM City Bataan, Lerma St. Brgy. Ibayo Balanga City, Bataan	122.74
78	OCTAGON Dagupan	G/F Upson Bldg, Arellano St. Brgy. Pantal, Dagupan City, Pangasinan	260.50
79	OCTAGON San Carlos	2/F San Carlos Town Center, Rizal Ave cor Zamora St, San Carlos City, Pangasinan	189.98
80	OCTAGON Cabanatuan	UIC Building, Rizal St.,Brgy. Matadero, Cabanatuan city	351.00
SOUTH LUZON			
81	Octagon San Jose Mindoro	Rizal St., Bgy 5 (Pob), San Jose, Occidental Mindoro	330.00

NO.	BRAND	LOCATION	SIZE
82	Octagon Calapan	Home Mark Bldg. J.P. Rizal St., Calapan	216.00
83	Octagon SM Trece Martires	Trece Martires, Cavite City	204.66
84	Octagon SM Dasmariñas	Governor's Drive, Sampaloc, Cavite City	203.44
85	Octagon General Trias	Brgy. Tejero, General Trias, Cavite	201.25
86	Octagon Pinamalayan Mindoro	Mabini St., Brgy. Marfrancisco, Pinamalayan, Oriental Mindoro	189.00
87	Octagon SM Sta. Rosa	Tagapo St., Sta Rosa, Laguna	158.08
88	Octagon Robinsons Galleria South	National Highway, Nueva, San Pedro Laguna	154.43
89	Octagon NCCC Mall Palawan	Puerto Princesa, Palawan	227.23
90	Octagon SM Lucena	Lucena City	135.04
91	Octagon SM Daet	Daet, Camarines Norte	132.12
92	Octagon CALAPAN Xentromall	Calapan City, Oriental Mindoro	129.28
93	Octagon Palawan	TTH Center Rizal Ave., Puerto Princesa, Palawan	125.00
94	Octagon Tabaco Mall	Divino Rostro, Tabaco City	121.40
95	Octagon Pacific Mall	Landco Business Park, F. Imperial St., Legazpi City	121.37
96	Octagon SM Bacoor	Habay II, Bacoor, Cavite City	119.28
97	Octagon SM Rosario	General Trias Drive, Tejeros, Rosario, Cavite City	111.09
98	Octagon SM Molino	Molino IV, Bacoor, Cavite City	111.01
99	Octagon Batangas	RL Bldg., D Silang St. Cor. P.Burgos St., Batangas City	110.00
100	Octagon SM Lemery	Illustre Ave., Lemery, Batangas City	102.00
101	Octagon Robinsons Palawan	Brgy. San Manuel, Puerto Princesa, Palawan	98.40
102	Octagon SM Batangas	Pallocan Kanluran, Batangas City	90.96
103	Octagon LCC Mall.	Peñaranda St., Legazpi City	84.00
104	Octagon SM San Pablo	Brgy. San Rafael, San Pablo, Laguna	82.10
105	Octagon SM Legazpi	Cor. I.Roces Ave. & Terminal Rd., Legazpi City	73.18
106	Octagon Robinsons Lipa	Mataas Na Lupa, Lipa City	70.16
107	Octagon SM Lipa	JP Laurel Highway, Lipa City	59.72
108	Octagon SM Palawan	Malvar St. Cor. Lacao St., San Miguel, Puerto Princesa	54.51
109	Octagon SM Calamba	National Highway, Real, Calamba City	49.77

NO.	BRAND	LOCATION	SIZE
110	Octagon SM Naga	Ninoy & Cory Ave., CBD II, Triangulo, Naga City	42.43
111	Octagon SM Tanza	SM City Tanza, Soriano Highway, Tanza, Cavite	59.48
112	Octagon San Pedro	SM Center San Pedro, Laguna	144.38
113	Octagon Sto. Tomas	SM City Sto. Tomas, Batangas	105.63
114	Octagon Legaspi Ayala	Ayala Mall Legaspi, Albay	107.40
115	Octagon Roxas Mindoro	HC Building Morente St. Roxas, Oriental Mindoro	94.80
VISAYAS			
116	Octagon SM Cebu	Northwing Mabolo, Cebu City	413.25
117	Octagon SM Iloilo	Benigno Aquino Ave., Mandurriao, Iloilo City	321.25
118	Octagon Tacloban 3	RUL Bldg., Romualdez St. Tacloban City	270.00
119	Octagon SM Seaside	Mambaling, Cebu City	185.29
120	Octagon Ayala Malls Central Bloc	Cebu IT Park, Cebu City	163.84
121	Octagon Robinsons Bacolod	Northwing, Mandalagan, Bacolod City	147.49
122	Octagon Ayala Malls Capitol Central	Gatuslao St., Bacolod City, Negros Occidental	141.95
123	Octagon Dumaguete	Dona Plaza Milagros Bldg., Dumaguete City	140.00
124	Octagon Cebu Ayala	Stall Ayala Center Cebu, Barrio Luz, Cebu City	138.98
125	Octagon SM Bacolod	SM City Mall, Rizal St., Bacolod City	118.33
126	Octagon Robinsons Iloilo	Robinsons Place, Ledesma St., Iloilo City	113.40
127	Octagon Bacolod	Yusay Arcade Araneta St., Bacolod City	112.78
128	Octagon Robinsons Dumaguete	Calindagan, Dumaguete City	99.75
129	Octagon SM Tacloban	Justice Romualdez St., Tacloban City	95.69
130	Octagon Robinsons Tacloban	robinsons Place, Tacloban	48.65
131	Octagon Robinsons Cebu	Carreta, Cebu City	91.48
132	Octagon Robinsons Jaro	Brgy. San Vicente, Jaro, Iloilo City	75.91
133	Octagon SM Roxas City	Arnold Blvd. Brgy. Baybay Roxas City, Capiz	66.50
134	Octagon SM Ormoc	Real St., Ormoc City	66.15
NORTH MINDANAO			
135	Octagon Limketkai Mall	Lapasan, Cagayan De Oro City	285.44
136	Octagon KCC Mall Zamboanga	Camino Nuevo, Zamboanga City	224.20

NO.	BRAND	LOCATION	SIZE
137	Octagon Zamboanga	Jasmin Tower, Mayor Jaldon St., Zamboanga City	220.00
138	Octagon Butuan 1	Cuason Bldg., Butuan	200.00
139	Octagon Valencia 2	Fuji Building, Sayre Highway, Valencia City	200.00
140	Octagon CDO 1	145 Gomez Cor. Velez St., Cagayan De Oro	190.00
141	Octagon Ozamis	Chua Hong Bldg., Ozamis City	185.00
142	Octagon Iligan 1	Dream Star Bldg., Iligan City	140.00
143	Octagon Centrio Mall	C.M. Recto Ave., Cagayan De Oro City	137.98
144	Octagon Robinsons Valencia City	Valencia, Bagontaas, Valencia City, Bukidnon	134.79
145	Octagon Surigao	Rosalyn Bldg., Rizal St., Surigao City	129.00
146	Octagon Robinsons Iligan	Macapagal Ave., Iligan City	125.81
147	Octagon Surigao 2	Gaisano Capital, Surigao City	99.30
148	Octagon SM Mindpro	La Purisima St., Zone III, Zamboanga City	83.49
149	Octagon Gaisano Supermall	Roxas Ave., Iligan City	75.87
150	Octagon SM Butuan	Lapu-Lapu, Butuan City	73.72
151	Octagon SM CDO	Downtown Premier, Cagayan De Oro City	72.31
152	Octagon Dipolog 2	Lee Plaza City Central, Quezon Ave., Dipolog City	70.00
153	Octagon Robinsons Butuan	J.C. Aquino Ave., Butuan City	65.60
154	Octagon Dipolog	G/F C-B-CO General Luna St Dipolog City	171.00
155	Octagon Malaybalay	Malaybalay Bukidnon	136.00
SOUTH MINDANAO			
156	Octagon General Santos	Kaman Bldg., Lagao, General Santos City	263.00
157	Octagon SM Lanang	J.P. Laurel Ave, Davao City	226.84
158	Octagon KCC Marbel Mall	Gen. Santos Drive, Koronadal	192.00
159	Octagon Marbel	Jayven's Bldg. cor. Posadas St., Gensan Drive, Koronadal City	162.95
160	Octagon SM General Santos	Corner Santiago Blvd., General Santos City	158.96
161	Octagon Davao	Gaisano Mall of Davao, Bajada, Davao City	156.66
162	Octagon Digos	Gaisano Mall of Digos, Digos City	145.86
163	Octagon Tagum	Gaisano Mall Tagum, Tagum City	136.07
164	Octagon Cotabato	Elena V. Co Bldg., Don Rufino Alonzo St., Cotabato City	110.00

NO.	BRAND	LOCATION	SIZE
165	Octagon Abreeza Mall	Bajada, Davao City	100.82
166	Octagon Veranza Mall	J. Catolico Sr. Ave., Lagao, General Santos City	94.28
167	Octagon SM Davao	Quimpo Blvd. Ecoland, Davao City	74.69
168	Octagon Victoria	Victoria Plaza, JP Laurel Ave., Davao City	66.11
169	Octagon Mati	Chan Bldg., Rizal cor. Bonifacio Sts., Brgy. Central, Mati City, Davao Oriental	80.00
170	Octagon Kidapawan	Kidapawan, South Cotabato	142.60
MICRO VALLEY			
NATIONAL CAPITAL REGION			
171	Micro Valley SM North EDSA	Brgy. Sto. Cristo, Quezon City	242.31
172	Micro Valley Festival Mall	Alabang, Muntinlupa City	126.44
173	Micro Valley SM San Mateo	Gen. Luna Ave., San Mateo	94.87
174	Micro Valley VMall Greenhills	San Juan City	93.00
175	Micro Valley SM Marikina	Marikina-Infanta Highway, Marikina City	83.51
176	Micro Valley SM Southmall	Zapote Road, Las Pinas City	77.56
177	Micro Valley SM Sucat	Dr. A. Santos Avenue, San Dionisio, Parañaque City	53.50
178	Micro Valley SM Cubao	Cubao, Quezon City	75.90
NORTH LUZON			
179	Micro Valley Robinsons Santiago	2nd Level Robinson Place Santiago, Mabini, Santiago City, Isabela	114.00
180	Micro Valley SM Cabanatuan	San Roque Norte, Cabanatuan City	54.60
181	Micro Valley Robinsons Tuguegarao	Tanza, Tuguegarao City	32.66
SOUTH LUZON			
182	Micro Valley SM Dasmariñas	Sampaloc 1 Cavite City	188.44
183	Micro Valley SM Batangas	Pallocan Kanluran Batangas City	103.70
184	Micro Valley Pacific Mall Lucena	Tagarao St., Lucena City	96.12
185	Micro Valley SM Molino	Molino IV, Bacoor, Cavite City	83.04
186	Micro valley SM Lucena	Dalahican road Lucena city	54.73
187	Micro Valley SM Sta Rosa	Tagapo St. Sta Rosa	48.74
VISAYAS			
188	Micro Valley SM Iloilo	Brgy. Bolilao, Mandurriao, Iloilo City	186.87

NO.	BRAND	LOCATION	SIZE
189	Micro Valley SM Bacolod	Rizal St., Reclamation Area, Bacolod City	73.90
190	Micro Valley Dumaguete	Po's Marketing Bldg., Dumaguete City	70.00
191	Micro Valley Dumaguete	Geu. Bldg San Jose St., Pob 3., Dumaguete City, Negros Oriental	100.00
SOUTH MINDANAO			
192	Micro Valley Davao Ecoland	Quimpo Blvd., Davao City	119.10
193	Micro Valley KCC Mall General Santos	Lagao, General Santos City	72.00
194	Micro Valley Davao Ilustre	Ilustre Street, Davao City	70.00
GADGET KING			
NATIONAL CAPITAL REGION			
195	Gadget King Sta Lucia	Marcos Highway, Cainta, Rizal	89.83
196	Gadget King San Mateo	Gen. Luna Ave., San Mateo	79.60
197	Gadget King SM Fairview	Brgy. Greater Lagro, Quezon City	73.52
198	Gadget King SM Valenzuela	McArthur Highway, Valenzuela City (transfer jul 2023@60.87)	72.34
199	Gadget King SM Novaliches	Quirino Highway, Novaliches	55.44
200	Gadget King SM Southmall	Alabang Zapote Road., Las Pinas City	53.73
201	Gadget King SM Sta Mesa	Aurora Blvd., Quezon City	51.47
202	Gadget King VMall Greenhills	San Juan City	38.35
203	Gadget King SM Marikina	Marcos Highway, Marikina City	32.23
NORTH LUZON			
204	Gadget King SM San Jose	San Jose del Monte, Bulacan	75.43
SOUTH LUZON			
205	Gadget King SM Palawan	Malvar cor. Lacao St. Puerto Princesa City	40.13
VISAYAS			
206	Gadget King SM Iloilo	Mandurriao, Iloilo City	68.18
SOUTH MINDANAO			
207	Gadget King Gaisano Davao	J.P. Laurel, Bajada, Davao City	101.55
208	Gadget King Gaisano Tagum	Tagum City, Davao Del Norte	79.30

Concept Store

Our concept store carries a broad range and exclusive products of a single IT brand. Each concept store ensures the specialization and expertise on the brand's product to target customers with strong brand loyalty. These stores have a floor area ideally ranging from 30 to 150 sq.m. As of December 31, 2023, we have a total of 16 concept stores – ACER (9), Brother (4), HP (1), Silvertec (1), and TP-Link (1). Currently, we are in the process of negotiating and discussing with other well-known IT brands for expansion.

Concept Store Location

NO.	BRAND	LOCATION	SIZE
209	ACER	Ayala Trinoma, Quezon City	113.92
210	ACER	SM Urdaneta, Pangasinan	51.25
211	ACER	Limketkai Mall, Cagayan de Oro	78.85
212	ACER	Gaisano Mall of Davao, Davao City	63.17
213	ACER	Robinsons Place Santiago, Isabela	61.59
214	ACER	Market! Market!, BGC, Taguig City	78.82
215	ACER	KCC Mall, General Santos City	41.43
216	ACER	SM Ormoc, Leyte	105.27
217	ACER	SM Molino, Cavite	19.83
218	Brother	Limketkai Mall, Cagayan de Oro	69.30
219	Brother	SM North Edsa Annex, Brgy. Sto. Cristo, Quezon City	50.17
220	Brother	SM City Cabanatuan, Maharlika Hway, H.Concepcion Sr, Cabanatuan City NE	59.92
221	Brother	SM City Fairview, Quirino Highway, Greater Lagro, Quezon City	30.24
222	HP	Glorietta 2, Makati City	61.00
223	SILVERTEC	SM North Edsa Annex, Brgy. Sto. Cristo, Quezon City	36.00
224	TP-LINK	SM North Edsa Annex, Brgy. Sto. Cristo, Quezon City	19.88

Mobile Store

The Octagon Mobile store is our specialty store focusing on communication and connectivity devices such as mobile phones, tablets, networking products and mobile-related accessories. Mobile stores ideally should have a floor area between 35-100 sq.m. As of December 31, 2023, we have eight (8) Octagon Mobile stores.

Mobile Store Location

NO.	BRAND	LOCATION	SIZE
225	OCTAGON MOBILE	SM Sta. Mesa	51.47
226	OCTAGON MOBILE	SM Urdaneta, Pangasinan	51.00
227	OCTAGON MOBILE	Ramos Building, Dipolog City	46.82
228	OCTAGON MOBILE	SM BF Paranaque	48.67
229	OCTAGON MOBILE	SM Sucat	40.16
230	OCTAGON MOBILE	SM Southmall, Zapote Road, Las Pinas City	39.88
231	OCTAGON MOBILE	SM Valenzuela, McArthur Highway, Valenzuela City	35.00
232	OCTAGON MOBILE	SM Bacolod	58.60



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