SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended

   Dec 31, 2024

2. SEC Identification Number

   AS95003836

3. BIR Tax Identification No.

   004-780-008-000

4. Exact name of issuer as specified in its charter

   Upson International Corp.

5. Province, country or other jurisdiction of incorporation or organization

   Philippines

6. Industry Classification Code(SEC Use Only)

7. Address of principal office

   Unit 2308, 23/F Capital House Tower 1, 9th Avenue corner 34th Street, Bonifacio Global City, Taguig City
   Postal Code
   1635

8. Issuer's telephone number, including area code

   +632 8526 7152

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

   -

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

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

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

   (•) Yes ( ) No

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

   Philippine Stock Exchange, Inc. / Common Shares

12. Check whether the issuer:

   (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

   (•) Yes ( ) No

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

◉ Yes ○ No

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

-

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

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

○ Yes ◉ No

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) Any annual report to security holders

-

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

-

(c) Any prospectus filed pursuant to SRC Rule 8.1

-

Upson International Corp.

UPSON

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

For the fiscal year ended	Dec 31, 2024
Currency	PhP

Balance Sheet

	Year Ending	Previous Year Ending
	Dec 31, 2024	Dec 31, 2023
Current Assets	5,862,284,849	5,053,072,947
Total Assets	7,282,637,656	6,226,703,035
Current Liabilities	4,028,890,309	3,254,953,412
Total Liabilities	4,175,174,709	3,424,697,703
Retained Earnings/(Deficit)	1,171,188,419	878,511,729
Stockholders' Equity	3,107,462,947	2,802,005,332
Stockholders' Equity - Parent	3,094,007,831	2,802,005,332
Book Value Per Share	0.99	0.9

Income Statement

	Year Ending	Previous Year Ending
	Dec 31, 2024	Dec 31, 2023
Gross Revenue	11,435,255,269	10,010,358,499
Gross Expense	10,987,430,253	9,608,958,898
Non-Operating Income	341,307,910	306,082,355
Non-Operating Expense	152,538,293	123,495,021
Income/(Loss) Before Tax	636,594,633	583,986,935
Income Tax Expense	154,962,749	119,796,117
Net Income/(Loss) After Tax	481,631,884	464,190,818
Net Income/(Loss) Attributable to Parent Equity Holder	480,176,768	464,190,818
Earnings/(Loss) Per Share (Basic)	0.15	0.16
Earnings/(Loss) Per Share (Diluted)	0.15	0.16

Financial Ratios

	Formula	Fiscal Year Ended	Previous Fiscal Year
		Dec 31, 2024	Dec 31, 2023
Liquidity Analysis Ratios:			
Current Ratio or Working Capital Ratio	**Current Assets / Current Liabilities**	1.46	1.55
Quick Ratio	**(Current Assets - Inventory - Prepayments) / Current Liabilities**	0.34	0.52
Solvency Ratio	**Total Assets / Total Liabilities**	0.21	0.23
Financial Leverage Ratios			
Debt Ratio	**Total Debt/Total Assets**	0.57	0.55
Debt-to-Equity Ratio	**Total Debt/Total Stockholders' Equity**	1.34	1.22
Interest Coverage	**Earnings Before Interest and Taxes (EBIT) / Interest Charges**	5.17	5.73
Asset to Equity Ratio	**Total Assets / Total Stockholders' Equity**	2.34	2.22
Profitability Ratios			
Gross Profit Margin	**Sales - Cost of Goods Sold or Cost of Service / Sales**	0.21	0.21
Net Profit Margin	**Net Profit / Sales**	0.04	0.05
Return on Assets	**Net Income / Total Assets**	0.07	0.07
Return on Equity	**Net Income / Total Stockholders' Equity**	0.15	0.17

Price/Earnings Ratio	**Price Per Share / Earnings Per Common Share**	4.53	1.25

Other Relevant Information
Per UPSON's Audited Financial Statements, the Solvency Ratios are 0.21 of the Consolidated Financial Statements for the year ended December 31, 2024 and 0.23 of the Parent for the year ended December 31, 2023. The ratios stated herein are in compliance with the prescribed formula by this disclosure template.

Filed on behalf by:

Name	Darwin Mendoza
Designation	Compliance Officer

COVER SHEET

A S - 9 5 0 0 3 8 3 6

S.E.C Registration No.

UPSON INTERNATIONAL CORP. (DOING BUSINESS UNDER THE NAME AND STYLE OF OCTAGON COMPUTER SUPERSTORE; MICRO VALLEY COMPUTER SUPERSTORE GADGET WORLD; OCTAGON MOBILE UNISO; GADGET KING; AND LAMP LIGHT)

(Company's Full name)

UNIT 2308, 23/F CAPITAL HOUSE TOWER 1, 9TH AVENUE CORNER 34TH STREET BONIFACIO GLOBAL CITY, TAGUIG CITY

(Principal Office)

Dennis F. Uy	**(02) 85267152**
Contact Person	Tel. No.

1 2	3 1	1 7 - A	0 5	2 5
Month *Date*	*Day*	**FORM TYPE**		*Month* (Annual Meeting)

For the year ended 31 December 2024

N/A

Secondary License, (if applicable type)

MSRD	**N/A**
Dept. requiring this doc	**Amended Articles number**

10		
Total stockholders (certificated)	**Domestic**	**Foreign**

To be accomplished by SEC personnel concerned

File Number **LCU**

Document I.D. **Cashier**

STAMPS

SEC Number: AS-95003836

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

(Company's Full Name)

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

(Company's Address)

(02) 85267152

(Telephone Number)

2024 December 31

(Fiscal Year Ending, month and day)

SEC FORM 17-A Annual Report

(Form Type)

____

Amendment Delegation

December 31, 2024

Period Ended Date

N/A

(Secondary License Type and File)

SECURITIES AND EXCHANGE COMMISSION SEC
FORM 17-A, *AS AMENDED*

ANNUAL REPORT PURSUANT TO SECTION 17

OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE

CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended .... December 31, 2024

2. SEC Identification Number.. AS-95003836

3. BIR Tax Identification No.. 004-780-008-000

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

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

5. Manila City, Philippines..
Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
Industry Classification Code:

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

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

9. Not Applicable
....
Former name, former address, and former fiscal year, if changed since last report.

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

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

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

Yes [√] No [ ]

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

PHILIPPINE STOCK EXCHANGE – COMMON SHARES

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [√] No [ ]

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

Yes [√] No [ ]

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

Not Applicable

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

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

NOT APPLICABLE

Yes [ ] No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) Audited Consolidated Financial Statements as at and for the year ended December 31, 2024 and the Parent Company Financial Statements as at December 31, 2023 and for the years ended December 31, 2023 and 2022 - **Exhibit 1**

(b) Statement of Management's Responsibility for Consolidated Financial Statements as at and for the year ended December 31, 2024 and the Parent Company Financial Statements as at December 31, 2023 and for the years ended December 31, 2023 and 2022, part of Exhibit 1.

(c) 2024 Sustainability Report – **Exhibit 2**

TABLE OF CONTENTS

PART I. BUSINESS AND GENERAL INFORMATION

Item 1. Business

Background

Upson International Corp. ("Upson" or the "Company"), operating under the trade names Octagon Computer Superstore, Microvalley, Gadget King, Octagon Mobile, Gadget World, Uniso, and Lamp Light, was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on April 19, 1995.

The Company is a premier retailer of information technology products, specializing in the wholesale and retail distribution of computer hardware, software, telecommunications equipment, and other electronic merchandise. Upson has established strategic partnerships with globally recognized brands, including Acer, Asus, Lenovo, Apple, HP, Dell, Brother, Epson, Sony, Samsung, and Sandisk, among others.

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

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

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

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

In May 2024, Upson incorporated iStudio Technologies Philippines Corporation (iStudio) with 52% ownership interest amounting to ₱26.0 million. In July 2024, Upson incorporated Upson Global Inc. (UGI) with 90% ownership interest. Upson subscribed UGI's shares of 90.0 million shares at ₱1.0 par value or amounting to ₱90.0 million and paid amounting to ₱50.0 million.

iStudio 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. iStudio operates five (5) Apple stores under the iStudio Plus brand. To improve the Company's market potential, rebranding from exclusive single-brand to multi-brand market was initiated at the beginning of 2024.

UGI is primarily engaged in the business of buying, selling, distributing, franchising, marketing, at wholesale and retail all 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 and other similar products. The Company has not yet started its commercial operations as at December 31, 2024.

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

According to a study by the University of Asia and the Pacific – Center for Research and Communication Foundation, Inc. ("**CRC**") (2022), our Company is the largest in terms of store network and sales amongst mall-based consumer electronics retailers. As of December 31, 2024, we have a total of 245 branches nationwide, of which 32 are stand-alone stores, while 213 are mall-based stores. Our regional network of stores is found in the National Capital Region (79), North Luzon (43), South Luzon (47), Visayas (29), North Mindanao (26), and South Mindanao (21).

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

In addition to our physical store network, our Company also leases a total of six (8) warehouses. These are located in Manila (3), Cebu (1), Cagayan de Oro (1), Davao City (1), Iloilo (1), and Cabanatuan (1).

As of December 31, 2024, consolidated revenues grew 14.23% to ₱11,435.3 million from the Parent Company revenues amounting to ₱10,010.4 million in 2023. The consolidated net income increased by 3.76% to ₱481.6 million from the Parent Company net income amounting to ₱464.2 million in 2023 because of higher gross margin, helped by other income mainly through promotional support from suppliers, such as volume-based rebates and sell-out incentive programs as well as inventory price protection to drive demand and replacement cycles.

HISTORY AND KEY MILESTONES

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

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

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

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

As of December 31, 2024, our Company had the largest store network throughout the country with 245 branches, offering a complete line and up-to-date IT portfolio of over 13,000 SKUs and serving thousands of people every day. We have consistently been named Top Distributor, Dealer of the Year, Retail Partner of the Year, and Top National Sales by our long-standing suppliers such Acer, Asus, Epson, HP, Seagate, and more.

COMPETITIVE STRENGTHS

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

Fast-growing IT retailer with unparalleled store network nationwide

We are a fast-growing retailer of IT-related products in the Philippines. Within the past Five (5) years, UIC have steadily widened its nationwide reach from 165 stores in 2018 to 245 stores as of December 31, 2024, and have grown our revenues and net income at a compounded annual growth rate (CAGR) of 8.83% 5 year for revenues and 22.00% 5 year for net income. For the years ended December 31, 2022, 2023 and 2024, our revenues hit ₱9,462.0 million, ₱10,010.4 and ₱11,131.4 million, respectively, making us the largest mall-based consumer electronics retailer in the country according to the study by the University of Asia and the Pacific – Center for Research and Communication Foundation ("**CRC**").

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

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

According to CRC, Filipinos still favor in-store shopping over online. They prefer to visit physical stores to check actual product quality and performance, especially for larger devices and equipment and more expensive purchases. The ability to "see and touch the products" is regarded as an important reason for such preference as well as other factors such as the ease of asking questions and assistance, after-sales service including warranties and repairs, and lack of access to credit cards. Despite the rise in e-commerce, CRC expects that 70% of consumer electronics retail sales will still be generated through on-site channels and only 30% through online platforms in 2023, 2024 and 2025.

Authentic and untampered products

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

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

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

Well-recognized brands with a comprehensive and regularly refreshed portfolio

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

Our comprehensive and frequently updated assortment of products allows us to be responsive to prevailing market needs and local preferences, making us more attractive to consumers and competitive in the marketplace. In 2021, for example, we introduced an average of approximately 200 new SKUs per month, which we believe is a strong performance considering the impact of the COVID-19 pandemic on global supply chains and distribution networks, and a testament to our strength in product category management. As of December 31, 2024, we maintained an active portfolio of more than 13,000 SKUs spanning across nine major categories, including personal computers, printing, communication, storage, networking, peripherals, components, accessories, and software. Some of the well-known brands we carry include Acer, Asus, Brother, Canon, Dell, D-Link, Epson, HP, Huawei, Kingston, Lenovo, Logitech, Microsoft, Samsung, Sandisk, Seagate, Sony and Transcend, among others.

We believe the combination of these advantages has increased our customer base and driven our robust financial performance. In the past three years, we have served more than 2 million customers annually, allowing us to reach an average monthly revenue of approximately ₱3.8 million per store. For the year ended December 31, 2022, revenues rose 10.6% to ₱9.462.0 million in revenues, with personal computer accounting for 50% of total revenues, printing for 14%, communication for 13%, components and networking for 11%, accessories for 10%, and peripherals for 2%. For the year ended December 31, 2023, we generated ₱10,010.4 million in revenues, with personal computer accounting for 52%, printing for 14%, communication for 13%, components and networking for 11%, accessories for 9% and peripherals for 2%. As of December 31, 2024, revenues rose 11.2% to ₱11,131.4 million, with personal computer accounting for 50.29% of the total revenues, printing for 15.87%, communication for 14.77%, accessories for 9.02%, components for 6.44%, networking for 1.89%, and peripherals for 1.72%.

Item 2. Properties

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

Item 3. Legal Proceedings

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

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

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

There were no matters submitted during 2024 to a vote of the Company’s stockholders, through solicitation of proxies or otherwise.

PART II. OPERATIONAL AND FINANCIAL INFORMATION

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

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

The market capitalization of the Company's common shares based on the total number of Firm Shares of 625,001,000 and assuming the full exercise of overallotment of 62,500,000 Option Shares at ₱2.40 per share will be ₱7.5 Billion.

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

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

<u>Results of Operations for the year ended December 31, 2024</u>

Key Highlights

UPSON closed with a consolidated net income of ₱481.5 million for the twelve months ended December 31, 2024. This yielded a net income margin of 4.33% or an increase of 3.73% year-on-year compared to the reported parent company net income of ₱464.2 million in 2023.

Revenues

Consolidated net revenues reached ₱11,435.3 million for the twelve months ended December 31, 2024, increasing by 14.23% from reported Parent Company revenues of ₱10,010.4 million in 2023. The Parent Company opened 13 stores in 2024. This represents a 5.60% growth in store network from 232 in 2023 to 245 in 2024. Increase in the revenue for 2024, also includes the revenues from the newly incorporated subsidiary iStudio, which contributed ₱1.5 million in 2024.

Cost of Sales

For the year ended 2024, the consolidated cost of sales increased by 14.24% from the Parent Company cost of sales of ₱7,933.0 million in 2023 to ₱9,063.0 million. The increase in cost of sales was mainly caused by the proportionate increase in volume of sales for the twelve months ended December 31, 2024, as compared with the twelve months in 2023.

Gross Profit

Consolidated gross profit amounted to ₱2,372.3 million for the year 2024, an increased by 14.20% from the Parent Company gross profit of ₱2,077.4 million in the previous year. This yielded a corresponding gross profit margin of 20.75% as a result of a higher gross margin.

Operating Expenses

For the twelve months ended December 31, 2024, consolidated operating expenses totaled ₱1,924.4 million, representing 16.83% cost-to-sales ratio. This is ₱248.5 million or 14.83% higher compared to the

Parent Company operating expense of ₱1,676.0 million during the same period in 2023. Significant increase in operating expenses include personnel costs, merchant discount, and depreciation and amortization.

Finance Cost

For the twelve months ended December 31, 2024, consolidated finance cost reached ₱152.5 million, a 23.52% increase from the Parent Company finance cost of ₱123.5 million for the twelve months ended December 31, 2023. The increase was mainly caused by the increase in liabilities under trust receipts due to continued store expansion activities in 2024.

Other Income

Other income totaled ₱341.3 million for the year ended December 31, 2024. This was composed mainly of rebates, interest income and other income.

Income Tax Expense

Consolidated provision for income tax closed at ₱155.0 million for the year ended December 31, 2024, increased by ₱35.2 million or 29.36% from the Parent Company provision for income tax of ₱119.8 million for the year ended December 31, 2023. The increase was due to the higher Parent Company's income before tax from ₱584.0 million in 2023 against the consolidated income before tax of ₱636.6 million in 2024.

Net Income

Consolidated net income for the twelve months ended December 31, 2024, reached ₱481.6 million, an increase of 3.76% or ₱17.4 million as compared to the twelve months ended December 31, 2023 of the Parent Company, with net income of ₱464.2 million. The increase was attributable to the combined effects of pre-opening costs of the additional 13 stores opened in 2024, and the higher gross margin due to revenue mix and higher product margin rates from increased promotion, including product bunding and price discounts.

Financial Condition

The consolidated total assets as at December 31, 2024 was ₱7,282.6 million, an increase of ₱1,056.0 million from total assets of ₱6,226.7 million of the Parent Company as at December 31, 2023.

Cash and cash equivalents

Consolidated cash and cash equivalents stood at ₱889.4 million as of December 31, 2024, a decrease of 34.6% than the balance of ₱1,360.9 million of the Parent Company as of December 31, 2023. The decrease was due to total net cash outflows from use of IPO proceeds and operating activities.

Trade and other receivables

Consolidated trade and other receivables were higher at ₱323.6 million as at December 31, 2024, an increase of 78.75% from the amount of ₱181.1 million of the Parent Company as of December 31, 2023. Trade receivables represent mainly outstanding receivables from credit card companies and other payment service providers. The increase was due to the higher volume of sales in December 2024, and incentives on suppliers' rebates.

Inventories

As at December 31, 2024, consolidated inventories increased to ₱4,478.9 million from ₱3,350.8 million of the Parent Company in 2023, an increase of 33.66% due to continuous store expansion activities in 2024.

Property and equipment

Consolidated property and equipment stood at ₱909.1 million as at December 31, 2024, an increase of 10.95% than the amount of ₱819.4 million of the Parent Company as at December 31, 2023. The increase in property and equipment was caused by the net impact of the new additional stores and warehouses opened in 2024, mainly leasehold improvements, construction of warehouses, store furniture and equipment and transportation equipment.

Trade and other payables

Trade and other payables decreased by 10.22% for the year 2024 from the Parent Company ₱1,322.8 million to consolidated ₱1,187.6 million. The decrease was due to settlement of trade payables in 2024.

Bank loans and trust receipts

Consolidated bank loans and trust receipts amounted to ₱2,503.0 million as at December 31, 2024, an increase by 41.60% from ₱1,767.6 million of the Parent Company as at December 31, 2023. The increase was due to the additional inventory purchased because of the Company's expansion program in 2024.

Equity

Consolidated total equity was higher at ₱3,107.5 million as at December 31, 2024, an increase of 10.90% from ₱2,802.0 million of the Parent Company as at December 31, 2023. The increase represents the net comprehensive income for the year ended December 31, 2024.

Cash flows

Consolidated net cash used in operating activities amounted to ₱363.2 million for the twelve months ended December 31, 2024, which consisted of income before tax of ₱636.6 million, increased by non-cash income and expense aggregating ₱547.0 million. Working capital changes which include increase in trade and other receivables, inventories, and other current assets, and decrease in trade and other payables amounted to ₱1,447.97 million outflows.

For the twelve months ended December 31, 2024, the consolidated net cash used in investing activities, which included the expenditures for additional leasehold improvements, furniture and fixtures for the new stores and construction of warehouses amounted to ₱194.5 million.

Consolidated net cash provided by financing activities for the twelve months ended December 31, 2024 was ₱86.2 million, primarily through the combined effect of proceeds and payments of bank loans and trust receipts, arising from dividends, additions to lease liabilities and interest payments.

The consolidated net cash used for the year totaled ₱471.5 million, leading to consolidated cash balance of ₱889.4 million as at December 31, 2024.

Key Performance Indicators (KPIs)

	For the year ended December 31	
	2024 (Consolidated)	2023 (Parent)
Gross Profit Margin	20.75%	20.75%
Net Income Margin	4.21%	4.6%
EBITDA (₱ thousands)	1,197,192,339	1,016,557
EBITDA Margin	10.47%	10.16%
Return on Average Assets	7.13%	8.5%
Returns of Average Equity	16.33%	24.1%
Current Ratio	1.46	1.56
Debt to Equity Ratio	1.34	1.22
Inventory Turnover (days)	158	124.1

1 Gross Profit Margin is gross profit as a percentage of revenues
2 Net Income Margin is net income as a percentage of revenues
3 EBITDA is defined as earnings before interest, tax, depreciation and amortization
4 EBITDA margin is EBITDA as a percentage of revenues
5 Return on Average Assets is net income as a percentage of the average of the assets as at year-end and assets as at end of the immediately preceding year
6 Return on Average Equity is net income as a percentage of the average of the equity as at year-end and equity as at end of the immediately preceding year
7 Current Ratio is current assets divided by current liabilities
8 Debt to Equity Ratio is total liabilities over total equity
9 Inventory Turnover (days) is average turnover divided by cost of goods sold multiplied by the number of days in the period covered (365 days for annual periods ended December 31,2023 and 2024)

Item 7. Financial Statements

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

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

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

External Audit Fees

The aggregate fees billed by Reyes Tacandong & Co., ("RTCo.") for the audit of the financial statements of the Company and other services in connection with the statutory and regulatory filings for 2024 is ₱4,825,000.00.

PART III. CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of Registrant

The following are the Directors and Officers of the Company for the year 2024:

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

THE BOARD AND SENIOR MANAGEMENT

Pursuant to our amended articles of incorporation, our Company's Board of Directors consists of ten (10) members, of whom two (2) are independent directors. The table below sets forth each member of our board of directors and senior management as of December 31, 2024.

Name	Age	Nationality	Position
Lawrence O. Lee	66	Filipino	Chairman of the Board
Arlene Louisa T. Sy	51	Filipino	President and Chief Executive Officer
Rolando O. Raval, Jr.	58	Filipino	Chief Operations Officer and Director
Marcos A. Legaspi	69	Filipino	Chief Finance Officer and Director
Anita Lim	59	Filipino	Treasurer
Dennis F. Uy	64	Filipino	Corporate Secretary
Ricardo A. Lee	65	Filipino	Director
William Lim	66	Filipino	Director
Anthony Thomas C. Roxas, Jr.	59	Filipino	Director and Investor Relations Officer
Chun Bing G. Uy	73	Filipino	Lead Independent Director
Raul M. Leopando	74	Filipino	Director
Jose Vicente C. Bengzon, III	67	Filipino	Independent Director

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

Lawrence O. Lee, 66, Filipino, is current Chairman of UIC and former President from 2012 to 2022. He is a seasoned entrepreneur with at least 35 years of retail experience and is concurrently the Chairman and President of Jendres Holdings, Inc. and Upson Realty and Development Corporation, Director of Silvertec Global Philippines, Inc. President/Director of Lamp Light International Corporation, and Director of Transway Hotels Group Corp. Mr. Lawrence Lee completed his Bachelor of Science degree major in Biology from the University of Santo Tomas.

Ricardo A. Lee, 65, Filipino, is currently a director and former Chairman of the Corporation from 1995 to 2021. Mr. Lee is also involved in other business undertakings and serves as President of Transway Hotels Group Corp., Chairman and President of Unitrust Investments Corporation, Director of Silvertec Global Philippines, Inc., Chairman of Lamp Light International Corporation, and director of Upson Realty and Development Corporation. He has been an entrepreneur for at least forty (40) years.

William Lim, 66, Filipino, has been a director of the Corporation since 1995. He was also the Corporation's Treasurer from 1995 to 2007. Mr. Lim is also the Chairman and President of Virdura Holdings, Inc., a director of Upson Realty and Development Corporation, Transway Hotels Group Corp., and Octagon International Marketing Corp. He received his Bachelor of Science Degree in Engineering major in Civil Engineering from the University of Mindanao. Mr. Lim has been an entrepreneur for at least forty (40) years.

Arlene Louisa T. Sy, 51, Filipino, is our President and Chief Executive Officer since 2022. Ms. Sy has been with the Corporation since 1995, serving various senior roles across product and category management, marketing and procurement planning, store management operations, and project management. Ms. Sy received her Bachelor of Science in Computer Science (Computer Hardware Specialization) degree from De La Salle University

Rolando O. Raval, Jr., 58, Filipino, is our Chief Operations Officer (COO), and was elected as director in 2022. Engr. Raval joined the Corporation in 2002 and has served as our COO since 2006. He is responsible for the day-to-day management of our business and for developing work processes and tools for customer service excellence and for risk management. Engr. Raval completed his Bachelor of Science Major in Civil Engineering degree from Ateneo De Davao University. He also holds a postgraduate diploma in Research and Development Management from the University of the Philippines.

Marcos A. Legaspi, 69, Filipino, is our Chief Finance Officer (CFO), and was elected as director in 2022. He is concurrently the Principal of M.A. Legaspi & Associates, and an AMLA Compliance Officer of ETC Realty Corporation. Prior to joining the Corporation in 2020, his 40-year career in finance included serving as CFO, management consultant, and external auditors across companies in the retail, manufacturing, telecommunications, real estate, and technology industries. He was also an auditor at Sycip Gorres Velayo & Co. earlier in his career. Mr. Legaspi holds a Bachelor of Science degree in Commerce with a Major in Accounting from the Polytechnic University of the Philippines. He is a Certified Public Accountant.

Anthony Thomas C. Roxas, Jr., 59, Filipino, has served as an Executive Director of the Corporation since 2022. Mr. Roxas has been a financial advisor to key members of the Board of Directors since 2016. Additionally, he assisted in the role of Investor Relations Officer until his official appointment as IRO of Upson in 2025. He has over 23 years of experience in banking, specializing in Investment Banking and Corporate Banking, through his tenure with First Metro Investment Corporation and Metrobank. Concurrently, he holds the position of Finance Director at Linkenergie Industries Company Inc. and serves as Finance Executive Director for Orion Group International and Quantity Solutions Inc. He previously served as Finance Executive Director at HMR Philippines and as Senior Management Advisor at Tapa King Inc. from 2016 to 2018. Mr. Roxas earned his undergraduate degree in Economics from the University of Santo Tomas and pursued graduate studies at the Asian Institute of Management and the University of Asia and the Pacific.

Raul M. Leopando, 74, Filipino, is a director of the Corporation since 2022. Mr. Leopando had been in Investment Banking for at least 46 years. Mr. Leopando was the President and CEO of RCBC Capital Corporation and concurrently the Chairman of the Board of RCBC Securities Corporation. He was likewise the Vice Chairman of the Board of RCBC Bankard Services Inc., Consultant to the Chairman of RCBC and YGC, Director of RCBC Capital, Maibarara Geothermal Energy Inc., Petrogreen Energy Corporation, and Seafront Resources Corporation until 2022. He was a Senior Project Officer at First Metro Investment Corporation then later joined the Private Development Corporation of the Philippines as a Project Analyst and Manager. Mr. Leopando also worked for the Philippine Pacific Capital Corporation (PPCC) where he rose from the ranks to become PPCC's President and CEO. Mr. Leopando was concurrently the Chairman of the Board of RCBC Securities Corporation until December 31, 2010. He was a three-term President of the Investment Houses Association of the Philippines. Mr. Leopando also served as the Vice Chairman of the Capital Market Development Committee of FINEX and of the Capital Market Development Council. He was also formerly a member of the Board of several listed companies, such as Polar Mining Corp, Fil Hispano Ceramics Corp., Roxas Holdings Inc., Charter Land, Paxy's Corp., Petro Energy Corporation, and Marcventures. Mr. Leopando was accepted to attend the rigid full time International Stock and Bond Underwriting and Trading Course administered by the Nomura Research Institute in Tokyo, Japan.

Jose Vicente C. Bengzon III, 67, Filipino, has been an independent director of the Corporation since 2022. Mr. Bengzon is concurrently the Chairman (Non-executive Director) of Vitarich Corporation, the Vice Chairman of Commtrend Construction Corporation, a Senior Adviser to the Board of Malayan Savings Bank, and a Non-executive Director of UPCC Holdings Corporation. Prior to his election as an Independent Director of the Corporation, he held various key positions for both public and private organization, such as, Chief Privatization Officer (rank of Undersecretary) for the Department of Finance, Rep of the Philippines, Privatization and Management Office, and Financial Planning and Project Manager for Reuters America, among others. He was also the President and Chief Executive Officer of Torres Trading Company, Inc., a director and the Risk Oversight Committee Chairman of Rizal Microbank (RCBC Subsidiary), and an executive director of Inception Technology Phils., Corp. Mr. Bengzon is a graduate of Bachelor of Arts degree, major in economics and Bachelor of Science in Commerce, major in accounting from De La Salle University. Mr. Bengzon also took a master's degree in business administration from J.L. Kellogg School of Management at Northwestern University.

Chun Bing G. Uy, 73, Filipino, is an independent director of the Corporation since 2022, and was appointed as Lead Independent Director in 2024. Mr. Chun Bing Uy is concurrently a consultant and Senior Advisor of Corporate Banking Group of Rizal Commercial Banking Corporation. He was previously the Senior Executive Vice President and Group Head of the Corporate Banking Group (1997-2012) primarily responsible for all the corporate lending activities of the bank covering the conglomerates, local corporates, Japanese and global locators, SME and the Chinese banking segment. In addition, he is also the Chairman of Nippon Express Phils Corporation, the Chairman and President of FBIA Insurance Agency, a director of Luisita Industrial Park Corporation and an executive director of Strategic Equities Corporation (formerly Kim Eng Securities, Inc). He was also a past director of RCBC Savings Bank Corporation (2015-2016), an independent director of Discovery World Corporation (2015-2018) and of Liwayway (Global) Company, Ltd., a company to be listed in the HK Stock Exchange covering the operations of Liwayway Oishi in China and Vietnam (2019-2021). Mr. Chun Bing Uy holds a Bachelor of Science degree in Management Engineering, Cum Laude, in Ateneo de Manila University.

Dennis F. Uy, 64, Filipino, has been our Corporate Secretary since 2012. He is also the Chairman of Panpan Print Corp., and the Corporate Secretary of various companies, including Silvertec Global Philippines Inc., Upson Realty Development Corporation, Lamp Light International Corporation, and Octagon International Marketing. Mr. Dennis Uy was a manager for Maximax Office Automation from 1987 to 1995, sales executive for Automatic Center from 1985 to 1986, and manager for Shikaina Drug Store from 1984 to 1985. Mr. Dennis Uy graduated from the Philippine School of Business Administration with a degree of Bachelor of Science in Business Administration – Marketing.

Anita Lim, 59, Filipino, is the Treasurer of the Corporation since 2007. Prior to her appointment, she was with Upson Int'l Import and Export. Ms. Lim also served as an executive director of the Corporation. Ms. Lim has a Bachelor of Science Degree in Management from Centro Escolar University.

Significant Employees

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

Involvement in Certain Legal Proceedings of Directors and Executive Officers

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

Item 10. Executive Compensation Summary of Compensation Table

EXECUTIVE COMPENSATION TABLE

Compensation

The following table sets out our President, and the four most highly compensated executive officers for the period ended December 31, 2024:

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

The following table identifies and summarizes the aggregate compensation of our President and the four most highly compensated executive officers, as well as the aggregate compensation paid to all other directors and all other officers as a group, for the years ended December 31, 2024, 2023, and 2022:

	Year	Salary (in Php)	Bonus	Other annual compensation
Chairman, President and the three most highly compensated executive officers named above				
	2022	8,914,776	N/A	N/A
	2023	10,279,023	N/A	N/A
	2024	10,420,700	N/A	N/A
Aggregate compensation paid to all other directors and all other officers as a group				
	2022	21,007,193	N/A	N/A
	2023	24,993,868	N/A	N/A
	2024	23,034,668	N/A	N/A

Standard Arrangements

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

Other Arrangements

There are no other arrangements pursuant to which any director of the Company was compensated, or to be compensated, directly or indirectly, for any service provided as a director.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Security ownership of certain records and beneficial owners holding more than 5% of the company's voting securities as of date of this report.

The following table sets out our shareholders of more than 5% of our Company's voting securities and their respective shareholdings and corresponding percentage ownership as of December 31, 2024, as provided by our Transfer Agent:

Title of Class	Name and address of record owners and relationship with the Company	Name of beneficial owner and relationship with record owner	Citizenship	% of total of outstanding shares
Common	**Jendres Holdings, Inc.** 1504 B Gotesco Regency Twin Towers Condominium, 1129 Natividad Lopez Street, Ermita, Manila *Stockholder*	Lawrence O. Lee Stockholder	Filipino	17.20
Common	**Ricardo A. Lee** *Stockholder*	-	Filipino	14.27
Common	**Lawrence O. Lee** *Stockholder*	-	Filipino	12.27

Common	**William Lim** *Stockholder*	-	Filipino	11.41
Common	**Virdura Holdings, Inc.** Gotesco Regency Twin Tower B 1129 Natividad Lopez Street, Ermita, Manila *Stockholder*	William Lim Stockholder	Filipino	10.00
Common	**Unitrust Investments Corporation** 2202 Gotesco Tower B Condominium Concepcion, Ermita, Manila *Stockholder*	Ricardo A. Lee Stockholder	Filipino	10.00
Common	**PCD Nominee Corporation** **Non Filipino** *Stockholder*	Various	Non Filipino	16.40
Common	**PCD Nominee Corporation** **Filipino** *Stockholder*	Various	Filipino	5.60

Security ownership of management as of December 31, 2024:

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

VOTING TRUST HOLDERS OF 5% OR MORE
There were no voting trust agreements.

CHANGES IN CONTROL
There were no arrangements which may result in a change in control.

Item 12. Certain Relationships and Related Transactions

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

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

PART IV. EXHIBITS AND SCHEDULES

Exhibit 1 – Audited Consolidated Financial Statements as at and for the year ended December 31, 2024 and the Parent Company financial statements as at December 2023 and 2022, and for the years ended December 31, 2023 and 2022

Exhibit 2 – Sustainability Report

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this Report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Taguig on February 27, 2025.

Lawrence O. Lee
Chairman of the Board

Arlene Louisa T. Sy
President and Chief Executive Officer

Marcos A. Legaspi
Chief Finance Officer

SUBSCRIBED AND SWORN to before me this APR 14 2025 in Taguig City MANILA affiants exhibiting to me their TIN, as follows:

NAME	TIN	DATE OF ISSUE	PLACE OF ISSUE
Lawrence O. Lee			
Arlene Louisa T. Sy			
Marcos A. Legaspi			

Notary Public

Doc. No. 46
Page No. 10
Book No. XV
Series of 2025.

ATTY. MARIELLE JENELLE L. LAGUERTA
Notary Public fo City of Manila- Until Dec. 31, 2025
Notarial Commission No.
Tower 3, 3K, No. [illegible] Ermita, Manila
I.B.P. NO. [illegible] for the year 2025
PTR. NO. at Manila
MCLE NO. Valid until 4-14-2028 Roll No.

Janice

From: eafs@bir.gov.ph
Sent: Monday,April 07 2025 2:32 pm
To: JANICE@OCTAGON.COM.PH
Cc: JANICE@OCTAGON.COM.PH
Subject: Your BIR AFS eSubmission uploads were received

Hi UPSON INTERNATIONAL CORP.,

Valid file

- EAFS004780008AFSTY122024.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-3ZV3XWTQ043T4VW23MW1QSTYM0MX1X1XWY**
Submission Date/Time: **Apr 07, 2025 02:32 PM**
Company TIN: **004-780-008**

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

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

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

The following document has been received:

Receiving: ICTD ERMD
Receipt Date and Time: April 10, 2025 10:19:08 AM

Company Information

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

Document Information

Document ID: OST10410202583156927
Document Type: Financial Statement
Document Code: FS
Period Covered: December 31, 2024
Submission Type: Parent, Annual
Remarks: None

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

BOA/PRC Accreditation No. 4782
April 14, 2024, valid until June 6, 2026
SEC Registration No. PP201007009

BDO Towers Valero
8741 Paseo de Roxas
Makati City 1209 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the accompanying separate financial statements of Upson International Corp. (Doing Business Under the Name and Style of Octagon Computer Superstore; Microvalley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light) (the Company), which comprise the separate statements of financial position as at December 31, 2024 and 2023, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years ended December 31, 2024, 2023 and 2022, and notes to the separate financial statements, including a summary of material accounting policy information.

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years ended December 31, 2024, 2023 and 2022 in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the separate financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, these could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

REYES TACANDONG & CO.

DARRYLL REESE Q. SALANGAD
Partner
CPA Certificate No.
Tax Identification No.
BOA Accreditation No. Valid until June 6, 2026
BIR Accreditation No.
Valid until May 15, 2025
PTR No.
Issued January 2, 2025, Makati City

February 27, 2025
Makati City, Metro Manila

UPSON International Corp.

STATEMENT OF MANAGEMENT'S RESPONSIBIILITY
FOR SEPARATE FINANCIAL STATEMENTS

The management of **UPSON International Corp.** (the Company) is responsible for the preparation and fair presentation of the separate financial statements including the schedules attached therein, as at December 31, 2024 and 2023 and for the years ended December 31, 2024, 2023 and 2022 in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Lawrence Ong Lee
Chairman of the Board

SUBSCRIBED AND SWORN TO before me on this FEB 27 2025

Arlene Louisa T. Sy
President and Chief Executive Officer

Marcos A. Legaspi
Chief Finance Officer

Signed this 27th day of February 2025

DOC NO. 474
PAGE NO. 95
BOOK NO. VI
SERIES OF 25

ATTY. MARIELLE JENELLE L. LAGUERTA
Notary Public fo City of Manila- Until Dec. 31, 2025
Notarial Commission No.
Tower 3, 3K, No. 181 N. Lopez St., Ermita, Manila
I.B.P. NO. - Dec. 27, 2024 for the year 2025
PTR. NO. - Jan. 2, 2025 at Manila
MCLE NO. - Valid until 4-14-2028 Roll No. 88314

UPSON International Corp.

STATEMENT OF MANAGEMENT'S RESPONSIBIILITY
FOR ANNUAL INCOME TAX RETURNS

The Management of Upson International Corp. is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2024. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2024, and the accompanying Annual Income Tax Return are in accordance with the books and records of Upson International Corp. complete and correct in all material respects. Management likewise affirms that:

(a) The Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b) Any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

(c) Upson International Corp. has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

Lawrence Ong Lee
Chairman of the Board

Arlene Louisa T. Sy
President and Chief Executive Officer

Marcos A. Legaspi
Chief Finance 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)

SEPARATE STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2024	 2023
ASSETS			
Current Assets			
Cash and cash equivalents	4	**₱803,853,994**	₱1,360,873,502
Trade and other receivables	5	**249,374,354**	181,057,704
Inventories	6	**4,287,010,478**	3,350,825,684
Other current assets	7	**165,641,313**	160,316,057
Total Current Assets		**5,505,880,139**	5,053,072,947
Noncurrent Assets			
Noncurrent portion of refundable lease deposits	7	**77,828,402**	59,723,407
Investments in subsidiaries	9	**115,999,995**	–
Property and equipment	8	**891,895,708**	819,418,924
Right-of-use (ROU) assets	17	**412,715,964**	275,426,853
Net deferred tax assets	18	**17,889,901**	19,060,904
Total Noncurrent Assets		**1,516,329,970**	1,173,630,088
		₱7,022,210,109	₱6,226,703,035
LIABILITIES AND EQUITY			
Current Liabilities			
Bank loans and trust receipts payable	11	**₱2,502,957,649**	₱1,767,613,865
Trade and other payables	10	**943,395,942**	1,322,843,184
Current portion of lease liabilities	17	**299,800,547**	147,320,374
Income tax payable		**35,536,691**	17,175,989
Total Current Liabilities		**3,781,690,829**	3,254,953,412
Noncurrent Liabilities			
Lease liabilities - net of current portion	17	**96,555,008**	127,873,298
Retirement liability	16	**48,621,746**	41,870,993
Total Noncurrent Liabilities		**145,176,754**	169,744,291
Total Liabilities		**3,926,867,583**	3,424,697,703
Equity			
Capital stock	12	**625,000,260**	625,000,260
Additional paid-in capital	12	**1,305,308,048**	1,305,308,048
Retained earnings	12	**1,172,523,114**	878,511,729
Accumulated remeasurement losses on retirement liability	16	**(7,488,896)**	(6,814,705)
Total Equity		**3,095,342,526**	2,802,005,332
		₱7,022,210,109	₱6,226,703,035

See accompanying Notes to Separate 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)

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2024**	2023	2022
NET SALES		**₱11,131,422,392**	₱10,010,358,499	₱9,461,981,130
COST OF SALES	6	**(8,789,745,351)**	(7,932,978,469)	(7,282,799,061)
GROSS INCOME		**2,341,677,041**	2,077,380,030	2,179,182,069
OPERATING EXPENSES	13	**(1,895,298,117)**	(1,675,980,429)	(1,530,103,748)
FINANCE COSTS	11	**(152,435,977)**	(123,495,021)	(74,147,403)
OTHER INCOME	14	**341,302,343**	306,082,355	142,074,344
INCOME BEFORE INCOME TAX		**635,245,290**	583,986,935	717,005,262
PROVISION FOR (BENEFIT FROM) INCOME TAX	18			
Current		**152,338,094**	117,606,658	184,132,156
Deferred		**1,395,733**	2,189,459	(4,982,875)
		153,733,827	119,796,117	179,149,281
NET INCOME		**481,511,463**	464,190,818	537,855,981
OTHER COMPREHENSIVE INCOME (LOSS)				
Not to be reclassified to profit or loss in subsequent periods-				
Remeasurement gain (loss) on retirement liability - net of deferred income tax	16	**(674,191)**	(2,559,921)	1,990,447
TOTAL COMPREHENSIVE INCOME		**₱480,837,272**	₱461,630,897	₱539,846,428
BASIC/DILUTED EARNINGS PER SHARE	23	**₱0.15**	₱0.16	₱0.22

See accompanying Notes to Separate 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)

SEPARATE STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31		
	Note	**2024**	2023	2022
CAPITAL STOCK	12			
Balance at beginning of year		**₱625,000,260**	₱500,000,060	₱500,000,000
Issuance		–	125,000,200	60
Balance at end of year		**625,000,260**	625,000,260	500,000,060
ADDITIONAL PAID-IN CAPITAL	12	**1,305,308,048**	1,305,308,048	–
RETAINED EARNINGS	12			
APPROPRIATED FOR CAPITAL EXPENDITURES	12			
Balance at beginning of year		**78,000,000**	–	–
Appropriations (reversal) during the year		**(78,000,000)**	78,000,000	–
Balance at end of year		–	78,000,000	–
UNAPPROPRIATED				
Balance at beginning of year		**800,511,729**	552,320,968	404,464,987
Net income		**481,511,463**	464,190,818	537,855,981
Cash dividends		**(187,500,078)**	(138,000,057)	(390,000,000)
Reversal of appropriation		**78,000,000**	–	–
Appropriation		–	(78,000,000)	–
Balance at end of year		**1,172,523,114**	800,511,729	552,320,968
		1,172,523,114	878,511,729	552,320,968
ACCUMULATED REMEASUREMENT LOSSES ON RETIREMENT LIABILITY	16			
Balance at beginning of year		**(6,814,705)**	(4,254,784)	(6,245,231)
Remeasurement gain (loss) - net of deferred income tax		**(674,191)**	(2,559,921)	1,990,447
Balance at end of year		**(7,488,896)**	(6,814,705)	(4,254,784)
		₱3,095,342,526	₱2,802,005,332	₱1,048,066,244

See accompanying Notes to Separate 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)

SEPARATE STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	**2024**	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱635,245,290**	₱583,986,935	₱717,005,262
Adjustments for:				
Depreciation and amortization	8	**406,171,939**	309,075,012	280,830,339
Finance costs	11	**152,435,977**	123,495,021	74,147,403
Interest income	4	**(27,079,977)**	(46,811,084)	(544,189)
Provision for inventory obsolescence	13	**7,645,875**	2,916,376	24,841,900
Retirement expense	16	**5,851,832**	5,018,956	4,281,720
Gain on lease modification	17	**(70,171)**	(102,070)	–
Gain on lease concessions	17	**–**	–	(17,500,079)
Operating income before working capital changes		**1,180,200,765**	977,579,146	1,083,062,356
Increase in:				
Trade and other receivables		**(75,500,565)**	(108,765,398)	(24,351,690)
Inventories		**(943,830,669)**	(687,182,591)	(684,127,133)
Other assets		**(23,515,751)**	(25,182,984)	(32,216,675)
Increase (decrease) in trade and other payables		**(417,380,713)**	61,572,017	(527,961,576)
Net cash generated from (used for) operations		**(280,026,933)**	218,020,190	(185,594,718)
Income taxes paid		**(133,977,392)**	(187,146,870)	(135,154,934)
Interest received		**34,263,892**	37,553,002	544,189
Net cash provided by (used in) operating activities		**(379,740,433)**	68,426,322	(320,205,463)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Property and equipment	8	**(176,308,352)**	(219,496,536)	(109,233,206)
Investments in subsidiaries	9	**(76,000,000)**	–	–
Cash used in investing activities		**(252,308,352)**	(219,496,536)	(109,233,206)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Bank loans and trust receipts availments	11	**2,883,052,863**	2,611,018,632	2,870,048,222
Issuance of capital stock	12	**–**	1,430,308,248	60
Payments of:				
Bank loans and trust receipts	11	**(2,147,709,079)**	(2,578,049,580)	(2,381,838,159)
Lease liabilities	17	**(338,228,111)**	(220,119,782)	(180,629,861)
Dividends	22	**(187,500,078)**	(413,306,057)	(114,694,000)
Interest		**(134,586,318)**	(119,320,548)	(62,825,209)
Net cash provided by financing activities		**75,029,277**	710,530,913	130,061,053
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(557,019,508)**	559,460,699	(299,377,616)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**1,360,873,502**	801,412,803	1,100,790,419
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	**₱803,853,994**	₱1,360,873,502	₱801,412,803

	Note	Years Ended December 31 2024	2023	2022
NONCASH FINANCIAL INFORMATION				
Additions and modifications to ROU assets	17	**(₱430,586,994)**	(₱232,540,827)	(₱276,001,099)
Additions and modifications to lease liabilities	17	**430,431,323**	230,344,503	276,001,099
Capitalized borrowing costs	8	**9,042,488**	11,074,116	–

See accompanying Notes to Separate Financial Statements.

NOTES TO SEPARATE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2024 AND 2023
AND FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022

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 "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on April 19, 1995. The Company is primarily engaged in the business of buying, selling, distributing, marketing, at wholesale and retail all kinds of goods, commodities, wares and merchandise such as but not limited to computer hardware equipment, telecommunications and other similar products.

On May 24, 2024, the Company incorporated iStudio Technologies Philippines Corporation (iStudio) with 52% ownership interest amounting to ₱26.0 million. On July 10, 2024, the Parent Company incorporated Upson Global Inc. (UGI) with 90% ownership interest amounting to ₱90.0 million (see Note 9).

iStudio 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.

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.

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

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

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

Approval of Separate Financial Statements
The separate financial statements of the Company as at December 31, 2024 and 2023, and for the years ended December 31, 2024, 2023 and 2022 were approved and authorized for issuance by the Company's BOD as approved and endorsed by the Audit Committee on February 27, 2025.

2. Summary of Material Accounting Policy Information

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

Basis of Preparation and Statement of Compliance

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

The Company also prepares and issues consolidated financial statements for the same years in accordance with PFRS Accounting Standards. The consolidated financial statements are available for public use and can be obtained in the registered office address of the Company and the SEC.

Measurement Bases

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

The separate financial statements have been prepared on a historical cost basis, except for lease liabilities and retirement liability which are measured at present value. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and the fair value of the consideration received in exchange for incurring a liability. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the separate financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

Fair values of financial assets and liabilities are disclosed in Note 20.

Adoption of Amended PFRS Accounting Standards

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following relevant amended PFRS Accounting Standards effective for annual periods beginning or after January 1, 2024:

- Amendments to PFRS 16 Accounting Standards, *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 Accounting Standards 15, *Revenue from Contracts with Customers*, to be accounted for as a sale, is a lease liability to which PFRS Accounting Standards 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.

- Amendments to PAS 1, Presentation of Financial Statements - *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.

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

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

Amended PFRS Accounting Standards in Issue but not yet Effective

Relevant amended PFRS Accounting Standards, which is not yet effective as at December 31, 2024 and has not been applied in preparing the separate financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2026:

- Amendments to PFRS 9, *Financial Instruments,* and PFRS 7, *Financial Instruments: Disclosures – Classification and Measurement of Financial Assets* – The amendments clarify that a financial liability is derecognized when the related obligation is discharged, cancelled, expires or otherwise qualifies for derecognition (e.g. settlement date), and introduces a policy option to derecognize financial liabilities settled through an electronic payment system before settlement date if the required conditions are met. The amendments also clarify the assessment of contractual cash flow characteristics of financial assets, the treatment of non-recourse loans and contractually linked instruments, as well as require additional disclosure requirements for financial assets and liabilities with contingent features and equity instruments classified at fair value through other comprehensive income (FVOCI). Earlier application is permitted.

- Annual Improvements to PFRS Accounting Standards Volume 11:

    - Amendments to PFRS 7, *Financial Instruments: Disclosures* – The amendments update and remove some obsolete references related to the gain or loss on derecognition on financial assets of an entity that has a continuing involvement and to the disclosure requirements on deferred differences between fair value and transaction price. The amendments also clarify that the illustrative guidance does not necessarily illustrate all the requirements for credit risk disclosure. Earlier application is permitted.

    - Amendments to PFRS 9, *Financial Instruments – Transaction Price and Lessee Derecognition of Lease Liabilities* – The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with PFRS 9, the lessee must apply the derecognition criteria for a financial liability which requires recognition of a gain or loss in profit or loss. The amendments also replace the reference to *'transaction price as defined by PFRS 15, Revenue from Contracts with Customers'* to *'the amount determined by applying PFRS 15'* to remove potential confusion. Earlier application is permitted.

    - Amendments to PFRS 10, *Consolidated Financial Statements - Determination of a 'de facto agent'* – The amendments remove inconsistencies by clarifying that an entity must use judgment to determine whether other parties are acting as de facto agents. Earlier application is permitted.

    - Amendments to PAS 7, *Statement of Cash Flows - Cost Method* – The amendments replace the term 'cost method' with 'at cost' following the deletion of the definition of 'cost method'. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2027:

- PFRS 18, *Presentation and Disclosure in Financial Statements* – This standard replaces PAS 1, *Presentation of Financial Statements*, and sets out the requirements for the presentation and disclosure of information to help ensure that the financial statements provide relevant information that faithfully represents the entity's assets, liabilities, equity, income and expenses. The standard introduces new categories and sub-totals in the statements of comprehensive income, disclosures on management-defined performance measures, and new principles for grouping of information, which the entity needs to apply retrospectively. Earlier application is permitted.

Deferred effectivity -

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investment in Associates - 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 the prevailing circumstances, the adoption of the foregoing amended PFRS Accounting Standards is not expected to have any material effect on the separate financial statements of the Company. Additional disclosures will be included in the separate financial statements, as applicable.

Current versus Noncurrent Classification
The Company presents assets and liabilities in the separate statements of financial position based on current and noncurrent classification.

An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent, unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. A liability is current when it is: (a) expected to be settled in the normal operating cycle; (b) held primarily for trading; (c) due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. The Company classifies all other assets and liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent.

Financial Assets and Liabilities

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

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

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

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

As at December 2024 and 2023, the Company does not have financial assets at FVPL and FVOCI, and financial liabilities at FVPL.

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

As at December 31, 2024 and 2023, the Company's cash in banks, cash equivalents, trade receivables, advances to subsidiaries and accrued interest receivable are classified under this category.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placement and which are subject to an insignificant risk of changes in value.

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

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

As at December 31, 2024 and 2023, the Company's trade and other payables (excluding statutory payables), bank loans and trust receipts payable, and lease liabilities are classified under this category.

Impairment of Financial Assets
The Company recognizes an allowance for ECL on its financial assets at amortized cost.

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

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

The Group considers a financial asset in default when contractual payments are 30 days past due unless it is demonstrated that the non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

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

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

Derecognition of Financial Assets and Liabilities

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

- the right to receive cash flows from the asset has expired;

- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Company has transferred its right to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the separate statements of comprehensive income.

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

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

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

Offsetting of Financial Assets and Liabilities
Financial assets and financial liabilities are offset and the net amount is reported in the separate statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the separate statements of financial position.

Classification of Financial Instrument between Liability and Equity
A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;

- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or

- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Investments in Subsidiaries

The Company's investments in subsidiaries are carried in the separate statements of financial position at cost, less any impairment in value. A subsidiary is an entity in which the Company has control.

An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Control is presumed to exist when the Company holds between more than 50% percent of the voting power of another entity.

When the Company has less than majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangement; and
- the Company's voting rights and potential voting rights.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The investment is derecognized when it is sold or disposed of. Gains or losses arising from derecognition of an investment in a subsidiary are measured as the difference between the net proceeds and the carrying amount of the asset and are recognized in the profit or loss when the asset is derecognized.

Impairment of Nonfinancial Assets

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

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

IPO Costs

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

Capital Stock

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

Additional Paid-in Capital (APIC)

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

Retained Earnings

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

Dividend Distribution

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

Other Comprehensive Income (Loss)

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

Basic and Diluted Earnings Per Share (EPS)

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

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

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

Revenue Recognition

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Company perform its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time. The Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent.

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

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

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

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

Other Income. Income is recognized when earned.

Cost and Expense Recognition

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

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

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

Borrowing Costs

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

Leases

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

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

ii. the right to direct the use of the identified asset.

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

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

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

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

i. the amount of the initial measurement of lease liabilities;

ii. any lease payments made at or before the commencement date less any lease incentives received;

iii. any initial direct costs; and

iv. an estimation of costs to be incurred by the Company in dismantling and removing the underlying asset, when applicable.

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

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

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

i. fixed payments, including in-substance fixed payments;

ii. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

iii. amounts expected to be payable by the lessee under residual value guarantees; and

iv. the exercise price under a purchase option that the Company is reasonably certain to exercise; lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

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

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

Employee Benefits

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

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

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

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

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

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

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

Foreign Currency Transactions and Translation

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

Related Party Relationships and Transactions

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

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

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

Income Tax

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

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

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

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and,

- receivables and payables that are stated with the amount of VAT included.

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

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

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

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

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

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3. Significant Judgments, Accounting Estimates and Assumptions

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

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

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

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

Determining Control over Investee Companies. Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Company has assessed that it has control over iStudio and UGI by virtue of its majority share in ownership interest representing 52% and 90%, respectively. The information about the investment in subsidiaries are disclosed in Note 9.

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

Assessing the Renewal Options of Lease Agreements. The Company's lease agreements contain renewal options that is exercisable upon the mutual agreement of the Company and the lessors. The Company makes an assessment, at the commencement of the lease, whether it is reasonably certain that the renewal options will be exercised by the Company and will be agreed to by the lessors under the circumstances. As at December 31, 2024 and 2023, the Company has assessed that it is not reasonably certain that the renewal options will be mutually agreed by the Company and the lessors. As a result, the renewal options in the lease agreements were not considered in determining the lease term of the agreements.

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

Estimates and Assumptions

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

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

The Company has assessed that the ECL on trade receivables are not material as these pertain mainly to receivables from credit card companies and reputable third parties which are generally collected within three (3) to thirty (30) days from the date of transaction. No ECL was recognized for trade receivables in 2024, 2023 and 2022.

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

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

The information about the ECL on the Company's other financial assets at amortized cost, comprising of cash in banks, cash equivalents, advances to subsidiaries and accrued interest receivable, is disclosed in Note 19 to the separate financial statements. The carrying amounts of the Company's cash in banks and cash equivalents, advances to subsidiaries and accrued interest receivable as at December 31, 2024 and 2023 are disclosed in Notes 4 and 5, respectively.

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

The carrying amounts of inventories as at December 31, 2024 and 2023 are disclosed in Note 6. No inventories were written off in 2024, 2023 and 2022. Provision for inventory obsolescence amounted to ₱7.6 million, ₱2.9 million and ₱24.8 million in 2024, 2023 and 2022, respectively. Allowance for inventory obsolescence amounted to ₱59.4 million and ₱51.8 million as at December 31, 2024 and 2023, respectively.

Estimating the Useful Lives of ROU Assets and Property and Equipment. The useful lives of the Company's ROU assets and property and equipment (except land and construction in progress) are estimated based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the Company's ROU assets and property and equipment. In addition, the estimation of the useful lives is based on the Company's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of ROU assets and property and equipment would increase the recognized expenses and decrease noncurrent assets.

As at December 31, 2024 and 2023, the carrying amounts of property and equipment and ROU assets are disclosed in Notes 8 and 17, respectively. There were no changes in the estimated useful lives of these property and equipment and ROU assets in 2024, 2023 and 2022.

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

The carrying amounts of the Company's nonfinancial assets which includes property and equipment, ROU assets, other assets, investment in subsidiaries, and advances (presented under "Trade and other receivables" account in the statements of financial position) are disclosed in Notes 5, 7, 8, 9 and 17.

There were no impairment loss recognized on nonfinancial assets in 2024, 2023 and 2022.

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

The carrying amounts of retirement liability, retirement expense and the assumptions used in calculating such amounts, which include among others, discount rates and expected rates of salary increase, are disclosed in Note 16.

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

The carrying amounts of deferred tax assets recognized in the separate statements of financial position are disclosed in Note 18.

4. Cash and Cash Equivalents

This account consists of:

	2024	2023
Cash on hand	**₱2,573,808**	₱2,365,464
Cash in banks	**499,828,681**	558,508,038
Cash equivalents	**301,451,505**	800,000,000
	₱803,853,994	₱1,360,873,502

Cash in banks earn interest at prevailing bank deposit rates which are readily available for use. Cash equivalents pertain to time deposit with maturity term of three months and earns interest ranging from 5.25% to 6.00% per annum in 2024 and 2023.

As at December 31, 2024 and 2023, the cash and cash equivalents include the unapplied IPO proceeds amounting to ₱590.6 million and ₱983.0 million, respectively (see Note 12).

Details of interest income are as follows (see Note 14):

	2024	2023	2022
Cash in banks	**₱2,724,611**	₱680,425	₱544,189
Cash equivalents	**24,355,366**	46,130,659	–
	₱27,079,977	₱46,811,084	₱544,189

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

5. Trade and Other Receivables

This account consists of:

	Note	2024	2023
Trade		**₱206,096,822**	₱134,936,141
Advances to:			
Stockholder	15	**31,791,848**	31,791,848
Subsidiaries	15	**4,472,998**	–
Suppliers		**3,033,601**	3,308,220
Officers and employees		**1,904,918**	1,763,413
Accrued interest receivable	4	**2,074,167**	9,258,082
		₱249,374,354	₱181,057,704

Trade receivables are noninterest-bearing and are generally settled within three to 30 days after the reporting period. No ECL was recognized for trade receivables in 2024, 2023 and 2022.

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

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

6. Inventories

This account consists of:

	2024	2023
At cost:		
Computers and peripherals	**₱2,626,016,085**	₱1,953,012,515
Accessories	**672,749,743**	589,958,494
Mobile phones	**613,020,205**	519,145,107
Printers and scanners	**340,011,731**	251,766,243
Consumables	**94,627,582**	88,712,318
	4,346,425,346	3,402,594,677
Less allowance for inventory obsolescence	**(59,414,868)**	(51,768,993)
At net realizable value	**₱4,287,010,478**	₱3,350,825,684

Movements in the allowance for inventory obsolescence are as follows:

	Note	2024	2023	2022
Balance at beginning of year		**₱51,768,993**	₱48,852,617	₱24,010,717
Provision for inventory obsolescence	13	**7,645,875**	2,916,376	24,841,900
Balance at end of year		**₱59,414,868**	₱51,768,993	₱48,852,617

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

Under the terms of agreements, merchandise inventories amounting to ₱2,583.1 million and ₱2,036.0 million as at December 31, 2024 and 2023, respectively, are covered by trust receipts issued by local banks (see Note 11).

Cost of inventories sold during the period follows:

	2024	2023	2022
Inventories at beginning of year	**₱3,402,594,677**	₱2,715,412,086	₱2,031,284,953
Purchases	**9,733,576,020**	8,620,161,060	7,966,926,194
Cost of goods available for sale	**13,136,170,697**	11,335,573,146	9,998,211,147
Less inventories at end of year	**(4,346,425,346)**	(3,402,594,677)	(2,715,412,086)
	₱8,789,745,351	₱7,932,978,469	₱7,282,799,061

7. Other Assets

This account includes:

	Note	2024	2023
Refundable lease deposits	17	**₱239,001,135**	₱213,463,543
Prepayments		**4,468,580**	3,685,777
Input VAT		**–**	2,890,144
		243,469,715	220,039,464
Less noncurrent portion of refundable lease deposits		**77,828,402**	59,723,407
		₱165,641,313	₱160,316,057

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

8. Property and Equipment

Movements in this account follow:

	December 31, 2024							
	Land	Building and Building Improvements	Leasehold Improvements	Store Furniture and Equipment	Transportation Equipment	Furniture and Fixtures	Construction in Progress	Total
Cost								
Balance at beginning of year	₱201,025,000	₱208,474,487	₱609,482,926	₱143,360,783	₱133,324,094	₱110,010,869	₱179,319,930	₱1,584,998,089
Additions	–	–	5,551,262	32,529,442	18,337,500	3,089,130	125,843,506	185,350,840
Reclassifications	–	–	66,389,240		–		(66,389,240)	–
Balance at end of year	201,025,000	208,474,487	681,423,428	175,890,225	151,661,594	113,099,999	238,774,196	1,770,348,929
Accumulated Depreciation and Amortization								
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	–	8,260,348	62,337,055	20,019,947	14,267,702	7,989,004	–	112,874,056
Balance at end of year	–	32,542,233	511,261,925	109,115,270	126,910,308	98,623,485	–	878,453,221
Carrying Amount	₱201,025,000	₱175,932,254	₱170,161,503	₱66,774,955	₱24,751,286	₱14,476,514	₱238,774,196	₱891,895,708

	December 31, 2023							
	Land	Building and Building Improvements	Leasehold Improvements	Store Furniture and Equipment	Transportation Equipment	Furniture and Fixtures	Construction in Progress	Total
Cost								
Balance at beginning of year	₱201,025,000	₱208,474,487	₱526,265,782	₱112,353,141	₱123,990,094	₱103,358,684	₱78,960,249	₱1,354,427,437
Additions	–	–	46,408,731	31,007,642	9,334,000	6,652,185	137,168,094	230,570,652
Reclassifications	–	–	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 additional stores which are expected to be completed in 2025. As at December 31, 2024, the estimated total cost to complete the warehouse and store branches amounted to ₱25.5 million. In 2024 and 2023, borrowing costs amounting to ₱9.0 million and ₱11.1 million were capitalized. Capitalization rate used in 2024 and 2023 were 7.74% and 5.69%, respectively (see Note 11). The capitalized borrowing costs were presented as non-cash financial information in the separate statements of cash flows.

The Company's building with a carrying amount of ₱157.7 million and ₱164.9 million as at December 31, 2024 and 2023, respectively, was used as collateral for a related party's outstanding loan with a local bank (see Note 15).

Fully depreciated property and equipment still being used by the Company amounted to ₱322.2 million and ₱123.7 million as at December 31, 2024 and 2023, respectively.

Depreciation and amortization are recognized from:

	Note	**2024**	2023	2022
ROU assets	17	**₱293,297,883**	₱208,427,954	₱178,152,909
Property and equipment		**112,874,056**	100,647,058	102,677,430
		₱406,171,939	₱309,075,012	₱280,830,339

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

	2024	2023	2022
Selling and marketing expenses	**₱317,739,853**	₱219,442,677	₱208,411,535
General and administrative expenses	**88,432,086**	89,632,335	72,418,804
	₱406,171,939	₱309,075,012	₱280,830,339

9. Investments in Subsidiaries

In 2024, the Company incorporated the following subsidiaries:

	Effective Ownership Percentage	Amount Subscribed (Par value at ₱1)	Subscription Payable (see Note 10)
iStudio Technologies Philippines Corp.	52%	₱26,000,000	₱–
Upson Global Inc.	90%	89,999,995	39,999,995
		₱115,999,995	₱39,999,995

The principal places of business of the subsidiaries are as follows:

Company Name	Registered Business Address
iStudio Technologies Philippines Corp.	101 ACE Building, Rada Street Legaspi, Village San Lorenzo, Fourth District, Makati City
Upson Global Inc.	Unit 2308, 23/F Capital House Tower 1, 9th Avenue corner 34th Street, Bonifacio Global City, Taguig City

All of the subsidiaries are incorporated and registered in the Philippines.

10. Trade and Other Payables

This account consists of:

	Note	**2024**	2023
Trade		**₱857,673,987**	₱1,256,409,554
Subscription payable	9	**39,999,995**	–
Statutory payables		**27,043,109**	18,219,072
Accrued expenses		**7,415,921**	17,203,355
Retention payables		**5,678,831**	3,112,053
Advances from a related party	15	**–**	25,403,485
Others		**5,584,099**	2,495,665
		₱943,395,942	₱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 Company from payments to contractors for the construction contracts. These are deducted as a percentage of the amount certified as due to the contractor and paid upon final acceptance of the constructed property.

Others pertain to refundable customer deposits and other nontrade payables.

11. Bank Loans and Trust Receipts Payable

Movements in this account are as follows:

	2024		
	Bank Loans	**Trust Receipts**	**Total**
Balance at beginning of year	**₱916,666,667**	**₱850,947,198**	**₱1,767,613,865**
Availments	**300,000,000**	**2,583,052,863**	**2,883,052,863**
Payments	**–**	**(2,147,709,079)**	**(2,147,709,079)**
Balance at end of year	**₱1,216,666,667**	**₱1,286,290,982**	**₱2,502,957,649**

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

As at December 31, 2024 and 2023, the bank loans and trust receipts have terms of three months to one year, subject to refinancing upon approval of the creditor bank. Bank loans were obtained for working capital purposes and to finance ongoing construction of the Company. Trust receipts were obtained to finance the purchase of inventories. Interest rates on the bank loans and trust receipts range from 5.63% to 8.00% in 2024 and 4.88% to 9.25% in 2023.

Trust Receipts
Under the terms of agreements, merchandise inventories amounting to ₱2,583.1 million and ₱2,036.0 million as at December 31, 2024 and 2023, respectively, were covered by trust receipts issued by local banks (see Note 6).

Covenants
As at December 31, 2022, the Company was compliant with loan covenants which include, among others, (1) not entering into any partnership or joint venture or commence a new business; sell, lease, transfer or otherwise dispose all or substantially all of its assets; or voluntary suspend its business operations or work or dissolve its affairs; and (2) entering into management contracts and/or make any major policy change. As at December 31, 2024 and 2023, the Company's bank loans are no longer subject to loan covenants.

Details of finance costs charged to operations are as follows:

	Note	**2024**	2023	2022
Interest on bank loans		**₱68,590,006**	₱51,534,693	₱16,295,368
Interest on trust receipts		**63,929,788**	68,676,271	47,067,120
Accretion of interest on lease liabilities	17	**28,958,671**	14,358,173	10,784,915
		161,478,465	134,569,137	74,147,403
Less capitalized borrowing cost	8	**(9,042,488)**	(11,074,116)	–
		₱152,435,977	₱123,495,021	₱74,147,403

In 2024 and 2023, borrowing costs amounting to ₱9.0 million and ₱11.1 million, respectively, were capitalized. Capitalization rate used in 2024 and 2023 were 7.74% and 5.69%, respectively. (see Note 8). No finance costs were capitalized in 2022. Accrued interest payable presented under "Accrued expenses" in the "Trade and other payables" account in the separate statements of financial position amounted to ₱1.8 million and ₱3.8 million as at December 31, 2024 and 2023, respectively (see Note 22).

12. Equity

Capital Stock
The Company's capital stock comprises of common shares with par value of ₱0.20 a share as at December 31, 2024 and 2023.

Details of capital stock follow:

	2024		2023		2022	
	Shares	**Amount**	Shares	Amount	Shares	Amount
Authorized						
Balance at beginning of year	**6,250,000,000**	**₱1,250,000,000**	6,250,000,000	₱1,250,000,000	1,250,000,000	₱1,250,000,000
Effect of share split	**–**	**–**	–	–	5,000,000,000	–
Balance at end of year	**6,250,000,000**	**₱1,250,000,000**	6,250,000,000	₱1,250,000,000	6,250,000,000	₱1,250,000,000

	2024		2023		2022	
	Shares	Amount	Shares	Amount	Shares	Amount
Issued and outstanding						
Balance at beginning of year	**3,125,001,300**	**₱625,000,260**	2,500,000,300	₱500,000,060	500,000,000	₱500,000,000
Effect of share split	**–**	**–**	–	–	2,000,000,000	–
Issuance	**–**	**–**	625,001,000	125,000,200	300	60
Balance at end of year	**3,125,001,300**	**₱625,000,260**	3,125,001,300	₱625,000,260	2,500,000,300	₱500,000,060

On December 17, 2021, the SEC approved the increase in the Company's authorized capital stock from 500,000,000 shares at ₱1 par value a share, or equivalent to ₱500.0 million, to 1,250,000,000 shares at the same par value, or equivalent to ₱1,250.0 million, pursuant to the IPO plan. Of the increase, 232,500,000 shares at ₱1 par value a share, or equivalent to ₱232.5 million, were subscribed and paid by the stockholders (see Note 1).

On April 12, 2022, the SEC approved the amendments to the Company's articles of incorporation which included a five-to-one share split where one share at ₱1 par value a share will be converted to five shares at ₱0.20 par value a share pursuant to the public offering of the Company's shares (see Note 1).

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

On April 3, 2023, the Company completed the IPO of its 625,001,000 common shares at an offer price of ₱2.40 a share (see Note 1). The net proceeds from the IPO amounting to ₱1,401.8 million, net of offer expenses of ₱98.2 million, were intended for the Company's store network expansion and store improvement program. The unapplied proceeds as at December 31, 2024 and 2023 amounting to ₱590.6 million and ₱983.0 million, respectively, are maintained in the Company's cash in bank and cash equivalents (see Note 4).

Pursuant to the PSE's rules on minimum public ownership, at least 20% of the issued and outstanding shares of a listed company must be owned and held by the public. Public ownership over the Company as at December 31, 2024 and 2023 were 21.74%.

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

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

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

Retained Earnings

Under Section 43 of the Revised Corporation Code of the Philippines, stock corporations are prohibited from retaining surplus profits in excess of one hundred (100%) percent of paid-in capital except when justified by corporate expansion projects and when it is necessary for special reserve for probable contingencies, among others. The Company's paid-in capital (including additional paid-in capital) amounted to ₱1,930.3 million as at December 31, 2024 and 2023, while the unappropriated retained earnings of the Company amounted to ₱1,172.5 million and ₱800.5 million as at December 31, 2024 and 2023, respectively.

Dividend Declaration

Details of the cash dividends declared by the Company in 2024, 2023 and 2022 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
November 15, 2022	September 30, 2022	0.16	390,000,000

No dividends payable were outstanding as at December 31, 2024 and 2023.

Appropriations

On March 24, 2023, the BOD approved the appropriation of retained earnings amounting to ₱78.0 million for the construction of a warehouse. The completion of the construction of the warehouse was extended to 2024. On November 9, 2023, the BOD approved the retention of the appropriation. On March 21, 2024, the BOD approved the reversal of retained earnings appropriated for the construction of a warehouse amounting to ₱78.0 million.

13. Operating Expenses

This account consists of:

	2024	2023	2022
Selling and marketing expenses	**₱1,536,737,137**	₱1,338,813,250	₱1,235,717,334
General and administrative expenses	**358,560,980**	337,167,179	294,386,414
	₱1,895,298,117	₱1,675,980,429	₱1,530,103,748

Selling and marketing expenses consist of:

	Note	2024	2023	2022
Merchant discount		**₱387,586,919**	₱304,859,917	₱296,226,878
Personnel costs		**335,930,239**	296,953,998	289,705,675
Depreciation and amortization	8	**317,739,853**	219,442,677	208,411,535
Rent	17	**192,597,459**	251,986,409	197,986,410
Utilities		**144,680,104**	131,221,218	116,674,928
Contracted and other services		**128,633,091**	97,759,776	65,315,214
Freight and delivery		**11,832,447**	14,765,157	13,854,500
Provision for inventory obsolescence	6	**7,645,875**	2,916,376	24,841,900
Advertising		**5,606,883**	15,129,392	19,382,030
Retirement expense	16	**4,484,267**	3,778,330	3,318,264
		₱1,536,737,137	₱1,338,813,250	₱1,235,717,334

General and administrative expenses consist of:

	Note	**2024**	2023	2022
Personnel costs		**₱102,448,544**	₱97,505,755	₱84,115,846
Depreciation and amortization	8	**88,432,086**	89,632,335	72,418,804
Taxes and licenses		**76,695,357**	61,079,416	56,505,615
Repairs, warranties and maintenance		**18,945,525**	12,504,093	15,774,826
Transportation and travel		**16,132,177**	12,156,859	10,687,695
Stationery and supplies		**15,072,921**	13,635,938	11,333,539
Representation		**14,584,295**	8,301,601	8,881,915
Professional fees		**7,900,369**	8,088,818	9,886,794
Insurance		**6,267,605**	7,817,667	4,986,726
Retirement expense	16	**1,367,565**	1,240,626	963,456
IPO expense		**–**	16,546,052	8,273,027
Rent	17	**–**	492,696	4,472,060
Others		**10,714,536**	8,165,323	6,086,111
		₱358,560,980	₱337,167,179	₱294,386,414

Personnel costs consist of:

	2024	2023	2022
Salaries and wages	**₱386,116,397**	₱346,795,528	₱322,011,067
Other employee benefits	**52,262,386**	47,664,225	51,810,454
	₱438,378,783	₱394,459,753	₱373,821,521

14. **Other Income**

This account consists of:

	Note	**2024**	2023	2022
Interest income	4	**₱27,079,977**	₱46,811,084	₱544,189
Net foreign exchange gain		**8,828,916**	7,472,929	7,021,758
Gain on lease modification	17	**70,171**	102,070	–
Gain on lease concessions	17	**–**	–	17,500,079
Other income		**305,323,279**	251,696,272	117,008,318
		₱341,302,343	₱306,082,355	₱142,074,344

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

15. Related Party Transactions

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

	Nature of Transaction	Transactions during the Year 2024	2023	2022	Outstanding Balance 2024	2023
Trade and Other Receivables (see Note 5)						
Stockholder	Advances for business development expenses	**₱–**	₱31,791,848	₱–	**₱31,791,848**	₱31,791,848
Subsidiaries	Advances	**4,472,998**	–	–	**4,472,998**	–
	Sales	**206,145**	–	–	**–**	–
					₱36,264,846	₱31,791,848
Trade and Other Payables (see Note 10)						
Entity under common control	Advances from a related party	**₱–**	₱–	₱–	**₱–**	₱25,403,485
Subsidiaries	Subscription payable	**115,999,995**	–	–	**39,999,995**	–
					₱39,999,995	₱25,403,485
Lease Arrangement (see Note 17)						
Entity under common control	ROU asset amortization	**(₱66,071,327)**	(₱68,963,541)	(₱56,663,023)	**₱64,809,956**	₱18,764,032
	Lease liability payment	**(70,480,200)**	(68,402,482)	(60,565,286)	**67,095,962**	19,350,782
	Gain on lease modification	**(70,171)**	–	–	**–**	–

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 to Subsidiaries
Advances to subsidiaries are unsecured, non-interest bearing, due and demandable and are settled in cash.

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

There have been no guarantees provided or received for any related party receivables or payables as at December 31, 2024 and 2023. The Company has not recognized any expected credit loss on amounts due from related parties in 2024, 2023 and 2022. This assessment is undertaken each financial year through a review of the financial position of the related parties and the market in which the related parties operate.

The Company's building with a carrying amount of ₱157.7 million and ₱164.9 million as at December 31, 2024 and 2023, respectively, was used as collateral for a related party's outstanding loan with a local bank (see Note 8).

Revenue Regulation on Related Party Transactions

The Company is covered by the requirements and procedures for related party transactions under Revenue Regulation No. 34-2020.

Compensation of Key Management Personnel

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

	2024	2023	2022
Short-term employee benefits	**₱6,853,860**	₱6,853,860	₱6,853,860
Post-employment benefits	**665,628**	665,628	298,574
	₱7,519,488	₱7,519,488	₱7,152,434

16. **Retirement Liability**

The Company has an unfunded, non-contributory defined benefit plan covering substantially all qualified employees. The retirement liability is based on years of service and compensation based on the last year of employment as determined by an external actuary. The latest actuarial valuation was dated December 31, 2024.

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

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

	2024	2023	2022
Current service cost	**₱3,255,830**	₱2,544,484	₱2,627,547
Interest cost	**2,596,002**	2,474,472	1,654,173
	₱5,851,832	₱5,018,956	₱4,281,720

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

	2024	2023	2022
Selling and marketing expenses	**₱4,484,267**	₱3,778,330	₱3,318,264
General and administrative expenses	**1,367,565**	1,240,626	963,456
	₱5,851,832	₱5,018,956	₱4,281,720

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

	2024	2023
Balance at beginning of year	**₱41,870,993**	₱33,438,809
Current service cost	**3,255,830**	2,544,484
Interest cost	**2,596,002**	2,474,472
Remeasurement losses (gains) from:		
Changes in financial assumptions	**597,575**	5,695,765
Experience adjustments	**301,346**	(2,282,537)
Balance at end of year	**₱48,621,746**	₱41,870,993

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

	2024		
	Accumulated Remeasurement Losses	**Deferred Tax** (see Note 18)	**Accumulated Remeasurement Losses, Net of Tax**
Balance at beginning of year	**₱9,086,274**	**(₱2,271,569)**	**₱6,814,705**
Remeasurement loss	**898,921**	**(224,730)**	**674,191**
Balance at end of year	**₱9,985,195**	**(₱2,496,299)**	**₱7,488,896**

	2023		
	Accumulated Remeasurement Losses	Deferred Tax (see Note 18)	Accumulated Remeasurement Losses, Net of Tax
Balance at beginning of year	₱5,673,046	(₱1,418,262)	₱4,254,784
Remeasurement loss	3,413,228	(853,307)	2,559,921
Balance at end of year	₱9,086,274	(₱2,271,569)	₱6,814,705

	2022		
	Accumulated Remeasurement Losses (Gains)	Deferred Tax (see Note 18)	Accumulated Remeasurement Losses, Net of Tax
Balance at beginning of year	₱8,326,975	(₱2,081,744)	₱6,245,231
Remeasurement gain	(2,653,929)	663,482	(1,990,447)
Balance at end of year	₱5,673,046	(₱1,418,262)	₱4,254,784

Risks Associated with the Retirement Plan

- *Interest Rate Risks.* The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation.

- *Longevity and Salary Risks.* The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

The assumptions used to determine retirement liability are as follows:

	2024	2023	2022
Discount rate	**6.10%**	6.20%	7.40%
Salary increase rate	**3.00%**	3.00%	3.00%

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

	Basis Points	Effect on Present Value of Retirement Liability
Discount rate	+100	(₱5,515,205)
	-100	6,624,033
Salary increase rate	+100	6,512,023
	-100	(5,517,212)

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

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

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

As at December 31, 2024, the expected future benefit payments are as follows:

	Amount
More than 1 year to 5 years	₱12,228,495
More than 5 years to 10 years	10,908,678
10 years and up	378,881,051

17. Lease Commitments

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

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

Total rent expense on short-term leases is charged to the following (see Note 13):

	2024	2023	2022
Selling and marketing expenses	**₱192,597,459**	₱251,986,409	₱197,986,410
General and administrative expenses	**–**	492,696	4,472,060
	₱192,597,459	₱252,479,105	₱202,458,470

<u>Company as Lessee - Long-term Lease</u>

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

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

	Note	2024	2023
Cost			
Balance at beginning of year		**₱1,250,321,423**	₱1,017,780,596
Additions		**432,446,574**	232,869,169
Effect of lease modification		**(1,859,580)**	(328,342)
Balance at end of year		**1,680,908,417**	1,250,321,423
Accumulated amortization			
Balance at beginning of year		**974,894,570**	766,466,616
Amortization	8	**293,297,883**	208,427,954
Balance at end of year		**1,268,192,453**	974,894,570
Carrying Amount		**₱412,715,964**	₱275,426,853

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

	Note	2024	2023
Balance at beginning of year		**₱275,193,672**	₱250,610,778
Additions		**432,361,074**	230,774,915
Payments		**(338,228,111)**	(220,119,782)
Accretion	11	**28,958,671**	14,358,173
Effect of lease modification		**(1,929,751)**	(430,412)
Balance at end of year		**396,355,555**	275,193,672
Current portion		**299,800,547**	147,320,374
Noncurrent portion		**₱96,555,008**	₱127,873,298

Incremental borrowing rate ranging from 3.4% to 7% was applied to determine the discounted amount of lease liabilities in 2024 and 2023.

In 2024 and 2023, the Company has pre-terminated lease agreements resulting to a gain on lease modification of ₱0.1 million (see Note 14).

Gain on lease concessions pertains to the difference between contractual lease payments and the payments made under lease concession agreements directly attributable to COVID-19. Gains related to lease concessions amounted to ₱17.5 million in 2022 (see Note 14). There were no gains on lease concession recognized in 2024 and 2023.

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

	Minimum Lease Payments	Present Value
Not later than one year	₱316,454,955	₱299,800,547
Later than one year but not more than five years	98,306,282	96,555,008
	₱414,761,237	₱396,355,555

Rent related expense recognized in the statements of comprehensive income are as follows:

	Note	2024	2023	2022
ROU assets amortization	8	**₱293,297,883**	₱208,427,954	₱178,152,909
Short-term leases	13	**192,597,459**	252,479,105	202,458,470
Accretion of interest on lease liabilities	11	**28,958,671**	14,358,173	10,784,915
		₱514,854,013	₱475,265,232	₱391,396,294

Total cash outflow for leases, including short-term leases, amounted to ₱530.8 million, ₱472.6 million and ₱383.1 million in 2024, 2023 and 2022, respectively.

Refundable Lease Deposits

Lease deposits, which are refundable at the end of the lease term if unutilized, aggregate ₱239.0 million and ₱213.5 million as at December 31, 2024 and 2023, respectively (see Note 7).

18. Income Taxes

The provision for current income tax pertains to regular corporate income tax (RCIT) in 2024, 2023 and 2022.

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

	2024	2023	2022
Income tax computed at the statutory tax rate	**₱158,811,323**	₱145,996,734	₱179,251,315
Adjustment for:			
Interest income already subjected to final tax	**(6,769,994)**	(11,702,771)	(136,047)
Nondeductible expenses	**1,692,498**	2,925,692	34,013
Expenses charged to APIC	**–**	(17,423,538)	–
	₱153,733,827	₱119,796,117	₱179,149,281

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

	Note	2024	2023
Deferred Tax Assets			
Allowance for inventory obsolescence		**₱14,853,717**	₱12,942,248
Retirement liability:			
Profit or loss		**9,659,138**	8,196,180
OCI	16	**2,496,299**	2,271,569
		27,009,154	23,409,997
Deferred Tax Liabilities			
Capitalized borrowing cost		**(5,029,151)**	(2,768,529)
Excess of ROU asset over lease liability		**(4,090,102)**	(58,295)
Unrealized foreign exchange gain		**–**	(1,522,269)
		(9,119,253)	(4,349,093)
		₱17,889,901	₱19,060,904

19. Financial Risk Management

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

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

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

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

	2024	2023
Cash in banks and cash equivalents	**₱801,280,186**	₱1,358,508,038
Trade receivables	**206,096,822**	134,936,141
Advances to subsidiaries	**4,472,998**	–
Accrued interest receivable	**2,074,167**	9,258,082
	₱1,013,924,173	₱1,502,702,261

As at December 31, 2024 and 2023, the amount of cash in banks, cash equivalents, advances to subsidiaries, accrued interest receivable and trade receivables are neither past due nor impaired and were classified as *"High Grade"*. High grade financial assets are those accounts with counterparties who are not expected by the Company to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions and companies. Credit quality was determined based on the credit standing of the counterparty.

Security. The Company does not hold collateral as security.

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

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

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

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

For advances to subsidiaries, the Company has assessed that the credit risk has not significantly increased since initial recognition because the subsidiaries have financial capacity to satisfy their obligations as they fall due.

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

	2024			
	12-Month ECL	**Lifetime ECL - Not Credit Impaired**	**Lifetime ECL - Credit Impaired**	**Total**
Cash in banks and cash equivalents	**₱801,280,186**	**₱–**	**₱–**	**₱801,280,186**
Trade receivables	**–**	**206,096,822**	**–**	**206,096,822**
Advances to subsidiaries	**4,472,998**	**–**	**–**	**4,472,998**
Accrued interest receivable	**2,074,167**	**–**	**–**	**2,074,167**
	₱807,827,351	**₱206,096,822**	**₱–**	**₱1,013,924,173**

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

Liquidity Risk

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

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

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

	2024			
	1 to 6 Months	**6 Months to 1 Year**	**More than 1 Year**	**Total**
Trade and other payables*	**₱910,674,002**	**₱5,678,831**	**₱–**	**₱916,352,833**
Bank loans and trust receipts payable	**1,286,290,982**	**1,216,666,667**	**–**	**2,502,957,649**
Lease liabilities	**177,047,510**	**139,407,445**	**98,306,282**	**414,761,237**
	₱2,374,012,494	**₱1,361,752,943**	**₱98,306,282**	**₱3,834,071,719**

**Excluding statutory payables.*

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

**Excluding statutory payables.*

Interest Rate Risk

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

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

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

These loans are promissory notes under loan facilities which mature within 90 days to one year as at December 31, 2024 and 2023, and bear an effective interest rate ranging from 5.63% to 8.00% in 2024 and 4.88% to 9.25% in 2023.

20. Fair Value of Financial Assets and Liabilities

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

	2024		2023	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash in banks and cash equivalents	**₱801,280,186**	**₱801,280,186**	₱1,358,508,038	₱1,358,508,038
Trade receivables	**206,096,822**	**206,096,822**	134,936,141	134,936,141
Advances to subsidiaries	**4,472,998**	**4,472,998**	–	–
Accrued interest receivable	**2,074,167**	**2,074,167**	9,258,082	9,258,082
	₱1,013,924,173	**₱1,013,924,173**	₱1,502,702,261	₱1,502,702,261
Financial Liabilities				
Trade and other payables*	**₱916,352,833**	**₱916,352,833**	₱1,304,624,112	₱1,304,624,112
Bank loans and trust receipts payable	**2,502,957,649**	**2,502,957,649**	1,767,613,865	1,767,613,865
Lease liabilities	**396,355,555**	**391,013,229**	275,193,672	268,423,967
	₱3,815,666,037	**₱3,810,323,711**	₱3,347,431,649	₱3,340,661,944

**Excluding statutory payables.*

Due to the short-term maturities of cash in banks, cash equivalents, trade receivables, advances to subsidiaries, accrued interest receivable, trade and other payables (excluding statutory payables), and bank loans and trust receipts payable, their carrying amounts approximate their fair values (Level 3).

Lease Liabilities. Estimated fair values have been calculated on the lease liabilities' expected cash flows using the prevailing market rates that are specific to the tenor of the instruments' cash flows at reporting dates (Level 2).

As at December 31, 2024 and 2023, there were no financial instruments measured at fair value. There were no transfers between levels of fair value hierarchy in 2024, 2023 and 2022.

21. Capital Risk Management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. No changes were made in the objectives, policies or processes in 2024, 2023 and 2022.

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

The Company is not subject to externally imposed capital requirements.

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

	2024	2023
Total liabilities	**₱3,926,867,583**	₱3,424,697,703
Total equity	**3,095,342,526**	2,802,005,332
Debt-to-equity ratio	**1.27:1**	1.22:1

22. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes as at December 31, 2024 and 2023:

	December 31, 2023	**Additions**	**Accretion/ Interest expense**	**Payment**	**Non-cash Changes**	**December 31, 2024**
Bank loans and trust receipts payable	**₱1,767,613,865**	**₱2,883,052,863**	**₱–**	**(₱2,147,709,079)**	**₱–**	**₱2,502,957,649**
Lease liabilities	**275,193,672**	**432,361,074**	**28,958,671**	**(338,228,111)**	**(1,929,751)**	**396,355,555**
Dividends payable	**–**	**187,500,078**	**–**	**(187,500,078)**	**–**	**–**
Accrued interest payable	**3,844,338**	**–**	**132,519,794**	**(134,586,318)**	**–**	**1,777,814**
	₱2,046,651,875	**₱3,502,914,015**	**₱161,478,465**	**(₱2,808,023,586)**	**(₱1,929,751)**	**₱2,901,091,018**

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

23. Basic and Diluted Earnings Per Share

Basic earnings per share is computed as follows:

	2024	2023	2022
Net income	**₱481,511,463**	₱464,190,818	₱537,855,981
Divided by weighted average number of outstanding shares	**3,125,001,300**	2,968,751,050	2,500,000,300
	₱0.15	₱0.16	₱0.22

The earnings per share calculation reflects the changes in the number of outstanding shares as a result of the share split in 2022 and listing of shares in 2023 (see Note 12).

On April 3, 2023, the Company's shares of stock were listed under the Main Board of the PSE with an initial public offering of 625,001,000 common shares at an offer price of ₱2.40 a share (see Note 12).

The Company has no dilutive potential shares in 2024, 2023 and 2022.

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

The information for 2024 required by the above regulation is presented below.

Output VAT
Output VAT declared by the Company for the year ended December 31, 2024 and the revenues subject to VAT are as follows:

	Revenues	Output VAT
Sale of goods and services:		
Subject to 12% VAT	₱11,327,670,605	₱1,359,320,473
Sales to Government	96,947,451	11,633,694
Zero rated sales/receipts	8,480,993	–
Total	11,433,099,049	1,370,954,167
Applied input VAT		1,325,463,378
Payments		38,375,999
VAT payable		₱7,114,790

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

Input VAT
The movements in the input VAT claimed for by the Company for the year ended December 31, 2024 is shown below:

Input VAT carried over from previous period	₱2,890,144
Add current year payments for:	
Domestic purchases of goods other than capital goods	1,190,593,188
Domestic purchase of services	115,687,097
Importation of goods other than capital goods	16,213,449
Purchase of capital goods not exceeding ₱1 million	79,500
	1,325,463,378
Less applied against output VAT	1,325,463,378
	₱–

Importations
Taxes on the Company's importations for the year ended December 31, 2024 consist of:

Import processing fee	₱475,710
Customs duties and tariff fees	377,961
	₱853,671

Documentary Stamp Tax (DST)
The Company's DST paid during the year amounted to ₱20.9 million which is presented under "Taxes and licenses" account in the separate statements of comprehensive income for the year ended December 31, 2024.

All Other Local Taxes
The Company's other local and national taxes for the year ended December 31, 2024 consist of:

	Amount
Permits and licenses	₱41,578,261
Others	14,222,378
	₱55,800,639

The above local and national taxes are presented under "Taxes and licenses" account in the separate statements of comprehensive income for the year ended December 31, 2024.

Withholding Taxes
Summary of withholding taxes paid and accrued during the year:

	Paid	Accrued
Expanded withholding taxes	₱132,140,833	₱12,674,343
Final withholding taxes	14,487,528	–
Tax on compensation and benefits	13,792,706	599,921
	₱160,421,067	₱13,274,264

Tax Cases and Assessments
The Company has no outstanding tax assessments and tax cases as at and for the year ended December 31, 2024.

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
April 14, 2024, valid until June 6, 2026
SEC Registration No. PP201007009

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

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

We have audited the accompanying separate financial statements of Upson International Corp. (Doing Business Under the Name and Style of Octagon Computer Superstore; Microvalley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light) (the Company) as at December 31, 2024 and 2023, and for the years ended December 31, 2024, 2023 and 2022, on which we have rendered our report dated February 27, 2025.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Company.

REYES TACANDONG & CO.

DARRYLL REESE Q. SALANGAD
Partner
CPA Certificate No.
Tax Identification No.
BOA Accreditation No. Valid until June 6, 2026
BIR Accreditation No.
Valid until May 15, 2025
PTR No.
Issued January 2, 2025, Makati City

February 27, 2025
Makati City, Metro Manila

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Company Information

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

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Period Covered: December 31, 2024
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Acceptance of this document is subject to review of forms and contents

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

AS95003836

COMPANY NAME

Upson International Corp. and Subsidiaries

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

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

Form Type	Department Requiring the Report	Secondary License Type, If Applicable
AACFS	CRMD	N/A

COMPANY INFORMATION

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

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

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON'S ADDRESS

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

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

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

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
April 14, 2024, valid until June 6, 2026
SEC Registration No. PP201007009

BDO Towers Valero
8741 Paseo de Roxas
Makati City 1209 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Upson International Corp. and Subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the parent company financial statements which comprise the parent company statement of financial position as at December 31, 2023 and parent company statements of comprehensive income, parent company statements of changes in equity, and parent company statements of cash flows for the years ended December 31, 2023 and 2022, and notes to the consolidated and parent company financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2024, and its consolidated financial performance and cash flows for the year then ended, and the parent company's financial position as at December 31, 2023 and its financial performance and cash flows for the years ended December 31, 2023 and 2022 in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting for Completeness and Valuation of Inventories

Inventories, net of allowance for inventory write down and losses, amounted to ₱4,478.9 million as at December 31, 2024. The accounting for the completeness and valuation of inventories is significant to our audit because inventories represent 62% of the total assets. Due to the significant amount, voluminous inventory items and fast-moving nature of the inventories, establishing the existence and completeness, and determining the proper valuation of inventories require extensive monitoring, and high degree of management judgment and estimation.

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

We also reviewed the related disclosures which are included in Note 3, *Significant Judgments, Accounting Estimates and Assumptions,* and Note 6, *Inventories.*

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

ROU assets and lease liabilities amounted to ₱415.5 million and ₱399.3 million, respectively, as at December 31, 2024. The accounting for the recognition and measurement of ROU assets and lease liabilities are significant to our audit because there were significant additions in 2024 amounting to ₱436.1 million for ROU assets and ₱436.0 million for lease liabilities, arising from the Group's ongoing store network expansion. In addition, the recognition and measurement of ROU assets and lease liabilities involves the exercise of significant management judgment and estimate that include, among others, (a) assessing whether a contract contains a lease; (b) determining the lease term taking into consideration the renewal options; and (c) determining the appropriate discount rate.

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

We also reviewed the related disclosures which are included in Note 2, *Summary of Material Accounting Policy Information,* Note 3, *Significant Judgments, Accounting Estimates and Assumptions,* and Note 16, *Lease Commitments.*

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2024, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2024 are expected to be made available to us after the date of this auditors' report.

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

In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, these could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

REYES TACANDONG & CO.

DARRYLL REESE Q. SALANGAD
Partner
CPA Certificate No.
Tax Identification No.
BOA Accreditation No. Valid until June 6, 2026
BIR Accreditation No.
Valid until January 16, 2028
PTR No.
Issued January 2, 2025, Makati City

February 27, 2025
Makati City, Metro Manila

UPSON International Corp.

STATEMENT OF MANAGEMENT'S RESPONSIBIILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **UPSON International Corp.** (the Parent Company) **and Subsidiaries** (collectively referred to as the Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at and for the year ended December 31, 2024 and the Parent Company financial statements as at December 31, 2023 and for the years ended December 31, 2023 and 2022 in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Lawrence Ong Lee
Chairman of the Board

Arlene Louisa T. Sy
President and Chief Executive Officer

SUBSCRIBED AND SWORN TO before me on this FEB 27 2025

Marcos A. Legaspi
Chief Finance Officer

Signed this 27th day of February 2025

DOC NO. 475
PAGE NO. 95
BOOK NO. VI
SERIES OF 25

ATTY. MARIELLE JENELLE L. LAGUERTA
Notary Public fo City of Manila- Until Dec. 31, 2025
Notarial Commission No.
Tower 3, 3K, No. 181 N. Lopez St., Ermita, Manila
I.B.P. NO. for the year 2025
PTR. NO. Jan. 2, 2025 at Manila
MCLE NO. Valid until 4-14-2028 Roll No.

UPSON INTERNATIONAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at December 31, 2024 and
PARENT COMPANY STATEMENT OF FINANCIAL POSITION
as at December 31, 2023

	Note	**2024***	2023
ASSETS			
Current Assets			
Cash and cash equivalents	4	**₱889,350,473**	₱1,360,873,502
Trade and other receivables	5	**323,636,707**	181,057,704
Inventories	6	**4,478,855,523**	3,350,825,684
Other current assets	7	**170,442,146**	160,316,057
Total Current Assets		**5,862,284,849**	5,053,072,947
Noncurrent Assets			
Property and equipment	8	**909,145,428**	819,418,924
Right-of-use (ROU) assets	16	**415,453,570**	275,426,853
Noncurrent portion of refundable lease deposits	7	**77,828,402**	59,723,407
Net deferred tax assets	17	**17,925,407**	19,060,904
Total Noncurrent Assets		**1,420,352,807**	1,173,630,088
		₱7,282,637,656	₱6,226,703,035
LIABILITIES AND EQUITY			
Current Liabilities			
Bank loans and trust receipts payable	10	**₱2,502,957,649**	₱1,767,613,865
Trade and other payables	9	**1,187,613,676**	1,322,843,184
Current portion of lease liabilities	16	**301,608,037**	147,320,374
Income tax payable		**36,710,947**	17,175,989
Total Current Liabilities		**4,028,890,309**	3,254,953,412
Noncurrent Liabilities			
Lease liabilities - net of current portion	16	**97,662,654**	127,873,298
Retirement liability	15	**48,621,746**	41,870,993
Total Noncurrent Liabilities		**146,284,400**	169,744,291
Total Liabilities		**4,175,174,709**	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	**1,171,188,419**	878,511,729
Accumulated remeasurement losses on retirement liability	15	**(7,488,896)**	(6,814,705)
Equity attributable to equity holders of the Parent Company		**3,094,007,831**	2,802,005,332
Non-controlling interests	11	**13,455,116**	–
Total Equity		**3,107,462,947**	2,802,005,332
		₱7,282,637,656	₱6,226,703,035

See accompanying Notes to Financial Statements.

*The Consolidated financial statements were prepared effective May 24, 2024, the date of incorporation of the subsidiaries.

UPSON INTERNATIONAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the Year Ended December 31, 2024 and
PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
for the Years Ended December 31, 2023 and 2022

	Note	**2024***	2023	2022
CAPITAL STOCK	11			
Balance at beginning of year		**₱625,000,260**	₱500,000,060	₱500,000,000
Issuances		**–**	125,000,200	60
Balance at end of year		**625,000,260**	625,000,260	500,000,060
ADDITIONAL PAID-IN CAPITAL	11	**1,305,308,048**	1,305,308,048	–
RETAINED EARNINGS				
APPROPRIATED FOR CAPITAL EXPENDITURES	11			
Balance at beginning of year		**78,000,000**	–	–
Appropriation (reversal)		**(78,000,000)**	78,000,000	–
Balance at end of year		**–**	78,000,000	–
UNAPPROPRIATED	11			
Balance at beginning of year		**800,511,729**	552,320,968	404,464,987
Net income		**480,176,768**	464,190,818	537,855,981
Appropriation		**–**	(78,000,000)	–
Reversal of appropriation		**78,000,000**	–	–
Cash dividends		**(187,500,078)**	(138,000,057)	(390,000,000)
Balance at end of year		**1,171,188,419**	800,511,729	552,320,968
		1,171,188,419	878,511,729	552,320,968
ACCUMULATED REMEASUREMENT LOSSES ON RETIREMENT LIABILITY - net of deferred income tax	15			
Balance at beginning of year		**(6,814,705)**	(4,254,784)	(6,245,231)
Remeasurement gain (loss)		**(674,191)**	(2,559,921)	1,990,447
Balance at end of year		**(7,488,896)**	(6,814,705)	(4,254,784)
EQUITY ATTRIBUTABLE TO THE HOLDERS OF THE PARENT COMPANY		**3,094,007,831**	2,802,005,332	1,048,066,244
NON-CONTROLLING INTERESTS	11			
Additions		**12,000,000**	–	–
Net income		**1,455,116**	–	–
Balance at end of year		**13,455,116**	–	–
		₱3,107,462,947	₱2,802,005,332	₱1,048,066,244

See accompanying Notes to Financial Statements.

*The Consolidated financial statements were prepared effective May 24, 2024, the date of incorporation of the subsidiaries.

UPSON INTERNATIONAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the Year Ended December 31, 2024 and PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME for the Years Ended December 31, 2023 and 2022

	Note	2024*	2023	2022
NET SALES		**₱11,435,255,269**	₱10,010,358,499	₱9,461,981,130
COST OF SALES	6	**(9,062,980,868)**	(7,932,978,469)	(7,282,799,061)
GROSS INCOME		**2,372,274,401**	2,077,380,030	2,179,182,069
OPERATING EXPENSES	12	**(1,924,449,385)**	(1,675,980,429)	(1,530,103,748)
FINANCE COSTS	10	**(152,538,293)**	(123,495,021)	(74,147,403)
OTHER INCOME	13	**341,307,910**	306,082,355	142,074,344
INCOME BEFORE INCOME TAX		**636,594,633**	583,986,935	717,005,262
PROVISION FOR (BENEFIT FROM) INCOME TAX	17			
Current		**153,602,522**	117,606,658	184,132,156
Deferred		**1,360,227**	2,189,459	(4,982,875)
		154,962,749	119,796,117	179,149,281
NET INCOME		**481,631,884**	464,190,818	537,855,981
OTHER COMPREHENSIVE INCOME (LOSS)				
Not to be reclassified to profit or loss in subsequent periods				
Remeasurement gain (loss) on retirement liability - net of deferred income tax	15	**(674,191)**	(2,559,921)	1,990,447
TOTAL COMPREHENSIVE INCOME		**₱480,957,693**	₱461,630,897	₱539,846,428
Net income attributable to:				
Equity holders of the Parent Company		**₱480,176,768**	₱464,190,818	₱537,855,981
Non-controlling interests		**1,455,116**	–	–
		₱481,631,884	₱464,190,818	₱537,855,981
Total comprehensive income attributable to:				
Equity holders of the Parent Company		**₱479,502,577**	₱461,630,897	₱539,846,428
Non-controlling interests		**1,455,116**	–	–
		₱480,957,693	₱461,630,897	₱539,846,428
BASIC/DILUTED EARNINGS PER SHARE	22	**₱0.15**	₱0.16	₱0.22

See accompanying Notes to Financial Statements.

*The Consolidated financial statements were prepared effective May 24, 2024, the date of incorporation of the subsidiaries.

UPSON INTERNATIONAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
for the Year Ended December 31, 2024 and
PARENT COMPANY STATEMENTS OF CASH FLOWS
for the Years Ended December 31, 2023 and 2022

	Note	2024*	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱636,594,633**	₱583,986,935	₱717,005,262
Adjustments for:				
Depreciation and amortization	8	**408,059,413**	309,075,012	280,830,339
Finance costs	10	**152,538,293**	123,495,021	74,147,403
Interest income	4	**(27,085,544)**	(46,811,084)	(544,189)
Provision for inventory obsolescence	12	**7,645,875**	2,916,376	24,841,900
Retirement expense	15	**5,851,832**	5,018,956	4,281,720
Gain on lease modification	16	**(70,171)**	(102,070)	–
Gain on lease concessions	16	**–**	–	(17,500,079)
Operating income before working capital changes		**1,183,534,331**	977,579,146	1,083,062,356
Increase in:				
Trade and other receivables		**(149,762,918)**	(108,765,398)	(24,351,690)
Inventories		**(1,135,675,714)**	(687,182,591)	(684,127,133)
Other assets		**(28,316,584)**	(25,182,984)	(32,216,675)
Increase (decrease) in trade and other payables		**(133,162,984)**	61,572,017	(527,961,576)
Net cash generated from (used for) operations		**(263,383,869)**	218,020,190	(185,594,718)
Income taxes paid		**(134,067,564)**	(187,146,870)	(135,154,934)
Interest received		**34,269,459**	37,553,002	544,189
Net cash provided by (used in) operating activities		**(363,181,974)**	68,426,322	(320,205,463)
CASH FLOW FROM AN INVESTING ACTIVITY				
Additions to property and equipment	8	**(194,533,011)**	(219,496,536)	(109,233,206)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Bank loans and trust receipts availments	10	**2,883,052,863**	2,611,018,632	2,870,048,222
Additions to non-controlling interests	11	**12,000,000**	–	–
Issuances of capital stock	11	**–**	1,430,308,248	60
Payments of:				
Bank loans and trust receipts	10	**(2,147,709,079)**	(2,578,049,580)	(2,381,838,159)
Lease liabilities	16	**(339,065,432)**	(220,119,782)	(180,629,861)
Interest	21	**(134,586,318)**	(119,320,548)	(62,825,209)
Dividends	21	**(187,500,078)**	(413,306,057)	(114,694,000)
Net cash provided by financing activities		**86,191,956**	710,530,913	130,061,053
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(471,523,029)**	559,460,699	(299,377,616)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**1,360,873,502**	801,412,803	1,100,790,419
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	**₱889,350,473**	₱1,360,873,502	₱801,412,803

(Forward)

	Note	**2024***	2023	2022
NONCASH FINANCIAL INFORMATION				
Additions and modifications to ROU assets	16	**(₱434,237,135)**	(₱232,540,827)	(₱276,001,099)
Additions and modifications to lease liabilities	16	**434,081,464**	230,344,503	276,001,099
Capitalized borrowing costs	8	**9,042,488**	11,074,116	–

See accompanying Notes to Financial Statements.

*The Consolidated financial statements were prepared effective May 24, 2024, the date of incorporation of the subsidiaries.

UPSON INTERNATIONAL CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS as at and for the Year Ended December 31, 2024 and PARENT COMPANY FINANCIAL STATEMENTS as at December 31, 2023 and for the Years Ended December 31, 2023 and 2022

1. Corporate Information

Upson International Corp. (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 and 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. Thus, the financial statements for 2024 is the consolidated financial statements of the Parent Company and its Subsidiaries while comparative financial statements for 2023 and 2022 are that of the Parent Company.

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

The registered office address of the Subsidiaries are as follows:

Company Name	Registered Business Address
iStudio Technologies Philippines Corp.	101 ACE Building, Rada Street Legaspi, Village San Lorenzo, Fourth District, Makati City
Upson Global Inc.	Unit 2308, 23/F Capital House Tower 1, 9th Avenue corner 34th Street, Bonifacio Global City, Taguig City

The Parent Company has corporate life of 50 years pursuant to its articles of incorporation. However, under the Revised Corporation Code of the Philippines which took effect on February 23, 2019, the Company has a perpetual corporate life.

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

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

Approval of the Consolidated and Parent Company Financial Statements
The consolidated financial statements of the Group as at and for the year ended December 31, 2024 and the parent company financial statements as at December 31, 2023, and for the years ended December 31, 2023 and 2022 were approved and authorized for issuance by the Parent Company's BOD, as approved and endorsed by the Audit Committee on February 27, 2025.

2. Summary of Material Accounting Policy Information

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

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

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

The financial statements have been prepared on a historical cost basis, except for lease liabilities and retirement liability which are measured at present value. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and the fair value of the consideration received in exchange for incurring a liability. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

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

Adoption of Amended PFRS Accounting Standards

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following relevant amended PFRS Accounting Standards effective for annual periods beginning or 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.

- Amendments to PAS 1, *Presentation of Financial Statements - 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.

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

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

Amended PFRS Accounting Standards in Issue but not yet Effective

Relevant amended PFRS Accounting Standards, which is not yet effective as at December 31, 2024 and has not been applied in preparing the 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.

Effective for annual periods beginning on or after January 1, 2026:

- Amendments to PFRS 9, *Financial Instruments,* and PFRS 7, *Financial Instruments: Disclosures – Classification and Measurement of Financial Assets* – The amendments clarify that a financial liability is derecognized when the related obligation is discharged, cancelled, expires or otherwise qualifies for derecognition (e.g. settlement date), and introduces a policy option to derecognize financial liabilities settled through an electronic payment system before settlement date if the required conditions are met. The amendments also clarify the assessment of contractual cash flow characteristics of financial assets, the treatment of non-recourse loans and contractually linked instruments, as well as require additional disclosure requirements for financial assets and liabilities with contingent features and equity instruments classified at fair value through other comprehensive income (FVOCI). Earlier application is permitted.

- Annual Improvements to PFRS Accounting Standards Volume 11:

    - Amendments to PFRS 7, *Financial Instruments: Disclosures* – The amendments update and remove some obsolete references related to the gain or loss on derecognition on financial assets of an entity that has a continuing involvement and to the disclosure requirements on deferred differences between fair value and transaction price. The amendments also clarify that the illustrative guidance does not necessarily illustrate all the requirements for credit risk disclosure. Earlier application is permitted.

    - Amendments to PFRS 9, *Financial Instruments – Transaction Price and Lessee Derecognition of Lease Liabilities* – The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with PFRS 9, the lessee must apply the derecognition criteria for a financial liability which requires recognition of a gain or loss in profit or loss. The amendments also replace the reference to *'transaction price as defined by PFRS 15, Revenue from Contracts with Customers'* to *'the amount determined by applying PFRS 15'* to remove potential confusion. Earlier application is permitted.

- Amendments to PFRS 10, *Consolidated Financial Statements - Determination of a 'de facto agent'* – The amendments remove inconsistencies by clarifying that an entity must use judgment to determine whether other parties are acting as de facto agents. Earlier application is permitted.

- Amendments to PAS 7, *Statement of Cash Flows - Cost Method* – The amendments replace the term 'cost method' with 'at cost' following the deletion of the definition of 'cost method'. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2027:

- PFRS 18, *Presentation and Disclosure in Financial Statements* – This standard replaces PAS 1, *Presentation of Financial Statements*, and sets out the requirements for the presentation and disclosure of information to help ensure that the financial statements provide relevant information that faithfully represents the entity's assets, liabilities, equity, income and expenses. The standard introduces new categories and sub-totals in the statements of comprehensive income, disclosures on management-defined performance measures, and new principles for grouping of information, which the entity needs to apply retrospectively. Earlier application is permitted.

- PFRS 19, *Subsidiaries without Public Accountability: Disclosures* – This standard specifies reduced disclosure requirements that eligible subsidiaries are permitted to apply, instead of the disclosure requirements in other PFRS. An entity is eligible to apply PFRS 19 when it does not have public accountability and its parent prepares consolidated financial statements available for public use that complies with PFRS disclosure requirements. Earlier application is permitted.

Deferred effectivity -

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investment in Associates - 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 the prevailing circumstances, the adoption of the foregoing amended PFRS Accounting Standards is not expected to have any material effect on the consolidated financial statements of the Group. Additional disclosures will be included in the consolidated financial statements, as applicable.

Basis of Consolidation
The consolidated financial statements include the accounts of the Parent Company and its subsidiaries in 2024.

Subsidiaries
A subsidiary is an entity in which the Parent Company has control. The Parent Company controls a subsidiary if it is exposed or has rights to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Control is generally accompanied by a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are substantive are considered when assessing whether the Parent

Company controls an entity. The Parent Company re-assesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The consolidated financial statements of the subsidiaries are prepared for the same reporting year as that of the Parent Company using uniform accounting policies. Significant intercompany transactions and balances, including intercompany profits, dividends, and unrealized profits and losses, are eliminated in full.

A change in the ownership interest of a subsidiary, without a change in control, is accounted for as an equity transaction.

If the Parent Company loses control over a subsidiary, the Group: (a) derecognizes the assets and liabilities of the subsidiary; (b) derecognizes the carrying amounts of any non-controlling interest; (c) derecognizes the cumulative translation differences recorded in equity; (d) recognizes the fair value of the consideration received; (e) recognizes the fair value of any investment retained; (f) recognizes any surplus or deficit in profit or loss; and (g) reclassifies the Parent Company's share of components previously recognized in other comprehensive income (OCI) in relation to that subsidiary on the same basis as would be required if the Parent Company had directly disposed of the related assets and liabilities.

The financial statements of subsidiaries are included in the consolidated financial statements from the date when the Group obtains control and continue to be consolidated until the date when such control ceases. The results of operations of the subsidiaries acquired or disposed are included in the consolidated statements of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate.

Non-controlling Interests

Non-controlling interests represent the portion of profit or loss and net assets not held by the Parent Company, presented within equity in the Group's consolidated statement of financial position, separately from equity attributable to equity holders of the Parent Company. Non-controlling interests represent the interests of minority shareholders of iStudio and UGI.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the statements of financial position based on current and noncurrent classification.

An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent, unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. A liability is current when it is: (a) expected to be settled in the normal operating cycle; (b) held primarily for trading; (c) due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. The Group classifies all other assets and liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent.

Financial Assets and Liabilities

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

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

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

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

As at December 2024 and 2023, the Group does not have financial assets at FVPL and FVOCI, and financial liabilities at FVPL.

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

As at December 31, 2024 and 2023, cash in banks, cash equivalents, trade receivables and accrued interest receivable are classified under this category. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placement and which are subject to an insignificant risk of changes in value.

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

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

As at December 31, 2024 and 2023, trade and other payables (excluding statutory payables), bank loans and trust receipts payable, and lease liabilities are classified under this category.

Impairment of Financial Assets
The Group recognizes an allowance for ECL on its financial assets at amortized cost.

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

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

The Group considers a financial asset in default when contractual payments are 30 days past due unless it is demonstrated that the non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

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

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

Derecognition of Financial Assets and Liabilities

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

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

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

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statements of comprehensive income.

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

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

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

Offsetting of Financial Assets and Liabilities
Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

Classification of Financial Instrument between Liability and Equity
A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;

- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or

- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

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

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

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

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

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

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

Property and Equipment

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

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

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

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

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

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

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

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

Impairment of Nonfinancial Assets

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

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

IPO Costs

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

Capital Stock

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

Additional Paid-in Capital (APIC)

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

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

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

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

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

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

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

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

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

Revenue Recognition
Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Group perform its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time. the Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent.

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

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

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

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

Other Income. Income is recognized when earned.

Cost and Expense Recognition

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

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

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

Borrowing Costs

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

Leases

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

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

ii. the right to direct the use of the identified asset.

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

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

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

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

i. the amount of the initial measurement of lease liabilities;

ii. any lease payments made at or before the commencement date less any lease incentives received;

iii. any initial direct costs; and

iv. an estimation of costs to be incurred by the Group in dismantling and removing the underlying asset, when applicable.

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

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

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

i. fixed payments, including in-substance fixed payments;

ii. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

iii. amounts expected to be payable by the lessee under residual value guarantees; and

iv. the exercise price under a purchase option that the Group is reasonably certain to exercise; lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

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

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

Employee Benefits

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

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

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

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

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

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

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

Foreign Currency Transactions and Translation

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

Related Party Relationships and Transactions

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

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

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

Income Tax

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

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of unused net operating loss carry over (NOLCO) to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

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

VAT

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

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and,

- receivables and payables that are stated with the amount of VAT included.

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

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

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

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

Events after the Reporting Date
Post year-end events that provide additional information about the Group's financial position at reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

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3. Significant Judgments, Accounting Estimates and Assumptions

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

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

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

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

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

Assessing the Renewal Options of Lease Agreements. The Group's lease agreements contain renewal options that is exercisable upon the mutual agreement of the Group and the lessors. the Group makes an assessment, at the commencement of the lease, whether it is reasonably certain that the renewal options will be exercised by the Group and will be agreed to by the lessors under the circumstances. As at December 31, 2024 and 2023, the Group has assessed that it is not reasonably certain that the renewal options will be mutually agreed by the Group and the lessors. As a result, the renewal options in the lease agreements were not considered in determining the lease term of the agreements.

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

Determining the Reportable Operating Segments. Determination of operating segments is based on the information about components of the Group that management uses to make decisions about the operating matters. Operating segments use internal reports that are regularly reviewed by the Parent Company's chief operating decision maker, which is defined to be the Parent Company's BOD, in order to allocate resources to the segment and assess its performance. The Group reports separate information about an operating segment that meets any of the following quantitative thresholds: (a) its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments; (b) the absolute amount of its reported profit or loss is 10% or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss; and (c) the assets of the segment are 10% or more of the combined assets of all operating segments.

The Group determined that its operating segments are organized and managed separately based on the nature of the business segment, with each business representing a strategic segment.

As at December 31, 2024, the Group's operating segments consist of retail of information and communications technology (ICT) products and retail of water filtration and purification devices. Operating segment information are disclosed in Note 23. In 2023 and 2022, the Group's operating segment comprise solely of ICT products.

Determining Control over Investee Companies. Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Company has assessed that it has control over iStudio and UGI by virtue of its majority share in ownership interest representing 52% and 90%, respectively.

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

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

The Group has assessed that the ECL on trade receivables are not material as these pertain mainly to receivables from credit card companies and reputable third parties which are generally collected within three (3) to thirty (30) days from the date of transaction. No ECL was recognized for trade receivables in 2024, 2023 and 2022.

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

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

The information about the ECL on the Group's other financial assets at amortized cost, comprising of cash in banks, cash equivalents and accrued interest receivable, is disclosed in Note 18 to the financial statements. The carrying amounts of the Group's cash in banks and cash equivalents, and accrued interest receivable as at December 31, 2024 and 2023 are disclosed in Notes 4 and 5, respectively.

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

The carrying amounts of inventories as at December 31, 2024 and 2023 are disclosed in Note 6. No inventories were written off in 2024, 2023 and 2022. Provision for inventory obsolescence amounted to ₱7.7 million, ₱2.9 million and ₱24.8 million in 2024, 2023 and 2022, respectively. Allowance for inventory obsolescence amounted to ₱59.4 million and ₱51.8 million as at December 31, 2024 and 2023, respectively.

Estimating the Useful Lives of ROU Assets and Property and Equipment. The useful lives of the Group's ROU assets, and property and equipment (except land and construction in progress) are estimated based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the Group's ROU assets and property and equipment. In addition, the estimation of the useful lives is based on the Group's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of ROU assets and property and equipment would increase the recognized expenses and decrease noncurrent assets.

As at December 31, 2024 and 2023, the carrying amounts of property and equipment and ROU assets are disclosed in Notes 8 and 16, respectively. There were no changes in the estimated useful lives of these property and equipment and ROU assets in 2024, 2023 and 2022.

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

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

	Note	**2024**	2023
Property and equipment	8	**₱909,145,428**	₱819,418,924
ROU assets	16	**415,453,570**	275,426,853
Refundable lease deposits	7	**243,801,968**	213,463,543
Advances to a stockholder	5	**31,791,848**	31,791,848
Prepayments	7	**4,468,580**	3,685,777
Advances to suppliers	5	**3,033,601**	3,308,220
Advances to officers and employees	5	**2,001,418**	1,763,413
Input VAT	7	**–**	2,890,144

There were no impairment loss recognized on nonfinancial assets in 2024, 2023 and 2022.

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

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

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

The carrying amounts of deferred tax assets recognized in the consolidated statements of financial position are disclosed in Note 17. The Group has assessed that it is not probable that there will be sufficient future taxable income for which UGI's NOLCO can be applied. Consequently, the Group did not recognize deferred tax asset on UGI's NOLCO. Details of unrecognized deferred tax assets are disclosed in Note 17.

4. Cash and Cash Equivalents

This account consists of:

	2024	2023
Cash on hand	**₱2,611,864**	₱2,365,464
Cash in banks	**585,287,104**	558,508,038
Cash equivalents	**301,451,505**	800,000,000
	₱889,350,473	₱1,360,873,502

Cash in banks earn interest at prevailing bank deposit rates which are readily available for use. Cash equivalents pertain to time deposit with maturity term of three months and earns interest ranging from 5.25% to 6.00% per annum in 2024 and 2023.

As at December 31, 2024 and 2023, the cash and cash equivalents include the unapplied IPO proceeds amounting to ₱590.6 million and ₱983.0 million, respectively (see Note 11).

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

	2024	2023	2022
Cash in banks	**₱2,730,178**	₱680,425	₱544,189
Cash equivalents	**24,355,366**	46,130,659	–
	₱27,085,544	₱46,811,084	₱544,189

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

5. Trade and Other Receivables

This account consists of:

	Note	2024	2023
Trade		**₱284,735,673**	₱134,936,141
Advances to:			
Stockholder	14	**31,791,848**	31,791,848
Suppliers		**3,033,601**	3,308,220
Officers and employees		**2,001,418**	1,763,413
Accrued interest receivable	4	**2,074,167**	9,258,082
		₱323,636,707	₱181,057,704

Trade receivables are noninterest-bearing and are generally settled within three to 30 days after the reporting period. No ECL was recognized for trade receivables in 2024, 2023 and 2022.

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

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

6. Inventories

This account consists of:

	2024	2023
At cost:		
Computers and peripherals	**₱2,742,915,960**	₱1,953,012,515
Accessories	**727,139,593**	589,958,494
Mobile phones	**633,575,525**	519,145,107
Printers and scanners	**340,011,731**	251,766,243
Consumables	**94,627,582**	88,712,318
	4,538,270,391	3,402,594,677
Less allowance for inventory obsolescence	**(59,414,868)**	(51,768,993)
At net realizable value	**₱4,478,855,523**	₱3,350,825,684

Movements in the allowance for inventory obsolescence are as follows:

	Note	2024	2023	2022
Balance at beginning of year		**₱51,768,993**	₱48,852,617	₱24,010,717
Provision for inventory obsolescence	12	**7,645,875**	2,916,376	24,841,900
Balance at end of year		**₱59,414,868**	₱51,768,993	₱48,852,617

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

Under the terms of agreements, merchandise inventories amounting to ₱2,583.1 million and ₱2,036.0 million as at December 31, 2024 and 2023, respectively, are covered by trust receipts issued by local banks (see Note 10).

Cost of inventories sold during the period follows:

	2024	2023	2022
Inventories at beginning of year	**₱3,402,594,677**	₱2,715,412,086	₱2,031,284,953
Purchases	**10,198,656,582**	8,620,161,060	7,966,926,194
Cost of goods available for sale	**13,601,251,259**	11,335,573,146	9,998,211,147
Less inventories at end of year	**(4,538,270,391)**	(3,402,594,677)	(2,715,412,086)
	₱9,062,980,868	₱7,932,978,469	₱7,282,799,061

7. **Other Assets**

This account includes:

	Note	**2024**	2023
Refundable lease deposits	16	**₱243,801,968**	₱213,463,543
Prepayments		**4,468,580**	3,685,777
Input VAT		**–**	2,890,144
		248,270,548	220,039,464
Less noncurrent portion of refundable lease deposits		**77,828,402**	59,723,407
		₱170,442,146	₱160,316,057

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

8. Property and Equipment

Movements and balances in this account are as follows:

	December 31, 2024							
	Land	Building and Building Improvements	Leasehold Improvements	Store Furniture and Equipment	Transportation Equipment	Furniture and Fixtures	Construction in Progress	Total
Cost								
Balance at beginning of year	₱201,025,000	₱208,474,487	₱609,482,926	₱143,360,783	₱133,324,094	₱110,010,869	₱179,319,930	₱1,584,998,089
Additions	–	–	11,251,587	44,489,442	18,337,500	3,546,119	125,950,851	203,575,499
Reclassification	–	–	66,389,240	–	–	–	(66,389,240)	–
Balance at end of year	201,025,000	208,474,487	687,123,753	187,850,225	151,661,594	113,556,988	238,881,541	1,788,573,588
Accumulated Depreciation and Amortization								
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	–	8,260,348	62,498,198	20,817,282	14,267,702	8,005,465	–	113,848,995
Balance at end of year	–	32,542,233	511,423,068	109,912,605	126,910,308	98,639,946	–	879,428,160
Carrying Amount	₱201,025,000	₱175,932,254	₱175,700,685	₱77,937,620	₱24,751,286	₱14,917,042	₱238,881,541	₱909,145,428

	December 31, 2023							
	Land	Building and Building Improvements	Leasehold Improvements	Store Furniture and Equipment	Transportation Equipment	Furniture and Fixtures	Construction in Progress	Total
Cost								
Balance at beginning of year	₱201,025,000	₱208,474,487	₱526,265,782	₱112,353,141	₱123,990,094	₱103,358,684	₱78,960,249	₱1,354,427,437
Additions	–	–	46,408,731	31,007,642	9,334,000	6,652,185	137,168,094	230,570,652
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 additional stores which are expected to be completed in 2025. As at December 31, 2024, the estimated total cost to complete the warehouse and store branches amounted to ₱25.5 million. In 2024 and 2023, borrowing costs amounting to ₱9.0 million and ₱11.1 million, respectively, were capitalized. Capitalization rate used in 2024 and 2023 were 7.74% and 5.69%, respectively (see Note 10). The capitalized borrowing costs were presented as non-cash financial information in the statements of cash flows.

The Group's building with a carrying amount of ₱157.7 million and ₱164.9 million as at December 31, 2024 and 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 ₱322.2 million and ₱123.7 million as at December 31, 2024 and 2023, respectively.

Depreciation and amortization are recognized from:

	Note	**2024**	2023	2022
ROU assets	16	**₱294,210,418**	₱208,427,954	₱178,152,909
Property and equipment		**113,848,995**	100,647,058	102,677,430
		₱408,059,413	₱309,075,012	₱280,830,339

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

	2024	2023	2022
Selling and marketing expenses	**₱318,696,401**	₱219,442,677	₱208,411,535
General and administrative expenses	**89,363,012**	89,632,335	72,418,804
	₱408,059,413	₱309,075,012	₱280,830,339

9. Trade and Other Payables

This account consists of:

	Note	**2024**	2023
Trade		**₱1,142,591,736**	₱1,256,409,554
Statutory payables		**25,567,738**	18,219,072
Accrued expenses		**8,164,973**	17,203,355
Retention payables		**5,678,831**	3,112,053
Advances from a related party	14	**–**	25,403,485
Others		**5,610,398**	2,495,665
		₱1,187,613,676	₱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 and balances in this account are as follows:

	2024		
	Bank Loans	**Trust Receipts**	**Total**
Balance at beginning of year	**₱916,666,667**	**₱850,947,198**	**₱1,767,613,865**
Availments	**300,000,000**	**2,583,052,863**	**2,883,052,863**
Payments	**–**	**(2,147,709,079)**	**(2,147,709,079)**
Balance at end of year	**₱1,216,666,667**	**₱1,286,290,982**	**₱2,502,957,649**

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

As at December 31, 2024 and 2023, the bank loans and trust receipts have terms of three months to one year, subject to refinancing upon approval of the creditor bank. Bank loans were obtained for working capital purposes and to finance ongoing construction of the Group. Trust receipts were obtained to finance the purchase of inventories. Interest rates on the bank loans and trust receipts range from 5.63% to 8.00% in 2024, 4.88% to 9.25% in 2023 and 3.50% to 9.25% in 2022.

Trust Receipts
Under the terms of agreements, merchandise inventories amounting to ₱2,583.1 million and ₱2,036.0 million as at December 31, 2024 and 2023, respectively, were covered by trust receipts issued by local banks (see Note 6).

Covenants
As at December 31, 2022, the Group was compliant with loan covenants which include, among others, (1) not entering into any partnership or joint venture or commence a new business; sell, lease, transfer or otherwise dispose all or substantially all of its assets; or voluntary suspend its business operations or work or dissolve its affairs; and (2) entering into management contracts and/or make any major policy change. As at December 31, 2024 and 2023, the Group's bank loans are no longer subject to loan covenants.

Details of finance costs charged to operations are as follows:

	Note	2024	2023	2022
Interest on bank loans		**₱68,590,006**	₱51,534,693	₱16,295,368
Interest on trust receipts		**63,929,788**	68,676,271	47,067,120
Accretion of interest on lease liabilities	16	**29,060,987**	14,358,173	10,784,915
		161,580,781	134,569,137	74,147,403
Less capitalized borrowing cost	8	**(9,042,488)**	(11,074,116)	–
		₱152,538,293	₱123,495,021	₱74,147,403

In 2024 and 2023, borrowing costs amounting to ₱9.0 million and ₱11.1 million, respectively, were capitalized. Capitalization rate used in 2024 and 2023 were 7.74% and 5.69%, respectively (see Note 8). No finance costs were capitalized in 2022. Accrued interest payable presented under "Accrued expenses" in the "Trade and other payables" account in the statements of financial position amounted to ₱1.8 million and ₱3.8 million as at December 31, 2024 and 2023, respectively (see Note 21).

11. Equity

Capital Stock

The Parent Company's capital stock comprises of common shares with par value of ₱0.20 a share as at December 31, 2024 and 2023.

Details of capital stock follow:

	2024		2023		2022	
	Shares	**Amount**	Shares	Amount	Shares	Amount
Authorized						
Balance at beginning of year	**6,250,000,000**	**₱1,250,000,000**	6,250,000,000	₱1,250,000,000	1,250,000,000	₱1,250,000,000
Effect of share split	**–**	**–**	–	–	5,000,000,000	–
Balance at end of year	**6,250,000,000**	**₱1,250,000,000**	6,250,000,000	₱1,250,000,000	6,250,000,000	₱1,250,000,000
Issued and Outstanding						
Balance at beginning of year	**3,125,001,300**	**₱625,000,260**	2,500,000,300	₱500,000,060	500,000,000	₱500,000,000
Effect of share split	**–**	**–**	–	–	2,000,000,000	–
Issuance	**–**	**–**	625,001,000	125,000,200	300	60
Balance at end of year	**3,125,001,300**	**₱625,000,260**	3,125,001,300	₱625,000,260	2,500,000,300	₱500,000,060

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

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

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

On April 3, 2023, the 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 December 31, 2024 and 2023 amounting to ₱590.6 million and ₱983.0 million, respectively, are maintained in the Group's cash in bank and cash equivalents (see Note 4).

Pursuant to the PSE's rules on minimum public ownership, at least 20% of the issued and outstanding shares of a listed company must be owned and held by the public. Public ownership over the Parent Company as at December 31, 2024 and 2023 were 21.74%.

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

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

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

Retained Earnings

Under Section 43 of the Revised Corporation Code of the Philippines, stock corporations are prohibited from retaining surplus profits in excess of one hundred (100%) percent of paid-in capital except when justified by corporate expansion projects and when it is necessary for special reserve for probable contingencies, among others. The Parent Company's paid-in capital (including additional paid-in capital) amounted to ₱1,930.3 million as at December 31, 2024 and 2023, while the unappropriated retained earnings of the Parent Company amounted to ₱1,172.5 million and ₱800.5 million as at December 31, 2024 and 2023, respectively.

Dividend Declaration

Details of the cash dividends declared by the Parent Company in 2024, 2023 and 2022 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
November 15, 2022	September 30, 2022	0.16	390,000,000

No dividends payable were outstanding as at December 31, 2024 and 2023.

Appropriations
On March 24, 2023, the BOD approved the appropriation of retained earnings amounting to ₱78.0 million for the construction of a warehouse. The completion of the construction of the warehouse was extended to 2024. On November 9, 2023, the BOD approved the retention of the appropriation. On March 21, 2024, the BOD approved the reversal of retained earnings appropriated for the construction of a warehouse amounting to ₱78.0 million.

Non-controlling Interests
The Group's non-controlling interests represent ownership of non-controlling interests' stockholders of iStudio (48%) and UGI (10%) aggregating to ₱13.5 million as at December 31, 2024.

Movements in 2024 are as follows:

	Amount
Additions	₱12,000,000
Net income	1,455,116
Balance at end of year	₱13,455,116

No dividends paid to non-controlling interests in 2024. There are no dividends payable to non-controlling interests as at December 31, 2024.

12. Operating Expenses

This account consists of:

	2024	2023	2022
Selling and marketing expenses	**₱1,557,868,348**	₱1,338,813,250	₱1,235,717,334
General and administrative expenses	**366,581,037**	337,167,179	294,386,414
	₱1,924,449,385	₱1,675,980,429	₱1,530,103,748

Selling and marketing expenses consist of:

	Note	**2024**	2023	2022
Merchant discount		**₱387,586,919**	₱304,859,917	₱296,226,878
Personnel costs		**344,604,638**	296,953,998	289,705,675
Depreciation and amortization	8	**318,696,401**	219,442,677	208,411,535
Rent	16	**200,452,585**	251,986,409	197,986,410
Utilities		**145,193,801**	131,221,218	116,674,928
Contracted and other services		**130,077,550**	97,759,776	65,315,214
Freight and delivery		**11,832,447**	14,765,157	13,854,500
Provision for inventory obsolescence	6	**7,645,875**	2,916,376	24,841,900
Advertising		**7,293,865**	15,129,392	19,382,030
Retirement expense	15	**4,484,267**	3,778,330	3,318,264
		₱1,557,868,348	₱1,338,813,250	₱1,235,717,334

General and administrative expenses consist of:

	Note	2024	2023	2022
Personnel costs		**₱102,448,544**	₱97,505,755	₱84,115,846
Depreciation and amortization	8	**89,363,012**	89,632,335	72,418,804
Taxes and licenses		**80,380,331**	61,079,416	56,505,615
Repairs, warranties and maintenance		**19,699,558**	12,504,093	15,774,826
Transportation and travel		**16,295,947**	12,156,859	10,687,695
Stationery and supplies		**15,103,463**	13,635,938	11,333,539
Representation		**14,584,295**	8,301,601	8,881,915
Professional fees		**9,052,787**	8,088,818	9,886,794
Insurance		**6,267,605**	7,817,667	4,986,726
Retirement expense	15	**1,367,565**	1,240,626	963,456
IPO expense		**–**	16,546,052	8,273,027
Rent	16	**–**	492,696	4,472,060
Others		**12,017,930**	8,165,323	6,086,111
		₱366,581,037	₱337,167,179	₱294,386,414

Personnel costs consist of:

	2024	2023	2022
Salaries and wages	**₱393,613,526**	₱346,795,528	₱322,011,067
Other employee benefits	**53,439,656**	47,664,225	51,810,454
	₱447,053,182	₱394,459,753	₱373,821,521

13. **Other Income**

This account consists of:

	Note	2024	2023	2022
Interest income	4	**₱27,085,544**	₱46,811,084	₱544,189
Realized foreign exchange gain		**8,828,916**	7,472,929	7,021,758
Gain on lease modification	16	**70,171**	102,070	–
Gain on lease concessions	16	**–**	–	17,500,079
Other income		**305,323,279**	251,696,272	117,008,318
		₱341,307,910	₱306,082,355	₱142,074,344

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

14. Related Party Transactions

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

	Nature of Transaction	Transactions during the Year			Outstanding Balance	
		2024	2023	2022	**2024**	2023
Trade and Other Receivables (see Note 5)						
Stockholder	Advances for business development expenses	**₱–**	₱31,791,848	₱–	**₱31,791,848**	₱31,791,848
Trade and Other Payables (see Note 9)						
Entity under common control	Advances (payments)	**(₱25,403,485)**	₱–	₱–	**₱–**	₱25,403,485
Lease Arrangement (see Note 16)						
Entity under common control	ROU asset amortization	**(₱66,983,862)**	(₱68,963,541)	(₱56,663,023)	**₱67,547,562**	₱18,764,032
	Lease liability payment	**(71,317,521)**	(68,402,482)	(60,565,286)	**70,011,098**	19,350,782
	Gain on lease modification	**(70,171)**	–	–	**–**	–

Terms and Conditions

Advances to a Stockholder
Advances to a stockholder are unsecured noninterest-bearing advances for ordinary travel or business development 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.

There have been no guarantees provided or received for any related party receivables or payables as at December 31, 2024 and 2023. The Group has not recognized any impairment on amounts due from related parties in 2024, 2023 and 2022. This assessment is undertaken each financial year through a review of the financial position of the related parties and the market in which the related parties operate.

The Group's building with a carrying amount of ₱157.7 million and ₱164.9 million as at December 31, 2024 and 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:

	2024	2023	2022
Short-term employee benefits	**₱6,853,860**	₱6,853,860	₱6,853,860
Post-employment benefits	**665,628**	665,628	298,574
	₱7,519,488	₱7,519,488	₱7,152,434

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, 2024.

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 consolidated statements of comprehensive income is as follows:

	2024	2023	2022
Current service cost	**₱3,255,830**	₱2,544,484	₱2,627,547
Interest cost	**2,596,002**	2,474,472	1,654,173
	₱5,851,832	₱5,018,956	₱4,281,720

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

	2024	2023	2022
Selling and marketing expenses	**₱4,484,267**	₱3,778,330	₱3,318,264
General and administrative expenses	**1,367,565**	1,240,626	963,456
	₱5,851,832	₱5,018,956	₱4,281,720

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

	2024	2023
Balance at beginning of year	**₱41,870,993**	₱33,438,809
Current service cost	**3,255,830**	2,544,484
Interest cost	**2,596,002**	2,474,472
Remeasurement losses (gains) from:		
Changes in financial assumptions	**597,575**	5,695,765
Experience adjustments	**301,346**	(2,282,537)
Balance at end of year	**₱48,621,746**	₱41,870,993

The assumptions used to determine retirement liability are as follows:

	2024	2023	2022
Discount rate	**6.10%**	6.20%	7.40%
Salary increase rate	**3.00%**	3.00%	3.00%

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

	Basis Points	Effect on Present Value of Retirement Liability
Discount rate	+100	(₱5,515,205)
	-100	6,624,033
Salary increase rate	+100	6,512,023
	-100	(5,517,212)

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

The 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 December 31, 2024 is 15 years.

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

	2024		
	Accumulated Remeasurement Losses	**Deferred Income Tax (see Note 17)**	**Accumulated Remeasurement Losses, Net of Tax**
Balance at beginning of year	**₱9,086,274**	**(₱2,271,569)**	**₱6,814,705**
Remeasurement loss	**898,921**	**(224,730)**	**674,191**
Balance at end of year	**₱9,985,195**	**(₱2,496,299)**	**₱7,488,896**

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

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

Risks Associated with the Retirement Plan

- *Interest Rate Risks*. The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation.

- *Longevity and Salary Risks*. The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

As at December 31, 2024, the expected future benefit payments are as follows:

	Amount
More than 1 year to 5 years	₱12,228,495
More than 5 years to 10 years	10,908,678
10 years and up	378,881,051

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.

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

	2024	2023	2022
Selling and marketing expenses	**₱200,452,585**	₱251,986,409	₱197,986,410
General and administrative expenses	**–**	492,696	4,472,060
	₱200,452,585	₱252,479,105	₱202,458,470

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	**2024**	2023
Cost			
Balance at beginning of year		**₱1,250,321,423**	₱1,017,780,596
Additions		**436,096,715**	232,869,169
Effect of lease modification		**(1,859,580)**	(328,342)
Balance at end of year		**1,684,558,558**	1,250,321,423
Accumulated amortization			
Balance at beginning of year		**974,894,570**	766,466,616
Amortization	8	**294,210,418**	208,427,954
Balance at end of year		**1,269,104,988**	974,894,570
Carrying Amount		**₱415,453,570**	₱275,426,853

Lease Liabilities

The balance and movements in lease liabilities are as follows:

	Note	2024	2023
Balance at beginning of year		**₱275,193,672**	₱250,610,778
Additions		**436,011,215**	230,774,915
Payments		**(339,065,432)**	(220,119,782)
Accretion	10	**29,060,987**	14,358,173
Effect of lease modification		**(1,929,751)**	(430,412)
Balance at end of year		**399,270,691**	275,193,672
Current portion		**301,608,037**	147,320,374
Noncurrent portion		**₱97,662,654**	₱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 2024 and 2023, the Group has pre-terminated lease agreements resulting to a gain on lease modification of ₱0.1 million (see Note 13).

Gain on lease concessions pertains to the difference between contractual lease payments and the payments made under lease concession agreements directly attributable to COVID-19. Gains related to lease concessions amounted to ₱17.5 million in 2022 (see Note 13). There were no gains on lease concession recognized in 2024 and 2023.

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

	Minimum Lease Payments	Present Value
Not later than one year	₱318,383,527	₱301,608,037
Later than one year but not more than five years	99,431,282	97,662,654
	₱417,814,809	₱399,270,691

Rent related expense recognized in the consolidated statements of comprehensive income are as follows:

	Note	2024	2023	2022
ROU assets amortization	8	**₱294,210,418**	₱208,427,954	₱178,152,909
Short-term leases		**200,452,585**	252,479,105	202,458,470
Accretion of interest on lease liabilities	10	**29,060,987**	14,358,173	10,784,915
		₱523,723,990	₱475,265,232	₱391,396,294

Total cash outflow for leases, including short-term leases, amounted to ₱539.5 million, ₱472.6 million and ₱383.1 million in 2024, 2023 and 2022, respectively.

Refundable Lease Deposits

Lease deposits, which are refundable at the end of the lease term if unutilized, aggregate ₱243.8 million and ₱213.5 million as at December 31, 2024 and 2023, respectively (see Note 7).

17. Income Taxes

The provision for current income tax pertains to regular corporate income tax (RCIT) in 2024, 2023 and 2022.

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

	2024	2023	2022
Income tax computed at the statutory tax rate	**₱159,148,658**	₱145,996,734	₱179,251,315
Change in unrecognized deferred tax asset	**706,344**	–	–
Adjustment for:			
Interest income already subjected to final tax	**(6,771,386)**	(11,702,771)	(136,047)
Nondeductible expenses	**1,694,019**	2,925,692	34,013
Expenses charged to APIC	**–**	(17,423,538)	–
Effect of lower income tax rate	**185,114**	–	–
	₱154,962,749	₱119,796,117	₱179,149,281

In 2024, the UGI incurred NOLCO amounting to ₱3.5 million that will expire in 2027.

As at December 31, 2024, deferred tax asset arising from UGI's NOLCO amounting to ₱0.7 million were not recognized. Management has assessed that it is not probable that future taxable income will be available against which the benefit of the deferred tax asset can be utilized.

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

	Note	**2024**	2023
Deferred Tax Assets:			
Allowance for inventory obsolescence		**₱14,853,717**	₱12,942,248
Retirement liability:			
Profit or loss		**9,659,138**	8,196,180
OCI	15	**2,496,299**	2,271,569
		27,009,154	23,409,997
Deferred Tax Liabilities:			
Capitalized borrowing cost		**(5,029,151)**	(2,768,529)
Excess of ROU assets over lease liabilities		**(4,054,596)**	(58,295)
Unrealized foreign exchange gain		**–**	(1,522,269)
		(9,083,747)	(4,349,093)
		₱17,925,407	₱19,060,904

18. Financial Risk Management

Financial Risk Management Objectives and Policies

The Group's business activities expose it to certain financial risks 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, cash equivalents, accrued interest receivables and trade receivables.

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:

	2024	2023
Cash in banks and cash equivalents	**₱886,738,609**	₱1,358,508,038
Trade receivables	**284,735,673**	134,936,141
Accrued interest receivable	**2,074,167**	9,258,082
	₱1,173,548,449	₱1,502,702,261

As at December 31, 2024 and 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 groupings based on customer type and rating. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if collection cannot be made despite exhausting all extra-judicial and legal means of collection.

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

For other financial assets at amortized cost which mainly comprise of cash in banks, cash equivalents and accrued interest receivable, the 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 these were credit-impaired.

	2024			
	12-Month ECL	**Lifetime ECL - Not Credit Impaired**	**Lifetime ECL - Credit Impaired**	**Total**
Cash in banks and cash equivalents	**₱886,738,609**	**₱–**	**₱–**	**₱886,738,609**
Trade receivables	**–**	**284,735,673**	**–**	**284,735,673**
Accrued interest receivable	**2,074,167**	**–**	**–**	**2,074,167**
	₱888,812,776	**₱284,735,673**	**₱–**	**₱1,173,548,449**

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

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.

	2024			
	1 to 6 Months	**6 Months to 1 Year**	**More than 1 Year**	**Total**
Trade and other payables*	**₱1,156,367,107**	**₱5,678,831**	**₱–**	**₱1,162,045,938**
Bank loans and trust receipts payable	**1,286,290,982**	**1,216,666,667**	**–**	**2,502,957,649**
Lease liabilities	**178,011,796**	**140,371,731**	**99,431,282**	**417,814,809**
	₱2,620,669,885	**₱1,362,717,229**	**₱99,431,282**	**₱4,082,818,396**

Excluding statutory payables.

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

Excluding statutory payables.

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

The 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 loans are promissory notes under loan facilities which mature within 90 days to one year as at December 31, 2024 and 2023, and bear an effective interest rate ranging 5.63% to 8.00% in 2024 and 4.88% to 9.25% in 2023.

19. Fair Value of Financial Assets and Liabilities

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

	2024		2023	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets:				
Cash in banks and cash equivalents	**₱886,738,609**	**₱886,738,609**	₱1,358,508,038	₱1,358,508,038
Trade receivables	**284,735,673**	**284,735,673**	134,936,141	134,936,141
Accrued interest receivable	**2,074,167**	**2,074,167**	9,258,082	9,258,082
	₱1,173,548,449	**₱1,173,548,449**	₱1,502,702,261	₱1,502,702,261
Financial Liabilities:				
Trade and other payables*	**₱1,162,045,938**	**₱1,162,045,938**	₱1,304,624,112	₱1,304,624,112
Bank loans and trust receipts payable	**2,502,957,649**	**2,502,957,649**	1,767,613,865	1,767,613,865
Lease liabilities	**399,270,691**	**393,889,799**	275,193,672	268,423,967
	₱4,064,274,278	**₱4,058,893,386**	₱3,347,431,649	₱3,340,661,944

**Excluding statutory payables.*

Due to the short-term maturities of cash in banks, cash equivalents, trade receivables, accrued interest receivable, trade and other payables (excluding statutory payables), and bank loans and trust receipts payable, their carrying amounts approximate their fair values (Level 3).

Lease Liabilities. Estimated fair values have been calculated on the lease liabilities' expected cash flows using the prevailing market rates that are specific to the tenor of the instruments' cash flows at reporting dates (Level 2).

As at December 31, 2024 and 2023, there were no financial instruments measured at fair value. There were no transfers between levels of fair value hierarchy in 2024, 2023 and 2022.

20. Capital Risk Management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. No changes were made in the objectives, policies or processes in 2024, 2023 and 2022.

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

The Group is not subject to externally imposed capital requirements.

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

	2024	2023
Total liabilities	**₱4,175,174,709**	₱3,424,697,703
Total equity	**3,107,462,947**	2,802,005,332
Debt-to-equity ratio	**1.34:1**	1.22:1

21. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes as at December 31, 2024 and 2023:

	December 31, 2023	**Additions**	**Accretion Interest expense**	**Payment**	**Non-cash Changes**	**December 31, 2024**
Bank loans and trust receipts payable	**₱1,767,613,865**	**₱2,883,052,863**	**₱–**	**(₱2,147,709,079)**	**₱–**	**₱2,502,957,649**
Lease liabilities	**275,193,672**	**436,011,215**	**29,060,987**	**(339,065,432)**	**(1,929,751)**	**399,270,691**
Dividends payable	**–**	**187,500,078**	**–**	**(187,500,078)**	**–**	**–**
Accrued interest payable	**3,844,338**	**–**	**132,519,794**	**(134,586,318)**	**–**	**1,777,814**
	₱2,046,651,875	**₱3,506,564,156**	**₱161,580,781**	**(₱2,808,860,907)**	**(₱1,929,751)**	**₱2,904,006,154**

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

22. Basic and Diluted Earnings Per Share

Basic earnings per share is computed as follows:

	2024	2023	2022
Net income attributable to equity holders of the Parent Company	**₱480,176,768**	₱464,190,818	₱537,855,981
Divided by weighted average number of outstanding shares	**3,125,001,300**	2,968,751,050	2,500,000,300
	₱0.15	₱0.16	₱0.22

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

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

The Parent Company has no dilutive potential shares in 2024, 2023 and 2022.

23. Operating Segment Information

The primary segment reporting format is determined to be operating segments as the Group's risks and rates of return are affected predominantly by differences in the nature of products being sold. The operating businesses are organized and managed separately according to the nature of the products provided, with each segment representing a strategic business unit.

Business Segments

The Group's main businesses in 2024 are as follows:

- Retail of information and communications technology (ICT) products.
- Retail of water filtration and purification devices.

In 2023 and 2022, the Group's business segment comprises solely of ICT products. The related key financial information are basically the same as those presented on the face of the financial statements.

Geographical Segments

The Group operates and generates revenue principally in the Philippines. Consequently, geographical business information is not applicable.

Sales are attributable to revenue from the general public, which are generated through the Group's store outlets. Consequently, the Group has no concentrations of revenue from a single customer in 2024, 2023 and 2022.

Management monitors operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

On a consolidated basis, the Group's performance is evaluated based on core net income for the year. Core net income is measured as consolidated net income.

The following tables present revenue and expense information and certain assets and liabilities information regarding the different business segments as at and for the years ended December 31, 2024:

	2024			
	ICT Products	Water Filtration and Purification Devices	Eliminations	Total
REVENUE	₱11,435,439,327	₱–	(₱184,058)	₱11,435,255,269
COST OF SALES	(9,063,163,104)	–	182,236	(9,062,980,868)
GROSS INCOME	2,372,276,223	–	(1,822)	2,372,274,401
OPERATING EXPENSES	(1,920,839,588)	(3,611,619)	1,822	(1,924,449,385)
FINANCE COSTS	(152,435,977)	(102,316)	–	(152,538,293)
OTHER INCOME	341,306,623	1,287	–	341,307,910
INCOME BEFORE INCOME TAX	640,307,281	(3,712,648)	–	636,594,633
PROVISION FOR (BENEFIT FROM) INCOME TAX				
Current	153,602,522	–	–	153,602,522
Deferred	1,395,733	(35,506)	–	1,360,227
	154,998,255	(35,506)	–	154,962,749
NET INCOME	485,309,026	(3,677,142)	–	481,631,884
OTHER COMPREHENSIVE INCOME				
Not to be reclassified to profit or loss in subsequent periods				
Remeasurement loss on retirement liability - net of deferred income tax	(674,191)	–	–	(674,191)
TOTAL COMPHRENSIVE INCOME	₱484,634,835	(₱3,677,142)	₱–	₱480,957,693
SEGMENT ASSETS	₱7,351,928,818	₱52,947,664	(₱122,238,826)	₱7,282,637,656
SEGMENT LIABILITIES	₱4,214,788,729	₱6,624,806	(₱46,238,826)	₱4,175,174,709
Other Information				
Depreciation and amortization	₱407,128,487	₱930,926	₱–	₱408,059,413
Additions to property and equipment and ROU assets	635,516,103	4,156,111	–	639,672,214
Provision for inventory obsolescence	7,645,875	–	–	7,645,875

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
April 14, 2024, valid until June 6, 2026
SEC Registration No. PP201007009

BDO Towers Valero
8741 Paseo de Roxas
Makati City 1209 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing the basic consolidated financial statements of Upson International Corp. (Parent Company) and Subsidiaries (the Group) as at and for the year ended December 31, 2024 and the Parent Company financial statements as at December 31, 2023 and for the years ended December 31, 2023 and 2022, and have issued our report thereon dated February 27, 2025. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Supplementary Schedules are the responsibility of the Group's management. These supplementary schedules include the following:

- Supplementary Schedules as Required by Part II of the Revised Securities Regulation Code (SRC) Rule 68 as at and for the year ended December 31, 2024
- Reconciliation of Parent Company's Retained Earnings Available for Dividends Declaration for the year ended December 31, 2024
- Conglomerate Map as at December 31, 2024

These schedules are presented for the purpose of complying with the Revised SRC Rule 68 and are not part of the basic consolidated financial statements. The information in these supplementary schedules have been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

REYES TACANDONG & CO.

DARRYLL REESE Q. SALANGAD
Partner
CPA Certificate No.
Tax Identification No.
BOA Accreditation No. Valid until June 6, 2026
BIR Accreditation No.
Valid until January 16, 2028
PTR No.
Issued January 2, 2025, Makati City

February 27, 2025
Makati City, Metro Manila

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INDEPENDENT AUDITORS' REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippines Standards on Auditing, the accompanying consolidated financial statements of Upson International Corp. (Parent Company) and Subsidiaries (the Group) as at and for the year ended December 31, 2024 and the Parent Company financial statements as at December 31, 2023 and for the years ended December 31, 2023 and 2022, and have issued our report dated February 27, 2025. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) Accounting Standards and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at and for the year ended December 31, 2024 and the Parent Company financial statements as at December 31, 2023 and for the years ended December 31, 2023 and 2022 and no material exceptions were noted.

REYES TACANDONG & CO.

DARRYLL REESE Q. SALANGAD
Partner
CPA Certificate No.
Tax Identification No.
BOA Accreditation No. Valid until June 6, 2026
BIR Accreditation No.
Valid until January 16, 2028
PTR No.
Issued January 2, 2025, Makati City

February 27, 2025
Makati City, Metro Manila

UPSON INTERNATIONAL CORP. AND SUBSIDIARIES

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

December 31, 2024

** There are no receivables arising from activities that are not in the ordinary course of business that aggregated more than ₱1.0 million or 1% of total assets, whichever is lower, as at December 31, 2024.*
*** There are no long-term debt as at December 31, 2024.*
**** Indebtedness to related parties are classified as current as at December 31, 2024.*

UPSON INTERNATIONAL CORP. AND SUBSIDIARIES

SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF THE FINANCIAL STATEMENTS

December 31, 2024

			Deductions		*Ending Balance*		
Name and designation of debtor	***Balance at beginnning of year***	***Additions***	***Amounts collected***	***Reversal of write off***	***Current***	***Not current***	***Balance at end of year***
Upson Global Inc. *(Subsidiary)*	₱–	₱3,371,748	₱–	₱–	₱3,371,748	₱–	₱3,371,748
iStudio Technologies Philippines Corp. *(Subsidiary)*	–	1,101,250	–	–	1,101,250	–	1,101,250

UPSON INTERNATIONAL CORP. AND SUBSIDIARIES

SCHEDULE G – CAPITAL STOCK

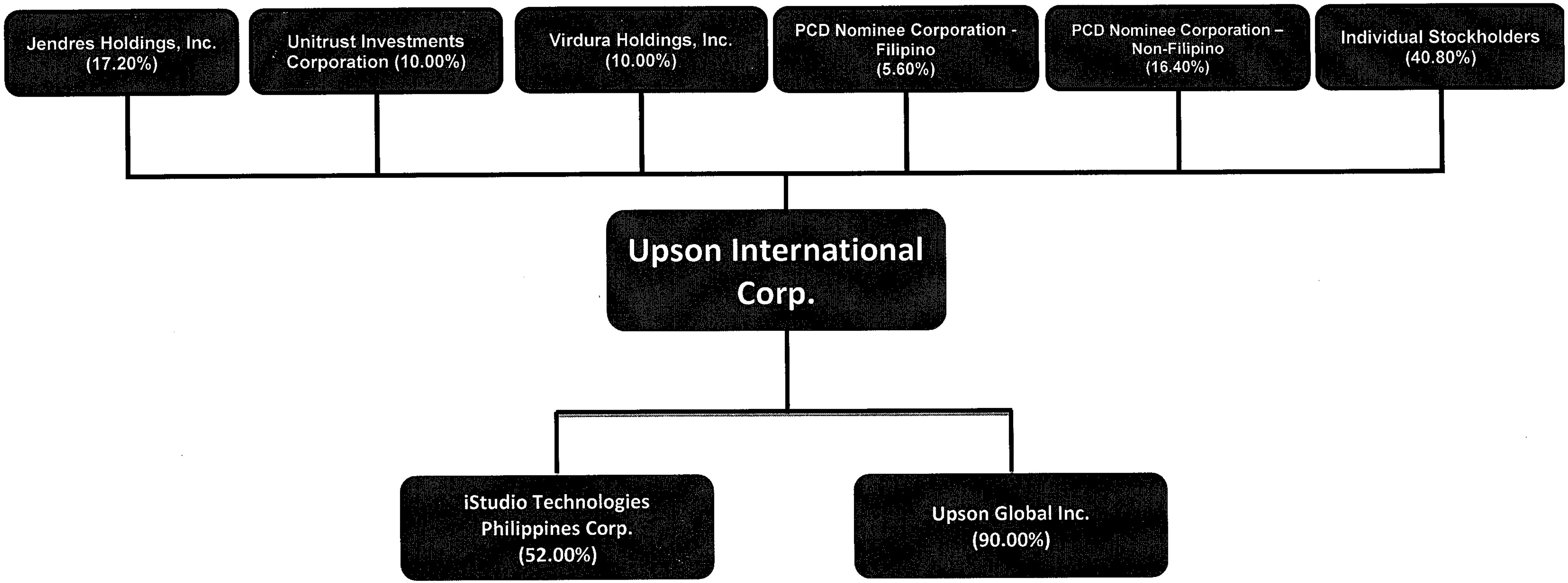
December 31, 2024

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

UPSON INTERNATIONAL CORP. AND SUBSIDIARIES

MAP SHOWING THE RELATIONSHIP BETWEEN AND AMONG THE GROUP

December 31, 2024



UPSON INTERNATIONAL CORP. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF PARENT COMPANY'S RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

For the Year Ended December 31, 2024

Unappropriated Retained Earnings, beginning of reportin g period		₱779,373,301
Less: Category A: Items that are directly credited to Unappropriated Retained Earnings		
Reversal of retained earnings appropriation	78,000,000	78,000,000
Category B: Items that are directly debited to Unappropriated Retained Earnings		
Dividend declaration during the period	(187,500,078)	(187,500,078)
Unappropriated Retained Earnings, as adjusted		669,873,223
Add: Net Income for the current year		481,511,463
Less: Category F: Other Items that should be excluded from the determination of the amount available for dividends distribution		
Net movement in deferred tax assets		(3,374,427)
Total Retained Earnings, end of the reporting period available for dividend		₱1,148,010,259

UPSON INTERNATIONAL CORP. AND SUBSIDIARIES

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

For the Year Ended December 31, 2024

	As Disclosed in Final Prospectus	Balance as at January 1, 2024	Movements during the Year	Balance as at December 31, 2024
Gross Proceeds	**₱1,500,002,400**	**₱1,500,002,400**	**₱–**	**₱1,500,002,400**
Offer Expenses	**(78,200,000)**	**(98,156,179)**	**–**	**(98,156,179)**
Net Proceeds	**1,421,802,400**	**1,401,846,221**	**–**	**1,401,846,221**
Use of Proceeds				
Store network expansion and store improvement program	1,421,802,400	(418,844,712)	(392,388,208)	(811,232,920)
Unapplied Proceeds	**₱–**	**₱983,001,509**	**(₱392,388,208)**	**₱590,613,301**

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

UPSON INTERNATIONAL CORP. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

(BASED ON CONSOLIDATED FINANCIAL STATEMENTS as at and for the year ended December 31, 2024 and PARENT COMPANY FINANCIAL STATEMENTS as at and for the year ended December 31, 2023)

Ratio	Formula	2024	2023
Current/Liquidity Ratio			
	Current assets	**₱5,862,284,849**	₱5,053,072,947
	Divided by: Current liabilities	**4,028,890,309**	3,254,953,412
	Current/Liquidity ratio	**1.46:1.00**	1.55:1.00
Solvency Ratio			
	Net income before depreciation and amortization	**₱889,691,297**	₱773,265,830
	Divided by: Total liabilities	**4,175,174,709**	3,424,697,703
	Solvency ratio	**0.21:1.00**	0.23:1.00
Debt-to-Equity Ratio			
	Total liabilities	**₱4,175,174,709**	₱3,424,697,703
	Divided by: Total equity	**3,107,462,947**	2,802,005,332
	Debt-to-Equity ratio	**1.34:1.00**	1.22:1.00
Asset-to-Equity Ratio			
	Total assets	**₱7,282,637,656**	₱6,226,703,035
	Divided by: Total equity	**3,107,462,947**	2,802,005,332
	Asset-to-Equity ratio	**2.34:1.00**	2.22:1.00
Interest Rate Coverage Ratio			
	Income before interest and taxes	**₱789,132,926**	₱707,481,956
	Divided by: Interest expense	**152,538,293**	123,495,021
	Interest Rate Coverage ratio	**5.17:1.00**	5.73:1.00
Return on Assets Ratio			
	Net income	**₱481,631,884**	₱464,190,818
	Divided by: Total assets	**7,282,637,656**	6,226,703,035
	Return on Assets ratio	**0.07:1.00**	0.07:1.00
Return on Equity Ratio			
	Net income	**₱481,631,884**	₱464,190,818
	Divided by: Total equity	**3,107,462,947**	2,802,005,332
	Return on Equity ratio	**0.15:1.00**	0.17:1.00
Net Profit Margin			
	Net income	**₱481,631,884**	₱464,190,818
	Divided by: Revenues	**11,435,255,269**	10,010,358,499
	Net Profit Margin	**0.04:1.00**	0.05:1.00

UPSON INTERNATIONAL CORP. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF EXTERNAL AUDITOR FEE RELATED INFORMATION

December 31, 2024

	Current Year	Prior Year
Total Audit Fees	**₱3,500,000**	₱2,700,000
Non-audit service fees:		
Other assurance services	–	–
Tax services	**625,000**	1,250,000
All other services:		
Assistance in Compilation of Nonfinancial Data and Report Summarization	**900,000**	1,000,000
Agreed-upon Procedures on Use of IPO Proceeds	**200,000**	200,000
EPR Audit	**120,000**	130,000
Total Non-audit Fees	**1,845,000**	2,580,000
Total Audit and Non-audit Fees	**₱5,345,000**	₱5,280,000

Audit and Non-audit fees of other related entities

Audit fees	₱–	₱–
Non-audit service fees:		
Other assurance services	–	–
Tax services	–	–
All other services	–	–
Total Audit and Non-audit Fees	₱–	₱–

Annual Sustainability Report 2024

UPSON INTERNATIONAL CORP.

Contextual Information

Company Details	
Name of Organization	Upson International Corp. ("Upson", "we", "our", or "Company")
Location of Headquarters	Unit 2308, 23rd Floor, Capital House Tower 1, 9th Avenue corner 34th Street, Bonifacio Global City, Taguig City
Location of Operations	As of December 31, 2024, there are 245 branches nationwide, of which 32 are stand-alone stores, while 213 are mall-based stores. The regional network of the stores is found in the National Capital Region (79), North Luzon (43), South Luzon (47), Visayas (29), and Mindanao (47). We also lease a total of eight (8) warehouses. These are in Manila (3), Cebu (1), Cagayan de Oro (1), Davao City (1), Cabanatuan (1), and Iloilo (1). *Refer to Appendix A for the specific locations of these stores.*
Business Model, including Primary Activities, Brands, Products, and Services	Upson is a leading retailer of IT-related merchandise that includes a wide range of hardware and software products. We retail under the brand names—Octagon Computer Superstore ("Octagon"), Micro Valley, Gadget King, and Octagon Mobile. a) Octagon is the flagship brand among our prime stores. It offers a complete line and an assortment of hardware and software products. b) Micro Valley is a specialty store for do-it-yourself components and customization of personal computers and gaming-specific PCs and peripherals for the growing gaming market. c) Gadget King is our specialty store featuring IT accessories and peripherals. d) Octagon Mobile is a specialty store focusing on communication and connectivity devices such as mobile phones, tablets, networking products, and mobile-related accessories. We cater to a broad consumer spectrum, targeting customers such as home users, small-medium businesses, gamers, professionals, and students. Products are offered through prime stores, concept stores, mobile stores, and online through our website and well-known e-commerce platforms such as Lazada, Pick-a-roo, and Shopee.
Report Boundary	This Sustainability Report ("Report") is specific to the operations of Upson International Corp. (doing business under the name and style of Octagon Computer Superstore; Micro Valley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light) only.

Reporting Period	January 1 to December 31, 2024
Highest Ranking Person responsible for this report	Arlene Louisa T. Sy President, Chief Executive Officer, and Director

CONTENT

You may read the Sustainability Report for 2024 through the Philippine Stock Exchange website as mandated by SEC as a publicly listed corporation under Disclosures, specifically, Annual Reports (SEC Form 17-A).

You may read the Sustainability Report for 2024 online at Upson's website.

UPSON INTERNATIONAL CORP.

ABBREVIATION

CSR	Corporate Social Responsibility
EPR	Extended Producer Responsibility
GHG	Greenhouse Gases
HVAC	Heating, Ventilation, and Air-conditioning
IT	Information Technology
BOP	Base of the Pyramid
DENR-EMB	Department of Environment and Natural Resources-Environmental Management Bureau
DPA	Data Privacy Act
DPO	Data Protection Officer
DPS	Data Processing System
GOCC	Government-owned and Controlled Corporation
HDMF	Home Development Mutual Fund
HIV	Human Immunodeficiency Virus
HMO	Health Maintenance Organization
HR	Human Resources
LCP	Loyalty Card Program
NPC	National Privacy Commission
ODS	Ozone-Depleting Substances
Pag-IBIG	Pagtutulungan sa Kinabukasan: Ikaw, Bangko, Industriya, at Gobyerno
PC	Personal Computer
PhilHealth	Philippine Health Insurance Corporation
PIA	Privacy Impact Assessment
PIC	Personal Information Controllers
RA	Republic Act
RST	Retail Store Transactions
SDGs	Sustainable Development Goals
SSS	Social Security System
UN	United Nations

Letter from the CEO

Our commitment goes beyond technology alone. At Upson, we are inspired by how our innovations not only push the boundaries of what is possible but also protect our environment and enrich the communities we serve. This journey is about much more than technology—it is about building a skilled workforce, creating strong bonds with our stakeholders, and paving the way toward a brighter, sustainable future for everyone.

Arlene Louisa T. Sy
President, Chief Executive Officer, and Director

Sustainability in Technology

At the heart of our work is a deep commitment to responsible practices. We believe that technology must serve the greater good, which is why we integrate responsible sourcing and resource efficiency into every facet of our operations. Our diverse portfolio—from personal computers and printing systems to communication devices, storage solutions, networking equipment, peripherals, components, accessories, and software—is designed to meet your evolving needs while championing sustainability. Beyond the confines of retail, we empower individuals and businesses by offering customized solutions that are as adaptable as they are efficient. Our presence across the country reflects our determination to prioritize sustainability, ethical business practices, and accessibility. It is this unwavering commitment that we believe will make us your dependable, one-stop destination for technology.

Sustainability in Community

What truly motivates us is our shared dedication to uplifting local communities. We take immense pride in the fact that our efforts extend well beyond technological innovation. By reimagining our supply chains through local sourcing, we foster economic growth and sustainable practices at home. Our partnerships with Filipino businesses are not just business transactions—they represent a mutual commitment to enhancing productivity, spreading knowledge, and strengthening the bonds of connectivity. These relationships are the heartbeat of our community-focused approach, and they serve as a daily reminder that our work is ultimately about the people we support.

Our mission is clear: to shape a future where technology, sustainability, and community progress together. As we continue to expand our reach and bring cutting-edge solutions to more people, we remain deeply committed to integrating sustainability into every aspect of what we do. With your trust and support, we are confident that we will not only elevate the consumer electronics industry but also pave the way for a more sustainable, inclusive future.

Thank you for being an essential part of this journey. Your dedication and passion inspire us every day, and we are excited about what we will achieve together.

Arlene Louisa T. Sy
President, Chief Executive Officer, and Director

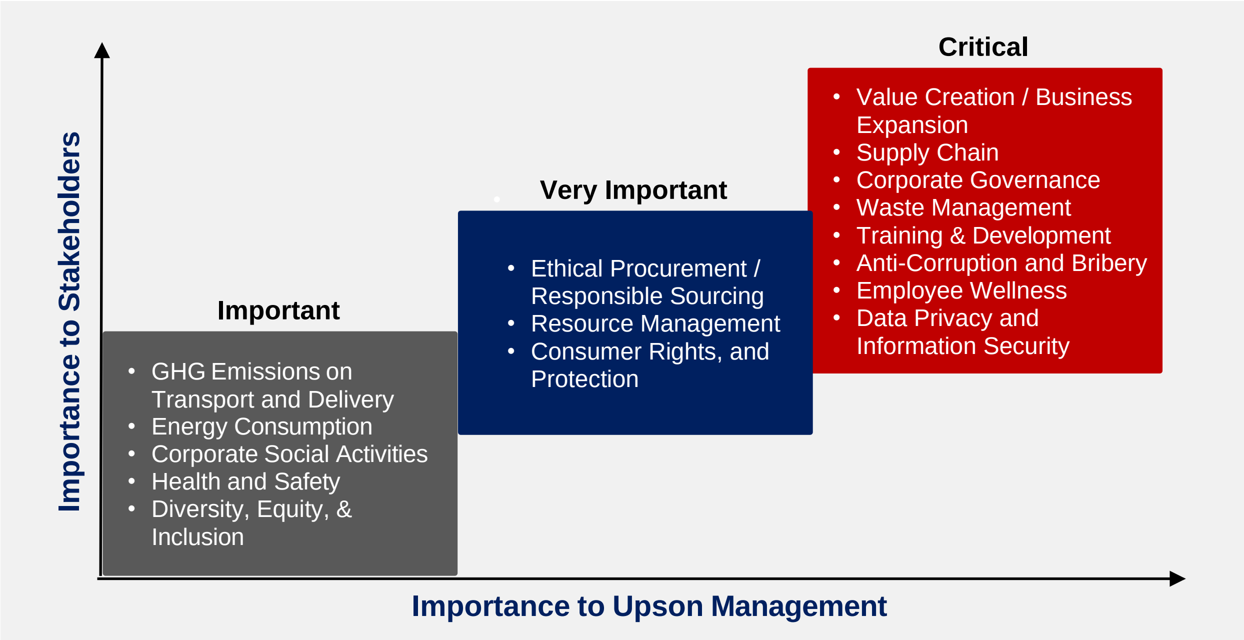
Our Approach to Sustainability

Upson works toward a sustainable future that resonates with its vision of technological leadership and commitment to the Filipino community. Our mission is to lead in offering the latest IT products and support the country towards technological advancement while growing sustainably as we strive to ensure a diverse and supportive workplace for the community and environment.

Embedding Sustainability Strategy	*Implementation and Continuous Improvement*	*Materiality Matrix and Data Gathering*	*Sustainability Reporting*
We embed sustainability to generate significant environmental, social, and financial value for all by aligning leaders, management and employees, including our suppliers/ business partners and customers, in a common goal and ambition. We will continue to include other stakeholder groups using existing touch points (e.g., customer management system) and separate engagements for a 360-degree view of our impacts, risks, and opportunities.	We continue to put action into our sustainability initiatives by implementing programs, formalized policies, and standardized guidelines, and we have acted on our sustainability goals. In 2024, we implemented our EPR Program to address the worsening plastic pollution problem. Likewise, we have implemented several initiatives to protect the confidentiality of personal information of our internal and external stakeholders through our reinforcement of privacy programs. We will continue to use and improve sustainability as a benchmark throughout our business practices, whether managing our people, engaging with the community, catering to our customers, doing business with our suppliers/ partners, or handling corporate governance.	We will establish a regular materiality review every two years to identify material topics important in diagnosing our directions, ensuring all our stakeholders' concerns and priorities are addressed, and further analyzing any gaps that may be revealed between external and internal stakeholders' priorities. We will continue to involve our stakeholders (e.g., employees, vendors, customers, and key management) to identify topics of importance to them.	Based on the results of the materiality assessment, we focused our data gathering on priority topics of the top management and our stakeholders to come up with our Sustainability Report. We continuously refined our waste management strategies by leveraging data-driven insights and stakeholder collaboration. This strengthen our compliance with the EPR Act and also position Upson as a leader in responsible corporate stewardship—contributing to a circular economy where resources are efficiently repurposed, environmental impact is minimized, and long-term sustainability goals are achieved.

Materiality Process

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



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

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

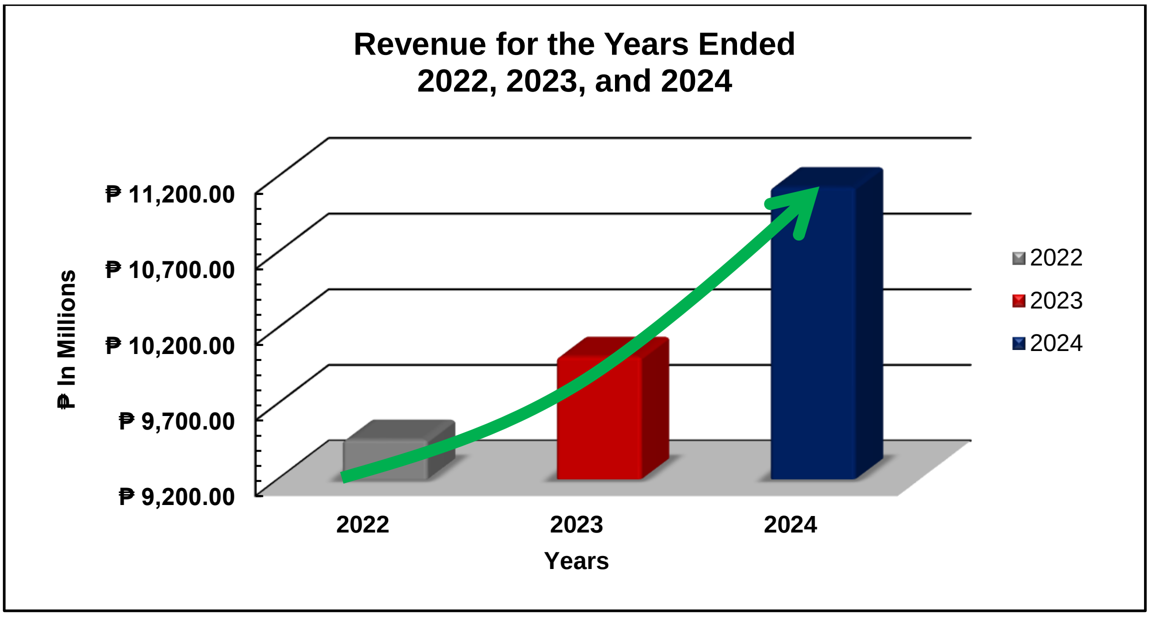
Economic

ECONOMIC

ECONOMIC PERFORMANCE

As of December 31, 2024, Upson's revenues grew by 11.20%, or ₱11,131.4 million, from ₱10,010.4 million in 2023. Our net income increased by 3.73%, or ₱481.5 million, from ₱464.2 million in 2023.

Within the past six (6) years, we have steadily widened our nationwide reach from 165 stores in 2018 to 245 as of December 31, 2024. For the years ended December 31, 2022, 2023, and 2024, our revenues hit ₱9,462.0 million, ₱10,010.4 million, and ₱11,131.4 million, respectively. We are already present in 16 of the 17 regions (except BARMM) in the country, allowing us to reach and capture almost the entire population and income groups.



Direct Economic Value Generated and Distributed

In Millions (PhP)

Disclosure	2023	2024
Direct economic value generated (revenue)	10,010.35 M	11,131.42 M
Direct economic value distributed:		
a. Operating costs	1,675.98 M	1,895.29 M
b. Employee wages and benefits	394.45 M	438.37 M
c. Payments to suppliers, other operating costs	8,543.78 M	10,438.48 M
d. Dividends given to stockholders and interest payments to loan providers	532.62 M	322.08 M
e. Taxes given to government	209.86 M	332.77 M

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

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

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

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

Photo above: Globally Recognized Brands Partnered

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

Our comprehensive and frequently updated assortment of products allows us to be responsive to prevailing market needs and local preferences, making us more attractive to consumers and competitive in the marketplace. As of December 31, 2024, we maintained an active portfolio of over 15,125 Stock Keeping Units (SKUs) spanning 9 major categories, including personal computers, printing, communication, storage, networking, peripherals, components, accessories, and software.

Photo above: Ribbon Cutting Ceremony with TP-Link

We believe combining these advantages has increased our customer base and driven our robust financial performance. In the past 3 years, we have served more than 2 million customers annually. Likewise, our suppliers rely on us — the Philippines' largest IT retailer by sales, market share, and store count — to make their products accessible nationwide and deliver reliable customer service and support consistent with their brand image. We have become their retail partner of choice.

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

We have successfully established our stores in key locations nationwide. We consider demographic characteristics, foot traffic, rent and retail space, and store accessibility critical factors in identifying a store location. We typically can complete construction and start the operation of our stores within 2 months, including the acquiring government and lessor approvals and the necessary permits and licenses.

Photo above: Newly Opened Micro Valley Superstore in Robinsons Manila

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

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

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

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

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

PROCUREMENT PRACTICES

As of December 31, 2024, we have over 100 suppliers, including Brother International Philippines Inc., Canon Marketing Philippines Inc., Epson Philippines Corp., HP Inc., Acer Philippines Inc., Asus Philippines Inc., Lenovo Philippines Inc., Logitech Asia Pacific Ltd., name a few. We purchase items per order through purchase orders issued to suppliers. A purchase order provides the supplier details, payment terms are usually 60 to 90 days, discounts, entry date of order, delivery date, and cancellation date, if any. Most orders are delivered to our head office in Manila, while others have special arrangements and will be delivered to our warehouse in Visayas and Mindanao.

Our management approach includes the following:

Maintaining sustainable suppliers and long-term relations

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

Photo above: Top Tech Brands at Octagon Computer Superstore in Trinoma Mall, Quezon City

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

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

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

Monitoring safety stock levels to ensure sufficient product supply

We regularly monitor and maintain inventory levels typically lasting 2 to 3 months. We likewise forecast demand for our products for 6 months to a year and consider the lead time in replenishment to ensure we have sufficient inventory to meet customer demand for the products we carry. By securing stocks in advance and storing inventory for 1 quarter, we mitigate the risk if our domestic or international supply chains are disrupted.

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

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

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

Photo above: Wide Selection of Brands Available

Proportion of Spending on Local Suppliers

Disclosure	2023		2024	
	Quantity	Unit	Quantity	Unit
Percentage of procurement budget used for significant locations of operations that are spent on local suppliers	98.3	%	98.3	%
Percentage of procurement budget used for significant locations of operations that is spent on foreign suppliers	1.7	%	1.7	%

Maintaining good relations with our local lessors

As of December 31, 2024, Upson has 245 stores, 244 of which are held under lease, while 1 is owned. The additional 20 stores opened from January 1, 2024 to December 31, 2024. We lease our store spaces from local third parties.

ANTI-CORRUPTION

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

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

Training on Anti-Corruption Policies and Procedures

Disclosure	2023		2024	
	Quantity	Unit	Quantity	Unit
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	%	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100	%	100	%
Percentage of directors and management that have received anti-corruption training	100	%	100	%
Percentage of employees that have received anti-corruption training	100	%	100	%

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

Incidents of Corruption

Disclosure	2023		2024	
	Quantity	Unit	Quantity	Unit
Number of incidents in which directors were removed or disciplined for corruption	0	#	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	0	#	0	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	#	0	#

All officers and Personnel of Upson are expected to observe and adhere strictly to our Code of Conduct, Employee Handbook, and Policies and Procedures. The Code of Ethics is the ethical standard of our personnel in all their activities. It outlines the principles and policies that govern the organization's activities and sets forth the rules of conduct in the workplace and the standards of behavior of all the officers, management team, and staff in their activities and relationships with external stakeholders. In addition, we encourage our stakeholders to report any issues or concerns of wrongdoing or non-compliance. We have assured our stakeholders that we will provide a trusted and safe avenue for disclosing any misconduct. We have established a Whistleblower Policy to guide the process.

Climate-Related Risks and Opportunities

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

Getting insurance for our products in case of catastrophic events

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

Operating on decentralized distribution centers

We have regional warehouses in Cabanatuan, Cebu, Iloilo, Davao, and Cagayan de Oro. We are holding these regional warehouses under lease agreements. All our current six (8) warehouses are leased, while the lease agreements are yet to be secured for the additional nine (9) warehouses. This decentralization of distribution centers and warehouses is meant to address the risk of disruptions to the normal warehouse and product distribution operations due to natural disasters such as earthquakes, typhoons, floods, and fires, which may also cause damage to the inventory.

Photo above: Development of New Warehouse for Safe and Quality Distribution of Products

Environment

ENVIRONMENT

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

RESOURCE MANAGEMENT

Energy Consumption within the Organization

Photo above: Acer Concept Store at Serendra Wing, Market! Market! BGC

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

Disclosure	2023		2024	
	Quantity	Unit	Quantity	Unit
Renewable Resources	0	GJ	Not Applicable	GJ
Gasoline	417[1]	GJ	454[2]	GJ
LPG	No Data	GJ	Not Applicable	GJ
Diesel	3,129[3]	GJ	3,256[4]	GJ
Electricity	8,653,048	kWh	8,775,975	kWh

[1] Based on the given conversion factor of 0.0342 gigajoules per liter, 12,199.04 liters of gasoline would yield approximately 417.21 gigajoules of energy
[2] Based on the given conversion factor of 0.0342 gigajoules per liter, 13,285.23 liters of gasoline would yield approximately 454.35 gigajoules of energy
[3] Based on the given conversion factor of 0.038 gigajoules per liter, 82,341.91 liters of gasoline would yield approximately 3,128.99 gigajoules of energy
[4] Based on the given conversion factor of 0.038 gigajoules per liter, 85,675.87 liters of gasoline would yield approximately 3,255.68 gigajoules of energy

Water Consumption within the Organization

We have minimal water consumption because of the nature of our day-to-day operations. We operate in commercial or office spaces such as malls and store locations, which do not typically require large amounts of water. Water usage may be limited to basic office needs such as restrooms and cleaning, which can be managed through water-efficient fixtures and practices. The substantial rise in water consumption reflects our improved data collection and monitoring practices. By expanding our scope to include all branches and warehouses, we have gained a more comprehensive understanding of our water usage. This enhanced monitoring allows us to identify areas for improvement and implement more effective water conservation strategies. Overall, while water usage may not be a significant concern for electronic products retail companies, we have taken steps to minimize their environmental impact and conserve resources, including water.

Disclosure	2023		2024	
	Quantity	Unit	Quantity	Unit
Water Consumption	3,719	m^3	3,794	m^3

ENVIRONMENTAL IMPACT MANAGEMENT

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

Air Emissions

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

GHG

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

Disclosure	2023		2024	
	Quantity	Unit	Quantity	Unit
Energy Indirect (Scope 2) GHG Emissions	6,500[5]	Tonnes CO2e	6,592[6]	Tonnes CO2e

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

[5] Based on the latest National Grid Emission Factor released by the Department of Energy (DOE) of 0.0007512 tonnes CO_2 per kilowatt-hour which is the average between 0.7181 tonnes CO_2 per megawatt-hour from the Luzon-Visayas Grid and 0.8173 tonnes CO_2 per megawatt-hour from the Mindanao Grid, this would yield 6,500.17 tonnes CO_2e.

[6] Based on the latest National Grid Emission Factor released by the Department of Energy (DOE) of 0.0007512 tonnes CO_2 per kilowatt-hour which is the average between 0.7181 tonnes CO_2 per megawatt-hour from the Luzon-Visayas Grid and 0.8173 tonnes CO_2 per megawatt-hour from the Mindanao Grid, this would yield 6,592.51 tonnes CO_2e.

Solid and Hazardous Wastes

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

Photo above: Laptops, Monitors, and Computer Accessories at Gadget King in SM City San Mateo, Rizal

Solid Waste

Disclosure	2023		2024	
	Quantity	**Unit**	**Quantity**	**Unit**
Total solid waste generated	4,492 kgs of plastic waste (1,105 kgs flexibles, 3,387 kgs rigid plastics)	kg	12,427 kgs of plastic waste (792 kgs flexibles, 11,635 kgs rigid plastics)[7]	kg
Reusable	898.4 kgs (based on 20% recovery)	kg	1,796.8 kgs (based on 40% recovery)[8]	kg
Recyclable	898.4 kgs (based on 20% recovery)	kg	1,796.8 kgs (based on 40% recovery)[9]	kg

[*] The total solid waste generated for 2024 was unaudited.

[**] Quantity of reusable and recyclable wastes are based on the quantity of total solid waste generated for 2023.

In line with its continuous efforts to advance corporate sustainability, Upson remains dedicated to supporting the country's goal of achieving an 80% recovery target of its plastic packaging footprint by 2028. We have made strides to improve its implementation of its Extended Producer Responsibility (EPR) Program, taking responsibility and accountability for its plastic packaging footprint, which aligns with the overarching goal of eliminating plastic packaging waste, mitigating environmental pollution, and fostering its reintegration into the circular economy.

Photo above: Octagon's Eco-Friendly Bags ensuring Safety and Commitment to Sustainability

[7] Based on unaudited plastic waste in 2024

[8] Based on audited plastic waste in 2023

[9] Based on audited plastic waste in 2023

As outlined in Upson's EPR Program:

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

In compliance with the Republic Act (RA) 11898, also known as the EPR Act of 2022, Upson has maintained its partnership with Republic Cement & Building Materials, Inc. to ensure the efficient recovery, processing, disposal, and diversion of plastic packaging waste. In 2024, we achieved outstanding results, diverting 91% of flexible plastics and 59% of rigid plastics—far exceeding the mandated 40% recovery target.

Upson remains steadfast in its commitment to reducing plastic packaging waste through the mandated recovery targets, aiming for 50% by 2025, 60% by 2026, 70% by 2027, and ultimately achieving 80% by 2028, as required under the EPR Act of 2022. Additionally, we ensure that its solid waste generation and disposal practices are accurately assessed and documented through the EPR Compliance Audit Report, which is thoroughly reviewed and verified by an independent third-party auditor in strict adherence to the provisions stipulated by the Act.

Hazardous Waste

Disclosure	2023		2024	
	Quantity	Unit	Quantity	Unit
Total weight of hazardous waste generated	No Data	kg	2,247	kg
Total weight of hazardous waste transported	No Data	kg	2,247	kg

Power banks (batteries) fall under the M506 category of the DENR, classified as Waste Electrical and Electronic Equipment. This type of hazardous waste was generated for the first time in 2024, thus no data of comparison from previous year.

ENVIRONMENTAL COMPLIANCE

Non-compliance with Environmental Laws and Regulations

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

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

Social

SOCIAL

EMPLOYEE MANAGEMENT

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

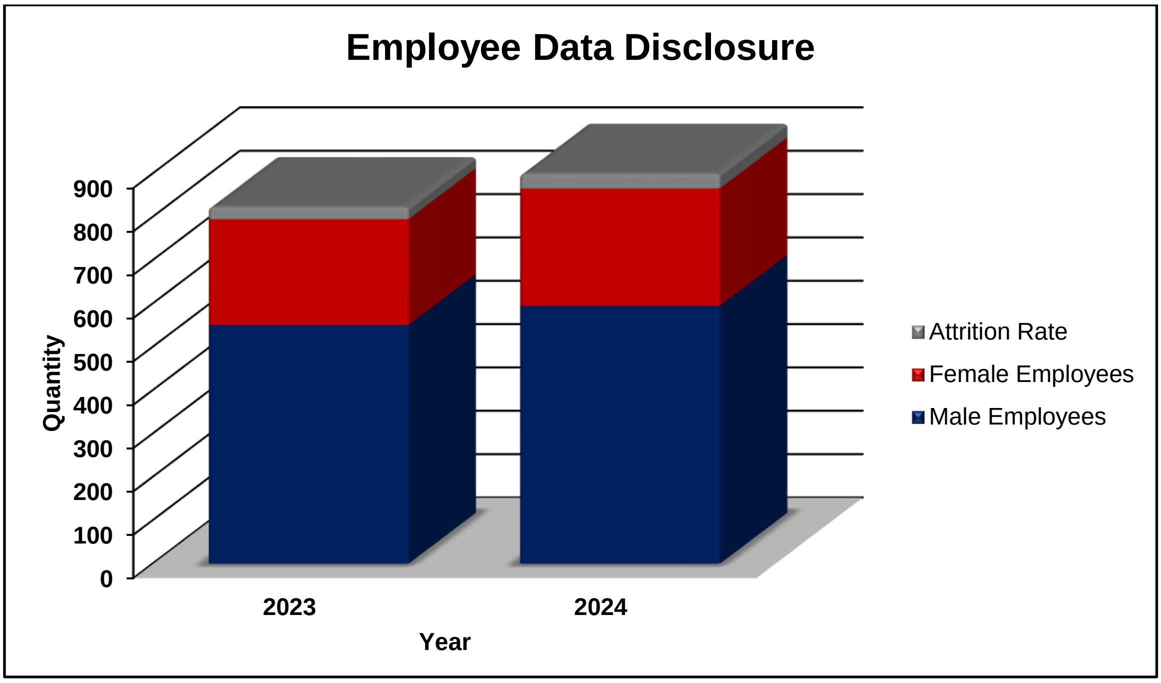
We invest in our team by giving them opportunities for success. This starts with placing the right employees for the right jobs and giving them compensation and benefits which we believe are competitive and designed to support the financial well-being of our employees and their families. Our incentive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

Employee Hiring and Benefits

Employee Data

Despite Upson's commitment to fair compensation, we experienced an increase in our attrition rate to 16.62%, up from 3.52% last year. This rise in attrition was accompanied by an 8.93% increase in our workforce, adding 71 new employees. This growth is attributed to the replacement of resigned employees and the staffing of newly opened stores.

Disclosure	2023		2024	
	Quantity	Unit	Quantity	Unit
Total number of employees	795		866	
a. Number of female employees	244	#	271	#
b. Number of male employees	551	#	595	#
Attrition rate	3.52%	rate	16.62%	rate



Employee Benefits

We uphold a commitment to fair and equitable compensation, strictly adhering to the principles of "equal pay for equal work" and "no work, no pay." The organization provides competitive salary packages augmented by performance-driven incentives designed to recognize and reward exceptional contributions. Moreover, in-store management teams are entrusted with strategic decision-making authority and are incentivized to maximize sales performance and drive profitability within their respective stores.

List of Benefits	2023		2024	
	% of female employeeswho availed for the year	% of male employees who availed for the year	% of female employeeswho availed for the year	% of male employees who availed for the year
Social Security System (SSS)	41.39%	32.85%	43.91%	31.26%
PhilHealth[10]	9.43%	1.09%	7.38%	2%
Pag-IBIG[11]	30.33%	25.95%	32.10%	31.00%
Parental leaves	7.38%	3.09%	7.01%	0.67%
Vacation leaves	No Data	No Data	No Data	No Data
Sick leaves	2.05%	1.09%	1.84%	1.51%
Medical benefits (aside from PhilHealth)	2.05%	1.09%	1.84%	1.51%
Retirement fund (aside from SSS)	Not Provided	Not Provided	0%	0.16%
Company stock options	0	0	0	0

[10] Philippine Health Insurance Corporation (PhilHealth) is a tax-exempt, government-owned and controlled corporation (GOCC) of the Philippines that provides health insurance to the country.

[11] Home Development Mutual Fund (HDMF), commonly known as the Pag-IBIG Fund (acronym of its Filipino name: *Pagtutulungan sa Kinabukasan: Ikaw, Bangko, Industriya at Gobyerno*).

Employee Training and Development

We aim to foster a strong sense of responsibility in a motivating environment to enhance our employees' incentives and loyalty. We conduct various training courses for different levels of staff, including training tailored to specific job duties. We equip our team members with comprehensive training and development programs, including knowledge of the latest trends in consumer behavior and preferences and after-sales support. We also arrange product training for store personnel with suppliers at least twice a year. As of December 31, 2024, key functions, such as sales and marketing, and procurement and supply chain management comprised approximately 70% of our total employees.

Disclosure	2023		2024	
	Quantity	Unit	Quantity	Unit
Total training hours provided to employees				
a. Female employees	620	hours	Not Provided	hours
b. Male employees	1,344	hours	Not Provided	hours
Average training hours provided to employees				
a. Female employees	2.7	hours/employee	Not Provided	hours/employee
b. Male employees	2.3	hours/employee	Not Provided	hours/employee

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

Diversity and Equal Opportunity

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

Disclosure	2023		2024	
	Quantity	Unit	Quantity	Unit
% of female workers in the workforce	30.69	%	31.29	%
% of male workers in the workforce	69.31	%	68.71	%
Number of employees from indigenous communities and/or vulnerable sector[12]	0	#	0	#

WORKPLACE CONDITIONS, LABOR STANDARDS, AND HUMAN RIGHTS

Occupational Health and Safety

Disclosure	2023		2024	
	Quantity	Units	Quantity	Units
Safe Man-Hours	1,728	Man-hours	Not Provided	Man-hours
No. of work-related injuries	15	#	1	#
No. of work-related fatalities	0	#	0	#

[12] Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with Human Immunodeficiency Virus (HIV) and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).

Disclosure	2023		2024	
	Quantity	Units	Quantity	Units
No. of work-related ill-health	0	#	0	#
No. of safety drills	No Data	#	0	#

Upson takes pride in fostering a workplace environment where the rights and dignity of every individual are upheld with the utmost priority.

Labor Laws and Human Rights

Upson has consistently demonstrated its unwavering commitment to upholding labor laws and human rights across all aspects of our operations and business transactions. Guided by our core value of integrity, we ensure full compliance in all relevant laws and regulations involving labor, maintaining zero (0) grievances or legal actions against forced or child labor. We have achieved this through the implementation of workplace policies that explicitly prohibit any violation of labor laws and human rights, ensuring a fair, safe, and respectful environment for all. We have yet again achieved a milestone in fostering a responsible workplace as we proactively safeguard the well-being and rights of our employees, partners, and stakeholders.

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

Supply Chain Management

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

Photo above: Brother Concept Store at SM City Fairview, Quezon City

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

At Upson, we recognize that our suppliers play a vital role in advancing corporate sustainability. Since 2022, we have proactively integrated sustainability criteria into our vendor accreditation process, ensuring alignment with our commitment to environmental stewardship and ethical business practices. We consider (1) environmental performance as we assess our supplier's efforts to minimize ecological impact and adopt sustainable practices, (2) forced labor and (3) child labor as we remain vigilant in upholding human rights and preventing exploitation within supply chains, (4) human rights as we prioritize dignity, equality, and fairness across all operational levels, and (5) bribery and corruption as we ensure in every business transaction and interaction, there is integrity and accountability.

RELATIONSHIP WITH COMMUNITY

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

Significant Impacts on Local Communities

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

Customer Management

We maintain the Warranty Terms and Conditions policy across our store locations which is aligned with RA 7394 or the Consumer Act of the Philippines, specifying that sellers are obliged to honor their warranties and grant corresponding remedies to consumers. As such, consumers should be allowed to return or exchange the goods, or avail themselves of other remedies, in case of hidden faults or defects, or any charge the buyer was unaware of at the time of purchase. In enforcing these remedies, however, consumers should bear in mind that they should at least prove the sale transaction and show evidence such as the official receipt. In cases where the official receipt is not available, the buyer may resort to any other alternative proof.

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

Customer Returns

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

Health and Safety

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

a) Keeping out of restricted and unauthorized areas
b) Avoiding smoking inside the premises of the Company
c) Reporting wet floors, any leakage, faulty wires, or unusual electrical incidents immediately
d) Reporting any hazards observed or discovered in their work areas
e) Using and complying with the safety devices and signs installed by the Company
f) Turning off lights, computers, and air-conditioning units after duty

g) Conducting regular audits.

Disclosure	2023		2024	
	Quantity	Unit	Quantity	Unit
No. of substantiated complaints on product or service health and safety	0	#	0	#
No. of complaints addressed	Not Applicable	#	Not Applicable	#

Marketing and Labelling

Disclosure	2023		2024	
	Quantity	Unit	Quantity	Unit
No. of substantiated complaints on marketing and labelling[13]	0	#	2	#
No. of complaints addressed	Not Applicable	#	2	#

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

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

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

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

Photo above: Micro Valley Computer Superstore Advertisement in their Official Facebook Page

Customer Privacy

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

Our website has a Data Privacy Notice (https://www.upson.com.ph/privacy-notice/) in place that provides the minimum required information and disclosures relating to our personal data processing. This includes data subjects' rights and the Data Protection Officer's (DPO) contact information, where they can contact

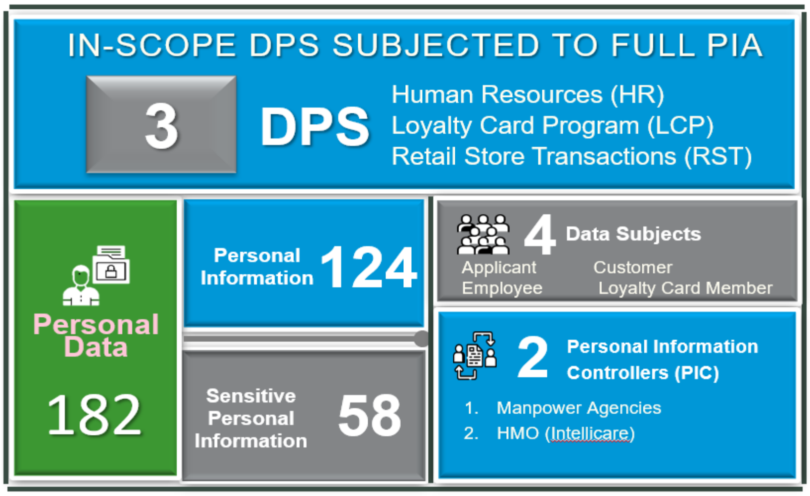
[13] Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms, as well as complaints lodged to and acted upon by government agencies on marketing and labeling.

the DPO with any questions, feedback, or complaints. For the period covered, no customer complaints were received through the DPO email.

Disclosure	2023		2024	
	Quantity	Unit	Quantity	Unit
No. of substantiated complaints on customer privacy[14]	0	#	0	#
No. of complaints addressed	Not Applicable	#	Not Applicable	#
No. of customers, users and account holders whose information is used for secondary purposes	0	#	0	#

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

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



Some of the key actions by Upson included the following:

Deliverable	Key Actions
Training	• Conducted refresher training sessions on an annual or biannual basis. • Included awareness training as part of the orientation or onboarding activities of the new employees
NPC Registration	• Published seal of registration on the website and in the offices. • Ensure annual renewal of NPC registration. • Registered other data processing systems that handle personal data. Amend/update registered DPS, as necessary.
Data Privacy Manual	• Consulted the company's Legal Department to ensure that the manual complies with all applicable laws and regulations. • Regularly review and update the DP Manual to reflect changes in regulations and company operations, ideally annually
Privacy Impact Assessment (PIA)	• Implemented and continuous monitoring action plans based on the committed implementation date. • Performed PIA for other critical departments and new systems/programs that handle personal data.

[14] Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms, as well as complaints lodged to and acted upon by government agencies on customer privacy.

Data Security

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

Disclosure	2023		2024	
	Quantity	Unit	Quantity	Unit
No. of data breaches, including leaks, thefts and losses of data	0	#	0	#

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

UN Sustainable Development Goals

UN SUSTAINABLE DEVELOPMENT GOALS

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

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

UN SDGs	Management Approach	Results
3 GOOD HEALTH AND WELL-BEING	We implement the company's health and safety procedures and standards to protect our personnel and customers. Our employee handbook provides policies, procedures, and guidelines that promote the wellness of our employees. Our guidelines for visitors to the workplace and stores provide protection to our customers. We ensure that the workplace is free from hazards and that all safety standards are met. This includes providing proper lighting, ventilation, and ergonomic workstations. We promote a positive work environment through open communication, recognition, rewarding employee achievements, and fostering a culture of respect and inclusiveness.	In 2024, workplace safety improved significantly, with only one work-related injury, down from 15 in 2023. No work-related fatalities or occupational illnesses were recorded, though safety drills were not conducted, highlighting an area for improvement. All officers and personnel follow Upson's Code of Conduct, Employee Handbook, and Policies and Procedures, ensuring compliance with labor laws and human rights standards. The Code of Ethics defines workplace behavior, professional integrity, and interactions with stakeholders, reinforcing a fair and inclusive work environment.
5 GENDER EQUALITY	We will continue our efforts to create a friendly environment for our female leaders. To ensure the optimal foundation for promotions among women and a strong pipeline of talent, we continue to work long-term to ensure more women representation at all levels of our organization, and we are looking more closely into our various actions and programs to ensure progress in this area. We ensure women's full and effective participation and equal leadership opportunities at all decision-making levels in our organization.	In 2024, female representation in the workforce grew from 30.69% to 31.29%, while male representation slightly decreased from 69.31% to 68.71%, reflecting ongoing efforts toward gender balance. The number of female employees increased from 244 to 271, and male employees grew from 551 to 595, demonstrating overall workforce expansion. However, training hours were not provided, highlighting an opportunity to further strengthen professional development initiatives. Our

UN SDGs	Management Approach	Results
	We implement inclusive hiring practices to ensure that gender bias is minimized during recruitment and selection processes. We consider adopting diverse candidate slates, using gender-neutral job descriptions, and conducting structured interviews.	attrition rate increased to 16.62%, compared to 3.52% in the previous year, highlighting an area for further workforce retention efforts.
8 DECENT WORK AND ECONOMIC GROWTH	We offer products that have become an integral part of modern society and have brought significant societal value in various ways. Electronic products such as smartphones, laptops, and tablets have greatly improved communication by making it easier and faster. People can now communicate with each other across the globe in real-time, and it has facilitated business, social interactions, and personal relationships. Electronic products have made it easier for people to access information, primarily through the Internet. With electronic devices, people can access vast amounts of information on various topics, including education, healthcare, finance, and entertainment.	As of December 31, 2024, Upson's revenues grew by 11.20%, reaching ₱11,131.4 million, up from ₱10,010.4 million in 2023. We uphold integrity, trustworthiness, and product authenticity, ensuring confidence among customers and suppliers. Our product portfolio remains strong, with 15,125 SKUs across nine major categories, including personal computers, printing, communication, storage, networking, peripherals, components, accessories, and software.
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	We cater to a broad consumer spectrum, with our target customers being home users, small-medium businesses, gamers, professionals, and students, among others, who help them enable remote work arrangements and the continuous hybrid set-up. We offer products accessible through our various delivery channels, such as prime stores, concept stores, mobile stores, and online, to cater to our growing customer base and their evolving needs and to deepen customer relationships.	As of December 31, 2024, Upson operates 245 branches nationwide, consisting of 32 stand-alone stores and 213 mall-based locations. Our regional store network spans key areas across the country, with 79 branches in the National Capital Region, 43 in North Luzon, 47 in South Luzon, 29 in Visayas, and 47 in Mindanao. Additionally, we lease eight warehouses strategically located in Manila (3), Cebu (1), Cagayan de Oro (1), Davao City (1), Cabanatuan (1), and Iloilo (1) to support our growing operations and distribution network.

UN SDGs	Management Approach	Results
13 CLIMATE ACTION	We acknowledge our contribution to climate change due to the nature of our business and supply chain management. We contemplate accounting for the Company's emissions from sourcing to distribution of our products to our end-customers and set targets with climate change actions through mitigation or adaptation solutions in the future. We recognize the need to revisit our packaging materials to be more eco-friendly.	In 2024, Upson significantly reduced its environmental impact, lowering gasoline use to 454 GJ (from 4,094 GJ) and electricity consumption to 431,200 kWh (from 8,653,048 kWh). Water usage increased to 3,794 cubic meters (from 1,590 cubic meters), while Scope 2 GHG emissions dropped to 324 tonnes CO_2e (from 6,500 tonnes CO_2e). A total of 12,427 kg of plastic waste was generated, including 792 kg of flexible plastics and 11,635 kg of rigid plastics (unaudited). 1,796.8 kg of plastic was recovered (based on 40% recovery of audited plastic in 2023).

Appendix

Appendix A

List of Retail Operations and Locations

NO.	BRAND	LOCATION	SIZE
OCTAGON COMPUTER			
NATIONAL CAPITAL REGION			
1	Octagon SM Megamall	Highway Hills, Mandaluyong City	940.06
2	Octagon Festival Super Mall	Alabang, Muntinlupa City	682.56
3	Octagon Ayala De Bay	Macapagal Ave., Paranaque City	331.58
4	Octagon ATC	Alabang, Muntinlupa City	289.08
5	Octagon SM North EDSA	EDSA, Quezon City	266.51
6	Octagon SM Southmall	Zapote Road, Las Pinas City	258.62
7	Octagon Glorietta	Ayala Center, Makati City	214.25
8	Octagon Mall of Asia	Macapagal Ave., Pasay City	200.45
9	Octagon Pasong Tamo	Chino Roces Ave., Makati City, Metro Manila	291.00
10	Octagon Sucat	Brgy. Dionisio, Paranaque City	161.49
11	Octagon SM San Mateo	Gen Luna St., San Mateo, Rizal	150.07
12	Octagon SM San Lazaro	Felix Huertas St., Sta Cruz, Manila	147.56
13	Octagon Uptown Mall	BGC, Taguig City	142.89
14	Octagon SM Sta Mesa	Aurora Blvd., Quezon City	142.22
15	Octagon Ayala Mall 30th	Meralco Ave. Pasig City	132.29
16	Octagon SM Masinag	Marcos Highway, Antipolo City	128.56
17	Octagon SM Grand Central	Rizal Ave., Caloocan City	128.00
18	Octagon SM BF Paranaque	BF Homes, Paranaque City	125.43
19	Octagon Fairview Terraces	Quirino Highway, Quezon City	112.69
20	Octagon Galleria	EDSA, Cor. Ortigas Ave., Quezon City	101.80
21	Octagon Trinoma	North Ave., Quezon City	181.33

NO.	BRAND	LOCATION	SIZE
22	Octagon SM Muntinlupa	National Road, Muntinlupa City	97.48
23	Octagon VMall Greenhills	Ortigas Ave., San Juan City	96.37
24	Octagon SM Fairview	Fairview, Quezon City	93.89
25	Octagon Cash & Carry	Filmore St., Palanan Makati City	88.59
26	Octagon Sta. Lucia Grandmall	Marcos Highway, Cainta, Rizal	88.06
27	Octagon Robinsons Magnolia	Aurora Blvd., Kaunlaran, Quezon City	84.81
28	Octagon Eastwood	Bagumbayan, Quezon City	81.30
29	Octagon SM Cubao	Barangay Socorro, Cubao, Quezon City	80.03
30	Octagon SM Taytay	Taytay, Rizal	78.75
31	Octagon SM Novaliches	Quirino Highway, Quezon City	75.89
32	Octagon SM Marikina	Marcos Highway, Marikina City	188.00
33	Octagon Robinsons Manila	M. Adriatico St., Ermita, Manila	71.87
34	Octagon Ayala Mall Feliz	Marcos Highway, Pasig City	67.69
35	Octagon SM Bicutan	Dona Soledad Ave., Paranaque City	65.91
36	Octagon SM Manila	Ermita, Manila	62.88
37	Octagon SM Valenzuela	Mc Arthur Highway, Valenzuela City	134.82
38	Octagon SM Caloocan	SM Center Sangandaan, Caloocan	56.90
39	Octagon Market Market	BGC, Taguig City	120.00
40	Octagon Unimart	Capitol Commons, Shaw Blvd., Pasig City	48.04
41	Octagon Robinsons Magnolia	Robinsons Magnolia Aurora Blvd., Quezon City	215.00
42	Octagon Vertis North	Ayala Vertis North, Quezon City	201.32
43	Octagon Cloverleaf	Ayala Cloverleaf Mall, Balintawak, Quezon City	61.00
44	Octagon Lucky Chinatown	Lucky Chinatown Mall, Reina Regente St., Binondo, Manila	128.68

NO.	BRAND	LOCATION	SIZE
45	Octagon Greenhills	San Juan City	181.14
46	Octagon Gateway	Gateway Mall 2, Cubao, Quezon City	157.70
47	Octagon SM North Caloocan	SM City North Caloocan	99.47
48	Octagon Opus	Robinsons Opus, Bridgetowne C-5 Road, Ugong Norte District 3, Quezon City	147.70
49	Octagon East Ortigas	SM City East Ortigas Ave., Ext. Santa Lucia, Pasig City	75.93
NORTH LUZON			
50	Octagon SM Baliwag	Dona Remedios Trinidad Highway, Baliuag, Bulacan	176.64
51	Octagon SM Pampanga	San Jose, San Fernando, Pampanga	166.03
52	Octagon SM Baguio	Luneta Hill, Baguio City	161.99
53	Octagon Robinsons Ilocos	San Francisco, San Nicolas, Ilocos Norte	150.00
54	Octagon NE Pacific Mall	Maharlika Highway, Cabanatuan City	148.72
55	Octagon Urdaneta CB Mall	Mc Arthur Highway, Urdaneta City	146.00
56	Octagon SM San Jose	San Jose del Monte, Bulacan	130.21
57	Octagon SM Tuguegarao	Mabini St., Cor. Luna St., Tuguegarao City	123.47
58	Octagon SM Cabanatuan	Hermogenes C. Concepcion Sr., Cabanatuan City	116.48
59	Octagon SM Marilao	Ibayo, Marilao, Bulacan	115.14
60	Octagon SM Urdaneta	Mc Arthur Highway, Urdaneta City	114.61
61	Octagon SM Olongapo	Central East Tapinac, Olongapo City	106.60
62	Octagon Robinsons Tuguegarao	Tanza, Tuguegarao City	105.55
63	Octagon Vigan Xentromall	Quezon Ave., Vigan City	105.00
64	Octagon Robinsons Pangasinan	Calasiao, Pangasinan	104.51
65	Octagon Robinsons La Union	MacArthur Highway, Brgy, San Fernando, La Union	96.83
66	Octagon SM City Tarlac	Mc Arthur Highway, Tarlac City	93.67
67	Octagon Laoag	Paco Roman St., Laoag City, Ilocos Norte	90.00

NO.	BRAND	LOCATION	SIZE
68	Octagon Tuguegarao	Gosiengfiao Bldg., Tuguegarao City	85.00
69	Octagon SM Telabastagan	Mc Arthur Highway, San Fernando, Pampanga	81.31
70	Octagon Robinsons Santiago	Maharlika Highway, Mabini, Santiago City	78.15
71	Octagon Vigan	19 Quezon Avenue, Vigan City, Ilocos Sur	73.00
72	Octagon Starmall Bulacan	San Francisco Del Monte, Bulacan	72.25
73	Octagon SM Olongapo	Gordon Ave., Olongapo City	70.62
74	Octagon SM Center Pulilan	Pulilan, Bulacan	67.19
75	Octagon SM Cauayan	Cauayan City, Isabela	50.16
76	Octagon SM Clark	Malabanias, Angeles City	50.00
77	Octagon Nepo Mall	Arellano St., Dagupan City	36.00
78	Octagon SM City Tuguegarao	2nd Floor SM City, Caritan Norte, Tuguegarao City	90.07
79	OCTAGON SM Rosales	Ground Level, SM City Rosales, Carmen East, Rosales, Pangasinan	54.61
80	OCTAGON Gapan	Robinsons Gapan, Nueva Ecija	116.32
81	OCTAGON SM Bataan	SM City Bataan, Lerma St., Brgy. Ibayo, Balanga City	122.74
82	OCTAGON Dagupan	Ground Floor, Arellano St. Brgy. Pantal, Dagupan City, Pangasinan	260.50
83	OCTAGON San Carlos	San Carlos Town Center, Rizal Ave., Cor. Zamora St., San Carlos City, Pangasinan	189.98
84	OCTAGON Cabanatuan	UIC Building, Rizal St., Brgy. Matadero, Cabanatuan city	351.00
SOUTH LUZON			
85	Octagon San Jose Mindoro	Rizal St., Brgy. 5 (Pob), San Jose, Occidental Mindoro	330.00
86	Octagon Calapan	Home Mark Bldg. J.P. Rizal St., Calapan	216.00
87	Octagon SM Trece Martires	Trece Martires, Cavite City	204.66
88	Octagon SM Dasmariñas	Governor’s Drive, Sampaloc, Cavite City	203.44
89	Octagon General Trias	Brgy. Tejero, General Trias, Cavite	201.25
90	Octagon Pinamalayan Mindoro	Mabini St., Brgy. Marfrancisco, Pinamalayan, Oriental Mindoro	189.00

NO.	BRAND	LOCATION	SIZE
91	Octagon SM Sta. Rosa	Tagapo St., Sta Rosa, Laguna	158.08
92	Octagon Robinsons Galleria South	National Highway, Nueva, San Pedro Laguna	154.43
93	Octagon NCCC Mall Palawan	Puerto Princesa, Palawan	137.10
94	Octagon SM Lucena	Lucena City	135.04
95	Octagon SM Daet	Daet, Camarines Norte	132.12
96	Octagon Calapan Xentromall	Calapan City, Oriental Mindoro	129.28
97	Octagon Palawan	TTH Center Rizal Ave., Puerto Princesa, Palawan	125.00
98	Octagon Tabaco Mall	Divino Rostro, Tabaco City	121.40
99	Octagon Pacific Mall	Landco Business Park, F. Imperial St., Legazpi City	121.37
100	Octagon SM Bacoor	Habay II, Bacoor, Cavite City	119.28
101	Octagon SM Rosario	General Trias Drive, Tejeros, Rosario, Cavite City	111.09
102	Octagon SM Molino	Molino IV, Bacoor, Cavite City	111.01
103	Octagon Batangas	RL Bldg., D Silang St. Cor. P.Burgos St., Batangas City	110.00
104	Octagon SM Lemery	Illustre Ave., Lemery, Batangas City	102.00
105	Octagon Robinsons Palawan	Brgy. San Manuel, Puerto Princesa, Palawan	98.40
106	Octagon SM Batangas	Pallocan Kanluran, Batangas City	90.96
107	Octagon LCC Mall	Peñaranda St., Legazpi City	84.00
108	Octagon SM San Pablo	Brgy. San Rafael, San Pablo, Laguna	82.10
109	Octagon SM Legazpi	Cor. I. Roces Ave., Terminal Rd., Legazpi City	73.18
110	Octagon Robinsons Lipa	Mataas Na Lupa, Lipa City	70.16
111	Octagon SM Lipa	JP Laurel Highway, Lipa City	59.72
112	Octagon SM Palawan	Malvar St. Cor. Lacao St., San Miguel, Puerto Princesa	54.51
113	Octagon SM Calamba	National Highway, Real, Calamba City	49.77

NO.	BRAND	LOCATION	SIZE
114	Octagon SM Naga	Ninoy & Cory Ave., CBD II, Triangulo, Naga City	42.43
115	Octagon SM Tanza	SM City Tanza, Soriano Highway, Tanza, Cavite	59.48
116	Octagon San Pedro	SM Center San Pedro, Laguna	144.38
117	Octagon Sto. Tomas	SM City Sto. Tomas, Batangas	105.63
118	Octagon Legaspi Ayala	Ayala Mall Legaspi, Albay	107.40
119	Octagon Roxas Mindoro	HC Building Morente St. Roxas, Oriental Mindoro	94.80
120	Octagon Lipa Malvar	The Outlet Lipa, Lima Estate, San Lucas, Batangas	124.22
121	Octagon LCC Masbate	LCC Mall Masbate, Masbate Market Tara St. Pating, Masbate City	95.00
VISAYAS			
122	Octagon SM Cebu	Northwing Mabolo, Cebu City	413.25
123	Octagon SM Iloilo	Benigno Aquino Ave., Mandurriao, Iloilo City	321.25
124	Octagon Tacloban 3	RUL Bldg., Romualdez St. Tacloban City	270.00
125	Octagon SM Seaside	Mambaling, Cebu City	185.29
126	Octagon IT Park	Cebu IT Park, Cebu City	163.84
127	Octagon Robinsons Bacolod	Northwing, Mandalagan, Bacolod City	147.49
128	Octagon Ayala Malls Capitol Central	Gatuslao St., Bacolod City, Negros Occidental	141.95
129	Octagon Dumaguete	Dona Plaza Milagros Bldg., Dumaguete City	140.00
130	Octagon Cebu Ayala	Stall Ayala Center Cebu, Barrio Luz, Cebu City	138.98
131	Octagon Festive Walk	Festive Walk Mall, Q. Abeto Mirasol Taft South Manduriao, Iloilo City	224.00
132	Octagon SM Bacolod	SM City Mall, Rizal St., Bacolod City	118.33
133	Octagon Robinsons Iloilo	Robinsons Place, Ledesma St., Iloilo City	113.40
134	Octagon Bacolod	Yusay Arcade Araneta St., Bacolod City	112.78
135	Octagon Robinsons Dumaguete	Calindagan, Dumaguete City, Dumaguete	99.75
136	Octagon SM Tacloban	Justice Romualdez St., Tacloban City	95.69

NO.	BRAND	LOCATION	SIZE
137	Octagon Robinsons Tacloban	Robinsons Place, Tacloban City	48.65
138	Octagon Robinsons Cebu	Carreta, Cebu City	91.48
139	Octagon Robinsons Jaro	Brgy. San Vicente, Jaro, Iloilo City	75.91
140	Octagon SM Roxas	Arnold Blvd. Brgy. Baybay Roxas City, Capiz	66.50
141	Octagon SM Ormoc	Real St., Ormoc City	66.15
142	Octagon Parkmall Mandaue	Parkmall Mandaue City	129.61
NORTH MINDANAO			
143	Octagon Limketkai Mall	Lapasan, Cagayan De Oro City	285.44
144	Octagon KCC Mall Zamboanga	Camino Nuevo, Zamboanga City	224.20
145	Octagon Zamboanga	Jasmin Tower, Mayor Jaldon St., Zamboanga City	220.00
146	Octagon Butuan 1	Cuason Bldg., Butuan	200.00
147	Octagon Valencia 2	Fuji Building, Sayre Highway, Valencia City	200.00
148	Octagon CDO 1	145 Gomez Cor. Velez St., Cagayan De Oro	190.00
149	Octagon Ozamis	Chua Hong Bldg., Ozamis City	185.00
150	Octagon Iligan 1	Dream Star Bldg., Iligan City	140.00
151	Octagon Centrio Mall	C.M. Recto Ave., Cagayan De Oro City	137.98
152	Octagon Robinsons Valencia City	Valencia, Bagontaas, Valencia City, Bukidnon	134.79
153	Octagon Surigao	Rosalyn Bldg., Rizal St., Surigao City	129.00
154	Octagon Robinsons Iligan	Macapagal Ave., Iligan City	125.81
155	Octagon Surigao 2	Gaisano Capital, Surigao City	99.30
156	Octagon SM Mindpro	La Purisima St., Zone III, Zamboanga City	83.49
157	Octagon Gaisano Supermall	Roxas Ave., Villaverde, Iligan City	75.87
158	Octagon SM Butuan	J.C. Aquino Ave., Lapu-Lapu, Butuan City	73.72
159	Octagon SM CDO	Downtown Premier, Cagayan De Oro City	72.31

NO.	BRAND	LOCATION	SIZE
160	Octagon Dipolog 2	Lee Plaza City Central, Quezon Ave., Dipolog City	70.00
161	Octagon Robinsons Butuan	J.C. Aquino Ave., Butuan City	65.60
162	Octagon Dipolog 3	Ground Floor C-B-CO General Luna St., Dipolog City	171.00
163	Octagon Malaybalay	Malaybalay, Bukidnon	136.00
164	Octagon San Francisco Agusan	San Francisco, Agusan del Sur	210.00
165	Octagon Ipil Zamboanga	Gaisano Grand, Ipil, Zamboanga Sibugay	100.00
SOUTH MINDANAO			
166	Octagon General Santos	Kaman Bldg., Lagao, General Santos City	263.00
167	Octagon SM Lanang	J.P. Laurel Ave., Davao City	226.84
168	Octagon KCC Marbel Mall	Gen. Santos Drive, Koronadal City	192.00
169	Octagon Marbel	Jayven's Bldg. Cor. Posadas St., Gensan Drive, Koronadal City	162.95
170	Octagon SM General Santos	Corner Santiago Blvd., General Santos City	158.96
171	Octagon Davao	Gaisano Mall of Davao, Bajada, Davao City	156.66
172	Octagon Digos	Gaisano Mall of Digos, Tres De Mayo, Digos City	145.86
173	Octagon Tagum	Gaisano Mall Tagum, Tagum City, Davao del Norte	136.07
174	Octagon Cotabato	Elena V. Co Bldg., Don Rufino Alonzo St., Cotabato City	110.00
175	Octagon Abreeza Mall	Bajada, Davao City	100.82
176	Octagon Veranza Mall	J. Catolico Sr. Ave., Lagao, General Santos City	94.28
177	Octagon SM Davao	Quimpo Blvd. Ecoland, Davao City	74.69
178	Octagon Victoria	Victoria Plaza, JP Laurel Ave., Davao City	66.11
179	Octagon Mati	Chan Bldg., Rizal Cor. Bonifacio St., Brgy. Central, Mati City, Davao Oriental	80.00
180	Octagon Kidapawan	Kidapawan, South Cotabato	142.60
MICRO VALLEY			
NATIONAL CAPITAL REGION			
181	Micro Valley SM North EDSA	Brgy. Sto. Cristo, Quezon City	242.31

NO.	BRAND	LOCATION	SIZE
182	Micro Valley SM San Mateo	Gen. Luna St., San Mateo, Rizal	94.87
183	Micro Valley VMall Greenhills	San Juan City	93.00
184	Micro Valley SM Southmall	Zapote Road, Las Piñas City	77.56
185	Micro Valley SM Sucat	Dr. A. Santos Ave., San Dionisio, Parañaque City	53.50
186	Micro Valley SM Araneta City	Cubao, Quezon City	75.90
187	Micro Valley Robinsons Place Manila	3rd Level, Robinsons Plance Manila	70.47
NORTH LUZON			
188	Micro Valley Robinsons Santiago	2nd Level Robinson Place Santiago, Mabini, Santiago City, Isabela	114.00
189	Micro Valley SM Cabanatuan	San Roque Norte, Cabanatuan City	54.60
190	Micro Valley Robinsons Tuguegarao	Tanza, Tuguegarao City	32.66
SOUTH LUZON			
191	Micro Valley SM Dasmarinas	Sampaloc 1 Cavite City	188.44
192	Micro Valley SM Batangas	Pallocan Kanluran, Batangas City	103.70
193	Micro Valley Pacific Mall Lucena	Tagarao St., Lucena City	96.12
194	Micro Valley SM Molino	Molino IV, Bacoor, Cavite City	83.04
195	Micro valley SM Lucena	Dalahican Road, Lucena City	54.73
196	Micro Valley SM Sta. Rosa	Tagapo St., Sta. Rosa, Laguna	48.74
VISAYAS			
197	Micro Valley SM Iloilo	Brgy. Bolilao, Mandurriao, Iloilo City	186.87
198	Micro Valley SM Bacolod	Rizal St., Reclamation Area, Bacolod City	73.90
199	Micro Valley Dumaguete	Po's Marketing Bldg., Dumaguete City	70.00
200	Micro Valley Dumaguete (Outside)	GEU Bldg San Jose St., Pob 3., Dumaguete City, Negros Oriental	100.00
201	Micro Valley Ayala Bacolod	Gatuslao St., Bacolod City, Negros Occidental	117.43
SOUTH MINDANAO			
202	Micro Valley Davao Ecoland	Quimpo Blvd., Davao City	119.10

NO.	BRAND	LOCATION	SIZE
203	Micro Valley KCC Mall General Santos	Lagao, General Santos City	72.00
204	Micro Valley CDO Centrio	Centrio Mall, Cagayan de Oro City	130.91
GADGET KING			
NATIONAL CAPITAL REGION			
205	Gadget King Sta Lucia	Marcos Highway, Cainta, Rizal	89.83
206	Gadget King San Mateo	Gen. Luna Ave., San Mateo, Rizal	79.60
207	Gadget King SM Fairview	Brgy. Greater Lagro, Quezon City	73.52
208	Gadget King SM Valenzuela	McArthur Highway, Valenzuela City	72.34
209	Gadget King SM Novaliches	Quirino Highway, Novaliches	55.44
210	Gadget King SM Southmall	Alabang Zapote Road., Las Piñas City	53.73
211	Gadget King SM Sta. Mesa	Aurora Blvd., Quezon City	51.47
212	Gadget King VMall Greenhills	San Juan City	38.35
NORTH LUZON			
213	Gadget King SM San Jose	San Jose del Monte, Bulacan	75.43
SOUTH LUZON			
214	Gadget King SM Palawan	Malvar St., Cor. Lacao St., Puerto Princesa City	40.13
VISAYAS			
215	Gadget King SM Iloilo	Brgy. Bolilao, Mandurriao, Iloilo City	68.18
SOUTH MINDANAO			
216	Gadget King Gaisano Davao	J.P. Laurel, Bajada, Davao City	101.55
217	Gadget King Gaisano Tagum	Tagum City, Davao Del Norte	79.30
GADGET WORLD			
NATIONAL CAPITAL REGION			
218	Gadget World Sucat	SM City Sucat, Dr. A. Santos Ave. San Dionisio, Parañaque City	59.20

Concept Store

Our concept store carries a broad range and exclusive products from a single IT brand. Each concept store ensures the specialization and expertise of the brand's product to target customers with strong brand loyalty. These stores have a floor area, ideally ranging from 20 to 150 sqm. As of December 31, 2024, we have a total of 20 concept stores – ACER (12), Brother (4), HP (1), Lenovo (1), Silvertec (1), and TP-Link (1). Currently, we are in the process of negotiating and discussing with other well-known IT brands for expansion.

Concept Store Location

NO.	BRAND	LOCATION	SIZE
219	ACER	Ayala Trinoma, Quezon City	113.92
220	ACER	SM Urdaneta, Pangasinan	51.25
221	ACER	Limketkai Mall, Cagayan de Oro	78.85
222	ACER	Gaisano Mall of Davao, Davao City	63.17
223	ACER	Robinsons Place Santiago, Isabela	61.59
224	ACER	Market! Market!, BGC, Taguig City	78.82
225	ACER	KCC Mall, General Santos City	41.43
226	ACER	SM Ormoc, Leyte	105.27
227	ACER	SM Molino, Cavite	19.83
228	ACER	Robinsons Opus Bridgetowne, Quezon City	90.29
229	ACER	Glorietta 2 Ayala Center, Makati City	43.18
230	ACER	Robinsons Lipa, Lipa City, Batangas	37.60
231	Brother	Limketkai Mall, Cagayan de Oro	69.30
232	Brother	SM North Edsa Annex, Brgy. Sto. Cristo, Quezon City	50.17
233	Brother	SM City Cabanatuan, Maharlika Hway, H.Concepcion Sr, Cabanatuan City NE	59.92
234	Brother	SM City Fairview, Quirino Highway, Greater Lagro, Quezon City	30.24
235	HP	Glorietta 2, Makati City	61.00

236	LENOVO	SM City Dasmarinas, Dasmarinas City, Cavite	41.66
237	SILVERTEC	SM North Edsa Annex, Brgy. Sto. Cristo, Quezon City	36.00
238	TP-LINK	SM North Edsa Annex, Brgy. Sto. Cristo, Quezon City	19.88

Mobile Store

The Octagon Mobile store is our specialty store focusing on communication and connectivity devices such as mobile phones, tablets, networking products, and mobile-related accessories. Mobile stores ideally should have a floor area between 35 to 100 sqm. As of December 31, 2024, we have seven (7) Octagon Mobile stores.

Mobile Store Location

NO.	BRAND	LOCATION	SIZE
239	OCTAGON MOBILE	SM Sta. Mesa, Quezon City	51.47
240	OCTAGON MOBILE	SM Urdaneta, Pangasinan	51.00
241	OCTAGON MOBILE	SM BF Parañaque, Teoville Subdivision, Dr. Santos Ave., Parañaque City	48.67
242	OCTAGON MOBILE	SM Sucat, Dr. A. Santos Ave., Parañaque City	40.16
243	OCTAGON MOBILE	SM Southmall, Zapote Road, Las Piñas City	39.88
244	OCTAGON MOBILE	SM Valenzuela, McArthur Highway, Valenzuela City	35.00
245	OCTAGON MOBILE	SM Bacolod, Rizal St., Reclamation Area, Bacolod City	58.60

Upson International, Corp.
Unit 2308, 23/F Capital House Tower 1,
9th Avenue corner 34th Street, Bonifacio Global City,
Taguig City, Republic of the Philippines