

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
Jun 30, 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 | Jun 30, 2024 |
| Currency (indicate units, if applicable) | PhP |

Balance Sheet

| | Period Ended | Fiscal Year Ended (Audited) |
|-------------------------------|---------------|-----------------------------|
| | Jun 30, 2024 | Dec 31, 2023 |
| Current Assets | 4,778,931,399 | 5,053,072,947 |
| Total Assets | 6,117,578,592 | 6,226,703,035 |
| Current Liabilities | 3,120,925,740 | 3,254,953,412 |
| Total Liabilities | 3,309,885,452 | 3,424,697,703 |
| Retained Earnings/(Deficit) | 883,395,980 | 878,511,729 |
| Stockholders' Equity | 2,807,693,140 | 2,802,005,332 |
| Stockholders' Equity - Parent | - | - |
| Book Value per Share | 0.9 | 0.94 |

Income Statement

| | Current Year (3 Months) | Previous Year (3 Months) | Current Year-To-Date | Previous Year-To-Date |
|---------------|----------------------------|-----------------------------|----------------------|-----------------------|
| Gross Revenue | 2,443,145,661 | 2,120,153,048 | 5,046,041,159 | 4,516,867,396 |
| Gross Expense | 2,380,815,287 | 2,096,396,845 | 4,880,656,855 | 4,368,930,130 |

| | | | | |
|--|-------------|-------------|-------------|-------------|
| Non-Operating Income | 83,706,515 | 115,229,818 | 159,877,560 | 160,237,129 |
| Non-Operating Expense | 38,962,605 | 34,076,154 | 77,314,745 | 64,422,093 |
| Income/(Loss) Before Tax | 107,074,284 | 104,909,867 | 247,947,119 | 243,752,302 |
| Income Tax Expense | 27,481,377 | 12,082,936 | 55,959,240 | 38,305,009 |
| Net Income/(Loss) After Tax | 79,592,907 | 92,826,931 | 191,987,879 | 205,447,293 |
| Net Income Attributable to Parent Equity Holder | 0 | 0 | 0 | 0 |
| Earnings/(Loss) Per Share (Basic) | 0.03 | 0.03 | 0.06 | 0.07 |
| Earnings/(Loss) Per Share (Diluted) | 0.03 | 0.03 | 0.06 | 0.07 |

| | Current Year (Trailing 12 months) | Previous Year (Trailing 12 months) |
|--|--|---|
| Earnings/(Loss) Per Share (Basic) | 0.06 | 0.16 |
| Earnings/(Loss) Per Share (Diluted) | 0.06 | 0.16 |

| |
|-----------------------------------|
| Other Relevant Information |
| - |

Filed on behalf by:

| | |
|--------------------|--------------------|
| Name | Darwin Mendoza |
| Designation | Compliance 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 Consolidated Financial Statements

**As at June 30, 2024 (Unaudited) and December 31, 2023
(Audited)**

**and for the Six Months Ended June 30, 2024 and 2023
(Unaudited) and for the Year Ended December 31, 2023
(Audited)**

COVER SHEET

SEC Registration Number

A S 9 5 0 0 3 8 3 6

COMPANY NAME

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

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

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

Form Type

1 7 - Q

Department requiring the report

C R M D

Secondary License Type, If Applicable

N / A

COMPANY INFORMATION

Company's Email Address

d_uy@octagon.com.ph

Company's Telephone Number/s

(02) 8 526-7152

Mobile Number

0920 960 9377

No. of Stockholders

10

Annual Meeting (Month / Day)

May 25

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 **June 30, 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 ☐

TABLE OF CONTENTS

| | |
|--|----|
| PART 1 - FINANCIAL INFORMATION..... | 1 |
| Item 1. Consolidated Financial Statements | 1 |
| Interim Unaudited Consolidated Statement of Financial Position as at June 30, 2024 and Audited Consolidated Statement of Financial Position as at December 31, 2023..... | 2 |
| Interim Unaudited Consolidated Statements of Comprehensive Income for the Six Months Ended June 30, 2024 and 2023, and Audited Consolidated Statement of Comprehensive Income for the Year Ended December 31, 2023..... | 3 |
| Interim Unaudited Consolidated Statements of Changes in Equity for the Six Months Ended June 30, 2024 and 2023, and Audited Consolidated Statement of Changes in Equity for the Year Ended December 31, 2023..... | 4 |
| Interim Unaudited Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2024 and 2023, and Audited Consolidated Statement of Cash Flows for the Year Ended December 31, 2023..... | 5 |
| Notes to Condensed Interim Consolidated Financial Statements..... | 6 |
| Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations..... | 22 |
| PART 2 - OTHER INFORMATION..... | 29 |
| SIGNATURES..... | 30 |

PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

The condensed interim consolidated financial statements as at June 30, 2024 (Unaudited) and December 31, 2023 (Audited) and for the six months ended June 30, 2024 and 2023 (Unaudited) and for the year ended December 31, 2023 (Audited) and the related notes to condensed interim consolidated financial statements of Upson International Corp. (referred to as “UIC” or the “Parent Company”) and its subsidiary, (collectively referred to as the “Group”) are filed as part of this Form 17-Q on pages 2 to 21⁺.

For purposes of segment reporting, the Group 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 has not been reflected in the unaudited consolidated 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 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | <i>Note</i> | June 30, 2024 (Unaudited) | December 31, 2023 (Audited) |
|---|-------------|--------------------------------------|--|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 4 | ₱940,068,839 | ₱1,360,873,502 |
| Trade and other receivables | 5 | 165,065,585 | 181,057,704 |
| Inventories | 6 | 3,482,726,926 | 3,350,825,684 |
| Other assets | 7 | 191,070,049 | 160,316,057 |
| Total Current Assets | | 4,778,931,399 | 5,053,072,947 |
| Noncurrent Assets | | | |
| Property and equipment | 8 | 840,441,883 | 819,418,924 |
| Right-of-use (ROU) assets | 16 | 417,114,761 | 275,426,853 |
| Noncurrent portion of refundable lease deposits | 7 | 59,768,841 | 59,723,407 |
| Net deferred tax assets | 17 | 21,321,708 | 19,060,904 |
| Total Noncurrent Assets | | 1,338,647,193 | 1,173,630,088 |
| TOTAL ASSETS | | ₱6,117,578,592 | ₱6,226,703,035 |
| LIABILITIES AND EQUITY | | | |
| Current Liabilities | | | |
| Bank loans and trust receipts payables | 10 | ₱2,110,310,088 | ₱1,767,613,865 |
| Trade and other payables | 9 | 716,606,518 | 1,322,843,184 |
| Current portion of lease liabilities | 16 | 272,747,004 | 147,320,374 |
| Income tax payable | | 21,262,130 | 17,175,989 |
| Total Current Liabilities | | 3,120,925,740 | 3,254,953,412 |
| Noncurrent Liabilities | | | |
| Lease liabilities - net of current portion | 16 | 144,162,803 | 127,873,298 |
| Retirement liability | 15 | 44,796,909 | 41,870,993 |
| Total Noncurrent Liabilities | | 188,959,712 | 169,744,291 |
| Total Liabilities | | 3,309,885,452 | 3,424,697,703 |
| Equity | | | |
| Capital stock | 11 | 625,000,260 | 625,000,260 |
| Additional paid-in capital | 11 | 1,305,308,048 | 1,305,308,048 |
| Retained earnings | 11 | 883,395,980 | 878,511,729 |
| Accumulated remeasurement losses on retirement liability | 15 | (6,814,705) | (6,814,705) |
| Equity Attributable to Equity Holders of the Parent Company | | 2,806,889,583 | 2,802,005,332 |
| Non-controlling interests | 11 | 803,557 | — |
| Total Equity | | 2,807,693,140 | 2,802,005,332 |
| TOTAL LIABILITIES AND EQUITY | | ₱6,117,578,592 | ₱6,226,703,035 |

See Notes to Condensed Interim Consolidated 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 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | | Unaudited | | | | Audited |
|---|------|-----------------------------|-------------------------------|-----------------------------|-------------------------------|----------------------|
| | Note | April 1 to June 30, 2024 | January 1 to June 30, 2024 | April 1 to June 30, 2023 | January 1 to June 30, 2023 | December 31, 2023 |
| SALES | | ₱2,443,145,661 | ₱5,046,041,159 | ₱2,120,153,048 | ₱4,516,867,396 | ₱10,010,358,499 |
| COST OF SALES | 6 | (1,940,650,116) | (3,992,330,268) | (1,657,303,064) | (3,533,134,111) | (7,932,978,469) |
| GROSS INCOME | | 502,495,545 | 1,053,710,891 | 462,849,984 | 983,733,285 | 2,077,380,030 |
| OPERATING EXPENSES | 12 | (440,165,171) | (888,326,587) | (439,093,781) | (835,796,019) | (1,675,980,429) |
| FINANCE COSTS | 10 | (38,962,605) | (77,314,745) | (34,076,154) | (64,422,093) | (123,495,021) |
| OTHER INCOME | 13 | 83,706,515 | 159,877,560 | 115,229,818 | 160,237,129 | 306,082,355 |
| INCOME BEFORE INCOME TAX | | 107,074,284 | 247,947,119 | 104,909,867 | 243,752,302 | 583,986,935 |
| PROVISION FOR (BENEFIT FROM) INCOME TAX | | | | | | |
| Current | | 27,913,416 | 58,220,044 | 15,444,739 | 42,076,673 | 117,606,658 |
| Deferred | | (432,039) | (2,260,804) | (3,361,803) | (3,771,664) | 2,189,459 |
| | | 27,481,377 | 55,959,240 | 12,082,936 | 38,305,009 | 119,796,117 |
| NET INCOME | | 79,592,907 | 191,987,879 | 92,826,931 | 205,447,293 | 464,190,818 |
| OTHER COMPREHENSIVE INCOME | | | | | | |
| <i>Not to be reclassified to profit or loss in subsequent periods</i> | | | | | | |
| Remeasurement gain on retirement liability - net of deferred income tax | 15 | — | — | — | — | (2,559,921) |
| TOTAL COMPREHENSIVE INCOME | 18 | ₱79,592,907 | ₱191,987,879 | ₱92,826,931 | ₱205,447,293 | ₱461,630,897 |
| Net Income (Loss) Attributable to: | | | | | | |
| Equity holders of the Parent Company | | ₱79,989,357 | ₱192,384,329 | ₱92,826,931 | ₱205,447,293 | ₱464,190,818 |
| Non-controlling interests | | (396,450) | (396,450) | — | — | — |
| | | ₱79,592,907 | ₱191,987,879 | ₱92,826,931 | ₱205,447,293 | ₱464,190,818 |
| Total Comprehensive Income (Loss) Attributable to: | | | | | | |
| Equity holders of the Parent Company | | ₱79,989,357 | ₱192,384,329 | ₱92,826,931 | ₱205,447,293 | ₱461,630,897 |
| Non-controlling interests | | (396,450) | (396,450) | — | — | — |
| | | ₱79,592,907 | ₱191,987,879 | ₱92,826,931 | ₱205,447,293 | ₱461,630,897 |
| Basic/diluted earnings per share | | ₱0.03 | ₱0.06 | ₱0.03 | ₱0.07 | ₱0.16 |

See Notes to Condensed Interim Consolidated 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 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | | Unaudited | | Audited |
|--|-------------|---------------------------------------|-------------------------------|----------------------|
| | <i>Note</i> | January 1 to June 30, 2024 | January 1 to June 30, 2023 | December 31, 2023 |
| CAPITAL STOCK | <i>11</i> | ₱625,000,260 | ₱625,000,260 | ₱625,000,260 |
| ADDITIONAL PAID-IN CAPITAL | <i>11</i> | 1,305,308,048 | 1,305,308,048 | 1,305,308,048 |
| RETAINED EARNINGS | <i>11</i> | | | |
| UNAPPROPRIATED | | | | |
| Balance at beginning of period | | 800,511,729 | 552,320,968 | 552,320,968 |
| Net income | | 192,384,329 | 205,447,293 | 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 | | 883,395,980 | 679,768,261 | 800,511,729 |
| APPROPRIATED | | | | |
| 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 |
| | | 883,395,980 | 757,768,261 | 878,511,729 |
| ACCUMULATED REMEASUREMENT LOSSES ON RETIREMENT LIABILITY | <i>15</i> | | | |
| Balance at beginning of period | | (6,814,705) | (4,254,784) | (4,254,784) |
| Remeasurement gain on retirement liability - net of deferred income tax | | — | — | (2,559,921) |
| Balance at end of period | | (6,814,705) | (4,254,784) | (6,814,705) |
| EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY | | 2,806,889,583 | 2,683,821,785 | 2,802,005,332 |
| NON-CONTROLLING INTERESTS | <i>11</i> | 803,557 | — | — |
| | | ₱2,807,693,140 | ₱2,683,821,785 | ₱2,802,005,332 |

See Notes to Condensed Interim Consolidated 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 CONSOLIDATED STATEMENTS OF CASH FLOWS

| | | Unaudited | Audited | |
|---|------|-------------------------------|-------------------------------|----------------------|
| | Note | January 1 to June 30, 2024 | January 1 to June 30, 2023 | December 31, 2023 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Income before income tax | | ₱247,947,119 | ₱243,752,302 | ₱583,986,935 |
| Adjustments for: | | | | |
| Depreciation and amortization | 8 | 201,353,718 | 148,671,921 | 309,075,012 |
| Finance costs | 10 | 77,314,745 | 64,422,093 | 123,495,021 |
| Interest income | 4 | (15,492,097) | (17,189,183) | (46,811,084) |
| Retirement expense | 15 | 2,925,916 | 2,509,478 | 5,018,956 |
| Provision for inventory obsolescence | 6 | – | 8,342,897 | 2,916,376 |
| Gain on lease modification | 16 | – | (102,070) | (102,070) |
| Operating income before working capital changes | | 514,049,401 | 450,407,438 | 977,579,146 |
| Decrease (increase) in: | | | | |
| Trade and other receivables | | 17,589,341 | (92,878,686) | (108,765,398) |
| Inventories | | (131,901,242) | (408,397,344) | (687,182,591) |
| Other assets | | (30,799,426) | (12,595,612) | (25,182,984) |
| Increase (decrease) in trade and other payables | | (606,714,964) | 203,855,610 | 61,572,017 |
| Net cash generated from (used for) operations | | (237,776,890) | 140,391,406 | 218,020,190 |
| Income taxes paid | | (54,133,903) | (119,102,273) | (187,146,870) |
| Interest received | | 13,894,875 | 17,189,183 | 37,553,002 |
| Net cash provided by (used in) operating activities | | (278,015,918) | 38,478,316 | 68,426,322 |
| CASH FLOW FROM AN INVESTING ACTIVITY | | | | |
| Additions to property and equipment | 8 | (79,006,118) | (102,806,323) | (219,496,536) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Proceeds from: | | | | |
| Bank loans and trust receipts availments | 10 | 1,193,643,421 | 1,350,273,307 | 2,611,018,632 |
| Issuance of capital stock | | 1,200,007 | 1,430,308,248 | 1,430,308,248 |
| Payments of: | | | | |
| Loans and trust receipts | 10 | (850,947,198) | (1,223,673,687) | (2,578,049,580) |
| Dividends | 11 | (187,500,078) | (275,306,000) | (413,306,057) |
| Lease liabilities | 16 | (157,413,913) | (104,895,174) | (220,119,782) |
| Interest | | (62,764,866) | (56,347,439) | (119,320,548) |
| Net cash provided by (used in) financing activities | | (63,782,627) | 1,120,359,255 | 710,530,913 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | | | |
| | | (420,804,663) | 1,056,031,248 | 559,460,699 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | | | | |
| | | 1,360,873,502 | 801,412,803 | 801,412,803 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | | | | |
| | | ₱940,068,839 | ₱1,857,444,051 | ₱1,360,873,502 |
| NONCASH FINANCIAL INFORMATION | | | | |
| Additions and modifications to ROU assets | 16 | (₱285,058,467) | (₱84,977,672) | (₱232,540,827) |
| Additions and modifications to lease liabilities | | 285,058,467 | 84,875,602 | 230,344,503 |
| Capitalized borrowing costs | | – | – | 11,074,116 |

See Notes to Condensed Interim Consolidated Financial Statements.

UPSON INTERNATIONAL CORP.

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Upson International Corp. (Doing Business Under the Name and Style of Octagon Computer Superstore; Microvalley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light) (herein referred to as UIC or the “Parent Company”) and its subsidiary, collectively referred to as the “Group”, were incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on the following dates:

| | Date of Incorporation |
|--|-----------------------|
| Parent Company | April 19, 1995 |
| Subsidiary - iStudio Technologies Philippines Corporation (iStudio) | May 24, 2024 |

The Group 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.

In 2024, the Parent Company acquired 26.0 million shares of iStudio representing 52% ownership interest amounting to ₱26.0 million (see Note 3).

The Parent 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 Parent 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 Parent Company’s shares with the Philippine Stock Exchange (PSE). On January 27, 2023, the PSE approved the Parent 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 Parent 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 Parent Company’s shares of stock were listed under the Main Board of the PSE.

2. Summary of Material Accounting Policy Information

Basis of Preparation and Statement of Compliance

The unaudited condensed interim consolidated financial statements of the Group 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 Group’s functional and presentation currency. All values represent absolute amounts except when otherwise stated.

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

The unaudited condensed interim consolidated financial statements of the Group for the six months ended June 30, 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.

Adoption of Amendments to PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amendments to PFRS effective for annual periods beginning and after January 1, 2024:

- Amendments to PFRS 16, Leases - Lease Liability in a Sale and Leaseback - The amendments clarify that the liability that arises from a sale and leaseback transaction, that satisfies the requirements in PFRS 15, Revenue from Contracts with Customers, to be accounted for as a sale, is a lease liability to which PFRS 16 applies and give rise to a right-of-use asset. For the subsequent measurement, the seller-lessee shall determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying this subsequent measurement does not prevent the seller-lessee from recognizing any gain or loss relating to the partial or full termination of a lease. Any gain or loss relating to the partial or full termination of the lease does not relate to the right of use retained but to the right of use terminated. The amendments must be applied retrospectively. Earlier application is permitted.
- Amendments to PAS 1, Noncurrent Liabilities with Covenants - The amendments clarified that covenants to be complied with after the reporting date do not affect the classification of debt as current or noncurrent at the reporting date. Instead, the amendments require the entity to disclose information about these covenants in the notes to the financial statements. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - Classification of Liabilities as Current or Noncurrent for that period.
- 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.

The adoption of the amended PFRS did not materially affect the condensed interim consolidated financial statements of the Company. Additional disclosures were included in the condensed interim consolidated financial statements, as applicable.

New and Amendments to PFRS in Issue But Not Yet Effective or Adopted

Relevant new and amendments to PFRS, which are not yet effective as at June 30, 2024 and have not been applied in preparing the condensed interim consolidated financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2025:

- Amendments to PAS 21, The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability - The amendments clarify when a currency is considered exchangeable into another currency and how an entity determines the exchange rate for currencies that lack exchangeability. The amendments also introduce new disclosure requirements to help users of financial statements assess the impact when a currency is not exchangeable. An entity does not apply the amendments retrospectively. Instead, an entity recognizes any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings when the entity reports foreign currency transactions. When an entity uses a presentation currency other than its functional currency, it recognizes the cumulative amount of translation differences in equity. Earlier application is permitted.

Deferred effectivity -

- Amendments to PFRS 10, Consolidated Financial Statements, and PAS 28 - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture - The amendments address a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing amendments to PFRS is not expected to have material effect on the condensed interim consolidated financial statements of the Group. Additional disclosures will be included in the notes to the condensed interim consolidated financial statements, as applicable.

3. Acquisition of a Subsidiary

On May 24, 2024, the Parent Company acquired 52% ownership interest of iStudio for a consideration amounting to ₱26.0 million, which was accounted for by the Parent Company as a stock acquisition.

4. Cash and Cash Equivalents

This account consists of:

| | June 30, 2024 (Unaudited) | December 31, 2023 (Audited) |
|------------------|--|--|
| Cash on hand | ₱2,542,546 | ₱2,365,464 |
| Cash in banks | 437,516,293 | 558,508,038 |
| Cash equivalents | 500,010,000 | 800,000,000 |
| | ₱940,068,839 | ₱1,360,873,502 |

Cash in banks earn interest at prevailing bank deposit rates. Cash equivalents pertain to short-term placements with varying maturity terms of between one month and three months depending on the immediate cash requirements of the Group and earn interest at prevailing short-term placement rates.

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

| | Unaudited | | Audited | | |
|------------------|-----------------------------|-------------------------------|-----------------------------|-------------------------------|----------------------|
| | April 1 to June 30, 2024 | January 1 to June 30, 2024 | April 1 to June 30, 2023 | January 1 to June 30, 2023 | December 31, 2023 |
| Cash in banks | ₱198,817 | ₱395,735 | ₱165,625 | ₱321,893 | ₱680,425 |
| Cash equivalents | 6,529,444 | 15,096,362 | 16,867,290 | 16,867,290 | 46,130,659 |
| | ₱6,728,261 | ₱15,492,097 | ₱17,032,915 | ₱17,189,183 | ₱46,811,084 |

Accrued interest receivable from cash equivalents amounted to ₱1.6 million and ₱9.3 million as at June 30, 2024 and December 31, 2023, respectively (see Note 5).

5. Trade and Other Receivables

This account consists of:

| | Note | June 30, 2024 (Unaudited) | December 31, 2023 (Audited) |
|-----------------------------|------|------------------------------|--------------------------------|
| Trade | | ₱130,869,203 | ₱134,936,141 |
| Advances to: | | | |
| Stockholder | 14 | 30,491,848 | 31,791,848 |
| Officers and employees | | 1,400,629 | 1,763,413 |
| Suppliers | | 706,683 | 3,308,220 |
| Accrued interest receivable | 4 | 1,597,222 | 9,258,082 |
| | | ₱165,065,585 | ₱181,057,704 |

Trade receivables are noninterest-bearing and are generally settled within three (3) to 30 days after the reporting period. No ECL was recognized for trade receivables for the six months ended June 30, 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:

| | June 30, 2024 (Unaudited) | December 31, 2023 (Audited) |
|---|------------------------------|--------------------------------|
| At cost: | | |
| Computers and peripherals | ₱2,084,231,080 | ₱1,953,012,515 |
| Accessories | 690,550,821 | 589,958,494 |
| Mobile phones | 413,759,203 | 519,145,107 |
| Printers and scanners | 257,616,919 | 251,766,243 |
| Consumables | 88,337,896 | 88,712,318 |
| | 3,534,495,919 | 3,402,594,677 |
| Less allowance for inventory obsolescence | (51,768,993) | (51,768,993) |
| At net realizable value | ₱3,482,726,926 | ₱3,350,825,684 |

Movements in the allowance for inventory obsolescence are as follows:

| | <i>Note</i> | June 30, 2024 (Unaudited) | December 31, 2023 (Audited) |
|--------------------------------------|-------------|--------------------------------------|--|
| Balance at beginning of period | | ₱51,768,993 | ₱48,852,617 |
| Provision for inventory obsolescence | 12 | – | 2,916,376 |
| Balance at end of period | | ₱51,768,993 | ₱51,768,993 |

The Group's inventories are stated at NRV as at June 30, 2024 and December 31, 2023.

Under the terms of agreements, merchandise inventories amounting to ₱1,093.6 million and ₱2,036.0 million as at June 30, 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:

| | Unaudited | | Audited | |
|------------------------------------|-------------------------------------|---------------------------------------|-------------------------------------|---------------------------------------|
| | April 1 to June 30, 2024 | January 1 to June 30, 2024 | April 1 to June 30, 2023 | January 1 to June 30, 2023 |
| Inventories at beginning of period | ₱3,402,594,677 | ₱3,402,594,677 | ₱2,715,412,086 | ₱2,715,412,086 |
| Purchases | 2,072,551,358 | 4,124,231,510 | 2,065,700,408 | 3,941,531,455 |
| Cost of goods available for sale | 5,475,146,035 | 7,526,826,187 | 4,781,112,494 | 6,656,943,541 |
| Less inventories at end of period | (3,534,495,919) | (3,534,495,919) | (3,123,809,430) | (3,123,809,430) |
| | ₱1,940,650,116 | ₱3,992,330,268 | ₱1,657,303,064 | ₱3,533,134,111 |
| | | | ₱3,533,134,111 | ₱7,932,978,469 |

7. Other Assets

This account includes:

| | <i>Note</i> | June 30, 2024 (Unaudited) | December 31, 2023 (Audited) |
|---|-------------|--------------------------------------|--|
| Refundable lease deposits | 16 | ₱225,683,185 | ₱213,463,543 |
| Prepayments | | 17,527,998 | 3,685,777 |
| Input VAT | | 7,627,707 | 2,890,144 |
| | | 250,838,890 | 220,039,464 |
| Less noncurrent portion of refundable lease deposits | | 59,768,841 | 59,723,407 |
| | | ₱191,070,049 | ₱160,316,057 |

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:

| June 30, 2024 (Unaudited) | | | | | | | | |
|--|---------------------|------------------------------|---------------------------|-------------------------------------|-----------------------------|---------------------------|-----------------------------|---------------------|
| | Land | Building and Improvements | Leasehold Improvements | Store Furniture and Equipment | Transportation Equipment | Furniture and Fixtures | Construction in progress | Total |
| Cost | | | | | | | | |
| Balance at beginning of period | ₱201,025,000 | ₱208,474,487 | ₱609,482,926 | ₱143,360,783 | ₱133,324,094 | ₱110,010,869 | ₱179,319,930 | ₱1,584,998,089 |
| Additions | – | – | 1,790,477 | 9,032,397 | 15,105,357 | 1,107,655 | 51,970,232 | 79,006,118 |
| Balance at end of period | 201,025,000 | 208,474,487 | 611,273,403 | 152,393,180 | 148,429,451 | 111,118,524 | 231,290,162 | 1,664,004,207 |
| Accumulated Depreciation and Amortization | | | | | | | | |
| Balance at beginning of period | – | 24,281,885 | 448,924,870 | 89,095,323 | 112,642,606 | 90,634,481 | – | 765,579,165 |
| Depreciation and amortization | – | 4,130,174 | 29,854,234 | 11,315,958 | 8,795,850 | 3,886,943 | – | 57,983,159 |
| Balance at end of period | – | 28,412,059 | 478,779,104 | 100,411,281 | 121,438,456 | 94,521,424 | – | 823,562,324 |
| Carrying Amount | ₱201,025,000 | ₱180,062,428 | ₱132,494,299 | ₱51,981,899 | ₱26,990,995 | ₱16,597,100 | ₱231,290,162 | ₱840,441,883 |

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

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 June 30, 2024, the estimated total cost to complete the warehouse and store branches amounted to ₱46.0 million. In 2023, borrowing costs amounting to ₱11.1 million were capitalized using the capitalization rate of 5.69% (see Note 10).

The Group's building with a carrying amount of ₱161.3 million and ₱164.9 million as at June 30, 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 Group amounted to ₱206.1 million and ₱118.6 million as at June 30, 2024 and December 31, 2023, respectively.

Depreciation and amortization are recognized from:

| | <i>Note</i> | Unaudited | | | Audited | |
|------------------------|-------------|-----------------------------|-------------------------------|-----------------------------|-------------------------------|----------------------|
| | | April 1 to June 30, 2024 | January 1 to June 30, 2024 | April 1 to June 30, 2023 | January 1 to June 30, 2023 | December 31, 2023 |
| ROU assets | 16 | ₱72,382,547 | ₱143,370,559 | ₱57,707,390 | ₱102,584,564 | ₱208,427,954 |
| Property and equipment | | 29,087,841 | 57,983,159 | 24,121,702 | 46,087,357 | 100,647,058 |
| | | ₱101,470,388 | ₱201,353,718 | ₱81,829,092 | ₱148,671,921 | ₱309,075,012 |

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

| | Unaudited | | | Audited | |
|-------------------------------------|-----------------------------|-------------------------------|-----------------------------|-------------------------------|----------------------|
| | April 1 to June 30, 2024 | January 1 to June 30, 2024 | April 1 to June 30, 2023 | January 1 to June 30, 2023 | December 31, 2023 |
| Selling and marketing expenses | ₱81,788,995 | ₱158,969,157 | ₱58,766,397 | ₱104,370,495 | ₱219,442,677 |
| General and administrative expenses | 19,681,393 | 42,384,561 | 23,062,695 | 44,301,426 | 89,632,335 |
| | ₱101,470,388 | ₱201,353,718 | ₱81,829,092 | ₱148,671,921 | ₱309,075,012 |

9. Trade and Other Payables

This account consists of:

| | <i>Note</i> | June 30, 2024 (Unaudited) | December 31, 2023 (Audited) |
|-------------------------------|-------------|------------------------------|--------------------------------|
| Trade | | ₱649,838,620 | ₱1,256,409,554 |
| Statutory payables | | 28,539,085 | 18,219,072 |
| Advances from a related party | 14 | 25,403,485 | 25,403,485 |
| Accrued expenses | | 9,040,386 | 17,203,355 |
| Retention payables | | 3,382,833 | 3,112,053 |
| Others | | 402,109 | 2,495,665 |
| | | ₱716,606,518 | ₱1,322,843,184 |

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 Group 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:

| | June 30, 2024 (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 | 1,093,643,421 | 1,193,643,421 |
| Payments | – | (850,947,198) | (850,947,198) |
| Balance at end of period | ₱1,016,666,667 | ₱1,093,643,421 | ₱2,110,310,088 |

| | December 31, 2023 (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 June 30, 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 ₱1,093.6 million and ₱2,036.0 million as at June 30, 2024 and December 31, 2023, respectively, were covered by trust receipts issued by local banks (see Note 6).

Covenants

As at June 30, 2024, the Group's bank loans were not covered by any covenants.

Details of finance costs charged to operations are as follows:

| | Note | Unaudited | | Audited | |
|--|------|-----------------------------|-------------------------------|-----------------------------|-------------------------------|
| | | April 1 to June 30, 2024 | January 1 to June 30, 2024 | April 1 to June 30, 2023 | January 1 to June 30, 2023 |
| Interest on bank loans | | ₱16,113,513 | ₱32,956,794 | ₱10,941,724 | ₱20,090,995 |
| Interest on trust receipts | | 15,966,323 | 30,286,370 | 19,362,278 | 37,684,139 |
| Accretion of interest on lease liabilities | 16 | 6,882,769 | 14,071,581 | 3,772,152 | 6,646,959 |
| | | 38,962,605 | 77,314,745 | 34,076,154 | 64,422,093 |
| Less capitalized borrowing cost | | – | – | – | – |
| | | ₱38,962,605 | ₱77,314,745 | ₱34,076,154 | ₱64,422,093 |
| | | | | | ₱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 six months ended June 30, 2024 and 2023.

11. Equity

Capital Stock

Details of capital stock follow:

| | June 30, 2024 (Unaudited) | | December 31, 2023 (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 Parent 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 Parent Company's store network expansion and store improvement program. The unapplied proceeds as at June 30, 2024 amounted to ₱937.1 million and are maintained in the Parent 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 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 Group 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 June 30, 2024 and December 31, 2023, the cash dividends were completely distributed to the stockholders. No dividends were declared for the six months ended June 30, 2023.

Non-controlling Interests

The Group's non-controlling interests represent ownership of non-controlling interests' stockholders of iStudio amounting to ₱0.8 million and nil as at June 30, 2024 and December 31, 2023, respectively.

12. Operating Expenses

This account consists of:

| | Unaudited | | | Audited | |
|-------------------------------------|-----------------------------|-------------------------------|-----------------------------|-------------------------------|----------------------|
| | April 1 to June 30, 2024 | January 1 to June 30, 2024 | April 1 to June 30, 2023 | January 1 to June 30, 2023 | December 31, 2023 |
| Selling and marketing expenses | ₱358,168,253 | ₱711,533,384 | ₱324,187,807 | ₱630,263,577 | ₱1,338,813,250 |
| General and administrative expenses | 81,996,918 | 176,793,203 | 114,905,974 | 205,532,442 | 337,167,179 |
| | ₱440,165,171 | ₱888,326,587 | ₱439,093,781 | ₱835,796,019 | ₱1,675,980,429 |

Selling and marketing expenses consist of:

| | | Unaudited | | | Audited | |
|--------------------------------------|------|-----------------------------|-------------------------------|-----------------------------|-------------------------------|----------------------|
| | Note | April 1 to June 30, 2024 | January 1 to June 30, 2024 | April 1 to June 30, 2023 | January 1 to June 30, 2023 | December 31, 2023 |
| Depreciation and amortization | 8 | ₱81,788,995 | ₱158,969,157 | ₱58,766,397 | ₱104,370,495 | ₱219,442,677 |
| Personnel costs | | 77,240,427 | 152,096,678 | 69,299,839 | 138,247,199 | 296,953,998 |
| Merchant discount | | 76,963,897 | 154,754,753 | 59,757,672 | 127,307,299 | 304,859,917 |
| Rent | 16 | 53,232,817 | 103,765,596 | 58,420,120 | 123,382,080 | 251,986,409 |
| Utilities | | 35,522,485 | 69,592,503 | 32,821,587 | 64,647,109 | 131,221,218 |
| Contracted and other services | | 28,185,982 | 61,569,854 | 28,624,185 | 44,634,943 | 97,759,776 |
| Freight and delivery | | 3,012,475 | 5,838,923 | 2,961,763 | 6,774,352 | 14,765,157 |
| Advertising | | 1,128,642 | 2,732,215 | 4,217,833 | 10,626,764 | 15,129,392 |
| Retirement expense | 15 | 1,092,533 | 2,213,705 | 975,514 | 1,930,439 | 3,778,330 |
| Provision for inventory obsolescence | 6 | — | — | 8,342,897 | 8,342,897 | 2,916,376 |
| | | ₱358,168,253 | ₱711,533,384 | ₱324,187,807 | ₱630,263,577 | ₱1,338,813,250 |

General and administrative expenses consist of:

| | | Unaudited | | | Audited | |
|-------------------------------------|------|-----------------------------|-------------------------------|-----------------------------|-------------------------------|----------------------|
| | Note | April 1 to June 30, 2024 | January 1 to June 30, 2024 | April 1 to June 30, 2023 | January 1 to June 30, 2023 | December 31, 2023 |
| Personnel costs | | ₱26,114,136 | ₱48,933,808 | ₱19,820,449 | ₱41,467,547 | ₱97,505,755 |
| Depreciation and amortization | 8 | 19,681,393 | 42,384,561 | 23,062,695 | 44,301,426 | 89,632,335 |
| Taxes and licenses | | 13,867,545 | 42,504,688 | 28,260,549 | 56,878,734 | 61,079,416 |
| Repairs, warranties and maintenance | | 6,968,967 | 11,390,081 | 6,774,712 | 13,049,613 | 12,504,093 |
| Transportation and travel | | 4,349,670 | 7,898,417 | 2,864,476 | 5,198,537 | 12,156,859 |
| Stationery and supplies | | 2,846,461 | 6,717,514 | 4,724,728 | 6,843,140 | 13,635,938 |
| Representation | | 2,051,008 | 3,182,547 | 1,767,188 | 3,531,983 | 8,301,601 |
| Professional fees | | 1,541,794 | 4,741,058 | 1,140,760 | 2,750,974 | 8,088,818 |
| Insurance | | 574,064 | 1,757,002 | 757,471 | 1,966,876 | 7,817,667 |
| Retirement expense | 15 | 370,425 | 712,211 | 279,225 | 579,039 | 1,240,626 |
| Rent | 16 | — | — | — | 492,696 | 492,696 |
| IPO Expense | | — | — | 16,546,052 | 16,546,052 | 16,546,052 |
| Others | | 3,631,455 | 6,571,316 | 8,907,669 | 11,925,825 | 8,165,323 |
| | | ₱81,996,918 | ₱176,793,203 | ₱114,905,974 | ₱205,532,442 | ₱337,167,179 |

Personnel costs consist of:

| | Unaudited | | | Audited | |
|--------------------|-----------------------------|-------------------------------|-----------------------------|-------------------------------|----------------------|
| | April 1 to June 30, 2024 | January 1 to June 30, 2024 | April 1 to June 30, 2023 | January 1 to June 30, 2023 | December 30, 2023 |
| Salaries and wages | ₱93,805,718 | ₱183,633,882 | ₱79,919,167 | ₱161,634,033 | ₱346,795,528 |
| Employee benefits | 9,548,845 | 17,396,604 | 9,201,121 | 18,080,713 | 47,664,225 |
| | ₱103,354,563 | ₱201,030,486 | ₱89,120,288 | ₱179,714,746 | ₱394,459,753 |

13. Other Income

| | | Unaudited | | | Audited | |
|--------------------------------|------|-----------------------------|-------------------------------|-----------------------------|-------------------------------|----------------------|
| | Note | April 1 to June 30, 2024 | January 1 to June 30, 2024 | April 1 to June 30, 2023 | January 1 to June 30, 2023 | December 31, 2023 |
| Interest Income | 4 | ₱6,728,261 | ₱15,492,097 | ₱17,032,915 | ₱17,189,183 | ₱46,811,084 |
| Realized foreign exchange gain | | — | 7,205,362 | (4,755,408) | 794,148 | 7,472,929 |
| Gain on lease modification | 16 | — | — | — | 102,070 | 102,070 |
| Others | | 76,978,254 | 137,180,101 | 102,952,311 | 142,151,728 | 251,696,272 |
| | | ₱83,706,515 | ₱159,877,560 | ₱115,229,818 | ₱160,237,129 | ₱306,082,355 |

Others mainly pertain to income from product advertising or promotional support from suppliers.

14. Related Party Transactions

The Group has transactions with related parties as follows:

| | | Nature of Transaction | | Transactions during the Period | | Outstanding Balance | |
|--|--|-----------------------------------|--|---|---|------------------------------|--------------------------------|
| | | | | January 1 to June 30, 2024 (Unaudited) | January 1 to December 31, 2023 (Audited) | June 30, 2024 (Unaudited) | December 31, 2023 (Audited) |
| Trade and Other Receivables (see Note 5) | | | | | | | |
| | | Advances for business development | | | | | |
| Stockholder | | | | ₱— | ₱31,791,848 | ₱30,491,848 | ₱31,791,848 |
| Trade and Other Payables | | | | | | | |
| Entity under common control | | Advances from a related party | | ₱— | ₱— | ₱25,403,485 | ₱25,403,485 |
| Lease Arrangement (see Note 16) | | | | | | | |
| | | ROU Asset amortization | | (₱33,733,006) | (₱68,963,541) | ₱99,007,857 | ₱18,764,032 |
| Entity under common control | | Lease liability payment | | 35,942,743 | (68,402,482) | 100,975,328 | 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 Group's building with a carrying amount of ₱161.3 million and ₱164.9 million as at June 30, 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 Group are set out below:

| | Unaudited | | Audited | | |
|------------------------------|-----------------------------|-------------------------------|-----------------------------|-------------------------------|----------------------|
| | April 1 to June 30, 2024 | January 1 to June 30, 2024 | April 1 to June 30, 2023 | January 1 to June 30, 2023 | December 31, 2023 |
| Short-term employee benefits | ₱2,253,465 | ₱3,426,930 | ₱1,713,465 | ₱3,426,930 | ₱6,853,860 |
| Post-employment benefits | 166,407 | 332,814 | 166,407 | 332,814 | 665,628 |
| | ₱2,419,872 | ₱3,759,744 | ₱1,879,872 | ₱3,759,744 | ₱7,519,488 |

15. Retirement Liability

The Group 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 Group. However, in the event a benefit claim arises under the retirement liability, the benefit shall immediately be due and payable by the Group.

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

| | Unaudited | | Audited | | |
|----------------------|-----------------------------|-------------------------------|-----------------------------|-------------------------------|----------------------|
| | April 1 to June 30, 2024 | January 1 to June 30, 2024 | April 1 to June 30, 2023 | January 1 to June 30, 2023 | December 31, 2023 |
| Current service cost | ₱813,957 | ₱1,627,915 | ₱636,121 | ₱1,272,242 | ₱2,544,484 |
| Interest cost | 649,001 | 1,298,001 | 618,618 | 1,237,236 | 2,474,472 |
| | ₱1,462,958 | ₱2,925,916 | ₱1,254,739 | ₱2,509,478 | ₱5,018,956 |

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

| | Unaudited | | Audited | | |
|-------------------------------------|-----------------------------|-------------------------------|-----------------------------|-------------------------------|----------------------|
| | April 1 to June 30, 2024 | January 1 to June 30, 2024 | April 1 to June 30, 2023 | January 1 to June 30, 2023 | December 31, 2023 |
| Selling and marketing expenses | ₱1,092,533 | ₱2,213,705 | ₱975,514 | ₱1,930,439 | ₱3,778,330 |
| General and administrative expenses | 370,425 | 712,211 | 279,225 | 579,039 | 1,240,626 |
| | ₱1,462,958 | ₱2,925,916 | ₱1,254,739 | ₱2,509,478 | ₱5,018,956 |

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

| | June 30, 2024 (Unaudited) | December 31, 2023 (Audited) |
|--------------------------------|------------------------------|--------------------------------|
| Balance at beginning of period | ₱41,870,993 | ₱33,438,809 |
| Current service cost | 1,627,915 | 2,544,484 |
| Interest cost | 1,298,001 | 2,474,472 |
| Remeasurement loss | — | 3,413,228 |
| Balance at end of period | ₱44,796,909 | ₱41,870,993 |

The assumptions used to determine retirement liability are as follows:

| | June 30, 2024 (Unaudited) | December 31, 2023 (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 June 30, 2024 follow:

| | Basis Points | Effect on Present Value of Retirement Liability |
|----------------------|--------------|---|
| Discount rate | +100 | (P3,072,633) |
| | -100 | 9,515,047 |
| Salary increase rate | +100 | 9,668,174 |
| | -100 | (3,296,362) |

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

The Group does not maintain a fund for its retirement liability. While funding is not a requirement of the law, there is a risk that the Group 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:

| | June 30, 2024 (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 (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

Short-term Lease

The Group 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):

| | Unaudited | | Unaudited | | Audited |
|-------------------------------------|-----------------------------|-------------------------------|-----------------------------|-------------------------------|----------------------|
| | April 1 to June 30, 2024 | January 1 to June 30, 2024 | April 1 to June 30, 2023 | January 1 to June 30, 2023 | December 31, 2023 |
| Selling and marketing expenses | ₱53,232,817 | ₱103,765,596 | ₱58,420,120 | ₱123,382,080 | ₱251,986,409 |
| General and administrative expenses | — | — | — | 492,696 | 492,696 |
| | ₱53,232,817 | ₱103,765,596 | ₱58,420,120 | ₱123,874,776 | ₱252,479,105 |

Long-term Lease

The Group 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 | June 30, 2024 (Unaudited) | December 31, 2023 (Audited) |
|---------------------------------|------|------------------------------|-----------------------------------|
| Cost | | | |
| Balance at beginning of period | | ₱1,250,321,423 | ₱1,017,780,596 |
| Additions | | 285,058,467 | 232,869,169 |
| Effect of lease modification | | — | (328,342) |
| Balance at end of period | | 1,535,379,890 | 1,250,321,423 |
| Accumulated amortization | | | |
| Balance at beginning of period | | 974,894,570 | 766,466,616 |
| Amortization | 8 | 143,370,559 | 208,427,954 |
| Balance at end of period | | 1,118,265,129 | 974,894,570 |
| Carrying Amount | | ₱417,114,761 | ₱275,426,853 |

Refundable Lease Deposits

Lease deposits, which are refundable at the end of the lease term if unutilized, aggregate ₱225.7 million and ₱213.5 million as at June 30, 2024 and December 31, 2023, respectively (see Note 7).

Lease Liabilities

The balance and movements in lease liabilities are as follows:

| | | June 30, 2024 | December 31, 2023 |
|--------------------------------|------|---------------|-------------------|
| | Note | (Unaudited) | (Audited) |
| Balance at beginning of period | | ₱275,193,672 | ₱250,610,778 |
| Additions | | 285,058,467 | 230,774,915 |
| Payments | | (157,413,913) | (220,119,782) |
| Accretion | 10 | 14,071,581 | 14,358,173 |
| Effect of lease modification | | – | (430,412) |
| Balance at end of period | | 416,909,807 | 275,193,672 |
| Current portion | | 272,747,004 | 147,320,374 |
| Noncurrent portion | | ₱144,162,803 | ₱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 Group has pre-terminated one (1) store resulting to a gain on lease modification of ₱0.1 million for the six months ended June 30, 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 June 30, 2024 is as follows:

| | Minimum Lease Payments | Present Value |
|--|------------------------|---------------|
| Not later than one year | ₱290,166,214 | ₱272,747,004 |
| Later than one year but not more than five years | 149,638,276 | 144,162,803 |
| | ₱439,804,490 | ₱416,909,807 |

17. Income Taxes

The provision for current income tax pertains to regular corporate income tax (RCIT) for the six months ended June 30, 2024 and for the year ended December 31, 2023.

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

| | Note | June 30, 2024 (Unaudited) | December 31, 2023 (Audited) |
|--|------|------------------------------|--------------------------------|
| Deferred tax assets: | | | |
| Allowance for inventory obsolescence | | ₱12,942,248 | ₱12,942,248 |
| Retirement liability: | | | |
| Profit or loss | | 8,927,659 | 8,196,180 |
| OCI | 15 | 2,271,569 | 2,271,569 |
| | | 24,141,476 | 23,409,997 |
| Deferred tax liability: | | | |
| Capitalized borrowing cost | | (2,768,529) | (2,768,529) |
| Excess of ROU asset over lease liability | | (51,239) | (58,295) |
| Unrealized foreign exchange gain | | – | (1,522,269) |
| | | (2,819,768) | (4,349,093) |
| | | ₱21,321,708 | ₱19,060,904 |

18. Basic and Diluted Earnings per Share Computation

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

| | Unaudited | | | | Audited |
|---|--------------------------------|----------------------------------|--------------------------------|----------------------------------|----------------------|
| | April 1 to June 30, 2024 | January 1 to June 30, 2024 | April 1 to June 30, 2023 | January 1 to June 30, 2023 | December 31, 2023 |
| Net income attributable to equity holders of the Parent Company | ₱79,989,357 | ₱192,384,329 | ₱92,826,931 | ₱205,447,293 | ₱464,190,818 |
| Divided by weighted average number of outstanding shares | 3,125,001,300 | 3,125,001,300 | 3,125,001,300 | 2,812,500,800 | 2,968,751,050 |
| | ₱0.03 | ₱0.06 | ₱0.03 | ₱0.07 | ₱0.16 |

The Group has no dilutive potential shares for the six months ended June 30, 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 consolidated financial position and results of operations of the Group and should be read in conjunction with the accompanying unaudited interim consolidated financial statements and related notes. The Group cautions that its business and financial performance is subject to certain risks and uncertainties. In evaluating the Group's business, investors should carefully consider all 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 "Parent Company") and its subsidiary, collectively referred to as the "Group" were incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on April 19, 1995 and May 24, 2024, respectively. The Group 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 Parent 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 Parent 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 Parent 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 Parent 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 six months ended June 30 | | |
|---|----------------------------------|-----------------|-----------|
| | 2024 | 2023 | % Change |
| Sales | ₱5,046,041,159 | ₱4,516,867,396 | 11.72% |
| Cost of sales | (3,992,330,268) | (3,533,134,111) | 13.00% |
| Gross income | 1,053,710,891 | 983,733,285 | 7.11% |
| Operating expenses | (888,326,587) | (835,796,019) | 6.29% |
| Finance costs | (77,314,745) | (64,422,093) | 20.01% |
| Other income | 159,877,560 | 160,237,129 | (0.22%) |
| Income before income tax | 247,947,119 | 243,752,302 | 1.72% |
| Provision for (benefit from) income tax | | | |
| Current | 58,220,044 | 42,076,673 | 38.37% |
| Deferred | (2,260,804) | (3,771,664) | (40.06%) |
| | 55,959,240 | 38,305,009 | (200.00%) |
| Net income | ₱191,987,879 | ₱205,447,293 | (35.94%) |
| Earnings per share | ₱0.06 | ₱0.07 | — |

2.3 OPERATING RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2024 COMPARED WITH JUNE 30, 2023

During the six months ended June 30, 2024, the Group's operation resulted to a net income of ₱192.0 million.

Sales for the six months ended June 30, 2024 increased by 11.72% compared with the sales for the six months ended June 30, 2023. The increase is mainly due to 9.35% store network growth from 214 to 234 stores in 2024 and 2023, respectively. The Group's gross profit ratio is 20.88% and 21.78% as at June 30, 2024 and 2023, respectively.

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

In 2024, the Group availed loans and trust receipts amounting to ₱1,193.6 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

| | June 30, 2024 (Unaudited) | December 31, 2023 (Audited) | % Change |
|-----------------------------|------------------------------|--------------------------------|----------|
| Total Current Assets | ₱4,778,931,399 | ₱5,053,072,947 | (5.43%) |
| Total Assets | 6,117,578,592 | 6,226,703,035 | (1.75%) |
| Current Liabilities | 3,120,925,740 | 3,254,953,412 | (4.12%) |
| Total Liabilities | 3,309,885,452 | 3,424,697,703 | (3.35%) |
| Total Equity | 2,807,693,140 | 2,802,005,332 | 0.20% |
| Current assets/Total assets | 78.12% | 81.15% | (3.74%) |
| Current ratio | 1.53 | 1.55 | (1.36%) |
| Debt to equity ratio | 1.18 | 1.22 | (3.55%) |

The noncurrent assets of the Group 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 Group 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 Group's cash flows for the three months ended June 30, 2024 and 2023.

Unaudited Interim Cash Flows

| | For the six months ended June 30 | | |
|---|----------------------------------|----------------|-----------|
| | 2024 | 2023 | % change |
| Net cash provided by (used in) operating activities | (P278,015,918) | P38,478,316 | (822.53%) |
| Cash used in an investing activity | (79,006,118) | (102,806,323) | (23.715%) |
| Net cash provided by (used) in financing activities | (63,782,627) | 1,120,359,255 | (105.69%) |
| Net decrease in cash | (420,804,663) | 1,056,031,248 | (139.85%) |
| Cash at beginning of period | 1,360,873,502 | 801,412,803 | 69.81% |
| Cash at end of period | P940,068,839 | P1,857,444,051 | (49.39%) |

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

For the six months ended June 30, 2024, the cash used in an investing activity 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 of dividend distribution, lease payments and loan repayments, net of loan availments 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 | June 30, 2024 (Unaudited) | December 31, 2023 (Audited) |
|------------------------------|--|------------------------------|--------------------------------|
| Current/Liquidity Ratio | | | |
| | Current assets | ₱4,778,931,399 | ₱5,053,072,947 |
| | Divided by: Current liabilities | 3,120,925,740 | 3,254,953,412 |
| | Current/Liquidity ratio | 1.53:1.00 | 1.55:1.00 |
| Solvency Ratio | | | |
| | Net income before depreciation and amortization | ₱393,341,597 | ₱773,265,830 |
| | Divided by: Total liabilities | 3,309,885,452 | 3,424,697,703 |
| | Solvency ratio | 0.12:1.00 | 0.23:1.00 |
| Debt-to-Equity Ratio | | | |
| | Total liabilities | ₱3,309,885,452 | ₱3,424,697,703 |
| | Divided by: Total equity | 2,807,693,140 | 2,802,005,332 |
| | Debt-to-Equity ratio | 1.18:1.00 | 1.22:1.00 |
| Asset-to-Equity Ratio | | | |
| | Total assets | ₱6,117,578,592 | ₱6,226,703,035 |
| | Divided by: Total equity | 2,807,693,140 | 2,802,005,332 |
| | Asset-to-Equity ratio | 2.18:1.00 | 2.22:1.00 |
| Interest Rate Coverage Ratio | | | |
| | Income before interest and taxes | ₱325,261,864 | ₱707,481,956 |
| | Divided by: Interest expense | 77,314,745 | 123,495,021 |
| | Interest Rate Coverage ratio | 4.21:1.10 | 5.73:1.00 |
| Return on Assets Ratio | | | |
| | Net income | ₱191,987,879 | ₱464,190,818 |
| | Divided by: Total assets | 6,117,578,592 | 6,226,703,035 |
| | Return on Assets ratio | 0.03:1.00 | 0.07:1.00 |
| Return on Equity Ratio | | | |
| | Net income | ₱191,987,879 | ₱464,190,818 |
| | Divided by: Total equity | 2,807,693,140 | 2,802,005,332 |
| | Return on Equity ratio | 0.07:1.00 | 0.17:1.00 |
| Net Profit Margin | | | |
| | Net income | ₱191,987,879 | ₱464,190,818 |
| | Divided by: Revenues | 5,046,041,159 | 10,010,358,499 |
| | Net Profit Margin | 0.04:1.00 | 0.05:1.00 |

2.7 RISK

Overview

The Group's activities expose it to a variety of financial risks: market risk which includes credit risk, liquidity risk and interest rate risk. The Group's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Group. 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 Group. Financial assets that potentially subject the Group 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 Group 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 Group to credit risk:

| | June 30, 2024 (Unaudited) | December 31, 2023 (Audited) |
|------------------------------------|--|--|
| Cash in banks and cash equivalents | ₱937,526,293 | ₱1,358,508,038 |
| Trade receivables | 130,869,203 | 134,936,141 |
| Accrued interest receivable | 1,597,222 | 9,258,082 |
| | ₱1,069,992,718 | ₱1,502,702,261 |

As at June 30, 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 Group 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 Group 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 Group based on customer type and rating. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if collection cannot be made despite exhausting all extra-judicial and legal means of collection.

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

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

The Group 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 Group'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.

| June 30, 2024 (Unaudited) | | | | |
|------------------------------------|---------------------|--|-----------------------------------|-----------------------|
| | 12-month ECL | Lifetime ECL - not credit impaired | Lifetime ECL - credit impaired | Total |
| Cash in banks and cash equivalents | ₱937,526,293 | ₱– | ₱– | ₱937,526,293 |
| Trade receivables | – | 130,869,203 | – | 130,869,203 |
| Accrued interest receivable | 1,597,222 | – | – | 1,597,222 |
| | ₱939,123,515 | ₱130,869,203 | ₱– | ₱1,069,992,718 |

| December 31, 2023 (Audited) | | | | |
|--------------------------------|-----------------------|--|-----------------------------------|-----------------------|
| | 12-month ECL | Lifetime ECL - not credit impaired | Lifetime ECL - credit impaired | Total |
| Cash in banks | ₱1,358,508,038 | ₱– | ₱– | ₱1,358,508,038 |
| Trade receivables | – | 134,936,141 | – | 134,936,141 |
| Accrued interest receivable | 9,258,082 | – | – | 9,258,082 |
| | ₱1,367,766,120 | ₱134,936,141 | ₱– | ₱1,502,702,261 |

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group'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 Group's reputation.

The Group 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 Group'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 Group can be required to pay.

| June 30, 2024 (Unaudited) | | | | |
|---------------------------------------|-----------------------|-----------------------|---------------------|-----------------------|
| | 1 to 6 Months | 6 Months to 1 Year | More than 1 Year | Total |
| Trade and other payables* | ₱684,684,600 | ₱3,382,833 | ₱– | ₱688,067,433 |
| Bank loans and trust receipts payable | 1,093,643,421 | 1,016,666,667 | – | 2,110,310,088 |
| Lease liabilities | 150,758,497 | 139,407,717 | 149,638,276 | 439,804,490 |
| | ₱1,929,086,518 | ₱1,159,457,217 | ₱149,638,276 | ₱3,238,182,011 |

*Excluding statutory and other payables.

| | December 31, 2023 (Audited) | | | |
|---------------------------------------|--------------------------------|-----------------------|---------------------|----------------|
| | 1 to 6 Months | 6 Months to 1 Year | More than 1 Year | Total |
| Trade and other payables* | ₱1,301,512,059 | ₱3,112,053 | ₱– | ₱1,304,624,112 |
| Bank loans and trust receipts payable | 850,947,198 | 916,666,667 | – | 1,767,613,865 |
| Lease liabilities | 88,928,784 | 72,307,133 | 123,702,631 | 284,938,548 |
| | ₱2,241,388,041 | ₱992,085,853 | ₱123,702,631 | ₱3,357,176,525 |

*Excluding statutory 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 Group's bank loans and trust receipts payable to local banks are subject to a repricing interest rate with and are exposed to fair value interest rate risk. The repricing of these instruments is done on a semiannual basis.

The Group 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 Group'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 June 30, 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 Group's aging analysis of trade and other receivables.

| | June 30, 2024 (Unaudited) | | | | | | |
|-----------------------------|------------------------------|--------------|-------------|------------|------------|-------------|-----------------------|
| | Past Due | | | | | | |
| | Total | Current | 0-30 days | 31-60 days | 61-90 days | 91-120 days | More than 120 days |
| Trade | ₱130,869,203 | ₱94,613,180 | ₱36,256,023 | ₱– | ₱– | ₱– | ₱– |
| Advances to: | | | | | | | |
| Stockholder | 30,491,848 | 30,491,848 | – | – | – | – | – |
| Officers and employees | 1,400,629 | 1,400,629 | – | – | – | – | – |
| Suppliers | 706,683 | 706,683 | – | – | – | – | – |
| Accrued interest receivable | 1,597,222 | 1,597,222 | – | – | – | – | – |
| | ₱165,065,585 | ₱128,809,562 | ₱36,256,023 | ₱– | ₱– | ₱– | ₱– |

| | December 31, 2023 (Audited) | | | | | | |
|-----------------------------|--------------------------------|--------------|-----------|------------|------------|-------------|-----------------------|
| | Past Due | | | | | | |
| | Total | Current | 0-30 days | 31-60 days | 61-90 days | 91-120 days | More than 120 days |
| Trade | ₱134,936,141 | ₱134,936,141 | ₱– | ₱– | ₱– | ₱– | ₱– |
| Advances to: | | | | | | | |
| Stockholder | 31,791,848 | 31,791,848 | – | – | – | – | – |
| 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 | – | – | – | – | – |
| | ₱181,057,704 | ₱181,057,704 | ₱– | ₱– | ₱– | ₱– | ₱– |

PART II - OTHER INFORMATION

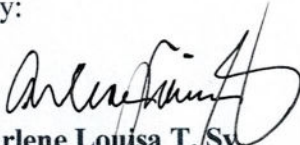
There are no other information not previously reported in SEC Form 17-C that need to be reported in this section.

SIGNATURES

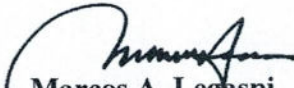
Pursuant to the requirements of the Securities Regulation Code, this issuer has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

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:



Arlene Louisa T. Sy
President and Chief Executive Officer



Marcos A. Legaspi
Chief Financial Officer