SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 17.1(b) OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
   - (selected) Preliminary Information Statement
   - Definitive Information Statement
2. Name of Registrant as specified in its charter
   Upson International Corp.
3. Province, country or other jurisdiction of incorporation or organization
   Metro Manila, Philippines
4. SEC Identification Number
   AS95003836
5. BIR Tax Identification Code
   004-780-008-000
6. 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
7. Registrant's telephone number, including area code
   +632 8526 7152
8. Date, time and place of the meeting of security holders
   May 27, 2024, 3:00 P.M., the meeting shall be conducted virtually, and will be presided at the Corporation's Principal Office at Unit 2308, 23/F Capital House Tower 1, 9th Avenue corner 34th Street, Bonifacio Global City, Taguig City
9. Approximate date on which the Information Statement is first to be sent or given to security holders
   May 6, 2024
10. In case of Proxy Solicitations:

    Name of Person Filing the Statement/Solicitor
    -
    Address and Telephone No.
    -

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	3,125,001,300

13. 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)

Upson International Corp.
UPSON

PSE Disclosure Form 17-5 - Information Statement for Annual or Special Stockholders' Meeting
References: SRC Rule 20 and Section 17.10 of the Revised Disclosure Rules

Date of Stockholders' Meeting	May 27, 2024
Type (Annual or Special)	Annual
Time	3:00 P.M.
Venue	To be conducted virtually, and will be presided at the Corporation’s Principal Office at Unit 2308, 23/F Capital House Tower 1, 9th Avenue corner 34th Street, Bonifacio Global City, Taguig City
Record Date	May 7, 2024

Inclusive Dates of Closing of Stock Transfer Books

Start Date	N/A
End date	N/A

Other Relevant Information
-

Filed on behalf by:

Name	Arlene Louisa Sy
Designation	Chief Executive Officer

COVER SHEET

AS95003836

S.E.C. Registration Number

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 COR. 34TH STREET, BONIFACIO GLOBAL CITY, TAGUIG CITY

(Principal Address: No. Street City / Town / Province)

Dennis F. Uy

Contact Person

8526-7152

Company Telephone Number

12 **31**

Month *Day*

Fiscal Year

20-IS

FORM TYPE

05 **27**

Month *Day*

Annual Meeting

Not applicable

Secondary License Type, If Applicable

MSRD

Dept. Requiring this Doc.

Not applicable

Amended Articles Number/Section

10

Total No. of Stockholders (Certificated)

Total Amount of Borrowings

Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

**INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:

   [✓] Preliminary Information Statement

   [ ] Definitive Information Statement

2. Name of Registrant 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

3. Taguig City, Metro Manila, Philippines
   Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number: AS95003836

5. BIR Tax Identification Code: 004-780-008-000

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

7. Registrant's telephone number, including area code: +63 2 8526 7152

8. May 27, 2024, 3:00 P.M., the meeting shall be conducted virtually, and will be presided at the Corporation's Principal Office at Unit 2308, 23/F Capital House Tower 1, 9th Avenue corner 34th Street, Bonifacio Global City, Taguig City
   Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders
   The Registrant intends to release the Information Statement on or before May 6, 2024

10. ***<u>In case of Proxy Solicitations:</u>***

   Name of Person Filing the Statement/Solicitor: *Not applicable*

   Address and Telephone No.: *Not applicable*

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common Shares	3,125,001,300

12. Are any or all of registrant's securities listed in a Stock Exchange?

   Yes _✓_ No ___

   If yes, disclose the name of such Stock Exchange and the class of securities listed therein:
   Philippine Stock Exchange, Inc. (Common Shares)

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. **Date, time and place of meeting of security holders.**

(a) Date: May 27, 2024
Time: 3:00 P.M.
Place: The meeting shall be conducted virtually, and will be presided at the Corporation's Principal Office at Unit 2308, 23/F Capital House Tower 1, 9th Avenue corner 34th Street, Bonifacio Global City, Taguig City

Complete Mailing Address of the Principal Office of the Registrant:
Unit 2308, 23/F Capital House Tower 1, 9th Avenue corner 34th Street,
Bonifacio Global City, Taguig City

(b) Approximate date on which ***copies of*** the information statement ***(including proxy form and other solicitation materials, in case of proxy solicitations)*** are first to be sent or given to security holders: The Registrant intends to release the Information Statement on or before May 6, 2024

Item 2. **Dissenters' Right of Appraisal**

The Revised Corporation Code grants a shareholder a right of appraisal and demand payment of the fair value of his shares in certain circumstances where he has dissented and voted against a proposed corporate action, including:

1. An amendment of the articles of incorporation which has the effect of adversely affecting the rights attached to his shares or of authorizing preferences in any respect superior to those of outstanding shares of any class;
2. The extension or reduction of corporate term;
3. The sale, lease, exchange, transfer, mortgage, pledge or other disposal of all or substantially all the assets of the corporation;
4. A merger or consolidation; and,
5. Investment by the corporation of funds in any other corporation or business or for any purpose other than the primary purpose for which it was organized.

In any of these circumstances, the dissenting shareholder may require Upson International Corp. (or the "Corporation") to purchase its shares at a fair value, which, in default of agreement, is determined by three disinterested persons, one of whom shall be named by the shareholder, one by the Corporation, and the third by the two thus chosen. Regional Trial Courts will, in the event of a dispute, determine any question about whether a dissenting shareholder is entitled to this right of appraisal. From the time the shareholder makes a demand for payment until the Corporation purchases such shares, all rights accruing on the shares, including voting and dividend rights, shall be suspended, except the right of the shareholder to receive the fair value of such shares. No payment shall be made to any dissenting shareholder unless the Corporation has Unrestricted Retained Earnings sufficient to support the purchase of the shares of the dissenting shareholders.

Item 3. **Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

Other than election to office, no person who has been a director, officer, nominee for election as director, or associate of any of the foregoing persons has substantial interest, direct or indirect, in any matter to be acted upon.

None of the directors informed the Corporation that he intends to oppose to any action to be taken at the Annual Stockholders' Meeting (ASM).

B. CONTROL AND COMPENSATION INFORMATION

Item 4. **Voting Securities and Principal Holders Thereof**

As of March 31, 2024, the Corporation's total number of shares outstanding is 3,125,001,300. These shares are entitled to one (1) vote per share each.

The Corporation set May 7, 2024 as the record date for its ASM. Stockholders of record as of the record date shall be entitled to vote at the ASM.

The Corporation's shares have full voting rights. However, the Revised Corporation Code provides that voting rights cannot be exercised with respect to shares declared by the board of directors as delinquent, treasury shares, or if the shareholder has elected to exercise his right of appraisal referred to aforementioned.

At all meetings of shareholders, a holder of common shares may vote in person or by proxy, for each share held by such shareholder, or when so authorized in the by-laws, through remote communication or in absentia.

Security Ownership of Certain Record and Beneficial Owners (as of March 31, 2024)

Title of Class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	Jendres Holdings, Inc. (1504 B Gotesco Regency Twin Towers Condominium, 1129 Natividad Lopez, Ermita, Manila) Owner of more than five (5) percent	Lawrence O. Lee Chairman/ President	Filipino	537,500,000	17.20
Common	Ricardo A. Lee (c/o the Corporation) Director	Not applicable	Filipino	445,835,335	14.27
Common	Lawrence O. Lee (c/o the Corporation) Chairman	Not applicable	Filipino	390,897,935	12.51
Common	William Lim (c/o the Corporation) Director	Not applicable	Filipino	356,666,665	11.41
Common	Unitrust Investments Corporation (2202 Gotesco Tower B Condominium Concepcion, Ermita, Manila) Owner of more than five (5) percent	Ricardo A. Lee Chairman	Filipino	312,500,000	10.00
Common	Virdura Holdings, Inc. (1504B, Gotesco Regency Twin Towers Condominium, 1129 Natividad Lopez Street, Barangay 659-A, Ermita, Manila) Owner of more than five (5) percent	William Lim Chairman/ President	Filipino	312,500,000	10.00
Common	Albizia Capital Pte Ltd* (36 Armenian Street #03-07 Lobby 1) Owner of more than five (5) percent	unknown	Singapore	193,747,000	6.20
Common	NTAsian Discovery Master Fund* (Walkers Corporate Ltd, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands) Owner of more than five (5) percent	unknown	Cayman Islands	191,580,000	6.13

** Will vote through their respective custodians by submitting their voting instructions.*

Security Ownership of Management (including Directors)

Title of class	Name of beneficial owner	Amount and nature of beneficial ownership	Citizenship	Percent of Class
Common	Lawrence O. Lee	390,897,935[1] (direct and indirect)	Filipino	12.51
Common	Ricardo A. Lee	445,835,335[2] (direct and indirect)	Filipino	14.27
Common	William Lim	356,666,665[3] (direct and indirect)	Filipino	11.41
Common	Arlene Louisa T. Sy	1,100 (indirect)	Filipino	0.00
Common	Rolando O. Raval Jr.	1,100 (indirect)	Filipino	0.00
Common	Marcos A. Legaspi	13,100 (indirect)	Filipino	0.00
Common	Anthony Thomas C. Roxas, Jr.	496,100 (indirect)	Filipino	0.02
Common	Raul M. Leopando	100 (indirect)	Filipino	0.00
Common	Jose Vicente C. Bengzon III	100 (indirect)	Filipino	0.00
Common	Chun Bing G. Uy	100 (indirect)	Filipino	0.00
Common	Anita Lim	89,167,665 (direct and indirect)	Filipino	2.85
Common	Dennis F. Uy	1,000 (indirect)	Filipino	0.00

Voting Trust Holders of 5% or more

There were no persons holding more than 5% of a class of Shares under a voting trust or similar agreement as of the date of this Information Statement.

Changes in Control

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

Item 5. **Directors and Executive Officers**

Directors, Including Independent Directors, and Executive Officers

The following Directors are also nominated for election to the Board for 2024 to 2025. The Board, as approved by the Nomination Committee (namely: Mr. Lawrence Lee, Mr. Ricardo Lee, Mr. William Lim, Ms. Arlene Louisa Sy, and Mr. Chun Bing Uy), is endorsing the election of the following nominees to the Board for 2024 to 2025 at the 2024 ASM:

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.

[1] *Excludes indirect shareholdings through Jendres Holdings, Inc.*
[2] *Excludes indirect shareholdings through Unitrust Investments Corporation*
[3] *Excludes indirect shareholdings through Virdura Holdings, Inc.*

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.

Ms. Anita Lim nominated Messrs. Bengzon and Chun Bing Uy as independent directors for 2024 to 2025. Ms. Lim is not related to Messrs. Bengzon and Uy.

Identify Significant Employees

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

Family Relationships

Mr. William Lim, Director, and Ms. Anita Lim, Treasurer, are siblings. Other than the foregoing, there are no known family relationships up to the fourth civil degree either by consanguinity or affinity among the current members of the Board and any members of our senior management as of the date of this Information Statement.

Involvement in Certain Legal Proceedings

To the best of our knowledge and belief and after due inquiry, none of the directors, nominees for election as directors, or our executive officers and affiliates has in the five-year period:

(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) been convicted by final judgment in a criminal proceeding, domestic or foreign, or has been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offenses;
(3) been subjected to 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) been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Securities and Exchange Commission (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 and the judgment has not been reversed, suspended, or vacated.

Certain Relationships and Related Transactions

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

With regard to the directors' disclosures on self-dealing or related party transactions, all necessary disclosures required by the SEC and the PSE have already been filed/disclosed. Nonetheless, there were no self-dealings or related party transactions by any director which require disclosure.

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

The Corporation has no director who has resigned or declined to stand for re-election to the Board since the date of the last annual meeting of security holders due to a disagreement with the Corporation on any matter relating to the registrant's operations, policies or practices.

Item 6. **Compensation of Directors and Executive Officers**

Summary of Compensation/Remuneration

The following table summarizes the aggregate compensation/remuneration of the Corporation's President/Chief Executive Officer and the four most highly compensated officers/directors and all other officers/directors for the periods ended December 31, 2020, 2021, 2022, 2023, and 2024 (as estimated):

	Year	Salary (PhP)	Bonus	Other Annual Compensation
President/CEO, and the four (4) most highly compensated officers/directors	2020	4,269,070	-	-
	2021	8,010,964	-	-
	2022	8,914,776	-	-
	2023	10,279,023	-	-
	2024 (estimates)	10,279,023	-	-
Aggregate compensation paid to all other officers and directors as a group	2020	5,139,624	-	-
	2021	21,137,360	-	-
	2022	21,007,193	-	-
	2023	24,993,868	-	-
	2024 (estimates)	24,993,868	-	-

As of December 31, 2023, the Corporation's five most highly compensated officers/directors are: Arlene Louisa Sy, Director, Chief Executive Officer, and President, Anita Lim, Treasurer, Lawrence Lee, Chairman, Rolando Raval, Jr., Director and Chief Operations Officer, and Marcos Legaspi, Director and Chief Finance Officer.

Compensation of Directors

As reasonable per diem, the stockholders approved that directors shall receive a remuneration/per diem amounting to fifty thousand pesos (PhP50,000.00) each for every Board meeting attended, and twenty-five thousand pesos (PhP25,000.00) each for every Board committee meeting attended.

Director	Per Diem (PhP)		
	For Board Meetings Attended	For Board Committee Meetings Attended	Total
Lawrence O. Lee	300,000.00	-	300,000.00
Ricardo A. Lee	150,000.00	-	150,000.00
William Lim	150,000.00	-	150,000.00
Arlene Louisa T. Sy	300,000.00	-	300,000.00
Rolando O. Raval, Jr.	250,000.00	-	250,000.00
Marcos A. Legaspi	300,000.00	75,000.00	375,000.00
Anthony Thomas C. Roxas, Jr.	300,000.00	75,000.00	375,000.00
Jose Vicente C. Bengzon III	250,000.00	100,000.00	350,000.00

Chun Bing G. Uy	250,000.00	100,000.00	350,000.00
Raul M. Leopando	300,000.00	100,000.00	400,000.00

Employment Contracts and Termination of Employment and Change-in-Control Arrangements

The terms and conditions of the arrangements between the Corporation and the above-stated officers are all in the ordinary course of business.

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

Warrants and Options Outstanding

As of the date of this Information Statement, there are no outstanding warrants or options held by the President, the CEO, the named executive officers, other officers and directors as a group.

Item 7. **Independent Public Accountants**

The Corporation's External Auditor for the period ended December 31, 2023, Reyes Tacandong & Co. (RT&Co.), is a leading professional services firm in the Philippines that provides a wide range of financial services in digital transformation, due diligence, tax, advisory, and audit. The firm provides its services nationwide and has offices in Makati, Davao Cebu, Iloilo, and Clark.

RT&Co. is being endorsed/recommended by the Board for appointment, at the ASM, as the Corporation's External Auditor for the period ending December 31, 2024. Further, Mr. Darryll Reese Q Salangad is being recommended as RT&Co.'s Partner-in-Charge for the ensuing year.

RT&Co., though its representative(s), is expected to be present at the ASM, and shall have the opportunity to make a statement if they desire to do so. RT&Co. representative(s) are also expected to be available to respond to appropriate questions.

External Audit Fees			
	Audit and Audit-Related	Tax	All Other
2021 (December 31)	PhP2.4M	PhP1.55M	-
2022 (March 31, September 30, and December 31)	PhP5.57M	PhP1.25M	-
2023 (December 31)	PhP2.7M	PhP0.78M	-

Note: The increase of Audit and Audit-Related Fees is due to the required Audited Financial Statements for the periods ended March 31, 2022 and September 30, 2022 for the Corporation's Listing Application.

The Audit Committee is tasked to evaluate and determine the non-audit work, if any, of the Corporation's External Auditor, and periodically review the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the Corporation's overall consultancy expenses. The Audit Committee should disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence[4].

Item 8. **Compensation Plans**

There are no actions to be taken at the ASM with respect to any stock options, warrants, rights plan, or any other type of compensation plan.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. **Authorization or Issuance of Securities Other than for Exchange**

There are no actions to be taken at the ASM with respect to the authorization or issuance of any securities otherwise than for exchange for outstanding securities of the Corporation.

[4] *As defined under the Code of Ethics for Professional Accountants*

Item 10. **Modification or Exchange of Securities**

There are no actions to be taken at the ASM with respect to the modification of any class of securities of the Corporation, or the issuance or authorization for issuance of one class of securities of the Corporation in exchange for outstanding securities of another class.

Item 11. **Financial and Other Information**

There are no actions to be taken at the ASM with respect to any matter specified in Items 9 or 10 above.

For the Corporation's financials and other related information, please refer to the attached Management Report and Audited Financial Statements for the period ended December 31, 2022, and SEC Form 17-Q for the period ended March 31, 2023.

Item 12. **Mergers, Consolidations, Acquisitions and Similar Matters**

There are no actions to be taken at the ASM with respect to any merger, consolidation, acquisition, or similar matters.

Item 13. **Acquisition or Disposition of Property**

There are no actions to be taken at the ASM with respect to the acquisition or disposition of any property.

Item 14. **Restatement of Accounts**

There are no actions to be taken at the ASM with respect to the restatement of any asset, capital, or surplus account of the Corporation.

D. OTHER MATTERS

Item 15. **Action with Respect to Reports**

The following are the actions to be taken at the ASM with respect to the report of the Corporation, through its directors, officers, or committees, or minutes of any meeting of its shareholders:

i. Minutes of Previous Annual Meeting of Shareholders

The Minutes of the 2023 ASM of the Corporation held on July 12, 2023 is being endorsed for shareholders' approval at the 2024 ASM. Please refer to the copy of the said Minutes (https://upson.com.ph/wp-content/uploads/2023/07/Minutes-of-2023-Annual-Stockholders-Meeting.pdf).

a. Approval of the Minutes of Previous Annual Meeting of Stockholders

For		
Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
2,893,161,600	100	92.58

Against		
Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
-	-	-

Abstain		
Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
-	-	-

"Resolved, to approve the Minutes of the Previous Annual Meeting of Stockholders of Upson International Corp."

b. Annual Report and Audited Financial Statements for the period ended December 31, 2022

For		
Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
2,893,161,600	100	92.58

Against		
Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
-	-	-

Abstain		
Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
-	-	-

"Resolved, to note/approve the Annual Report and Audited Financial Statements of Upson International Corp. for the period ended December 31, 2022."

c. Ratification of Acts of the Board of Directors and the Management

For		
Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
2,893,161,600	100	92.58

Against		
Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
-	-	-

Abstain		
Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
-	-	-

"Resolved, to ratify the Acts made and adopted by the Board of Directors and the Management of Upson International Corp. from May 25, 2022 to July 12, 2023."

d. Election of Directors, including Independent Directors, for the ensuing year

	For		
Lawrence O. Lee	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	2,840,375,600	98.18	90.89
	Against		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	52,786,000	1.82	1.69
	Abstain		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	-	-	-

	For		
Ricardo A. Lee	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	2,840,375,600	98.18	90.89
	Against		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	52,786,000	1.82	1.69

	Abstain		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	-	-	-

	For		
William Lim	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	2,840,375,600	98.18	90.89
	Against		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	52,786,000	1.82	1.69
	Abstain		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	-	-	-

	For		
Arlene Louisa T. Sy	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	2,893,161,600	100	92.58
	Against		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	-	-	-
	Abstain		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	-	-	-

	For		
Rolando O. Raval, Jr.	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	2,840,375,600	98.18	90.89
	Against		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	52,786,000	1.82	1.69
	Abstain		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	-	-	-

	For		
Marcos A. Legaspi	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	2,840,375,600	98.18	90.89
	Against		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	52,786,000	1.82	1.69
	Abstain		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	-	-	-

	For		
Anthony Thomas C. Roxas, Jr.	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	2,840,375,600	98.18	90.89
	Against		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	52,786,000	1.82	1.69

	Abstain		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	-	-	-

	For		
Raul M. Leopando	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	2,840,375,600	98.18	90.89
	Against		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	52,786,000	1.82	1.69
	Abstain		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	-	-	-

	For		
Jose Vicente C. Bengzon III	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	2,893,161,600	100	92.58
	Against		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	-	-	-
	Abstain		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	-	-	-

	For		
Chun Bing G. Uy	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	2,893,161,600	100	92.58
	Against		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	-	-	-
	Abstain		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	-	-	-

"Resolved, to elect the following nominees to the Board of Directors of Upson International Corp. for 2023 to 2024, as pre-qualified by the Nomination Committee:

Mr. Lawrence O. Lee
Mr. Ricardo A. Lee
Mr. William Lim
Ms. Arlene Louisa T. Sy
Mr. Rolando O. Raval, Jr.
Mr. Marcos A. Legaspi
Mr. Anthony Thomas C. Roxas, Jr.
Mr. Raul M. Leopando
Mr. Jose Vicente C. Bengzon III (Independent)
Mr. Chun Bing G. Uy (Independent)"

e. Appointment of External Auditor

For		
Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
2,893,161,600	100	92.58

Against		
Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
-	-	-

Abstain		
Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
-	-	-

"Resolved, to appoint Reyes Tacandong & Co. as the External Auditor of Upson International Corp. (the "Corporation") for the fiscal year ending December 31, 2023, as pre-screened and endorsed by the Corporation's Audit Committee and Board of Directors, respectively."

f. Other Matters

Stockholders of record as of June 23, 2023 were given the opportunity to ask questions:

Question 1 from Jin Jin Han – *"Among your product categories, what contributes the cost in terms of revenue? and will your revenue mix remain mostly the same in the next 2 to 3 years?"*

Answer from Ms. Sy – *"Among the product categories, PCs contribute the most in terms of revenue at 50.3%, followed by Printing, 14%, and Communications at 13%. This covers around 77% of the total revenues. There may be changes in the revenue mix in the next 2 to 3 years, but PCs will remain as dominant revenue contributor based on empirical and historical data. After all, UPSON, through its retail brands, Octagon, Microvalley, and Gadget King, is known, first and foremost, as a PC retailer."*

Question 2 from Conan Wong – *"How does UPSON set itself apart from competitors given how fragmented the market is?"*

Answer from Ms. Sy – *"UPSON has the 3 A's, which sets it apart from its competition. These are Accessibility, Availability, and Authenticity. Accessibility because we have the widest store network. Availability, we have the most comprehensive product portfolio. And Authenticity, we carry original and untampered products."*

Question 3 from Kam Sing So – *"You had a total of 24 new stores openings in 2022. How many stores are you opening in 2023? Are these all mall-based? And are your new store locations within the capital Metro Manila or are they in provincial areas?"*

Answer from Ms. Sy – *"As of June 2023, we have opened 7 new branches, and in the pipeline we have 23 branches scheduled for turn-over within the year. Not all are mall-based. 5 of the 23 in the pipeline are roadside locations, and around 65% of the locations in the pipeline are outside Metro Manila. We would like to take note, however, that the availability of locations is opportunistic in nature but we remain committed in our objective to close the year with 250 stores."*

The voting and vote tabulation, including the proxy validation, was handled and led by the office of the Corporate Secretary, in coordination with an independent third-party validator.

The ASM was attended (either in person or through a proxy, as allowed by applicable laws, rules, and regulations) by the following shareholders, directors, and officers:

Jendres Holdings Inc.
Unitrust Investments Corporation
Virdura Holdings Inc.
Lawrence O. Lee
Ricardo A. Lee
William Lim
Arlene Louisa T. Sy
Rolando O. Raval, Jr.
Marcos A. Legaspi
Anthony Thomas C. Roxas, Jr.
Raul M. Leopando
Jose Vicente C. Bengzon III

Chun Bing G. Uy
Anita Lim
Dennis F. Uy
Rachelle C. Paunlagui
Darwin L. Mendoza
Representatives from Reyes Tacandong & Co.
Representatives from PNB Trust
The Hongkong and Shanghai Banking Corp. Ltd. – Clients' Acct.
Deutsche Bank Manila – Clients A/C
Standard Chartered Bank
BPI Securities Corporation/Julius Victor Emmanuel J. Sanvictores

ii. Annual Report and Audited Financial Statements for the period ended December 31, 2023

The Annual Report and the Audited Financial Statements (AFS) for the period ended December 31, 2023 shall be presented to the shareholders at the 2024 ASM. Please refer to the attached AFS for the period ended December 31, 2023.

iii. Acts of the Board of Directors and the Management

The acts of the Board and the Management are being endorsed, and shall be presented at the 2024 ASM, for shareholders' ratification.

Item 16. **Matters Not Required to be Submitted**

There are no actions to be taken at the ASM with respect to any matter which is not required to be submitted to a vote of security holders.

Item 17. **Amendment of Charter, Bylaws or Other Documents**

During its meeting held on March 21, 2024, the Board has approved the following amendments to the Corporation's Articles of Incorporation and By-laws, which shall be presented at the 2024 ASM for stockholders' approval:

i. Articles of Incorporation

	From	To
First Article	That the name of the said corporation shall be: 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 xxx	That the name of the said corporation shall be: 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; MABUHAY APPLIANCES; OCTAGON CITY; OCTAGON ELECTRONICS; AND OCTAGON PREMIUM xxx
Third Article	That the place where the principal office of the corporation to be established or located is at Unit 2308, 23/F Capital House Tower 1, 9th Avenue cor. 34th Street, Bonifacio Global City, Taguig City xxx	That the place where the principal office of the corporation to be established or located is at ~~Unit 2308, 23/F Capital House Tower 1, 9th Avenue cor. 34th Street, Bonifacio Global City, Taguig City~~Upson Building, 1076 Romualdez Street corner Zobel Street, Ermita, Manila City xxx
Eight Article	That the amount of said capital stock which has been actually subscribed in One Million Two Hundred Fifty Thousand Pesos (P12,50,000,000), and the following persons	That the amount of said capital stock which has been actually subscribed in One Million Two Hundred Fifty Thousand Pesos (P1,2~~,~~50,000,000), and the following persons

	have subscribed for the number of shares and the amount of capital stock indicated opposite their respective names: xxx	have subscribed for the number of shares and the amount of capital stock indicated opposite their respective names: xxx

The aforementioned amendments are being proposed to: a) include additional trade names for future use, b) gain more accessibility to the Corporation's warehouses, and c) correct minor typographical error and avoid confusion, which will support the Corporation in its expansion initiatives by securing additional trade names for future use, and boost the Corporation's efficiency by relocating its principal office to a supplier/warehouse-accessible location.

ii. By-laws

	From	To
Corporate Name	UPSON'INTERNATIONAL CORP. DOING BUSINESS UDER THE NAME AND STYLE OF; OCTAGON COMPUTER SUPERSTORE; MICROVALLEY COMPUTER SUPERSTORE; GADGET WORLD; OCTAGON MOBILE: AND UNISO xxx	UPSON~~'~~ INTERNATIONAL CORP. DOING BUSINESS UNDER THE NAME AND STYLE OF; OCTAGON COMPUTER SUPERSTORE; MICROVALLEY COMPUTER SUPERSTORE; GADGET WORLD; OCTAGON MOBILE~~:~~; ~~AND~~ UNISO**; GADGET KING; LAMP LIGHT; MABUHAY APPLIANCES; OCTAGON CITY; OCTAGON ELECTRONICS; AND OCTAGON PREMIUM** xxx
Article II, Section 1	Regular Meetings - The regular meetings of stockholders, for the purpose of electing directors and for the transaction of such business as may properly come before the meeting, shall be held at the principal office on May 25 of each year, if a legal holiday, then on the day following. xxx	Regular Meetings - The regular meetings of stockholders, for the purpose of electing directors and for the transaction of such business as may properly come before the meeting, shall be held ~~**at the principal office**~~ on **the last Wednesday of** May ~~**25**~~ of each year, if a legal holiday, then on the day following. xxx
Article II, Section 7	Manner of Voting - At all mettings of stockholdesr, a stockholders may vote in person or by proxy executed in writing by the in the proxy, it shall be valid only for the meeting at which it has been presented to the secretary. All proxies must be in the hands of the the secretary before the time set for the meeting. Such proxies filed with the Secretary may be revoked by the stockholders either in an instrument in writing duly presented and recorded with the Secretary. prior to a scheduled meeting or by their personal presence at the meeting. xxx	Manner of Voting - At all me**e**~~t~~tings of stockholde**rs**~~r~~, a stockholder~~**s**~~ may vote in person or by proxy executed in writing by the **stockholder** in the proxy, it shall be valid only for the meeting at which it has been presented to the secretary. All proxies must be in the hands of the ~~**the**~~ secretary before the time set for the meeting. Such proxies filed with the Secretary may be revoked by the stockholders either in an instrument in writing duly presented and recorded with the Secretary~~.~~**,** prior to a scheduled meeting or by their personal presence at the meeting. xxx
Article II, Section 8	Closing of Transfer Books of Fixing of Record Date - For the purpose of determining the stockholders entitled to notice of, or to vote at, any meeting of stockholders or any adjournment thereof or to receive payment of any dividend, or of making a determination of stockholdres for any other proper purpose, the Board of Directors may provide that the stock and transfer books be closed for a started period, but not to exceed, in any case, twenty (20) days. If the	Closing of Transfer Books of Fixing of Record Date - For the purpose of determining the stockholders entitled to notice of, or to vote at, any meeting of stockholders or any adjournment thereof or to receive payment of any dividend, or of making a determination of stockhold~~r~~ers for any other proper purpose, the Board of Directors may provide that the stock and transfer books be closed for a started period, but not to exceed, in any case, twenty (20) days. If the stock and transfer

	stock and transfer books be closed for the purpose of determining stockholdres entitled to notice of, or to vote at, a meeting of stockholders, such books shall be closed for at least ten (10) working days immediately preceeding such meeting. In lieu of closing the stock and transfer books, the Board of Directors may fix in advance a date as the record date shall in no case be more than twenty (20) days prior to the date, on which the particular action requiring such determination of stockholders is to be taken, except in instance where applicable rules and regulations provided otherwise. xxx	books be closed for the purpose of determining stockhold~~r~~ers entitled to notice of, or to vote at, a meeting of stockholders, such books shall be closed for at least ten (10) working days immediately preceeding such meeting. In lieu of closing the stock and transfer books, the Board of Directors may fix in advance a date as the record date shall in no case be more than twenty (20) days prior to the date, on which the particular action requiring such determination of stockholders is to be taken, except in instance where applicable rules and regulations provided otherwise. xxx
Article III, Section 1	Powers of the Board - Unless otherwise provided by law. the corporate powers of the corporation shall be exercised, all business conducted and all property of the corporation controlled and held by the Board of Directors to be elected by and from among the stockholders. Without prejudice to such general powers and such other powers as may be granted by law, the Board of Directors shall have the following express powers: xxx	Powers of the Board - Unless otherwise provided by law~~.~~, the corporate powers of the corporation shall be exercised, all business conducted and all property of the corporation controlled and held by the Board of Directors to be elected by and from among the stockholders. Without prejudice to such general powers and such other powers as may be granted by law, the Board of Directors shall have the following express powers: xxx
Article III, Section 7	Conduct of the Meetings - Meetings of the Board of Directors shall be presided over by the Chairman of the Board, or in his absence, the President or if none of the foregoing is in office and present and acting, by any other director chosen by the Board. The Secretary, shall act as secretary of every meeting, if not present, the Chairman of the meeting, shall appoint a secretary of the meeting. Meetings may be attended by the directors either in person or through video or teleconference or such other means other means as may subsequently be permitted by applicable law or regulation. xxx	Conduct of the Meetings - Meetings of the Board of Directors shall be presided over by the Chairman of the Board, or in his absence, the President or if none of the foregoing is in office and present and acting, by any other director chosen by the Board. The Secretary, shall act as secretary of every meeting, if not present, the Chairman of the meeting, shall appoint a secretary of the meeting. Meetings may be attended by the directors either in person or through video or teleconference or such other means ~~other means~~ as may subsequently be permitted by applicable law or regulation. xxx

The aforementioned amendments are being proposed to: a) align with the proposed amendment to the Articles of Incorporation to include additional trade names for future use, b) give the Corporation and its shareholders more flexibility in determining the date of and holding the Annual Shareholders' Meeting, and c) correct minor typographical errors, and avoid confusion.

Item 18. **Other Proposed Action**

The following actions are to be taken at the ASM with respect to any matter not specifically referred to above:

i. Election of Directors, including Independent Directors, for the ensuing year

The Board, as approved by the Nomination Committee, is endorsing the election of the following nominees to the Board for the ensuing year at the 2024 ASM:

a. Lawrence O. Lee

b. Ricardo A. Lee
c. William Lim
d. Arlene Louisa T. Sy
e. Rolando O. Raval, Jr.
f. Marcos A. Legaspi
g. Anthony Thomas C. Roxas, Jr.
h. Raul M. Leopando
i. Jose Vicente C. Bengzon III (as Independent)
j. Chun Bing G. Uy (as Independent)

ii. Appointment of External Auditor

The Board, as approved by the Audit Committee, is endorsing the appointment of Reyes Tacandong & Co., at the 2024 ASM, as the Corporation's External Auditor for the fiscal year ending December 31, 2024.

iii. Delegation of Authority to the Board of Directors to amend or repeal the By-laws or adopt new By-laws

During its meeting held on March 21, 2024, the Board has approved to seek the approval of the Corporation's stockholders, at the 2024 ASM, to delegate to the Board the authority to amend or repeal the By-laws or adopt new By-laws.

iv. Other Matters that may come before the ASM

Item 19. **Voting Procedures**

The vote required for the approval/ratification of the actions to be taken at the ASM, except for the: a) Election of Directors, including Independent Directors, for the ensuing year, b) Amendment of the Articles of Incorporation, and c) Delegation of Authority to the Board of Directors to amend or repeal the By-laws or adopt new By-laws, shall be at least majority of the Corporation's outstanding capital stock.

For the Election of Directors, including Independent Directors, for the ensuing year, the voting shall be by plurality, wherein each share is entitled to as many votes as the number of nominees to the Board (i.e. number of shareholding x number nominees = allowed number shares to be exercised/voted). A shareholder may distribute his/her votes to the nominees however as he/she shall see fit, provided that, cumulative total number of votes shall not exceed the allowed shares to be exercised/voted.

As to the Amendment of the Articles of Incorporation and Delegation of Authority to the Board of Directors to amend or repeal the By-laws or adopt new By-laws, the affirmative vote of at least two-thirds (2/3) of the Corporation's outstanding capital stock shall be required.

A stockholder may vote in person or by proxy executed in writing by the stockholder or his attorney-in-fact. All proxies must be submitted to the Corporate Secretary before the ASM.

The votes shall be counted by the office of the Corporate Secretary, subject to an independent third-party validation.

Undertaking

The Corporation undertakes to provide, without charge to each person soliciting through a written request directed to Mr. Dennis F. Uy at 747 Zobel Street corner Romualdez Street, Ermita Manila, a copy of its SEC Form 17-A (Annual Report).

At the discretion of the Management, a charge may be made for exhibits, provided such charge is limited to reasonable expenses incurred by the Corporation in furnishing such exhibits.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Manila on April 12, 2024.

By:

Dennis F. Uy
Corporate Secretary

Marcos A. Legaspi
Chief Finance Officer

Arlene Louisa T. Sy
Chief Executive Officer
and President

Management Report

Business

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, 2022, we have a total of 207 branches nationwide, of which 24 are stand-alone stores, while 183 are mall-based stores. Our regional network of stores is found in the National Capital Region (66), North Luzon (37), South Luzon (38), Visayas (24), and Mindanao (42).

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 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%.

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.

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.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Corporation has not had any material disagreements on accounting and financial disclosures with its current external auditor for the same periods or any subsequent interim period. RT&Co. has neither shareholding in the Corporation nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities of the Corporation. RT&Co. have not received any direct or indirect interest in the Corporation or its securities (including options, warrants or rights thereto). The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

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.

Management's Discussion and Analysis and Plan of Operation

The following discussion should be read in conjunction with the accompanying financial statements and notes thereto, which form part of this Management Report 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 years ended December 31, 2023 and 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 bunding 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 years 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%	8.52%
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)

External Auditor Fees

The Corporation's External Auditor for the period ended December 31, 2023, Reyes Tacandong & Co. (RT&Co.), is a leading professional services firm in the Philippines that provides a wide range of financial services in digital transformation, due diligence, tax, advisory, and audit. The firm provides its services nationwide and has offices in Makati, Davao Cebu, Iloilo, and Clark.

RT&Co. is being endorsed/recommended by the Board for appointment, at the ASM, as the Corporation's External Auditor for the period ending December 31, 2024. Further, Mr. Darryll Reese Q Salangad is being recommended as RT&Co.'s Partner-in-Charge for the ensuing year.

RT&Co., though its representative(s), is expected to be present at the ASM, and shall have the opportunity to make a statement if they desire to do so. RT&Co. representative(s) are also expected to be available to respond to appropriate questions.

External Audit Fees			
	Audit and Audit-Related	Tax	All Other
2021 (December 31)	PhP2.4M	PhP1.55M	-
2022 (March 31, September 30, and December 31)	PhP5.57M	PhP1.25M	-
2023 (December 31)	PhP2.7M	PhP0.78M	-

Note: The increase of Audit and Audit-Related Fees is due to the required Audited Financial Statements for the periods ended March 31, 2022 and September 30, 2022 for the Corporation's Listing Application.

The Audit Committee is tasked to evaluate and determine the non-audit work, if any, of the Corporation's External Auditor, and periodically review the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the Corporation's overall consultancy expenses. The Audit Committee should disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence[1].

Brief Description of the general nature and scope of the business of the registrant and its subsidiaries.

Please refer to "Business" section above.

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, Inc. (PSE) under the Stock Symbol of "UPSON".

As of the close of latest practicable trading date, April 11, 2024, the market capitalization of the Corporation's 3,125,001,300 outstanding shares amounts to PhP3,125,001,300.00 at PhP1.00 per share.

The following table presents the high and low stock prices each quarter within the last three (3) fiscal years and any subsequent interim period:

Year	Quarter	High	Low
2021	1	1.00	1.00
	2	1.00	1.00
	3	1.00	1.00
	4	1.00	1.00
2022	1	1.00	1.00
	2	1.00*	0.20*
	3	0.20	0.20
	4	0.20	0.20
2023	1	0.20	0.20
	2	3.30	2.06
	3	2.47	1.68
	4	1.85	1.55
2024	1	1.75	0.89

** The change in the price is due to the amendment of the Corporation's Articles of Incorporation.*

As stated above, the Corporation listed its shares with the Main Board of the PSE on April 3, 2023.

As of March 31, 2024, the Corporation has ten (10) certificated shareholders. The following table summarizes the Corporation's top twenty (20) shareholders and respective shareholdings as of March 31, 2024, as provided by its Stock and Transfer Agent:

Shareholder	Shareholding(s)		
	Class	Number	Percentage
PCD Nominee Corporation – Non-Filipino	Common	525,722,000	16.82
Jendres Holdings, Inc.	Common	537,500,000	17.20
Ricardo A. Lee	Common	445,834,335	14.27
Lawrence O. Lee	Common	383,332,935	12.27
William Lim	Common	356,665,665	11.41
Virdura Holdings, Inc.	Common	312,500,000	10.00
Unitrust Investments Corporation	Common	312,500,000	10.00
PCD Nominee Corporation – Filipino	Common	161,769,700	5.18
Anita Lim	Common	89,166,665	2.85
Myra P. Villanueva	Common	10,000	0.00

Under Philippine law, dividends may be declared out of a corporation's Unrestricted Retained Earnings which shall be payable in cash, in property, or in stock to all stockholders on the basis of outstanding stock held by them. The amount of retained earnings available for declaration as dividends may be determined pursuant to regulations issued by the SEC. The approval of the Board of Directors is generally sufficient to approve the

[1] *As defined under the Code of Ethics for Professional Accountants*

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

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

The Corporation is allowed under Philippine laws to declare cash, property and stock dividends, subject to certain requirements.

Pursuant to existing SEC rules, cash dividends declared by the Corporation must have a record date not less than ten days and more than 30 days from the date the cash dividends are declared. With respect to stock dividends, the record date is to be not less than ten days and not more than 30 days from the date of shareholder approval. In either case, that the set record date is not to be less than ten trading days from receipt by the PSE of the notice of declaration. If no record date is set, under SEC rules, the record date will be deemed fixed at 15 days from the date of declaration. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date is to be fixed by the SEC. If the stock dividend declaration requires an increase of authorized capital stock, an application therefor is mandated to be filed with the SEC.

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

In accordance with the PSE disclosure rules, for all cash and stock dividends accruing to share lodged with the PDTC, whether from unissued capital or resulting from an increase in capital stock, the same shall be remitted/credited to the PDTC for immediate distribution to its participants not later than 18 trading days from the record date.

The Corporation has loan agreements which provide for certain covenants which include, among others, restriction on declaration of dividends; change on nature or scope of the business of the company; reduce or increase the authorized capital stock; and use of proceeds from the loans for purposes other than those described in the contract. In 2021, bank loans, which bear certain covenants including the restriction on declaration of dividends, were settled. As of September 30, 2022, December 31, 2021 and 2020, the Corporation is compliant with the above covenants.

Below is a summary of the dividend declaration of the Corporation for the three most recent years:

Declaration	Type	Payment	Amount
December 20, 2021	Cash	December 28, 2021	PhP307,000,000.00
November 15, 2022	Cash	Latest February 28, 2023	PhP390,000,000.00
July 12, 2023	Cash	August 22, 2023	PhP138,000,000.00
February 28, 2024	Cash	March 27, 2024	PhP187,500,078.00

Recent Sales of Unregistered or Exempt Securities including Recent Issuance of Securities Constituting an Exempt Transaction

The following securities were issued as exempt from the registration requirements of the Securities Regulation Code and therefore have not been registered with the Philippine SEC.

Date	Name	Number of Shares	Class	Amount Paid	Nature
June 3, 2019	Ricardo A. Lee	10,000,000	Common	N.A.	Stock Dividends

June 3, 2019	Anita Lim	10,000,000	Common	N.A.	Stock Dividends
June 3, 2019	Lawrence O. Lee	10,000,000	Common	N.A.	Stock Dividends
December 17, 2021	Virdura Holdings, Inc.	62,500,000	Common	62,500,000	Subscription
December 17, 2021	Jendres Holdings, Inc.	62,500,000	Common	62,500,000	Subscription
December 17, 2021	Unitrust Investments Corporation	62,500,000	Common	62,500,000	Subscription
December 29, 2021	Jendres Holdings, Inc.	45,000,000	Common	45,000,000	Subscription
April 13, 2022	Jose Vicente C. Bengzon III	5	Common	1	Subscription
April 13, 2022	Raul M. Leopando	5	Common	1	Subscription
April 13, 2022	Chun Bing G. Uy	5	Common	1	Subscription
May 6, 2022	Jose Vicente C. Bengzon III	95	Common	19	Subscription
May 6, 2022	Raul M. Leopando	95	Common	19	Subscription
May 6, 2022	Chun Bing G. Uy	95	Common	19	Subscription

Corporate Governance

The Corporation recognizes that good corporate governance helps build an environment of trust, transparency and accountability necessary for fostering long-term investment, financial stability and business integrity. It is committed to observing the highest standards of, and best practices in, corporate governance as articulated in our organizational charters, its Corporate Governance Manual, Code of Conduct and Ethics, and as provided in the pertinent laws, and the rules, regulations and issuances implemented or promulgated by the SEC. Our Corporate Governance Manual was first approved and adopted by our Board of Directors on May 3, 2022. On the same day, the Corporate Governance Manual was submitted to the SEC.

The Corporation shall require the Board of Directors and its committees to have a performance self-assessment at least once a year, both on the board and individual level. This evaluation shall help in the improvement and further development of the Corporation's business operations. The assessment would lead to better efficiency and would encourage the Corporation to grow and progress with sustainable stability.

The evaluation of the Board and its committees' performance shall focus on the self-assessment of the Board of Directors as a whole, self-assessment of the committees as a whole, and the individual self-assessment of the Board of Directors, the committees, and the Management.

- Independent Directors

  In compliance with the Revised Corporation Code, we adopted to have two (2) independent directors in the Board of Directors, at least one of whom serves on each of the Audit, Committee, the Corporate Governance Committee, and the Risk Management Committee. An independent director is defined as a person who has not been an officer or employee of the Corporation, its subsidiaries or affiliates or related interests during the past three (3) years counted from date of his election, or any other individual having a relationship with the institution, its parent, subsidiaries or related interest, or to any of the Corporation's director, officer or stockholder holding shares of stock sufficient to elect one seat in the board of directors or any of its related companies within the fourth degree of consanguinity or affinity, legitimate or common-law, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

- Compliance Officer

  To ensure adherence to corporate principles and best practices, our Board of Directors shall appoint a Compliance Officer who shall hold the position of a Vice President or its equivalent. He shall have direct reporting responsibilities to the Chief Executive Officer. The Compliance Officer shall perform the following duties:

  a. Ensure proper onboarding of new directors (i.e. orientation on the Corporation's business, charter, articles of incorporation and by-laws, among others);
  b. Monitor compliance with the provisions and requirements of the Corporate Governance Manual and the rules and regulations of regulatory agencies and, if violations are found, report the matter to the Board and recommend the adoption of measures to prevent a repetition of the violation;
  c. Appear before the Commission upon summon on matters related to compliance with the provisions and

requirements of the Corporate Governance Manual that need to be clarified by the same;
d. Determine violation/s of the Corporate Governance Manual and recommend appropriate penalty/ies for violation thereof for further review and approval of the Corporation's Board;
e. Collaborate with other departments to properly address compliance issues, which may be subject to investigation;
f. Ensure the integrity and accuracy of all documentary submissions to regulators;
g. Ensure the attendance of board members and key officers to relevant trainings; and,
h. Identify, monitor and control compliance risks.

- Board Committees
The Corporation has sufficient number of independent directors that gives the assurance of independent views and perspective.

The Board appointed Board members to each of the committees set forth below. Each member of the respective committees holds office as of the date of this Information Statement and will serve until his successor is elected and qualified. The committees shall support the Board in the effective performance of its functions by ensuring the compliance and alignment with the Corporation's objectives, mission, vision, policies, and applicable regulatory requirements.

a. The Audit Committee serves to enhance the Board's oversight capability over the Corporation's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations. It is composed of not less than three (3) appropriately qualified non-executive directors, a majority of whom, including the chairman, should be independent directors. All of the members of the Audit Committee must have relevant background, knowledge, skills and/or experience in the areas of accounting, auditing and/or finance. The Committee chairman shall not be the chairman of the Board or of any other committee. The Committee shall also perform the functions for a Related Party Transactions Committee, as prescribed by the SEC.
b. The Nomination Committee of our Board shall have at least three (3) members, one of whom shall be an independent director. The Nomination Committee shall review and evaluate the qualifications of all individuals nominated to our Board and other appointments that require Board approval, and to assess the effectiveness of our Board processes and procedures in the election or replacement of directors.
c. The Remuneration Committee of our Board shall have at least three (3) members, one of whom shall be a non-executive director. The Remuneration Committee shall establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages or corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Corporation's culture, strategy and control environment.
d. The Corporate Governance Committee shall consist of at least three (3) voting members who are members of the Corporation's Board of Directors (majority or all of which shall be Independent Directors). Among other functions that may be delegated by the Corporation's Board, the Committee shall be responsible for overseeing the implementation of the corporate governance framework and periodically reviews the said framework; overseeing the periodic performance evaluation of the Corporation's Board and its committees as well as executive management, and conducts an annual self-evaluation of its performance; and recommending continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the Corporation's Board members and senior officers, and remuneration packages for corporate and individual performance.
e. The Risk Management Committee is responsible for the oversight of the Corporation's enterprise risk management system. It is composed of at least three (3) non-executive directors, the majority of whom should be independent directors. The chairman of the committee must not be the chairman of the Board. At least one (1) member of the committee must have knowledge and experience in risk management.

The Board of Directors understands the roles and duties of the organization's governing body which is why it is imperative for them to attend trainings and seminars that would help them in leading the Corporation to fully comply with the adopted leading practices on good corporate governance. These trainings would enable them to further develop their knowledge and skills that would be beneficial for the efficient performance of the Board. Executives shall also be developed to prepare them for rotation within the organization and succession to President and top executives' positions. Therefore, the Board of Directors gives importance to attending training, seminars, related courses and organizing an assessment of the senior management's potential to develop the readiness of work at the executive level.

In order to prepare them for their duties and responsibilities, the directors shall be oriented about the Corporation. The orientation shall include the structure, nature of and information about the Corporation's business, good governance policy, Code of Ethics and Conduct, business practices and other information that would assist them in performing their roles as directors of the Corporation. Part of their orientation as well is arranging a meeting with the Chairman of the Board so they may ask for insights about the Corporation's business operations. Manuals and related documents regarding the Corporation's operations shall also be provided to aid them in the dispense of their functions. The Corporation shall adopt a policy on the training of directors, including an orientation program for first-time directors, and relevant annual continuing training for all directors. The orientation program shall cover SEC-mandated topics on corporate governance and an introduction to the Corporation's business, Articles of Incorporation, and Code of Conduct.

Last November 22, 2023, the Corporation's directors and officers attended an SEC-accredited Corporate Governance Training conducted by the Good Governance Advocates and Practitioners of the Philippines.

UPSON International Corp.

2024 Annual Stockholders' Meeting

Notice

To our Shareholders:

This notice is hereby given that our 2024 Annual Stockholders' Meeting (ASM) will be held virtually on **May 27, 2024, Monday, 3:00 P.M.**, and will be presided at our Principal Office at Unit 2308, 23/F Capital House Tower 1, 9th Avenue corner 34th Street, Bonifacio Global City, Taguig City, with the following:

Agenda

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Previous Meeting held on July 12, 2023
4. Annual Report and Audited Financial Statements for the period ended December 31, 2023
5. Ratification of Acts of the Board of Directors and the Management
6. Election of Directors, including Independent Directors, for the ensuing year
7. Appointment of External Auditor
8. Amendment of the Articles of Incorporation
9. Amendment of the By-laws
10. Delegation of Authority to the Board of Directors to amend or repeal the By-laws or adopt new By-laws
11. Other Matters
12. Adjournment

For a brief explanation of each agenda items, please refer to the "Details of 2024 ASM Agenda Items".

Copies of our Information Statement, SEC Form 17-A, and other pertinent documents/information may be accessed through our website (https://upson.com.ph/disclosures/) or through the Philippine Stock Exchange, Inc.'s Electronic Disclosure Generation Technology website (https://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=700).

Our Board of Directors (the "Board") has fixed May 7, 2024 as the record date to determine the shareholders entitled to notice of, to participate/vote, at such meeting.

The proceeding of the ASM shall be streamed live, which may be attended by shareholders by sending an intent to attend/participate to corsec@upson.com.ph, subject to the verification/validation process to be conducted by the office of the Corporate Secretary, on or before May 22, 2024. Validated/verified shareholders shall be provided with an access to the ASM, and can cast their votes in absentia through a secured e-mail, which will also be provided upon validation/verification.

A shareholder who wishes to be represented during the ASM may accomplish the attached "Proxy Form" (and other necessary requirements, as applicable), and submit the same to the office of the Corporate Secretary at Upson Building, 747, Romualdez Street corner Zobel Street, Ermita, Manila or via e-mail at corsec@upson.com.ph on or before 5:00 P.M. of May 20, 2024.

Manila City, April 12, 2024.

Dennis F. Uy
Corporate Secretary

<u>Details of 2024 ASM Agenda Items</u>

1. **Call to Order** – The Chairperson of the Annual Stockholders' Meeting (ASM or the "Meeting") shall formally call the ASM to order.

2. **Certification of Notice and Quorum** – The Corporate Secretary shall certify that notices and other relevant information for the Meeting were sent and made available to stockholders of record as of the 2024 ASM Record Date. The Corporate Secretary shall likewise certify the number of shares represented, whether in person or by proxy or through remote communication, for the purpose of determining the existence of a quorum to validly transact business.

3. **Approval of the Minutes of the Previous Meeting held on July 12, 2023** – The Minutes of the Previous Meeting held on July 12, 2023 are available through the Corporation's website: https://www.upson.com.ph/disclosures/category/minutes-of-meetings/. The said Minutes are subject to shareholders' approval at the ASM.

4. **Annual Report and Audited Financial Statements for the period ended December 31, 2023** – The 2023 Annual Report, which includes the Audited Financial Statements (AFS) for the period ended December 31, 2023, shall be presented to the shareholders at the Meeting. A copy of the Annual Report and the AFS for the year ended December 31, 2023 was made available to all shareholders, through: https://www.upson.com.ph/disclosures/category/annual-reports-sec-form-17-a/, for their advanced reference.

5. **Ratification of Acts of the Board of Directors and the Management** – The actions taken, made, and adopted by the Board of Directors (the "Board"), Board Committees, and the Management since the last ASM until May 27, 2024 shall be presented for shareholders' confirmation/ratification at the Meeting.

6. **Election of Directors, including Independent Directors, for the ensuing year** – As approved by the Nomination Committee and the Board, the following are the nominees to the Board for the ensuing year, for shareholders' election at the Meeting: Mr. Lawrence O. Lee, Mr. Ricardo A. Lee, Mr. William Lim, Ms. Arlene Louisa T. Sy, Mr. Rolando O. Raval, Jr., Mr. Marcos A. Legaspi, Mr. Anthony Thomas C. Roxas, Jr., Mr. Raul M. Leopando, Mr. Jose Vicente C. Bengzon III (as Independent), and Mr. Chun Bing G. Uy (as Independent). The profiles of the said nominees are provided in the Information Statement.

7. **Appointment of External Auditor** – Upon the approval of the Audit Committee and the Board, Reyes Tacandong & Co., the Corporation's External Auditor for the fiscal year ended December 31, 2023, is being recommended for re-appointment for the fiscal year ending December 31, 2024, for shareholders' approval at the ASM.

8. **Amendment of the Articles of Incorporation** – During its meeting held on March 21, 2024, the Board has approved to seek stockholders' approval on the amendment of the Corporation's Articles of Incorporation to: a) include additional trade names for future use, b) gain more accessibility to the Corporation's warehouses, and c) correct minor typographical error and avoid confusion. The proposed amendments aim to support the Corporation in its expansion initiatives by securing additional trade names for future use, and boost the Corporation's efficiency by relocating its principal office to a supplier/warehouse-accessible location. Further details on the proposed amendments are provided in Item 17 of the Information Statement.

9. **Amendment of the By-laws** – On March 21, 2024, the Board has also approved the amendment of the Corporation's By-laws, subject to stockholders' approval at the 2024 ASM, to: a) align with the proposed amendment to the Articles of Incorporation to include additional trade names for future use, b) give the Corporation and its shareholders more flexibility in determining the date of and holding the Annual Shareholders' Meeting, and c) correct minor typographical errors, and avoid confusion. Further details on the proposed amendments are provided in Item 17 of the Information Statement.

10. **Delegation of Authority to the Board of Directors to amend or repeal the By-laws or adopt new By-laws** – As approved by the Board, the authority to amend or repeal the By-laws or adopt new By-laws is hereby being requested to be delegated to the Board, for stockholders' approval at the 2024 ASM.

11. **Other Matters** – The Chairperson of the Meeting shall open the floor to comments and questions from the shareholders.

12. **Adjournment** – The Corporate Secretary shall determine when there are no other matters to be considered. The Chairperson shall then adjourn the Meeting.

Proxy Form

The undersigned stockholder of Upson International Corp. ("UPSON"), registered in the name of PCD Nominee Corporation, if applicable*, appoints ______________________________ (as sub-proxy*), or in his/her absence, the Chairperson of the stockholders' meeting, as attorney-in-fact and proxy, with the power of substitution, to represent and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the stockholders' meeting of UPSON, or at any of the adjournments thereof for the purpose of acting on the following matters:

1. Approval of the Minutes of Previous Meeting held on July 12, 2023

   For _______ Against _______ Abstain _______

2. Annual Report and Audited Financial Statements for the period ended December 31, 2023

   For _______ Against _______ Abstain _______

3. Ratification of Acts of the Board of Directors and the Management

   For _______ Against _______ Abstain _______

4. Election of Directors, including Independent Directors (ID), for the ensuing year

Nominees	Number of Votes
Lawrence O. Lee	________________
Ricardo A. Lee	________________
William Lim	________________
Arlene Louisa T. Sy	________________
Rolando O. Raval, Jr.	________________
Marcos A. Legaspi	________________
Anthony Thomas C. Roxas, Jr.	________________
Raul M. Leopando	________________
Jose Vicente C. Bengzon III (ID)	________________
Chun Bing G. Uy (ID)	________________

5. Appointment of External Auditor

   For _______ Against _______ Abstain _______

6. Amendment of the Articles of Incorporation

   For _______ Against _______ Abstain _______

7. Amendment of the By-laws

   For _______ Against _______ Abstain _______

8. Delegation of Authority to the Board of Directors to amend or repeal the By-laws or adopt new By-laws

   For _______ Against _______ Abstain _______

9. Other Matters (at his/her discretion, named proxy is authorized to vote upon such other matters as may properly come before the meeting)

   For _______ Against _______ Abstain _______

____
Complete Name of Registered Stockholder

____
Signature of Registered Stockholder or Name(s) and Signature(s) of Authorized Signatory(ies) of Corporate Stockholder

____
Date

This Proxy Form is prescribed to be submitted with the following supporting documents:

For corporate stockholders, an executed secretary's certificate showing the authority of the signatory(ies) to sign on behalf of the corporate stockholder.

For Brokers or PCD Participants, an executed secretary's certificate showing the authority of the signatory(ies) to sign on behalf of the Broker/PCD Participant, as well as a duly accomplished proxy documentation or certificate of shareholdings issued by the Philippine Depository & Trust Corporation.

In the event that no voting instructions are provided, the shares shall be voted "For" the matters stated above, including the election of nominees, or as recommended by the Board of Directors.

This Proxy Form should be received by the office of the Corporate Secretary (at Upson Building, No. 747, Romualdez Street corner Zobel Street, Ermita, Manila or through corsec@upson.com.ph) on or before 5:00 P.M. of May 22, 2024.

The concerned stockholder has the authority to revoke this Proxy Form at any time before the right to represent and vote is exercised.

This Proxy Form shall be valid for five (5) years from the date of execution.

** For Brokers or PCD Participants*

Validation Process

i. Duly accomplished proxies (and supporting documents, if necessary) should be submitted to and received by the office of the Corporate Secretary at Upson Building, No. 747, Romualdez Street corner Zobel Street, Ermita, Manila or through corsec@upson.com.ph on or before 5:00 P.M. of May 22, 2024.

ii. The validation process shall be conducted by the office of the Corporate Secretary, on or before May 22, 2024, in coordination with the Corporation's Stock and Transfer Agent and/or an independent/third-party validator.

iii. The office of the Corporate Secretary may require additional requirements, if necessary, for validation purposes.

iv. Issues relating to proxies shall be resolved by the office of the Corporate Secretary.

v. Validated shareholders shall receive an access to the meeting, and can cast their votes in absentia through a secured e-mail.

vi. A shareholder has the authority to revoke his/her/its proxy at any time before the right to represent and vote is exercised.

vii. The Corporate Secretary shall report/certify the results of the validation at the Annual Stockholders' Meeting.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. Date of Report (Date of earliest event reported)
   Mar 22, 2024
2. SEC Identification Number
   AS95003836
3. BIR Tax Identification No.
   004-780-008-000
4. Exact name of issuer as specified in its charter
   Upson International Corp.
5. Province, country or other jurisdiction of incorporation
   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, 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. Indicate the item numbers reported herein
    Please refer to the attached Letter to the SEC and the PSE.

Upson International Corp.
UPSON

PSE Disclosure Form 4-30 - Material Information/Transactions
References: SRC Rule 17 (SEC Form 17-C) and
Sections 4.1 and 4.4 of the Revised Disclosure Rules

Subject of the Disclosure
Audited Financial Statements for the period ended December 31, 2023
Background/Description of the Disclosure
We are submitting herewith the attached Audited Financial Statements of Upson International Corp. for the period ended December 31, 2023.
Other Relevant Information
-

Filed on behalf by:

Name	Arlene Louisa Sy
Designation	Chief Executive Officer

COVER SHEET

AS95003836
S.E.C. Registration Number

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 COR. 34TH STREET, BONIFACIO GLOBAL CITY, TAGUIG CITY
(Principal Address: No. Street City / Town / Province)

Dennis F. Uy
Contact Person

8526-7152
Company Telephone Number

12 31
Month *Day*
Fiscal Year

17-C
FORM TYPE

05 25
Month *Day*
Annual Meeting

Not applicable
Secondary License Type, If Applicable

MSRD
Dept. Requiring this Doc.

Not applicable
Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **March 22, 2024**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **AS95003836**   3. BIR Tax Identification No. **004-780-008-000**

4. **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
   Exact name of issuer as specified in its charter

5. **Metro Manila, Philippines**
   Province, country or other jurisdiction of incorporation

6. (SEC Use Only)
   Industry Classification Code:

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

   1635
   Postal Code

8. **(+63 2) 8526 7152**
   Issuer's telephone number, including area code

9. **Not applicable**
   Former name or former address, 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. Indicate the item numbers reported herein:

Please refer to the attached Letter to the Securities and Exchange Commission and the Philippine Stock Exchange, Inc.

SIGNATURES

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

Upson International Corp.	**March 22, 2024**
Issuer	Date

Marcos A. Legaspi
Chief Finance Officer

Arlene Louisa T. Sy
Chief Executive Officer
and President

UPSON International Corp.

March 22, 2024

Securities and Exchange Commission
7907 Makati Avenue, Salcedo Village,
Bel-Air, Makati City, 1209

Attention : **Dir. Oliver O. Leonardo**
Markets and Securities Regulation Department

Philippine Stock Exchange, Inc.
PSE Tower, 5th Avenue cor. 28th Street,
Bonifacio Global City, Taguig City 1634

Attention : **Ms. France Alexandra D. Tom Wong**
Disclosure Department

Subject : **Audited Financial Statements for the period ended December 31, 2023**

Gentlemen :

We are submitting herewith the attached Audited Financial Statements of Upson International Corp. for the period ended December 31, 2023.

We hope you find everything in order.

Thank you.

Very truly yours,

Marcos A. Legaspi
Chief Finance Officer

Arlene Louisa T. Sy
Chief Executive Officer
and President

C O V E R   S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

AS95003836

COMPANY NAME

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)

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
d_uy@octagon.com.ph	(02) 8 526-7152	0920 960 9377

No. of Stockholders	Annual Meeting (Month / Day)	Calendar Year (Month / Day)
10	May 25	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Anita Lim	a_lim@octagon.com.ph	(02) 8 526-7152	–

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.*

UPSON International Corp.

STATEMENT OF MANAGEMENT'S RESPONSIBIILITY 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

SUBSCRIBED AND SWORN TO BEFORE ME this 13 day of MAR 2024 at manila, Philippines

Marcos A. Legaspi
Chief Financial Officer

Signed this 28th day of February 2024

RAUL JOHN Y. TAÑEDO
NOTARY PUBLIC
UNTIL DECEMBER 31, 2025
PTR NO. 2510325 / 01-23-24 QUEZON CITY
IBP LIFETIME NO. 02678 RSM / ROLL NO. 40849
MCLE COMPLIANCE NO. VII-0013142 / VALID UNTIL 04.14.2025

DOC NO.
PAGE NO.
BOOK NO.
SERIES OF 2024

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

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.

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

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 remeasurement 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)				
Not to be reclassified to profit or loss in subsequent periods				
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	**(₱232,540,827)**	(₱276,001,099)	(₱198,491,372)
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.

<u>Amended PFRS in Issue but not yet Effective</u>
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 voluntary 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
	₱1,305,308,048

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						
Stockholder	Advances for business developme nt expenses	**₱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 partyare 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

<u>Refundable Lease Deposits</u>
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**

<u>Financial Risk Management Objectives and Policies</u>

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.

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
August 16, 2021, valid until April 13, 2024
SEC Registration No. PP201007009

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Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES

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 in accordance with Philippine Standards on Auditing the basic 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, and have issued our report thereon dated February 28, 2024. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Supplementary Schedules are the responsibility of the Company's management. These supplementary schedules include the following:

- Supplementary Schedules as Required by Part II of the Revised Securities Regulation Code (SRC) Rule 68
- Reconciliation of Retained Earnings Available for Dividends Declaration
- Conglomerate Map as at December 31, 2023

These schedules are presented for the purpose of complying with the Revised SRC Rule 68 and are not part of the basic financial statements. The information in these supplementary schedules have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are 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)

SUPPLEMENTARY SCHEDULES AS REQUIRED BY PART II OF THE REVISED SRC RULE 68
December 31, 2023

** There are no receivables arising from activities that are not in the ordinary course of business that aggregated more than ₱1.0 million or 1% of total assets, whichever is lower, as at December 31, 2023.*
*** There are no long-term debt as at December 31, 2023.*
**** Indebtedness to related parties are classified as current as at December 31, 2023.*

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)

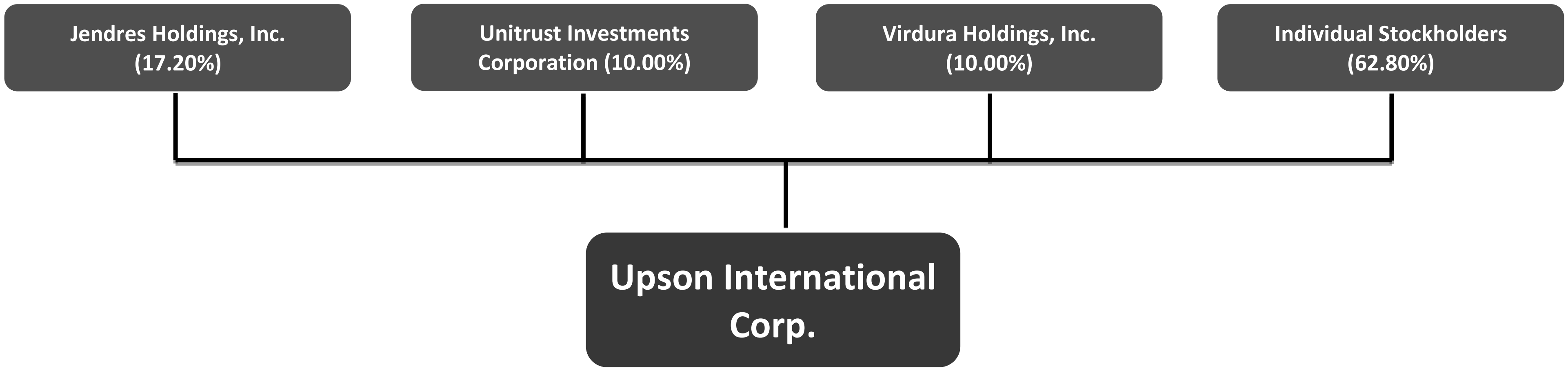
SCHEDULE G – CAPITAL STOCK

December 31, 2023

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for captions, warrants, conversion and other rights	Number of shares held by related parties	Number of shares held by directors, officers and employees	Others
Common shares	6,250,000,000	3,125,001,300	–	1,162,500,000	1,283,080,300	679,421,000

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)

MAP SHOWING THE RELATIONSHIP BETWEEN AND AMONG THE GROUP
December 31, 2023



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)

SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

December 31, 2023

Unappropriated Retained Earnings, beginning of reporting period		₱533,166,373
Less: Category B: Items that are directly credited to Unappropriated Retained Earnings		
Dividend declaration during the period	(138,000,057)	
Retained earnings appropriated during the reporting period	(78,000,000)	(216,000,057)
Unappropriated Retained Earnings, as adjusted		317,166,316
Add: Net Income for the current year		464,190,818
Less: Category F: Other Items that should be excluded from the determination of the amount available for dividends distribution		
Net movement in deferred tax assets		(1,983,833)
Total Retained Earnings, end of the reporting period available for dividend		₱779,373,301

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)

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

For the Year Ended December 31, 2023

	As Disclosed in Final Prospectus	Actual
Gross Proceeds	**₱1,500,002,400**	**₱1,500,002,400**
Offer Expenses	**(78,200,000)**	**(98,156,179)**
Net Proceeds	**1,421,802,400**	**1,401,846,221**
Use of Proceeds		
Store network expansion and store improvement program	1,421,802,400	(418,844,712)
Unapplied Proceeds	**₱–**	**₱983,001,509**

The actual offer expenses exceeded the initially estimated amount by ₱20.0 million. Accordingly, the BOD approved the allocation of the proceeds of the same amount from store network expansion and improvement program to offer expenses on July 12, 2023.

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INDEPENDENT AUDITORS' REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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 in accordance with Philippines Standards on Auditing, 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, and have issued our report dated February 28, 2024. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2023 and 2022, and for the years ended December 31, 2023, 2022, and 2021 and no material exceptions were noted.

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
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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)

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
December 31, 2023 and 2022

Ratio	Formula	2023	2022
Current/Liquidity Ratio			
	Current assets	**₱5,053,072,947**	₱3,687,813,987
	Divided by: Current liabilities	**3,254,953,412**	3,512,019,814
	Current/Liquidity ratio	**1.55:1.00**	1.05:1.00
Solvency Ratio			
	Net income before depreciation and amortization	**₱773,265,830**	₱818,686,320
	Divided by: Total liabilities	**3,424,697,703**	3,641,097,352
	Solvency ratio	**0.23:1.00**	0.22:1.00
Debt-to-Equity Ratio			
	Total liabilities	**₱3,424,697,703**	₱3,641,097,352
	Divided by: Total equity	**2,802,005,332**	1,048,066,244
	Debt-to-Equity ratio	**1.22:1.00**	3.47:1.00
Asset-to-Equity Ratio			
	Total assets	**₱6,226,703,035**	₱4,689,163,596
	Divided by: Total equity	**2,802,005,332**	1,048,066,244
	Asset-to-Equity ratio	**2.22:1.00**	4.47:1.00
Interest Rate Coverage Ratio			
	Income before interest and taxes	**₱707,481,956**	₱791,152,665
	Divided by: Interest expense	**123,495,021**	74,147,403
	Interest Rate Coverage ratio	**5.73:1.00**	10.67:1.00
Return on Assets Ratio			
	Net income	**₱464,190,818**	₱537,855,981
	Divided by: Total assets	**6,226,703,035**	4,689,163,596
	Return on Assets ratio	**0.07:1.00**	0.11:1.00
Return on Equity Ratio			
	Net income	**₱464,190,818**	₱537,855,981
	Divided by: Total equity	**2,802,005,332**	1,048,066,244
	Return on Equity ratio	**0.17:1.00**	0.51:1.00
Net Profit Margin			
	Net income	**₱464,190,818**	₱537,855,981
	Divided by: Revenues	**10,010,358,499**	9,461,981,130
	Net Profit Margin	**0.05:1.00**	0.06:1.00

The following document has been received:

Receiving: Anthonio Kwong
Receipt Date and Time: April 13, 2023 08:38:25 AM

Company Information

SEC Registration No.: AS95003836
Company Name: UPSON INTERNATIONAL CORP. DOING BUSINESS UNDER THE NAME AND STYLE OF OCTAGON COMPUTER SUPERSTORE; MICROVALLEY COMPUTER SUPERSTORE; GADGET WORLD; OCTAGON MOBILE; AND UNISO
Industry Classification: G51000
Company Type: Stock Corporation

Document Information

Document ID: OST10413202381005551
Document Type: Financial Statement
Document Code: FS
Period Covered: December 31, 2022
Submission Type: Annual
Remarks: None

Acceptance of this document is subject to review of forms and contents

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A S 9 5 0 0 3 8 3 6

COMPANY NAME

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)

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
d_uy@octagon.com.ph	(02) 8 526-7152	0920 960 9377

No. of Stockholders	Annual Meeting (Month / Day)	Calendar Year (Month / Day)
14	May 25	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Anita Lim	a_lim@octagon.com.ph	(02) 8 526-7152	–

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.

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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

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, 2022 and 2021, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2022, 2021 and 2020, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years ended December 31, 2022, 2021 and 2020 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 the audit 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.

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, 2022, 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, 2022 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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

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
SEC Accreditation No. 107615-SEC Group A
Issued February 21, 2023
Valid for Financial Period 2022
BIR Accreditation No. 08-005144-016-2022
Valid until May 15, 2025
PTR No. 9564575
Issued January 3, 2023, Makati City

March 24, 2023
Makati City, Metro Manila

UPSON International Corp.

STATEMENT OF MANAGEMENT'S RESPONSIBIILITY
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, 2022, 2021 and 2020 and for the years ended December 31, 2022, 2021 and 2020 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors 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

SUBSCRIBED AND SWORN TO
before me on this APR 04 2023

Marcos A. Legaspi
Chief Financial Officer

Signed this 24th day of March, 2023

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ATTY. JOHN EDWARD TRINIDAD ANG
Notary Public for City of Manila- Until 12-31-2024
Notarial Commission No. 2023-091
ROLL NO. 68731 MCLE COMPLIANCE NO VII-0011675
IBP NO. 293899-01/10/2023- Pasig City
P.T.R. NO. 0822023-Jan 3, 2023 Manila
2nd Floor Midland Plaza Hotel, Adriatico St., Ermita, Mla.

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	2022	2021
ASSETS			
Current Assets			
Cash	4	**₱801,412,803**	₱1,100,790,419
Trade and other receivables	5	**63,034,224**	38,682,534
Inventories	6	**2,666,559,469**	2,007,274,236
Other current assets	7	**196,950,734**	164,734,059
Total Current Assets		**3,727,957,230**	3,311,481,248
Noncurrent Assets			
Property and equipment	8	**689,495,330**	682,939,554
Right-of-use (ROU) assets	16	**251,313,980**	153,465,790
Net deferred tax assets	17	**20,397,056**	16,077,663
Total Noncurrent Assets		**961,206,366**	852,483,007
		₱4,689,163,596	₱4,163,964,255
LIABILITIES AND EQUITY			
Current Liabilities			
Bank loans and trust receipts payable	10	**₱1,734,644,813**	₱1,246,434,750
Trade and other payables	9	**1,535,686,751**	1,787,805,048
Current portion of lease liabilities	16	**154,972,049**	121,678,646
Income tax payable		**86,716,201**	37,738,979
Total Current Liabilities		**3,512,019,814**	3,193,657,423
Noncurrent Liabilities			
Lease liabilities - net of current portion	16	**95,638,729**	40,276,058
Retirement liability	15	**33,438,809**	31,811,018
Total Noncurrent Liabilities		**129,077,538**	72,087,076
Total Liabilities		**3,641,097,352**	3,265,744,499
Equity			
Capital stock	11	**500,000,060**	500,000,000
Retained earnings	11	**552,320,968**	404,464,987
Accumulated remeasurement losses on retirement liability	15	**(4,254,784)**	(6,245,231)
Total Equity		**1,048,066,244**	898,219,756
		₱4,689,163,596	₱4,163,964,255

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	2022	2021	2020
NET SALES		**₱9,461,981,130**	₱8,567,941,202	₱8,152,203,754
COST OF SALES	6	**(7,282,799,061)**	(6,682,292,006)	(6,480,930,603)
GROSS INCOME		**2,179,182,069**	1,885,649,196	1,671,273,151
OPERATING EXPENSES	12	**(1,530,103,748)**	(1,322,687,810)	(1,257,649,464)
INCOME FROM OPERATIONS		**649,078,321**	562,961,386	413,623,687
FINANCE COSTS	10	**(74,147,403)**	(116,263,266)	(213,968,720)
OTHER INCOME	13	**142,074,344**	90,852,948	95,463,091
INCOME BEFORE INCOME TAX		**717,005,262**	537,551,068	295,118,058
PROVISION FOR (BENEFIT FROM) INCOME TAX	17			
Current		**184,132,156**	112,615,259	74,470,763
Deferred		**(4,982,875)**	21,294,652	13,902,630
		179,149,281	133,909,911	88,373,393
NET INCOME		**537,855,981**	403,641,157	206,744,665
OTHER COMPREHENSIVE GAIN (LOSS)				
Not to be reclassified to profit or loss in subsequent periods				
Remeasurement gain (loss) on retirement liability - net of deferred income tax	15	**1,990,447**	(2,519,339)	(3,477,499)
TOTAL COMPREHENSIVE INCOME		**₱539,846,428**	₱401,121,818	₱203,267,166
BASIC/DILUTED EARNINGS PER SHARE	22	**₱0.22**	₱0.30	₱0.15

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	2022	2021	2020
CAPITAL STOCK	11	**₱500,000,060**	₱500,000,000	₱267,500,000
RETAINED EARNINGS				
Balance at beginning of year		**404,464,987**	307,823,830	101,079,165
Net income		**537,855,981**	403,641,157	206,744,665
Cash dividends - ₱0.16 a share in 2022 and ₱0.67 a share in 2021	11	**(390,000,000)**	(307,000,000)	–
Balance at end of year		**552,320,968**	404,464,987	307,823,830
ACCUMULATED REMEASUREMENT LOSSES ON RETIREMENT LIABILITY	15			
Balance at beginning of year		**(6,245,231)**	(3,477,499)	–
Remeasurement gain (loss) - net of deferred income tax		**1,990,447**	(2,519,339)	(3,477,499)
Effect of change in income tax rate		**–**	(248,393)	–
Balance at end of year		**(4,254,784)**	(6,245,231)	(3,477,499)
		₱1,048,066,244	₱898,219,756	₱571,846,331

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	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱717,005,262**	₱537,551,068	₱295,118,058
Adjustments for:				
Depreciation and amortization	8	**280,830,339**	303,334,752	315,341,176
Finance costs	10	**74,147,403**	116,263,266	213,968,720
Provision for (reversal of) inventory obsolescence	12	**24,841,900**	(7,346,324)	13,401,920
Gain on lease concessions	16	**(17,500,079)**	(52,687,895)	(94,416,731)
Retirement expense	15	**4,281,720**	3,273,667	2,544,438
Interest income	4	**(544,189)**	(710,294)	(919,283)
Gain on lease modification	16	**–**	(621,157)	(127,077)
Operating income before working capital changes		**1,083,062,356**	899,057,083	744,911,221
Decrease (increase) in:				
Trade and other receivables		**(24,351,690)**	51,885,978	(11,939,180)
Inventories		**(684,127,133)**	(520,227,512)	(80,160,756)
Other current assets		**(32,216,675)**	(23,897,105)	(6,457,604)
Increase (decrease) in trade and other payables		**(527,961,576)**	607,294,769	(51,041,502)
Net cash generated from (used for) operations		**(185,594,718)**	1,014,113,213	595,312,179
Income taxes paid		**(135,154,934)**	(91,805,655)	(65,623,949)
Interest received		**544,189**	710,294	919,283
Net cash provided by (used in) operating activities		**(320,205,463)**	923,017,852	530,607,513
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment	8	**(109,233,206)**	(58,818,497)	(45,500,392)
Decrease (increase) in advances to a related party		**–**	1,098,699,844	(61,030,970)
Proceeds from sale of investments		**–**	–	157,639,445
Net cash provided by (used in) investing activities		**(109,233,206)**	1,039,881,347	51,108,083
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from bank loans and trust receipts availments	10	**2,870,048,222**	2,854,817,472	4,122,847,904
Payments of:				
Bank loans and trust receipts	10	**(2,381,838,159)**	(4,093,501,174)	(3,981,514,789)
Lease liabilities	16	**(180,629,861)**	(126,213,919)	(109,976,339)
Interest		**(62,825,209)**	(103,552,641)	(199,226,635)
Dividends	21	**(114,694,000)**	(307,000,000)	–
Proceeds from additional subscription of shares of stock	11	**60**	232,500,000	–
Net cash provided by (used in) financing activities		**130,061,053**	(1,542,950,262)	(167,869,859)
NET INCREASE (DECREASE) IN CASH		**(299,377,616)**	419,948,937	413,845,737
CASH AT BEGINNING OF YEAR		**1,100,790,419**	680,841,482	266,995,745
CASH AT END OF YEAR	4	**₱801,412,803**	₱1,100,790,419	₱680,841,482

		Years Ended December 31		
	Note	**2022**	2021	2020
NONCASH FINANCIAL INFORMATION				
Additions and modifications to ROU assets	16	**(₱276,001,099)**	(₱198,491,372)	(₱134,140,864)
Additions and modifications to lease liabilities	16	**276,001,099**	197,870,215	134,013,787
Assignment of loans payable	10	**–**	–	1,315,000,000

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, 2022 AND 2021

AND FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

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.

On December 17, 2021, the SEC approved the change of registered office address of the Company to Unit 2308, 23/F Capital House Tower 1, 9th Avenue corner 34th Street, Bonifacio Global City, Taguig City.

Status of Initial Public Offering (IPO)

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 11).

Subsequently, 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 (see Note 11).

The increase in authorized capital stock and share split were pursuant to the ongoing public offering of the Company's shares with the Philippine Stock Exchange (PSE). On January 27, 2023, the PSE approved the Company's application for IPO. Subsequently, on March 20, 2023, the SEC issued the Certificate of Permit to Offer Securities for Sale for the initial listing of the Company's shares consisting of 625,001,000 primary common shares with an over-allotment option of 62,500,000 secondary common shares at an offer price of ₱2.40 a share under the Main Board of the PSE.

Approval of Financial Statements

The financial statements of the Company as at December 31, 2022 and 2021, and for the years ended December 31, 2022, 2021, and 2020 were approved and authorized for issuance by the Company's BOD on March 24, 2023.

2. Summary of Significant Accounting Policies

The significant 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 (formerly Financial 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, 2022:

- Amendments to PFRS 3, *Reference to Conceptual Framework* – The amendments will replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendments include an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* or IFRIC 21, *Levies,* instead of the Conceptual Framework. The requirement will ensure that the liabilities recognized in a business combination will remain the same as those recognized applying the current requirements in PFRS 3. The amendments also clarified that an acquirer shall not recognize contingent assets acquired in a business combination. The amendments should be applied prospectively.

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when an entity first applied the amendments.

- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to the contract activities. The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as applicable. Accordingly, the comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS 2018 to 2020 Cycle:

  - Amendment to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity shall include when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees 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 amendment applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applied the amendments. Earlier application is permitted.

  - Amendment to PFRS 16, *Leases - Lease Incentives* – The amendment removes from the Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

Under 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 are not yet effective as at December 31, 2022 and have not been applied in preparing the financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* – 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. The amendments must be applied retrospectively. Earlier application is permitted.

- Amendments to PAS 1 and PFRS Practice Statement 2, *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, *Making Materiality Judgements*, is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.

- Amendments to PAS 8, *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. Earlier application is permitted.

- Amendments to PAS 12, *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. Earlier application is permitted.

Under 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 2022 and 2021, 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, 2022 and 2021, the Company's cash in banks, trade receivables and refundable lease deposits (presented under "Other current assets" in the statements of financial position) are classified under this category.

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, 2022 and 2021, the Company's trade and other payables (excluding statutory payables and others), 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 Current Assets
Other current assets include refundable lease deposits (classified as financial asset), 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
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, which include registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties, among others. Specifically, these costs are accounted for as follows:

- Incremental costs directly attributable to issuing new shares that otherwise would have been avoided are deducted from any additional paid-in capital or otherwise, equity (net of any income tax benefit);
- Costs that relate only to the stock market listing, or are otherwise not incremental and directly attributable to issuing the new shares, are recognized as expense;
- Costs that relate to both share issuance and listing are allocated using the proportion of new shares issued to the total number of new and existing shares listed.

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.

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 when the control of the goods is transferred to the buyer, which is normally 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.

Finance Costs. Finance costs are recognized in profit or loss using the effective interest method unless these are directly attributable to the construction of a qualifying asset, which are capitalized as part of the asset.

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 sale 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 or sale 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 shorter of the lease terms or the useful lives of the underlying assets 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.

<u>**Employee Benefits**</u>

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.

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.

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 provided for trade receivables in 2022, 2021 and 2020.

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 and refundable lease deposits, is disclosed in Note 18 to the financial statements. The carrying amounts of the Company's cash in banks and refundable lease deposits as at December 31, 2022 and 2021 are disclosed in Notes 4 and 7, 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, 2022 and 2021. The Company wrote off inventories which were determined to be worthless amounting to ₱58.5 million and ₱64.3 million in 2021 and 2020, respectively. No inventories were written off in 2022. Provision for (reversal of) inventory obsolescence amounted to ₱24.8 million, (₱7.3 million) and ₱13.4 million in 2022, 2021 and 2020, respectively. Allowance for inventory obsolescence amounted to ₱48.9 million and ₱24.0 million as at December 31, 2022 and 2021, 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.

The carrying amounts of property and equipment and ROU assets as at December 31, 2022 and 2021 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 2022, 2021 and 2020.

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	2022	2021
Property and equipment	8	**₱689,495,330**	₱682,939,554
ROU assets	16	**251,313,980**	153,465,790
Prepayments	7	**18,562,429**	1,255,052
Advances to suppliers	5	**7,694,633**	18,870,770
Input VAT	7	**768,061**	7,434,272
Advances to officers and employees	5	**30,021**	136,116

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

This account consists of:

	2022	2021
Cash on hand	**₱2,151,136**	₱3,725,035
Cash in banks	**799,261,667**	1,097,065,384
	₱801,412,803	₱1,100,790,419

Cash in banks earn interest at prevailing bank deposit rates. Interest income earned amounted to ₱0.5 million, ₱0.7 million, and ₱0.9 million in 2022, 2021 and 2020, respectively (see Note 13).

5. Trade and Other Receivables

This account consists of:

	2022	2021
Trade	**₱55,309,570**	₱19,675,648
Advances to:		
Suppliers	**7,694,633**	18,870,770
Officers and employees	**30,021**	136,116
	₱63,034,224	₱38,682,534

Trade receivables are noninterest-bearing and are generally settled within 3 to 30 days after the reporting period. No ECL was recognized for trade receivables in 2022, 2021 and 2020.

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:

	2022	2021
At cost:		
Computers and peripherals	**₱1,734,670,678**	₱1,070,785,558
Accessories	**515,993,669**	440,105,159
Mobile phones	**271,236,350**	357,940,342
Consumables	**97,113,902**	117,789,026
Printers and scanners	**96,397,487**	44,664,868
	2,715,412,086	2,031,284,953
Less allowance for inventory obsolescence	**(48,852,617)**	(24,010,717)
At net realizable value	**₱2,666,559,469**	₱2,007,274,236

Movements in the allowance for inventory obsolescence are as follows:

	Note	2022	2021
Balance at beginning of year		**₱24,010,717**	₱89,858,466
Provision for (reversal of) inventory obsolescence	12	**24,841,900**	(7,346,324)
Write-off		**–**	(58,501,425)
Balance at end of year		**₱48,852,617**	₱24,010,717

The Company's inventories are stated at NRV as at December 31, 2022 and 2021. Moreover, in 2021, certain items of inventory that were previously provided with allowance for inventory obsolescence were sold resulting to the reversal of the related allowance for inventory obsolescence.

Under the terms of agreements, merchandise inventories amounting to ₱2,510.2 million and ₱2,264.8 million as at December 31, 2022 and 2021, respectively, are covered by trust receipts issued by local banks (see Note 10).

Cost of inventories sold during the period follows:

	2022	2021	2020
Inventories at beginning of year	**₱2,031,284,953**	₱1,569,558,866	₱1,553,716,488
Purchases	**7,966,926,194**	7,144,018,093	6,496,772,981
Cost of goods available for sale	**9,998,211,147**	8,713,576,959	8,050,489,469
Less inventories at end of year	**(2,715,412,086)**	(2,031,284,953)	(1,569,558,866)
	₱7,282,799,061	₱6,682,292,006	₱6,480,930,603

7. **Other Current Assets**

This account includes:

	Note	2022	2021
Refundable lease deposits	16	**₱177,620,244**	₱156,044,735
Prepayments		**18,562,429**	1,255,052
Input VAT		**768,061**	7,434,272
		₱196,950,734	₱164,734,059

Prepayments include registration and other regulatory fees paid in relation to the ongoing public offering of Company shares with the PSE (see Note 1). This will be recognized as expense within 2023 when the related shares are listed in the PSE.

8. Property and Equipment

Movements in this account follow:

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

December 31, 2021	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	₱489,397,245	₱86,609,655	₱121,320,451	₱83,557,737	₱175,273,646	₱1,186,375,734
Additions	–	–	4,671,832	1,130,704	–	13,907,427	39,108,534	58,818,497
Balance at end 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
Accumulated Depreciation and Amortization								
Balance at beginning of year	–	6,324,933	246,488,346	39,313,188	57,645,446	77,536,213	–	427,308,126
Depreciation and amortization	–	1,459,600	88,951,806	17,992,195	23,891,538	2,651,412	–	134,946,551
Balance at end of year	–	7,784,533	335,440,152	57,305,383	81,536,984	80,187,625	–	562,254,677
Carrying Amount	₱201,025,000	₱21,407,467	₱158,628,925	₱30,434,976	₱39,783,467	₱17,277,539	₱214,382,180	₱682,939,554

Construction in progress represents the accumulated costs incurred in the construction of a warehouse and additional store branches which are expected to be completed in 2023. Estimated total cost to complete the warehouse and store branches as at December 31, 2022 amounted to ₱77.4 million. Construction in progress pertaining to building construction and store branches that was completed in 2022 was recognized as part of building and building improvements and leasehold improvements, respectively.

As at December 31, 2021, the Company's building under construction with a carrying amount of ₱172.7 million was used as collateral for a related party's outstanding loan with a local bank. The building was completed in 2022. As at December 31, 2022, the building which has a carrying amount of ₱172.1 million remains to be a collateral for the related party's loan (see Note 14).

Fully depreciated property and equipment still being used by the Company amounted to ₱118.6 million and ₱76.8 million as at December 31, 2022 and 2021, respectively.

Depreciation and amortization are recognized from:

	Note	2022	2021	2020
ROU assets	16	**₱178,152,909**	₱168,388,201	₱193,571,288
Property and equipment		**102,677,430**	134,946,551	121,769,888
		₱280,830,339	₱303,334,752	₱315,341,176

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

	2022	2021	2020
Selling and marketing expenses	**₱208,411,535**	₱244,093,555	₱293,168,209
General and administrative expenses	**72,418,804**	59,241,197	22,172,967
	₱280,830,339	₱303,334,752	₱315,341,176

9. Trade and Other Payables

This account consists of:

	Note	2022	2021
Trade		**₱1,180,036,130**	₱1,587,799,890
Dividends payable	11	**275,306,000**	–
Statutory payables		**27,226,159**	26,026,587
Advances from a related party	14	**25,403,485**	25,403,485
Accrued expenses		**19,651,708**	130,616,552
Retention payables		**1,918,233**	10,343,332
Others		**6,145,036**	7,615,202
		₱1,535,686,751	₱1,787,805,048

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:

	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**

	2021		
	Bank Loans	Trust Receipts	Total
Balance at beginning of year	₱1,089,166,666	₱1,395,951,786	₱2,485,118,452
Availments	590,000,000	2,264,817,472	2,854,817,472
Payments	(1,270,000,000)	(2,823,501,174)	(4,093,501,174)
Balance at end of year	₱409,166,666	₱837,268,084	₱1,246,434,750

As at December 31, 2022 and 2021, 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 and trust receipts were obtained for working capital purposes and to finance the purchase of inventories. Interest rates on the bank loans and trust receipts range from 3.50% to 6.50% in 2022 and 3.50% to 6.88% in 2021.

Bank Loans
On December 29, 2020, the Company assigned its bank loans, and all the associated rights and obligations, aggregating ₱1,315.0 million to a related party as settlement for the advances to the said related party (see Note 14).

Trust Receipts
Under the terms of agreements, merchandise inventories amounting to ₱2,510.2 million and ₱2,264.8 million as at December 31, 2022 and 2021, respectively, were covered by trust receipts issued by local banks (see Note 6).

Covenants
The terms of the loans provide for certain 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 voluntary 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, 2022 and 2021, the Company is compliant with the above covenants.

Details of finance costs charged to operations are as follows:

	Note	2022	2021	2020
Interest on trust receipts		₱47,067,120	₱52,827,502	₱85,184,282
Interest on bank loans		16,295,368	51,378,472	115,805,663
Accretion of interest on lease liabilities	16	10,784,915	12,057,292	12,978,775
		₱74,147,403	₱116,263,266	₱213,968,720

No finance costs were capitalized in 2022, 2021 and 2020. Accrued interest payable presented under "Accrued expenses" in the "Trade and other payables" account in the statements of financial position amounted to ₱3.0 million and ₱2.4 million as at December 31, 2022 and 2021, 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 and ₱1 a share as at December 31, 2022 and 2021, respectively.

Details of capital stock follow:

	2022		2021	
	Shares	Amount	Shares	Amount
Authorized				
Balance at beginning of year	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	1,250,000,000	₱1,250,000,000
Issued and outstanding				
Balance at beginning of year	500,000,000	₱500,000,000	267,500,000	₱267,500,000
Effect of share split	2,000,000,000	–	–	–
Subscription	300	60	232,500,000	232,500,000
Balance at end of year	2,500,000,300	₱500,000,060	500,000,000	₱500,000,000

On November 15, 2021, the 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 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 (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.

Retained Earnings
Under the Revised Corporation Code of the Philippines (Code), stock corporations are prohibited from retaining surplus profit in excess of 100% of the paid-up capital, except under certain conditions as provided in the Code. As at December 31, 2022, the Company has excess retained earnings amounting to ₱52.3 million. The Company plans to use the excess earnings for future dividend declaration and business expansion.

On December 20, 2021, the BOD approved the declaration of cash dividends of ₱0.67 a share or a total of ₱307.0 million for all stockholders of record as of December 20, 2021.

On November 15, 2022, the BOD approved the declaration of cash dividends of ₱0.16 a share or a total of ₱390.0 million for all stockholders of record as of September 30, 2022 payable on or before February 28, 2023. Dividends payable amounted to ₱275.3 million as at December 31, 2022 (see Note 9).

Subsequent Event
On March 24, 2023, the BOD approved the appropriation of retained earnings amounting to ₱78.0 million for the construction of a warehouse which is expected to be completed in 2023.

12. Operating Expenses

This account consists of:

	2022	2021	2020
Selling and marketing expenses	**₱1,235,717,334**	₱1,083,707,559	₱1,020,512,126
General and administrative expenses	**294,386,414**	238,980,251	237,137,338
	₱1,530,103,748	₱1,322,687,810	₱1,257,649,464

Selling and marketing expenses consist of:

	Note	2022	2021	2020
Merchant discount		**₱296,226,878**	₱297,563,734	₱254,303,750
Personnel costs		**289,705,675**	188,341,384	79,893,465
Depreciation and amortization	8	**208,411,535**	244,093,555	293,168,209
Rent	16	**197,986,410**	111,633,705	43,007,173
Utilities		**116,674,928**	97,583,181	84,276,633
Contracted and other services		**65,315,214**	134,388,881	225,336,758
Provision for (reversal of) inventory obsolescence	6	**24,841,900**	(7,346,324)	13,401,920
Advertising		**19,382,030**	4,114,507	3,260,613
Freight and delivery		**13,854,500**	10,664,330	21,828,055
Retirement expense	15	**3,318,264**	2,670,606	2,035,550
		₱1,235,717,334	₱1,083,707,559	₱1,020,512,126

General and administrative expenses consist of:

	Note	2022	2021	2020
Personnel costs		**₱84,115,846**	₱42,530,175	₱19,941,259
Depreciation and amortization	8	**72,418,804**	59,241,197	22,172,967
Taxes and licenses		**56,505,615**	57,001,480	96,947,260
Repairs, warranties and maintenance		**15,774,826**	12,386,319	7,956,726
Stationery and supplies		**11,333,539**	22,504,038	19,523,461
Transportation and travel		**10,687,695**	6,786,294	5,863,838
Professional fees		**9,886,794**	9,725,074	9,593,731
Representation		**8,881,915**	19,861,402	37,427,885
IPO expense		**8,273,027**	–	–
Rent	16	**4,472,060**	–	10,996,971
Retirement expense	15	**963,456**	603,061	508,888
Others		**11,072,837**	8,341,211	6,204,352
		₱294,386,414	₱238,980,251	₱237,137,338

Personnel costs consist of:

	2022	2021	2020
Salaries and wages	**₱322,011,067**	₱206,355,220	₱80,258,289
Employee benefits	**51,810,454**	24,516,339	19,576,435
	₱373,821,521	₱230,871,559	₱99,834,724

13. Other Income

This account consists of:

	Note	2022	2021	2020
Gain on lease concessions	16	**₱17,500,079**	₱52,687,895	₱94,416,731
Realized foreign exchange gain		**7,021,758**	–	–
Interest income	4	**544,189**	710,294	919,283
Gain on lease modification	16	**–**	621,157	127,077
Other income		**117,008,318**	36,833,602	–
		₱142,074,344	₱90,852,948	₱95,463,091

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 as follows:

	Nature of Transaction	Transactions during the Year			Outstanding Balance	
		2022	2021	2020	**2022**	2021
Trade and Other Payables						
Entity under common control	Advances	**₱–**	₱25,403,485	₱–	**₱25,403,485**	₱25,403,485
Lease Arrangement (see Note 16)						
Entity under common control	ROU asset	**(₱56,663,023)**	(₱37,956,875)	(₱1,797,705)	**₱60,088,894**	₱37,956,875
	Lease liability	**(60,565,286)**	(40,020,000)	(957,143)	**59,671,472**	38,928,941
	Short-term rent expense	**–**	–	10,996,971	**–**	–
Advances to a Related Party						
Entity under common control	Payment (advances)	**₱–**	(₱1,098,699,844)	₱61,030,970		
	Assignment of loans	**–**	–	(1,315,000,000)	**₱–**	₱–

Terms and Conditions

Outstanding balances are unsecured, non-interest bearing, due and demandable and are settled in cash.

As at December 31, 2021, the Company's building under construction with a carrying amount of ₱172.7 million was used as collateral for a related party's outstanding loan with a local bank. The building was completed in 2022. As at December 31, 2022, the building which has a carrying amount of ₱172.1 million remains to be a collateral for the related party's outstanding loan with a local bank (see Note 8).

On December 29, 2020, the Company assigned its bank loans, and all the associated rights and obligations, aggregating ₱1,315.0 million to a related party as settlement for the outstanding balance of the advances to the said related party (see Note 10).

Compensation of Key Management Personnel

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

	2022	2021	2020
Short-term employee benefits	**₱6,853,860**	₱3,120,000	₱3,120,000
Post-employment benefits	**298,574**	240,925	229,616
	₱7,152,434	₱3,360,925	₱3,349,616

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, 2022.

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:

	2022	2021	2020
Current service cost	**₱2,627,547**	₱2,241,359	₱1,572,811
Interest cost	**1,654,173**	1,032,308	971,627
	₱4,281,720	₱3,273,667	₱2,544,438

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

	2022	2021	2020
Selling and marketing expenses	**₱3,318,264**	₱2,670,606	₱2,035,550
General and administrative expenses	**963,456**	603,061	508,888
	₱4,281,720	₱3,273,667	₱2,544,438

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

	2022	2021
Balance at beginning of year	**₱31,811,018**	₱25,178,232
Current service cost	**2,627,547**	2,241,359
Interest cost	**1,654,173**	1,032,308
Remeasurement (gain) loss	**(2,653,929)**	3,359,119
Balance at end of year	**₱33,438,809**	₱31,811,018

The assumptions used to determine retirement liability are as follows:

	2022	2021	2020
Discount rate	**7.40%**	5.20%	4.10%
Salary increase rate	**3.00%**	3.00%	3.00%

The sensitivity analyses based on reasonably possible changes of the assumptions as at December 31, 2022 follow:

	Basis Points	Effect on Present Value of Retirement Liability
Discount rate	+100	(₱3,456,636)
	-100	4,150,359
Salary increase rate	+100	4,135,385
	-100	(3,495,996)

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:

	2022		
	Accumulated Remeasurement Losses	**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

	2020		
	Accumulated Remeasurement Losses	Deferred Tax	Accumulated Remeasurement Losses, Net of Tax
Balance at beginning of year	₱–	₱–	₱–
Remeasurement loss	4,967,856	(1,490,357)	3,477,499
Balance at end of year	₱4,967,856	(₱1,490,357)	₱3,477,499

As at December 31, 2022, 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**

<u>**Company as Lessee - Short-term Lease**</u>

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):

	2022	2021	2020
Selling and marketing expenses	**₱197,986,410**	₱111,633,705	₱43,007,173
General and administrative expenses	**4,472,060**	–	10,996,971
	₱202,458,470	₱111,633,705	₱54,004,144

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	2022	2021
Cost			
Balance at beginning of year		**₱741,779,497**	₱548,441,637
Additions		**197,206,057**	131,340,291
Termination		**–**	(11,686,032)
Effect of lease modification		**78,795,042**	73,683,601
Balance at end of year		**1,017,780,596**	741,779,497
Accumulated amortization			
Balance at beginning of year		**588,313,707**	425,079,018
Amortization	8	**178,152,909**	168,388,201
Termination		**–**	(5,153,512)
Balance at end of year		**766,466,616**	588,313,707
Carrying Amount		**₱251,313,980**	₱153,465,790

Refundable Lease Deposits

Refundable lease deposits aggregate ₱177.6 million and ₱156.0 million as at December 31, 2022 and 2021, respectively (see Note 7). These deposits are refundable at the end of the lease terms.

Lease Liabilities

The balance and movements in lease liabilities are as follows:

	Note	2022	2021
Balance at beginning of year		**₱161,954,704**	₱130,929,011
Additions		**197,206,057**	131,340,291
Payments		**(180,629,861)**	(126,213,919)
Effect of lease modification		**78,795,042**	73,532,674
Gain on lease concessions	13	**(17,500,079)**	(52,687,895)
Accretion	10	**10,784,915**	12,057,292
Termination		**–**	(7,002,750)
Balance at end of year		**250,610,778**	161,954,704
Current portion		**154,972,049**	121,678,646
Noncurrent portion		**₱95,638,729**	₱40,276,058

Incremental borrowing rate ranging from 3.69% to 5.37% was applied to determine the discounted amount of lease liabilities in 2022 and 2021.

In 2022 and 2021, 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. There were also three (3) stores that ceased operations in 2021 resulting to the derecognition of the related ROU assets and lease liabilities. These resulted to the gain on lease modification amounting to ₱0.6 million and ₱0.1 million in 2021 and 2020, respectively (see Note 13). 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 ₱17.5 million, ₱52.7 million and ₱94.4 million in 2022, 2021 and 2020, respectively (see Note 13).

The future minimum lease payments and present value as at December 31, 2022 is as follows:

	Minimum Lease Payments	Present Value
Not later than one year	₱162,744,683	₱154,972,049
Later than one year but not more than five years	102,382,834	95,638,729
	₱265,127,517	₱250,610,778

17. Income Taxes

The provision for current income tax pertains to regular corporate income tax (RCIT) in 2022, 2021 and 2020.

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:

	2022	2021	2020
Income tax computed at the statutory tax rate	**₱179,251,315**	₱134,387,767	₱88,535,417
Adjustment for:			
Interest income already subjected to final tax	**(136,047)**	(177,574)	(275,785)
Nondeductible expenses	**34,013**	44,394	113,761
Effect of change in income tax rate	**–**	(344,676)	–
	₱179,149,281	₱133,909,911	₱88,373,393

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

	Note	**2022**	2021
Deferred Tax Assets			
Retirement liability:			
Profit or loss		**₱6,941,441**	₱5,871,011
OCI	15	**1,418,262**	2,081,744
Allowance for inventory obsolescence		**12,213,154**	6,002,679
Excess of lease liability over ROU asset		**–**	2,122,229
		20,572,857	16,077,663
Deferred Tax Liability			
Excess of ROU asset over lease liability		**(175,801)**	–
		₱20,397,056	₱16,077,663

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises ("CREATE") was approved and signed into law by the country's President. Under the CREATE, the RCIT of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, the minimum corporate income tax (MCIT) was changed from 2% to 1% of gross income for a period of three (3) years. The changes in the income tax rates became effective on July 1, 2020. Consequently, the Company used the RCIT rate of 25% in 2022 and 2021. The effect of the change in tax rate in 2020 was recognized in 2021.

18. Financial Risk Management

Financial Risk Management Objectives and Policies

The Company's activities expose it to a variety of financial risks: market risk 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 and trade and other 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:

	2022	2021
Cash in banks	**₱799,261,667**	₱1,097,065,384
Trade receivables	**55,309,570**	19,675,648
Refundable lease deposits	**177,620,244**	156,044,735
	₱1,032,191,481	₱1,272,785,767

As at December 31, 2022 and 2021, the amount of cash in banks and trade receivables are neither past due nor impaired and were classified as *"High Grade"*, while refundable lease deposits were classified as *"Standard Grade"*. The credit quality of such financial assets at amortized cost is further described as follows:

- *High Grade.* Pertains to counterparty who is 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.

- *Standard Grade.* Other financial assets not belonging to high grade financial assets are included in this category.

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 and refundable lease deposits, 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. The following were considered in the assessment:

- Cash in banks are deposited with reputable counterparty banks, which exhibit good credit ratings.

- For refundable lease deposits, the counterparty lessors are reputable leasing companies which have low credit risk, thus no allowance for ECL was provided.

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.

	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
Refundable lease deposits	177,620,244	–	–	177,620,244
	₱976,881,911	₱55,309,570	₱–	₱1,032,191,481

	2021			
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Total
Cash in banks	₱1,097,065,384	₱–	₱–	₱1,097,065,384
Trade receivables	–	19,675,648	–	19,675,648
Refundable lease deposits	156,044,735	–	–	156,044,735
	₱1,253,110,119	₱19,675,648	₱–	₱1,272,785,767

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.

	2022			
	1 to 6 Months	6 Months to 1 Year	More than 1 Year	Total
Trade and other payables*	₱1,500,397,323	₱1,918,233	₱–	₱1,502,315,556
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
	₱2,696,965,595	₱702,739,457	₱102,382,834	₱3,502,087,886

**Excluding statutory and other payables.*

	2021			
	1 to 6 Months	6 Months to 1 Year	More than 1 Year	Total
Trade and other payables*	₱1,743,819,927	₱10,343,332	₱–	₱1,754,163,259
Bank loans and trust receipts payable	837,268,084	409,166,666	–	1,246,434,750
Lease liabilities	71,319,722	55,867,380	51,666,697	178,853,799
	₱2,652,407,733	₱475,377,378	₱51,666,697	₱3,179,451,808

**Excluding statutory and other 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, 2022 and 2021 and bear an effective interest rate ranging from 3.50% to 6.50% in 2022 and 3.50% to 6.88% in 2021.

19. Fair Value of Financial Assets and Liabilities

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

	2022		2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash in banks	₱799,261,667	₱799,261,667	₱1,097,065,384	₱1,097,065,384
Trade receivables	55,309,570	55,309,570	19,675,648	19,675,648
Refundable lease deposits	177,620,244	177,620,244	156,044,735	156,044,735
	₱1,032,191,481	₱1,032,191,481	₱1,272,785,767	₱1,272,785,767
Financial Liabilities				
Trade and other payables*	₱1,502,315,556	₱1,502,315,556	₱1,754,163,259	₱1,754,163,259
Bank loans and trust receipts payable	1,734,644,813	1,734,644,813	1,246,434,750	1,246,434,750
Lease liabilities	250,610,778	213,611,942	161,954,704	174,994,666
	₱3,487,571,147	₱3,450,572,311	₱3,162,552,713	₱3,175,592,675

**Excluding statutory and others payables.*

Due to the short-term maturities of cash in banks, trade receivables, refundable lease deposits, trade and other payables (excluding statutory and other 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).

There were no transfers between levels of fair value measurements in 2022 and 2021.

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 2022, 2021 and 2020.

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:

	2022	2021
Total liabilities	**₱3,641,097,352**	₱3,265,744,499
Total equity	**1,048,066,244**	898,219,756
Debt-to-equity ratio	**3.47:1**	3.64:1

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, 2022 and 2021:

	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

	December 31, 2020	Additions	Accretion/Interest expense	Payment	Non-cash Changes	December 31, 2021
Bank loans and trust receipts payable	₱2,485,118,452	₱2,854,817,472	₱–	(₱4,093,501,174)	₱–	₱1,246,434,750
Lease liabilities	130,929,011	131,340,291	12,057,292	(126,213,919)	13,842,029	161,954,704
Dividends payable	–	307,000,000	–	(307,000,000)	–	–
Accrued interest payable	1,763,310	–	104,205,974	(103,552,641)	–	2,416,643
	₱2,617,810,773	₱3,293,157,763	₱116,263,266	(₱4,630,267,734)	₱13,842,029	₱1,410,806,097

22. Basic and Diluted Earnings Per Share

Basic earnings per share is computed as follows:

	2022	2021	2020
Net income	₱537,855,981	₱403,641,157	₱206,744,665
Divided by weighted average number of outstanding shares	2,500,000,300	1,337,500,000	1,337,500,000
	₱0.22	₱0.30	₱0.15

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 (see Note 11).

The earnings per share calculation reflects the changes in the number of outstanding shares as a result of the share split.

The Company has no dilutive potential shares in 2022, 2021 and 2020.

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 2022, 2021 and 2020.

REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE
SECURITIES AND EXCHANGE COMMISSION

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, 2022 and 2021, and for the years ended December 31, 2022, 2021 and 2020, on which we have rendered our report dated March 24, 2023.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has fourteen (14) stockholders owning one hundred (100) or more shares each.

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
SEC Accreditation No. 107615-SEC Group A
Issued February 21, 2023
Valid for Financial Period 2022
BIR Accreditation No. 08-005144-016-2022
Valid until May 15, 2025
PTR No. 9564575
Issued January 3, 2023, Makati City

March 24, 2023
Makati City, Metro Manila

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
August 16, 2021, valid until April 13, 2024
SEC Accreditation No. 4782 SEC Group A
Issued August 11, 2022
Valid for Financial Periods 2021 to 2025

BDO Towers Valero
8741 Paseo de Roxas
Makati City 1226 Philippines
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REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY SCHEDULES

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 in accordance with Philippine Standards on Auditing the basic 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, 2022 and 2021, and for the years ended December 31, 2022, 2021 and 2020, and have issued our report thereon dated March 24, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Supplementary Schedules are the responsibility of the Company's management. These supplementary schedules include the following:

- Supplementary Schedules as Required by Part II of the Revised Securities Regulation Code (SRC) Rule 68
- Reconciliation of Retained Earnings Available for Dividends Declaration

These schedules are presented for the purpose of complying with the Revised SRC Rule 68 and are not part of the basic financial statements. The information in these supplementary schedules have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are 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
SEC Accreditation No. 107615-SEC Group A
Issued February 21, 2023
Valid for Financial Period 2022
BIR Accreditation No. 08-005144-016-2022
Valid until May 15, 2025
PTR No. 9564575
Issued January 3, 2023, Makati City

March 24, 2023
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)

SUPPLEMENTARY SCHEDULES AS REQUIRED BY PART II OF THE REVISED SRC RULE 68

December 31, 2022

** There are no amounts to whom the aggregate indebtedness is ₱46.9 million or 1% of total assets as at December 31, 2022. In addition, the advances were made to the employees to carry out activities the ordinary course of business.*

*** There are no long-term debt as at December 31, 2022.*

**** Indebtedness to related parties are classified as current as at December 31, 2022.*

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)

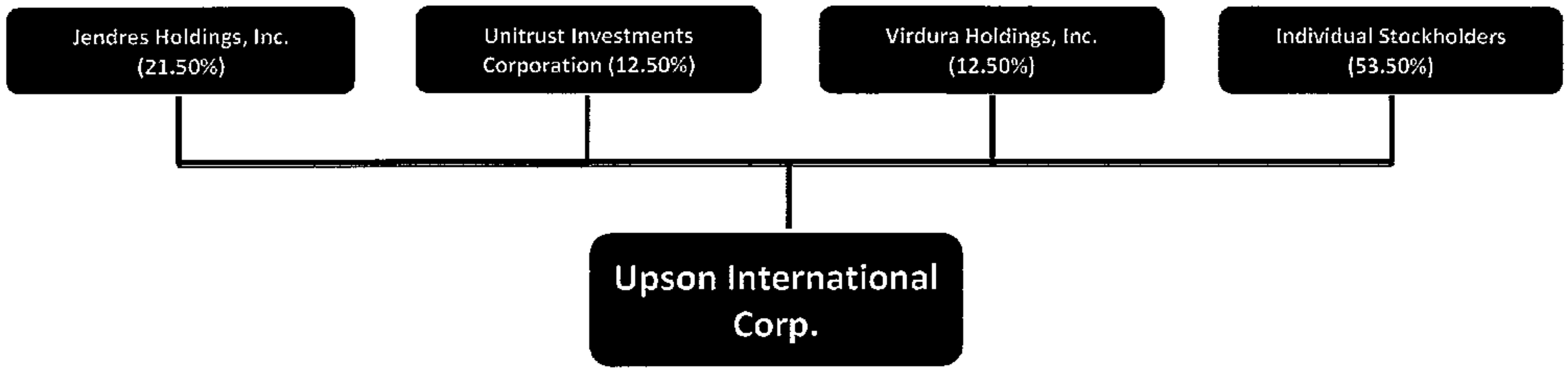
SCHEDULE G – CAPITAL STOCK

December 31, 2022

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for captions, warrants, conversion and other rights	Number of shares held by related parties	Number of shares held by directors, officers and employees	Others
Common shares	6,250,000,000	2,500,000,300	–	1,162,500,000	1,337,500,300	–

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)

MAP SHOWING THE RELATIONSHIP BETWEEN AND AMONG THE GROUP
December 31, 2022



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)

SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

December 31, 2022

	Amount
Retained earnings as shown in the financial statements at beginning of year	₱404,464,987
Deferred tax assets at beginning of year	(13,995,919)
Retained earnings, as adjusted to available for dividend distribution at beginning of year	390,469,068
Net income closed to retained earnings during the year	537,855,981
Movement in deferred tax assets during the year	(5,158,676)
Cash dividends declared	(390,000,000)
Total retained earnings available for dividend declaration at end of year	₱533,166,373

Reconciliation:

Retained earnings as shown in the financial statements at end of year	₱552,320,968
Deferred tax assets at end of year	(19,154,595)
Retained earnings available for dividend declaration at end of year	₱533,166,373

Subsequent Event

On March 24, 2023, the BOD approved the appropriation of retained earnings amounting to ₱78.0 million for the construction of a warehouse which is expected to be completed within 2023.

BOA/PRC Accreditation No. 4782
August 16, 2021, valid until April 13, 2024
SEC Accreditation No. 4782 SEC Group A
Issued August 11, 2022
Valid for Financial Periods 2021 to 2025

BDO Towers Valero
8741 Paseo de Roxas
Makati City 1226 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

INDEPENDENT AUDITORS' REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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 in accordance with Philippines Standards on Auditing, 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, 2022 and 2021, and for the years ended December 31, 2022, 2021 and 2020, and have issued our report dated March 24, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2022 and 2021, and for the years ended December 31, 2022, 2021, and 2020 and no material exceptions were noted.

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
SEC Accreditation No. 107615-SEC Group A
Issued February 21, 2023
Valid for Financial Period 2022
BIR Accreditation No. 08-005144-016-2022
Valid until May 15, 2025
PTR No. 9564575
Issued January 3, 2023, Makati City

March 24, 2023
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)

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
December 31, 2022 and 2021

Ratio	Formula	2022	2021
Current/Liquidity Ratio			
	Current assets	₱3,727,957,230	₱3,311,481,248
	Divided by: Current liabilities	3,512,019,814	3,193,657,423
	Current/Liquidity ratio	1.06:1.00	1.04:1.00
Solvency Ratio			
	Net income before depreciation and amortization	₱818,686,320	₱706,975,909
	Divided by: Total liabilities	3,641,097,352	3,265,744,499
	Solvency ratio	0.22:1.00	0.22:1.00
Debt-to-Equity Ratio			
	Total liabilities	₱3,641,097,352	₱3,265,744,499
	Divided by: Total equity	1,048,066,244	898,219,756
	Debt-to-Equity ratio	3.47:1.00	3.64:1.00
Asset-to-Equity Ratio			
	Total assets	₱4,689,163,596	₱4,163,964,255
	Divided by: Total equity	1,048,066,244	898,219,756
	Asset-to-Equity ratio	4.47:1.00	4.64:1.00
Interest Rate Coverage Ratio			
	Income before interest and taxes	₱791,152,665	₱653,814,334
	Divided by: Interest expense	74,147,403	116,263,266
	Interest Rate Coverage ratio	10.67:1.00	5.62:1.00
Return on Assets Ratio			
	Net income	₱537,855,981	₱403,641,157
	Divided by: Total assets	4,689,163,596	4,163,964,255
	Return on Assets ratio	0.11:1.00	0.10:1.00
Return on Equity Ratio			
	Net income	₱537,855,981	₱403,641,157
	Divided by: Total equity	1,048,066,244	898,219,756
	Return on Equity ratio	0.51:1.00	0.45:1.00
Net Profit Margin			
	Net income	₱537,855,981	₱403,641,157
	Divided by: Revenues	9,461,981,130	8,567,941,202
	Net Profit Margin	0.06:1.00	0.05:1.00

Janice

From: eafs@bir.gov.ph
Sent: Thursday4, 13 2023 7:58 am
To: JANICE@OCTAGON.COM.PH
Cc: JANICE@OCTAGON.COM.PH
Subject: Your BIR AFS eSubmission uploads were received

Hi UPSON INTERNATIONAL CORP.,

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- EAFS004780008AFSTY122022.pdf

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Transaction Code: **AFS-0-QS2PXSXX044RNVSQXM4TMXZRZ0QTSVVZ11**
Submission Date/Time: **Apr 13, 2023 07:58 AM**
Company TIN: **004-780-008**

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- 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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UPSON INTERNATIONAL CORP.
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021
Horizontal and Vertical Analysis

	Horizontal Increase (Decrease)	2022	Vertical	2021	Vertical
ASSETS					
Current Assets					
Cash and cash equivalents	-27.20%	801,412,803	17.09%	1,100,790,419	26.44%
Trade and other receivables	62.95%	63,034,224	1.34%	38,682,534	0.93%
Inventories	32.84%	2,666,559,469	56.87%	2,007,274,236	48.21%
Other current assets	19.56%	196,950,734	4.20%	164,734,059	3.96%
Total Current Assets	12.58%	3,727,957,230	79.50%	3,311,481,248	79.53%
Noncurrent Assets					
Property and equipment	0.96%	689,495,330	14.70%	682,939,554	16.40%
Right-of-use assets	63.76%	251,313,980	5.36%	153,465,790	3.69%
Other non-current assets	26.87%	20,397,056	0.43%	16,077,663	0.39%
Total Noncurrent Assets	12.75%	961,206,366	20.50%	852,483,007	20.47%
TOTAL ASSETS	12.61%	4,689,163,596	100.00%	4,163,964,255	100.00%
LIABILITIES AND EQUITY					
Current Liabilities					
Trade and other payables	-14.10%	1,535,686,751	32.75%	1,787,805,048	42.94%
Liabilities under trust receipts	39.17%	1,734,644,813	36.99%	1,246,434,750	29.93%
Current portion of lease liabilities	27.36%	154,972,049	3.30%	121,678,646	2.92%
Other current liabilities	129.78%	86,716,201	1.85%	37,738,979	0.91%
Total Current Liabilities	9.97%	3,512,019,814	74.90%	3,193,657,423	76.70%
Noncurrent Liabilities					
Lease liabilities	137.46%	95,638,729	2.04%	40,276,058	0.97%
Other non-current liabilities	5.12%	33,438,809	0.71%	31,811,018	0.76%
Total Noncurrent Liabilities	79.06%	129,077,538	2.75%	72,087,076	1.73%
Equity					
Captial stock	0.00%	500,000,060	10.66%	500,000,000	12.01%
Retained Earnings	36.56%	552,320,968	11.78%	404,464,987	9.71%
Other comprehensive income	-31.87%	(4,254,784)	-0.09%	(6,245,231)	-0.15%
Total Equity	16.68%	1,048,066,244	22.35%	898,219,756	21.57%
TOTAL LIABILITIES AND EQUITY	12.61%	4,689,163,596	100.00%	4,163,964,255	100.00%

UPSON INTERNATIONAL CORP.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
HORIZONTAL AND VERTICAL ANALYSIS

	Horizontal Increase (Decrease)	2022	Vertical	2021	Vertical
SALES	10%	9,461,981,130	100.00%	8,567,941,202	100.00%
COST OF SALES	9%	7,282,799,061	76.97%	6,682,292,006	77.99%
GROSS PROFIT	16%	2,179,182,069	23.03%	1,885,649,196	22.01%
OPERATING EXPENSES	16%	(1,530,103,748)	16.17%	(1,322,687,810)	15.44%
INCOME FROM OPERATIONS	15%	649,078,321	6.86%	562,961,386	6.57%
FINANCE COST	-36%	(74,147,403)	0.78%	(116,263,266)	1.36%
OTHER INCOME (CHARGES)	56%	142,074,344	1.50%	90,852,948	1.06%
INCOME BEFORE INCOME TAX	33%	717,005,262	7.58%	537,551,068	6.27%
PROVISION FOR INCOME TAX	64%	184,132,156	1.95%	112,615,259	1.31%
Deferred	-123%	(4,982,875)		21,294,652	
	34%	179,149,281	1.89%	133,909,911	1.56%
NET INCOME	33%	537,855,981	5.68%	403,641,157	4.71%
OTHER COMPREHENSIVE INCOME	-179%	1,990,447	0.02%	(2,519,339)	-0.03%
NET COMPREHENSIVE INCOME	35%	539,846,428	5.71%	401,121,818	4.68%

Note: The narrative explanations on the Vertical and Horizontal Analysis are presented and discussed in the Financial Highlights.

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A S 9 5 0 0 3 8 3 6

COMPANY NAME

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)

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

747 Romualdez Street, Ermita, Manila

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
d_uy@octagon.com.ph	(02) 8 526-7152	0920 960 9377

No. of Stockholders	Annual Meeting (Month / Day)	Calendar Year (Month / Day)
8	May 25	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Anita Lim	a_lim@octagon.com.ph	(02) 8 526-7152	–

CONTACT PERSON'S ADDRESS

747 Romualdez Street, Ermita, Manila

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.*

UPSON International Corp.

STATEMENT OF MANAGEMENT'S RESPONSIBIILITY 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, for the years ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors 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.

Ricardo Alas Lee
Chairman of the Board

Lawrence Ong Lee
Chief Executive Officer

Marcos Aquino Legaspi
Chief Financial Officer

Signed this 9th day of February, 2022

SUBSCRIBED AND SWORN
BEFORE ME IN MANILA
THIS MAR 15 2022

Doc No. 408
Page No. 83
Book No. 8
Series of 2022

ATTY. MANUEL ABUYO RODRIGUEZ II
Notary Public- Until 12/31/2022
NOTARIAL COMMISSION NO. 2021-057
2nd Floor Midland Plaza Hotel, Adriatico St. Ermita, Mla.
IBP NO. 168563 – 12/17/2021 for 2022 / Pasig City
PTR No. 0097533 – 01/03/2022 at Manila
ROLL NO. 68732 / MCLE NO. VI-0015001

#747 Romualdez St. Ermita, Manila Philippines. Phone: (632) 8526-7152
Email: upson@upson.com.ph Website: www.upson.com.ph

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Upson International Corp.
747 Romualdez Street
Ermita, Manila

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, 2021 and 2020, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2021, 2020 and 2019, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years ended December 31, 2021, 2020 and 2019 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 the audit 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.

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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

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
SEC Accreditation No. 1788-A
Valid until October 14, 2022
BIR Accreditation No. 08-005144-016-2019
Valid until July 2, 2022
PTR No. 8851719
Issued January 3, 2022, Makati City

February 9, 2022
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

	Note	December 31 2021	2020
ASSETS			
Current Assets			
Cash	4	**₱1,100,790,419**	₱680,841,482
Trade and other receivables	5	**38,682,534**	90,568,512
Inventories	6	**2,007,274,236**	1,479,700,400
Advances to related parties	15	**–**	1,098,699,844
Other current assets	7	**164,734,059**	140,836,954
Total Current Assets		**3,311,481,248**	3,490,647,192
Noncurrent Assets			
Property and equipment	9	**682,939,554**	759,067,608
Right-of-use (ROU) assets	17	**153,465,790**	123,362,619
Deferred tax assets	18	**16,077,663**	36,780,928
Total Noncurrent Assets		**852,483,007**	919,211,155
		₱4,163,964,255	₱4,409,858,347
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	10	**₱1,787,805,048**	₱1,179,856,946
Current portion of bank loans and trust receipts payable	11	**1,246,434,750**	2,335,118,452
Current portion of lease liabilities	17	**121,678,646**	90,400,339
Income tax payable		**37,738,979**	16,929,375
Total Current Liabilities		**3,193,657,423**	3,622,305,112
Noncurrent Liabilities			
Bank loans - net of current portion	11	**–**	150,000,000
Lease liabilities - net of current portion	17	**40,276,058**	40,528,672
Retirement liability	16	**31,811,018**	25,178,232
Total Noncurrent Liabilities		**72,087,076**	215,706,904
Equity			
Capital stock	12	**500,000,000**	267,500,000
Retained earnings	12	**404,464,987**	307,823,830
Accumulated remeasurement loss on retirement liability	16	**(6,245,231)**	(3,477,499)
Total Equity		**898,219,756**	571,846,331
		₱4,163,964,255	₱4,409,858,347

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	**2021**	2020	2019
SALES		**₱8,567,941,202**	₱8,152,203,754	₱7,569,578,893
COST OF SALES	6	**(6,682,292,006)**	(6,480,930,603)	(5,988,484,639)
GROSS INCOME		**1,885,649,196**	1,671,273,151	1,581,094,254
OPERATING EXPENSES	13	**(1,322,687,810)**	(1,257,649,464)	(1,217,042,438)
INCOME FROM OPERATIONS		**562,961,386**	413,623,687	364,051,816
FINANCE COSTS	11	**(116,263,266)**	(213,968,720)	(245,966,991)
OTHER INCOME	14	**90,852,948**	95,463,091	3,668,110
INCOME BEFORE INCOME TAX		**537,551,068**	295,118,058	121,752,935
PROVISION FOR (BENEFIT FROM) INCOME TAX	18			
Current		**112,615,259**	74,470,763	39,948,068
Deferred		**21,294,652**	13,902,630	(3,494,580)
		133,909,911	88,373,393	36,453,488
NET INCOME		**403,641,157**	206,744,665	85,299,447
OTHER COMPREHENSIVE LOSS				
Not to be reclassified to profit or loss in subsequent periods				
Remeasurement loss on retirement liability - net of deferred income tax	16	**(2,519,339)**	(3,477,499)	–
TOTAL COMPREHENSIVE INCOME		**₱401,121,818**	₱203,267,166	₱85,299,447
BASIC/DILUTED EARNINGS PER SHARE	23	**₱1.51**	₱0.77	₱0.32

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	**2021**	2020	2019
CAPITAL STOCK - ₱1 par value	12			
Authorized - 1,250,000,000 shares in 2021, and 500,000,000 shares in 2020 and 2019				
Issued and outstanding - 500,000,000 shares in 2021, 267,500,000 shares in 2020 and 2019		**₱500,000,000**	₱267,500,000	₱267,500,000
RETAINED EARNINGS				
Balance at beginning of year		**307,823,830**	101,079,165	15,779,718
Net income		**403,641,157**	206,744,665	85,299,447
Cash dividends - ₱0.67 per share in 2021	12	**(307,000,000)**	–	–
Balance at end of year		**404,464,987**	307,823,830	101,079,165
ACCUMULATED REMEASUREMENT LOSS ON RETIREMENT LIABILITY	16			
Balance at beginning of year		**(3,477,499)**	–	–
Remeasurement loss on retirement liability - net of deferred income tax		**(2,519,339)**	(3,477,499)	–
Effect of change in income tax rate		**(248,393)**	–	–
Balance at end of year		**(6,245,231)**	(3,477,499)	–
		₱898,219,756	₱571,846,331	₱368,579,165

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	**2021**	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱537,551,068**	₱295,118,058	₱121,752,935
Adjustments for:				
Depreciation and amortization	9	**303,334,752**	315,341,176	357,573,116
Finance costs	11	**116,263,266**	213,968,720	245,966,991
Gain on lease concessions	17	**(52,687,895)**	(94,416,731)	–
Provision for (reversal of) inventory obsolescence	6	**(7,346,324)**	13,401,920	–
Retirement expense	16	**3,273,667**	2,544,438	5,112,267
Interest income	4	**(710,294)**	(919,283)	(410,738)
Gain on lease modification	17	**(621,157)**	(127,077)	–
Operating income before working capital changes		**899,057,083**	744,911,221	729,994,571
Decrease (increase) in:				
Trade and other receivables		**51,885,978**	(11,939,180)	(13,621,418)
Inventories		**(520,227,512)**	(144,479,134)	(24,983,433)
Other current assets		**(23,897,105)**	(6,457,604)	(12,429,028)
Increase (decrease) in trade and other payables		**607,294,769**	(55,133,520)	(72,701,529)
Net cash generated from operations		**1,014,113,213**	526,901,783	606,259,163
Income taxes paid		**(91,805,655)**	(65,623,949)	(31,565,549)
Interest received		**710,294**	919,283	410,738
Net cash provided by operating activities		**923,017,852**	462,197,117	575,104,352
CASH FLOWS FROM INVESTING ACTIVITIES				
Collection of advances to related parties		**1,098,699,844**	3,287,408	(255,975,356)
Additions to property and equipment	9	**(58,818,497)**	(45,500,392)	(53,849,064)
Proceeds from sale of assets held for sale	8	**–**	157,639,445	–
Net cash provided by investing activities		**1,039,881,347**	115,426,461	(309,824,420)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Loans and trust receipts	11	**(4,093,501,174)**	(3,981,514,789)	(2,714,645,323)
Dividends	12	**(307,000,000)**	–	–
Lease liabilities	17	**(126,213,919)**	(109,976,339)	(246,651,025)
Interests		**(103,552,641)**	(195,134,617)	(225,287,220)
Proceeds from loans and trust receipts availments	11	**2,854,817,472**	4,122,847,904	2,962,715,441
Proceeds from additional subscription of shares of stock	12	**232,500,000**	–	–
Net cash used in financing activities		**(1,542,950,262)**	(163,777,841)	(223,868,127)
NET INCREASE IN CASH		**419,948,937**	413,845,737	41,411,805
CASH AT BEGINNING OF YEAR		**680,841,482**	266,995,745	225,583,940
CASH AT END OF YEAR	4	**₱1,100,790,419**	₱680,841,482	₱266,995,745
NONCASH FINANCIAL INFORMATION				
Additions and modifications to ROU assets	17	**(₱198,491,372)**	(₱134,140,864)	(₱24,538,082)
Additions and modifications to lease liabilities	17	**197,870,215**	134,013,787	24,538,082
Transfer of loans payable	11	**–**	1,315,000,000	–

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

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 747 Romualdez Street, Ermita, Manila.

On December 17, 2021, the SEC 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. Of the increase, 232,500,000 shares at ₱1 par value a share, or equivalent to ₱232.5 million were subscribed and paid as at December 31, 2021 (see Note 12).

The increase in authorized capital stock is pursuant to the planned public offering of the Company shares with the Philippine Stock Exchange (PSE). As at December 31, 2021, the Company is in the process of completing the required documentation with the SEC and PSE.

The financial statements of the Company as at December 31, 2021 and 2020, and for the years ended December 31, 2021, 2020 and 2019 was approved and authorized for issuance by the Company's Board of Directors (BOD) on February 9, 2022.

2. Summary of Significant Accounting Policies

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

<u>Basis of Preparation and Statement of Compliance</u>

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

Measurement Bases

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

The financial statements have been prepared on a historical cost basis. 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 20.

Adoption of Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the Amendment to PFRS 16, *Leases - COVID-19-Related Rent Concessions beyond June 30, 2021*.

In 2020, PFRS 16 was amended to provide practical expedient to lessees from applying the requirements on lease modifications for eligible rent concessions that is a direct consequence of COVID-19 pandemic. A lessee may elect not to assess whether eligible rent concessions from a lessor is a lease modification. A lessee that makes this election account for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for a change that is not a lease modification, e.g., as a variable lease payment. This amendment is effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted, and covers eligible rent concessions until June 30, 2021. The Company applied the practical expedient in its financial statements for the year ended December 31, 2020.

Due to the continuing impact of the pandemic, another amendment to PFRS 16 was issued in 2021, which allows lessees to extend the application of the practical expedient regarding COVID-19-related rent concessions to reduction in lease payments that are due on or before June 30, 2022. The 2021 amendment is mandatory for entities that elected to apply the previous amendment. Accordingly, the Company has applied the amendment in the current year financial statements.

In 2021, the Company received additional rent concessions that met the criteria for the application of the practical expedient. The impact of application of the practical expedient is disclosed in Note 17.

Amended PFRS in Issue but not yet Effective

Relevant amended PFRS, which are not yet effective as at December 31, 2021 and have not been applied in preparing the financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2022:

- Amendments to PFRS 3, *Reference to Conceptual Framework* – The amendments will replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendments include an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* or IFRIC 21, *Levies,* instead of the Conceptual Framework. The requirement will ensure that the liabilities recognized in a business combination will remain the same as those recognized applying the current requirements in PFRS 3. The amendments also clarified that an acquirer shall not recognize contingent assets acquired in a business combination. The amendments should be applied prospectively.

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when an entity first applied the amendments.

- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as applicable. Accordingly, the comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS 2018 to 2020 Cycle:

    - Amendment to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity shall include when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees 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 amendment applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applied the amendments. Earlier application is permitted.

    - Amendment to PFRS 16, *Leases - Lease Incentives* – The amendment removes from the Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

Effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* – 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. The amendments must be applied retrospectively. Earlier application is permitted.

- Amendments to PAS 1 and PFRS Practice Statement 2, *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, *Making Materiality Judgements*, is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.

- Amendments to PAS 8, *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 require 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. Earlier application is permitted.

- Amendments to PAS 12, *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. Earlier application is permitted.

Under 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.

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 31, 2021 and 2020, 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, 2021 and 2020, the Company's cash in banks, trade receivables, advances to related parties and refundable lease deposits (presented under "Other current assets" in the statement of financial position) are classified under this category.

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, 2021 and 2020, the Company's trade and other payables (excluding statutory payables and others), 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 statement 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.

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.

<u>Assets Held for Sale</u>
Assets held for sale pertain to equity investments in which the Company previously exercised control and which will be recovered through a sale transaction rather than through continuing use. These are measured at the lower of carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding the finance costs and income tax expense.

The criteria for assets to be classified as held for sale are regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Events or circumstances may extend the period to complete the sale of the asset beyond one year. Such extension of the period required to complete the sale still permits the asset to be classified as held for sale if the delay is beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset or group of assets.

<u>Advances to Suppliers</u>
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.

<u>Other Current Assets</u>
Other current assets include refundable lease deposits (classified as financial asset), input value-added tax (VAT) and prepayments.

Refundable lease deposits. Refundable lease deposits pertain to deposits as required by lease agreement to cover for repairs on damaged leased properties, which are refundable at the end of the lease term. 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.

<u>Property and Equipment</u>
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 is 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
Leasehold improvements	3 years or the term of lease whichever is shorter
Transportation equipment	5
Store furniture and equipment	3-5
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 so that the increased carrying amount does 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.

Capital Stock

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

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

Other comprehensive income 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 stock split.

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.

Sales. Revenue is recognized upon the delivery of goods upon which the significant risks and rewards of ownership of the goods have passed to the buyer.

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

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.

Finance Costs. Finance costs are recognized in profit or loss using the effective interest method unless these are directly attributable to the construction of a qualifying asset, which are capitalized as part of the asset.

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 sale 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 or sale 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 shorter of the lease terms or the useful lives of the underlying assets 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 Benefit. 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.

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.

Determining the Classification of 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 Company 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.

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 are generally collected within three (3) days from the date of transaction. No ECL was provided for trade receivables in 2021, 2020 and 2019. The carrying amount of trade receivables amounted to ₱19.9 million and ₱68.9 million as at December 31, 2021 and 2020, respectively (see 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 is disclosed in Note 19 to the financial statements.

The carrying amounts of the Company's other financial assets at amortized cost are as follows:

	Note	**2021**	2020
Cash in banks	4	**₱1,097,065,384**	₱678,931,982
Refundable lease deposits	7	**156,044,735**	139,526,459
Advances to related parties	15	**–**	1,098,699,844

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.

The Company wrote-off inventory amounting to ₱58.5 million, ₱64.3 million and nil in 2021, 2020 and 2019, respectively. Provision for (reversal of) inventory obsolescence amounted to (₱7.3 million), ₱13.4 million and nil in 2021, 2020 and 2019, respectively. Allowance for inventory obsolescence amounted to ₱24.0 million and ₱89.9 million as at December 31, 2021 and 2020, respectively (see Note 6). The carrying amount of inventories amounted to ₱2,007.3 million and ₱1,479.7 million as at December 31, 2021 and 2020, respectively (see Note 6).

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 CIP) 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.

There were no changes in the estimated useful lives of ROU assets and property and equipment in 2021, 2020 and 2019. The carrying amounts of property and equipment (except land and construction in progress) amounted to ₱267.5 million and ₱382.8 million as at December 31, 2021 and 2020, respectively (see Note 9). The carrying amount of ROU assets amounted to ₱153.5 million and ₱123.4 million as at December 31, 2021 and 2020, respectively (see Note 17).

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	**2021**	2020
Property and equipment	9	**₱682,939,554**	₱759,067,608
ROU assets	17	**153,465,790**	123,362,619
Advances to suppliers	5	**18,652,393**	21,524,170
Input VAT	7	**7,434,272**	–
Prepayments	7	**1,255,052**	1,310,495
Advances to officers and employees	5	**136,116**	104,636

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. Those assumptions, which include among others, discount rates and expected rates of salary increase, are indicated in Note 16. 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 Company recognized retirement expense amounting to ₱3.3 million, ₱2.5 million and ₱5.1 million in 2021, 2020 and 2019, respectively. Retirement liability amounted to ₱31.8 million and ₱25.2 million as at December 31, 2021 and 2020, respectively (see Note 16).

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.

Deferred tax assets recognized in the statements of financial position amounted to ₱16.1 million and ₱36.8 million as at December 31, 2021 and 2020, respectively (see Note 18).

4. **Cash**

This account consists of:

	2021	2020
Cash on hand	**₱3,725,035**	₱1,909,500
Cash in banks	**1,097,065,384**	678,931,982
	₱1,100,790,419	₱680,841,482

Cash in banks earn interest at prevailing bank deposit rates. Interest income earned amounted to ₱0.7 million, ₱0.9 million and ₱0.4 million in 2021, 2020 and 2019, respectively (see Note 14).

5. **Trade and Other Receivables**

This account consists of:

	2021	2020
Trade	**₱19,894,025**	₱68,939,706
Advances to:		
Suppliers	**18,652,393**	21,524,170
Officers and employees	**136,116**	104,636
	₱38,682,534	₱90,568,512

Trade receivables are noninterest-bearing and are generally settled within 3 days after the reporting period. No ECL was recognized for trade receivables in 2021, 2020 and 2019.

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

6. Inventories

This account consists of:

	2021	2020
Computers and peripherals	**₱1,070,785,558**	₱834,106,918
Accessories	**440,105,159**	393,750,613
Mobile phones	**357,940,342**	250,550,228
Consumables	**117,789,026**	70,678,608
Printers and scanners	**44,664,868**	20,472,499
At cost	**2,031,284,953**	1,569,558,866
Less allowance for inventory obsolescence	**(24,010,717)**	(89,858,466)
Net realizable value	**₱2,007,274,236**	₱1,479,700,400

Movements in the allowance for inventory obsolescence are as follows:

	Note	**2021**	2020	2019
Balance at beginning of year		**₱89,858,466**	₱140,774,924	₱140,774,924
Provision for (reversal of) inventory obsolescence	13	**(7,346,324)**	13,401,920	–
Write-off		**(58,501,425)**	(64,318,378)	–
Balance at end of year		**₱24,010,717**	₱89,858,466	₱140,774,924

Under the terms of agreements, merchandise inventories amounting to ₱2,264.8 million in 2021 and ₱2,922.0 million in 2020 were covered by trust receipts issued by local banks (see Note 11).

Cost of inventories sold during the year follows:

	2021	2020	2019
Inventories at beginning of year	**₱1,569,558,866**	₱1,553,716,488	₱1,464,414,677
Purchases	**7,144,018,093**	6,496,772,981	6,077,786,450
Cost of goods available for sale	**8,713,576,959**	8,050,489,469	7,542,201,127
Less inventories at end of year	**(2,031,284,953)**	(1,569,558,866)	(1,553,716,488)
	₱6,682,292,006	₱6,480,930,603	₱5,988,484,639

7. Other Current Assets

This account includes:

	Note	**2021**	2020
Refundable lease deposits	17	**₱156,044,735**	₱139,526,459
Input VAT		**7,434,272**	–
Prepayments		**1,255,052**	1,310,495
		₱164,734,059	₱140,836,954

8. **Assets Held for Sale**

Assets held for sale pertain to the Company's investments which were previously classified as investment in subsidiaries because of the Company's effective ownership in these entities.

The carrying amount of these investments, which represent estimated fair value less cost to sell, as at December 31, 2019 are as follows:

Company	Carrying amount
Upson Realty and Development Corp. (URDC)	₱124,999,500
Transway Hotels Group Inc. (THG)	24,999,950
Octagon International Marketing Corp. (OIMC)	7,349,995
Majestic Graphic and Printing Corp. (MGPC)	290,000
	₱157,639,445

In 2020, the Company sold the investments at its carrying value amounting to ₱157.6 million.

9. Property and Equipment

Movements in this account follow:

	2021							
	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**	**₱489,397,245**	**₱86,609,655**	**₱121,320,451**	**₱83,557,737**	**₱175,273,646**	**₱1,186,375,734**
Additions	**–**	**–**	**4,671,832**	**1,130,704**	**–**	**13,907,427**	**39,108,534**	**58,818,497**
Balance at end 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**
Accumulated Depreciation and Amortization								
Balance at beginning of year	**–**	**6,324,933**	**246,488,346**	**39,313,188**	**57,645,446**	**77,536,213**	**–**	**427,308,126**
Depreciation and amortization	**–**	**1,459,600**	**88,951,806**	**17,992,195**	**23,891,538**	**2,651,412**	**–**	**134,946,551**
Balance at end of year	**–**	**7,784,533**	**335,440,152**	**57,305,383**	**81,536,984**	**80,187,625**	**–**	**562,254,677**
Carrying Amount	**₱201,025,000**	**₱21,407,467**	**₱158,628,925**	**₱30,434,976**	**₱39,783,467**	**₱17,277,539**	**₱214,382,180**	**₱682,939,554**

	2020							
	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	₱480,762,245	₱84,484,006	₱113,423,398	₱81,227,900	₱150,760,793	₱1,140,875,342
Additions	–	–	8,635,000	2,125,649	7,897,053	2,329,837	24,512,853	45,500,392
Balance at end of year	201,025,000	29,192,000	489,397,245	86,609,655	121,320,451	83,557,737	175,273,646	1,186,375,734
Accumulated Depreciation and Amortization								
Balance at beginning of year	–	4,865,333	168,537,929	22,278,738	34,548,956	75,307,282	–	305,538,238
Depreciation and amortization	–	1,459,600	77,950,417	17,034,450	23,096,490	2,228,931	–	121,769,888
Balance at end of year	–	6,324,933	246,488,346	39,313,188	57,645,446	77,536,213	–	427,308,126
Carrying Amount	₱201,025,000	₱22,867,067	₱242,908,899	₱47,296,467	₱63,675,005	₱6,021,524	₱175,273,646	₱759,067,608

Construction in progress represents the accumulated costs incurred in the construction of a building, warehouse and store branches which are expected to be completed in 2022. The construction of more store branches started in November and December 2021. Estimated total cost to complete the building, warehouse and store branches as at December 31, 2021 amounts to ₱132.3 million. As at December 31, 2021, the Company's building under construction with a carrying amount of ₱172.7 million were used as a collateral for a related party's outstanding loan with a local bank (see Note 15). In 2020, the Company's building under construction and a related party's parcels of land with carrying amount of ₱172.7 million and ₱172.3 million, respectively, were used to secure bank loans amounting to ₱276.0 million (see Note 11).

Fully depreciated property and equipment still being used by the Company amounted to ₱76.8 million and ₱73.4 million as at December 31, 2021 and 2020, respectively.

Depreciation and amortization are recognized from:

	Note	**2021**	2020	2019
ROU assets	17	**₱168,388,201**	₱193,571,288	₱231,507,730
Property and equipment		**134,946,551**	121,769,888	126,065,386
		₱303,334,752	₱315,341,176	₱357,573,116

Depreciation and amortization are charged to the following (see Note 13):

	2021	2020	2019
Selling and marketing expenses	**₱244,093,555**	₱293,168,209	₱335,415,053
General and administrative expenses	**59,241,197**	22,172,967	22,158,063
	₱303,334,752	₱315,341,176	₱357,573,116

10. **Trade and Other Payables**

This account consists of:

	Note	**2021**	2020
Trade		**₱1,587,799,890**	₱1,118,174,796
Accrued expenses		**130,616,552**	23,237,506
Retention payables		**10,343,332**	10,632,832
Statutory payables		**26,026,587**	18,276,527
Advances from a related party	15	**25,403,485**	–
Others		**7,615,202**	9,535,285
		₱1,787,805,048	₱1,179,856,946

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

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

Retention payables pertains 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.

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

Others pertain to refundable customer deposits and other nontrade payables.

11. Bank Loans and Trust Receipts Payable

Movements in this account are as follows:

	2021		
	Bank Loans	**Trust Receipts**	**Total**
Balance at beginning of year	**₱1,089,166,666**	**₱1,395,951,786**	**₱2,485,118,452**
Availments	**590,000,000**	**2,264,817,472**	**2,854,817,472**
Payments	**(1,270,000,000)**	**(2,823,501,174)**	**(4,093,501,174)**
Balance at end of year	**₱409,166,666**	**₱837,268,084**	**₱1,246,434,750**

		2020		
	Note	Bank Loans	Trust Receipts	Total
Balance at beginning of year		₱1,953,416,666	₱1,705,368,671	₱3,658,785,337
Availments		1,200,801,340	2,922,046,564	4,122,847,904
Payments		(750,051,340)	(3,231,463,449)	(3,981,514,789)
Transfer	15	(1,315,000,000)	–	(1,315,000,000)
Balance at end of year		1,089,166,666	1,395,951,786	2,485,118,452
Less current portion		939,166,666	1,395,951,786	2,335,118,452
Noncurrent portion		₱150,000,000	₱–	₱150,000,000

Bank Loans

The bank loans and trust receipts have terms of three months to one year, subject to refinancing upon approval of the creditor bank. Interest rates on bank loans and trust receipts range from 3.50% to 6.88% in 2021, and 4.75% to 7.25% in 2020 and 2019.

In 2020, bank loans amounting to ₱276.0 million were secured by the Company's building under construction and a related party's parcels of land with carrying amount of ₱172.7 million and ₱172.3 million, respectively (see Note 9). These loans were settled in 2021.

On December 29, 2020, the Company assigned its bank loans, and all the associated rights and obligations, aggregating ₱1,315.0 million to a related party as settlement for the advances to the said related party (see Note 15).

Trust Receipts

Under the terms of agreements, merchandise inventories amounting to ₱2,264.8 million in 2021 and ₱2,922.0 million in 2020 are covered by trust receipts issued by local banks (see Note 6).

Covenants

The terms of the loans provide for certain covenants which include, among others, restriction on declaration of dividends; change on the nature or scope of the business of the Company; reduce or increase the authorized capital stock; and use the proceeds from the loans for purposes other than those described in the contract.

The terms also require maintenance of a debt-service ratio of at least 1.2 times. As at December 31, 2021 and 2020, the Company is compliant with the above covenants.

Details of finance costs charged to operations are as follows:

	Note	**2021**	2020	2019
Interest on trust receipts		**₱52,827,502**	₱85,184,282	₱96,615,910
Interest on bank loans		**51,378,472**	115,805,663	128,671,310
Accretion of interest on lease liabilities	17	**12,057,292**	12,978,775	20,679,771
		₱116,263,266	₱213,968,720	₱245,966,991

12. Equity

Capital Stock

Details of capital stock follow:

	2021		2020	
	Shares	**Amount**	Shares	Amount
Authorized:				
Balance at beginning of year	**500,000,000**	**₱500,000,000**	500,000,000	₱500,000,000
Increase	**750,000,000**	**750,000,000**	–	–
Balance at end of year	**1,250,000,000**	**₱1,250,000,000**	500,000,000	₱500,000,000
Issued and outstanding:				
Balance at beginning of year	**267,500,000**	**₱267,500,000**	267,500,000	₱267,500,000
Subscription	**232,500,000**	**232,500,000**	–	–
Balance at end of year	**500,000,000**	**₱500,000,000**	267,500,000	₱267,500,000

On December 17, 2021, the SEC 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. Of the increase, 232,500,000 shares at ₱1 par value a share, or equivalent to ₱232.5 million were subscribed and paid as at December 31, 2021 (see Note 1).

Retained Earnings

On December 20, 2021, the BOD approved the declaration of cash dividends of ₱0.67 a share or a total of ₱307.0 million for all stockholders of record as of December 20, 2021. No dividends were declared in 2020 and 2019.

13. **Operating Expenses**

This account consists of:

	2021	2020	2019
Selling and marketing expenses	**₱1,083,707,559**	₱1,020,512,126	₱1,046,747,980
General and administrative expense	**238,980,251**	237,137,338	170,294,458
	₱1,322,687,810	₱1,257,649,464	₱1,217,042,438

Selling and marketing expenses consist of:

	Note	**2021**	2020	2019
Merchant discount		**₱297,563,734**	₱254,303,750	₱231,927,788
Depreciation and amortization	9	**244,093,555**	293,168,209	335,415,053
Personnel costs		**188,341,384**	79,893,465	108,864,196
Contracted and other services		**134,388,881**	225,336,758	234,083,971
Rent	17	**111,633,705**	43,007,173	11,298,846
Utilities		**97,583,181**	84,276,633	91,379,987
Freight and delivery		**10,664,330**	21,828,055	29,540,857
Provision for (reversal of) inventory obsolescence	6	**(7,346,324)**	13,401,920	–
Advertising		**4,114,507**	3,260,613	147,468
Retirement expense	16	**2,670,606**	2,035,550	4,089,814
		₱1,083,707,559	₱1,020,512,126	₱1,046,747,980

General and administrative expenses consist of:

	Note	**2021**	2020	2019
Depreciation and amortization	9	**₱59,241,197**	₱22,172,967	₱22,158,063
Taxes and licenses		**57,001,480**	96,947,260	62,221,467
Personnel costs		**42,530,175**	19,941,259	27,172,399
Stationery and supplies		**22,504,038**	19,523,461	16,087,854
Representation		**19,861,402**	37,427,885	6,392,613
Repairs, warranties and maintenance		**12,386,319**	7,956,726	13,298,678
Professional fees		**9,725,074**	9,593,731	4,680,758
Transportation and travel		**6,786,294**	5,863,838	9,841,415
Retirement expense	16	**603,061**	508,888	1,022,453
Rent	17	**–**	10,996,971	–
Others		**8,341,211**	6,204,352	7,418,758
		₱238,980,251	₱237,137,338	₱170,294,458

Personnel costs consist of:

	2021	2020	2019
Salaries and wages	**₱206,355,220**	₱80,258,289	₱115,259,192
Employee benefits	**24,516,339**	19,576,435	20,777,403
	₱230,871,559	₱99,834,724	₱136,036,595

14. Other Income

This account consists of:

	Note	2021	2020	2019
Gain on lease concessions	17	**₱52,687,895**	₱94,416,731	₱–
Interest income	4	**710,294**	919,283	410,738
Gain on lease modification	17	**621,157**	127,077	–
Others		**36,833,602**	–	3,257,372
		₱90,852,948	₱95,463,091	₱3,668,110

Others mainly pertain to income from product advertising or promotional support from suppliers. In 2019, other income pertains to sale of scrap materials.

15. Related Party Transactions

The Company has transactions with related parties as follows:

		Transactions during the Year		Outstanding Balance	
	Nature of Transaction	**2021**	2020	**2021**	2020
Trade and other payables					
Entity under common control	Advances	**₱25,403,485**	₱–	**₱25,403,485**	₱–
Advances to Related Parties					
	Payment	**(₱1,098,699,844)**	₱–		
Entities under common	Advances	**–**	161,056,485		
control	Assignment of loans	**–**	(1,315,000,000)	**₱–**	₱1,098,699,844

As at December 31, 2021, the Company's building under construction with a carrying amount of ₱172.7 million were used as a collateral for a related party's outstanding loan with a local bank (see Note 9).

On December 29, 2020, the Company assigned its bank loans, and all the associated rights and obligations, aggregating ₱1,315.0 million to a related party as settlement for the outstanding balance of the advances to the said related party (see Note 11).

Terms and Conditions

Outstanding balances are unsecured, non-interest bearing, due and demandable and are cash settled. The Company assessed that the related party receivables are collectible by considering the financial position of the subsidiaries and other related parties and the market in which they operate.

Compensation of Key Management Personnel

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

	2021	2020	2019
Short-term employee benefits	**₱3,120,000**	₱3,120,000	₱2,335,658
Post-employment benefits	**240,925**	229,616	397,838
	₱3,360,925	₱3,349,616	₱2,733,496

16. **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, 2021.

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:

	2021	2020	2019
Current service cost	**₱2,241,359**	₱1,572,811	₱4,163,762
Interest cost	**1,032,308**	971,627	948,505
	₱3,273,667	₱2,544,438	₱5,112,267

Retirement expense is charged to the following (see Note 13):

	2021	2020	2019
Selling and marketing expenses	**₱2,670,606**	₱2,035,550	₱4,089,814
General and administrative expenses	**603,061**	508,888	1,022,453
	₱3,273,667	₱2,544,438	₱5,112,267

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

	2021	2020
Balance at beginning of year	**₱25,178,232**	₱17,665,938
Current service cost	**2,241,359**	1,572,811
Interest cost	**1,032,308**	971,627
Remeasurement loss	**3,359,119**	4,967,856
Balance at end of year	**₱31,811,018**	₱25,178,232

The assumptions used to determine retirement liability are as follows:

	2021	2020
Discount rate	**5.20%**	4.10%
Salary increase rate	**3.00%**	3.00%

The sensitivity analyses based on reasonably possible changes of the assumptions as at December 31, 2021 follow:

	Basis Points	Effect on Present Value of Retirement Liability
Discount rate	+100	(₱3,831,744)
	-100	4,664,677
Salary increase rate	+100	4,562,813
	-100	(3,820,228)

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 loss on retirement liability recognized in equity as at December 31 are as follows:

	2021		
	Cumulative Remeasurement Loss	**Deferred Tax** (see Note 18)	**Cumulative Remeasurement Loss, 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**

	2020		
	Cumulative Remeasurement Loss	Deferred Tax (see Note 18)	Cumulative Remeasurement Loss, Net of Tax
Remeasurement loss	₱4,967,856	(₱1,490,357)	₱3,477,499

As at December 31, 2021, the expected future benefit payments are as follows:

	Amount
More than 1 year to 5 years	₱8,361,079
More than 5 years to 10 years	4,683,935
More than 10 years to 15 years	17,448,719
16 years and up	219,233,334

17. **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 amounting to ₱111.6 million, ₱54.0 million and ₱11.3 million in 2021, 2020 and 2019, respectively, is charged to the following (see Note 13):

	2021	2020	2019
Selling and marketing expenses	**₱111,633,705**	₱43,007,173	₱11,298,846
General and administrative expenses	**–**	10,996,971	–
	₱111,633,705	₱54,004,144	11,298,846

Company as Lessee - Long-term Lease

The Company leases warehouse, office 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	**2021**	2020
Cost			
Balance at beginning of year		**₱548,441,637**	₱414,300,773
Additions		**131,340,291**	130,899,986
Disposals		**(11,686,032)**	–
Effect of lease modification		**73,683,601**	3,240,878
Balance at end of year		**741,779,497**	548,441,637
Accumulated amortization			
Balance at beginning of year		**425,079,018**	231,507,730
Amortization	9	**168,388,201**	193,571,288
Disposals		**(5,153,512)**	–
Balance at end of year		**588,313,707**	425,079,018
Carrying Amount		**₱153,465,790**	₱123,362,619

Refundable Lease Deposits

Refundable lease deposits amounted to ₱156.0 million and ₱139.5 million as at December 31, 2021 and 2020, respectively (see Note 7). These deposits are refundable at the end of the lease terms.

Lease Liabilities
The balance and movements in lease liabilities are as follows:

	Note	**2021**	2020
Balance at beginning of year		**₱130,929,011**	₱188,329,519
Additions		**131,340,291**	130,899,986
Payments		**(126,213,919)**	(109,976,339)
Effect of lease modification		**73,532,674**	3,113,801
Gain on lease concessions	14	**(52,687,895)**	(94,416,731)
Accretion	11	**12,057,292**	12,978,775
Disposals		**(7,002,750)**	–
Balance at end of year		**161,954,704**	130,929,011
Current portion		**121,678,646**	90,400,339
Noncurrent portion		**₱40,276,058**	₱40,528,672

Incremental borrowing rate ranging from 3.69% to 5.37% was applied to determine the discounted amount of lease liabilities in 2021 and 2020.

In 2021 and 2020, 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. There were also three (3) stores that ceased operations in 2021 resulting to the derecognition of the related ROU assets and lease liabilities. These resulted to gain on lease modification amounting to ₱0.6 million in 2021, ₱0.1 million in 2020 and nil in 2019 (see Note 14).

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 ₱52.7 million in 2021, ₱94.4 million in 2020 and nil in 2019, (see Note 14).

The future minimum lease payments and present value as at December 31, 2021 is as follows:

	Minimum Lease Payments	Present Value
Not later than one year	₱127,187,102	₱121,678,646
Later than one year but not more than five years	51,666,697	40,276,058
	₱178,853,799	₱161,954,704

18. **Income Taxes**

The provision for current income tax pertains to regular corporate income tax (RCIT) in 2021, 2020 and 2019.

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:

	2021	2020	2019
Income tax computed at the statutory tax rate (25% in 2021, and 30% in 2020 and 2019)	**₱134,387,767**	₱88,535,417	₱36,525,881
Adjustment for:			
Effect of change in income tax rate	**(344,676)**	–	–
Interest income already subjected to final tax	**(177,574)**	(275,785)	(123,222)
Nondeductible expenses	**44,394**	113,761	50,829
	₱133,909,911	₱88,373,393	₱36,453,488

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

	Note	**2021**	2020
Allowance for inventory obsolescence		**₱6,002,679**	₱26,957,540
Retirement liability:			
Profit or loss		**5,871,011**	6,063,113
OCI	16	**2,081,744**	1,490,357
Excess of lease liability over ROU asset		**2,122,229**	2,269,918
		₱16,077,663	₱36,780,928

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises ("CREATE") was approved and signed into law by the country's President. Under the CREATE, the RCIT of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, the minimum corporate income tax (MCIT) was changed from 2% to 1% of gross income for a period of three (3) years. The changes in the income tax rates retrospectively became effective beginning July 1, 2020. However, the income tax rates used in preparing the financial statements as at and for the year ended December 31, 2020, are 30% and 2% for RCIT and MCIT, respectively.

The effect of the reduction in tax rates in 2020 was recognized as part of the 2021 income tax expense, as required by PAS 12, *Income Taxes.* Details of the adjustments are as follows:

	Current tax expense	Deferred tax expense	Total
Provision for income tax	₱118,841,697	₱15,412,890	₱134,254,587
Change in income tax rate	(6,226,438)	5,881,762	(344,676)
Adjusted income tax expense	₱112,615,259	₱21,294,652	₱133,909,911

19. **Financial Risk Management**

Financial Risk Management Objectives and Policies

The Company's activities expose it to a variety of financial risks: market risk 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 financial loss to the Company. Financial assets that potentially subject the Company to credit risk consist primarily of cash in banks and trade and other 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:

	2021	2020
Cash in banks	**₱1,097,065,384**	₱678,931,982
Trade receivables	**19,894,025**	68,939,706
Advances to related parties	**–**	1,098,699,844
Refundable lease deposits	**156,044,735**	139,526,459
	₱1,273,004,144	₱1,986,097,991

As at December 31, 2021 and 2020, the amount of cash in banks and trade receivables are neither past due nor impaired and were classified as "*High Grade*", while advances to related parties and refundable lease deposits were classified as "*Standard Grade"*. The credit quality of such financial assets at amortized cost is further described as follows:

- *High Grade.* Pertains to counterparty who is 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.

- *Standard Grade.* Other financial assets not belonging to high grade financial assets are included in this category.

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 are due from credit card companies and are generally collectible within three (3) days from transaction date. Historical information and present circumstances does 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, advances to related parties and refundable lease deposits, 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. The following were considered in the assessment:

- Cash in banks are deposited with reputable counterparty banks, which exhibit good credit ratings.

- For advances to related parties, the Company's related parties have low credit risk and are in good financial standing. The related parties have no history of default and have sufficient assets to cover their advances thus, ECL is not significant.

- For refundable lease deposits, the counterparty lessors are reputable leasing companies which have low credit risk, thus no allowance for ECL was provided.

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.

	2021			
	12-month ECL	**Lifetime ECL - not credit impaired**	**Lifetime ECL - credit impaired**	**Total**
Cash in banks	**₱1,097,065,384**	**₱–**	**₱–**	**₱1,097,065,384**
Trade receivables	**–**	**19,894,025**	**–**	**19,894,025**
Refundable lease deposits	**156,044,735**	**–**	**–**	**156,044,735**
	₱1,253,110,119	**₱19,894,025**	**₱–**	**₱1,273,004,144**

	2020			
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Total
Cash in banks	₱678,931,982	₱–	₱–	₱678,931,982
Trade receivables	–	68,939,706	–	68,939,706
Advances to related parties	1,098,699,844	–	–	1,098,699,844
Refundable lease deposits	139,526,459	–	–	139,526,459
	₱1,917,158,285	₱68,939,706	₱–	₱1,986,097,991

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.

	2021			
	1 to 6 Months	**6 Months to 1 Year**	**More than 1 Year**	**Total**
Trade and other payables*	**₱1,743,819,927**	**₱10,343,332**	**₱–**	**₱1,754,163,259**
Bank loans and trust receipts payable	**837,268,084**	**409,166,666**	**–**	**1,246,434,750**
Lease liabilities	**71,319,722**	**55,867,380**	**51,666,697**	**178,853,799**
	₱2,652,407,733	**₱475,377,378**	**₱51,666,697**	**₱3,179,451,808**

**Excluding statutory payables and others totaling ₱33.6 million as at December 31, 2021.*

	2020			
	1 to 6 Months	6 Months to 1 Year	More than 1 Year	Total
Trade and other payables*	₱1,141,412,302	₱10,632,832	₱–	₱1,152,045,134
Bank loans and trust receipts payable	1,395,951,786	939,166,666	150,000,000	2,485,118,452
Lease liabilities	8,369,716	33,617,890	98,768,692	140,756,298
	₱2,545,733,804	₱983,417,388	₱248,768,692	₱3,777,919,884

**Excluding statutory payables and others totaling ₱27.8 million as at December 31, 2020.*

<u>Interest Rate Risk</u>

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 matures within 90 days to one year and bear an effective interest rate ranging from 3.50% to 4.25% in 2021.

20. **Fair Value of Financial Assets and Liabilities**

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

	2021		2020	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash in banks	**₱1,097,065,384**	**₱1,097,065,384**	₱678,931,982	₱678,931,982
Trade receivables	**19,894,025**	**19,894,025**	68,939,706	68,939,706
Advances to related parties	**–**	**–**	1,098,699,844	1,098,699,844
Refundable lease deposits	**156,044,735**	**156,044,735**	139,526,459	139,526,459
	₱1,273,004,144	**₱1,273,004,144**	₱1,986,097,991	₱1,986,097,991
Financial Liabilities				
Trade and other payables*	**₱1,754,163,259**	**₱1,754,163,259**	₱1,152,202,134	₱1,152,202,134
Bank loans and trust receipts payable	**1,246,434,750**	**1,246,434,750**	2,485,118,452	2,485,118,452
Lease liabilities	**161,954,704**	**174,994,666**	130,929,011	136,050,563
	₱3,162,552,713	**₱3,175,592,675**	₱3,768,249,597	₱3,773,371,149

**Excluding statutory payables and others totaling ₱33.6 million and ₱27.8 million as at December 31, 2021 and 2020, respectively.*

Due to the short-term maturities of cash in banks, trade receivables, advances to related parties, refundable lease deposits, trade and other payables (excluding statutory and other 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).

21. **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 2021, 2020 and 2019.

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 as at December 31, 2021 and 2020 are as follows:

	2021	2020
Total liabilities	**₱3,265,744,498**	₱3,838,012,016
Total equity	**898,219,757**	571,846,331
Debt-to-equity ratio	**3.64:1**	6.71:1

22. 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, 2021 and 2020:

	2020	**Additions (net of disposals)**	**Accretion**	**Payment**	**Non-cash Changes**	**2021**
Bank loans and trust receipts payable	**₱2,485,118,452**	**₱2,854,817,472**	**₱–**	**(₱4,093,501,174)**	**₱–**	**₱1,246,434,750**
Lease liabilities	**130,929,011**	**131,340,291**	**12,057,292**	**(126,213,919)**	**13,842,029**	**161,954,704**
	₱2,616,047,463	**₱2,986,157,763**	**₱12,057,292**	**(₱4,219,715,093)**	**₱13,842,029**	**₱1,408,389,454**

	2019	Additions	Accretion	Payment	Non-cash Changes	2020
Bank loans and trust receipts payable	₱3,658,785,337	₱4,122,847,904	₱–	(₱3,981,514,789)	(₱1,315,000,000)	₱2,485,118,452
Lease liabilities	188,329,519	130,899,986	12,978,775	(109,976,339)	(91,302,930)	130,929,011
	₱3,847,114,856	₱4,253,747,890	₱12,978,775	(₱4,091,491,128)	(₱1,406,302,930)	₱2,616,047,463

23. Basic and Diluted Earnings Per Share

Basic earnings per share is computed as follows:

	2021	2020	2019
Net income	**₱403,641,157**	₱206,744,665	₱85,299,447
Divided by weighted average number of outstanding shares	**267,500,000**	267,500,000	267,500,000
	₱1.51	₱0.77	₱0.32

The Company has no dilutive potential shares in 2021, 2020 and 2019.

24. 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 2021, 2020 and 2019.

REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE
SECURITIES AND EXCHANGE COMMISSION

The Stockholders and the Board of Directors
Upson International Corp.
747 Romualdez Street
Ermita, Manila

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, 2021 and 2020, and for the years ended December 31, 2021, 2020 and 2019, on which we have rendered our report dated February 9, 2022.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has six (6) stockholders owning one hundred (100) or more shares each.

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
SEC Accreditation No. 1788-A
Valid until October 14, 2022
BIR Accreditation No. 08-005144-016-2019
Valid until July 2, 2022
PTR No. 8851719
Issued January 3, 2022, Makati City

February 9, 2022
Makati City, Metro Manila

REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Upson International Corp.
747 Romualdez Street
Ermita, Manila

We have audited in accordance with Philippine Standards on Auditing the basic 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, 2021 and 2020, and for the years ended December 31, 2021, 2020 and 2019, and have issued our report thereon dated February 9, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Supplementary Schedules are the responsibility of the Company's management. These supplementary schedules include the following:

- Supplementary Schedules as Required by Part II of the Revised Securities Regulation Code (SRC) Rule 68
- Reconciliation of Retained Earnings Available for Dividends Declaration

These schedules are presented for the purpose of complying with the Revised SRC Rule 68 and are not part of the basic financial statements. The information in these supplementary schedules have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are 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
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February 9, 2022
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)

SUPPLEMENTARY SCHEDULES AS REQUIRED BY PART II OF THE REVISED SRC RULE 68

December 31, 2021

** There are no amounts to whom the aggregate indebtedness is ₱41.6 million or 1% of total assets as at December 31, 2021. In addition, the advances were made to the employees to carry out the ordinary course of business.*
*** There are no long-term debt as at December 31, 2021.*
**** Indebtedness to related parties are classified as current as at December 31, 2021.*

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)

SCHEDULE G – CAPITAL STOCK
December 31, 2021

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for captions, warrants, conversion and other rights	Number of shares held by related parties	Number of shares held by directors, officers and employees	Others
Common shares	1,250,000,000	500,000,000	–	232,500,000	267,000,000	–

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

SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2021

	Amount
Retained earnings as shown in the financial statements at beginning of year	₱307,823,830
Net deferred tax assets at beginning of year	(36,780,928)
Retained earnings, as adjusted to available for dividend distribution at beginning of year	271,042,902
Net income closed to retained earnings during the year	403,641,157
Movement in deferred tax assets during the year	20,703,265
Dividends declared during the year	(307,000,000)
Total retained earnings available for dividend declaration at end of year	₱388,387,324

Reconciliation:	
Retained earnings as shown in the financial statements at end of year	₱404,464,987
Net deferred tax assets at end of year	(16,077,663)
Retained earnings available for dividend declaration at end of year	₱388,387,324

REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULE OF FINANCIAL
SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
Upson International Corp.
747 Romualdez Street
Ermita, Manila

We have audited in accordance with Philippine Standards on Auditing the basic 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, 2021 and 2020, and for the years ended December 31, 2021, 2020 and 2019, and have issued our report thereon dated February 9, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule (SRC) 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2021 and 2020, and for the years ended December 31, 2021, 2020 and 2019, and no material exceptions were noted.

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
SEC Accreditation No. 1788-A
Valid until October 14, 2022
BIR Accreditation No. 08-005144-016-2019
Valid until July 2, 2022
PTR No. 8851719
Issued January 3, 2022, Makati City

February 9, 2022
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)

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

December 31, 2021 and 2020

Ratio	Formula	2021	2020
Current/Liquidity Ratio			
	Current assets	**₱3,311,481,248**	₱3,490,647,192
	Divided by: Current liabilities	**3,193,657,423**	3,622,305,112
	Current/Liquidity ratio	**1.04:1.00**	0.96:1.00
Solvency Ratio			
	Net income before depreciation and amortization	**₱706,975,909**	₱522,085,841
	Divided by: Total liabilities	**3,265,744,499**	3,838,012,016
	Solvency ratio	**0.22:1.00**	0.14:1.00
Debt-to-Equity Ratio			
	Total liabilities	**₱3,265,744,499**	₱3,838,012,016
	Divided by: Total equity	**898,219,756**	571,846,331
	Debt-to-Equity ratio	**3.64:1.00**	6.71:1.00
Asset-to-Equity Ratio			
	Total assets	**₱4,163,964,255**	₱4,409,858,347
	Divided by: Total equity	**898,219,756**	571,846,331
	Asset-to-Equity ratio	**4.64:1.00**	7.71:1.00
Interest Rate Coverage Ratio			
	Income before interest and taxes	**₱653,814,334**	₱509,086,778
	Divided by: Interest expense	**116,263,266**	213,968,720
	Interest Rate Coverage ratio	**5.62:1.00**	2.38:1.00
Return on Assets Ratio			
	Net income	**₱403,641,157**	₱206,744,665
	Divided by: Total assets	**4,163,964,255**	4,409,858,347
	Return on Assets ratio	**0.10:1.00**	0.05:1.00
Return on Equity Ratio			
	Net income	**₱403,641,157**	₱206,744,665
	Divided by: Total equity	**898,219,756**	571,846,331
	Return on Equity ratio	**0.45:1.00**	0.36:1.00
Net Profit Margin			
	Net income	**₱403,641,157**	₱206,744,665
	Divided by: Revenues	**8,567,941,202**	8,152,203,754
	Net Profit Margin	**0.05:1.00**	0.03:1.00

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **Jose Vicente C. Bengzon III**, Filipino, of legal age and a resident of after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of **UPSON INTERNATIONAL CORP.** and have been its independent director since **April 13, 2022**.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Vitarich Corporation	Chairman	2012 to present
Commtrend Construction Corporation	Vice Chairman	2014 to present
Inception Technology Phils., Corp.	Executive Director	2019 to present
UPCC Holdings Corporation	Non-Executive Director	2018 to present
Malayan Savings Bank	Senior Adviser to the Board	2010 to present (2010 to 2021)

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **UPSON INTERNATIONAL CORP.**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of _______(covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL/ SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
NONE		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding/ I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
NONE		

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of the agency/department) to be an independent director in _____N/A______, pursuant to Office of the President Memorandum Circular No. 17 and Section12, Rule XVIII of the Revised Civil Service Rules.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of **UPSON INTERNATIONAL CORP**. of any changes in the abovementioned information within five days from its occurrence.

Done, this APR 1 2 2024 day of ________, at MANILA.

Jose Vicente C. Bengzon III
Affiant

SUBSCRIBED AND SWORN to before me this APR 1 2 2024 day of ________ at MANILA, affiant personally appeared before me and exhibited to me his/her ________________________ issued at ________________________ on ________________________.

Doc No. 103;
Page No. 22;
Book No. 111;
Series of 2024.

ATTY. JOHN EDWARD TRINIDAD ANG
Notary Public for City of Manila- Until 31-2024
Notarial Commission No. 2023-091
2nd Floor Midland Plaza Hotel, Adriatico St., Ermita, Mla.
IBP NO. 329200-0 Jan. 3, 2024
P.T.R. NO. 1535522- Jan 3, 2024 at Manila
ROLL NO. 68731 .MCLE COMPLIANCE NO. VII-0011675-04/14

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **Chun Bing G. Uy**, Filipino, of legal age and a resident of , after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of **UPSON INTERNATIONAL CORP.** and have been its independent director since **April 13, 2022**.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Strategic Equities Corporation (formerly Kim Eng Securities, Inc.)	Executive Director	1996 to present
Rizal Commercial Banking Corporation	Consultant and Senior Advisor of Corporate Banking Group	2012 to present
Luisita Industrial Park Corporation	Director	1997 to present
Nippon Express Phils Corporation	Chairman	2012 to present
FBIA Insurance Agency	Chairman and President	1997 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **UPSON INTERNATIONAL CORP.**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of ______(covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL/ SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
NONE		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding/ I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
NONE		

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of the agency/department) to be an independent director in ______N/A______, pursuant to Office of the President

Memorandum Circular No. 17 and Section12, Rule XVIII of the Revised Civil Service Rules.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of **UPSON INTERNATIONAL CORP**. of any changes in the abovementioned information within five days from its occurrence.

Done, this APR 12 2024 day of ________, at MANILA ________________.

Chun Bing G. Uy
Affiant

SUBSCRIBED AND SWORN to before me this ______ day of APR 12 2024 ________ at __________, affiant personally appeared before me and exhibited to me his/her ________________________ issued at ________________________ on ______________________.

ATTY. JOHN EDWARD TRINIDAD ANG
Notary Public for City of Manila- Until 31-2024
Notarial Commission No. 2023-091
2nd Floor Midland Plaza Hotel, Adriatico St., Ermita, Mla.
IBP NO. 329200-0 Jan. 3, 2024
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Doc No. 13;
Page No. 12;
Book No. 2;
Series of 2024.

Republic of the Philippines)
) S.S.

CERTIFICATION

I, **Dennis F. Uy**, of legal age, Filipino, and with office address at No. 747 Zobel Street corner Romualdez Street, Ermita, Manila City, Philippines, after having been duly sworn in accordance with law, do hereby certify that:

1. I am the duly appointed and incumbent Corporate Secretary of Upson International Corp. (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office address at Unit 2308, 23/F Capital House Tower 1, 9th Avenue corner 34th Street, Bonifacio Global City, Taguig City, Philippines.

2. No directors or officers of the Corporation are connected with any government agencies or its instrumentalities.

3. This Certificate is being issued to attest to the truth of the foregoing facts and for purposes of complying with the requirements of the Securities and Exchange Commission.

In witness whereof, I have hereunto affixed my signature this APR 12 2024 day of April 2024 at MANILA, Philippines.

Dennis F. Uy

Subscribed and sworn to before me this APR 12 2024 day of April 2024 at MANILA, Philippines, affiant exhibiting to me his Philippine Identification Card with reference number as competent evidence of identity.

Doc. No. 102;
Page No. 12;
Book No. 4;
Series of 2024.

ATTY. JOHN EDWARD TRINIDAD ANG
Notary Public for City of Manila- Until 31-2024
Notarial Commission No. 2023-091
2nd Floor Midland Plaza Hotel, Adriatico St., Ermita, Mla.
IBP NO. 329200-0 Jan. 3, 2024
P.T.R. NO. 1535522- Jan 3, 2024 at Manila
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