

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17-Q

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

1. For the quarterly period ended  
Mar 31, 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  
Upton International Corp.
5. Province, country or other jurisdiction of incorporation or organization  
Metro Manila, Philippines
6. Industry Classification Code(SEC Use Only)
7. Address of principal office  
Unit 2308, 23/F Capital House Tower 1, 9th Avenue corner 34th Street, Bonifacio Global  
City, Taguig City  
Postal Code  
1635
8. Issuer's telephone number, including area code  
+632 8526 7152
9. Former name or former address, and former fiscal year, if changed since last report  
-
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

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

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

☒ Yes ☐ No

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

Philippine Stock Exchange, Inc. (Common Shares)

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the

Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

☒ Yes ☐ No

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

☒ Yes ☐ No

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

## Upson International Corp. UPSON

### PSE Disclosure Form 17-2 - Quarterly Report References: SRC Rule 17 and Sections 17.2 and 17.8 of the Revised Disclosure Rules

|  |              |
|--|--------------|
| For the period ended                     | Mar 31, 2024 |
| Currency (indicate units, if applicable) | PhP          |

#### Balance Sheet

|                               | Period Ended  | Fiscal Year Ended (Audited) |
|-------------------------------|---------------|-----------------------------|
|                               | Mar 31, 2024  | Dec 31, 2023                |
| Current Assets                | 4,676,867,069 | 5,053,072,947               |
| Total Assets                  | 6,136,341,952 | 6,226,703,035               |
| Current Liabilities           | 3,171,303,550 | 3,254,953,412               |
| Total Liabilities             | 3,409,441,726 | 3,424,697,703               |
| Retained Earnings/(Deficit)   | 803,406,623   | 878,511,729                 |
| Stockholders' Equity          | 2,726,900,226 | 2,802,005,332               |
| Stockholders' Equity - Parent | -             | -                           |
| Book Value per Share          | 0.92          | 0.94                        |

#### Income Statement

|               | Current Year<br>(3 Months) | Previous Year<br>(3 Months) | Current Year-To-Date | Previous Year-To-Date |
|---------------|----------------------------|-----------------------------|----------------------|-----------------------|
| Gross Revenue | 2,602,895,498              | 2,396,714,348               | 2,602,895,498        | 2,396,714,348         |
| Gross Expense | 2,499,841,568              | 2,272,533,285               | 2,499,841,568        | 2,272,533,285         |

|  |             |             |             |             |
|--|-------------|-------------|-------------|-------------|
| <b>Non-Operating Income</b>                            | 76,171,045  | 45,007,311  | 76,171,045  | 45,007,311  |
| <b>Non-Operating Expense</b>                           | 38,352,140  | 30,345,939  | 38,352,140  | 30,345,939  |
| <b>Income/(Loss) Before Tax</b>                        | 140,872,835 | 138,842,435 | 140,872,835 | 138,842,435 |
| <b>Income Tax Expense</b>                              | 28,477,863  | 26,222,073  | 28,477,863  | 26,222,073  |
| <b>Net Income/(Loss) After Tax</b>                     | 112,394,972 | 112,620,362 | 112,394,972 | 112,620,362 |
| <b>Net Income Attributable to Parent Equity Holder</b> | 0           | 0           | 0           | 0           |
| <b>Earnings/(Loss) Per Share (Basic)</b>               | 0.04        | 0.05        | 0.04        | 0.05        |
| <b>Earnings/(Loss) Per Share (Diluted)</b>             | 0.04        | 0.05        | 0.04        | 0.05        |

|  | <b>Current Year (Trailing 12 months)</b> | <b>Previous Year (Trailing 12 months)</b> |
|--|--|---|
| <b>Earnings/(Loss) Per Share (Basic)</b>   | 0.04                                     | 0.16                                      |
| <b>Earnings/(Loss) Per Share (Diluted)</b> | 0.04                                     | 0.16                                      |

|                                   |
|-----------------------------------|
| <b>Other Relevant Information</b> |
| -                                 |

**Filed on behalf by:**

|                    |                         |
|--------------------|-------------------------|
| <b>Name</b>        | Arlene Louisa Sy        |
| <b>Designation</b> | Chief Executive Officer |

**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)*

**Interim Financial Statements**

**As at March 31, 2024 (Unaudited) and December 31, 2023  
(Audited)  
and for the Quarter Ended March 31, 2024 and 2023  
(Unaudited) and for the Year Ended December 31, 2023  
(Audited)**



# COVER SHEET

SEC Registration Number

AS95003836

## COMPANY NAME

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

|   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
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Form Type

17 - Q

Department requiring the report

CRMD

Secondary License Type, If Applicable

N / A

## COMPANY INFORMATION

Company's Email Address

d\_uy@octagon.com.ph

Company's Telephone Number/s

(02) 8 526-7152

Mobile Number

0920 960 9377

No. of Stockholders

10

Annual Meeting (Month / Day)

May 25

Fiscal Year (Month / Day)

December 31

## CONTACT PERSON INFORMATION

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

Name of Contact Person

Ms. Anita Lim

Email Address

a\_lim@octagon.com.ph

Telephone Number/s

(02) 8 526-7152

Mobile Number

-

## CONTACT PERSON'S ADDRESS

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

**NOTE 1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**2:** All boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt shall not excuse the corporation from liability for its deficiencies.



**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-Q**

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

1. For the quarterly period ended **March 31, 2024**
2. Commission 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.**

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

5. Province, country or other jurisdiction of incorporation or organization **Manila City, Philippines**
6. Industry Classification Code:  (SEC Use Only)
7. **Unit 2308, 23/F Capital House Tower 1, 9th Avenue corner 34th Street, Bonifacio Global City, Taguig City**  
Address of issuer's principal office Postal Code **1635**
8. Issuer's telephone number, including area code: **(02) 85267152**
9. **Not Applicable**  
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class

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

**Common**

**3,125,001,300**

11. Are any or all of the securities listed on a Stock Exchange?

Yes [☒] No [☐]

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

**Philippine Stock Exchange (PSE)**

**Common Shares**

12. Indicate by check mark whether the registrant:

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

Yes [☒] No [☐] **Report: 17-Q**

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

Yes [☒] No [☐]

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## **PART I - FINANCIAL INFORMATION**

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

The condensed interim financial statements as at March 31, 2024 (Unaudited) and December 31, 2023 (Audited) and for the quarter ended March 31, 2024 and 2023 (Unaudited) and for the year ended December 31, 2023 (Audited) and the related notes to condensed interim financial statements of Upson International Corp. (referred to as "the Company") are filed as part of this Form 17-Q on pages 2 to 21.

For the purposes of segment reporting, the Company has no other reportable segment other than the trading business.

There are no other material events subsequent to the end of this interim period that have not been reflected in the unaudited financial statements filed as part of this report.

**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)

**INTERIM STATEMENTS OF FINANCIAL POSITION**

|  | <i>Note</i> | <b>March 31, 2024<br/>(Unaudited)</b> | <b>December 31, 2023<br/>(Audited)</b> |
|--|-------------|---------------------------------------|--|
| <b>ASSETS</b>  |             |                                       |  |
| <b>Current Assets</b>                                    |             |                                       |  |
| Cash and cash equivalents                                | 4           | <b>₱1,111,243,783</b>                 | <b>₱1,360,873,502</b>                  |
| Trade and other receivables                              | 5           | <b>174,535,780</b>                    | <b>181,057,704</b>                     |
| Inventories  | 6           | <b>3,281,410,103</b>                  | <b>3,350,825,684</b>                   |
| Other assets   | 7           | <b>109,677,403</b>                    | <b>160,316,057</b>                     |
| <b>Total Current Assets</b>                              |             | <b>4,676,867,069</b>                  | <b>5,053,072,947</b>                   |
| <b>Noncurrent Assets</b>                                 |             |                                       |  |
| Property and equipment                                   | 8           | <b>842,104,778</b>                    | <b>819,418,924</b>                     |
| Right-of-use (ROU) assets                                | 16          | <b>463,242,031</b>                    | <b>275,426,853</b>                     |
| Noncurrent portion of refundable lease deposits          | 7           | <b>133,238,405</b>                    | <b>59,723,407</b>                      |
| Net deferred tax assets                                  | 17          | <b>20,889,669</b>                     | <b>19,060,904</b>                      |
| <b>Total Noncurrent Assets</b>                           |             | <b>1,459,474,883</b>                  | <b>1,173,630,088</b>                   |
| <b>TOTAL ASSETS</b>                                      |             | <b>₱6,136,341,952</b>                 | <b>₱6,226,703,035</b>                  |
| <b>LIABILITIES AND EQUITY</b>                            |             |                                       |  |
| <b>Current Liabilities</b>                               |             |                                       |  |
| Bank loans and trust receipts payables                   | 10          | <b>₱1,924,811,034</b>                 | <b>₱1,767,613,865</b>                  |
| Trade and other payables                                 | 9           | <b>936,692,366</b>                    | <b>1,322,843,184</b>                   |
| Current portion of lease liabilities                     | 16          | <b>267,967,653</b>                    | <b>147,320,374</b>                     |
| Income tax payable                                       |             | <b>41,832,497</b>                     | <b>17,175,989</b>                      |
| <b>Total Current Liabilities</b>                         |             | <b>3,171,303,550</b>                  | <b>3,254,953,412</b>                   |
| <b>Noncurrent Liabilities</b>                            |             |                                       |  |
| Lease liabilities - net of current portion               | 16          | <b>194,804,225</b>                    | <b>127,873,298</b>                     |
| Retirement liability                                     | 15          | <b>43,333,951</b>                     | <b>41,870,993</b>                      |
| <b>Total Noncurrent Liabilities</b>                      |             | <b>238,138,176</b>                    | <b>169,744,291</b>                     |
| <b>Total Liabilities</b>                                 |             | <b>3,409,441,726</b>                  | <b>3,424,697,703</b>                   |
| <b>Equity</b>  |             |                                       |  |
| Capital stock  | 11          | <b>625,000,260</b>                    | <b>625,000,260</b>                     |
| Additional paid-in capital                               | 11          | <b>1,305,308,048</b>                  | <b>1,305,308,048</b>                   |
| Retained earnings  |             | <b>803,406,623</b>                    | <b>878,511,729</b>                     |
| Accumulated remeasurement losses on retirement liability | 15          | <b>(6,814,705)</b>                    | <b>(6,814,705)</b>                     |
| <b>Total Equity</b>                                      |             | <b>2,726,900,226</b>                  | <b>2,802,005,332</b>                   |
| <b>TOTAL LIABILITIES AND EQUITY</b>                      |             | <b>₱6,136,341,952</b>                 | <b>₱6,226,703,035</b>                  |

See Notes to Condensed Interim 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)

**INTERIM STATEMENTS OF COMPREHENSIVE INCOME**

|   | Note | Unaudited                      |                                | Audited                |
|---|------|--------------------------------|--------------------------------|------------------------|
|   |      | January 1 to<br>March 31, 2024 | January 1 to<br>March 31, 2023 | December 31,<br>2023   |
| <b>SALES</b>  |      | <b>₱2,602,895,498</b>          | <b>₱2,396,714,348</b>          | <b>₱10,010,358,499</b> |
| <b>COST OF SALES</b>  | 6    | <b>(2,051,680,152)</b>         | <b>(1,875,831,047)</b>         | <b>(7,932,978,469)</b> |
| <b>GROSS INCOME</b>   |      | <b>551,215,346</b>             | <b>520,883,301</b>             | <b>2,077,380,030</b>   |
| <b>OPERATING EXPENSES</b>   | 12   | <b>(448,161,416)</b>           | <b>(396,702,238)</b>           | <b>(1,675,980,429)</b> |
| <b>FINANCE COSTS</b>  | 10   | <b>(38,352,140)</b>            | <b>(30,345,939)</b>            | <b>(123,495,021)</b>   |
| <b>OTHER INCOME</b>   | 13   | <b>76,171,045</b>              | <b>45,007,311</b>              | <b>306,082,355</b>     |
| <b>INCOME BEFORE INCOME TAX</b>   |      | <b>140,872,835</b>             | <b>138,842,435</b>             | <b>583,986,935</b>     |
| <b>PROVISION FOR (BENEFIT FROM)</b>                                     |      |                                |                                |                        |
| <b>INCOME TAX</b>   |      |                                |                                |                        |
| Current   |      | <b>30,306,628</b>              | <b>26,631,934</b>              | <b>117,606,658</b>     |
| Deferred  |      | <b>(1,828,765)</b>             | <b>(409,861)</b>               | <b>2,189,459</b>       |
|   |      | <b>28,477,863</b>              | <b>26,222,073</b>              | <b>119,796,117</b>     |
| <b>NET INCOME</b>   |      | <b>112,394,972</b>             | <b>112,620,362</b>             | <b>464,190,818</b>     |
| <b>OTHER COMPREHENSIVE</b>  |      |                                |                                |                        |
| <b>INCOME</b>   |      |                                |                                |                        |
| <i>Not to be reclassified to profit or loss in subsequent periods</i>   |      |                                |                                |                        |
| Remeasurement gain on retirement liability - net of deferred income tax | 15   | <b>—</b>                       | <b>—</b>                       | <b>(2,559,921)</b>     |
| <b>TOTAL COMPREHENSIVE</b>  |      |                                |                                |                        |
| <b>INCOME</b>   |      | <b>₱112,394,972</b>            | <b>₱112,620,362</b>            | <b>₱461,630,897</b>    |
| <b>Basic/Diluted Earnings per Share</b>                                 | 18   | <b>₱0.04</b>                   | <b>₱0.05</b>                   | <b>₱0.16</b>           |

See Notes to Condensed Interim 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)

**INTERIM STATEMENTS OF CHANGES IN EQUITY**

|  | Note      | Unaudited                      |                                | Audited              |
|--|-----------|--------------------------------|--------------------------------|----------------------|
|  |           | January 1 to<br>March 31, 2024 | January 1 to<br>March 31, 2023 | December 31,<br>2023 |
| <b>CAPITAL STOCK</b>   | <i>11</i> | <b>₱625,000,260</b>            | ₱500,000,060                   | ₱625,000,260         |
| <b>ADDITIONAL PAID-IN CAPITAL</b>  | <i>11</i> | <b>1,305,308,048</b>           | —                              | 1,305,308,048        |
| <b>RETAINED EARNINGS</b>   | <i>11</i> |                                |                                |                      |
| <b>UNAPPROPRIATED</b>  |           |                                |                                |                      |
| Balance at beginning of period   |           | 800,511,729                    | 552,320,968                    | 552,320,968          |
| Net income   |           | 112,394,972                    | 112,620,362                    | 464,190,818          |
| Appropriation  |           | —                              | (78,000,000)                   | (78,000,000)         |
| Reversal of appropriation  |           | 78,000,000                     | —                              | —                    |
| Cash dividends - ₱0.06 in 2024 and ₱0.04 per share in 2023                 |           | (187,500,078)                  | —                              | (138,000,057)        |
| Balance at end of period   |           | 803,406,623                    | 586,941,330                    | 800,511,729          |
| <b>APPROPRIATED</b>  |           |                                |                                |                      |
| Balance at beginning of period   |           | 78,000,000                     | —                              | —                    |
| Appropriation  |           | —                              | 78,000,000                     | 78,000,000           |
| Reversal of appropriation  |           | (78,000,000)                   | —                              | —                    |
| Balance at end of period   |           | —                              | 78,000,000                     | 78,000,000           |
|  |           | 803,406,623                    | 664,941,330                    | 878,511,729          |
| <b>ACCUMULATED REMEASUREMENT<br/>LOSSES ON RETIREMENT LIABILITY</b>        | <i>15</i> |                                |                                |                      |
| Balance at beginning of period   |           | (6,814,705)                    | (4,254,784)                    | (4,254,784)          |
| Remeasurement gain on retirement liability -<br>net of deferred income tax |           | —                              | —                              | (2,559,921)          |
| Balance at end of period   |           | (6,814,705)                    | (4,254,784)                    | (6,814,705)          |
|  |           | <b>₱2,726,900,226</b>          | ₱1,160,686,606                 | ₱2,802,005,332       |

See Notes to Condensed Interim 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)

**INTERIM STATEMENTS OF CASH FLOWS**

|   |      | Unaudited                         | Audited                           |                       |
|---|------|-----------------------------------|-----------------------------------|-----------------------|
|   | Note | January 1 to<br>March 31,<br>2024 | January 1 to<br>March 31,<br>2023 | December 31,<br>2023  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>         |      |                                   |                                   |                       |
| Income before income tax                            |      | ₱140,872,835                      | ₱138,842,435                      | ₱583,986,935          |
| Adjustments for:                                    |      |                                   |                                   |                       |
| Depreciation and amortization                       | 8    | 99,883,330                        | 66,842,829                        | 309,075,012           |
| Finance costs                                       | 10   | 38,352,140                        | 30,345,939                        | 123,495,021           |
| Interest income                                     | 4    | (8,763,836)                       | (156,268)                         | (46,811,084)          |
| Retirement expense                                  | 15   | 1,462,958                         | 1,254,739                         | 5,018,956             |
| Provision for inventory obsolescence                | 6    | —                                 | —                                 | 2,916,376             |
| Gain on lease modification                          | 16   | —                                 | (102,070)                         | (102,070)             |
| Operating income before working capital changes     |      | 271,807,427                       | 237,027,604                       | 977,579,146           |
| Decrease (increase) in:                             |      |                                   |                                   |                       |
| Trade and other receivables                         |      | 8,668,591                         | 7,753,138                         | (108,765,398)         |
| Inventories   |      | 69,415,581                        | (216,125,205)                     | (687,182,591)         |
| Other assets  |      | (22,876,344)                      | (28,049,193)                      | (25,182,984)          |
| Increase (decrease) in trade and other payables     |      | (385,062,967)                     | 156,447,144                       | 61,572,017            |
| Net cash generated from (used for) operations       |      | (58,047,712)                      | 157,053,488                       | 218,020,190           |
| Income taxes paid                                   |      | (7,628,387)                       | (6,061,413)                       | (187,146,870)         |
| Interest received                                   |      | 6,617,169                         | 156,268                           | 37,553,002            |
| Net cash provided by (used in) operating activities |      | (59,058,930)                      | 151,148,343                       | 68,426,322            |
| <b>CASH FLOWS FROM AN INVESTING ACTIVITY</b>        |      |                                   |                                   |                       |
| Additions to property and equipment                 | 8    | (51,581,172)                      | (50,989,778)                      | (219,496,536)         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>         |      |                                   |                                   |                       |
| Proceeds from:                                      |      |                                   |                                   |                       |
| Bank loans and trust receipts availments            | 10   | 619,406,043                       | 607,333,637                       | 2,611,018,632         |
| Issuance of capital stock                           |      | —                                 | —                                 | 1,430,308,248         |
| Payments of:  |      |                                   |                                   |                       |
| Loans and trust receipts                            | 10   | (462,208,874)                     | (368,555,639)                     | (2,578,049,580)       |
| Dividends   | 11   | (187,500,078)                     | (275,306,000)                     | (413,306,057)         |
| Lease liabilities                                   | 16   | (78,413,796)                      | (47,265,209)                      | (220,119,782)         |
| Interest  |      | (30,272,912)                      | (26,933,853)                      | (119,320,548)         |
| Net cash provided by (used in) financing activities |      | (138,989,617)                     | (110,727,064)                     | 710,530,913           |
| <b>NET INCREASE (DECREASE) IN CASH</b>              |      | <b>(249,629,719)</b>              | <b>(10,568,499)</b>               | <b>559,460,699</b>    |
| <b>CASH AT BEGINNING OF PERIOD</b>                  |      | <b>1,360,873,502</b>              | <b>801,412,803</b>                | <b>801,412,803</b>    |
| <b>CASH AT END OF PERIOD</b>                        |      | <b>₱1,111,243,783</b>             | <b>₱790,844,304</b>               | <b>₱1,360,873,502</b> |
| <b>NONCASH FINANCIAL INFORMATION</b>                |      |                                   |                                   |                       |
| Additions and modifications to ROU assets           | 16   | (₱258,803,190)                    | (₱26,536,722)                     | (₱232,540,827)        |
| Additions and modifications to lease liabilities    |      | 258,803,190                       | 26,434,652                        | 230,344,503           |
| Capitalized borrowing costs                         |      | —                                 | —                                 | 11,074,116            |

See Notes to Condensed Interim 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)

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### **NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

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#### **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 Company's registered office address is Unit 2308, 23/F Capital House Tower 1, 9th Avenue corner 34th Street, Bonifacio Global City, Taguig City.

##### **Initial Public Offering (IPO)**

On February 2, 2022, the BOD approved the amendments to the Company's Articles of Incorporation which included a five-to-one share split whereby one share at ₱1.00 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 change in capital stock was pursuant to the 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. On April 3, 2023, the Company's shares of stock were listed under the Main Board of the PSE.

#### **2. Basis of Preparation and Statement of Compliance**

The unaudited condensed interim financial statements of the Company have been prepared on the historical cost basis of accounting, except for lease liabilities and retirement liability which are measured at present value, and are presented in Philippine Peso, the Company's functional and presentation currency. All values represent absolute amounts except when otherwise stated.

The unaudited condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at December 31, 2023.

The unaudited condensed interim financial statements of the Company for the three months ended March 31, 2024 have been prepared in accordance with PAS 34, *Interim Financial Reporting* and in compliance 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.



### 3. Summary of Material Accounting Policy Information

#### Adoption of Amendments to PFRS

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

### 4. Cash and Cash Equivalents

This account consists of:

|                  | March 31, 2024<br>(Unaudited) | December 31, 2023<br>(Audited) |
|------------------|-------------------------------|--------------------------------|
| Cash on hand     | ₱2,337,075                    | ₱2,365,464                     |
| Cash in banks    | 408,906,708                   | 558,508,038                    |
| Cash equivalents | 700,000,000                   | 800,000,000                    |
|                  | <b>₱1,111,243,783</b>         | <b>₱1,360,873,502</b>          |

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 5.75% per annum.

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

|                  | Three Months Ended March 31 |                     | Year Ended<br>December 31 |
|------------------|-----------------------------|---------------------|---------------------------|
|                  | 2024<br>(Unaudited)         | 2023<br>(Unaudited) | 2023<br>(Audited)         |
| Cash in banks    | ₱196,918                    | ₱156,268            | ₱680,425                  |
| Cash equivalents | 8,566,918                   | –                   | 46,130,659                |
|                  | <b>₱8,763,836</b>           | <b>₱156,268</b>     | <b>₱46,811,084</b>        |

Accrued interest receivable from cash equivalents amounted to ₱2.1 million and ₱9.3 million as at March 31, 2024 and December 31, 2023, respectively.

## 5. Trade and Other Receivables

This account consists of:

|                             |             | March 31, 2024<br>(Unaudited) | December 31, 2023<br>(Audited) |
|-----------------------------|-------------|-------------------------------|--------------------------------|
|                             | <i>Note</i> |                               |                                |
| Trade                       |             | ₱139,105,801                  | ₱134,936,141                   |
| Advances to:                |             |                               |                                |
| Stockholder                 |             | 31,791,848                    | 31,791,848                     |
| Suppliers                   |             | 355,774                       | 3,308,220                      |
| Officers and employees      |             | 1,135,690                     | 1,763,413                      |
| Accrued interest receivable | 4           | 2,146,667                     | 9,258,082                      |
|                             |             | <b>₱174,535,780</b>           | <b>₱181,057,704</b>            |

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 for the three months ended March 31, 2024 and 2023 and for the year ended December 31, 2023.

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:

|   |  | March 31, 2024<br>(Unaudited) | December 31, 2023<br>(Audited) |
|---|--|-------------------------------|--------------------------------|
| At cost:                                  |  |                               |                                |
| Computers and peripherals                 |  | ₱1,859,894,007                | ₱1,953,012,515                 |
| Accessories                               |  | 657,195,605                   | 589,958,494                    |
| Mobile phones                             |  | 479,184,642                   | 519,145,107                    |
| Printers and scanners                     |  | 244,812,381                   | 251,766,243                    |
| Consumables                               |  | 92,092,461                    | 88,712,318                     |
|   |  | <b>3,333,179,096</b>          | <b>3,402,594,677</b>           |
| Less allowance for inventory obsolescence |  | <b>(51,768,993)</b>           | <b>(51,768,993)</b>            |
| At net realizable value                   |  | <b>₱3,281,410,103</b>         | <b>₱3,350,825,684</b>          |

Movements in the allowance for inventory obsolescence are as follows:

|                                      |             | March 31, 2024<br>(Unaudited) | December 31, 2023<br>(Audited) |
|--------------------------------------|-------------|-------------------------------|--------------------------------|
|                                      | <i>Note</i> |                               |                                |
| Balance at beginning of period       |             | ₱51,768,993                   | ₱48,852,617                    |
| Provision for inventory obsolescence | 12          | —                             | 2,916,376                      |
| Balance at end of period             |             | <b>₱51,768,993</b>            | <b>₱51,768,993</b>             |

The Company's inventories are stated at NRV as at March 31, 2024 and December 31, 2023.



Under the terms of agreements, merchandise inventories amounting to ₱519.4 million and ₱2,036.0 million as at March 31, 2024 and December 31, 2023, respectively, were covered by trust receipts issued by local banks (see Note 10).

Cost of inventories sold during the year follows:

|                                    | Three Months Ended March 31 |                       | Year Ended            |
|------------------------------------|-----------------------------|-----------------------|-----------------------|
|                                    | 2024                        | 2023                  | December 31           |
|                                    | (Unaudited)                 | (Unaudited)           | (Audited)             |
| Inventories at beginning of period | ₱3,402,594,677              | ₱2,715,412,086        | ₱2,715,412,086        |
| Purchases                          | 1,982,264,571               | 2,091,956,252         | 8,620,161,060         |
| Cost of goods available for sale   | 5,384,859,248               | 4,807,368,338         | 11,335,573,146        |
| Less inventories at end of period  | (3,333,179,096)             | (2,931,537,291)       | (3,402,594,677)       |
|                                    | <b>₱2,051,680,152</b>       | <b>₱1,875,831,047</b> | <b>₱7,932,978,469</b> |

## 7. Other Assets

This account includes:

|   |      | March 31, 2024      | December 31, 2023   |
|---|------|---------------------|---------------------|
|   | Note | (Unaudited)         | (Audited)           |
| Refundable lease deposits                               | 16   | ₱219,303,063        | ₱213,463,543        |
| Prepayments   |      | 23,612,745          | 3,685,777           |
| Input VAT   |      | —                   | 2,890,144           |
|   |      | <b>242,915,808</b>  | <b>220,039,464</b>  |
| Less noncurrent portion of<br>refundable lease deposits |      | <b>133,238,405</b>  | <b>59,723,407</b>   |
|   |      | <b>₱109,677,403</b> | <b>₱160,316,057</b> |

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

## 8. Property and Equipment

Movements of this account are presented below:

| March 31, 2024<br>(Unaudited)                    |              |  |                           |                                     |                             |                             |
|--|--------------|--|---------------------------|-------------------------------------|-----------------------------|-----------------------------|
|  | Land         | Building and<br>Building<br>Improvements | Leasehold<br>Improvements | Store<br>Furniture and<br>Equipment | Transportation<br>Equipment | Furniture<br>and Fixtures   |
|  |              |  |                           |                                     |                             | Construction<br>in progress |
|  |              |  |                           |                                     |                             | Total                       |
| <b>Cost</b>                                      |              |  |                           |                                     |                             |                             |
| Balance at beginning of period                   | ₹201,025,000 | ₹208,474,487                             | ₹609,482,926              | ₹143,360,783                        | ₹133,324,094                | ₹110,010,869                |
| Additions  | -            | -  | 1,100,299                 | 1,669,850                           | 15,105,357                  | 2,647,113                   |
| Balance at end of period                         | 201,025,000  | 208,474,487                              | 610,583,225               | 145,030,633                         | 148,429,451                 | 210,378,483                 |
| <b>Accumulated Depreciation and Amortization</b> |              |  |                           |                                     |                             |                             |
| Balance at beginning of period                   | -            | 24,281,885                               | 448,924,870               | 89,095,323                          | 112,642,606                 | 90,634,481                  |
| Depreciation and amortization                    | -            | 2,065,087                                | 14,911,996                | 5,673,684                           | 4,305,060                   | 1,939,491                   |
| Balance at end of period                         | -            | 26,346,972                               | 463,836,866               | 94,769,007                          | 116,947,666                 | 92,573,972                  |
| <b>Carrying Amount</b>                           | ₹201,025,000 | ₹182,127,515                             | ₹146,746,359              | ₹50,261,626                         | ₹31,481,785                 | ₹210,378,483                |

| December 31, 2023<br>(Audited)                   |              |  |                           |                                     |                             |                             |
|--|--------------|--|---------------------------|-------------------------------------|-----------------------------|-----------------------------|
|  | Land         | Building and<br>Building<br>Improvements | Leasehold<br>Improvements | Store<br>Furniture and<br>Equipment | Transportation<br>Equipment | Furniture<br>and Fixtures   |
|  |              |  |                           |                                     |                             | Construction<br>in progress |
|  |              |  |                           |                                     |                             | Total                       |
| <b>Cost</b>                                      |              |  |                           |                                     |                             |                             |
| Balance at beginning of year                     | ₹201,025,000 | ₹208,474,487                             | ₹526,265,782              | ₹112,353,141                        | ₹123,990,094                | ₹103,358,684                |
| Additions  | -            | -  | 46,408,731                | 31,007,642                          | 9,334,000                   | 6,652,185                   |
| Reclassification                                 | -            | -  | 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                 |
| <b>Accumulated Depreciation and Amortization</b> |              |  |                           |                                     |                             |                             |
| Balance at beginning of year                     | -            | 16,026,206                               | 398,005,308               | 70,454,834                          | 97,063,253                  | 83,382,506                  |
| Depreciation and amortization                    | -            | 8,255,679                                | 50,919,562                | 18,640,489                          | 15,579,353                  | 7,251,975                   |
| Balance at end of year                           | -            | 24,281,885                               | 448,924,870               | 89,095,323                          | 112,642,606                 | 90,634,481                  |
| <b>Carrying Amount</b>                           | ₹201,025,000 | ₹184,192,602                             | ₹160,558,056              | ₹54,265,460                         | ₹20,681,488                 | ₹19,376,388                 |



Construction in progress represents the accumulated costs incurred in the construction of a warehouse and store branches which are expected to be completed within 2024. As at March 31, 2024, the estimated total cost to complete the warehouse and store branches amounted to ₱22.3 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 ₱163.1 million and ₱164.9 million as at March 31, 2024 and December 31, 2023, 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 ₱144.8 million and ₱123.7 million as at March 31, 2024 and December 31, 2023, respectively.

Depreciation and amortization are recognized from:

|                        | Note | Three Months Ended March 31 |                    | Year Ended          |
|------------------------|------|-----------------------------|--------------------|---------------------|
|                        |      | 2024                        | 2023               | December 31         |
|                        |      | (Unaudited)                 | (Unaudited)        | (Audited)           |
| ROU assets             | 16   | ₱70,988,012                 | ₱44,877,174        | ₱208,427,954        |
| Property and equipment |      | 28,895,318                  | 21,965,655         | 100,647,058         |
|                        |      | <b>₱99,883,330</b>          | <b>₱66,842,829</b> | <b>₱309,075,012</b> |

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

|                                     | Three Months Ended March 31 |                    | Year Ended          |
|-------------------------------------|-----------------------------|--------------------|---------------------|
|                                     | 2024                        | 2023               | December 31         |
|                                     | (Unaudited)                 | (Unaudited)        | (Audited)           |
| Selling and marketing expenses      | ₱77,180,162                 | ₱45,604,098        | ₱219,442,677        |
| General and administrative expenses | 22,703,168                  | 21,238,731         | 89,632,335          |
|                                     | <b>₱99,883,330</b>          | <b>₱66,842,829</b> | <b>₱309,075,012</b> |

## 9. Trade and Other Payables

This account consists of:

|                               | Note | March 31, 2024<br>(Unaudited) | December 31, 2023<br>(Audited) |
|-------------------------------|------|-------------------------------|--------------------------------|
| Trade                         |      | ₱835,766,012                  | ₱1,256,409,554                 |
| Statutory payables            |      | 53,426,094                    | 18,219,072                     |
| Advances from a related party | 14   | 25,403,485                    | 25,403,485                     |
| Accrued expenses              |      | 17,254,911                    | 17,203,355                     |
| Retention payables            |      | 3,146,833                     | 3,112,053                      |
| Others                        |      | 1,695,031                     | 2,495,665                      |
|                               |      | <b>₱936,692,366</b>           | <b>₱1,322,843,184</b>          |

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:

|                                | March 31, 2024<br>(Unaudited) |                |                |
|--------------------------------|-------------------------------|----------------|----------------|
|                                | Bank Loans                    | Trust Receipts | Total          |
| Balance at beginning of period | ₱916,666,667                  | ₱850,947,198   | ₱1,767,613,865 |
| Availments                     | 100,000,000                   | 519,406,043    | 619,406,043    |
| Payments                       | —                             | (462,208,874)  | (462,208,874)  |
| Balance at end of period       | ₱1,016,666,667                | ₱908,144,367   | ₱1,924,811,034 |

|                              | December 31, 2023<br>(Audited) |                 |                 |
|------------------------------|--------------------------------|-----------------|-----------------|
|                              | 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  |

As at March 31, 2024 and December 31, 2023, 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 6.13% to 8.00% in 2024 and 4.88% to 9.25% in 2023.

### Trust Receipts

Under the terms of agreements, merchandise inventories amounting to ₱519.4 million and ₱2,036.0 million as at March 31, 2024 and December 31, 2023, respectively, were covered by trust receipts issued by local banks (see Note 6).

### Covenants

As at March 31, 2024, the Company's bank loans were not covered by any covenants.

Details of finance costs charged to operations are as follows:

|  | Note | Three Months Ended March 31 |                     | Year Ended                       |
|--|------|-----------------------------|---------------------|----------------------------------|
|  |      | 2024<br>(Unaudited)         | 2023<br>(Unaudited) | December 31<br>2023<br>(Audited) |
| Interest on trust receipts                 |      | ₱14,320,047                 | ₱18,321,861         | ₱68,676,271                      |
| Interest on bank loans                     |      | 16,843,281                  | 9,149,271           | 51,534,693                       |
| Accretion of interest on lease liabilities | 16   | 7,188,812                   | 2,874,807           | 14,358,173                       |
|  |      | 38,352,140                  | 30,345,939          | 134,569,137                      |
| Less capitalized borrowing cost            |      | —                           | —                   | (11,074,116)                     |
|  |      | ₱38,352,140                 | ₱30,345,939         | ₱123,495,021                     |



In 2023, borrowing costs amounting to ₱11.1 million using a capitalization rate of 5.69% were capitalized (see Note 8). No finance costs were capitalized for the three months ended March 31, 2024 and 2023.

## 11. Equity

### Capital Stock

Details of capital stock follow:

|  | March 31, 2024<br>(Unaudited) |                | December 31, 2023<br>(Audited) |                |
|--|-------------------------------|----------------|--------------------------------|----------------|
|  | Shares                        | Amount         | Shares                         | Amount         |
| Authorized:                            |                               |                |                                |                |
| Balance at beginning and end of period | 6,250,000,000                 | ₱1,250,000,000 | 6,250,000,000                  | ₱1,250,000,000 |
| Issued and outstanding:                |                               |                |                                |                |
| Balance at beginning of period         | 3,125,001,300                 | ₱625,000,260   | 2,500,000,300                  | ₱500,000,060   |
| Subscription                           | —                             | —              | 625,001,000                    | 125,000,200    |
| Balance at end of period               | 3,125,001,300                 | ₱625,000,260   | 3,125,001,300                  | ₱625,000,260   |

### IPO

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 March 31, 2024 amounted to ₱937.1 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

#### 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.

On March 21, 2024, the BOD approved the reversal of retained earnings appropriated for the construction of a warehouse amounting to ₱78.0 million.



### Dividend Declaration

Details of the cash dividends declared by the Company in 2024 and 2023 are as follows:

| Date of BOD approval | Stockholders of record | Dividend per share | Amount       |
|----------------------|------------------------|--------------------|--------------|
| February 28, 2024    | March 13, 2024         | ₱0.06              | ₱187,500,078 |
| July 12, 2023        | July 26, 2023          | ₱0.04              | ₱138,000,057 |

As of March 31, 2024 and December 31, 2023, the cash dividends were completely distributed to the stockholders. No dividends were declared for the three months ended March 31, 2023.

## 12. Operating Expenses

This account consists of:

|                                     | Three Months Ended March 31 |              | Year Ended<br>December 31 |
|-------------------------------------|-----------------------------|--------------|---------------------------|
|                                     | 2024                        | 2023         | 2023                      |
|                                     | (Unaudited)                 | (Unaudited)  | (Audited)                 |
| Selling and marketing expenses      | ₱353,365,131                | ₱305,085,840 | ₱1,338,813,250            |
| General and administrative expenses | 94,796,285                  | 91,616,398   | 337,167,179               |
|                                     | ₱448,161,416                | ₱396,702,238 | ₱1,675,980,429            |

Selling and marketing expenses consist of:

|                                      |      | Three Months Ended March 31 |              | Year Ended<br>December 31 |
|--------------------------------------|------|-----------------------------|--------------|---------------------------|
|                                      |      | 2024                        | 2023         | 2023                      |
|                                      | Note | (Unaudited)                 | (Unaudited)  | (Audited)                 |
| Merchant discount                    |      | ₱77,790,856                 | ₱67,549,627  | ₱304,859,917              |
| Depreciation and amortization        | 8    | 77,180,162                  | 45,604,098   | 219,442,677               |
| Personnel costs                      |      | 74,856,251                  | 68,947,360   | 296,953,998               |
| Rent                                 | 16   | 50,532,779                  | 63,972,030   | 251,986,409               |
| Utilities                            |      | 34,070,018                  | 31,825,522   | 131,221,218               |
| Contracted and other services        |      | 33,383,872                  | 16,010,758   | 97,759,776                |
| Freight and delivery                 |      | 2,826,448                   | 3,812,589    | 14,765,157                |
| Advertising                          |      | 1,603,573                   | 6,408,931    | 15,129,392                |
| Retirement expense                   | 15   | 1,121,172                   | 954,925      | 3,778,330                 |
| Provision for inventory obsolescence | 6    | —                           | —            | 2,916,376                 |
|                                      |      | ₱353,365,131                | ₱305,085,840 | ₱1,338,813,250            |

General and administrative expenses consist of:

|                                     | Note | Three Months Ended March 31 |             | Year Ended   |
|-------------------------------------|------|-----------------------------|-------------|--------------|
|                                     |      | 2024                        | 2023        | December 31  |
|                                     |      | (Unaudited)                 | (Unaudited) | (Audited)    |
| Taxes and licenses                  |      | <b>₱28,637,143</b>          | ₱28,618,185 | ₱61,079,416  |
| Personnel costs                     |      | <b>22,819,672</b>           | 21,647,098  | 97,505,755   |
| Depreciation and amortization       | 8    | <b>22,703,168</b>           | 21,238,731  | 89,632,335   |
| Repairs, warranties and maintenance |      | <b>4,421,114</b>            | 6,274,901   | 12,504,093   |
| Stationery and supplies             |      | <b>3,871,053</b>            | 2,118,412   | 13,635,938   |
| Transportation and travel           |      | <b>3,548,747</b>            | 2,334,061   | 12,156,859   |
| Professional fees                   |      | <b>3,199,264</b>            | 1,610,214   | 8,088,818    |
| Insurance                           |      | <b>1,182,938</b>            | 1,209,405   | 7,817,667    |
| Representation                      |      | <b>1,131,539</b>            | 1,764,795   | 8,301,601    |
| Retirement expense                  | 15   | <b>341,786</b>              | 299,814     | 1,240,626    |
| Rent                                | 16   | —                           | 1,482,626   | 492,696      |
| IPO Expense                         |      | —                           | —           | 16,546,052   |
| Others                              |      | <b>2,939,861</b>            | 3,018,156   | 8,165,323    |
|                                     |      | <b>₱94,796,285</b>          | ₱91,616,398 | ₱337,167,179 |

Personnel costs consist of:

|                    | Note | Three Months Ended March 31 |             | Year Ended   |
|--------------------|------|-----------------------------|-------------|--------------|
|                    |      | 2024                        | 2023        | December 31  |
|                    |      | (Unaudited)                 | (Unaudited) | (Audited)    |
| Salaries and wages |      | <b>₱89,828,164</b>          | ₱81,714,866 | ₱346,795,528 |
| Employee benefits  |      | <b>7,847,759</b>            | 8,879,592   | 47,664,225   |
|                    |      | <b>₱97,675,923</b>          | ₱90,594,458 | ₱394,459,753 |

### 13. Other Income

|                                | Note | Three Months Ended March 31 |             | Year Ended   |
|--------------------------------|------|-----------------------------|-------------|--------------|
|                                |      | 2024                        | 2023        | December 31  |
|                                |      | (Unaudited)                 | (Unaudited) | (Audited)    |
| Realized foreign exchange gain |      | <b>₱7,205,362</b>           | ₱5,549,556  | ₱7,472,929   |
| Interest income                | 4    | <b>8,763,836</b>            | 156,268     | 46,811,084   |
| Gain on lease modification     | 16   | —                           | 102,070     | 102,070      |
| Others                         |      | <b>60,201,847</b>           | 39,199,417  | 251,696,272  |
|                                |      | <b>₱76,171,045</b>          | ₱45,007,311 | ₱306,082,355 |

Others mainly pertain 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 Period |                                | Outstanding Balance |                   |
|---|--|--------------------------------|--------------------------------|---------------------|-------------------|
|   |  | January 1 to March 31, 2024    | January 1 to December 31, 2023 | March 31, 2024      | December 31, 2023 |
|   |  | (Unaudited)                    | (Audited)                      | (Unaudited)         | (Audited)         |
| <b>Trade and Other Receivables</b>        |  |                                |                                |                     |                   |
|   | Advances for business development expenses |                                |                                |                     |                   |
| Stockholder                               |  | P—                             | P31,791,848                    | P31,791,848         | P31,791,848       |
| <b>Trade and Other Payables</b>           |  |                                |                                |                     |                   |
| Entity under common control               | Advances from a related party              | P—                             | P—                             | P25,403,485         | P25,403,485       |
| <b>Lease Arrangement</b><br>(see Note 16) |  |                                |                                |                     |                   |
|   | ROU Asset amortization                     | (P16,866,503)                  | (P68,963,541)                  | P115,874,360        | P18,764,032       |
| Entity under common control               | Lease liability payment                    | (17,990,908)                   | (68,402,482)                   | 117,270,756         | 19,350,782        |

#### Terms and Conditions

##### *Advances to a Stockholder*

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

##### *Advances from a Related Party*

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

The Company's building with a carrying amount of P163.1 million and P164.9 million as at March 31, 2024 and December 31, 2023, 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:

|                              | Three Months Ended March 31 | Year Ended December 31 |                   |
|------------------------------|-----------------------------|------------------------|-------------------|
|                              | 2024<br>(Unaudited)         | 2023<br>(Unaudited)    | 2023<br>(Audited) |
| Short-term employee benefits | P1,713,465                  | P1,713,465             | P6,853,860        |
| Post-employment benefits     | 166,407                     | 166,407                | 665,628           |
|                              | P1,879,872                  | P1,879,872             | P7,519,488        |

## 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:

|                      | Three Months Ended March 31 |                   | Year Ended<br>December 31 |
|----------------------|-----------------------------|-------------------|---------------------------|
|                      | 2024                        | 2023              | 2023                      |
|                      | (Unaudited)                 | (Unaudited)       | (Audited)                 |
| Current service cost | ₱813,958                    | ₱636,121          | ₱2,544,484                |
| Interest cost        | 649,000                     | 618,618           | 2,474,472                 |
|                      | <b>₱1,462,958</b>           | <b>₱1,254,739</b> | <b>₱5,018,956</b>         |

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

|                                     | Three Months Ended March 31 |                   | Year Ended<br>December 31 |
|-------------------------------------|-----------------------------|-------------------|---------------------------|
|                                     | 2024                        | 2023              | 2023                      |
|                                     | (Unaudited)                 | (Unaudited)       | (Audited)                 |
| Selling and marketing expenses      | ₱1,121,172                  | ₱954,925          | ₱3,778,330                |
| General and administrative expenses | 341,786                     | 299,814           | 1,240,626                 |
|                                     | <b>₱1,462,958</b>           | <b>₱1,254,739</b> | <b>₱5,018,956</b>         |

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

|                                | March 31, 2024<br>(Unaudited) | December 31, 2023<br>(Audited) |
|--------------------------------|-------------------------------|--------------------------------|
| Balance at beginning of period | ₱41,870,993                   | ₱33,438,809                    |
| Current service cost           | 813,958                       | 2,544,484                      |
| Interest cost                  | 649,000                       | 2,474,472                      |
| Remeasurement loss             | —                             | 3,413,228                      |
| Balance at end of period       | <b>₱43,333,951</b>            | <b>₱41,870,993</b>             |

The assumptions used to determine retirement liability are as follows:

|                      | March 31,<br>2024<br>(Unaudited) | December 31,<br>2023<br>(Audited) |
|----------------------|----------------------------------|-----------------------------------|
| Discount rate        | 6.20%                            | 6.20%                             |
| Salary increase rate | 3.00%                            | 3.00%                             |



The sensitivity analyses based on reasonably possible changes of the assumptions as at March 31, 2024 follow:

|                      | Basis Points | Effect on Present Value of Retirement Liability |
|----------------------|--------------|---|
| Discount rate        | +100         | (P2,972,289)                                    |
|                      | -100         | 9,204,309                                       |
| Salary increase rate | +100         | 9,352,435                                       |
|                      | -100         | (3,188,711)                                     |

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 are as follows:

| March 31, 2024<br>(Unaudited)          |                               |                            |   |
|--|-------------------------------|----------------------------|---|
|  | Cumulative Remeasurement Loss | Deferred Tax (see Note 17) | Cumulative Remeasurement Loss, Net of Tax |
| Balance at beginning and end of period | P9,086,274                    | (P2,271,569)               | P6,814,705                                |

| December 31, 2023<br>(Audited) |                               |                            |   |
|--------------------------------|-------------------------------|----------------------------|---|
|                                | Cumulative Remeasurement Loss | Deferred Tax (see Note 17) | Cumulative Remeasurement Loss, Net of Tax |
| Balance at beginning of year   | P5,673,046                    | (P1,418,262)               | P4,254,784                                |
| Remeasurement gain             | 3,413,228                     | (853,307)                  | 2,559,921                                 |
| Balance at end of year         | P9,086,274                    | (P2,271,569)               | P6,814,705                                |

## 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.

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

|                                     | Three Months Ended March 31 |                    | Year Ended<br>December 31 |
|-------------------------------------|-----------------------------|--------------------|---------------------------|
|                                     | 2024                        | 2023               | 2023                      |
|                                     | (Unaudited)                 | (Unaudited)        | (Audited)                 |
| Selling and marketing expenses      | ₱50,532,779                 | ₱63,972,030        | ₱251,986,409              |
| General and administrative expenses | –                           | 1,482,626          | 492,696                   |
|                                     | <b>₱50,532,779</b>          | <b>₱65,454,656</b> | <b>₱252,479,105</b>       |

### 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 | March 31,<br>2024<br>(Unaudited) | December 31,<br>2023<br>(Audited) |
|---------------------------------|------|----------------------------------|-----------------------------------|
| <b>Cost</b>                     |      |                                  |                                   |
| Balance at beginning of period  |      | ₱1,250,321,423                   | ₱1,017,780,596                    |
| Additions                       |      | 258,803,190                      | 232,869,169                       |
| Effect of lease modification    |      | –                                | (328,342)                         |
| Balance at end of period        |      | <b>1,509,124,613</b>             | <b>1,250,321,423</b>              |
| <b>Accumulated amortization</b> |      |                                  |                                   |
| Balance at beginning of period  |      | 974,894,570                      | 766,466,616                       |
| Amortization                    | 8    | 70,988,012                       | 208,427,954                       |
| Balance at end of period        |      | <b>1,045,882,582</b>             | <b>974,894,570</b>                |
| <b>Carrying Amount</b>          |      | <b>₱463,242,031</b>              | <b>₱275,426,853</b>               |

#### *Refundable Lease Deposits*

Lease deposits, which are refundable at the end of the lease term if unutilized, aggregate ₱219.3 million and ₱213.5 million as at March 31, 2024 and December 31, 2023, respectively (see Note 7).



### Lease Liabilities

The balance and movements in lease liabilities are as follows:

|                                |      | March 31,<br>2024<br>(Unaudited) | December 31,<br>2023<br>(Audited) |
|--------------------------------|------|----------------------------------|-----------------------------------|
|                                | Note |                                  |                                   |
| Balance at beginning of period |      | ₱ 275,193,672                    | ₱250,610,778                      |
| Additions                      |      | 258,803,190                      | 230,774,915                       |
| Payments                       |      | (78,413,796)                     | (220,119,782)                     |
| Accretion                      | 10   | 7,188,812                        | 14,358,173                        |
| Effect of lease modification   |      | —                                | (430,412)                         |
| Balance at end of period       |      | 462,771,878                      | 275,193,672                       |
| Current portion                |      | 267,967,653                      | 147,320,374                       |
| Noncurrent portion             |      | ₱194,804,225                     | ₱127,873,298                      |

Incremental borrowing rate ranging from 3.4% to 7.0% was applied to determine the discounted amount of lease liabilities in 2024 and 2023.

In 2023, the Company has pre-terminated one (1) store resulting to a gain on lease modification of ₱0.1 million for the three months ended March 31, 2023 (see Note 13). No gain or loss on lease modification was recognized in 2024.

The future minimum lease payments and present value as at March 31, 2024 is as follows:

|  | Minimum<br>Lease Payments | Present Value |
|--|---------------------------|---------------|
| Not later than one year                          | ₱288,302,807              | ₱267,967,653  |
| Later than one year but not more than five years | 200,825,577               | 194,804,225   |
|  | ₱489,128,384              | ₱462,771,878  |

## 17. Income Taxes

The provision for current income tax pertains to regular corporate income tax (RCIT) for the three months ended March 31, 2024 and 2023, and for the year ended December 31, 2023.

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

|  | Note | March 31, 2024<br>(Unaudited) | December 31, 2023<br>(Audited) |
|--|------|-------------------------------|--------------------------------|
| <b>Deferred tax assets:</b>              |      |                               |                                |
| Allowance for inventory obsolescence     |      | ₱12,942,248                   | ₱12,942,248                    |
| Retirement liability:                    |      |                               |                                |
| Profit or loss                           |      | 8,561,919                     | 8,196,180                      |
| OCI                                      | 15   | 2,271,569                     | 2,271,569                      |
|  |      | 23,775,736                    | 23,409,997                     |
| <b>Deferred tax liability:</b>           |      |                               |                                |
| Capitalized borrowing cost               |      | (2,768,529)                   | (2,768,529)                    |
| Excess of ROU asset over lease liability |      | (117,538)                     | (58,295)                       |
| Unrealized foreign exchange gain         |      | —                             | (1,522,269)                    |
|  |      | (2,886,067)                   | (4,349,093)                    |
|  |      | ₱20,889,669                   | ₱19,060,904                    |

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**18. Basic and Diluted Earnings per Share Computation**

The following table presents information necessary to calculate earnings per share:

|   | Unaudited                      |                                | Audited              |
|---|--------------------------------|--------------------------------|----------------------|
|   | January 1 to<br>March 31, 2024 | January 1 to<br>March 31, 2023 | December 31,<br>2023 |
| Net income  | <b>₱112,394,972</b>            | ₱112,620,362                   | ₱464,190,818         |
| Divided by weighted average number of<br>outstanding shares | <b>3,125,001,300</b>           | 2,500,000,300                  | 2,968,751,050        |
|   | <b>₱0.04</b>                   | ₱0.05                          | ₱0.16                |

The Company has no dilutive potential shares for the three months ended March 31, 2024 and 2023, and for the year ended December 31, 2023.



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

The following discussion and analysis relate to the unaudited interim financial position and results of operations of the Company and should be read in conjunction with the accompanying interim unaudited financial statements and related notes. The Company cautions that its business and financial performance is subject to certain risks and uncertainties. In evaluating the Company's business, investors should carefully consider all of the information contained in "Risk Factors."

### 2.1 OVERVIEW

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

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. On April 3, 2023, the Company's shares of stock were listed under the Main Board of the PSE.

### 2.2 RESULT OF OPERATION

#### Unaudited Interim Statements of Comprehensive Income

|   | For the three months ended<br>March 31 |                 |          |
|---|--|-----------------|----------|
|   | 2024                                   | 2023            | % Change |
| Sales                                   | ₱2,602,895,498                         | ₱2,396,714,348  | 8.60%    |
| Cost of sales                           | (2,051,680,152)                        | (1,875,831,047) | 9.37%    |
| Gross income                            | 551,215,346                            | 520,883,301     | 5.82%    |
| Operating expenses                      | (448,161,416)                          | (396,702,238)   | 12.97%   |
| Finance costs                           | (38,352,140)                           | (30,345,939)    | 26.38%   |
| Other income                            | 76,171,045                             | 45,007,311      | 69.24%   |
| Income before income tax                | 140,872,835                            | 138,842,435     | 1.46%    |
| Provision for (benefit from) income tax |  |                 |          |
| Current                                 | 30,306,628                             | 26,631,934      | 13.80%   |
| Deferred                                | (1,828,765)                            | (409,861)       | 346.19%  |
|   | 28,477,863                             | 26,222,073      | 8.60%    |
| Net income                              | ₱112,394,972                           | ₱112,620,362    | (0.20%)  |
| Earnings per share                      | ₱0.04                                  | ₱0.05           | —        |



## 2.3 OPERATING RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2024 COMPARED WITH MARCH 31, 2023

During the three months ended March 31, 2024, the Company's operation resulted to a net income of ₱112.4 million.

Sales for the three months ended March 31, 2024, increased by 8.60% compared with the sales for the three months ended March 31, 2023. The increase is mainly due to 9.48% store network growth from 211 to 231 stores in 2024 and 2023, respectively. The Company's gross profit ratio is 21.18% and 21.73% as at March 31, 2024 and 2023, respectively.

The Company's operating expenses mainly consist of merchant discount, depreciation and amortization, personnel costs, rent, utilities, and contracted and other services.

In 2024, the Company availed loans and trust receipts amounting to ₱619.4 million resulting to higher finance costs. Interest rates range from 6.13% to 8.00% in 2024 as compared to 4.88% to 9.25% in 2023.

## 2.4 FINANCIAL CONDITION

### Interim Statements of Financial Position

|                             | March 31, 2024<br>(Unaudited) | December 31, 2023<br>(Audited) | % Change |
|-----------------------------|-------------------------------|--------------------------------|----------|
| Total Current Assets        | ₱4,676,867,069                | ₱5,053,072,947                 | (7.45%)  |
| Total Assets                | 6,136,341,952                 | 6,226,703,035                  | (1.45%)  |
| Current Liabilities         | 3,171,303,550                 | 3,254,953,412                  | (2.57%)  |
| Total Liabilities           | 3,409,441,726                 | 3,424,697,703                  | (0.45%)  |
| Total Equity                | 2,726,900,226                 | 2,802,005,332                  | (2.68%)  |
| Current assets/Total assets | 76.22%                        | 81.15%                         | (6.08%)  |
| Current ratio               | 1.47                          | 1.55                           | (5.00%)  |
| Debt to equity ratio        | 1.25                          | 1.22                           | 2.30%    |

The noncurrent assets of the Company mainly consist of property and equipment and ROU assets. The net increase is mainly caused by the renewal of lease agreements that are qualified for ROU assets recognition and the acquisition of store furniture and fixtures, transportation equipment and on-going construction of warehouses.

The liabilities of the Company mainly consist of trade payables to suppliers, bank loans and trust receipts payable, and lease liabilities. The net decrease in liabilities is mainly caused by the payment of trade payables, net of loan availments and repayments.

## 2.5 LIQUIDITY and CAPITAL RESOURCES

The table below shows the Company's cash flows for the three months ended March 31, 2024 and 2023.

### Unaudited Interim Cash Flows

|   | For the three months ended March 31 |               |           |
|---|-------------------------------------|---------------|-----------|
|   | 2024                                | 2023          | % change  |
| Net cash provided by (used in) operating activities | (P59,058,930)                       | P151,148,343  | (139.07%) |
| Cash used in investing activities                   | (51,581,172)                        | (50,989,778)  | 1.16%     |
| Net cash used in financing activities               | (138,989,617)                       | (110,727,064) | 25.52%    |
| Net decrease in cash                                | (249,629,719)                       | (10,568,499)  | 2262.02%  |
| Cash at beginning of period                         | 1,360,873,502                       | 801,412,803   | (27.20%)  |
| Cash at end of period                               | P1,111,243,783                      | P790,844,304  | (49.43%)  |

The Company has assessed that it has sufficient resources to finance its working capital requirements. All funding for the Company's operations for the next 12 months shall be internally generated.

For the three months ended March 31, 2024, the cash used in investing activities pertains to expenditures for additional property and equipment following the store network expansion program which includes improvements in the supply chain and logistics.

The net cash used in financing activities mainly pertains to loan availments, net of loan repayments, dividend distribution, and lease payments in 2024.



## 2.6 FINANCIAL SOUNDNESS INDICATORS

All secondary licensees of the Commission (financing companies, broker dealer of securities and underwriters) and public companies are required to include a schedule showing financial soundness indicators in two comparative periods, as follows:

| Ratio                        | Formula  | March 31, 2024<br>(Unaudited) | December 31, 2023<br>(Audited) |
|------------------------------|--|-------------------------------|--------------------------------|
| Current/Liquidity Ratio      |  |                               |                                |
|                              | Current assets                                     | ₱4,676,867,069                | ₱5,053,072,947                 |
|                              | Divided by: Current liabilities                    | 3,171,303,550                 | 3,254,953,412                  |
|                              | Current/Liquidity ratio                            | 1.47:1.00                     | 1.55:1.00                      |
| Solvency Ratio               |  |                               |                                |
|                              | Net income before depreciation<br>and amortization | ₱212,278,302                  | ₱773,265,830                   |
|                              | Divided by: Total liabilities                      | 3,409,441,726                 | 3,424,697,703                  |
|                              | Solvency ratio                                     | 0.06:1.00                     | 0.23:1.00                      |
| Debt-to-Equity Ratio         |  |                               |                                |
|                              | Total liabilities                                  | ₱3,409,441,726                | ₱3,424,697,703                 |
|                              | Divided by: Total equity                           | 2,726,900,226                 | 2,802,005,332                  |
|                              | Debt-to-Equity ratio                               | 1.25:1.00                     | 1.22:1.00                      |
| Asset-to-Equity Ratio        |  |                               |                                |
|                              | Total assets                                       | ₱6,136,341,952                | ₱6,226,703,035                 |
|                              | Divided by: Total equity                           | 2,726,900,226                 | 2,802,005,332                  |
|                              | Asset-to-Equity ratio                              | 2.25:1.00                     | 2.22:1.00                      |
| Interest Rate Coverage Ratio |  |                               |                                |
|                              | Income before interest and taxes                   | ₱179,224,975                  | ₱707,481,956                   |
|                              | Divided by: Interest expense                       | 38,352,140                    | 123,495,021                    |
|                              | Interest Rate Coverage ratio                       | 4.67:1.00                     | 5.73:1.00                      |
| Return on Assets Ratio       |  |                               |                                |
|                              | Net income   | ₱112,394,972                  | ₱464,190,818                   |
|                              | Divided by: Total assets                           | 6,136,341,952                 | 6,226,703,035                  |
|                              | Return on Assets ratio                             | 0.02:1.00                     | 0.07:1.00                      |
| Return on Equity Ratio       |  |                               |                                |
|                              | Net income   | ₱112,394,972                  | ₱464,190,818                   |
|                              | Divided by: Total equity                           | 2,726,900,226                 | 2,802,005,332                  |
|                              | Return on Equity ratio                             | 0.04:1.00                     | 0.17:1.00                      |
| Net Profit Margin            |  |                               |                                |
|                              | Net income   | ₱112,394,972                  | ₱464,190,818                   |
|                              | Divided by: Revenues                               | 2,602,895,498                 | 10,010,358,499                 |
|                              | Net Profit Margin                                  | 0.04:1.00                     | 0.05:1.00                      |



## 2.7 RISK

### Overview

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, short-term investment, trade receivables and refundable lease deposits.

*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:

|                                    | March 31,<br>2024<br>(Unaudited) | December 31,<br>2023<br>(Audited) |
|------------------------------------|----------------------------------|-----------------------------------|
| Cash in banks and cash equivalents | ₱1,108,906,708                   | ₱1,358,508,038                    |
| Trade receivables                  | 139,105,801                      | 134,936,141                       |
| Accrued interest receivable        | 2,146,667                        | 9,258,082                         |
|                                    | ₱1,250,159,176                   | ₱1,502,702,261                    |

As at March 31, 2024 and December 31, 2023, the amount of cash in banks, cash equivalents, trade receivables and accrued interest receivable 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 the Company 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 extrajudicial and legal means of collection.

There are no guarantees against trade receivables, but these are due from credit card companies and creditworthy third parties and are generally collectible within three (3) to thirty (30) days from the 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 in 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.

| March 31, 2024<br>(Unaudited)      |                |  |                                   |                |
|------------------------------------|----------------|--|-----------------------------------|----------------|
|                                    | 12-month ECL   | Lifetime ECL -<br>not credit<br>impaired | Lifetime ECL -<br>credit impaired | Total          |
| Cash in banks and cash equivalents | ₱1,108,906,708 |  | ₱—                                | ₱1,108,906,708 |
| Trade receivables                  | —              | ₱139,105,801                             | —                                 | 139,105,801    |
| Accrued interest receivable        | 2,146,667      | —  | —                                 | 2,146,667      |
|                                    | ₱1,111,053,375 | ₱139,105,801                             | ₱—                                | ₱1,250,159,176 |

| December 31, 2023<br>(Audited) |                |  |                                   |                |
|--------------------------------|----------------|--|-----------------------------------|----------------|
|                                | 12-month ECL   | Lifetime ECL -<br>not credit<br>impaired | Lifetime ECL -<br>credit impaired | Total          |
| Cash in banks                  | ₱1,358,508,038 |  | ₱—                                | ₱1,358,508,038 |
| Trade receivables              | —              | ₱134,936,141                             | —                                 | 134,936,141    |
| Refundable lease deposits      | 9,258,082      | —  | —                                 | 9,258,082      |
|                                | ₱1,367,766,120 | ₱134,936,141                             | ₱—                                | ₱1,502,702,261 |

### **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.

| March 31, 2024<br>(Unaudited)         |                |                       |                     |                |
|---------------------------------------|----------------|-----------------------|---------------------|----------------|
|                                       | 1 to 6 Months  | 6 Months to<br>1 Year | More than<br>1 Year | Total          |
| Trade and other payables*             | ₱880,119,439   | ₱3,146,833            | ₱—                  | ₱883,266,272   |
| Bank loans and trust receipts payable | 908,144,367    | 1,016,666,667         | —                   | 1,924,811,034  |
| Lease liabilities                     | 149,791,497    | 138,511,311           | 200,825,576         | 489,128,384    |
|                                       | ₱1,938,055,303 | ₱1,158,324,811        | ₱200,825,576        | ₱3,297,205,690 |

\*Excluding statutory and other payables.



| December 31, 2023<br>(Audited)        |                |                       |                     |                |
|---------------------------------------|----------------|-----------------------|---------------------|----------------|
|                                       | 1 to 6 Months  | 6 Months to<br>1 Year | More than<br>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 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 bank loans and trust receipts payable to local banks are subject to a repricing interest rate 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 bank loans and trust receipts are promissory notes under loan facilities which mature within 90 days to one year as at March 31, 2024 and December 31, 2023, and bear an effective interest rate ranging from 6.12% to 8.00% in 2024 and 4.88% to 9.25% in 2023.

## 2.8 AGING ANALYSIS OF TRADE AND OTHER RECEIVABLES

The tables below detail the Company's aging analysis of trade and other receivables.

| March 31, 2024<br>(Unaudited) |              |              |             |            |            |             |                       |
|-------------------------------|--------------|--------------|-------------|------------|------------|-------------|-----------------------|
| Past Due                      |              |              |             |            |            |             |                       |
|                               | Total        | Current      | 0-30 days   | 31-60 days | 61-90 days | 91-120 days | More than<br>120 days |
| Trade                         | ₱139,105,801 | ₱75,131,771  | ₱63,974,030 | ₱—         | ₱—         | ₱—          | ₱—                    |
| Advances to:                  |              |              |             |            |            |             |                       |
| Stockholder                   | 31,791,838   | 31,791,838   | —           | —          | —          | —           | —                     |
| Suppliers                     | 355,774      | 355,774      | —           | —          | —          | —           | —                     |
| Officers and employees        | 1,135,690    | 1,135,690    | —           | —          | —          | —           | —                     |
| Accrued interest receivable   | 2,146,667    | 2,146,667    | —           | —          | —          | —           | —                     |
|                               | ₱174,535,770 | ₱110,561,740 | ₱63,974,030 | ₱—         | ₱—         | ₱—          | ₱—                    |

| December 31, 2023<br>(Audited) |              |              |           |            |            |             |                       |
|--------------------------------|--------------|--------------|-----------|------------|------------|-------------|-----------------------|
| Past Due                       |              |              |           |            |            |             |                       |
|                                | Total        | Current      | 0-30 days | 31-60 days | 61-90 days | 91-120 days | More than<br>120 days |
| Trade                          | ₱134,936,141 | ₱134,936,141 | ₱—        | ₱—         | ₱—         | ₱—          | ₱—                    |
| Advances to:                   |              |              |           |            |            |             |                       |
| Stockholder                    | 31,791,838   | 31,791,838   | —         | —          | —          | —           | —                     |
| Suppliers                      | 3,308,220    | 3,308,220    | —         | —          | —          | —           | —                     |
| Officers and employees         | 1,763,413    | 1,763,413    | —         | —          | —          | —           | —                     |
| Accrued interest receivable    | 9,258,082    | 9,258,082    | —         | —          | —          | —           | —                     |
|                                | ₱181,057,694 | ₱181,057,694 | ₱—        | ₱—         | ₱—         | ₱—          | ₱—                    |

## **PART II - OTHER INFORMATION**

There are no other information not previously reported in SEC Form 17-C that needs to be reported in this section.



## SIGNATURES

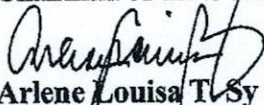
Pursuant to the requirements of the Securities Regulation Code, this issuer has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Registrant: **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)**

By:



**Lawrence O. Lee**  
Chairman of the Board



**Arlene Louisa T. Sy**  
President and Chief Executive Officer



**Marcos A. Legaspi**  
Chief Finance Officer