

# 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  
Sep 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	Sep 30, 2024
Currency (indicate units, if applicable)	PhP

#### Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Sep 30, 2024	Dec 31, 2023
Current Assets	5,429,441,959	5,053,072,947
Total Assets	6,822,135,907	6,226,703,035
Current Liabilities	3,622,071,456	3,254,953,412
Total Liabilities	3,785,987,250	3,424,697,703
Retained Earnings/(Deficit)	1,079,337,501	878,511,729
Stockholders' Equity	3,036,148,657	2,802,005,332
Stockholders' Equity - Parent	-	-
Book Value per Share	0.96	0.94

#### Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	3,217,080,588	2,833,469,069	8,263,121,747	7,350,336,465
Gross Expense	3,045,271,493	2,639,203,603	7,925,928,348	7,008,133,734

<b>Non-Operating Income</b>	116,718,402	86,387,207	276,595,962	246,624,336
<b>Non-Operating Expense</b>	43,004,213	36,408,914	120,318,958	100,831,007
<b>Income/(Loss) Before Tax</b>	245,523,284	244,243,759	493,470,403	487,996,060
<b>Income Tax Expense</b>	49,867,765	60,903,056	105,827,005	99,208,065
<b>Net Income/(Loss) After Tax</b>	195,655,519	183,340,703	387,643,398	388,787,995
<b>Net Income Attributable to Parent Equity Holder</b>	0	0	0	0
<b>Earnings/(Loss) Per Share (Basic)</b>	0.06	0.06	0.12	0.13
<b>Earnings/(Loss) Per Share (Diluted)</b>	0.06	0.06	0.12	0.13

	<b>Current Year (Trailing 12 months)</b>	<b>Previous Year (Trailing 12 months)</b>
<b>Earnings/(Loss) Per Share (Basic)</b>	0.12	0.16
<b>Earnings/(Loss) Per Share (Diluted)</b>	0.12	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. and Subsidiaries

*(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 September 30, 2024 (Unaudited) and December 31, 2023 (Audited)

and for the Nine Months Ended September 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	
)		a	n	d		S	u	b	s	i	d	i	a	r	i	e	s																						

## 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) 8526-7152**

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) 8526-7152**

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 **September 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 September 30, 2024 and Audited Statement of Financial Position as at December 31, 2023.....	2
Interim Unaudited Consolidated Statements of Comprehensive Income for the Nine Months Ended September 30, 2024 and 2023, and Audited Statement of Comprehensive Income for the Year Ended December 31, 2023.....	3
Interim Unaudited Consolidated Statements of Changes in Equity for the Nine Months Ended September 30, 2024 and 2023, and Audited Statement of Changes in Equity for the Year Ended December 31, 2023.....	4
Interim Unaudited Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2024 and 2023, and Audited 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.....	23
PART 2 - OTHER INFORMATION.....	31
SIGNATURES.....	32

## **PART I – FINANCIAL INFORMATION**

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

The condensed interim consolidated financial statements as at September 30, 2024 (Unaudited) and December 31, 2023 (Audited) and for the nine months ended September 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 subsidiaries, (collectively referred to as the “Group”) are filed as part of this Form 17-Q on pages 2 to 22.

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 condensed unaudited interim 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>	<b>September 30, 2024 (Unaudited)</b>	<b>December 31, 2023 (Audited)</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	<b>₱1,322,634,457</b>	₱1,360,873,502
Trade and other receivables	5	<b>176,337,691</b>	181,057,704
Inventories	6	<b>3,757,182,794</b>	3,350,825,684
Other assets	7	<b>173,287,017</b>	160,316,057
<b>Total Current Assets</b>		<b>5,429,441,959</b>	5,053,072,947
<b>Noncurrent Assets</b>			
Property and equipment	8	<b>869,933,248</b>	819,418,924
Right-of-use (ROU) assets	16	<b>412,142,941</b>	275,426,853
Noncurrent portion of refundable lease deposits	7	<b>89,130,327</b>	59,723,407
Net deferred tax assets	17	<b>21,487,432</b>	19,060,904
<b>Total Noncurrent Assets</b>		<b>1,392,693,948</b>	1,173,630,088
<b>TOTAL ASSETS</b>		<b>₱6,822,135,907</b>	₱6,226,703,035
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Bank loans and trust receipts payables	10	<b>₱2,022,138,593</b>	₱1,767,613,865
Trade and other payables	9	<b>1,263,730,851</b>	1,322,843,184
Current portion of lease liabilities	16	<b>295,459,360</b>	147,320,374
Income tax payable		<b>40,742,652</b>	17,175,989
<b>Total Current Liabilities</b>		<b>3,622,071,456</b>	3,254,953,412
<b>Noncurrent Liabilities</b>			
Lease liabilities - net of current portion	16	<b>117,655,927</b>	127,873,298
Retirement liability	15	<b>46,259,867</b>	41,870,993
<b>Total Noncurrent Liabilities</b>		<b>163,915,794</b>	169,744,291
<b>Total Liabilities</b>		<b>3,785,987,250</b>	3,424,697,703
<b>Equity</b>			
Capital stock	11	<b>625,000,260</b>	625,000,260
Additional paid-in capital	11	<b>1,305,308,048</b>	1,305,308,048
Retained earnings	11	<b>1,079,337,501</b>	878,511,729
Accumulated remeasurement losses on retirement liability	15	<b>(6,814,705)</b>	(6,814,705)
Equity Attributable to Equity Holders of the Parent Company		<b>3,002,831,104</b>	2,802,005,332
Non-controlling interests	11	<b>33,317,553</b>	—
<b>Total Equity</b>		<b>3,036,148,657</b>	2,802,005,332
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>₱6,822,135,907</b>	₱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**

	Note	Unaudited				Audited
		July 1 to September 30, 2024	January 1 to September 30, 2024	July 1 to September 30, 2023	January 1 to September 30, 2023	December 31, 2023
<b>SALES</b>		<b>₱3,217,080,588</b>	<b>₱8,263,121,747</b>	<b>₱2,833,469,069</b>	<b>₱7,350,336,465</b>	<b>₱10,010,358,499</b>
<b>COST OF SALES</b>	6	<b>(2,570,764,460)</b>	<b>(6,563,094,728)</b>	<b>(2,252,213,479)</b>	<b>(5,785,347,590)</b>	<b>(7,932,978,469)</b>
<b>GROSS INCOME</b>		<b>646,316,128</b>	<b>1,700,027,019</b>	<b>581,255,590</b>	<b>1,564,988,875</b>	<b>2,077,380,030</b>
<b>OPERATING EXPENSES</b>	12	<b>(474,507,033)</b>	<b>(1,362,833,620)</b>	<b>(386,990,124)</b>	<b>(1,222,786,144)</b>	<b>(1,675,980,429)</b>
<b>FINANCE COSTS</b>	10	<b>(43,004,213)</b>	<b>(120,318,958)</b>	<b>(36,408,914)</b>	<b>(100,831,007)</b>	<b>(123,495,021)</b>
<b>OTHER INCOME</b>	13	<b>116,718,402</b>	<b>276,595,962</b>	<b>86,387,207</b>	<b>246,624,336</b>	<b>306,082,355</b>
<b>INCOME BEFORE INCOME TAX</b>		<b>245,523,284</b>	<b>493,470,403</b>	<b>244,243,759</b>	<b>487,996,060</b>	<b>583,986,935</b>
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>						
Current		50,033,489	108,253,533	53,644,060	95,720,733	117,606,658
Deferred		(165,724)	(2,426,528)	7,258,996	3,487,332	2,189,459
		<b>49,867,765</b>	<b>105,827,005</b>	<b>60,903,056</b>	<b>99,208,065</b>	<b>119,796,117</b>
<b>NET INCOME</b>		<b>195,655,519</b>	<b>387,643,398</b>	<b>183,340,703</b>	<b>388,787,995</b>	<b>464,190,818</b>
<b>OTHER COMPREHENSIVE INCOME</b>						
<i>Not to be reclassified to profit or loss in subsequent periods</i>						
Remeasurement loss on retirement liability - net of deferred income tax	15	—	—	—	—	(2,559,921)
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>₱195,655,519</b>	<b>₱387,643,398</b>	<b>₱183,340,703</b>	<b>₱388,787,995</b>	<b>₱461,630,897</b>
<b>Net Income (Loss) Attributable to:</b>						
Equity holders of the Parent Company		₱195,809,371	₱388,325,850	₱183,340,703	₱388,787,995	₱464,190,818
Non-controlling interests	11	(153,852)	(682,452)	—	—	—
		<b>₱195,655,519</b>	<b>₱387,643,398</b>	<b>₱183,340,703</b>	<b>₱388,787,995</b>	<b>₱464,190,818</b>
<b>Total Comprehensive Income (Loss) Attributable to:</b>						
Equity holders of the Parent Company		₱195,809,371	₱388,325,850	₱183,340,703	₱388,787,995	₱461,630,897
Non-controlling interests	11	(153,852)	(682,452)	—	—	—
		<b>₱195,655,519</b>	<b>₱387,643,398</b>	<b>₱183,340,703</b>	<b>₱388,787,995</b>	<b>₱461,630,897</b>
<b>Basic/diluted earnings per share</b>	18	<b>₱0.06</b>	<b>₱0.12</b>	<b>₱0.06</b>	<b>₱0.13</b>	<b>₱0.16</b>

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**

	<i>Note</i>	<b>Unaudited</b>		<b>Audited</b>
		<b>January 1 to September 30, 2024</b>	January 1 to September 30, 2023	December 31, 2023
<b>CAPITAL STOCK</b>	<i>11</i>	<b>₱625,000,260</b>	₱625,000,260	₱625,000,260
<b>ADDITIONAL PAID-IN CAPITAL</b>	<i>11</i>	<b>1,305,308,048</b>	1,305,308,048	1,305,308,048
<b>RETAINED EARNINGS</b>	<i>11</i>			
<b>UNAPPROPRIATED</b>				
Balance at beginning of period		<b>800,511,729</b>	552,320,968	552,320,968
Net income		<b>388,325,850</b>	388,787,995	464,190,818
Appropriation		—	(78,000,000)	(78,000,000)
Reversal of appropriation		<b>78,000,000</b>	—	—
Cash dividends - ₱0.06 in 2024 and ₱0.04 per share in 2023		<b>(187,500,078)</b>	(138,000,057)	(138,000,057)
Balance at end of period		<b>1,079,337,501</b>	725,108,906	800,511,729
<b>APPROPRIATED</b>				
Balance at beginning of period		<b>78,000,000</b>	—	—
Appropriation		—	78,000,000	78,000,000
Reversal of appropriation		<b>(78,000,000)</b>	—	—
Balance at end of period		—	78,000,000	78,000,000
		<b>1,079,337,501</b>	803,108,906	878,511,729
<b>ACCUMULATED REMEASUREMENT LOSSES ON RETIREMENT LIABILITY</b>	<i>15</i>			
Balance at beginning of period		<b>(6,814,705)</b>	(4,254,784)	(4,254,784)
Remeasurement loss on retirement liability - net of deferred income tax		—	—	(2,559,921)
Balance at end of period		<b>(6,814,705)</b>	(4,254,784)	(6,814,705)
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>		<b>3,002,831,104</b>	2,729,162,430	2,802,005,332
<b>NON-CONTROLLING INTERESTS</b>	<i>11</i>	<b>33,317,553</b>	—	—
		<b>₱3,036,148,657</b>	₱2,729,162,430	₱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
		January 1 to September 30, 2024	January 1 to September 30, 2023
	Note		December 31, 2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax		₱493,470,403	₱487,996,060
Adjustments for:			₱583,986,935
Depreciation and amortization	8	296,901,645	214,024,379
Finance costs	10	120,318,958	100,831,007
Interest income	4	(21,959,680)	(34,047,444)
Retirement expense	15	4,388,874	3,764,217
Provision for inventory obsolescence	6	–	8,342,897
Gain on lease modification	16	–	(102,070)
Operating income before working capital changes		893,120,200	780,809,046
Decrease (increase) in:			977,579,146
Trade and other receivables		31,536,103	(119,372,509)
Inventories		(406,357,110)	(447,581,924)
Other assets		(42,463,380)	(17,614,810)
Increase (decrease) in trade and other payables		(60,178,857)	397,289,463
Net cash generated from operations		415,656,956	593,529,266
Income taxes paid		(84,686,870)	(135,892,328)
Interest received		29,143,595	447,444
Net cash provided by operating activities		360,113,681	458,084,382
<b>CASH FLOW FROM AN INVESTING ACTIVITY</b>			
Additions to property and equipment	8	(119,674,554)	(150,557,341)
			(219,496,536)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments of:			
Loans and trust receipts	10	(1,531,605,517)	(2,106,343,893)
Lease liabilities	16	(248,158,177)	(185,240,944)
Dividends	11	(187,500,078)	(413,306,057)
Interest		(97,544,645)	(89,335,535)
Proceeds from:			
Bank loans and trust receipts availments	10	1,786,130,245	2,222,280,308
Issuance of capital stock		–	1,430,308,248
Net cash provided by (used in) financing activities		(278,678,172)	858,362,127
			710,530,913
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		(38,239,045)	1,165,889,168
			559,460,699
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>			
		1,360,873,502	801,412,803
			801,412,803
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>			
		₱1,322,634,457	₱1,967,301,971
			₱1,360,873,502
<b>NONCASH FINANCIAL INFORMATION</b>			
Additions and modifications to ROU assets	16	(₱364,457,503)	(₱142,966,494)
Additions and modifications to lease liabilities	16	364,372,003	142,864,424
Capitalized borrowing costs	8	–	–
			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 subsidiaries, 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
Subsidiaries -	
iStudio Technologies Philippines Corporation (iStudio)	May 24, 2024
Upson Global Inc. (UGI)	July 10, 2024

The Parent Company and iStudio are 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.

UGI is primarily engaged in the business of buying, selling, distributing, franchising, marketing, at wholesale and retail kinds of goods, commodities, wares and merchandise such as but not limited to water filtration and purification devices and systems, household, commercial, and industrial appliances and equipment, telecommunications other similar products.

In May 2024, the Parent Company incorporated iStudio with 52% ownership interest amounting to ₱26.0 million. In July 2024, the Parent Company incorporated UGI with 90% ownership interest amounting to ₱90.0 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 nine months ended September 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 September 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 Subsidiaries**

On May 24, 2024, the Parent Company incorporated iStudio with 52% ownership interest or 26.0 million common shares with a par value of ₱1.00 per common share amounting to ₱26.0 million. On July 10, 2024, the Parent Company incorporated UGI with 90% ownership interest or 90.0 million common shares with a par value of ₱1.00 per common share amounting to ₱90.0 million.

---

### **4. Cash and Cash Equivalents**

This account consists of:

	<b>September 30, 2024</b>	<b>December 31, 2023</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Cash on hand	<b>₱2,689,577</b>	<b>₱2,365,464</b>
Cash in banks	<b>819,934,880</b>	<b>1,358,508,038</b>
Cash equivalents	<b>500,010,000</b>	<b>—</b>
	<b>₱1,322,634,457</b>	<b>₱1,360,873,502</b>

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
	July 1 to September 30, 2024	January 1 to September 30, 2024	July 1 to September 30, 2023	January 1 to September 30, 2023	December 31, 2023
Cash in banks	<b>₱182,304</b>	<b>₱578,039</b>	₱125,551	₱447,444	₱680,425
Cash equivalents	<b>6,285,279</b>	<b>21,381,641</b>	16,732,710	33,600,000	46,130,659
	<b>₱6,467,583</b>	<b>₱21,959,680</b>	₱16,858,261	₱34,047,444	₱46,811,084

Accrued interest receivable from cash equivalents amounted to ₱2.1 million and ₱9.3 million as at September 30, 2024 and December 31, 2023, respectively (see Note 5).

## 5. Trade and Other Receivables

This account consists of:

	Note	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Trade		<b>₱135,289,376</b>	₱134,936,141
Advances to:			
Stockholder	14	<b>31,791,848</b>	31,791,848
Officers and employees		<b>3,940,535</b>	1,763,413
Suppliers		<b>3,241,765</b>	3,308,220
Accrued interest receivable	4	<b>2,074,167</b>	9,258,082
		<b>₱176,337,691</b>	₱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 nine months ended September 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:

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
At cost:		
Computers and peripherals	<b>₱2,240,061,836</b>	₱1,953,012,515
Accessories	<b>657,196,851</b>	589,958,494
Mobile phones	<b>579,753,859</b>	519,145,107
Printers and scanners	<b>234,941,342</b>	251,766,243
Consumables	<b>95,020,535</b>	88,712,318
	<b>3,806,974,423</b>	3,402,594,677
Less allowance for inventory obsolescence	<b>(49,791,629)</b>	(51,768,993)
At net realizable value	<b>₱3,757,182,794</b>	₱3,350,825,684

Movements in the allowance for inventory obsolescence are as follows:

	Note	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Balance at beginning of period		<b>₱51,768,993</b>	₱48,852,617
Provision for (reversal of) inventory obsolescence	12	<b>(1,977,364)</b>	2,916,376
Balance at end of period		<b>₱49,791,629</b>	₱51,768,993

The Group's inventories are stated at NRV as at September 30, 2024 and December 31, 2023. The reversal of inventory obsolescence pertains to subsequent sale of inventory items previously provided with allowance. Based on management assessment, the allowance for inventory obsolescence is adequate to cover for possible losses.

Under the terms of agreements, merchandise inventories amounting to ₱1,686.1 million and ₱2,036.0 million as at September 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		
	July 1 to September 30, 2024	January 1 to September 30, 2024	July 1 to September 30, 2023	January 1 to September 30, 2023	December 31, 2023
Inventories at beginning of period	<b>₱3,402,594,677</b>	<b>₱3,402,594,677</b>	₱2,715,412,086	₱2,715,412,086	₱2,715,412,086
Purchases	<b>2,975,144,206</b>	<b>6,967,474,474</b>	2,699,795,403	6,232,929,514	8,620,161,060
Cost of goods available for sale	<b>6,377,738,883</b>	<b>10,370,069,151</b>	5,415,207,489	8,948,341,600	11,335,573,146
Less inventories at end of period	<b>(3,806,974,423)</b>	<b>(3,806,974,423)</b>	(3,162,994,010)	(3,162,994,010)	(3,402,594,677)
	<b>₱2,570,764,460</b>	<b>₱6,563,094,728</b>	₱2,252,213,479	₱5,785,347,590	₱7,932,978,469

---

## 7. Other Assets

This account includes:

		September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
	<i>Note</i>		
Refundable lease deposits	16	<b>₱234,618,690</b>	₱213,463,543
Prepayments		<b>27,798,654</b>	3,685,777
Input VAT		—	2,890,144
		<b>262,417,344</b>	220,039,464
Less noncurrent portion of refundable lease deposits		<b>89,130,327</b>	59,723,407
		<b>₱173,287,017</b>	₱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:

September 30, 2024 (Unaudited)								
	Land	Building and Improvements	Leasehold Improvements	Store Furniture and Equipment	Transportation Equipment	Furniture and Fixtures	Construction in progress	Total
<b>Cost</b>								
Balance at beginning 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
Additions	–	–	3,131,620	11,613,039	15,105,357	2,287,734	87,536,804	119,674,554
Reclassification	–	–	36,984,896	(167,718)	–	167,718	(36,984,896)	–
Balance at end of year	201,025,000	208,474,487	649,599,442	154,806,104	148,429,451	112,466,321	229,871,838	1,704,672,643
<b>Accumulated Depreciation and Amortization</b>								
Balance at beginning of year	–	24,281,885	448,924,870	89,095,323	112,642,606	90,634,481	–	765,579,165
Depreciation and amortization	–	6,195,261	29,854,234	15,113,370	11,836,442	6,160,923	–	69,160,230
Balance at end of year	–	30,477,146	478,779,104	104,208,693	124,479,048	96,795,404	–	834,739,395
<b>Carrying Amount</b>	<b>₱201,025,000</b>	<b>₱177,997,341</b>	<b>₱170,820,338</b>	<b>₱50,597,411</b>	<b>₱23,950,403</b>	<b>₱15,670,917</b>	<b>₱229,871,838</b>	<b>₱869,933,248</b>

December 31, 2023 (Audited)								
	Land	Building and Improvements	Leasehold Improvements	Store Furniture and Equipment	Transportation Equipment	Furniture and Fixtures	Construction 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	₱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
<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	–	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
<b>Carrying Amount</b>	<b>₱201,025,000</b>	<b>₱184,192,602</b>	<b>₱160,558,056</b>	<b>₱54,265,460</b>	<b>₱20,681,488</b>	<b>₱19,376,388</b>	<b>₱179,319,930</b>	<b>₱819,418,924</b>

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 September 30, 2024, the estimated total cost to complete the warehouse and store branches amounted to ₱47.0 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 ₱159.5 million and ₱164.9 million as at September 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 ₱277.9 million and ₱123.7 million as at September 30, 2024 and December 31, 2023, respectively.

Depreciation and amortization are recognized from:

	Note	Unaudited		Audited	
		July 1 to September 30, 2024	January 1 to September 30, 2024	July 1 to September 30, 2023	January 1 to September 30, 2023
ROU assets	16	₱84,370,856	₱227,741,415	₱52,723,303	₱155,307,867
Property and equipment		11,177,071	69,160,230	12,629,155	58,716,512
		<b>₱95,547,927</b>	<b>₱296,901,645</b>	<b>₱65,352,458</b>	<b>₱214,024,379</b>

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

	Unaudited		Audited	
	July 1 to September 30, 2024	January 1 to September 30, 2024	July 1 to September 30, 2023	January 1 to September 30, 2023
Selling and marketing expenses	₱75,384,652	₱234,353,809	₱42,478,241	₱146,848,736
General and administrative expenses	20,163,275	62,547,836	22,874,217	67,175,643
	<b>₱95,547,927</b>	<b>₱296,901,645</b>	<b>₱65,352,458</b>	<b>₱214,024,379</b>

## 9. Trade and Other Payables

This account consists of:

	Note	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Trade		₱1,195,178,755	₱1,256,409,554
Statutory payables		29,094,229	18,219,072
Advances from a related party	14	25,403,485	25,403,485
Accrued expenses		8,442,102	17,203,355
Retention payables		5,078,794	3,112,053
Others		533,486	2,495,665
		<b>₱1,263,730,851</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 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:

	September 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	1,686,130,245	1,786,130,245
Payments	–	(1,531,605,517)	(1,531,605,517)
Balance at end of period	₱1,016,666,667	₱1,005,471,926	₱2,022,138,593

	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 September 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 5.88% to 8.00% in 2024 and 4.88% to 9.25% in 2023.

### Trust Receipts

Under the terms of agreements, merchandise inventories amounting to ₱1,686.1 million and ₱2,036.0 million as at September 30, 2024 and December 31, 2023, respectively, were covered by trust receipts issued by local banks (see Note 6).

### Covenants

As at September 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	
		July 1 to September 30, 2024	January 1 to September 30, 2024	July 1 to September 30, 2023	January 1 to September 30, 2023
Interest on bank loans		₱17,529,913	₱50,486,707	₱16,960,330	₱51,534,693
Interest on trust receipts		17,838,092	48,124,462	16,027,766	68,676,271
Accretion of interest on lease liabilities	16	7,636,208	21,707,789	3,420,818	10,067,777
		43,004,213	120,318,958	36,408,914	100,831,007
Less capitalized borrowing cost		–	–	–	–
		₱43,004,213	₱120,318,958	₱36,408,914	₱100,831,007
					₱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 nine months ended September 30, 2024 and 2023.

## 11. Equity

### Capital Stock

Details of capital stock follow:

	September 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 September 30, 2024 amounted to ₱703.5 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 September 30, 2023 and 2024, the cash dividends were completely distributed to the stockholders.

### **Non-controlling Interests**

The Group's non-controlling interests represent ownership of non-controlling interests' stockholders of iStudio and UGI aggregating to ₱33.3 million and nil as at September 30, 2024 and December 31, 2023, respectively.

Movements during the period are as follows:

	Amount
Additions during the period	₱34,000,005
Net loss attributable to non-controlling interests	(682,452)
	<b>₱33,317,553</b>

## **12. Operating Expenses**

This account consists of:

	Unaudited		Audited	
	July 1 to September 30, 2024	January 1 to September 30, 2024	July 1 to September 30, 2023	January 1 to September 30, 2023
Selling and marketing expenses	<b>₱409,301,003</b>	<b>₱1,120,834,387</b>	₱309,275,287	₱939,538,864
General and administrative expenses	<b>65,206,030</b>	<b>241,999,233</b>	77,714,837	283,247,280
	<b>₱474,507,033</b>	<b>₱1,362,833,620</b>	₱386,990,124	₱1,222,786,144

Selling and marketing expenses consist of:

		Unaudited		Audited	
		July 1 to September 30, 2024	January 1 to September 30, 2024	July 1 to September 30, 2023	January 1 to September 30, 2023
Merchant discount		<b>₱125,339,814</b>	<b>₱280,094,567</b>	₱88,423,517	₱215,730,816
Personnel costs		<b>89,191,511</b>	<b>241,288,189</b>	75,422,224	213,669,423
Depreciation and amortization	8	<b>75,384,652</b>	<b>234,353,809</b>	42,478,241	146,848,736
Rent	16	<b>42,784,636</b>	<b>146,550,232</b>	38,598,765	161,980,845
Utilities		<b>37,237,762</b>	<b>106,830,265</b>	32,863,862	97,510,971
Contracted and other services		<b>35,386,752</b>	<b>96,956,606</b>	22,258,444	66,893,387
Freight and delivery		<b>3,036,940</b>	<b>8,875,863</b>	4,624,161	11,398,513
Advertising		<b>1,733,549</b>	<b>4,465,764</b>	3,644,260	14,271,024
Retirement expense	15	<b>1,182,751</b>	<b>3,396,456</b>	961,813	2,892,252
Provision for (reversal of) inventory obsolescence	6	<b>(1,977,364)</b>	<b>(1,977,364)</b>	—	8,342,897
		<b>₱409,301,003</b>	<b>₱1,120,834,387</b>	₱309,275,287	₱939,538,864

General and administrative expenses consist of:

	<i>Note</i>	Unaudited		Audited	
		July 1 to September 30, 2024	January 1 to September 30, 2024	July 1 to September 30, 2023	January 1 to September 30, 2023 December 31, 2023
Personnel costs		<b>₱21,568,685</b>	<b>₱70,502,493</b>	₱22,950,175	₱97,505,755
Depreciation and amortization	8	<b>20,163,275</b>	<b>62,547,836</b>	22,874,217	89,632,335
Repairs, warranties and maintenance		<b>8,772,667</b>	<b>20,162,748</b>	5,146,506	12,504,093
Stationery and supplies		<b>3,839,916</b>	<b>10,557,430</b>	3,616,503	13,635,938
Transportation and travel		<b>3,829,601</b>	<b>11,728,018</b>	3,161,403	12,156,859
Taxes and licenses		<b>2,467,353</b>	<b>44,972,041</b>	11,207,178	61,079,416
Insurance		<b>1,918,896</b>	<b>3,101,834</b>	2,422,638	7,817,667
Professional fees		<b>828,996</b>	<b>5,570,054</b>	2,049,169	8,088,818
Retirement expense	15	<b>280,207</b>	<b>992,418</b>	292,926	1,240,626
Representation		<b>4,716</b>	<b>3,187,263</b>	1,740,060	8,301,601
Rent	16	—	—	—	492,696
IPO Expense		—	—	—	16,546,052
Others		<b>1,531,718</b>	<b>8,677,098</b>	2,254,062	8,165,323
		<b>₱65,206,030</b>	<b>₱241,999,233</b>	₱77,714,837	₱283,247,280
					<b>₱337,167,179</b>

Personnel costs consist of:

	<i>Note</i>	Unaudited		Audited	
		July 1 to September 30, 2024	January 1 to September 30, 2024	July 1 to September 30, 2023	January 1 to September 30, 2023 December 30, 2023
Salaries and wages		<b>₱101,114,439</b>	<b>₱284,748,321</b>	₱90,606,379	₱346,795,528
Employee benefits		<b>9,645,757</b>	<b>27,042,361</b>	7,766,020	47,664,225
		<b>₱110,760,196</b>	<b>₱311,790,682</b>	₱98,372,399	₱394,459,753

### 13. Other Income

	<i>Note</i>	Unaudited		Audited	
		July 1 to September 30, 2024	January 1 to September 30, 2024	July 1 to September 30, 2023	January 1 to September 30, 2023 December 31, 2023
Realized foreign exchange gain		<b>₱987,222</b>	<b>₱8,192,584</b>	₱2,206,966	₱7,472,929
Interest Income	4	<b>6,467,583</b>	<b>21,959,680</b>	16,858,261	46,811,084
Gain on lease modification	16	—	—	—	102,070
Others		<b>109,263,597</b>	<b>246,443,698</b>	67,321,980	251,696,272
		<b>₱116,718,402</b>	<b>₱276,595,962</b>	₱86,387,207	₱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 September 30, 2024 (Unaudited)	January 1 to December 31, 2023 (Audited)	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
<b>Trade and Other Receivables</b> <i>(see Note 5)</i>					
	Advances for business development	<b>₱–</b>	<b>₱31,791,848</b>	<b>₱31,791,848</b>	<b>₱31,791,848</b>
Stockholder					
<b>Trade and Other Payables</b>					
Entity under common control	Advances from a related party	<b>₱–</b>	<b>₱–</b>	<b>₱25,403,485</b>	<b>₱25,403,485</b>
<b>Lease Arrangement</b> <i>(see Note 16)</i>					
	ROU Asset amortization	<b>(₱50,599,509)</b>	<b>(₱68,963,541)</b>	<b>(₱82,141,354)</b>	<b>₱18,764,032</b>
Entity under common control	Lease liability payment	<b>(53,155,532)</b>	<b>(68,402,482)</b>	<b>(84,430,330)</b>	<b>19,350,782</b>

### 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 ₱159.5 million and ₱164.9 million as at September 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
	July 1 to September 30, 2024	January 1 to September 30, 2024	July 1 to September 30, 2023	January 1 to September 30, 2023	December 31, 2023
Short-term employee benefits	₱1,713,465	₱5,140,395	₱1,713,465	₱5,140,395	₱6,853,860
Post-employment benefits	166,407	499,221	166,407	499,221	665,628
	₱1,879,872	₱5,639,616	₱1,879,872	₱5,639,616	₱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
	July 1 to September 30, 2024	January 1 to September 30, 2024	July 1 to September 30, 2023	January 1 to September 30, 2023	December 31, 2023
Current service cost	<b>₱813,958</b>	<b>₱2,441,873</b>	₱636,121	₱1,908,363	₱2,544,484
Interest cost	<b>649,000</b>	<b>1,947,001</b>	618,618	1,855,854	2,474,472
	<b>₱1,462,958</b>	<b>₱4,388,874</b>	₱1,254,739	₱3,764,217	₱5,018,956

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

	Unaudited				Audited
	July 1 to September 30, 2024	January 1 to September 30, 2024	July 1 to September 30, 2023	January 1 to September 30, 2023	December 31, 2023
Selling and marketing expenses	<b>₱1,182,751</b>	<b>₱3,396,456</b>	₱961,813	₱2,892,252	₱3,778,330
General and administrative expenses	<b>280,207</b>	<b>992,418</b>	292,926	871,965	1,240,626
	<b>₱1,462,958</b>	<b>₱4,388,874</b>	₱1,254,739	₱3,764,217	₱5,018,956

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

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Balance at beginning of period	<b>₱41,870,993</b>	₱33,438,809
Current service cost	<b>2,441,873</b>	2,544,484
Interest cost	<b>1,947,001</b>	2,474,472
Remeasurement loss	—	3,413,228
Balance at end of period	<b>₱46,259,867</b>	₱41,870,993

The assumptions used to determine retirement liability are as follows:

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Discount rate	<b>6.20%</b>	6.20%
Salary increase rate	<b>3.00%</b>	3.00%

The sensitivity analyses based on reasonably possible changes of the assumptions as at September 30, 2024 follow:

	Basis Points	Effect on Present Value of Retirement Liability
Discount rate	+100	(₱3,172,978)
	-100	9,825,785
Salary increase rate	+100	9,983,913
	-100	(3,404,013)

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:

<b>September 30, 2024</b> <b>(Unaudited)</b>			
	<b>Cumulative Remeasurement Loss</b>	<b>Deferred Tax (see Note 17)</b>	<b>Cumulative Remeasurement Loss, Net of Tax</b>
Balance at beginning and end of period	<b>₱9,086,274</b>	<b>(₱2,271,569)</b>	<b>₱6,814,705</b>

<b>December 31, 2023</b> <b>(Audited)</b>			
	<b>Cumulative Remeasurement Loss</b>	<b>Deferred Tax (see Note 17)</b>	<b>Cumulative Remeasurement Loss, Net of Tax</b>
Balance at beginning of year	<b>₱5,673,046</b>	<b>(₱1,418,262)</b>	<b>₱4,254,784</b>
Remeasurement loss	<b>3,413,228</b>	<b>(853,307)</b>	<b>2,559,921</b>
Balance at end of year	<b>₱9,086,274</b>	<b>(₱2,271,569)</b>	<b>₱6,814,705</b>

## 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):

	<b>Unaudited</b>				<b>Audited</b>
	<b>July 1 to September 30, 2024</b>	<b>January 1 to September 30, 2024</b>	<b>July 1 to September 30, 2023</b>	<b>January 1 to September 30, 2023</b>	<b>December 31, 2023</b>
Selling and marketing expenses	<b>₱42,784,636</b>	<b>₱146,550,232</b>	<b>₱38,598,765</b>	<b>₱161,980,845</b>	<b>₱251,986,409</b>
General and administrative expenses	<b>—</b>	<b>—</b>	<b>—</b>	<b>492,696</b>	<b>492,696</b>
	<b>₱42,784,636</b>	<b>₱146,550,232</b>	<b>₱38,598,765</b>	<b>₱162,473,541</b>	<b>₱252,479,105</b>

### 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:

		September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
	Note		
<b>Cost</b>			
Balance at beginning of period		₱1,250,321,423	₱1,017,780,596
Additions		364,457,503	232,869,169
Effect of lease modification		–	(328,342)
Balance at end of period		1,614,778,926	1,250,321,423
<b>Accumulated amortization</b>			
Balance at beginning of period		974,894,570	766,466,616
Amortization	8	227,741,415	208,427,954
Balance at end of period		1,202,635,985	974,894,570
<b>Carrying Amount</b>		<b>₱412,142,941</b>	<b>₱275,426,853</b>

### Refundable Lease Deposits

Lease deposits, which are refundable at the end of the lease term if unutilized, aggregate ₱234.6 million and ₱213.5 million as at September 30, 2024 and December 31, 2023, respectively (see Note 7).

### Lease Liabilities

The balance and movements in lease liabilities are as follows:

		September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
	Note		
Balance at beginning of period		₱275,193,672	₱250,610,778
Additions		364,372,003	230,774,915
Payments		(248,158,177)	(220,119,782)
Accretion	10	21,707,789	14,358,173
Effect of lease modification		–	(430,412)
Balance at end of period		413,115,287	275,193,672
Current portion		295,459,360	147,320,374
Noncurrent portion		₱117,655,927	₱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 nine months ended September 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 September 30, 2024 is as follows:

	Minimum Lease Payments	Present Value
Not later than one year	₱307,209,770	₱295,459,360
Later than one year but not more than five years	119,362,974	117,655,927
	<b>₱426,572,744</b>	<b>₱413,115,287</b>

---

**17. Income Taxes**

The provision for current income tax pertains to regular corporate income tax (RCIT) for the nine months ended September 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	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
<b>Deferred tax assets:</b>			
Allowance for inventory obsolescence		<b>₱12,447,907</b>	₱12,942,248
Retirement liability:			
Profit or loss		<b>9,293,398</b>	8,196,180
OCI	15	<b>2,271,569</b>	2,271,569
Excess of lease liability over ROU asset		<b>243,087</b>	—
		<b>24,255,961</b>	23,409,997
<b>Deferred tax liability:</b>			
Capitalized borrowing cost		<b>(2,768,529)</b>	(2,768,529)
Unrealized foreign exchange gain		—	(1,522,269)
Excess of ROU asset over lease liability		—	(58,295)
		<b>(2,768,529)</b>	(4,349,093)
		<b>₱21,487,432</b>	₱19,060,904

---

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

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

	Unaudited				Audited
	July 1 to September 30, 2024	January 1 to September 30, 2024	July 1 to September 30, 2023	January 1 to September 30, 2023	December 31, 2023
Net income attributable to equity holders of the Parent Company	<b>₱195,809,371</b>	<b>₱388,325,850</b>	₱183,340,703	₱388,787,995	₱464,190,818
Divided by weighted average number of outstanding shares	<b>3,125,001,300</b>	<b>3,125,001,300</b>	3,125,001,300	2,916,667,633	2,968,751,050
	<b>₱0.06</b>	<b>₱0.12</b>	₱0.06	₱0.13	₱0.16

The Group has no dilutive potential shares for the nine months ended September 30, 2024 and 2023, and for the year ended December 31, 2023.

---

**19. Operating Segment Information**

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

Sales reflected in the consolidated statements of comprehensive income are all from external customers and within the Philippines, which is the Group's domicile and primary place of operations. Additionally, the Group's noncurrent assets are also primarily acquired, located and used within the Philippines. Sales are attributable to revenue from the general public, which are generated through the Company's store outlets. Consequently, the Group has no concentrations of revenue from a single customer in 2024 and 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) (herein referred to as UIC or the "Parent Company") and its subsidiaries, collectively referred to as the "Group", were incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on the following dates:

	<u>Date of Incorporation</u>
Parent Company	April 19, 1995
Subsidiaries -	
iStudio Technologies Philippines Corporation (iStudio)	May 24, 2024
Upson Global Inc. (UGI)	July 10, 2024

The Parent Company and iStudio are 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.

UGI is primarily engaged in the business of buying, selling, distributing, franchising, marketing, at wholesale and retail kinds of goods, commodities, wares and merchandise such as but not limited to water filtration and purification devices and systems, household, commercial, and industrial appliances and equipment, telecommunications other similar products.

As at September 30, 2024, both iStudio and UGI has yet to commence commercial operations.

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 Consolidated Statements of Comprehensive Income

	For the nine months ended September 30		
	2024	2023	% Change
Sales	<b>₱8,263,121,747</b>	₱7,350,336,465	12.42%
Cost of sales	<b>(6,563,094,728)</b>	(5,785,347,590)	13.44%
Gross income	<b>1,700,027,019</b>	1,564,988,875	8.63%
Operating expenses	<b>(1,362,833,620)</b>	(1,222,786,144)	11.45%
Finance costs	<b>(120,318,958)</b>	(100,831,007)	19.33%
Other income	<b>276,595,962</b>	246,624,336	12.15%
Income before income tax	<b>493,470,403</b>	487,996,060	1.12%
Provision for (benefit from) income tax			
Current	<b>108,253,533</b>	95,720,733	13.09%
Deferred	<b>(2,426,528)</b>	3,487,332	(169.58%)
	<b>105,827,005</b>	99,208,065	6.67%
Net income	<b>₱387,643,398</b>	₱388,787,995	(0.29%)
Earnings per share	<b>₱0.12</b>	₱0.13	

## 2.3 OPERATING RESULTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 COMPARED WITH SEPTEMBER 30, 2023

During the nine months ended September 30, 2024, the Group's operation resulted to a net income of ₱387.6 million.

Sales for the nine months ended September 30, 2024 increased by 12.42% compared with the sales for the nine months ended September 30, 2023. The increase is mainly due to 9.09% store network growth from 220 to 240 stores in 2024 and 2023, respectively. The Group's gross profit ratio is 20.57% and 21.29% as at September 30, 2024 and 2023, respectively.

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

In 2024, the Group availed loans and trust receipts amounting to ₱1.8 billion resulting to higher finance costs. Interest rates range from 5.88% to 8.00% in 2024 as compared to 4.88% to 9.25% in 2023.

### **Earnings Before Interest, Tax, Depreciation and Amortization (EDITDA)**

EBITDA for the nine months ended September 30, 2024 was ₱910.7 or 11.02% of net sales. This figure reflects a 13.43% incline from the ₱802.9 million or 10.92% of net sales, recorded for the comparative period ended September 30, 2023.

The increase in EBITDA was driven by the improvement of the Group's operations following its store network expansion.

Considered as the key financial and operating data of the Group as shown below:

Key Financial and Operating Data	For the nine months ended September 30	
	2024	2023
Sales (₱ millions)	<b>₱8,263.1</b>	₱7,350.3
Sales Growth (%)	<b>12.42%</b>	4.50%
Gross Profit Margin (%)	<b>20.57%</b>	21.29%
Net Profit (₱ millions)	<b>387.6</b>	388.8
Net Profit Margin (%)	<b>4.69%</b>	5.29%
Store Count	<b>240</b>	220
Gross Selling Space (sq. m.)	<b>29,802</b>	27,274
Increase (Decrease) in Gross Selling Space (%)	<b>9.27%</b>	10.47%

The following presents the sales mix of the Group:

Category	For the nine months ended September 30	
	2024	2023
PC	<b>51.66%</b>	53.17%
PRINT	<b>16.59%</b>	14.55%
COMMUNICATION	<b>12.76%</b>	11.68%
ACCESSORIES	<b>8.97%</b>	9.34%
DIY	<b>8.33%</b>	9.06%
PERIPHERALS	<b>1.69%</b>	2.20%
	<b>100.00%</b>	100.00%

The following outlines the quarterly trend in same-store sales, which measures the average sales per store per day for all stores operating for more than twelve months.

SSSG	Q1	Q2	Q3	Q4	FY
2024	3.12%	10.45%	10.78%	N/A	N/A
2023	7.89%	(5.22%)	(2.63%)	4.77%	1.01%

## 2.4 FINANCIAL CONDITION

### Unaudited Interim Consolidated Statements of Financial Position

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)	% Change
Total Current Assets	<b>₱5,429,441,959</b>	₱5,053,072,947	7.45%
Total Assets	<b>6,822,135,907</b>	6,226,703,035	9.56%
Current Liabilities	<b>3,622,071,456</b>	3,254,953,412	11.28%
Total Liabilities	<b>3,785,987,250</b>	3,424,697,703	10.55%
Total Equity	<b>3,036,148,657</b>	2,802,005,332	8.36%
Current assets/Total assets	79.59%	81.15%	(1.93%)
Current ratio	1.50	1.55	(3.44%)
Debt to equity ratio	1.25	1.22	2.02%

The net increase in current assets mainly pertains to purchases of inventories during the third quarter of 2024 in preparation for expected demands for the fourth quarter and the additional refundable deposits for the new stores opened during the year.



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 bank loans and trust receipts payable, trade payables to suppliers, and lease liabilities. The net increase in liabilities is mainly caused by the additional lease liabilities related to office and store spaces and loan availments net of repayments.

## 2.5 LIQUIDITY and CAPITAL RESOURCES

The table below shows the Group's cash flows for the nine months ended September 30, 2024 and 2023.

### Unaudited Interim Consolidated Statements of Cash Flows

	For the nine months ended September 30		
	2024	2023	% change
Net cash provided by (used in) operating activities	<b>₱360,113,681</b>	₱458,084,382	(21.39%)
Cash used in an investing activity	<b>(119,674,554)</b>	(150,557,341)	(92.28%)
Net cash provided by (used) in financing activities	<b>(278,678,172)</b>	858,362,127	(132.47%)
Net decrease in cash	<b>(38,239,045)</b>	1,165,889,168	(83.67%)
Cash at beginning of period	<b>1,360,873,502</b>	801,412,803	69.81%
Cash at end of period	<b>₱1,322,634,457</b>	₱1,967,301,971	133.14%

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 nine months ended September 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 DISCUSSION AND ANALYSIS OF MATERIAL EVENTS AND UNCERTAINTIES

There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Group's liquidity increasing or decreasing in any material way.

There are no events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the year.

There are no material commitments for capital expenditures other than those performed in the ordinary course of trade of business in line with the Group's store network expansion program.

There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the revenues or income from continuing operations.

The Group experiences the third quarter of the year as the peak season relating to increased sales

resulting from back-to-school shopping season.

## 2.7 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	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Current/Liquidity Ratio			
	Current assets	<b>₱5,429,441,959</b>	₱5,053,072,947
	Divided by: Current liabilities	<b>3,622,071,456</b>	3,254,953,412
	Current/Liquidity ratio	<b>1.5:1.00</b>	1.55:1.00
Solvency Ratio			
	Net income before depreciation and amortization	<b>₱684,545,043</b>	₱773,265,830
	Divided by: Total liabilities	<b>3,785,987,250</b>	3,424,697,703
	Solvency ratio	<b>0.18:1.00</b>	0.23:1.00
Debt-to-Equity Ratio			
	Total liabilities	<b>₱3,785,987,250</b>	₱3,424,697,703
	Divided by: Total equity	<b>3,036,148,657</b>	2,802,005,332
	Debt-to-Equity ratio	<b>1.25:1.00</b>	1.22:1.00
Asset-to-Equity Ratio			
	Total assets	<b>₱6,822,135,907</b>	₱6,226,703,035
	Divided by: Total equity	<b>3,036,148,657</b>	2,802,005,332
	Asset-to-Equity ratio	<b>2.25:1.00</b>	2.22:1.00
Interest Rate Coverage Ratio			
	Income before interest and taxes	<b>₱613,789,361</b>	₱707,481,956
	Divided by: Interest expense	<b>120,318,958</b>	123,495,021
	Interest Rate Coverage ratio	<b>5.1:1.00</b>	5.73:1.00
Return on Assets Ratio			
	Net income	<b>₱387,643,398</b>	₱464,190,818
	Divided by: Total assets	<b>6,822,135,907</b>	6,226,703,035
	Return on Assets ratio	<b>0.06:1.00</b>	0.07:1.00
Return on Equity Ratio			
	Net income	<b>₱387,643,398</b>	₱464,190,818
	Divided by: Total equity	<b>3,036,148,657</b>	2,802,005,332
	Return on Equity ratio	<b>0.13:1.00</b>	0.17:1.00
Net Profit Margin			
	Net income	<b>₱387,643,398</b>	₱464,190,818
	Divided by: Revenues	<b>8,263,121,747</b>	10,010,358,499
	Net Profit Margin	<b>0.05:1.00</b>	0.05:1.00

## 2.8 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:

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Cash in banks and cash equivalents	₱1,319,944,880	₱1,358,508,038
Trade receivables	135,289,376	134,936,141
Accrued interest receivable	2,074,167	9,258,082
	₱1,457,308,423	₱1,502,702,261

As at September 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.

September 30, 2024 (Unaudited)				
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Total
Cash in banks and cash equivalents	₱1,319,944,880	₱–	₱–	₱1,319,944,880
Trade receivables	–	135,289,376	–	135,289,376
Accrued interest receivable	2,074,167	–	–	2,074,167
	<b>₱1,322,019,047</b>	<b>₱135,289,376</b>	<b>₱–</b>	<b>₱1,457,308,423</b>

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
	<b>₱1,367,766,120</b>	<b>₱134,936,141</b>	<b>₱–</b>	<b>₱1,502,702,261</b>

### **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.

September 30, 2024 (Unaudited)				
	1 to 6 Months	6 Months to 1 Year	More than 1 Year	Total
Trade and other payables*	₱1,229,557,828	₱5,078,794	₱–	₱1,234,636,622
Bank loans and trust receipts payable	1,005,471,926	1,016,666,667	–	2,022,138,593
Lease liabilities	163,062,476	144,147,294	119,362,974	426,572,744
	<b>₱2,398,092,230</b>	<b>₱1,165,892,755</b>	<b>₱119,362,974</b>	<b>₱3,683,347,959</b>

\*Excluding statutory 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 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 September 30, 2024 and December 31, 2023, and bear an effective interest rate ranging from 5.88% to 8.00% in 2024 and 4.88% to 9.25% in 2023.

## **2.9 AGING ANALYSIS OF TRADE AND OTHER RECEIVABLES**

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

	September 30, 2024 (Unaudited)						
	Past Due						More than 120 days
	Total	Current	0-30 days	31-60 days	61-90 days	91-120 days	
Trade	₱135,289,376	₱135,289,376	₱–	₱–	₱–	₱–	₱–
Advances to:			–	–	–	–	–
Stockholder	31,791,848	31,791,848	–	–	–	–	–
Officers and employees	3,940,535	3,940,535	–	–	–	–	–
Suppliers	3,241,765	3,241,765	–	–	–	–	–
Accrued interest receivable	2,074,167	2,074,167	–	–	–	–	–
	₱176,337,691	₱176,337,691	₱–	₱–	₱–	₱–	₱–

	December 31, 2023 (Audited)						
	Past Due						More than 120 days
	Total	Current	0-30 days	31-60 days	61-90 days	91-120 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**

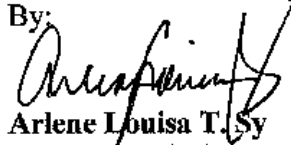
There are no other information not previously reported in SEC Form 17-C that need to be reported in this section.

## 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 Finance Officer