

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

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

1. Check the appropriate box:

- Preliminary Information Statement
 Definitive Information Statement

2. Name of Registrant as specified in its charter

Upson International Corp.

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

Metro Manila, Philippines

4. SEC Identification Number

AS95003836

5. BIR Tax Identification Code

004-780-008-000

6. Address of principal office

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

7. Registrant's telephone number, including area code

+632 8526 7152

8. Date, time and place of the meeting of security holders

May 25, 2026, 3:00 P.M., the meeting shall be conducted virtually, and will be presided from
 Taguig City

9. Approximate date on which the Information Statement is first to be sent or given to security holders

May 4, 2026

10. In case of Proxy Solicitations:

Name of Person Filing the Statement/Solicitor

-

Address and Telephone No.

-

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

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

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

Yes No

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

Philippine Stock Exchange, Inc. (Common Shares)

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

Upson International Corp. UPSON

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

Date of Stockholders' Meeting	May 25, 2026
Type (Annual or Special)	Annual
Time	3:00 P.M.
Venue	The meeting shall be conducted virtually via Zoom, and will be presided from Taguig City
Record Date	May 5, 2026

Inclusive Dates of Closing of Stock Transfer Books

Start Date	N/A
End date	N/A

Other Relevant Information

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Filed on behalf by:

Name	Darwin Mendoza
Designation	Compliance Officer

COVER SHEET

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S.E.C. Registration Number

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(Company's Full Name)

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C	I	T	Y																									

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

Dennis F. Uy									
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Contact Person

8526-7152									
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Company Telephone Number

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Month	Day
Fiscal Year	

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FORM TYPE

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Month	Day
Annual Meeting	

Not Applicable				
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Secondary License Type, If Applicable

M	S	R	D	
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Dept. Requiring this Doc.

Not Applicable									
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Amended Articles Number/Section

9¹									
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Total No. of Stockholders

Total Amount of Borrowings

Domestic	Foreign

To be accomplished by SEC Personnel concerned

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File Number

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Document I.D.

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STAMPS									
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¹ As of March 31, 2026, as provided by Transfer Agent.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
 Preliminary Information Statement
 Definitive Information Statement
2. Name of Registrant as specified in its charter: [Upson International Corp. doing business under the name and style of OCTAGON COMPUTER SUPERSTORE; MICROVALLEY COMPUTER SUPERSTORE; GADGET WORLD; OCTAGON MOBILE; UNISO; GADGET KING AND LAMP LIGHT](#)
3. [Taguig City, Metro Manila, Philippines](#)
Province, country or other jurisdiction of incorporation or organization
4. SEC Identification Number: [AS95003836](#)
5. BIR Tax Identification Code: [004-780-008-000](#)
6. [Unit 2308, 23/F Capital House Tower 1, 9th Avenue corner 34th Street, Bonifacio Global City, Taguig City](#) [1635](#)
Address of principal office Postal Code
7. Registrant's telephone number, including area code: [+63 2 8526 7152](#)
8. [May 25, 2026, 3:00 P.M., the meeting shall be conducted virtually, and will be presided from Taguig City](#)
Date, time and place of the meeting of security holders
9. Approximate date on which the Information Statement is first to be sent or given to security holders
[The Registrant intends to release the Information Statement on or before May 4, 2026](#)
10. **In case of Proxy Solicitations:**
Name of Person Filing the Statement/Solicitor: [Not applicable](#)
Address and Telephone No.: [Not applicable](#)
11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):
- | Title of Each Class | Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding |
|---|--|
| Common Shares¹ | 3,125,001,300² |
12. Are any or all of registrant's securities listed in a Stock Exchange?
Yes No
If yes, disclose the name of such Stock Exchange and the class of securities listed therein:
[Philippine Stock Exchange, Inc. \(Common Shares\)](#)

¹ As of March 31, 2026

² As of March 31, 2026

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

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

- (a) Date: May 25, 2026
Time: 3:00 P.M.
Place: The meeting shall be conducted virtually via Zoom, and will be presided from Taguig City

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

- (b) Approximate date on which *copies of* the information statement *(including proxy form and other solicitation materials, in case of proxy solicitations)* are first to be sent or given to security holders: The Registrant intends to release the Information Statement on or before May 4, 2026

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

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

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

In any of these circumstances, the procedure provided under Sec. 81. of the Revised Corporation Code of the Philippines shall be observed. The dissenting shareholder may require Upson International Corp. (or the "Corporation") to purchase its shares at a fair value, which, in default of agreement, is determined by three disinterested persons, one of whom shall be named by the shareholder, one by the Corporation, and the third by the two thus chosen. Regional Trial Courts will, in the event of a dispute, determine any question about whether a dissenting shareholder is entitled to this right of appraisal. From the time the shareholder makes a demand for payment until the Corporation purchases such shares, all rights accruing on the shares, including voting and dividend rights, shall be suspended, except the right of the shareholder to receive the fair value of such shares. No payment shall be made to any dissenting shareholder unless the Corporation has Unrestricted Retained Earnings sufficient to support the purchase of the shares of the dissenting shareholders.

With respect to the matters to be taken-up during the 2026 Annual Stockholders' Meeting, none of the agenda items qualifies as an instance for a stockholder to exercise its right of appraisal.

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

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

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

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

As of March 31, 2026, the Corporation's total number of shares outstanding is 3,125,001,300. These shares are entitled to one (1) vote per share each.

The Corporation set May 5, 2026 as the record date for its ASM. Stockholders of record as of the record date shall be entitled to vote at the ASM.

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

For the Election of Directors, including Independent Directors, for the ensuing year, a stockholder may: (a) vote such number of shares for as many persons as there are directors to be elected; (b) cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of the shares owned; or (c) distribute them on the same principle among as many candidates as may be seen fit: Provided, That the total number of votes cast shall not exceed the number of shares owned by the stockholder as shown in the books of the Corporation multiplied by the whole number of directors to be elected: Provided, however, That no delinquent stock shall be voted.

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

Security Ownership of Certain Record and Beneficial Owners (as of March 31, 2026)

Title of Class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	Jendres Holdings, Inc. (1504 B Gotesco Regency Twin Towers Condominium, 1129 Natividad Lopez, Ermita, Manila) Owner of more than five (5) percent	Lawrence O. Lee Chairman/ President	Filipino	537,500,000	17.20
Common	Ricardo A. Lee (c/o the Corporation) Director	Not applicable	Filipino	508,653,867 ³	16.27
Common	William Lim (c/o the Corporation) Director	Not applicable	Filipino	356,666,665 ⁴	11.41
Common	Unitrust Investments Corporation (1129 Gotesco Tower B, Natividad Lopez Street, Brgy. 659-A, Ermita, Manila) Owner of more than five (5) percent	Ricardo A. Lee Chairman	Filipino	312,500,000	10.00
Common	Virdura Holdings, Inc. (1504B, Gotesco Regency Twin Towers Condominium, 1129 Natividad Lopez Street, Barangay 659-A, Ermita, Manila) Owner of more than	William Lim Chairman/ President	Filipino	312,500,000	10.00

³ *Certificated and lodged shares*

⁴ *Certificated and lodged shares*

	five (5) percent				
Common	Albizia Capital Pte Ltd* (36 Armenian Street #03-07 Lobby 1) Owner of more than five (5) percent	unknown	Singapore	193,747,000	6.20
Common	NTAsian Discovery Master Fund* (Walkers Corporate Ltd, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands) Owner of more than five (5) percent	unknown	Cayman Islands	191,580,000	6.13
Common	Anita Lim (c/o the Corporation) Treasurer	Not applicable	Filipino	162,500,973 ⁵	5.20

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

Security Ownership of Management (including Directors)

Title of class	Name of beneficial owner	Amount and nature of beneficial ownership	Citizenship	Percent of Class
Common	Lawrence O. Lee	133,255,229 ⁶ (indirect)	Filipino	4.26
Common	Ricardo A. Lee	508,653,867 ⁷ (direct and indirect)	Filipino	16.28
Common	William Lim	356,666,665 ⁸ (direct and indirect)	Filipino	11.41
Common	Arlene Louisa T. Sy	1,100 (indirect)	Filipino	0.00
Common	Rolando O. Raval Jr.	1,100 (indirect)	Filipino	0.00
Common	Marcos A. Legaspi	13,100 (indirect)	Filipino	0.00
Common	Anthony Thomas C. Roxas, Jr.	496,100 (indirect)	Filipino	0.02
Common	Raul M. Leopando	100 (indirect)	Filipino	0.00
Common	Jose Vicente C. Bengzon III	100 (indirect)	Filipino	0.00
Common	Chun Bing G. Uy	100 (indirect)	Filipino	0.00
Common	Anita Lim	162,500,973 (direct and indirect)	Filipino	5.20
Common	Dennis F. Uy	1,000 (indirect)	Filipino	0.00

Voting Trust Holders of 5% or more

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

Changes in Control

There are no existing provisions in our Articles of Incorporation or the By-laws which will delay, defer, or in any manner prevent a change in control of the Corporation. There was no change of control that occurred since the beginning of the last fiscal year.

⁵ Certificated and lodged shares

⁶ Excludes indirect shareholdings through Jendres Holdings, Inc.

⁷ Excludes indirect shareholdings through Unitrust Investments Corporation

⁸ Excludes indirect shareholdings through Viridura Holdings, Inc.

Item 5. Directors and Executive Officers

*Directors, Including Independent Directors, and Executive Officers as of March 31, 2026
(Profiles as of December 31, 2025)*

The following Directors are also nominated for election to the Board for 2026 to 2027. The Board, as approved by the Nomination Committee (namely: Mr. Lawrence Lee, Mr. Ricardo Lee, Mr. William Lim, Ms. Arlene Louisa Sy, and Mr. Chun Bing Uy), is endorsing the election of the following nominees to the Board for 2026 to 2027 at the 2026 ASM:

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

Ricardo A. Lee, 65, Filipino, is a Director and former Chairman of the Corporation from 1995 to 2021. He 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., Upson Realty and Development Corporation, and URDC Realty and Development Corp., and Chairman of Lamp Light International Corporation. Mr. Ricardo Lee has been an entrepreneur for at least forty (40) years.

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

Arlene Louisa T. Sy, 52, 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. She is concurrently a Director of Upson Global Inc. and iStudio Technologies Philippines Corp. 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, 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. He completed his Bachelor of Science Major in Civil Engineering degree from the Ateneo de Davao University. Engr. Raval also holds a post-graduate diploma in Research and Development Management from the University of the Philippines.

Maros A. Legaspi, 70, Filipino, is the Corporation's 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. Mr. Legaspi was also an auditor at Sycip Gorres Velayo & Co. earlier in his career. He holds a Bachelor of Science degree in Commerce with a Major in Accounting from the Polytechnic University of the Philippines. Mr. Legaspi is a Certified Public Accountant.

Anthony Thomas C. Roxas, Jr., 60, Filipino, is an Executive Director and the Investor Relations Head of the Corporation. 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 IR Head of the Corporation in 2025. Mr. Roxas 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. Mr. Roxas previously was the former Finance Executive

Director at HMR Philippines and was Senior Management Advisor at Tapa King Inc. from 2016 to 2018. He 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, 75, Filipino, is a Director of the Corporation since 2022. Mr. Leopando is also the Chairman of Seafront Resources Corporation, Director of Liberty Flour Mills, Inc., and an Independent Director of LT Group, Inc. He 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. Mr. Leopando 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. He 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 a three-term President of the Investment Houses Association of the Philippines. He also served as the Vice Chairman of the Capital Market Development Committee of FINEX and of the Capital Market Development Council. Mr. Leopando 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. He 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, 68, 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, and a regular Member of the Board of Directors of Malayan Savings Bank. 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), an Executive Director of Inception Technology Phils., Corp., and a Director of UPCC Holdings Corporation. Mr. Bengzon is a graduate of Bachelor of Arts degree, major in economics and Bachelor of Science in Commerce, major in accounting from De La Salle University. Mr. Bengzon also took a Master's in Business Administration from J.L. Kellogg School of Management Northwestern University.

Chun Bing G. Uy, 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, and a Director of Seafront Resources 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, and a director of Luisita Industrial Park Corporation. 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), and an executive director of Strategic Equities Corporation (formerly Kim Eng Securities, Inc) (1996-2025). 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 1996. 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. He graduated from the Philippine School of Business Administration with a degree of Bachelor of Science in Business Administration - Marketing.

Anita Lim, 60, Filipino, is the Treasurer of the Corporation since 2007. Prior to her appointment, she was with Upson Int'l Import and Export. Ms. Lim also served as an Executive Director of the Corporation. Ms. Lim has a Bachelor of Science Degree in Management from Centro Escolar University.

Ms. Anita Lim nominated Messrs. Bengzon and Chun Bing Uy as independent directors for 2026 to 2027. Ms. Lim is not related to Messrs. Bengzon and Uy.

Identify Significant Employees

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

Family Relationships

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

Involvement in Certain Legal Proceedings

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

- (1) had any petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a two-year period of that time;
- (2) been convicted by final judgment in a criminal proceeding, domestic or foreign, or has been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offenses;
- (3) been subjected to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities; or
- (4) been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Securities and Exchange Commission (SEC) or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

Certain Relationships and Related Transactions

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

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

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

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

Item 6. Compensation of Directors and Executive Officers

Summary of Compensation/Remuneration

The following table summarizes the aggregate compensation/remuneration of the Corporation's President/Chief Executive Officer and the four most highly compensated officers/directors and all other officers/directors for the periods ended December 31, 2021, 2022, 2023, 2024, 2025, and 2026 (as estimated):

	Year	Salary (PhP)	Bonus	Other Annual Compensation
President/CEO, and the four (4) most highly compensated officers/directors	2021	8,010,964	-	-
	2022	8,914,776	-	-
	2023	10,279,023	-	-
	2024	10,420,700	-	-

	2025	11,252,030	-	-
	2026 (estimate)	11,252,030	-	-
Aggregate compensation paid to all other officers and directors as a group	2021	21,137,360	-	-
	2022	21,007,193	-	-
	2023	24,993,868	-	-
	2024	23,034,668	-	-
	2025	26,804,411	-	-
	2026 (estimate)	26,804,411	-	-

As of December 31, 2025, the Corporation's five most highly compensated officers/directors are: Arlene Louisa Sy, Director, Chief Executive Officer, and President, Anita Lim, Treasurer, Lawrence Lee, Chairman, Rolando Raval, Jr., Director and Chief Operations Officer, and Marcos Legaspi, Director and Chief Finance Officer.

Compensation of Directors

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

Summary of Meeting Attendance for 2025													
	AudCom (Feb. 27)	Board (Feb. 27)	NomCom (Feb. 27)	Board (Mar. 20)	NomCom (Mar. 20)	AudCom (May 14)	CGCom (May 14)	Board (May 14)	Board (May 26)	AudCom (Aug. 7)	Board (Aug. 7)	AudCom (Nov. 6)	Board (Nov. 6)
L. Lee	N.A.	✓	✓	✓	✓	N.A.	N.A.	✓	✓	N.A.	✓	N.A.	✓
R. Lee	N.A.	✓	✓	✓	✓	N.A.	N.A.	✓	✓	N.A.	✓	N.A.	✓
W. Lim	N.A.	✓	✓	✓	✓	N.A.	N.A.	✓	✓	N.A.	✓	N.A.	✓
A. Sy	N.A.	✓	✓	✓	✓	N.A.	N.A.	✓	✓	N.A.	✓	N.A.	✓
R. Raval, Jr.	N.A.	✓	N.A.	✓	N.A.	N.A.	N.A.	✓	✓	N.A.	✓	N.A.	✓
M. Legaspi	✓	✓	N.A.	✓	N.A.	✓	N.A.	✓	✓	✓	✓	✓	✓
A. Roxas, Jr.	✓	✓	N.A.	✓	N.A.	✓	N.A.	✓	✓	✓	✓	✓	✓
J. Bengzon III	✓	✓	N.A.	✓	N.A.	✓	✓	✓	✓	✓	✓	✓	✓
R. Leopando	✓	✓	N.A.	✓	N.A.	✓	✓	✓	✓	✓	✓	✓	✓
C. Uy	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Director	Per Diem (PhP)		
	For Board Meetings Attended	For Board Committee Meetings Attended	Total
Lawrence O. Lee	300,000.00	50,000.00	350,000.00
Ricardo A. Lee	300,000.00	50,000.00	350,000.00
William Lim	300,000.00	50,000.00	350,000.00
Arlene Louisa T. Sy	300,000.00	50,000.00	350,000.00
Rolando O. Raval, Jr.	300,000.00	-	300,000.00
Marcos A. Legaspi	300,000.00	100,000.00	400,000.00
Anthony Thomas C. Roxas, Jr.	300,000.00	100,000.00	400,000.00
Jose Vicente C. Bengzon III	300,000.00	125,000.00	425,000.00
Chun Bing G. Uy	300,000.00	175,000.00	475,000.00
Raul M. Leopando	300,000.00	125,000.00	425,000.00

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

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

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

Warrants and Options Outstanding

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

Item 7. Independent Public Accountants

The Corporation's External Auditor for the period ended December 31, 2025, Reyes Tacandong & Co. (RT&Co.), is a leading professional services firm in the Philippines that provides a wide range of financial services in digital transformation, due diligence, tax, advisory, and audit. The firm provides its services nationwide and has offices in Makati, Davao Cebu, Iloilo, and Clark.

RT&Co. is being endorsed/recommended by the Board for appointment, at the ASM, as the Corporation's External Auditor for the period ending December 31, 2026. Further, Mr. Darryll Reese Q Salangad is being recommended as RT&Co.'s Partner-in-Charge for the ensuing year. Mr. Salangad has been RT&Co.'s Partner-in-Charge of the Corporation since 2020.

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

External Audit Fees			
	Audit and Audit-Related	Tax/Non-audit	All Other
2021 (December 31)	PhP2.4M	PhP1.55M	-
2022 (March 31, September 30, and December 31)	PhP5.57M	PhP1.25M	-
2023 (December 31)	PhP2.7M	PhP0.78M	-
2024 (December 31)	PhP3.2M	PhP0.63M	-
2025 (December 31)	PhP3.8M	PhP1.53M	

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

The Audit Committee is tasked to evaluate and determine the non-audit work, if any, of the Corporation's External Auditor, and periodically review the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the Corporation's overall consultancy expenses. The Audit Committee should disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence⁹.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

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

Item 8. Compensation Plans

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

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

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

⁹ As defined under the Code of Ethics for Professional Accountants
SEC Form 17-IS
December 2003

Item 10. Modification or Exchange of Securities

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

Item 11. Financial and Other Information

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

For the Corporation's financials and other related information, please refer to the attached Management and Financial Reports.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

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

Item 13. Acquisition or Disposition of Property

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

Item 14. Restatement of Accounts

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

D. OTHER MATTERS

Item 15. Action with Respect to Reports

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

i. Minutes of Previous Annual Meeting of Shareholders

The Minutes of the 2025 ASM of the Corporation held on May 26, 2025 is being endorsed for shareholders' approval at the 2026 ASM. Please refer to the copy of the said Minutes (<https://upson.com.ph/wp-content/uploads/2025/05/Draft-Minutes-of-2025-Annual-Stockholders-Meeting-1.pdf>).

a. Approval of the Minutes of Previous Meeting held on May 27, 2024

For		
Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
2,437,499,600	100	78

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

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

“Resolved, to approve the Minutes of the Previous Annual Stockholders’ Meeting of Upson International Corp. held on May 27, 2024.”

b. Annual Report and Audited Financial Statements for the period ended December 31, 2024

For		
Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
2,437,499,600	100	78

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

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

“Resolved, to note and approve the Annual Report and Audited Financial Statements of Upson International Corp. for the period ended December 31, 2024.”

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

For		
Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
2,437,499,600	100	78

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

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

“Resolved, to ratify the acts made and adopted by the Board of Directors and the Management of Upson International Corp. from May 27, 2024 to May 26, 2025.”

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

Lawrence O. Lee	For		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	2,437,499,600	100	78
	Against		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	-	-	-
Abstain			
Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock	
-	-	-	

Ricardo A. Lee	For		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	2,437,499,600	100	78
	Against		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	-	-	-

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

William Lim	For		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	2,437,499,600	100	78
	Against		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	-	-	-
Abstain			
Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock	
-	-	-	

Arlene Louisa T. Sy	For		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	2,437,499,600	100	78
	Against		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	-	-	-
Abstain			
Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock	
-	-	-	

Rolando O. Raval, Jr.	For		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	2,437,499,600	100	78
	Against		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	-	-	-
Abstain			
Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock	
-	-	-	

Marcos A. Legaspi	For		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	2,437,499,600	100	78
	Against		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	-	-	-
Abstain			
Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock	
-	-	-	

Anthony Thomas C. Roxas, Jr.	For		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	2,437,499,600	100	78
	Against		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
-	-	-	

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

Chun Bing G. Uy	For		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	2,437,499,600	100	78
	Against		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	-	-	-
Abstain			
Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock	
-	-	-	

Jose Vicente C. Bengzon III	For		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	2,437,499,600	100	78
	Against		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	-	-	-
Abstain			
Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock	
-	-	-	

Raul M. Leopando	For		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	2,437,499,600	100	78
	Against		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	-	-	-
Abstain			
Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock	
-	-	-	

“Resolved, to elect the following as directors of Upson International Corp. for 2025 to 2026:

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

e. Appointment of External Auditor

For		
Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
2,437,499,600	100	78
Against		

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

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

“Resolved, to appoint Reyes Tacandong & Co. as the External Auditor of Upson International Corp. for the fiscal year ending December 31, 2025.”

f. Other Matters

Stockholders of record as of May 6, 2025 were given the opportunity to ask questions. Yet, no questions were received.

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

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

Jendres Holdings Inc.
Unitrust Investments Corporation
Virdura Holdings Inc.
Lawrence O. Lee
Ricardo A. Lee
William Lim
Arlene Louisa T. Sy
Rolando O. Raval, Jr.
Marcos A. Legaspi
Anthony Thomas C. Roxas, Jr.
Raul M. Leopando
Jose Vicente C. Bengzon III
Chun Bing G. Uy
Anita Lim
Dennis F. Uy
Darwin L. Mendoza
Representatives from Reyes Tacandong & Co.
Representatives from PNB Trust

ii. Annual Report and Audited Financial Statements for the period ended December 31, 2025

The Annual Report and the Audited Financial Statements (AFS) for the period ended December 31, 2025 shall be presented to the shareholders at the 2026 ASM. Please refer to the attached AFS for the period ended December 31, 2025.

iii. Acts of the Board of Directors and the Management

The acts of the Board and the Management are being endorsed, and shall be presented at the 2026 ASM, for shareholders’ ratification.

Item 16. Matters Not Required to be Submitted

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

Item 17. Amendment of Charter, Bylaws or Other Documents

There are no actions to be taken at the ASM with respect to any amendment of charter, by-laws or other documents.

Item 18. Other Proposed Action

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

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

The Board, as approved by the Nomination Committee, is endorsing the election of the following nominees to the Board for the ensuing year at the 2026 ASM:

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

ii. Appointment of External Auditor

The Board, as approved by the Audit Committee, is endorsing the appointment of Reyes Tacandong & Co., at the 2026 ASM, as the Corporation's External Auditor for the fiscal year ending December 31, 2026.

iii. Other Matters that may come before the ASM

Item 19. Voting Procedures

The vote required for the approval/ratification of the actions to be taken at the ASM, except for the Election of Directors, including Independent Directors, for the ensuing year shall be at least majority of the Corporation's outstanding capital stock. The voting shall be by plurality, wherein each share is entitled to as many votes as the number of nominees to the Board (i.e. number of shareholding x number nominees = allowed number shares to be exercised/voted). A shareholder may distribute his/her votes to the nominees however as he/she shall see fit, provided that, cumulative total number of votes shall not exceed the allowed shares to be exercised/voted.

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

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

Undertaking

The Corporation undertakes to provide, without charge to each person soliciting through a written request directed to Mr. Dennis F. Uy at 747 Zobel Street corner Romualdez Street, Ermita Manila, a copy of its SEC Form 17-A (Annual Report) for the period ended 31 December 2025, and/or Interim Financial Statements as of 31 March 2026.

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

SIGNATURE PAGE

After reasonable inquiry and to the best of our knowledge and belief, we certify that the information set forth in this report are true, complete and correct. This report is signed in the City of Manila on 15 APR 2026 2026.

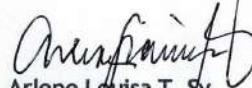
By:



Dennis F. Uy
Corporate Secretary



Marcos A. Legaspi
Chief Finance Officer



Arlene Louisa T. Sy
Chief Executive Officer
and President

Management Report

BUSINESS AND GENERAL INFORMATION

Item 1 - Business

Background

Upson International Corp. (doing business as Octagon Computer Superstore, Microvalley Computer Superstore, Gadget World, Octagon Mobile, Uniso, Gadget King, and Lamp Light), together with its subsidiaries, comprises the Group. The Parent Company (Upson) was incorporated on April 19, 1995. Its subsidiaries, iStudio Technologies Philippines Corporation and Upson Global Inc., were incorporated on May 24, 2024 and July 10, 2024, respectively.

Upson is engaged in the wholesale and retail distribution of information technology products, including computer hardware, software, telecommunications equipment, and other electronic merchandise. It carries globally recognized brands such as Acer, Asus, Lenovo, Apple, HP, Dell, Brother, Epson, Sony, Samsung, and Sandisk, and serves a broad customer base that includes home users, small and medium enterprises, gamers, professionals, and students.

Upson products are sold through prime stores, concept stores, mobile stores, the Company website, and e-commerce and social commerce platforms such as Lazada, Shopee, and Tiktok. According to the University of Asia and the Pacific – Center for Research and Communication Foundation, Inc. (CRC), during the Company's listing application, Upson is the largest mall-based consumer electronics retailer in the Philippines in terms of store network and sales. As of December 31, 2025, Upson operated 240 branches nationwide, consisting of 34 stand-alone stores and 206 mall-based stores. These are located across the National Capital Region, North Luzon, South Luzon, Visayas, North Mindanao, and South Mindanao.

Upson also operates eight warehouses as of December 31, 2025, located in Manila, Cebu, Cagayan de Oro, Davao City, Iloilo, and Cabanatuan.

Upson store brands include Octagon, the flagship brand offering a full range of hardware and software products; Microvalley, which focuses on do-it-yourself computer components, customized PCs, and gaming peripherals; Gadget King/Gadget World, which specializes in IT accessories and peripherals; and Octagon Mobile, which focuses on mobile phones, tablets, networking devices, and related accessories.

In May 2024, Upson incorporated iStudio Technologies Philippines Corporation (iStudio) with a 52% ownership interest amounting to ₱26.0 million. In July 2024, it incorporated Upson Global Inc. (UGI) with a 90% ownership interest. Upson subscribed to 90.0 million UGI shares at ₱1.0 par value, for a total subscription of ₱90.0 million, of which ₱50.0 million was paid.

iStudio is engaged in the wholesale and retail sale, distribution, and marketing of computer hardware, telecommunications equipment, and related products. As of December 31, 2025, it operates fifteen Apple stores under the iStudio Plus brand.

UGI is engaged in the wholesale and retail sale, distribution, franchising, and marketing of water filtration and purification devices and systems, household, commercial, and industrial appliances and equipment, telecommunications products, and similar goods.

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

The Philippine Stock Exchange approved Upson's IPO application on January 27, 2023. On March 20, 2023, the SEC issued the permit to offer securities for sale covering 625,001,000 primary common shares and an over-allotment option of 62,500,000 secondary common shares at an offer price of ₱2.40 per share. The Company's shares were listed on the Main Board of the PSE on April 3, 2023.

For the year ended December 31, 2025, consolidated revenues increased by 12.96% to ₱12,917.7 million from ₱11,435.3 million in 2024. Consolidated net income declined by 16.4% to ₱402.6 million from ₱481.6 million in 2024, mainly due to higher personnel costs and merchant discount expenses.

History and Key Milestones

Upson was originally incorporated on April 19, 1995, as Proton Microsystems, Inc. and later changed its name to Upson International Corp., which was approved by the SEC on August 4, 2017.

It began as a distributor of global IT brands such as Logitech and Canon. Following the Asian Financial Crisis in 1997, the Company shifted from distribution to retailing. In 2003, it merged with former affiliate Columbia Computer International Corporation and opened 60 new stores within 18 months across Metro Manila and key cities including Cebu and Davao.

The first Octagon Computer Superstore opened in 2004, followed by Microvalley Computer Superstore in 2006 and Gadget King in 2019. The first Octagon store was opened in SM Megamall, the first Microvalley store in Greenhills Shopping Center, and the first Gadget King store in Iloilo.

In 2017, the Upson expanded its omnichannel strategy through its website, www.octagon.com.ph, and in 2020 it made its products available through third-party e-commerce platforms such as Lazada, Shopee, and Pick-a-roo. Beginning in 2021, it introduced Concept Stores dedicated to single brands, including Acer, HP, Brother, TP-Link, Lenovo, and Silvertec.

As of December 31, 2025, Upson has 240 branches nationwide and an active portfolio of over 16,015 SKUs. It has also received numerous awards from long-standing suppliers, including Top Distributor, Dealer of the Year, Retail Partner of the Year, and Top National Sales.

Competitive Strengths

UPSON attributes its success to several key strengths:

First, it has built a fast-growing nationwide store network, expanding from 165 stores in 2018 to 240 stores in 2025. Over the same period, it achieved revenue CAGR of 6.43% and net income CAGR of 14.12%.

Second, it emphasizes the sale of authentic and untampered products, which supports customer trust, supplier confidence, and long-term brand credibility.

Third, it benefits from strong and well-recognized store brands such as Octagon, Microvalley, Gadget King/Gadget World, and Octagon Mobile, as well as exclusive branded products under Silvertec Global Philippines Inc., including Silvertec, Delta Force, Imperio, Akawa, Norgicool, Lorenzo, and JW Concept.

Fourth, it maintains a broad and regularly refreshed product portfolio. As of December 31, 2025, Upson carried over 16,015 SKUs across nine major product categories: personal computers, printing, communication, storage, networking, peripherals, components, accessories, and software. Upson believes this breadth supports customer growth and strengthens financial performance.

Upson serves more than 2 million customers annually and generates an average monthly revenue of around ₱4.1 million per store. Revenue mix is led by personal computers, followed by printing, communication, and accessories.

Item 2. Properties

Upson owns property in Pasong Tamo, Makati City. It also leases additional warehouse spaces from Upson Realty and Development Corporation, a related party, and from third parties.

In 2025, Upson acquired warehouse properties in Naga, Dagupan, Cabanatuan, and Bacolod to strengthen regional presence and support growing customer demand.

Item 3. Legal Proceedings

Upson and its management are not involved in any governmental, legal, or arbitration proceedings that could materially affect the business, financial position, or profitability of the Company.

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

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

No matters were submitted to the Company's stockholders for vote during 2025, whether through proxy solicitation or otherwise.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

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

The Corporation's External Auditor for the period ended December 31, 2025, Reyes Tacandong & Co. (RT&Co.), is a leading professional services firm in the Philippines that provides a wide range of financial services in digital transformation, due diligence, tax, advisory, and audit. The firm provides its services nationwide and has offices in Makati, Davao, Cebu, Iloilo, and Clark.

RT&Co. is being endorsed by the Board for appointment at the ASM as the Corporation's External Auditor for the period ending December 31, 2026. Further, Mr. Darryll Reese Q. Salangad is being recommended as RT&Co.'s Partner-in-Charge for the ensuing year.

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

External Audit Fees

The aggregate fees billed by Reyes Tacandong & Co. ("RT&Co.") for the audit of the financial statements of the Corporation and other services in connection with the statutory and regulatory filings for 2025 amounted to ₱5,330,000.00. The historical breakdown of External Audit Fees is as follows:

External Audit Fees			
	Audit and Audit-Related	Tax/Non-audit	All Other
2021 (December 31)	PhP2.4M	PhP1.55M	-
2022 (March 31, September 30, and December 31)	PhP5.57M	PhP1.25M	-
2023 (December 31)	PhP2.7M	PhP0.78M	-
2024 (December 31)	PhP4.2M	PhP0.625	-
2025 (December 31)	PhP3.8M	PhP1.53M	-

The Audit Committee is tasked to evaluate and determine the non-audit work, if any, of the Corporation's

External Auditor, and periodically review the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the Corporation's overall consultancy expenses. The Audit Committee should disallow any non-audit work that conflicts with their duties as an External Auditor or may pose a threat to their independence¹.

Management's Discussion and Analysis of Plan of Operations

Item 5. Financial Statements

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).

Results of Operations for the years ended December 31, 2025 and 2024

Key Highlights

The Group closed with a consolidated net income of ₱402.6 million for the twelve months ended December 31, 2025. This yielded a consolidated net income margin of 3.12% or a decrease of 1.09% compared to the reported consolidated net income of ₱481.6 million in 2024 at a net income margin of 4.21%.

Revenues

Consolidated net revenues reached ₱12,917.7 million for the twelve months ended December 31, 2025, increased by 12.96% from the revenues of ₱11,435.3 million in 2024. The Group has a net increase in store network from 250 to 255 in 2024 and 2025, respectively. This represents a 2.00% growth in store network expansion. Increase in revenues for 2025, also includes the revenues from a subsidiary iStudio, which contributed about ₱1,072.7 million in 2025 and ₱304 million in 2024.

Cost of Sales

For the year ended 2025, the consolidated cost of sales increased by 12.94% from the cost of sales of ₱9,070.6 million in 2024 to ₱10,244.2 million in 2025. The increase in cost of sales was mainly caused by the proportionate increase in volume of sales for the twelve months ended December 31, 2025, as compared with the twelve months in 2024.

Gross Profit

Consolidated gross profit amounted to ₱2,673.5 million for the year 2025, an increased by 13.06% from the gross profit of ₱2,364.6 million in the previous year. This yielded a corresponding gross profit margin of 20.70%.

Operating Expenses

For the twelve months ended December 31, 2025, consolidated operating expenses totaled ₱2,314.9 million, representing 17.92% cost-to-sales ratio. This is ₱398.1 million or 20.77% higher compared to the operating expenses of ₱1,916.8 million in 2024. Significant increase in operating expenses include personnel costs, merchant discount, and depreciation and amortization.

Finance Cost

For the twelve months ended December 31, 2025, consolidated finance cost reached ₱189.6 million, a 24.31% increase from the finance cost of ₱152.5 million for the twelve months ended December 31, 2024. The increase was mainly caused by the increase in liabilities under trust receipts due to continued store expansion activities in 2025.

¹ As defined under the Code of Ethics for Professional Accountants.

Other Income

Consolidated other income totaled ₱382.6 million and ₱341.3 million for the years ended December 31, 2025 and 2024. Other income includes product advertising and promotional support granted by suppliers. These are the suppliers' marketing initiatives and are recognized as income at a point in time or when the right to compensation is established.

Income Tax Expense

Consolidated provision for income tax closed at ₱148.9 million for the year ended December 31, 2025, decrease by ₱6.0 million or 3.89% from the provision for income tax of ₱155.0 million for the year ended December 31, 2024. The decrease was due to the income before tax from ₱636.6 million in 2024 against the income before tax of ₱551.6 million in 2025.

Net Income

Consolidated net income for the twelve months ended December 31, 2025, reached ₱402.6 million, a decrease of 16.4% or ₱79.0 million as compared to the net income of ₱481.6 million for the twelve months ended December 31, 2024. The decrease was attributable to the increase in operating costs in 2025.

Financial Condition

The consolidated total assets as at December 31, 2025 was ₱8,122.7 million, an increase of ₱840.1 million from the total assets of ₱7,282.6 million as at December 31, 2024.

Cash and cash equivalents

Consolidated cash and cash equivalents stood at ₱823.4 million as of December 31, 2025, a decrease of 7.4% than the balance of ₱889.4 million as of December 31, 2024. The decrease was due to total net cash outflows from use of IPO proceeds and purchases of warehouse properties.

Trade and other receivables

Consolidated trade and other receivables were lower at ₱285.6 million as at December 31, 2025, a decrease 11.75% from the amount of ₱323.6 million as of December 31, 2024. Trade receivables represent mainly outstanding receivables from credit card companies and other payment service providers. The decrease was due to the efficient collections of credit card receivables and incentive suppliers' rebates.

Inventories

As at December 31, 2025, consolidated inventories increased to ₱5,045.2 million from ₱4,478.9 million in 2024, an increase of 12.64% due to continuous store expansion activities in 2025.

Property and equipment

Consolidated property and equipment stood at ₱1,306.4 million as at December 31, 2025, an increase of 43.7% than the amount of ₱909.1 million as at December 31, 2024. The increase in property and equipment was caused by the net impact of the acquisition of warehouse properties and new additional stores opened in 2025, mainly leasehold improvements, construction of warehouses, store furniture and equipment and transportation equipment.

Trade and other payables

Consolidated trade and other payables increased by 1.35% for the year 2025 from ₱1,187.6 million to ₱1,203.6 million. The increase was due to the Company's expansion program.

Bank loans and trust receipts

Consolidated bank loans and trust receipts amounted to ₱3,267.7 million as at December 31, 2025, an increase of 30.55% from ₱2,503.0 million as at December 31, 2024. The increase was due to the additional inventory purchased because of the continuous Company's expansion program in 2025.

Equity

Consolidated total equity was higher at ₱3,323.7 million as at December 31, 2025, an increase of 6.96% from ₱3,107.5 million as at December 31, 2024. The increase represents the net comprehensive income for the year ended December 31, 2025.

Cash flows

Consolidated net cash provided in operating activities amounted to ₱465.9 million for the twelve months ended December 31, 2025, which consisted of income before tax of ₱551.6 million, increased by non-cash income and expense aggregating ₱675.2 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 ₱621.1 million inflows.

For the twelve months ended December 31, 2025, the consolidated net cash used in investing activities, which included the expenditures for the acquisition of warehouse properties, additional leasehold improvements, furniture and fixtures for the new stores and construction of warehouses amounted to ₱611.8 million.

Consolidated net cash provided by financing activities for the twelve months ended December 31, 2025 was ₱79.8 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 ₱66.0 million, leading to consolidated cash balance of ₱823.4 million as at December 31, 2025.

Key Performance Indicators (KPIs) (Consolidated)

	For the years ended December 31	
	2025	2024
Gross Profit Margin	20.70%	20.75%
Net Income Margin	3.12%	4.21%
EBITDA (₱ thousands)	1,211,616	1,197,192
EBITDA Margin	9.38%	10.47%
Return on Average Assets	5.23%	7.13%
Returns of Average Equity	12.52%	16.30%
Current Ratio	1.38	1.46
Debt to Equity Ratio	1.44	1.34
Inventory Turnover (days)	170	158

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, 2024 and 2025)

Results of Operations for the years ended December 31, 2024 and 2023

Key Highlights

UPSON and its subsidiaries 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 consolidated 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 Parent for 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

Consolidated other income totaled ₱341.3 million for the year ended December 31, 2024 compared with the Parent of ₱306.1 million in 2023. 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 bundling 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

Consolidated 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.

Financial Risk Disclosure

The Corporation is not aware of any known trends, demands, commitments, events, or uncertainties that will have a material impact on its liquidity.

The Corporation is not aware of any event that will trigger direct or contingent financial obligation that is material the Corporation, including default or acceleration of any obligation.

The Corporation does not have any off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Corporation with unconsolidated entities or other persons created during the reporting period.

The Corporation is not aware of any material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures.

The Corporation is not aware of any trends, events, or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/income from continuing operations.

The Corporation does not have any significant elements of income or loss that did not arise from our continuing operations.

The causes for Any Material Changes from Period to Period of FS which include vertical and horizontal analyses of any material items, were discussed above as part of the report.

The Corporation does not have any seasonal aspects that have a material effect on the financial conditions or results of operations.

UPSON INTERNATIONAL CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
HORIZONTAL AND VERTICAL ANALYSIS

			DECEMBER 31			
	Increase (Decrease)		2025		2024	
ASSETS						
Current Assets						
Cash and cash equivalents	(65,995,926)	-8.02%	823,354,547	10.14%	889,350,473	12.21%
Trade and other receivables	(38,016,952)	-13.31%	285,619,755	3.52%	323,636,707	4.44%
Inventories	566,332,066	11.23%	5,045,187,589	62.11%	4,478,855,523	61.50%
Other current assets	92,451,106	35.17%	262,893,252	3.24%	170,442,146	2.34%
Total Current Assets	554,770,294	8.65%	6,417,055,143	79.00%	5,862,284,849	80.50%
Noncurrent Assets						
Property and equipment	397,271,925	30.41%	1,306,417,353	16.08%	909,145,428	12.48%
Right-of-use assets	(162,630,011)	-64.33%	252,823,559	3.11%	415,453,570	5.70%
Other non-current assets	50,656,080	34.60%	146,409,889	1.80%	95,753,809	1.31%
Total Noncurrent Assets	285,297,994	16.73%	1,705,650,801	21.00%	1,420,352,807	19.50%
TOTAL ASSETS	840,068,288	10.34%	8,122,705,944	100.00%	7,282,637,656	100.00%
LIABILITIES AND EQUITY						
Current Liabilities						
Trade and other payables	15,976,829	1.33%	1,203,590,505	14.82%	1,187,613,676	16.31%
Bank and trust receipt loans	764,744,540	23.40%	3,267,702,189	40.23%	2,502,957,649	34.37%
Current portion of lease liabilities	(159,056,691)	-111.58%	142,551,346	1.75%	301,608,037	4.14%
Income tax payable	10,066,244	21.52%	46,777,191	0.58%	36,710,947	0.50%
Total Current Liabilities	631,730,922	13.55%	4,660,621,231	57.38%	4,028,890,309	55.32%
Noncurrent Liabilities						
Lease liabilities	(13,176,533)	-15.60%	84,486,121	1.04%	97,662,654	1.34%
Other non-current liabilities	5,285,710	9.81%	53,907,456	0.66%	48,621,746	0.67%
Total Noncurrent Liabilities	(7,890,823)	-5.70%	138,393,577	1.70%	146,284,400	2.01%
Total Liabilities	623,840,099	13.00%	4,799,014,808	59.08%	4,175,174,709	57.33%
Equity						
Capital stock	-	0.00%	625,000,260	7.69%	625,000,260	8.58%
Additional paid-in capital	-	0.00%	1,305,308,048	16.07%	1,305,308,048	17.92%
Retained Earnings	211,348,734	15.29%	1,382,537,153	17.02%	1,171,188,419	16.08%
Other comprehensive income	1,085,197	-16.95%	(6,403,699)	-0.08%	(7,488,896)	-0.10%
	212,433,931	6.42%	3,306,441,762	40.71%	3,094,007,831	42.48%
Non-controlling interests	3,794,258	22.00%	17,249,374	0.21%	13,455,116	0.18%
Total Equity	216,228,189	6.51%	3,323,691,136	40.71%	3,107,462,947	42.48%
TOTAL LIABILITIES AND EQUITY	840,068,288	10.34%	8,122,705,944	100%	7,282,637,656	100%

UPSON INTERNATIONAL CORP.
STATEMENTS OF COMPREHENSIVE INCOME
HORIZONTAL AND VERTICAL ANALYSIS

	2025 VS 2024		CONSOLIDATED				PARENT	
	INCREASE (DECREASE)		2025		2024		2023	
SALES	1,482,452,857	12.96%	12,917,708,126	100.00%	11,435,255,269	100.00%	10,010,358,499	100.00%
COST OF SALES	(1,173,607,548)	12.94%	(10,244,234,291)	-79.30%	(9,070,626,743)	-79.32%	(7,932,978,469)	-79.25%
GROSS PROFIT	308,845,309	13.06%	2,673,473,835	20.70%	2,364,628,526	20.68%	2,077,380,030	20.75%
OPERATING EXPENSES	(398,055,774)	20.77%	(2,314,859,284)	17.92%	(1,916,803,510)	16.76%	(1,675,980,429)	16.74%
INCOME FROM OPERATIONS	(89,210,465)	-19.92%	358,614,551	2.78%	447,825,016	3.92%	401,399,601	4.01%
FINANCE COST	(37,083,202)	124.31%	(189,621,495)	1.47%	(152,538,293)	1.33%	(123,495,021)	1.23%
OTHER INCOME (CHARGES)	41,275,949	12.09%	382,583,859	2.96%	341,307,910	2.98%	306,082,355	3.06%
INCOME BEFORE INCOME TAX	(85,017,718)	-13.36%	551,576,915	4.27%	636,594,633	5.57%	583,986,935	5.83%
PROVISION FOR INCOME TAX	1,957,566	1.27%	155,560,088	1.20%	153,602,522	1.34%	117,606,658	1.17%
Deferred	(7,986,470)	-587.14%	(6,626,243)		1,360,227		2,189,459	
	(6,028,904)	-3.89%	148,933,845	1.15%	154,962,749	1.36%	119,796,117	1.20%
NET INCOME	(78,988,814)	-16.40%	402,643,070	3.12%	481,631,884	4.21%	464,190,818	4.64%
OTHER COMPREHENSIVE INCOME	1,759,388	-260.96%	1,085,197	0.01%	(674,191)	-0.01%	(2,559,921)	-0.03%
NET COMPREHENSIVE INCOME	(77,229,426)	-16.06%	403,728,267	3.13%	480,957,693	4.21%	461,630,897	4.61%

UPSON INTERNATIONAL CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
HORIZONTAL AND VERTICAL ANALYSIS

					DECEMBER 31	
	Increase (Decrease)		Consolidated 2024		Parent 2023	
ASSETS						
Current Assets						
Cash and cash equivalents	(471,523,029)	-34.65%	889,350,473	12.21%	1,360,873,502	21.86%
Trade and other receivables	142,579,003	78.75%	323,636,707	4.44%	181,057,704	2.91%
Inventories	1,128,029,839	33.66%	4,478,855,523	61.50%	3,350,825,684	53.81%
Other current assets	10,126,089	6.32%	170,442,146	2.34%	160,316,057	2.57%
Total Current Assets	809,211,902	16.01%	5,862,284,849	80.50%	5,053,072,947	81.15%
Noncurrent Assets						
		0				
Property and equipment	89,726,504	10.95%	909,145,428	12.48%	819,418,924	13.16%
Right-of-use assets	140,026,717	50.84%	415,453,570	5.70%	275,426,853	4.42%
Other non-current assets	16,969,498	21.54%	95,753,809	1.31%	78,784,311	1.27%
Total Noncurrent Assets	246,722,719	21.02%	1,420,352,807	19.50%	1,173,630,088	18.85%
TOTAL ASSETS	1,055,934,621	16.96%	7,282,637,656	100.00%	6,226,703,035	100.00%
LIABILITIES AND EQUITY						
Current Liabilities						
Trade and other payables	(135,229,508)	-10.22%	1,187,613,676	16.31%	1,322,843,184	21.24%
Bank and trust receipt loans	735,343,784	41.60%	2,502,957,649	34.37%	1,767,613,865	28.39%
Current portion of lease liabilities	154,287,663	104.73%	301,608,037	4.14%	147,320,374	2.37%
Income tax payable	19,534,958	113.73%	36,710,947	0.50%	17,175,989	0.28%
Total Current Liabilities	773,936,897	23.78%	4,028,890,309	55.32%	3,254,953,412	52.27%
Noncurrent Liabilities						
Lease liabilities	(30,210,644)	-23.63%	97,662,654	1.34%	127,873,298	2.05%
Other non-current liabilities	6,750,753	16.12%	48,621,746	0.67%	41,870,993	0.67%
Total Noncurrent Liabilities	(23,459,891)	-13.82%	146,284,400	2.01%	169,744,291	2.73%
Total Liabilities	750,477,006	21.91%	4,175,174,709	57.33%	3,424,697,703	55.00%
Equity						
Capital stock	-	0.00%	625,000,260	8.58%	625,000,260	10.04%
Additional paid-in capital	-	0.00%	1,305,308,048	17.92%	1,305,308,048	20.96%
Retained Earnings	292,676,690	33.32%	1,171,188,419	16.08%	878,511,729	14.11%
Other comprehensive income	(674,191)	9.89%	(7,488,896)	-0.10%	(6,814,705)	-0.11%
	292,002,499	10.42%	3,094,007,831	42.48%	2,802,005,332	45.00%
Non-controlling interests	13,455,116		13,455,116	0.18%	0	
Total Equity	305,457,615	10.90%	3,107,462,947	42.48%	2,802,005,332	45.00%
TOTAL LIABILITIES AND EQUITY	1,055,934,621	16.96%	7,282,637,656	100%	6,226,703,035	100.00%

UPSON INTERNATIONAL CORP.
STATEMENTS OF COMPREHENSIVE INCOME
HORIZONTAL AND VERTICAL ANALYSIS

	INCREASE (DECREASE)		CONSOLIDATED		PARENT	
			2024		2023	
SALES	1,424,896,770	14.23%	11,435,255,269	100.00%	10,010,358,499	100.00%
COST OF SALES	(1,137,648,274)	14.34%	(9,070,626,743)	-79.32%	(7,932,978,469)	-79.25%
GROSS PROFIT	287,248,496	13.83%	2,364,628,526	20.68%	2,077,380,030	20.75%
OPERATING EXPENSES	(240,823,081)	14.37%	(1,916,803,510)	16.76%	(1,675,980,429)	16.74%
INCOME FROM OPERATIONS	46,425,415	11.57%	447,825,016	3.92%	401,399,601	4.01%
FINANCE COST	(29,043,272)	23.52%	(152,538,293)	1.33%	(123,495,021)	1.23%
OTHER INCOME (CHARGES)	35,225,555	11.51%	341,307,910	2.98%	306,082,355	3.06%
INCOME BEFORE INCOME TAX	52,607,698	9.01%	636,594,633	5.57%	583,986,935	5.83%
PROVISION FOR INCOME TAX	35,995,864	30.61%	153,602,522	1.34%	117,606,658	1.17%
Deferred	(829,232)	-37.87%	1,360,227		2,189,459	
	35,166,632	29.36%	154,962,749	1.36%	119,796,117	1.20%
NET INCOME	17,441,066	3.76%	481,631,884	4.21%	464,190,818	4.64%
OTHER COMPREHENSIVE INCOME	1,885,730	-73.66%	(674,191)	-0.01%	(2,559,921)	-0.03%
NET COMPREHENSIVE INCOME	19,326,796	4.19%	480,957,693	4.21%	461,630,897	4.61%

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

Please refer to “Business” section above.

Market for Issuer’s Common Equity and Related Stockholder Matters

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

As of the close of latest practicable trading date, April 14, 2026, the market capitalization of the Corporation’s 3,125,001,300 outstanding shares amounts to PhP2,250,000,936.00 at PhP0.72 per share.

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

Year	Quarter	High	Low
2023	1	0.20	0.20
	2	3.30	2.06
	3	2.47	1.68
	4	1.85	1.55
2024	1	1.75	0.89
	2	1.12	0.89
	3	0.99	0.77
	4	0.83	0.64
2025	1	0.87	0.64
	2	0.76	0.59
	3	0.86	0.66
	4	0.78	0.68
2026	1	0.74	0.61

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

As of March 31, 2026, the Corporation has ten (9) certificated shareholders. The following table summarizes the Corporation’s top twenty (20) shareholders and respective shareholdings as of March 31, 2026, as provided by its Stock and Transfer Agent:

Shareholder	Shareholding(s)		
	Class	Number	Percentage
PCD Nominee Corporation - Non-Filipino	Common	532,728,277	17.05
Jendres Holdings, Inc.	Common	537,500,000	17.20
Ricardo A. Lee	Common	445,834,335	14.27
William Lim	Common	356,665,665	11.41
Viradura Holdings, Inc.	Common	312,500,000	10.00
Unitrust Investments Corporation	Common	312,500,000	10.00
PCD Nominee Corporation - Filipino	Common	538,096,358	17.22
Anita Lim	Common	89,166,665	2.85
Myra P. Villanueva	Common	10,000	0.00

Under Philippine law, dividends may be declared out of a corporation’s Unrestricted Retained Earnings which shall be payable in cash, in property, or in stock to all stockholders on the basis of outstanding stock held by them. The amount of retained earnings available for declaration as dividends may be determined pursuant to regulations issued by the SEC. The approval of the Board of Directors is generally sufficient to approve the distribution of dividends, except in the case of stock dividends which requires the approval of stockholders representing not less than two-thirds of the outstanding capital stock at a regular or special meeting duly called for the purpose.

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

Government office.

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

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

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

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

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

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

Declaration	Type	Payment	Amount
December 20, 2021	Cash	December 28, 2021	PhP307,000,000.00
November 15, 2022	Cash	Latest February 28, 2023	PhP390,000,000.00
July 12, 2023	Cash	August 22, 2023	PhP138,000,000.00
February 28, 2024	Cash	March 27, 2024	PhP187,500,078.00
May 26, 2025	Cash	June 25, 2025	PhP187,500,078.00

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

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

Date	Name	Number of Shares	Class	Amount Paid	Nature
June 3, 2019	Ricardo A. Lee	10,000,000	Common	N.A.	Stock Dividends
June 3, 2019	Anita Lim	10,000,000	Common	N.A.	Stock Dividends
June 3, 2019	Lawrence O. Lee	10,000,000	Common	N.A.	Stock Dividends
December 17, 2021	Virdura Holdings, Inc.	62,500,000	Common	62,500,000	Subscription
December 17, 2021	Jendres Holdings, Inc.	62,500,000	Common	62,500,000	Subscription
December 17, 2021	Unitrust Investments Corporation	62,500,000	Common	62,500,000	Subscription
December 29, 2021	Jendres Holdings,	45,000,000	Common	45,000,000	Subscription

	Inc.				
April 13, 2022	Jose Vicente C. Bengzon III	5	Common	1	Subscription
April 13, 2022	Raul M. Leopando	5	Common	1	Subscription
April 13, 2022	Chun Bing G. Uy	5	Common	1	Subscription
May 6, 2022	Jose Vicente C. Bengzon III	95	Common	19	Subscription
May 6, 2022	Raul M. Leopando	95	Common	19	Subscription
May 6, 2022	Chun Bing G. Uy	95	Common	19	Subscription

Corporate Governance

The Corporation recognizes that good corporate governance helps build an environment of trust, transparency and accountability necessary for fostering long-term investment, financial stability and business integrity. It is committed to observing the highest standards of, and best practices in, corporate governance as articulated in our organizational charters, its Corporate Governance Manual, Code of Conduct and Ethics, and as provided in the pertinent laws, and the rules, regulations and issuances implemented or promulgated by the SEC. Our Corporate Governance Manual was first approved and adopted by our Board of Directors on May 3, 2022. On the same day, the Corporate Governance Manual was submitted to the SEC. On September 27, 2022, the Corporation submitted its updated Manual on Corporate Governance to the SEC.

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

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

- Independent Directors

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

- Compliance Officer

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

- a. Ensure proper onboarding of new directors (i.e. orientation on the Corporation's business, charter, articles of incorporation and by-laws, among others);
- b. Monitor compliance with the provisions and requirements of the Corporate Governance Manual and the rules and regulations of regulatory agencies and, if violations are found, report the matter to the Board and recommend the adoption of measures to prevent a repetition of the violation;
- c. Appear before the Commission upon summon on matters related to compliance with the provisions and requirements of the Corporate Governance Manual that need to be clarified by the same;
- d. Determine violation/s of the Corporate Governance Manual and recommend appropriate penalty/ies for violation thereof for further review and approval of the Corporation's Board;
- e. Collaborate with other departments to properly address compliance issues, which may be subject to investigation;
- f. Ensure the integrity and accuracy of all documentary submissions to regulators;
- g. Ensure the attendance of board members and key officers to relevant trainings; and,
- h. Identify, monitor and control compliance risks.

- Board Committees

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

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

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

- Deviation from the Manual on Corporate Governance

As the Corporation gradually adopts corporate governance practices for publicly-listed companies, initiatives such as Board, committee, and Management performance evaluation/assessment were only finalized and implemented in 2024. Thus, the Corporation wasn't able to conduct Board, committee, and Management performance evaluation/assessment in 2023.

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

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

directors. The orientation program shall cover SEC-mandated topics on corporate governance and an introduction to the Corporation's business, Articles of Incorporation, and Code of Conduct.

In November 2025, the Corporation's directors and officers attended various SEC-accredited Corporate Governance Trainings conducted by the Institute of Corporate Directors and the Good Governance Advocates and Practitioners of the Philippines.

These initiatives will boost the Corporation's efforts in improving its/complying with the adopted leading practices on good corporate governance.

2026 Annual Stockholders' Meeting

Notice

To our Shareholders:

This notice is hereby given that our 2026 Annual Stockholders' Meeting (ASM) will be held virtually on **May 25, 2026, Monday, 3:00 P.M.**, and will be presided from Taguig City, with the following:

Agenda

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Previous Meeting held on May 26, 2025
4. Annual Report and Audited Financial Statements for the period ended December 31, 2025
5. Ratification of Acts of the Board of Directors and the Management
6. Election of Directors, including Independent Directors, for the ensuing year
7. Appointment of External Auditor
8. Other Matters
9. Adjournment

For a brief explanation of each agenda items, please refer to the "Details of 2026 ASM Agenda Items".

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

Our Board of Directors (the "Board") has fixed May 5, 2026 as the record date to determine the shareholders entitled to notice of, to participate/vote, at such meeting.

The proceeding of the ASM shall be streamed live, which may be attended by shareholders by sending an intent to attend/participate to corsec@upson.com.ph, subject to the verification/validation process to be conducted by the office of the Corporate Secretary, on or before May 20, 2026. Validated/verified shareholders shall be provided with an access to the ASM, and can cast their votes in absentia through a secured e-mail, which will also be provided upon validation/verification.

A shareholder who wishes to be represented during the ASM may accomplish the attached "Proxy Form" (and other necessary requirements, as applicable), and submit the same to the office of the Corporate Secretary at Upson Building, 747, Romualdez Street corner Zobel Street, Ermita, Manila or via e-mail at corsec@upson.com.ph on or before 5:00 P.M. of May 18, 2026.



Dennis F. Uy
Corporate Secretary

Details of 2026 ASM Agenda Items

1. **Call to Order** – The Chairperson of the Annual Stockholders’ Meeting (ASM or the “Meeting”) shall formally call the ASM to order.
2. **Certification of Notice and Quorum** – The Corporate Secretary shall certify that notices and other relevant information for the Meeting were sent and made available to stockholders of record as of the 2026 ASM Record Date. The Corporate Secretary shall likewise certify the number of shares represented, whether in person or by proxy or through remote communication, for the purpose of determining the existence of a quorum to validly transact business.
3. **Approval of the Minutes of the Previous Meeting held on May 26, 2025** – The Minutes of the Previous Meeting held on May 26, 2025 are available through the Corporation’s website: <https://www.upson.com.ph/disclosures/category/minutes-of-meetings/>. The said Minutes are subject to shareholders’ approval at the ASM.
4. **Annual Report and Audited Financial Statements for the period ended December 31, 2025** – The 2025 Annual Report, which includes the Audited Financial Statements (AFS) for the period ended December 31, 2025, shall be presented to the shareholders at the Meeting. A copy of the Annual Report and the AFS for the year ended December 31, 2025 was made available to all shareholders, through: <https://www.upson.com.ph/disclosures/category/annual-reports-sec-form-17-a/>, for their advanced reference.
5. **Ratification of Acts of the Board of Directors and the Management** – The actions taken, made, and adopted by the Board of Directors (the “Board”), Board Committees, and the Management since the last ASM until May 24, 2026 shall be presented for shareholders’ confirmation/ratification at the Meeting.
6. **Election of Directors, including Independent Directors, for the ensuing year** – As approved by the Nomination Committee and the Board, the following are the nominees to the Board for the ensuing year, for shareholders’ election at the Meeting: Mr. Lawrence O. Lee, Mr. Ricardo A. Lee, Mr. William Lim, Ms. Arlene Louisa T. Sy, Mr. Rolando O. Raval, Jr., Mr. Marcos A. Legaspi, Mr. Anthony Thomas C. Roxas, Jr., Mr. Raul M. Leopando, Mr. Jose Vicente C. Bengzon III (as Independent), and Mr. Chun Bing G. Uy (as Independent). The profiles of the said nominees are provided in the Information Statement.
7. **Appointment of External Auditor** – Upon the approval of the Audit Committee and the Board, Reyes Tacandong & Co., the Corporation’s External Auditor for the fiscal year ended December 31, 2025, is being recommended for re-appointment for the fiscal year ending December 31, 2026, for shareholders’ approval at the ASM.
8. **Other Matters** – The Chairperson of the Meeting shall open the floor to comments and questions from the shareholders.
9. **Adjournment** – The Corporate Secretary shall determine when there are no other matters to be considered. The Chairperson shall then adjourn the Meeting.

Proxy Form

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

1. Approval of the Minutes of the Previous Meeting held on May 26, 2026

For _____ Against _____ Abstain _____

2. Annual Report and Audited Financial Statements for the period ended December 31, 2025

For _____ Against _____ Abstain _____

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

For _____ Against _____ Abstain _____

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

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

5. Appointment of External Auditor

For _____ Against _____ Abstain _____

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

For _____ Against _____ Abstain _____

Complete Name of Registered Stockholder

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

Date

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

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

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

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

This Proxy Form should be received by the office of the Corporate Secretary (at Upson Building, No. 747, Romualdez Street corner Zobel Street, Ermita, Manila or through corsec@upson.com.ph) on or before 5:00 P.M. of May 20, 2026.

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

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

* For Brokers or PCD Participants

Validation Process

- i. Duly accomplished proxies (and supporting documents, if necessary) should be submitted to and received by the office of the Corporate Secretary at Upson Building, No. 747, Romualdez Street corner Zobel Street, Ermita, Manila or through corsec@upson.com.ph on or before 5:00 P.M. of May 20, 2026.
- ii. The validation process shall be conducted by the office of the Corporate Secretary, on or before May 22, 2026, in coordination with the Corporation's Stock and Transfer Agent and/or an independent/third-party validator.
- iii. The office of the Corporate Secretary may require additional requirements, if necessary, for validation purposes.
- iv. Issues relating to proxies shall be resolved by the office of the Corporate Secretary.
- v. Validated shareholders shall receive an access to the meeting, and can cast their votes in absentia through a secured e-mail.
- vi. A shareholder has the authority to revoke his/her/its proxy at any time before the right to represent and vote is exercised.
- vii. The Corporate Secretary shall report/certify the results of the validation at the Annual Stockholders' Meeting.

COVER SHEET

for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A S 9 5 0 0 3 8 3 6

COMPANY NAME

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

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

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

Form Type

A A F S

Department Requiring the Report

C R M D

Secondary License Type, if Applicable

N / A

COMPANY INFORMATION

Company's Email Address

d_uy@octagon.com.ph

Company's Telephone Number/s

(02) 8526-7152

Mobile Number

0920 960 9377

No. of Stockholders

9

Annual Meeting (Month / Day)

May 25

Calendar Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Ms. Anita Lim

Email Address

a_lim@octagon.com.ph

Telephone Number/s

(02) 8526-7152

Mobile Number

-

CONTACT PERSON'S ADDRESS

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

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

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



INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying 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, 2025 and 2024, 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, 2025, 2024 and 2023, 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, 2025 and 2024, and its financial performance and its cash flows for the years ended December 31, 2025, 2024 and 2023 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), as applicable to audits of financial statements of public interest entities, together with the ethical requirements that are relevant to audits of financial statements of public interest entities in the Philippines. We have also 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.

REYES TACANDONG & Co.

DARRYLL REESE Q. SALANGAD

Partner

CPA Certificate No.

Tax Identification No.

BOA Accreditation No. Valid until June 6, 2026

SEC Accreditation No.

Issued October 2, 2025

Valid for Financial Period 2029

BIR Accreditation No.

Valid until January 16, 2028

PTR No.

Issued January 2, 2026, Makati City

February 26, 2026

Makati City, Metro Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR 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, 2025 and 2024 and for the years ended December 31, 2025, 2024 and 2023 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

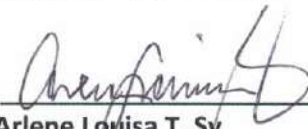
The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

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



Lawrence Ong Lee
Chairman of the Board



Arlene Louisa T. Sy
President and Chief Executive Officer



Marcos A. Legaspi
Chief Financial Officer

**SUBSCRIBED AND SWORN
TO BEFORE ME THIS 26 FEB 2026
AT MANILA**

Signed this 26th day of February 2026

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Book No. VII
Series of 2026

GERSON B. GAMAS
Notary Public for the City of Manila
Notary Commission No. 12-26-2025 Valid Until Dec. 31, 2026
2nd Floor, Citadel Bldg., Railroad Drive, Brgy. 653, District V,
Port Area, 1018, Manila, Metro Manila
Roll No. _____
IBP No. 12-26-2025 until 12-31-26
FTR No. 01-05-2026; until 12-31-26 City of Manila
MCLÉ Compliance No. Valid Until April 14, 2028

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

		December 31	
	Note	2025	2024
ASSETS			
Current Assets			
Cash and cash equivalents	4	P697,054,908	P803,853,994
Trade and other receivables	5	250,629,216	249,374,354
Merchandise inventories	6	4,828,726,997	4,287,010,478
Other current assets	7	249,530,521	165,641,313
Total Current Assets		6,025,941,642	5,505,880,139
Noncurrent Assets			
Investments in subsidiaries	9	115,999,995	115,999,995
Property and equipment	8	1,258,390,031	891,895,708
Right-of-use (ROU) assets	17	236,575,160	412,715,964
Net deferred tax assets	18	24,062,994	17,889,901
Other noncurrent assets	7	122,219,972	77,828,402
Total Noncurrent Assets		1,757,248,152	1,516,329,970
		P7,783,189,794	P7,022,210,109
LIABILITIES AND EQUITY			
Current Liabilities			
Bank loans and trust receipts payable	11	P3,267,702,189	P2,502,957,649
Trade and other payables	10	898,943,889	943,395,942
Current portion of lease liabilities	17	133,132,162	299,800,547
Income tax payable		43,226,038	35,536,691
Total Current Liabilities		4,343,004,278	3,781,690,829
Noncurrent Liabilities			
Lease liabilities - net of current portion	17	77,149,214	96,555,008
Retirement liability	16	53,907,456	48,621,746
Total Noncurrent Liabilities		131,056,670	145,176,754
Total Liabilities		4,474,060,948	3,926,867,583
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	1,385,224,237	1,172,523,114
Accumulated remeasurement losses on retirement liability	16	(6,403,699)	(7,488,896)
Total Equity		3,309,128,846	3,095,342,526
		P7,783,189,794	P7,022,210,109

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	2025	2024	2023
NET SALES		₱11,833,673,190	₱11,131,422,392	₱10,010,358,499
COST OF SALES	6	(9,290,844,937)	(8,797,391,226)	(7,935,894,845)
GROSS INCOME		2,542,828,253	2,334,031,166	2,074,463,654
OPERATING EXPENSES	13	(2,193,032,984)	(1,887,652,242)	(1,673,064,053)
FINANCE COSTS	11	(188,896,445)	(152,435,977)	(123,495,021)
OTHER INCOME	14	382,874,256	341,302,343	306,082,355
INCOME BEFORE INCOME TAX		543,773,080	635,245,290	583,986,935
PROVISION FOR (BENEFIT FROM) INCOME TAX	18			
Current		150,106,705	152,338,094	117,606,658
Deferred		(6,534,826)	1,395,733	2,189,459
		143,571,879	153,733,827	119,796,117
NET INCOME		400,201,201	481,511,463	464,190,818
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Items not to be reclassified to profit or loss in subsequent periods -</i>				
Remeasurement gain (loss) on retirement liability - net of deferred income tax	16	1,085,197	(674,191)	(2,559,921)
TOTAL COMPREHENSIVE INCOME		₱401,286,398	₱480,837,272	₱461,630,897
BASIC/DILUTED EARNINGS PER SHARE	23	₱0.13	₱0.15	₱0.16

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

	Note	Years Ended December 31		
		2025	2024	2023
CAPITAL STOCK	12			
Balance at beginning of year		₱625,000,260	₱625,000,260	₱500,000,060
Issuance		-	-	125,000,200
Balance at end of year		625,000,260	625,000,260	625,000,260
ADDITIONAL PAID-IN CAPITAL	12	1,305,308,048	1,305,308,048	1,305,308,048
RETAINED EARNINGS	12			
APPROPRIATED FOR CAPITAL EXPENDITURES				
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		1,172,523,114	800,511,729	552,320,968
Net income		400,201,201	481,511,463	464,190,818
Cash dividends		(187,500,078)	(187,500,078)	(138,000,057)
Reversal of appropriation		-	78,000,000	-
Appropriation		-	-	(78,000,000)
Balance at end of year		1,385,224,237	1,172,523,114	800,511,729
		1,385,224,237	1,172,523,114	878,511,729
ACCUMULATED REMEASUREMENT LOSSES ON RETIREMENT LIABILITY	16			
Balance at beginning of year		(7,488,896)	(6,814,705)	(4,254,784)
Remeasurement gain (loss) - net of deferred income tax		1,085,197	(674,191)	(2,559,921)
Balance at end of year		(6,403,699)	(7,488,896)	(6,814,705)
		₱3,309,128,846	₱3,095,342,526	₱2,802,005,332

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	2025	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		₱543,773,080	₱635,245,290	₱583,986,935
Adjustments for:				
Depreciation and amortization	8	457,637,222	406,171,939	309,075,012
Finance costs	11	188,896,445	152,435,977	123,495,021
Provision for inventory obsolescence	6	29,340,039	7,645,875	2,916,376
Gain on lease modification	17	(17,055,761)	(70,171)	(102,070)
Retirement expense	16	6,732,640	5,851,832	5,018,956
Interest income	4	(3,707,466)	(27,079,977)	(46,811,084)
Operating income before working capital changes		1,205,616,199	1,180,200,765	977,579,146
Decrease in:				
Trade and other receivables		(3,329,029)	(75,500,565)	(108,765,398)
Merchandise inventories		(571,056,558)	(943,830,669)	(687,182,591)
Other assets		(62,824,707)	(23,515,751)	(25,182,984)
Increase (decrease) in trade and other payables		(50,061,822)	(417,380,713)	61,572,017
Net cash generated from (used for) operations		518,344,083	(280,026,933)	218,020,190
Income taxes paid		(142,417,358)	(133,977,392)	(187,146,870)
Interest received		5,781,633	34,263,892	37,553,002
Net cash provided by (used in) operating activities		381,708,358	(379,740,433)	68,426,322
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Property and equipment	8	(481,062,935)	(176,308,352)	(219,496,536)
Investments in subsidiaries	9	-	(76,000,000)	-
Advances for property acquisition	7	(95,000,000)	-	-
Cash used in investing activities		(576,062,935)	(252,308,352)	(219,496,536)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Bank loans and trust receipts availments	11	4,159,268,701	2,883,052,863	2,611,018,632
Issuance of capital stock	12	-	-	1,430,308,248
Payments of:				
Bank loans and trust receipts	11	(3,394,524,161)	(2,147,709,079)	(2,578,049,580)
Lease liabilities	17	(325,814,973)	(338,228,111)	(220,119,782)
Dividends	22	(187,500,078)	(187,500,078)	(413,306,057)
Interest		(163,873,998)	(134,586,318)	(119,320,548)
Net cash provided by financing activities		87,555,491	75,029,277	710,530,913
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(106,799,086)	(557,019,508)	559,460,699
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		803,853,994	1,360,873,502	801,412,803
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	₱697,054,908	₱803,853,994	₱1,360,873,502

		Years Ended December 31		
	Note	2025	2024	2023
NONCASH FINANCIAL INFORMATION				
Additions and modifications to ROU assets	17	(P166,927,806)	(P430,586,994)	(P232,540,827)
Additions and modifications to lease liabilities	17	120,328,116	430,431,323	230,344,503
Capitalized borrowing costs	8	–	9,042,488	11,074,116

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)

NOTES TO SEPARATE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2025 AND 2024

AND FOR THE YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023

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.

The Company's common shares were listed for trading in the Philippine Stock Exchange on April 3, 2023 (see Note 12).

The Company has a 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.

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

Approval of Separate Financial Statements

The separate financial statements of the Company as at December 31, 2025 and 2024, and for the years ended December 31, 2025, 2024 and 2023 were approved and authorized for issuance by the Company's BOD on February 26, 2026, as approved and endorsed by the Audit Committee on the same date.

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, Philippine Accounting Standards (PAS) and Philippine Interpretation from International Financial Reporting Interpretations Committee (IFRIC) issued by the Philippine Financial and Sustainability Reporting Standards Council (Philippine FSRSC) 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 measurement 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 Amendments to PFRS Accounting Standards

The material accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability*, effective for annual periods beginning on or after January 1, 2025.

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.

The adoption of the amendments to PFRS Accounting Standards did not materially affect the separate financial statements of the Company. Additional disclosures were included in the separate financial statements, as applicable.

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

Relevant new and amendments to PFRS Accounting Standards, which are not yet effective as at December 31, 2025 and have 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 amendment provides to clarify the requirements related to the date of recognition and derecognition of financial assets and financial liabilities, with an exception for derecognition of financial liabilities settled through cash using an electronic payment system. The amendments also clarify the requirements of assessing contractual cash flow characteristics of financial assets, with additional guidance on assessment of contingent features, and the characteristics of non-recourse loans and contractually linked instruments. The amendments also introduce additional disclosure requirements for equity instruments classified as financial asset measured at fair value through other comprehensive income (FVOCI) with contingent features. Earlier application is permitted.
- Annual Improvements to PFRS Accounting Standards Volume 11:
 - Amendments to PFRS 7 – The amendments 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.
 - Amendments to PFRS 9 – 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 apply to lease liabilities that are extinguished on or after the beginning of the annual reporting period in which the entity first applies the amendments. Earlier application is permitted.

- Amendments to PFRS 10, *Consolidated Financial Statements* – The amendments clarify that when the investor considers its de facto agent's decision-making rights and its indirect exposure, or rights, to variable returns is only an example in which judgement is required to determine whether a party is acting as a de facto agent.
- Amendments to PAS 7, *Statement of Cash Flows* – The amendments clarify that when accounting for an investment in an associate, a joint venture or a subsidiary accounted for by use of the equity or at cost, an investor restricts its reporting in the statements of cash flows to the cash flows between itself and the investee, such as dividends and advances.

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 requirements for the presentation and disclosure of information in general purpose financial statements. The standard introduces new categories and sub-totals in the statements of comprehensive income, additional disclosures on management-defined performance measures, and enhanced requirements for grouping information. Full retrospective application is required. Earlier application is permitted.
- PFRS 19, *Subsidiaries without Public Accountability: Disclosures* – This standard is a voluntary standard which permits simplified disclosure requirements for eligible subsidiaries applying PFRS Accounting Standards. An entity is eligible to apply PFRS 19 when it does not have public accountability and its parent produces consolidated financial statements available for public use that comply with PFRS Accounting Standards 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 prevailing circumstances, the adoption of the foregoing new and amendments to 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 and 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 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 2025 and 2024, 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, 2025 and 2024, 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, 2025 and 2024, 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 Company 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 Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. 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.

Merchandise inventories

Merchandise 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 merchandise 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 merchandise inventories is lower than the cost, the Company provides for an allowance for the decline in the value of the merchandise inventory and recognizes the write-down as an expense in profit or loss. The amount of any reversal of any write-down of merchandise inventories, arising from an increase in NRV, is recognized as a reduction in the amount of merchandise 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 merchandise inventory. Advances to suppliers are measured at the amount of cash paid. Advances to suppliers are applied against billings upon receipt of merchandise inventory purchased.

Other Assets

Other assets include refundable lease deposits, prepayments and advances for property acquisition.

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.

Advances for Property Acquisition. Advances for property acquisition represent amounts paid in advance for the acquisition of properties. Advances for property acquisition are measured at the amount of cash paid. Advances for property acquisition are classified as noncurrent assets and will be reclassified to property and equipment upon completion of the purchase transaction.

Prepayments. Prepayments represent expenses not yet incurred but paid in advance. Prepayments are apportioned over the period covered by the payment and charged to the appropriated account in profit or loss when incurred. Prepayments that are expected to be realized for no more than 12 months after the reporting period are classified as current asset. 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 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 subsidiaries 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.

Initial Public Offering (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. These transaction costs incurred in issuing the Company's own equity instruments during IPO, 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.

Other Income. Income is recognized when earned.

For revenue from other sources which are outside the scope of PFRS 15, *Revenue from Contract with Customers*, revenue is recognized as follows:

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

Rent Income. Rent income is recognized on a straight-line basis over the lease term.

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 merchandise 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 lease liabilities 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 lease liabilities 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.

Lease liabilities are subsequently measured at amortized cost. Interest on the lease liabilities and any variable lease payments not included in the measurement of lease liabilities 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 liabilities 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 liabilities are 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 liabilities are 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.

When a lease modification that is not accounted for as a separate lease becomes effective, the Company remeasures the lease liability using a revised discount rate. For modifications that decrease the scope of the lease, the Company decreases the carrying amount of the ROU asset to reflect the partial or full termination of the lease and recognizes any resulting gain or loss in profit or loss. For all other modifications, a corresponding adjustment is made to the ROU asset. If the carrying amount of the ROU asset is reduced to zero and there is a further reduction in the lease liability, the remaining amount is recognized in profit or loss.

The Company as a Lessor. Leases where the Company retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which these are earned.

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 consolidated 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 payable to the taxation authority is presented 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.

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 judgments 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 representing 52% and 90%, respectively. The information about the investment in subsidiaries are disclosed in Note 9.

Classifying Lease Commitments - Company as a Lessor. The Company has entered into lease agreements for portion of its office space. Critical judgment was exercised by the Company to distinguish such lease agreements as operating or finance leases by looking at the transfer or retention of significant risk and rewards of ownership of the property covered by the agreements. The Company accounted for its lease agreements as operating leases.

The information on the Company's rent income in 2025 is disclosed in Note 17.

Classifying Lease Commitments - Company as a Lessee. The Company has entered into commercial property leases for its office, stores 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 the renewal options will be considered by the Company in determining the lease term. As at December 31, 2025 and 2024, the Company has assessed that the renewal options of the lease agreements will not be considered in determining the lease term since the renewal options are required to be mutually agreed by the Company and the lessors.

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 30 days from the date of transaction. No ECL was recognized for trade receivables in 2025, 2024 and 2023.

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, 2025 and 2024 are disclosed in Notes 4 and 5.

Estimating the NRV of Merchandise Inventories. The NRV of merchandise 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 merchandise 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 merchandise inventories as at December 31, 2025 and 2024 are disclosed in Note 6. No merchandise inventories were written off in 2025, 2024 and 2023. Provision for inventory obsolescence amounted to ₱29.3 million, ₱7.6 million and ₱2.9 million in 2025, 2024 and 2023, respectively. Allowance for inventory obsolescence amounted to ₱88.8 million and ₱59.4 million as at December 31, 2025 and 2024, 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, 2025 and 2024, the carrying amounts of property and equipment and ROU assets are disclosed in Notes 8 and 17. There were no changes in the estimated useful lives of these property and equipment and ROU assets in 2025, 2024 and 2023.

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 losses recognized on nonfinancial assets in 2025, 2024 and 2023.

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 are disclosed in Note 18.

4. Cash and Cash Equivalents

This account consists of:

	2025	2024
Cash on hand	P11,724,976	P2,573,808
Cash in banks	685,329,932	499,828,681
Cash equivalents	-	301,451,505
	P697,054,908	P803,853,994

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 2025, 2024 and 2023.

As at December 31, 2024, the cash and cash equivalents include the unapplied IPO proceeds amounting to P590.6 million (see Note 12).

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

	2025	2024	2023
Cash in banks	P1,228,764	P2,724,611	P680,425
Cash equivalents	2,478,702	24,355,366	46,130,659
	P3,707,466	P27,079,977	P46,811,084

Accrued interest receivable from cash equivalents amounted to nil and ₱2.1 million as at December 31, 2025 and 2024, respectively (see Note 5).

5. Trade and Other Receivables

This account consists of:

	Note	2025	2024
Trade:			
Third parties		₱213,075,813	₱206,096,822
Related party	15	80,357	-
Advances to:			
Stockholder	15	31,791,848	31,791,848
Officers and employees		4,085,651	1,904,918
Subsidiaries	15	1,101,250	4,472,998
Suppliers		494,297	3,033,601
Accrued interest receivable	4	-	2,074,167
		₱250,629,216	₱249,374,354

Trade receivables are noninterest-bearing and are generally settled within three (3) to 30 days after the reporting period. No ECL was recognized for trade receivables in 2025, 2024 and 2023.

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

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

Trade and other receivables were not pledged or used as a collateral for the Company's liabilities as at December 31, 2025 and 2024.

6. Merchandise inventories

The merchandise inventories are carried at net realizable value as at December 31, 2025 and 2024. The related cost of the merchandise amounted to ₱4,917.5 million and ₱4,364.4 million as at December 31, 2025 and 2024, respectively. Details of merchandise inventories at net realizable value are as follows:

	2025	2024
Computers and peripherals	₱3,017,861,586	₱2,599,316,811
Accessories	742,999,061	664,317,399
Mobile phones	651,635,231	590,167,995
Printers and scanners	307,360,216	339,756,426
Consumables	108,870,903	93,451,847
	₱4,828,726,997	₱4,287,010,478

Movements in the allowance for inventory obsolescence are as follows:

	2025	2024	2023
Balance at beginning of year	₱59,414,868	₱51,768,993	₱48,852,617
Provision for inventory obsolescence	29,340,039	7,645,875	2,916,376
Balance at end of year	₱88,754,907	₱59,414,868	₱51,768,993

Merchandise inventories charged to cost of sales amounted to ₱9,290.8 million, ₱8,797.4 million and ₱7,935.9 million in 2025, 2024 and 2023, respectively, including provision for inventory obsolescence.

In 2025, the Company classified provision for inventory obsolescence as "Cost of sales" in the separate statements of comprehensive income. The 2024 and 2023 were accordingly reclassified from "Operating expenses" to "Cost of sales" to be comparative with the 2025 presentation. The reclassification did not have an effect the separate statement of financial position as at December 31, 2024 and the separate statements of changes in equity and statements of cash flows for the years ended December 31, 2024 and 2023 (see Note 13).

Under the terms of agreements, merchandise inventories amounting to ₱3,359.3 million and ₱2,583.1 million as at December 31, 2025 and 2024, respectively, are covered by trust receipts issued by local banks (see Note 11).

7. Other Assets

Other Current Assets

This account includes:

	Note	2025	2024
Refundable lease deposits	17	₱225,681,617	₱161,172,733
Prepayments		23,848,904	4,468,580
		₱249,530,521	₱165,641,313

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

Other Noncurrent Assets

This account includes:

	Note	2025	2024
Advances for property acquisition	15	₱95,000,000	₱-
Noncurrent portion of refundable lease deposits	17	27,219,972	77,828,402
		₱122,219,972	₱77,828,402

8. Property and Equipment

Movements in this account follow:

	December 31, 2025							
	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	₱681,423,428	₱175,890,225	₱151,661,594	₱113,099,999	₱238,774,196	₱1,770,348,929
Additions	273,832,303	78,417,697	51,652,469	13,642,927	1,859,723	26,046,887	35,610,929	481,062,935
Reclassifications	-	19,642,857	43,067,161	-	-	-	(62,710,018)	-
Balance at end of year	474,857,303	306,535,041	776,143,058	189,533,152	153,521,317	139,146,886	211,675,107	2,251,411,864
Accumulated Depreciation and Amortization								
Balance at beginning of year	-	32,542,233	511,261,925	109,115,270	126,910,308	98,623,485	-	878,453,221
Depreciation and amortization	-	12,081,311	69,577,999	15,620,451	6,845,442	10,443,409	-	114,568,612
Balance at end of year	-	44,623,544	580,839,924	124,735,721	133,755,750	109,066,894	-	993,021,833
Carrying Amount	₱474,857,303	₱261,911,497	₱195,303,134	₱64,797,431	₱19,765,567	₱30,079,992	₱211,675,107	₱1,258,390,031

	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	878,453,221	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

Construction in progress represents the accumulated costs incurred in the construction of a warehouse and additional stores which are expected to be completed in 2026. As at December 31, 2025, the estimated total cost to complete the warehouse and store branches amounted to ₱6.7 million. In 2025 and 2024, borrowing costs amounting to nil and ₱9.0 million, respectively, were capitalized. Capitalization rate used in 2025 and 2024 were nil and 7.74%, 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 ₱150.5 million and ₱157.7 million as at December 31, 2025 and 2024, respectively, together with a related party's land were used as a collateral for a Company's bank loans amounting to ₱300.0 million and ₱250.0 million as at December 31, 2025 and 2024, respectively (see Note 11). Moreover, these properties were also used as a collateral for a related party's loan with a local bank (see Note 15).

Fully depreciated property and equipment still being used by the Company amounted to ₱804.0 million and ₱322.2 million as at December 31, 2025 and 2024, respectively.

Depreciation and amortization are recognized from:

	Note	2025	2024	2023
ROU assets	17	₱343,068,610	₱293,297,883	₱208,427,954
Property and equipment		114,568,612	112,874,056	100,647,058
		₱457,637,222	₱406,171,939	₱309,075,012

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

	2025	2024	2023
Selling and marketing expenses	₱384,751,199	₱317,739,853	₱219,442,677
General and administrative expenses	72,886,023	88,432,086	89,632,335
	₱457,637,222	₱406,171,939	₱309,075,012

9. Investments in Subsidiaries

In 2024, the Company incorporated the following subsidiaries:

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

As at December 31, 2025 and 2024, outstanding subscription payable to UGI amounted to ₱40.0 million (see Note 10).

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	2025	2024
Trade:			
Third parties		₱770,264,418	₱857,673,987
Related party	15	410,228	–
Statutory payables		64,233,738	27,043,109
Subscription payable	9	39,999,995	39,999,995
Accrued expenses		13,785,497	7,415,921
Retention payables		6,597,581	5,678,831
Others		3,652,432	5,584,099
		₱898,943,889	₱943,395,942

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 which are normally settled in the next reporting period.

11. Bank Loans and Trust Receipts Payable

Movements in this account are as follows:

	2025		
	Bank Loans	Trust Receipts	Total
Balance at beginning of year	₱1,216,666,667	₱1,286,290,982	₱2,502,957,649
Availments	800,000,000	3,359,268,701	4,159,268,701
Payments	(841,666,667)	(2,552,857,494)	(3,394,524,161)
Balance at end of year	₱1,175,000,000	₱2,092,702,189	₱3,267,702,189

	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

As at December 31, 2025 and 2024, the bank loans and trust receipts have terms of three (3) months to one (1) year, subject to refinancing upon approval of the creditor bank. Bank loans were obtained for working capital purposes and capital expenditure of the Company. Bank loans amounting to ₱300.0 million and ₱250.0 million as at December 31, 2025 and 2024, respectively, were secured by a related party's land and the Company's building with a carrying amount of ₱150.5 million and ₱157.7 million as at December 31, 2025 and 2024, respectively (see Note 8). The bank loans are secured by continuing suretyship of the majority shareholders of the Company and a related party (see Note 15). Trust receipts were obtained to finance the purchase of merchandise inventories. Interest rates on the bank loans and trust receipts range from 5.88% to 8.00% in 2025, 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 ₱3,359.3 million and ₱2,583.1 million as at December 31, 2025 and 2024, respectively, were covered by trust receipts issued by local banks (see Note 6).

Covenants

As at December 31, 2025 and 2024, the Company's bank loans are no longer subject to any loan covenants.

Details of finance costs charged to operations are as follows:

	Note	2025	2024	2023
Interest on bank loans		₱80,935,107	₱68,590,006	₱51,534,693
Interest on trust receipts		88,548,660	63,929,788	68,676,271
Accretion of interest on lease liabilities	17	19,412,678	28,958,671	14,358,173
		188,896,445	161,478,465	134,569,137
Less capitalized borrowing cost	8	–	(9,042,488)	(11,074,116)
		₱188,896,445	₱152,435,977	₱123,495,021

Accrued interest payable presented under “Accrued expenses” in the “Trade and other payables” account in the separate statements of financial position amounted to ₱7.4 million and ₱1.8 million as at December 31, 2025 and 2024, 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, 2025 and 2024.

Details of capital stock follow:

	2025		2024		2023	
	Shares	Amount	Shares	Amount	Shares	Amount
Authorized						
Balance at beginning and 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	3,125,001,300	₱625,000,260	2,500,000,300	₱500,000,060
Issuances	-	-	-	-	625,001,000	125,000,200
Balance at end of year	3,125,001,300	₱625,000,260	3,125,001,300	₱625,000,260	3,125,001,300	₱625,000,260

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 amounting to ₱590.6 million are maintained in the Company’s cash in bank and cash equivalents (see Note 4). As at December 31, 2025, the Company has fully utilized the proceeds from the IPO.

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, 2025 and 2024 were 25.63% and 21.74%, respectively.

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.

Retained Earnings

Appropriations

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

Dividend Declaration

Details of the cash dividends declared by the Company in 2025, 2024 and 2023 are as follows:

Date of BOD approval	Stockholders of record	Dividend per share	Amount
May 26, 2025	June 10, 2025	₱0.06	₱187,500,078
February 28, 2024	March 13, 2024	0.06	187,500,078
July 12, 2023	July 26, 2023	0.04	138,000,057

No dividends payable were outstanding as at December 31, 2025 and 2024.

13. Operating Expenses

This account consists of:

	2025	2024	2023
Selling and marketing expenses	₱1,795,941,640	₱1,529,091,262	₱1,335,896,874
General and administrative expenses	397,091,344	358,560,980	337,167,179
	₱2,193,032,984	₱1,887,652,242	₱1,673,064,053

Selling and marketing expenses consist of:

	Note	2025	2024	2023
Merchant discount		₱457,823,231	₱387,586,919	₱304,859,917
Personnel costs		387,408,791	335,930,239	296,953,998
Depreciation and amortization	8	384,751,199	317,739,853	219,442,677
Rent	17	216,482,878	192,597,459	251,986,409
Utilities		164,972,702	144,680,104	131,221,218
Contracted and other services		157,684,663	128,633,091	97,759,776
Freight and delivery		13,827,159	11,832,447	14,765,157
Advertising		7,502,123	5,606,883	15,129,392
Retirement expense	16	5,488,894	4,484,267	3,778,330
		₱1,795,941,640	₱1,529,091,262	₱1,335,896,874

General and administrative expenses consist of:

	Note	2025	2024	2023
Taxes and licenses		₱131,540,113	₱76,695,357	₱61,079,416
Personnel costs		103,170,631	102,448,544	97,505,755
Depreciation and amortization	8	72,886,023	88,432,086	89,632,335
Transportation and travel		18,666,682	16,132,177	12,156,859
Stationery and supplies		17,447,974	15,072,921	13,635,938
Repairs, warranties and maintenance		16,879,983	18,945,525	12,504,093
Representation		10,594,322	14,584,295	8,301,601
Professional fees		7,748,007	7,900,369	8,088,818
Insurance		3,461,337	6,267,605	7,817,667
Retirement expense	16	1,243,746	1,367,565	1,240,626
IPO expense		-	-	16,546,052
Rent	17	-	-	492,696
Others		13,452,526	10,714,536	8,165,323
		₱397,091,344	₱358,560,980	₱337,167,179

Personnel costs consist of:

	2025	2024	2023
Salaries and wages	₱422,506,734	₱386,116,397	₱346,795,528
Other employee benefits	68,072,688	52,262,386	47,664,225
	₱490,579,422	₱438,378,783	₱394,459,753

14. Other Income

This account consists of:

	Note	2025	2024	2023
Gain on lease modification	17	₱17,055,761	₱70,171	₱102,070
Net foreign exchange gain		7,702,027	8,828,916	7,472,929
Interest income	4	3,707,466	27,079,977	46,811,084
Rent income	15	482,143	–	–
Other income		353,926,859	305,323,279	251,696,272
		₱382,874,256	₱341,302,343	₱306,082,355

Other income includes product advertising and promotional support granted by suppliers. These are the suppliers' marketing initiatives and are recognized as income at a point in time or when the right to compensation is established.

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			Outstanding Balance	
	2025	2024	2023	2025	2024
Trade and Other Receivables (see Note 5)					
Stockholder	Advances for business development expenses	₱–	₱–	₱31,791,848	₱31,791,848
Subsidiaries	Advances (collection)	(3,371,748)	4,472,998	–	1,101,250
	Sales	–	206,145	–	–
	Rental income	482,143	–	–	80,357
				₱32,973,455	₱36,264,846
Advances for Property Acquisition (see Note 7)					
Entity under common control	Acquisition of properties	₱401,250,000	₱–	₱–	₱95,000,000
Trade and Other Payables (see Note 10)					
Subsidiaries	Subscription payable	₱–	₱115,999,995	₱–	₱39,999,995
	Purchases	1,843,271	–	–	410,228
				₱40,410,223	₱39,999,995
Lease Arrangement (see Note 17)					
Entity under common control	ROU asset amortization	(₱44,551,594)	(₱66,071,327)	(₱68,963,541)	₱–
	Lease liability payments	(31,611,980)	(70,480,200)	(68,402,482)	–
	Gain on lease modification	(15,781,850)	(70,171)	–	–

Terms and Conditions

Advances to a Stockholder

Advances to a stockholder are unsecured and noninterest-bearing advances for business development expenses. The potential business opportunity, however, did not materialize as expected in 2025. The advances to a stockholder have been settled in 2026.

Advances to Subsidiaries

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

Advances for Property Acquisition

In 2025, the Company acquired properties from a related party totaling ₱401.3 million. As at December 31, 2025, the documentation for the purchase of properties amounting to ₱95.0 million with a related party have not yet been completed, hence, these amounts are presented as advances for property acquisition under "Other noncurrent assets" in the statements of financial position (see Note 7).

A parcel of land owned by a related party was used as a collateral for the Company's bank loan. (see Note 8).

Trade and Other Payable

The Company has various purchases with related party. These are settled within the related party normal settlement period. Total transactions amounting to ₱1.8 million in 2025. Outstanding payable for these transactions amounted to ₱0.4 million as at December 31, 2025 (see Note 10).

Short-term Lease

In 2025, the Company entered into a lease agreement with its subsidiary for an office space for a term of six (6) months renewable upon mutual agreement of the parties. Rental income recognized from short-term lease amounted to ₱0.5 million in 2025 (see Note 17). Outstanding rent receivable amounted to ₱0.1 million as at December 31, 2025 (see Note 5).

There were no guarantees provided or received for any related party receivables or payables as at December 31, 2025 and 2024. The Company has not recognized any expected credit loss on amounts due from related parties in 2025, 2024 and 2023. 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.

Continuing Suretyship

The majority stockholders of the Company and a related party have a continuing suretyship over the Company's bank loans as at December 31, 2025 and 2024.

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:

	2025	2024	2023
Short-term employee benefits	₱11,252,030	₱6,853,860	₱6,853,860
Post-employment benefits	672,411	665,628	665,628
	₱11,924,441	₱7,519,488	₱7,519,488

16. Retirement Liability

The Company has an unfunded, non-contributory defined benefit plan covering 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 for the year ended December 31, 2025.

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:

	2025	2024	2023
Current service cost	₱3,766,714	₱3,255,830	₱2,544,484
Interest cost	2,965,926	2,596,002	2,474,472
	₱6,732,640	₱5,851,832	₱5,018,956

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

	2025	2024	2023
Selling and marketing expenses	₱5,488,894	₱4,484,267	₱3,778,330
General and administrative expenses	1,243,746	1,367,565	1,240,626
	₱6,732,640	₱5,851,832	₱5,018,956

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

	2025	2024
Balance at beginning of year	₱48,621,746	₱41,870,993
Current service cost	3,766,714	3,255,830
Interest cost	2,965,926	2,596,002
Remeasurement losses (gains) from:		
Changes in financial assumptions	(2,644,823)	597,575
Experience adjustments	1,197,893	301,346
Balance at end of year	₱53,907,456	₱48,621,746

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

	2025		
	Accumulated Remeasurement Losses	Deferred Tax (see Note 18)	Net
Balance at beginning of year	₱9,985,195	(₱2,496,299)	₱7,488,896
Remeasurement gain	(1,446,930)	361,733	(1,085,197)
Balance at end of year	₱8,538,265	(₱2,134,566)	₱6,403,699

	2024		
	Accumulated Remeasurement Losses	Deferred Tax (see Note 18)	Net
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)	Net
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

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:

	2025	2024	2023
Discount rate	6.50%	6.10%	6.20%
Salary increase rate	3.00%	3.00%	3.00%

The sensitivity analyses based on reasonably possible changes of the assumptions as at December 31, 2025 follow:

	Basis Points	Effect on Present Value of Retirement Liability
Discount rate	+100	(P4,077,471)
	-100	10,971,719
Salary increase rate	+100	7,808,071
	-100	(6,882,316)

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 14 years.

As at December 31, 2025, the expected future benefit payments are as follows:

	Amount
More than 1 year to 5 years	P14,508,815
More than 5 years to 10 years	11,382,245
More than 10 years	424,127,232

17. Lease Commitments

Company as Lessor - Short-term Lease

In 2025, the Company entered into a lease agreement with its subsidiary for an office space for a term of six (6) months renewable upon mutual agreement by the Company and the subsidiary. Rental income recognized from short-term lease amounted to P0.5 million in 2025 (see Note 13).

Outstanding rent receivable amounted to P0.1 million as at December 31, 2025 (see Note 5).

Company as Lessee - Short-term Lease

The Company leases certain office and store 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):

	2025	2024	2023
Selling and marketing expenses	P216,482,878	P192,597,459	P251,986,409
General and administrative expenses	-	-	492,696
	P216,482,878	P192,597,459	P252,479,105

Company as Lessee - Long-term Lease

The Company has non-cancellable lease agreements with a related party and third parties for its warehouse, office, parking lots and certain 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	2025	2024
Cost			
Balance at beginning of year		₱1,680,908,417	₱1,250,321,423
Additions		189,677,308	432,446,574
Effect of lease modification		(45,995,160)	(1,859,580)
Balance at end of year		1,824,590,565	1,680,908,417
Accumulated Amortization			
Balance at beginning of year		1,268,192,453	974,894,570
Amortization	8	343,068,610	293,297,883
Effect of lease modification		(23,245,658)	–
Balance at end of year		1,588,015,405	1,268,192,453
Carrying Amount		₱236,575,160	₱412,715,964

Lease Liabilities

The balance and movements in lease liabilities are as follows:

	Note	2025	2024
Balance at beginning of year		₱396,355,555	₱275,193,672
Additions		160,133,379	432,361,074
Payments		(325,814,973)	(338,228,111)
Accretion	11	19,412,678	28,958,671
Effect of lease modification		(39,805,263)	(1,929,751)
Balance at end of year		210,281,376	396,355,555
Current portion		133,132,162	299,800,547
Noncurrent portion		₱77,149,214	₱96,555,008

Incremental borrowing rate ranging from 7.0% and 3.4% was applied to determine the discounted amount of lease liabilities in 2025, 2024 and 2023.

The Company has agreed to certain lease modifications and pre-terminations of lease agreements resulting to a gain on lease modification of ₱17.1 million, ₱0.1 million and ₱0.1 million in 2025, 2024 and 2023, respectively (see Note 14).

There were no gains on lease concessions recognized in 2025, 2024 and 2023.

The future minimum lease payments and present value as at December 31, 2025 are as follows:

	Minimum Lease Payments	Present Value
Not later than one (1) year	₱145,473,390	₱133,409,331
Later than one (1) year but not more than five (5) years	83,557,287	72,981,029
	₱229,030,677	₱206,390,360

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

	Note	2025	2024	2023
ROU assets amortization	8	₱343,068,610	₱293,297,883	₱208,427,954
Short-term leases	13	216,482,878	192,597,459	252,479,105
Accretion of interest on lease liabilities	11	19,412,678	28,958,671	14,358,173
		₱578,964,166	₱514,854,013	₱475,265,232

Total cash outflow for leases, including short-term leases, amounted to ₱542.3 million, ₱530.8 million and ₱472.6 million in 2025, 2024 and 2023, respectively.

Refundable Lease Deposits

Lease deposits, which are refundable at the end of the lease term if unutilized, aggregate ₱252.9 million and ₱239.0 million as at December 31, 2025 and 2024, respectively (see Note 7).

18. Income Taxes

The provision for current income tax pertains to regular corporate income tax (RCIT) in 2025, 2024 and 2023.

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:

	2025	2024	2023
Income tax computed at the statutory tax rate	₱135,943,270	₱158,811,323	₱145,996,734
Adjustment for:			
Nondeductible expenses	8,555,476	1,692,498	2,925,692
Interest income already subjected to final tax	(926,867)	(6,769,994)	(11,702,771)
Expenses charged to APIC	-	-	(17,423,538)
	₱143,571,879	₱153,733,827	₱119,796,117

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

	Note	2025	2024
Deferred Tax Assets:			
Allowance for inventory obsolescence		₱22,188,727	₱14,853,717
Retirement liability:			
Profit or loss		11,342,298	9,659,138
OCI	16	2,134,566	2,496,299
		35,665,591	27,009,154
Deferred Tax Liabilities:			
Capitalized borrowing cost		(5,029,151)	(5,029,151)
Excess of ROU asset over lease liability		(6,573,446)	(4,090,102)
		(11,602,597)	(9,119,253)
		₱24,062,994	₱17,889,901

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, trade receivables and accrued interest 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:

	2025	2024
Cash in banks and cash equivalents	₱685,329,932	₱801,280,186
Trade receivables	213,156,170	206,096,822
Advances to subsidiaries	1,101,250	4,472,998
Accrued interest receivable	-	2,074,167
	₱899,587,352	₱1,013,924,173

As at December 31, 2025 and 2024, 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.

	2025			Total
	12-Month ECL	Lifetime ECL - Not Credit Impaired	Lifetime ECL - Credit Impaired	
Cash in banks and cash equivalents	₱685,329,932	₱-	₱-	₱685,329,932
Trade receivables	-	213,156,170	-	213,156,170
Advances to subsidiaries	1,101,250	-	-	1,101,250
	₱686,431,182	₱213,156,170	₱-	₱899,587,352

	2024			Total
	12-Month ECL	Lifetime ECL - Not Credit Impaired	Lifetime ECL - Credit Impaired	
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

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.

	2025			Total
	1 to 6 Months	More than 6 Months to 1 Year	More than 1 Year	
Trade and other payables*	₱828,112,570	₱6,597,581	₱-	₱834,710,151
Bank loans and trust receipts payable	2,092,702,189	1,175,000,000	-	3,267,702,189
Lease liabilities	91,971,536	53,501,854	83,557,287	229,030,677
	₱3,012,786,295	₱1,235,099,435	₱83,557,287	₱4,331,443,017

*Excluding statutory payables.

	2024			Total
	1 to 6 Months	More than 6 Months to 1 Year	More than 1 Year	
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.

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 cash flow 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, 2025 and 2024, and bear an effective interest rate ranging from 5.88% to 8.00% in 2025 and 5.63% to 8.00% in 2024.

20. Fair Value of Financial Assets and Liabilities

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

	2025		2024	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash in banks and cash equivalents	₱685,329,932	₱685,329,932	₱801,280,186	₱801,280,186
Trade receivables	213,156,170	213,156,170	206,096,822	206,096,822
Advances to subsidiaries	1,101,250	1,101,250	4,472,998	4,472,998
Accrued interest receivable	-	-	2,074,167	2,074,167
	₱899,587,352	₱899,587,352	₱1,013,924,173	₱1,013,924,173
Financial Liabilities				
Trade and other payables*	₱834,710,151	₱834,710,151	₱916,352,833	₱916,352,833
Bank loans and trust receipts payable	3,267,702,189	3,267,702,189	2,502,957,649	2,502,957,649
Lease liabilities	210,281,376	210,281,376	396,355,555	391,013,229
	₱4,312,693,716	₱4,312,693,716	₱3,815,666,037	₱3,810,323,711

*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, 2025 and 2024, there were no financial instruments measured at fair value. There were no transfers between levels of fair value hierarchy in 2025, 2024 and 2023.

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 2025, 2024 and 2023.

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:

	2025	2024
Total liabilities	₱4,474,060,948	₱3,926,867,583
Total equity	3,309,128,846	3,095,342,526
Debt-to-equity ratio	1.35:1	1.27:1

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, 2025 and 2024:

	December 31, 2024	Additions	Accretion/ Interest expense	Payment	Non-cash Changes	December 31, 2025
Bank loans and trust receipts payable	₱2,502,957,649	₱4,159,268,701	₱-	(₱3,394,524,161)	₱-	₱3,267,702,189
Lease liabilities	396,355,555	160,133,379	19,412,678	(325,814,973)	(39,805,263)	210,281,376
Dividends payable	-	187,500,078	-	(187,500,078)	-	-
Accrued interest payable	1,777,814	-	169,483,767	(163,873,998)	-	7,387,583
	₱2,901,091,018	₱4,506,902,158	₱188,896,445	(₱4,071,713,210)	(₱39,805,263)	₱3,485,371,148
	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

23. Basic and Diluted Earnings Per Share

Basic earnings per share is computed as follows:

	2025	2024	2023
Net income	₱400,201,201	₱481,511,463	₱464,190,818
Divided by weighted average number of outstanding shares	3,125,001,300	3,125,001,300	2,968,751,050
	₱0.13	₱0.15	₱0.16

The Company has no dilutive potential shares in 2025, 2024 and 2023.



**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULE OF
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION**

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

We have audited in accordance with Philippine Standards on Auditing, the 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, 2025 and 2024 and for the years ended December 31, 2025, 2024 and 2023, and have issued our report thereon dated February 26, 2026. Our audits were made for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The accompanying Supplementary Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration as at December 31, 2025 is the responsibility of the Company's management.

The supplementary schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 and is not part of the basic separate financial statements. The information in the supplementary schedule 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.

DARRYL REESE O. SALANGAD

Partner

CPA Certificate No.

Tax Identification No.

BOA Accreditation No. Valid until June 6, 2026

SEC Accreditation No.

Issued October 2, 2025

Valid for Financial Period 2029

BIR Accreditation No.

Valid until January 16, 2028

PTR No.

Issued January 2, 2026, Makati City

February 26, 2026

Makati City, Metro Manila

UPSON INTERNATIONAL CORP.

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

**SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION
DECEMBER 31, 2025**

Unappropriated Retained Earnings, beginning of reporting period	₱1,148,010,259
Less: <u>Category B:</u> Items that are directly debited to Unappropriated Retained Earnings	
Dividend declaration during the period	(187,500,078)
Unappropriated Retained Earnings, as adjusted	960,510,181
Add: Net Income for the current year	400,201,201
Less: <u>Category F:</u> Other Items that should be excluded from the determination of the amount available for dividends distribution	
Net movement in deferred tax assets	(9,018,170)
Total Retained Earnings, end of the reporting period available for dividend	₱1,351,693,212

COVER SHEET

for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A 5 9 5 0 0 3 8 3 6

COMPANY NAME

U p s o n I n t e r n a t i o n a l C o r p . a n d S u b s i d i a r
i e s

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

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

Form Type

A A C F S

Department Requiring the Report

C R M D

Secondary License Type, If Applicable

N / A

COMPANY INFORMATION

Company's Email Address

d_uy@octagon.com.ph

Company's Telephone Number/s

(02) 8 526-7152

Mobile Number

0920 960 9377

No. of Stockholders

9

Annual Meeting (Month / Day)

May 25

Calendar Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Ms. Anita Lim

Email Address

a_lim@octagon.com.ph

Telephone Number/s

(02) 8 526-7152

Mobile Number

-

CONTACT PERSON'S ADDRESS

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

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

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



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 statements of financial position as at December 31, 2025 and 2024, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended and the Parent Company's statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended December 31, 2023 and notes to the consolidated 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, 2025 and 2024, and its consolidated financial performance and cash flows for the years then ended, and the Parent Company's financial performance and cash flows for the year ended December 31, 2023 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), as applicable to audits of financial statements of public interest entities, together with the ethical requirements that are relevant to audits of financial statements of public interest entities in the Philippines. We have also 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 as at and for the year ended December 31, 2025. 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.



Revenue Recognition

Sale of goods, net of discounts and returns, amounted to ₱12,917.7 million in 2025. We considered revenue recognition as a key audit matter because of the high volume of sale transactions and the Group's multi-location operations. These increased the complexity of monitoring revenue and the completeness of amount of recognized revenue which impacts the Group's profitability.

Our procedures included, among others, a review and examination of the design and implementation of the Group's information technology (IT) general and application controls and key manual controls related to revenue to establish the effectiveness and reliability in capturing revenue transactions. We reviewed and tested journal entries recorded related to the revenue recognized and performed substantive analytical review procedures on the net sales, which involved analyzing trends and comparing the results against expectations developed using historical data to verify the reasonableness of the revenue recognized.

We also reviewed the related disclosures which are included in Note 2, *Summary of Material Accounting Policy Information*.

Accounting for Completeness and Valuation of Merchandise Inventories

Merchandise Inventories, net of allowance for inventory write down and losses, amounted to ₱5,045.2 million as at December 31, 2025. The accounting for the completeness and valuation of merchandise inventories is significant to our audit because merchandise inventories represent 62% of the total assets and consist of high volume and diverse inventory items held across multiple locations. Moreover, determining the appropriate valuation of the merchandise inventories requires extensive monitoring and involves significant judgement and estimation.

Our procedures included, among others, the review of the design and implementation of both IT general controls, application controls and key manual controls related to the inventory management system to ascertain the completeness and validity of inventory records. We observed the conduct of the inventory count, performed test of inventory summarization and reconciliation, and reviewed the intervening transactions from date of inventory count to financial reporting date. We reviewed and tested inventory costing and assessed whether the merchandise inventories are measured at the lower of cost or net realizable value.

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

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

ROU assets and lease liabilities amounted to ₱252.8 million and ₱227.0 million, respectively, as at December 31, 2025. The accounting for the recognition and measurement of ROU assets and lease liabilities are significant to our audit because there were significant additions in 2025 amounting to ₱213.2 million for ROU assets and ₱183.3 million for lease liabilities, mainly attributed the Group's ongoing store network expansion. Moreover, the recognition and measurement of ROU assets and lease liabilities involve 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 lease modifications; and (c) determining the appropriate discount rate.



Our procedures included, among others, a review of the 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 checked the compliance of the Group with the significant provisions of the lease agreements. 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 of ROU assets and interest expense on lease liabilities.

We also reviewed the related disclosures 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 (Annual Report) for the year ended December 31, 2025, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A (Annual Report) for the year ended December 31, 2025 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 audit 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

SEC Accreditation No.

Issued October 2, 2025

Valid for Financial Period 2029

BIR Accreditation No.

Valid until January 16, 2028

PTR No.

Issued January 2, 2026, Makati City

February 26, 2026

Makati City, Metro Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **UPSON International Corp.** (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at December 31, 2025 and 2024 and for the years ended December 31, 2025 and 2024 and the parent company financial statements for the year ended December 31, 2023 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

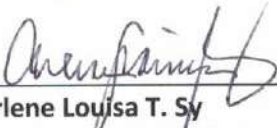
The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

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



Lawrence Ong Lee
Chairman of the Board



Arlene Louisa T. Sy
President and Chief Executive Officer

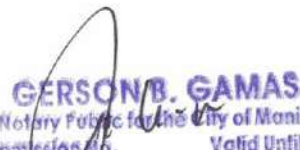


Marcos A. Legaspi
Chief Financial Officer

Signed this 26th day of February 2026

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Book No. 51
Series of 1000

**SUBSCRIBED AND SWORN
TO BEFORE ME THIS 26 FEB 2026
AT MANILA**


GERSON B. GAMAS
Notary Public for the City of Manila
Notarial Commission No. 12-26-2025 Valid Until Dec. 31, 2026
2nd floor, Gheddal Bldg., Railroad Drive, Brgy. 653, District V,
Port Area, 1018, Manila, Metro Manila
Roll No. 12-26-2025 until 12-31-26
PTR No. 01-05-2026; until 12-31-26 City of Manila
MCLE Compliance No. Valid Until April 14, 2028

UPSON INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2025	2024*
ASSETS			
Current Assets			
Cash and cash equivalents	4	₱823,354,547	₱889,350,473
Trade and other receivables	5	285,619,755	323,636,707
Merchandise inventories	6	5,045,187,589	4,478,855,523
Other current assets	7	262,893,252	170,442,146
Total Current Assets		6,417,055,143	5,862,284,849
Noncurrent Assets			
Property and equipment	8	1,306,417,353	909,145,428
Right-of-use (ROU) assets	16	252,823,559	415,453,570
Net deferred tax assets	17	24,189,917	17,925,407
Other noncurrent assets	7	122,219,972	77,828,402
Total Noncurrent Assets		1,705,650,801	1,420,352,807
		₱8,122,705,944	₱7,282,637,656
LIABILITIES AND EQUITY			
Current Liabilities			
Bank loans and trust receipts payable	10	₱3,267,702,189	₱2,502,957,649
Trade and other payables	9	1,203,590,505	1,187,613,676
Current portion of lease liabilities	16	142,551,346	301,608,037
Income tax payable		46,777,191	36,710,947
Total Current Liabilities		4,660,621,231	4,028,890,309
Noncurrent Liabilities			
Lease liabilities - net of current portion	16	84,486,121	97,662,654
Retirement liability	15	53,907,456	48,621,746
Total Noncurrent Liabilities		138,393,577	146,284,400
Total Liabilities		4,799,014,808	4,175,174,709
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	1,382,537,153	1,171,188,419
Accumulated rereasurement losses on retirement liability	15	(6,403,699)	(7,488,896)
Equity attributable to equity holders of the Parent Company		3,306,441,762	3,094,007,831
Non-controlling interests	11	17,249,374	13,455,116
Total Equity		3,323,691,136	3,107,462,947
		₱8,122,705,944	₱7,282,637,656

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 STATEMENTS OF COMPREHENSIVE INCOME
For the Years ended December 31, 2025 and 2024 and
PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME
For the Year ended December 31, 2023

	Note	Years Ended December 31		
		2025	2024*	2023
NET SALES		₱12,917,708,126	₱11,435,255,269	₱10,010,358,499
COST OF SALES	6	(10,244,234,291)	(9,070,626,743)	(7,935,894,845)
GROSS INCOME		2,673,473,835	2,364,628,526	2,074,463,654
OPERATING EXPENSES	12	(2,314,859,284)	(1,916,803,510)	(1,673,064,053)
FINANCE COSTS	10	(189,621,495)	(152,538,293)	(123,495,021)
OTHER INCOME	13	382,583,859	341,307,910	306,082,355
INCOME BEFORE INCOME TAX		551,576,915	636,594,633	583,986,935
PROVISION FOR (BENEFIT FROM) INCOME TAX	17			
Current		155,560,088	153,602,522	117,606,658
Deferred		(6,626,243)	1,360,227	2,189,459
		148,933,845	154,962,749	119,796,117
NET INCOME		402,643,070	481,631,884	464,190,818
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Item not to be reclassified to profit or loss in subsequent periods</i>				
Remeasurement gain (loss) on retirement liability - net of deferred income tax	15	1,085,197	(674,191)	(2,559,921)
TOTAL COMPREHENSIVE INCOME		₱403,728,267	₱480,957,693	₱461,630,897
Net Income Attributable to				
Equity holders of the Parent Company		₱398,848,812	₱480,176,768	₱464,190,818
Non-controlling interests		3,794,258	1,455,116	—
		₱402,643,070	₱481,631,884	₱464,190,818
Total Comprehensive income Attributable to				
Equity holders of the Parent Company		₱399,934,009	₱479,502,577	₱461,630,897
Non-controlling interests		3,794,258	1,455,116	—
		₱403,728,267	₱480,957,693	₱461,630,897
BASIC/DILUTED EARNINGS PER SHARE	22	₱0.13	₱0.15	₱0.16

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 STATEMENTS OF CHANGES IN EQUITY
For the Years ended December 31, 2025 and 2024 and
PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
For the Year ended December 31, 2023

	Note	Years Ended December 31		
		2025	2024*	2023
CAPITAL STOCK	11			
Balance at beginning of year		₱625,000,260	₱625,000,260	₱500,000,060
Issuances		–	–	125,000,200
Balance at end of year		625,000,260	625,000,260	625,000,260
ADDITIONAL PAID-IN CAPITAL	11	1,305,308,048	1,305,308,048	1,305,308,048
RETAINED EARNINGS	11			
APPROPRIATED FOR CAPITAL EXPENDITURES				
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				
Balance at beginning of year		1,171,188,419	800,511,729	552,320,968
Net income		398,848,812	480,176,768	464,190,818
Appropriation		–	–	(78,000,000)
Reversal of appropriation		–	78,000,000	–
Cash dividends		(187,500,078)	(187,500,078)	(138,000,057)
Balance at end of year		1,382,537,153	1,171,188,419	800,511,729
		1,382,537,153	1,171,188,419	878,511,729
ACCUMULATED REMEASUREMENT LOSSES				
ON RETIREMENT LIABILITY - Net of				
deferred income tax	15			
Balance at beginning of year		(7,488,896)	(6,814,705)	(4,254,784)
Remeasurement gain (loss)		1,085,197	(674,191)	(2,559,921)
Balance at end of year		(6,403,699)	(7,488,896)	(6,814,705)
EQUITY ATTRIBUTABLE TO THE HOLDERS OF				
THE PARENT COMPANY		3,306,441,762	3,094,007,831	2,802,005,332
NON-CONTROLLING INTERESTS	11			
Balance at beginning of year		13,455,116	–	–
Additions		–	12,000,000	–
Net income		3,794,258	1,455,116	–
Balance at end of year		17,249,374	13,455,116	–
		₱3,323,691,136	₱3,107,462,947	₱2,802,005,332

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 STATEMENTS OF CASH FLOWS

For the Years ended December 31, 2025 and 2024 and

PARENT COMPANY STATEMENT OF CASHFLOWS

For the Year ended December 31, 2023

		Years Ended December 31		
	Note	2025	2024*	2023
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		₱551,576,915	₱636,594,633	₱583,986,935
Adjustments for:				
Depreciation and amortization	8	470,418,174	408,059,413	309,075,012
Finance costs	10	189,621,495	152,538,293	123,495,021
Provision for inventory obsolescence	6	29,340,039	7,645,875	2,916,376
Gain on lease modification	16	(17,206,562)	(70,171)	(102,070)
Retirement expense	15	6,732,640	5,851,832	5,018,956
Interest income	4	(3,749,558)	(27,085,544)	(46,811,084)
Loss on disposal of property and equipment	13	1,260	-	-
Operating income before working capital changes		1,226,734,403	1,183,534,331	977,579,146
Decrease (increase) in:				
Trade and other receivables		35,942,785	(149,762,918)	(108,765,398)
Merchandise inventories		(595,672,105)	(1,135,675,714)	(687,182,591)
Other assets		(71,761,188)	(28,316,584)	(25,182,984)
Increase (decrease) in trade and other payables		10,367,060	(133,162,984)	61,572,017
Net cash generated from (used for) operations		605,610,955	(263,383,869)	218,020,190
Income taxes paid		(145,493,844)	(134,067,564)	(187,146,870)
Interest received		5,823,725	34,269,459	37,553,002
Net cash provided by (used in) operating activities		465,940,836	(363,181,974)	68,426,322
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment	8	(516,757,319)	(194,533,011)	(219,496,536)
Advances for property acquisition	14	(95,000,000)	-	-
Cash used in investing activities		(611,757,319)	(194,533,011)	(219,496,536)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Bank loans and trust receipts availments	10	4,159,268,701	2,883,052,863	2,611,018,632
Additions to non-controlling interests		-	12,000,000	-
Issuances of capital stock		-	-	1,430,308,248
Payments of:				
Bank loans and trust receipts	10	(3,394,524,161)	(2,147,709,079)	(2,578,049,580)
Lease liabilities	16	(333,549,907)	(339,065,432)	(220,119,782)
Interest	21	(163,873,998)	(134,586,318)	(119,320,548)
Dividends	21	(187,500,078)	(187,500,078)	(413,306,057)
Net cash provided by financing activities		79,820,557	86,191,956	710,530,913

(Forward)

	Note	Years Ended December 31		
		2025	2024*	2023
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(P65,995,926)	(P471,523,029)	P559,460,699
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		889,350,473	1,360,873,502	801,412,803
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	P823,354,547	P889,350,473	P1,360,873,502
NONCASH FINANCIAL INFORMATION				
Additions and modifications to ROU assets	16	(P188,304,029)	(P434,237,135)	(P232,540,827)
Additions and modifications to lease liabilities	16	141,178,955	434,081,464	230,344,503
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 Years ended December 31, 2025 and 2024 and
PARENT COMPANY NOTES TO FINANCIAL STATEMENTS
For the Year ended December 31, 2023

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:

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

The Parent Company's common shares were listed for trading in the Philippine Stock Exchange on April 3, 2023 (see Note 11).

The Parent Company has a 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.

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 amounting to ₱26.0 million. In July 2024, the Parent Company incorporated UGI with 90% ownership amounting to ₱90.0 million. Thus, the financial statements for 2025 and 2024 were the consolidated financial statements of the Parent Company and its Subsidiaries while the comparative financial statements for 2023 were 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:

<u>Company Name</u>	<u>Registered Business Address</u>
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

Approval of the Financial Statements

The consolidated financial statements of the Group as at and for the years ended December 31, 2025 and 2024 and the parent company financial statements for the year ended December 31, 2023 were approved and authorized for issuance by the Parent Company's BOD on February 26, 2026, as approved and endorsed by the Audit Committee on the same date.

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, 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 measurement 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 Amendments to PFRS Accounting Standards

The material accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability*, effective for annual periods beginning on or after January 1, 2025.

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.

The adoption of the amendments to PFRS Accounting Standards did not materially affect the financial statements of the Group. Additional disclosures were included in the financial statements, as applicable.

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

Relevant new and amendments to PFRS Accounting Standards, which are not yet effective as at December 31, 2025 and have not been applied in preparing the consolidated 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 amendment provides to clarify the requirements related to the date of recognition and derecognition of financial assets and financial liabilities, with an exception for derecognition of financial liabilities settled through cash using an electronic payment system. The amendments also clarify the requirements of assessing contractual cash flow characteristics of financial assets, with additional guidance on assessment of contingent features, and the characteristics of non-recourse loans and contractually linked instruments. The amendments also introduce additional disclosure requirements for equity instruments classified as financial asset measured at fair value through other comprehensive income (FVOCI) with contingent features. Earlier application is permitted.
- Annual Improvements to PFRS Accounting Standards Volume 11:
 - Amendments to PFRS 7, *Financial Instruments: Disclosures* – The amendments 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.

- Amendments to PFRS 9, *Financial Instruments* – The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with PFRS 9, *Financial Instruments*, 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 apply to lease liabilities that are extinguished on or after the beginning of the annual reporting period in which the entity first applies the amendments. Earlier application is permitted.
- Amendments to PFRS 10, *Consolidated Financial Statements* – The amendments clarify that when the investor considers its de facto agent's decision-making rights and its indirect exposure, or rights, to variable returns is only an example in which judgement is required to determine whether a party is acting as a de facto agent.
- Amendments to PAS 7, *Statement of Cash Flows* – The amendments clarify that when accounting for an investment in an associate, a joint venture or a subsidiary accounted for by use of the equity or at cost, an investor restricts its reporting in the statements of cash flows to the cash flows between itself and the investee, such as dividends and advances.

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 requirements for the presentation and disclosure of information in general purpose financial statements. The standard introduces new categories and sub-totals in the statements of comprehensive income, additional disclosures on management-defined performance measures, and enhanced requirements for grouping information. Full retrospective application is required. Earlier application is permitted.
- PFRS 19, *Subsidiaries without Public Accountability: Disclosures* – This standard is a voluntary standard which permits simplified disclosure requirements for eligible subsidiaries applying PFRS. An entity is eligible to apply PFRS 19 when it does not have public accountability and its parent produces 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 prevailing circumstances, the adoption of the foregoing new and amendments to 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 2025 and 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 and 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 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 2025 and 2024, 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, 2025 and 2024, 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, 2025 and 2024, 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.

Merchandise Inventories

Merchandise 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 merchandise 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 merchandise 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 merchandise inventories, arising from an increase in NRV, is recognized as a reduction in the amount of merchandise 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, advances for property acquisition, prepayments and creditable withholding tax.

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.

Advances for Property Acquisition. Advances for property acquisition represent amounts paid in advance for the acquisition of properties. Advances for property acquisition are measured at the amount of cash paid. Advances for property acquisition are classified as noncurrent assets and will be reclassified to property and equipment upon completion of the purchase transaction.

Prepayments. Prepayments represent expenses not yet incurred but paid in advance. Prepayments are apportioned over the period covered by the payment and charged to the appropriated account in profit or loss when incurred. Prepayments that are expected to be realized for no more than 12 months after the reporting period are classified as current asset. Otherwise, these are classified as noncurrent assets.

Creditable Withholding Taxes. Creditable withholding taxes (CWT) represents the amount withheld by the Group's customers in relation to its income. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation.

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 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.

Initial Public Offering (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. These transaction costs incurred in issuing the Parent Company's own equity instruments during IPO, 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 other comprehensive income (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 merchandise 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.

When a lease modification that is not accounted for as a separate lease becomes effective, the Group remeasures the lease liability using a revised discount rate. For modifications that decrease the scope of the lease, the Group decreases the carrying amount of the ROU asset to reflect the partial or full termination of the lease and recognizes any resulting gain or loss in profit or loss. For all other modifications, a corresponding adjustment is made to the ROU asset. If the carrying amount of the ROU asset is reduced to zero and there is a further reduction in the lease liability, the remaining amount is recognized in profit or loss.

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 payable to the taxation authority is 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.

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 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 of the 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 the renewal options will be considered by the Group in determining the lease term. As at December 31, 2025 and 2024, the Group has assessed that the renewal options of the lease agreements will not be considered in determining the lease term since the renewal options are required to be mutually agreed between the Group and the lessors.

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, 2025 and 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, the Group's operating segment comprises 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 Group has assessed that it has control over iStudio and UGI by virtue of its majority share in ownership 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 2025, 2024 and 2023.

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, 2025 and 2024 are disclosed in Notes 4 and 5, respectively.

Estimating the NRV of Merchandise Inventories. The NRV of merchandise 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 merchandise 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 merchandise inventories as at December 31, 2025 and 2024 are disclosed in Note 6. No merchandise inventories were written off in 2025, 2024 and 2023. Provision for inventory obsolescence amounted to ₱29.3 million, ₱7.6 million and ₱2.9 million in 2025, 2024 and 2023, respectively. Allowance for inventory obsolescence amounted to ₱88.8 million ₱59.4 million as at December 31, 2025 and 2024, 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, 2025 and 2024, the carrying amounts of property and equipment and ROU assets are disclosed in Notes 8 and 16. There were no changes in the estimated useful lives of these property and equipment and ROU assets in 2025, 2024 and 2023.

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	2025	2024
Property and equipment	8	₱1,306,417,353	₱909,145,428
Other assets	7	385,113,224	248,270,548
ROU assets	16	252,823,559	415,453,570
Advances to a stockholder	5	31,791,848	31,791,848
Advances to officers and employees	5	4,730,722	2,001,418
Advances to suppliers	5	494,297	3,033,601

There were no impairment losses recognized on nonfinancial assets in 2025, 2024 and 2023.

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 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 the temporary difference of the subsidiary can be applied. Consequently, the Group did not recognize deferred tax asset on temporary difference of the subsidiary. Details of unrecognized deferred tax assets are disclosed in Note 17.

4. Cash and Cash Equivalents

This account consists of:

	2025	2024
Cash on hand	₱11,909,442	₱2,611,864
Cash in banks	811,445,105	585,287,104
Cash equivalents	-	301,451,505
	₱823,354,547	₱889,350,473

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 4.00% to 5.25% per annum in 2025, 2024 and 2023.

As at December 31, 2024, the cash and cash equivalents include the unapplied IPO proceeds amounting to ₱590.6 million (see Note 11).

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

	2025	2024	2023
Cash in banks	₱1,270,856	₱2,730,178	₱680,425
Cash equivalents	2,478,702	24,355,366	46,130,659
	₱3,749,558	₱27,085,544	₱46,811,084

Accrued interest receivable from cash equivalents amounted to nil and ₱2.1 million as at December 31, 2025 and 2024, respectively (see Note 5).

5. Trade and Other Receivables

This account consists of:

	Note	2025	2024
Trade		₱248,602,888	₱284,735,673
Advances to:			
Stockholder	14	31,791,848	31,791,848
Officers and employees		4,730,722	2,001,418
Suppliers		494,297	3,033,601
Accrued interest receivable	4	-	2,074,167
		₱285,619,755	₱323,636,707

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 2025, 2024 and 2023.

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

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

6. Merchandise Inventories

The merchandise inventories are carried at net realizable value as at December 31, 2025 and 2024. The related cost of the merchandise amounted to ₱5,133.9 million and ₱4,538.3 million as at December 31, 2025 and 2024, respectively. Details of merchandise inventories at net realizable value are as follows:

	2025	2024
Computers and peripherals	₱2,936,608,307	₱2,716,216,686
Accessories	846,049,456	718,707,249
Mobile phones	765,802,799	610,723,315
Printers and scanners	393,543,984	339,756,426
Consumables	95,907,929	93,451,847
Water filtration devices	7,275,114	-
	₱5,045,187,589	₱4,478,855,523

Movements in the allowance for inventory obsolescence are as follows:

	2025	2024	2023
Balance at beginning of year	₱59,414,868	₱51,768,993	₱48,852,617
Provision for inventory obsolescence	29,340,039	7,645,875	2,916,376
Balance at end of year	₱88,754,907	₱59,414,868	₱51,768,993

Under the terms of agreements, merchandise inventories amounting to ₱3,359.3 million and ₱2,583.1 million as at December 31, 2025 and 2024, respectively, are covered by trust receipts issued by local banks (see Note 10).

Merchandise inventories charged to cost of sales amounted to ₱10,244.2 million, ₱9,070.6 million and ₱7,935.9 million in 2025, 2024 and 2023, respectively, including provision for inventory obsolescence.

In 2025, the Company classified provision for inventory obsolescence as "Cost of Sales" in the statement of comprehensive income. The 2024 and 2023 were accordingly reclassified from "Operating expenses" to "Cost of sales" to be comparative with the 2025 presentation. The reclassification did not have an effect on the statement of financial position as at December 31, 2024 and the statement of changes in equity and statement of cash flows for the year ended December 31, 2024 and the Parent Company statement of changes in equity and statement of cash flows for the year ended December 31, 2023.

7. **Other Assets**

Other Current Assets

This account includes:

	Note	2025	2024
Refundable lease deposits	16	P238,275,938	P165,973,566
Prepayments		24,567,547	4,468,580
Creditable withholding taxes		49,767	-
		P262,893,252	P170,442,146

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

Other Noncurrent Assets

This account includes:

	Note	2025	2024
Advances for property acquisition	14	P95,000,000	P-
Noncurrent portion of refundable lease deposits	16	27,219,972	77,828,402
		P122,219,972	P77,828,402

8. Property and Equipment

Movements and balances in this account are as follows:

Cost	December 31, 2025							Total
	Land	Building and Building Improvements	Leasehold Improvements	Store Furniture and Equipment	Transportation Equipment	Furniture and Fixtures	Construction in Progress	
Balance at beginning 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
Additions	273,832,303	78,417,697	69,339,230	25,510,414	1,859,723	27,653,257	40,144,695	516,757,319
Disposal	-	-	-	-	-	(1,350)	-	(1,350)
Reclassifications	-	19,642,857	43,281,853	-	-	(107,347)	(62,817,363)	-
Balance at end of year	474,857,303	306,535,041	799,744,836	213,360,639	153,521,317	141,101,548	216,208,873	2,305,329,557
Accumulated Depreciation and Amortization								
Balance at beginning of year	-	32,542,233	511,423,068	109,912,605	126,910,308	98,639,946	-	879,428,160
Depreciation and amortization	-	12,081,311	70,981,755	18,980,204	6,845,442	10,595,422	-	119,484,134
Disposal	-	-	-	-	-	(90)	-	(90)
Balance at end of year	-	44,623,544	582,404,823	128,892,809	133,755,750	109,235,278	-	998,912,204
Carrying Amount	₱474,857,303	₱261,911,497	₱217,340,013	₱84,467,830	₱19,765,567	₱31,866,270	₱216,208,873	₱1,306,417,353

Cost	December 31, 2024							Total
	Land	Building and Building Improvements	Leasehold Improvements	Store Furniture and Equipment	Transportation Equipment	Furniture and Fixtures	Construction in Progress	
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

Construction in progress represents the accumulated costs incurred in the construction of a warehouse and additional stores which are expected to be completed in 2026. As at December 31, 2025, the estimated total cost to complete the warehouse and store branches amounted to ₱8.7 million. In 2025, 2024 and 2023, borrowing costs amounting to nil, ₱9.0 million and ₱11.1 million respectively, were capitalized. Capitalization rate used in 2025, 2024 and 2023 were nil, 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.

In 2025, the Group disposed furniture and fixtures with a total cost of ₱1,350 resulting to a loss on disposal of property and equipment amounting to ₱1,260 (see Note 13).

The Group's building with a carrying amount of ₱150.5 million and ₱157.7 million as at December 31, 2025 and 2024, respectively, together with a related party's land were used as a collateral for a Group's bank loans amounting to ₱300.0 million and ₱250.0 million as at December 31, 2025 and 2024, respectively (see Note 10). Moreover, these properties were also used as a collateral for a related party's loan with a local bank (see Note 14).

Fully depreciated property and equipment still being used by the Group amounted to ₱804.0 million and ₱322.2 million as at December 31, 2025 and 2024, respectively.

Depreciation and amortization are recognized from:

	Note	2025	2024	2023
ROU assets	16	₱350,934,040	₱294,210,418	₱208,427,954
Property and equipment		119,484,134	113,848,995	100,647,058
		₱470,418,174	₱408,059,413	₱309,075,012

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

	2025	2024	2023
Selling and marketing expenses	₱396,702,358	₱318,696,401	₱219,442,677
General and administrative expenses	73,715,816	89,363,012	89,632,335
	₱470,418,174	₱408,059,413	₱309,075,012

9. Trade and Other Payables

This account consists of:

	2025	2024
Trade	₱1,107,004,232	₱1,142,591,736
Accrued expenses	20,756,667	8,164,973
Retention payables	6,597,581	5,678,831
Statutory payables	65,545,537	25,567,738
Others	3,686,488	5,610,398
	₱1,203,590,505	₱1,187,613,676

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

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

Retention payables 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.

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

Others pertain to refundable customer deposits and other nontrade payables which are normally settled in the next reporting period.

10. Bank Loans and Trust Receipts Payable

Movements and balances in this account are as follows:

	2025		
	Bank Loans	Trust Receipts	Total
Balance at beginning of year	₱1,216,666,667	₱1,286,290,982	₱2,502,957,649
Availments	800,000,000	3,359,268,701	4,159,268,701
Payments	(841,666,667)	(2,552,857,494)	(3,394,524,161)
Balance at end of year	₱1,175,000,000	₱2,092,702,189	₱3,267,702,189

	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

As at December 31, 2025 and 2024, 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 capital expenditures of the Group. Bank loans amounting to ₱300.0 million and ₱250.0 million as at December 31, 2025 and 2024, respectively, were secured by a related party's land and the Group's building with a carrying amount of ₱150.5 million and ₱157.7 million as at December 31, 2025 and 2024, respectively (see Note 8). The bank loans are secured by continuing suretyship of the majority shareholders of the Parent Company and a related party (see Note 14). Trust receipts were obtained to finance the purchase of merchandise inventories. Interest rates on the bank loans and trust receipts range from 5.88% to 8.00% in 2025, 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 ₱3,359.3 million and ₱2,583.1 million as at December 31, 2025 and 2024, respectively, were covered by trust receipts issued by local banks (see Note 6).

Covenants

As at December 31, 2025 and 2024, the Group's bank loans were not subject to any loan covenants.

Details of finance costs charged to operations are as follows:

	Note	2025	2024	2023
Interest on trust receipts		₱88,548,660	₱63,929,788	₱68,676,271
Interest on bank loans		80,935,107	68,590,006	51,534,693
Accretion of interest on lease liabilities	16	20,137,728	29,060,987	14,358,173
		189,621,495	161,580,781	134,569,137
Less capitalized borrowing cost	8	-	(9,042,488)	(11,074,116)
		₱189,621,495	₱152,538,293	₱123,495,021

Accrued interest payable presented under "Accrued expenses" in the "Trade and other payables" account in the statements of financial position amounted to ₱7.4 million and ₱1.8 million as at December 31, 2025 and 2024, 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, 2025 and 2024.

Details of capital stock follow:

	2025		2024		2023	
	Shares	Amount	Shares	Amount	Shares	Amount
Authorized						
Balance at beginning and 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	3,125,001,300	₱625,000,260	2,500,000,300	₱500,000,060
Issuances	-	-	-	-	625,001,000	125,000,200
Balance at end of year	3,125,001,300	₱625,000,260	3,125,001,300	₱625,000,260	3,125,001,300	₱625,000,260

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 amounting to ₱590.6 million are maintained in the Group's cash in bank and cash equivalents (see Note 4). As at December 31, 2025, the Group has fully utilized the proceeds from the IPO.

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, 2025 and 2024 were 25.63% and 21.74%, respectively.

APIC, 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 as at December 31, 2025 and 2024.

Retained Earnings

Appropriations

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

Dividend Declaration

Details of the cash dividends declared by the Parent Company in 2025, 2024 and 2023 are as follows:

<u>Date of BOD Approval</u>	<u>Stockholders of Record</u>	<u>Dividend per Share</u>	<u>Amount</u>
May 26, 2025	June 10, 2025	₱0.06	₱187,500,078
February 28, 2024	March 13, 2024	0.06	187,500,078
July 12, 2023	July 26, 2023	0.04	138,000,057

No dividends payable were outstanding as at December 31, 2025 and 2024.

Non-controlling Interests

The Group's non-controlling interests represent ownership of non-controlling interests' stockholders of iStudio (48%) and UGI (10%). As at December 31, 2025 and 2024, the non-controlling interests amounted to ₱17.2 million and ₱13.5 million, respectively.

No dividends were paid to non-controlling interests in 2025, 2024 and 2023. There are no dividends payable to non-controlling interests as at December 31, 2025 and 2024.

12. Operating Expenses

This account consists of:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Selling and marketing expenses	₱1,878,647,371	₱1,550,222,473	₱1,335,896,874
General and administrative expenses	436,211,913	366,581,037	337,167,179
	₱2,314,859,284	₱1,916,803,510	₱1,673,064,053

Selling and marketing expenses consist of:

	Note	2025	2024	2023
Merchant discount		₱460,494,327	₱387,586,919	₱304,859,917
Personnel costs		413,386,320	344,604,638	296,953,998
Depreciation and amortization	8	396,702,358	318,696,401	219,442,677
Rent	16	234,876,334	200,452,585	251,986,409
Utilities		169,704,604	145,193,801	131,221,218
Contracted and other services		168,779,773	130,077,550	97,759,776
Advertising		14,018,912	7,293,865	15,129,392
Freight and delivery		13,986,143	11,832,447	14,765,157
Retirement expense	15	5,488,894	4,484,267	3,778,330
Others		1,209,706	-	-
		₱1,878,647,371	₱1,550,222,473	₱1,335,896,874

General and administrative expenses consist of:

	Note	2025	2024	2023
Taxes and licenses		₱141,907,387	₱80,380,331	₱61,079,416
Personnel costs		117,384,892	102,448,544	97,505,755
Depreciation and amortization	8	73,715,816	89,363,012	89,632,335
Transportation and travel		19,478,575	16,295,947	12,156,859
Repairs, warranties and maintenance		19,126,016	19,699,558	12,504,093
Stationery and supplies		17,602,586	15,103,463	13,635,938
Representation		13,185,652	14,584,295	8,301,601
Professional fees		11,771,295	9,052,787	8,088,818
Insurance		3,672,543	6,267,605	7,817,667
Retirement expense	15	1,243,746	1,367,565	1,240,626
IPO expense		-	-	16,546,052
Rent	16	-	-	492,696
Others		17,123,405	12,017,930	8,165,323
		₱436,211,913	₱366,581,037	₱337,167,179

Personnel costs consist of:

	2025	2024	2023
Salaries and wages	₱453,211,428	₱393,613,526	₱346,795,528
Other employee benefits	77,559,784	53,439,656	47,664,225
	₱530,771,212	₱447,053,182	₱394,459,753

13. Other Income

This account consists of:

	Note	2025	2024	2023
Gain on lease modification	16	₱17,206,562	₱70,171	₱102,070
Realized foreign exchange gain		7,702,027	8,828,916	7,472,929
Interest income	4	3,749,558	27,085,544	46,811,084
Loss on disposal of property and equipment	8	1,260	-	-
Other income		353,924,452	305,323,279	251,696,272
		₱382,583,859	₱341,307,910	₱306,082,355

Other income includes product advertising and promotional support granted by suppliers. These are the suppliers' marketing initiatives and are recognized as income at a point in time or when the right to compensation is established.

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	
		2025	2024	2023	2025	2024
Trade and Other Receivables (see Note 5)						
Stockholder	Advances for business development expenses	₱-	₱-	₱31,791,848	₱31,791,848	₱31,791,848
Advances for Property Acquisition (see Note 7)						
Entity under common control	Acquisition of properties	₱401,250,000	₱-	₱-	₱95,000,000	₱-
Trade and Other Payables						
Entity under common control	Advances (payments)	₱-	(₱25,403,485)	₱-	₱-	₱-
Lease Arrangement (see Note 16)						
Entity under common control	ROU asset amortization	(₱44,551,594)	(₱66,983,862)	(₱68,963,541)	₱29,543,929	₱67,547,562
	Lease liability payments	(31,611,980)	(71,317,521)	(68,402,482)	-	70,011,098
	Gain on lease modification	(15,781,850)	(70,171)	-	-	-

Terms and Conditions

Advances to a Stockholder

Advances to a stockholder are unsecured and noninterest-bearing advances for business development expenses. The potential business opportunity, however, did not materialize as expected in 2025. The advances to a stockholder have been settled in 2026.

Advances for Property Acquisition

In 2025, the Group acquired properties from a related party totaling ₱401.3 million. As at December 31, 2025, the documentation for the purchase of properties amounting to ₱95.0 million with a related party have not yet been completed, hence, these amounts are presented as advances for property acquisition under "Other noncurrent assets" in the statements of financial position (see Note 7).

A parcel of land owned by a related party was used as a collateral for the Group's bank loan. (see Note 8).

There were no guarantees provided or received for any related party receivables or payables as at December 31, 2025 and 2024. The Group has not recognized any impairment on amounts due from related parties in 2025, 2024 and 2023. 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.

Continuing Suretyship

The majority stockholders of the Parent Company and a related party have a continuing suretyship over the Group's bank loans as at December 31, 2025 and 2024.

Compensation of Key Management Personnel

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

	2025	2024	2023
Short-term employee benefits	₱11,252,030	₱6,853,860	₱6,853,860
Post-employment benefits	672,411	665,628	665,628
	₱11,924,441	₱7,519,488	₱7,519,488

15. Retirement Liability

The Group has an unfunded, non-contributory defined benefit plan covering 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, 2025.

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:

	2025	2024	2023
Current service cost	₱3,766,714	₱3,255,830	₱2,544,484
Interest cost	2,965,926	2,596,002	2,474,472
	₱6,732,640	₱5,851,832	₱5,018,956

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

	2025	2024	2023
Selling and marketing expenses	₱5,488,894	₱4,484,267	₱3,778,330
General and administrative expenses	1,243,746	1,367,565	1,240,626
	₱6,732,640	₱5,851,832	₱5,018,956

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

	2025	2024
Balance at beginning of year	₱48,621,746	₱41,870,993
Current service cost	3,766,714	3,255,830
Interest cost	2,965,926	2,596,002
Remeasurement losses (gains) from:		
Changes in financial assumptions	(2,644,823)	597,575
Experience adjustments	1,197,893	301,346
Balance at end of year	₱53,907,456	₱48,621,746

The assumptions used to determine retirement liability are as follows:

	2025	2024	2023
Discount rate	6.50%	6.10%	6.20%
Salary increase rate	3.00%	3.00%	3.00%

The sensitivity analyses based on reasonably possible changes of the assumptions as at December 31, 2025 follow:

	Basis Points	Effect on Present Value of Retirement Liability
Discount rate	+100	(₱4,077,471)
	-100	10,971,719
Salary increase rate	+100	7,808,071
	-100	(6,882,316)

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, 2025 is 14 years.

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

	2025		Net
	Accumulated Remeasurement Losses	Deferred Income Tax (see Note 17)	
Balance at beginning of year	P9,985,195	(P2,496,299)	P7,488,896
Remeasurement gain	(1,446,930)	361,733	(1,085,197)
Balance at end of year	P8,538,265	(P2,134,566)	P6,403,699

	2024		Net
	Accumulated Remeasurement Losses	Deferred Income Tax (see Note 17)	
Balance at beginning of year	P9,086,274	(P2,271,569)	P6,814,705
Remeasurement loss	898,921	(224,730)	674,191
Balance at end of year	P9,985,195	(P2,496,299)	P7,488,896

	2023		Net
	Accumulated Remeasurement Losses	Deferred Income Tax (see Note 17)	
Balance at beginning of year	P5,673,046	(P1,418,262)	P4,254,784
Remeasurement loss	3,413,228	(853,307)	2,559,921
Balance at end of year	P9,086,274	(P2,271,569)	P6,814,705

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, 2025, the expected future benefit payments are as follows:

	Amount
More than 1 year to 5 years	P14,508,815
More than 5 years to 10 years	11,382,245
More than 10 years	424,127,232

16. Lease Commitments

Short-term Lease

The Group leases certain office and store 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):

	2025	2024	2023
Selling and marketing expenses	P234,876,334	P200,452,585	P251,986,409
General and administrative expenses	-	-	492,696
	P234,876,334	P200,452,585	P252,479,105

Long-term Lease

The Group has non-cancellable lease agreements with a related party and third parties for its warehouse, office, parking lots and certain 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	2025	2024
Cost			
Balance at beginning of year		P1,684,558,558	P1,250,321,423
Additions		213,212,328	436,096,715
Effect of lease modification		(49,645,301)	(1,859,580)
Balance at end of year		1,848,125,585	1,684,558,558
Accumulated amortization			
Balance at beginning of year		1,269,104,988	974,894,570
Amortization	8	350,934,040	294,210,418
Effect of lease modification		(24,737,002)	-
Balance at end of year		1,595,302,026	1,269,104,988
Carrying Amount		P252,823,559	P415,453,570

Lease Liabilities

The balance and movements in lease liabilities are as follows:

	Note	2025	2024
Balance at beginning of year		₱399,270,691	₱275,193,672
Additions		183,293,816	436,011,215
Payments		(333,549,907)	(339,065,432)
Accretion	10	20,137,728	29,060,987
Effect of lease modification		(42,114,861)	(1,929,751)
Balance at end of year		227,037,467	399,270,691
Current portion		142,551,346	301,608,037
Noncurrent portion		₱84,486,121	₱97,662,654

Incremental borrowing rate ranging from 3.4% to 7.0% was applied to determine the discounted amount of lease liabilities in 2025, 2024 and 2023.

In 2025, 2024 and 2023, the Group has agreed to certain lease modifications and pre-terminations resulting to a gain on lease modification of ₱17.2 million, ₱0.1 million and ₱0.1 million, respectively (see Note 13). There were no gains on lease concession recognized in 2025, 2024 and 2023.

The future minimum lease payments and present value as at December 31, 2025 are as follows:

	Minimum Lease Payments	Present Value
Not later than one year	₱155,558,635	₱142,551,346
Later than one year but not more than five years	90,875,219	84,486,121
	₱246,433,854	₱227,037,467

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

	Note	2025	2024	2023
ROU assets amortization	8	₱350,934,040	₱294,210,418	₱208,427,954
Short-term leases		234,876,334	200,452,585	252,479,105
Accretion of interest on lease liabilities	10	20,137,728	29,060,987	14,358,173
		₱605,948,102	₱523,723,990	₱475,265,232

Total cash outflow for leases, including short-term leases, amounted to ₱568.5 million and ₱539.5 million and ₱472.6 million in 2025, 2024 and 2023, respectively.

Refundable Lease Deposits

Lease deposits, which are refundable at the end of the lease term if unutilized, aggregate ₱265.5 million and ₱243.8 million as at December 31, 2025 and 2024, respectively (see Note 7).

17. Income Taxes

The provision for current income tax pertains to regular corporate income tax (RCIT) in 2025, 2024 and 2023.

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:

	2025	2024	2023
Income tax computed at the statutory tax rate	₱137,894,229	₱159,148,658	₱145,996,734
Change in unrecognized deferred tax asset	1,313,533	706,344	–
Adjustment for:			
Interest income already subjected to final tax	(937,390)	(6,771,386)	(11,702,771)
Nondeductible expenses	10,343,967	1,694,019	2,925,692
Expenses charged to APIC	–	–	(17,423,538)
Effect of lower income tax rate	319,506	185,114	–
	₱148,933,845	₱154,962,749	₱119,796,117

Details of UGI's NOLCO are as follows:

Year Incurred	Beginning	Incurred	Expired	Balance	Expiry Year
2025	₱–	₱6,567,662	₱–	₱6,567,662	2028
2024	3,531,270	–	–	3,531,270	2027
	₱3,531,270	₱6,567,662	₱–	₱10,098,932	

As at December 31, 2025 and 2024, deferred tax asset arising from UGI's NOLCO amounting to ₱2.0 million and ₱0.7 million, respectively, 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	2025	2024
Deferred Tax Assets			
Allowance for inventory obsolescence		₱22,188,727	₱14,853,717
Retirement liability:			
Profit or loss		11,342,298	9,659,138
OCI	15	2,134,566	2,496,299
		35,665,591	27,009,154
Deferred Tax Liabilities			
Capitalized borrowing cost		(5,029,151)	(5,029,151)
Excess of ROU assets over lease liabilities		(6,446,523)	(4,054,596)
		(11,475,674)	(9,083,747)
		₱24,189,917	₱17,925,407

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:

	2025	2024
Cash in banks and cash equivalents	P811,445,105	P886,738,609
Trade receivables	248,602,888	284,735,673
Accrued interest receivable	-	2,074,167
	P1,060,047,993	P1,173,548,449

As at December 31, 2025 and 2024, 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.

2025				
	12-Month ECL	Lifetime ECL - Not Credit Impaired	Lifetime ECL - Credit Impaired	Total
Cash in banks and cash equivalents	P811,445,105	P-	P-	P811,445,105
Trade receivables	-	248,602,888	-	248,602,888
	P811,445,105	P248,602,888	P-	P1,060,047,993

2024				
	12-Month ECL	Lifetime ECL - Not Credit Impaired	Lifetime ECL - Credit Impaired	Total
Cash in banks and cash equivalents	P886,738,609	P-	P-	P886,738,609
Trade receivables	-	284,735,673	-	284,735,673
Accrued interest receivable	2,074,167	-	-	2,074,167
	P888,812,776	P284,735,673	P-	P1,173,548,449

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.

2025				
	1 to 6 Months	More than 6 Months to 1 Year	More than 1 Year	Total
Trade and other payables*	P1,131,447,387	P6,597,581	P-	P1,138,044,968
Bank loans and trust receipts payable	2,092,702,189	1,175,000,000	-	3,267,702,189
Lease liabilities	97,625,582	57,933,053	90,875,219	246,433,854
	P3,321,775,158	P1,239,530,634	P90,875,219	P4,652,181,011

*Excluding statutory payables.

2024

	1 to 6 Months	More than 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.

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 cash flow 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, 2025 and 2024, and bear an effective interest rate ranging 5.88% to 8.00% in 2025 and 5.63% to 8.00% in 2024.

19. Fair Value of Financial Assets and Liabilities

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

	2025		2024	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash in banks and cash equivalents	₱811,445,105	₱811,445,105	₱886,738,609	₱886,738,609
Trade receivables	248,602,888	248,602,888	284,735,673	284,735,673
Accrued interest receivable	-	-	2,074,167	2,074,167
	₱1,060,047,993	₱1,060,047,993	₱1,173,548,449	₱1,173,548,449
Financial Liabilities				
Trade and other payables*	₱1,138,044,968	₱1,138,044,968	₱1,162,045,938	₱1,162,045,938
Bank loans and trust receipts payable	3,267,702,189	3,267,702,189	2,502,957,649	2,502,957,649
Lease liabilities	227,037,467	233,718,246	399,270,691	393,889,799
	₱4,632,784,624	₱4,639,465,403	₱4,064,274,278	₱4,058,893,386

*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, 2025 and 2024, there were no financial instruments measured at fair value. There were no transfers between levels of fair value hierarchy in 2025, 2024 and 2023.

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 2025, 2024 and 2023.

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:

	2025	2024
Total liabilities	P4,799,014,808	P4,175,174,709
Total equity	3,323,691,136	3,107,462,947
Debt-to-equity ratio	1.44:1	1.34:1

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, 2025 and 2024:

	December 31, 2024	Additions	Accretion/ Interest expense	Payment	Non-cash Changes	December 31, 2025
Bank loans and trust receipts payable	P2,502,957,649	P4,159,268,701	P-	(P3,394,524,161)	P-	P3,267,702,189
Lease liabilities	399,270,691	183,293,816	20,137,728	(333,549,907)	(42,114,861)	227,037,467
Dividends payable	-	187,500,078	-	(187,500,078)	-	-
Accrued interest payable	1,777,814	-	169,483,767	(163,873,998)	-	7,387,583
	P2,904,006,154	P4,530,062,595	P189,621,495	(P4,079,448,144)	(P42,114,861)	P3,502,127,239

	December 31, 2023	Additions	Accretion/ Interest expense	Payment	Non-cash Changes	December 31, 2024
Bank loans and trust receipts payable	P1,767,613,865	P2,883,052,863	P-	(P2,147,709,079)	P-	P2,502,957,649
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
	P2,046,651,875	P3,506,564,156	P161,580,781	(P2,808,860,907)	(P1,929,751)	P2,904,006,154

22. Basic and Diluted Earnings Per Share

Basic earnings per share is computed as follows:

	2025	2024	2023
Net income attributable to equity holders of the Parent Company	₱398,848,812	₱480,176,768	₱464,190,818
Divided by weighted average number of outstanding shares	3,125,001,300	3,125,001,300	2,968,751,050
	₱0.13	₱0.15	₱0.16

The Parent Company has no dilutive potential shares in 2025, 2024 and 2023.

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 2025 and 2024 are as follows:

- Retail of information and communications technology (ICT) products.
- Retail of water filtration and purification devices.

In 2023, 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 2025, 2024 and 2023.

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 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, 2025 and 2024:

	2025			
	ICT Products	Water Filtration and Purification Devices	Eliminations	Total
REVENUE	P12,906,384,996	P13,166,401	(P1,843,271)	P12,917,708,126
COST OF SALES	(10,237,438,892)	(8,385,673)	1,590,274	(10,244,234,291)
GROSS INCOME	2,668,946,104	4,780,728	(252,997)	2,673,473,835
OPERATING EXPENSES	(2,303,857,264)	(11,574,506)	572,486	(2,314,859,284)
FINANCE COSTS	(189,584,176)	(37,319)	-	(189,621,495)
OTHER INCOME	382,894,363	171,639	(482,143)	382,583,859
INCOME (LOSS) BEFORE INCOME TAX	558,399,027	(6,659,458)	(162,654)	551,576,915
PROVISION FOR (BENEFIT FROM) INCOME TAX				
Current	155,560,088	-	-	155,560,088
Deferred	(6,661,749)	35,506	-	(6,626,243)
	148,898,339	35,506	-	148,933,845
NET INCOME (LOSS)	409,500,688	(6,694,964)	(162,654)	402,643,070
OTHER COMPREHENSIVE INCOME				
<i>Item not to be reclassified to profit or loss in subsequent periods</i>				
Remeasurement gain on retirement liability - net of deferred income tax	1,085,197	-	-	1,085,197
TOTAL COMPREHENSIVE INCOME (LOSS)	P410,585,885	(P6,694,964)	(P162,654)	P403,728,267
SEGMENT ASSETS	P8,201,481,843	P40,250,151	(P119,026,050)	P8,122,705,944
SEGMENT LIABILITIES	P4,841,255,947	P622,257	(P42,863,396)	P4,799,014,808
Other information				
Depreciation and amortization	P469,644,899	P773,275	P-	P470,418,174
Additions to property and equipment and ROU assets	728,915,694	1,053,953	-	729,969,647
Provision for inventory obsolescence	29,340,039	-	-	29,340,039

	2024			
	ICT Products	Water Filtration and Purification Devices	Eliminations	Total
REVENUE	P11,435,439,327	P-	(P184,058)	P11,435,255,269
COST OF SALES	(9,070,808,979)	-	182,236	(9,070,626,743)
GROSS INCOME	2,364,630,348	-	(1,822)	2,364,628,526
OPERATING EXPENSES	(1,913,193,713)	(3,611,619)	1,822	(1,916,803,510)
FINANCE COSTS	(152,435,977)	(102,316)	-	(152,538,293)
OTHER INCOME	341,306,623	1,287	-	341,307,910
INCOME (LOSS) 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 (LOSS)	485,309,026	(3,677,142)	-	481,631,884
OTHER COMPREHENSIVE INCOME				
<i>Item not to be reclassified to profit or loss in subsequent periods</i>				
Remeasurement loss on retirement liability - net of deferred income tax	(674,191)	-	-	(674,191)
TOTAL COMPREHENSIVE INCOME (LOSS)	P484,634,835	(P3,677,142)	P-	P480,957,693
SEGMENT ASSETS	P7,351,928,818	P52,947,664	(P122,238,826)	P7,282,637,656
SEGMENT LIABILITIES	P4,214,788,729	P6,624,806	(P46,238,826)	P4,175,174,709
Other Information				
Depreciation and amortization	P407,128,487	P930,926	P-	P408,059,413
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



**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 years ended December 31, 2025 and 2024 and the Parent Company financial statements for the year ended December 31, 2023 and have issued our report thereon dated February 26, 2026. 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, 2025
- Reconciliation of Parent Company's Retained Earnings Available for Dividends Declaration for the year ended December 31, 2025
- Conglomerate Map as at December 31, 2025

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 financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

REYES TACANDONG & Co.

DARRYL REESE Q. SKLANGAD

Partner

CPA Certificate No.

Tax Identification No.

BOA Accreditation No. Valid until June 6, 2026

SEC Accreditation No.

Issued October 2, 2025

Valid for Financial Period 2029

BIR Accreditation No.

Valid until January 16, 2028

PTR No.

Issued January 2, 2026, Makati City

February 26, 2026

Makati City, Metro Manila

UPSON INTERNATIONAL CORP. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES AS REQUIRED BY PART II OF THE REVISED SRC RULE 68
December 31, 2025

Schedule	Description	Page
A	Financial Assets	N/A
B	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)*	N/A
C	Amounts Receivable from Related Parties which are Eliminated During the Consolidation of the Financial Statements	1
D	Long-Term Debt**	N/A
E	Indebtedness to Related Parties (Long-term Loans from Related Companies)***	N/A
F	Guarantees of Securities of Other Issuers	N/A
G	Capital Stock	2

** 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, 2025.*

*** There are no long-term debt as at December 31, 2025.*

**** There were no indebtedness to related parties as at December 31, 2025.*

UPSON INTERNATIONAL CORP. AND SUBSIDIARIES

SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED
DURING THE CONSOLIDATION OF THE FINANCIAL STATEMENTS

December 31, 2025

Name and designation of debtor	Balance at beginning of year	Additions	Deductions		Ending Balance		Balance at end of year
			Amounts collected	Reversal of write off	Current	Not current	
iStudio Technologies Philippines Corp. (Subsidiary)	P1,101,250	P-	P-	P-	P1,101,250	P-	P1,101,250
Upson Global Inc. (Subsidiary)	3,371,748	482,143	(3,773,534)	-	80,357	-	80,357

UPSON INTERNATIONAL CORP. AND SUBSIDIARIES

SCHEDULE G – CAPITAL STOCK

December 31, 2025

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	1,161,589,434	800,911,866

UPSON INTERNATIONAL CORP. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF PARENT COMPANY'S RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

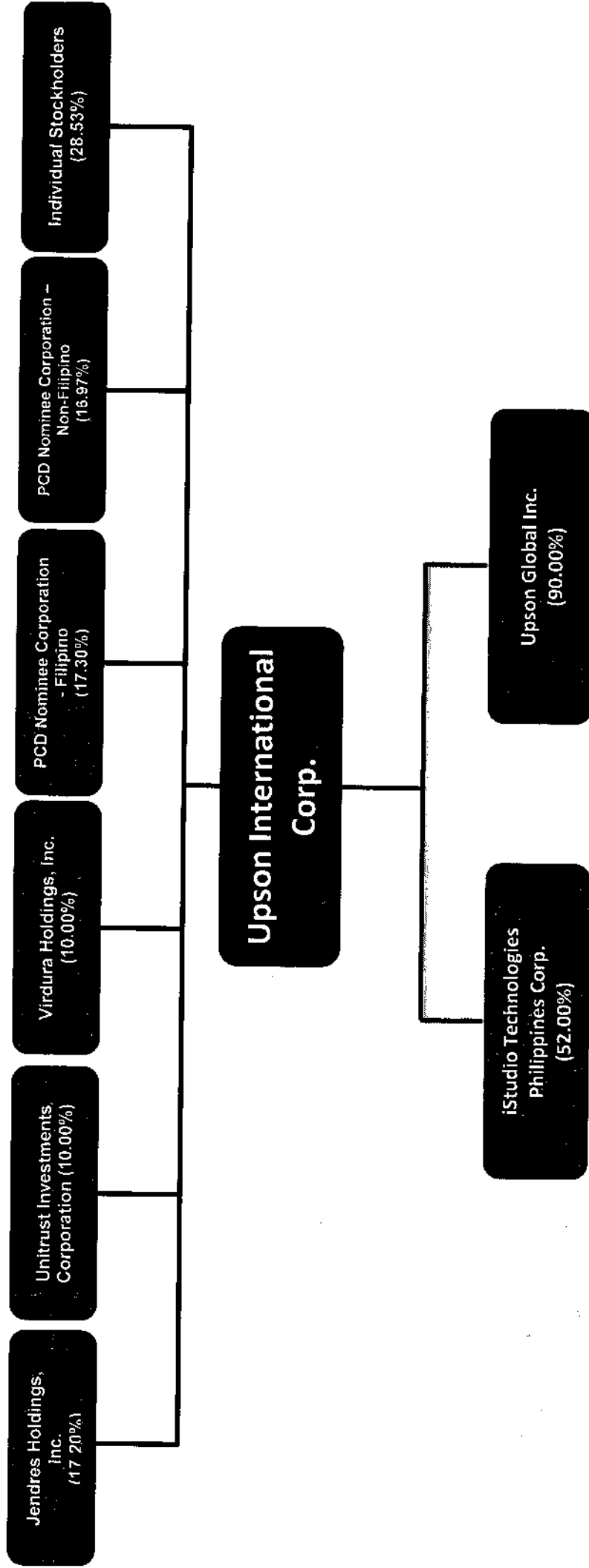
For the Year Ended December 31, 2025

Unappropriated Retained Earnings, beginning of reporting period		P1,148,010,259
Less: <u>Category B:</u> 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		960,510,181
Add: Net Income for the current year		400,201,201
Less: <u>Category F:</u> Other Items that should be excluded from the determination of the amount available for dividends distribution		
Net movement in deferred tax assets		(9,018,170)
Total Retained Earnings, end of the reporting period available for dividend		P1,351,693,212

UPSON INTERNATIONAL CORP. AND SUBSIDIARIES

MAP SHOWING THE RELATIONSHIP BETWEEN AND AMONG THE GROUP

December 31, 2025





**INDEPENDENT AUDITORS' REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and the Board of Directors
Upton 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 Upton International Corp. (Parent Company) and Subsidiaries (the Group) as at and for the years ended December 31, 2025 and 2024 and the Parent Company financial statements for the year ended December 31, 2023 and have issued our report dated February 26, 2026. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the 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 financial statements prepared in accordance with PFRS Accounting Standards. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at and for the years then ended December 31, 2025 and 2024 and the Parent Company financial statements for the year ended December 31, 2023 and no material exceptions were noted.

REYES TACANDONG & Co.

DARRYL REESE Q. SALANGAD

Partner

CPA Certificate No.

Tax Identification No.

BOA Accreditation No. Valid until June 6, 2026

SEC Accreditation No.

Issued October 2, 2025

Valid for Financial Period 2029

BIR Accreditation No.

Valid until January 16, 2028

PTR No.

Issued January 2, 2026, Makati City

February 26, 2026

Makati City, Metro Manila

UPSON INTERNATIONAL CORP. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2025 AND 2024

Ratio	Formula	2025	2024
Current/Liquidity Ratio			
	Current assets	P6,417,055,143	P5,862,284,849
	Divided by: Current liabilities	4,660,621,231	4,028,890,309
	Current/Liquidity ratio	1.38:1.00	1.46:1.00
Solvency Ratio			
	Net income before depreciation and amortization	P873,061,244	P889,691,297
	Divided by: Total liabilities	4,799,014,808	4,175,174,709
	Solvency ratio	0.18:1.00	0.21:1.00
Debt-to-Equity Ratio			
	Total liabilities	P4,799,014,808	P4,175,174,709
	Divided by: Total equity	3,323,691,136	3,107,462,947
	Debt-to-Equity ratio	1.44:1.00	1.34:1.00
Asset-to-Equity Ratio			
	Total assets	P8,122,705,944	P7,282,637,656
	Divided by: Total equity	3,323,691,136	3,107,462,947
	Asset-to-Equity ratio	2.44:1.00	2.34:1.00
Interest Rate Coverage Ratio			
	Income before interest and taxes	P741,198,410	P789,132,926
	Divided by: Interest expense	189,621,495	152,538,293
	Interest Rate Coverage ratio	3.94:1.00	5.17:1.00
Return on Assets Ratio			
	Net income	P402,643,070	P481,631,884
	Divided by: Total assets	8,122,705,944	7,282,637,656
	Return on Assets ratio	0.05:1.00	0.07:1.00
Return on Equity Ratio			
	Net income	P402,643,070	P481,631,884
	Divided by: Total equity	3,323,691,136	3,107,462,947
	Return on Equity ratio	0.12:1.00	0.15:1.00
Net Profit Margin			
	Net income	P402,643,070	P481,631,884
	Divided by: Revenues	12,917,708,126	11,435,255,269
	Net Profit Margin	0.03:1.00	0.04:1.00

UPSON INTERNATIONAL CORP. AND SUBSIDIARIES
SCHEDULE FOR LISTED COMPANIES WITH A
RECENT OFFERING OF SECURITIES TO THE PUBLIC
For the Year Ended December 31, 2025

	As Disclosed in Final Prospectus	Balance as at January 1, 2025	Movements during the Year	Balance as at December 31, 2025
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	(811,232,920)	(590,613,301)	1,401,846,221
Unapplied Proceeds	₱-	₱590,613,301	(₱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
SUPPLEMENTARY SCHEDULE OF EXTERNAL AUDITOR FEE RELATED INFORMATION
December 31, 2025

	Current Year	Prior Year
Total Audit Fees	₱3,800,000	₱3,500,000
Non-audit service fees:		
Other assurance services	-	-
Tax services	-	625,000
All other services:		
Review of Compilation of Nonfinancial Data and Report Summarization and Staff Training	1,150,000	900,000
Agreed-upon Procedures on Use of IPO Proceeds	200,000	200,000
Extended Producers Responsibility (EPR) Audit	180,000	120,000
Total Non-audit Fees	1,530,000	1,845,000
Total Audit and Non-audit Fees	₱5,330,000	₱5,345,000
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	₱-	₱-

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**

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- 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.

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SECURITIES AND EXCHANGE COMMISSION

THE SEC HEADQUARTERS 7907 Makati Avenue, Salcedo Village, Bel-Air, Makati City
1209 Trunk Line No:02-5322-7696 Email Us:www.sec.gov.ph/imessagemo@sec.gov.ph



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

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. SAZANGAD

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

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
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



Arlene Louisa T. Sy
President and Chief Executive Officer




Marcos A. Legaspi
Chief Finance Officer

Signed this 27th day of February 2025

SUBSCRIBED AND SWORN TO
before me on this **FEB 27 2025**

DOC NO. **474**
PAGE NO. **95**
BOOK NO. **VI**
SERIES OF **NS**



ATTY. MARTELLE PENELLE L. LAGUERTA
Notary Public for City of Manila- Until Dec. 31, 2025
Notarial Commission No. _____
Tower 3, 3K, No. 18 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. 88334

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR ANNUAL INCOME TAX RETURNS**

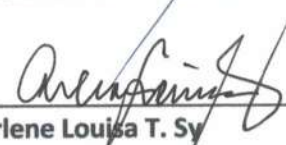
The Management of Upson International Corp. is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2024. Management is likewise responsible for all information and representations contained in the financial statements accompanying 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

		December 31	
	Note	2024	2023
ASSETS			
Current Assets			
Cash and cash equivalents	4	P803,853,994	P1,360,873,502
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
		P7,022,210,109	P6,226,703,035
LIABILITIES AND EQUITY			
Current Liabilities			
Bank loans and trust receipts payable	11	P2,502,957,649	P1,767,613,865
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
		P7,022,210,109	P6,226,703,035

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

	Note	Years Ended December 31		
		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)				
<i>Not to be reclassified to profit or loss in subsequent periods-</i>				
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

	Note	Years Ended December 31		
		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		P635,245,290	P583,986,935	P717,005,262
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	P803,853,994	P1,360,873,502	P801,412,803

		Years Ended December 31		
	Note	2024	2023	2022
NONCASH FINANCIAL INFORMATION				
Additions and modifications to ROU assets	17	(P430,586,994)	(P232,540,827)	(P276,001,099)
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.

UPSON INTERNATIONAL CORP.

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

NOTES TO 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.

Inventories

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

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

Advances to Suppliers

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

Other Assets

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

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

Prepayments. Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are recognized in profit or loss as these are consumed in operations or expire with the passage of time. Prepayments are classified in the 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.

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	P2,573,808	P2,365,464
Cash in banks	499,828,681	558,508,038
Cash equivalents	301,451,505	800,000,000
	P803,853,994	P1,360,873,502

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 P590.6 million and P983.0 million, respectively (see Note 12).

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

	2024	2023	2022
Cash in banks	P2,724,611	P680,425	P544,189
Cash equivalents	24,355,366	46,130,659	-
	P27,079,977	P46,811,084	P544,189

Accrued interest receivable from cash equivalents amounted to P2.1 million and P9.3 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		P206,096,822	P134,936,141
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
		P249,374,354	P181,057,704

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	P2,626,016,085	P1,953,012,515
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	P4,287,010,478	P3,350,825,684

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							
Cost	Land	Building and Building Improvements	Leasehold Improvements	Store Furniture and Equipment	Transportation Equipment	Furniture and Fixtures	Construction in Progress	Total
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							
Cost	Land	Building and Building Improvements	Leasehold Improvements	Store Furniture and Equipment	Transportation Equipment	Furniture and Fixtures	Construction in Progress	Total
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		P857,673,987	P1,256,409,554
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
		P943,395,942	P1,322,843,184

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	P916,666,667	P850,947,198	P1,767,613,865
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	P1,216,666,667	P1,286,290,982	P2,502,957,649

	2023		
	Bank Loans	Trust Receipts	Total
Balance at beginning of year	P641,666,667	P1,092,978,146	P1,734,644,813
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	P916,666,667	P850,947,198	P1,767,613,865

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			Outstanding Balance	
		2024	2023	2022	2024	2023
Trade and Other Receivables (see Note 5)						
Stockholder	Advances for business development expenses	P= 31,791,848		P= 31,791,848	P31,791,848	P31,791,848
Subsidiaries	Advances	4,472,998	-	-	4,472,998	-
	Sales	206,145	-	-	-	-
					P36,264,846	P31,791,848
Trade and Other Payables (see Note 10)						
Entity under common control	Advances from a related party	P=	P=	P=	P=	P25,403,485
Subsidiaries	Subscription payable	115,999,995	-	-	39,999,995	-
					P39,999,995	P25,403,485
Lease Arrangement (see Note 17)						
Entity under common control	ROU asset amortization	(P66,071,327)	(P68,963,541)	(P56,663,023)	P64,809,956	P18,764,032
	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 P157.7 million and P164.9 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	P6,853,860	P6,853,860	P6,853,860
Post-employment benefits	665,628	665,628	298,574
	P7,519,488	P7,519,488	P7,152,434

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	P3,255,830	P2,544,484	P2,627,547
Interest cost	2,596,002	2,474,472	1,654,173
	P5,851,832	P5,018,956	P4,281,720

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

	2024	2023	2022
Selling and marketing expenses	P4,484,267	P3,778,330	P3,318,264
General and administrative expenses	1,367,565	1,240,626	963,456
	P5,851,832	P5,018,956	P4,281,720

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

	2024	2023
Balance at beginning of year	P41,870,993	P33,438,809
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	P48,621,746	P41,870,993

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

Company as Lessee - Short-term Lease

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

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

Company as Lessee - Long-term Lease

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

ROU Assets

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

	Note	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	P801,280,186	P1,358,508,038
Trade receivables	206,096,822	134,936,141
Advances to subsidiaries	4,472,998	-
Accrued interest receivable	2,074,167	9,258,082
	P1,013,924,173	P1,502,702,261

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	P801,280,186	P-	P-	P801,280,186
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
	P807,827,351	P206,096,822	P-	P1,013,924,173

2023				
	12-Month ECL	Lifetime ECL - Not Credit Impaired	Lifetime ECL - Credit Impaired	Total
Cash in banks and cash equivalents	P1,358,508,038	P-	P-	P1,358,508,038
Trade receivables	-	134,936,141	-	134,936,141
Accrued interest receivable	9,258,082	-	-	9,258,082
	P1,367,766,120	P134,936,141	P-	P1,502,702,261

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			Total
	1 to 6 Months	6 Months to 1 Year	More than 1 Year	
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			Total
	1 to 6 Months	6 Months to 1 Year	More than 1 Year	
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	P41,578,261
Others	14,222,378
	<u>P55,800,639</u>

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	P132,140,833	P12,674,343
Final withholding taxes	14,487,528	-
Tax on compensation and benefits	13,792,706	599,921
	<u>P160,421,067</u>	<u>P13,274,264</u>

Tax Cases and Assessments

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



**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.

DARRYLE 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



SECURITIES AND EXCHANGE COMMISSION

THE SEC HEADQUARTERS 7907 Makati Avenue, Salcedo Village, Bel-Air, Makati City
1209 Trunk Line No:02-5322-7696 Email Us:www.sec.gov.ph/imessagemo@sec.gov.ph



The following document has been received:

Receiving: ICTD ERMD

Receipt Date and Time: April 10, 2025 10:21:14 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: OST10410202583156960

Document Type: Financial Statement

Document Code: FS

Period Covered: December 31, 2024

Submission Type: Consolidated

Remarks: None

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

COVER SHEET

for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A S 9 5 0 0 3 8 3 6

COMPANY NAME

U p s o n I n t e r n a t i o n a l C o r p . a n d S u b s i d i a r
i e s

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

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

Form Type

A A C F S

Department Requiring the Report

C R M D

Secondary License Type, If Applicable

N / A

COMPANY INFORMATION

Company's Email Address

d_uy@octagon.com.ph

Company's Telephone Number/s

(02) 8 526-7152

Mobile Number

0920 960 9377

No. of Stockholders

10

Annual Meeting (Month / Day)

May 25

Calendar Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Ms. Anita Lim

Email Address

a_lim@octagon.com.ph

Telephone Number/s

(02) 8 526-7152

Mobile Number

-

CONTACT PERSON'S ADDRESS

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

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

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

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

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
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

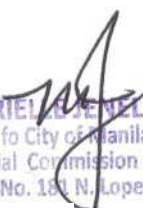
SUBSCRIBED AND SWORN TO
before me on this **FEB 27 2025**



Marcos A. Legaspi
Chief Finance Officer

Signed this 27th day of February 2025

DOC NO. 475
PAGE NO. 95
BOOK NO. 11
SERIES OF X



ATTY. MARIEL B. JENELE L. LAGUERTA
Notary Public for 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 Rolli 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)				
<i>Not to be reclassified to profit or loss in subsequent periods</i>				
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	(P434,237,135)	(P232,540,827)	(P276,001,099)
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:

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

The Parent Company and iStudio are primarily engaged in the business of buying, selling, distributing, marketing, at wholesale and retail all kinds of goods, commodities, wares and merchandise such as but not limited to computer hardware equipment, telecommunications and other similar products.

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

<u>Company Name</u>	<u>Registered Business Address</u>
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.

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	P2,611,864	P2,365,464
Cash in banks	585,287,104	558,508,038
Cash equivalents	301,451,505	800,000,000
	P889,350,473	P1,360,873,502

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 P590.6 million and P983.0 million, respectively (see Note 11).

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

	2024	2023	2022
Cash in banks	P2,730,178	P680,425	P544,189
Cash equivalents	24,355,366	46,130,659	-
	P27,085,544	P46,811,084	P544,189

Accrued interest receivable from cash equivalents amounted to P2.1 million and P9.3 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 voluntarily 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
	<u>₱1,305,308,048</u>

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	P-	₱31,791,848	P-	₱31,791,848	₱31,791,848
Trade and Other Payables (see Note 9)						
Entity under common control	Advances (payments)	(₱25,403,485)	P-	P-	P-	₱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	(P5,515,205)
	-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	P9,086,274	(P2,271,569)	P6,814,705
Remeasurement loss	898,921	(224,730)	674,191
Balance at end of year	P9,985,195	(P2,496,299)	P7,488,896

	2023		
	Accumulated Remeasurement Losses	Deferred Income Tax (see Note 17)	Accumulated Remeasurement Losses, Net of Tax
Balance at beginning of year	P5,673,046	(P1,418,262)	P4,254,784
Remeasurement loss	3,413,228	(853,307)	2,559,921
Balance at end of year	P9,086,274	(P2,271,569)	P6,814,705

	2022		
	Accumulated Remeasurement Losses	Deferred Income Tax (see Note 17)	Accumulated Remeasurement Losses, Net of Tax
Balance at beginning of year	P8,326,975	(P2,081,744)	P6,245,231
Remeasurement gain	(2,653,929)	663,482	(1,990,447)
Balance at end of year	P5,673,046	(P1,418,262)	P4,254,784

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 unused, 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	P159,148,658	P145,996,734	P179,251,315
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	-	-
	P154,962,749	P119,796,117	P179,149,281

In 2024, the UGI incurred NOLCO amounting to P3.5 million that will expire in 2027.

As at December 31, 2024, deferred tax asset arising from UGI's NOLCO amounting to P0.7 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		P14,853,717	P12,942,248
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)
		P17,925,407	P19,060,904

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	P886,738,609	P1,358,508,038
Trade receivables	284,735,673	134,936,141
Accrued interest receivable	2,074,167	9,258,082
	P1,173,548,449	P1,502,702,261

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	P4,175,174,709	P3,424,697,703
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	P1,767,613,865	P2,883,052,863	P-	(P2,147,709,079)	P-	P2,502,957,649
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
	P2,046,651,875	P3,506,564,156	P161,580,781	(P2,808,860,907)	(P1,929,751)	P2,904,006,154

	December 31, 2022	Additions	Accretion/ Interest expense	Payment	Non-cash Changes	December 31, 2023
Bank loans and trust receipts payable	P1,734,644,813	P2,611,018,632	P-	(P2,578,049,580)	P-	P1,767,613,865
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
	P2,263,515,513	P2,979,793,604	P134,569,137	(P3,330,795,967)	(P430,412)	P2,046,651,875

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	P480,176,768	P464,190,818	P537,855,981
Divided by weighted average number of outstanding shares	3,125,001,300	2,968,751,050	2,500,000,300
	P0.15	P0.16	P0.22

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			Total
	ICT Products	Water Filtration and Purification Devices	Eliminations	
REVENUE	P11,435,439,327	P-	(P184,058)	P11,435,255,269
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				
<i>Not to be reclassified to profit or loss in subsequent periods</i>				
Remeasurement loss on retirement liability - net of deferred income tax	(674,191)	-	-	(674,191)
TOTAL COMPREHENSIVE INCOME	P484,634,835	(P3,677,142)	P-	P480,957,693
SEGMENT ASSETS	P7,351,928,818	P52,947,664	(P122,238,826)	P7,282,637,656
SEGMENT LIABILITIES	P4,214,788,729	P6,624,806	(P46,238,826)	P4,175,174,709
Other Information				
Depreciation and amortization	P407,128,487	P930,926	P-	P408,059,413
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



**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.

DARRYLE 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



**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.

DAKRYLL REESE Q. SAJANGAD

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

Schedule	Description	Page
A	Financial Assets	N/A
B	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)*	N/A
C	Amounts Receivable from Related Parties which are Eliminated During the Consolidation of the Financial Statements	1
D	Long-Term Debt**	N/A
E	Indebtedness to Related Parties (Long-term Loans from Related Companies)***	N/A
F	Guarantees of Securities of Other Issuers	N/A
G	Capital Stock	2

** 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

Name and designation of debtor	Balance at beginning of year	Additions	Deductions		Ending Balance		Balance at end of year
			Amounts collected	Reversal of write off	Current	Not current	
Upson Global Inc. (Subsidiary)	P--	₱3,371,748	P--	P--	₱3,371,748	P--	₱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

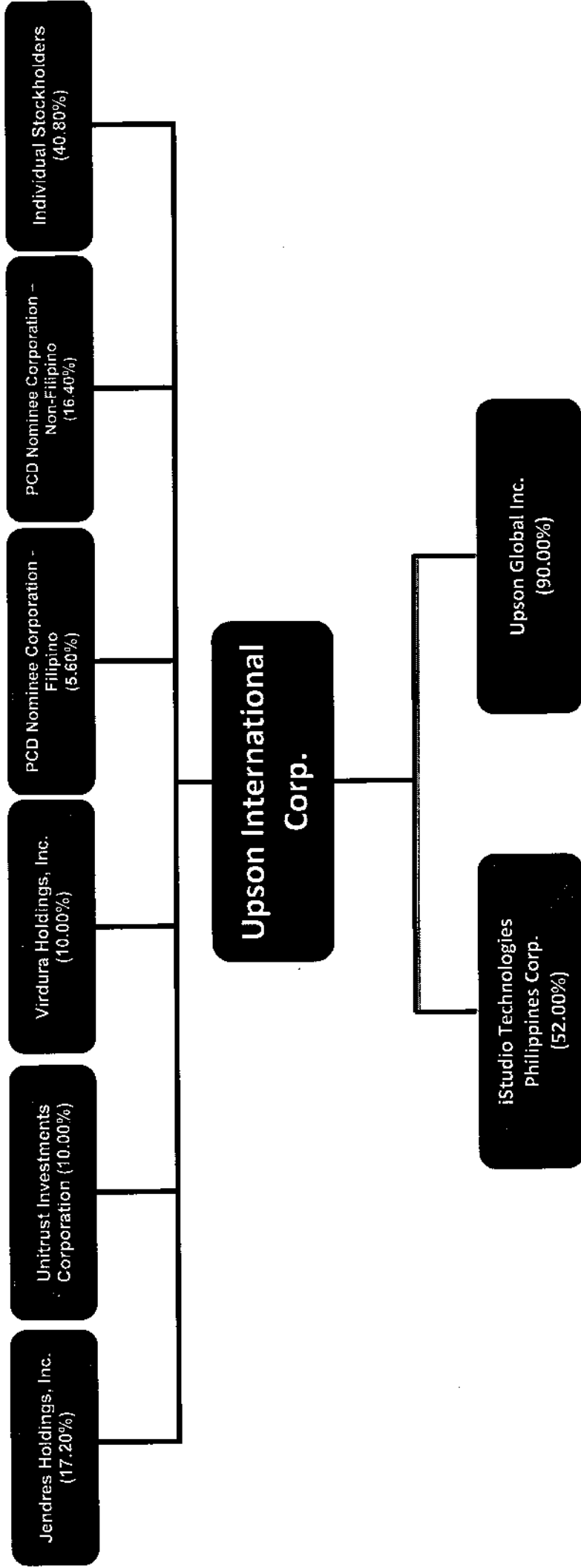
December 31, 2024

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 reporting period		P779,373,301
Less: <u>Category A:</u> Items that are directly credited to Unappropriated Retained Earnings		
Reversal of retained earnings appropriation	78,000,000	78,000,000
<u>Category B:</u> 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: <u>Category F:</u> 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		<u>P1,148,010,259</u>

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	₱-	₱-

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

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

1. Date of Report (Date of earliest event reported)
Mar 22, 2024
2. SEC Identification Number
AS95003836
3. BIR Tax Identification No.
004-780-008-000
4. Exact name of issuer as specified in its charter
Upson International Corp.
5. Province, country or other jurisdiction of incorporation
Metro Manila, Philippines
6. Industry Classification Code(SEC Use Only)
7. Address of principal office
Unit 2308, 23/F Capital House Tower 1, 9th Avenue corner 34th Street, Bonifacio Global
City, Taguig City
Postal Code
1635
8. Issuer's telephone number, including area code
+632 8526 7152
9. Former name or former address, if changed since last report
-
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	3,125,001,300
11. Indicate the item numbers reported herein
Please refer to the attached Letter to the SEC and the PSE.

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

Upson International Corp.

UPSON

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

Subject of the Disclosure

Audited Financial Statements for the period ended December 31, 2023

Background/Description of the Disclosure

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

Other Relevant Information

-

Filed on behalf by:

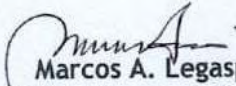
Name	Arlene Louisa Sy
Designation	Chief Executive Officer

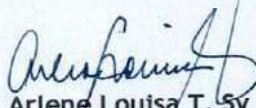
SIGNATURES

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

Upson International Corp.
Issuer

March 22, 2024
Date


Marcos A. Legaspi
Chief Finance Officer


Arlene Louisa T. Sy
Chief Executive Officer
and President

March 22, 2024

Securities and Exchange Commission

7907 Makati Avenue, Salcedo Village,
Bel-Air, Makati City, 1209

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

Philippine Stock Exchange, Inc.

PSE Tower, 5th Avenue cor. 28th Street,
Bonifacio Global City, Taguig City 1634

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

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

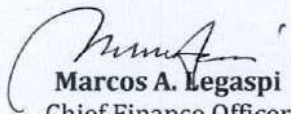
Gentlemen :

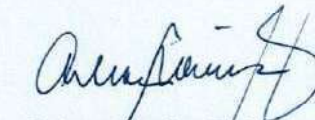
We are submitting herewith the attached Audited Financial Statements of Upson International Corp. for the period ended December 31, 2023.

We hope you find everything in order.

Thank you.

Very truly yours,


Marcos A. Legaspi
Chief Finance Officer


Arlene Louisa T. Sy
Chief Executive Officer
and President

COVER SHEET

for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A S 9 5 0 0 3 8 3 6

COMPANY NAME

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

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

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

Form Type

A A F S

Department requiring the report

C R M D

Secondary License Type, If Applicable

N / A

COMPANY INFORMATION

Company's Email Address

d_uy@octagon.com.ph

Company's Telephone Number/s

(02) 8 526-7152

Mobile Number

0920 960 9377

No. of Stockholders

10

Annual Meeting (Month / Day)

May 25

Calendar Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Ms. Anita Lim

Email Address

a_lim@octagon.com.ph

Telephone Number/s

(02) 8 526-7152

Mobile Number

-

CONTACT PERSON'S ADDRESS

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

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

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

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The management of **UPSON International Corp.** (the Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as at December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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


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

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

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



Lawrence Ong Lee
Chairman of the Board



Arlene Louisa T. Sy
President and Chief Executive Officer



Marcos A. Legaspi
Chief Financial Officer

Signed this 28th day of February 2024

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



RAUL JOHN Y. TAÑEDO
NOTARY PUBLIC

UNTIL DECEMBER 31, 2025

PTR NO. 61-23-24 QUEZON CITY
TBP LIFETIME NO. RSM / ROLL NO.
MCLE COMPLIANCE NO. / VALID UNTIL 04.14.2025

CO. NO. 
PAGE NO. 
BOOK NO. 
SERIES OF

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Upson International Corp. (Doing Business Under the Name and Style of Octagon Computer Superstore; Microvalley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light) (the Company), which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2023, 2022 and 2021, and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years ended December 31, 2023, 2022 and 2021 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Key Audit Matters

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



Accounting for Completeness and Valuation of Inventories

Inventories, net of allowance for inventory write down and losses, amounted to ₱3,350.8 million as at December 31, 2023. The accounting for the completeness and valuation of inventories is significant to our audit because inventories represent 54% of the total assets. Due to the significant amount, voluminous inventory items and fast-moving nature of the inventories, establishing the existence and completeness, and determining the proper valuation of inventories require extensive monitoring, and high degree of management judgment and estimation.

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

Necessary disclosures are included in Note 3, *Significant Judgments, Accounting Estimates and Assumptions*, and Note 6, *Inventories*.

Accounting for the Use of the Proceeds from the Initial Public Offering (IPO)

The shares of stock of the Company were listed with the Philippine Stock Exchange, Inc. on April 3, 2023. The net proceeds from the IPO amounted to ₱1,401.8 million, net of offer expenses of ₱98.2 million. The accounting for the use of the proceeds is significant to our audit because the unapplied proceeds of ₱983.0 million, which are maintained in the Company's cash in bank and cash equivalents, represent 16% of the total assets as at December 31, 2023. The Company is also required to adhere to the use of the proceeds as disclosed in the Offering Circular.

Our procedures included, among others, obtaining confirmation from the banks and examining the underlying documents to substantiate the cash in bank and cash equivalents, and checking the nature and validating the underlying documents supporting the actual disbursements of the IPO proceeds.

Necessary disclosures are included in Note 1, *Corporate Information* and Note 11, *Equity*.

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

ROU assets and lease liabilities amounted to ₱275.4 million and ₱275.2 million as at December 31, 2023, respectively. The accounting for the recognition and measurement of ROU assets and lease liabilities are significant to our audit because there were significant additions in 2023 amounting to ₱232.9 million and ₱230.8 million for ROU assets and lease liabilities, respectively, arising from the Company's ongoing store network expansion. In addition, the recognition and measurement of ROU assets and lease liabilities involves the exercise of significant management judgment and estimate that include, among others, (a) assessing whether a contract contains a lease; (b) determining the lease term taking into consideration the renewal options; and (c) determining the appropriate discount rate.



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

Necessary disclosures are included in Note 2, *Summary of Material Accounting Policy Information*, Note 3, *Significant Judgments, Accounting Estimates and Assumptions* and Note 16, *Lease Commitments*.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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



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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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



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

REYES TACANDONG & Co.

DARRYL REESE Q. SALANGAD

Partner

CPA Certificate No.

Tax Identification No.

BOA Accreditation No. Valid until April 13, 2024

BIR Accreditation No.

Valid until May 15, 2025

PTR No.

Issued January 2, 2024, Makati City

February 28, 2024

Makati City, Metro Manila

UPSON INTERNATIONAL CORP.

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

STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2023	2022
ASSETS			
Current Assets			
Cash and cash equivalents	4	₱1,360,873,502	₱801,412,803
Trade and other receivables	5	181,057,704	63,034,224
Inventories	6	3,350,825,684	2,666,559,469
Other current assets	7	160,316,057	156,807,491
Total Current Assets		5,053,072,947	3,687,813,987
Noncurrent Assets			
Property and equipment	8	819,418,924	689,495,330
Right-of-use (ROU) assets	16	275,426,853	251,313,980
Noncurrent portion of refundable lease deposits	7	59,723,407	40,143,243
Net deferred tax assets	17	19,060,904	20,397,056
Total Noncurrent Assets		1,173,630,088	1,001,349,609
		₱6,226,703,035	₱4,689,163,596
LIABILITIES AND EQUITY			
Current Liabilities			
Bank loans and trust receipts payable	10	₱1,767,613,865	₱1,734,644,813
Trade and other payables	9	1,322,843,184	1,535,686,751
Current portion of lease liabilities	16	147,320,374	154,972,049
Income tax payable		17,175,989	86,716,201
Total Current Liabilities		3,254,953,412	3,512,019,814
Noncurrent Liabilities			
Lease liabilities - net of current portion	16	127,873,298	95,638,729
Retirement liability	15	41,870,993	33,438,809
Total Noncurrent Liabilities		169,744,291	129,077,538
Total Liabilities		3,424,697,703	3,641,097,352
Equity			
Capital stock	11	625,000,260	500,000,060
Additional paid-in capital	11	1,305,308,048	-
Retained earnings	11	878,511,729	552,320,968
Accumulated rereasurement losses on retirement liability	15	(6,814,705)	(4,254,784)
Total Equity		2,802,005,332	1,048,066,244
		₱6,226,703,035	₱4,689,163,596

See accompanying Notes to Financial Statements.

UPSON INTERNATIONAL CORP.

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

STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	2023	2022	2021
NET SALES		₱10,010,358,499	₱9,461,981,130	₱8,567,941,202
COST OF SALES	6	(7,932,978,469)	(7,282,799,061)	(6,682,292,006)
GROSS INCOME		2,077,380,030	2,179,182,069	1,885,649,196
OPERATING EXPENSES	12	(1,675,980,429)	(1,530,103,748)	(1,322,687,810)
FINANCE COSTS	10	(123,495,021)	(74,147,403)	(116,263,266)
OTHER INCOME	13	306,082,355	142,074,344	90,852,948
INCOME BEFORE INCOME TAX		583,986,935	717,005,262	537,551,068
PROVISION FOR (BENEFIT FROM) INCOME TAX	17			
Current		117,606,658	184,132,156	112,615,259
Deferred		2,189,459	(4,982,875)	21,294,652
		119,796,117	179,149,281	133,909,911
NET INCOME		464,190,818	537,855,981	403,641,157
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Not to be reclassified to profit or loss in subsequent periods</i>				
Remeasurement gain (loss) on retirement liability - net of deferred income tax	15	(2,559,921)	1,990,447	(2,519,339)
TOTAL COMPREHENSIVE INCOME		₱461,630,897	₱539,846,428	₱401,121,818
BASIC/DILUTED EARNINGS PER SHARE	22	₱0.16	₱0.22	₱0.30

See accompanying Notes to Financial Statements.

UPSON INTERNATIONAL CORP.

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

STATEMENTS OF CHANGES IN EQUITY

	Note	Years Ended December 31		
		2023	2022	2021
CAPITAL STOCK	11			
Balance at beginning of year		₱500,000,060	₱500,000,000	₱267,500,000
Issuance		125,000,200	60	232,500,000
Balance at end of year		625,000,260	500,000,060	500,000,000
ADDITIONAL PAID-IN CAPITAL	11	1,305,308,048	–	–
RETAINED EARNINGS	11			
APPROPRIATED FOR CAPITAL EXPENDITURES		78,000,000	–	–
UNAPPROPRIATED				
Balance at beginning of year		552,320,968	404,464,987	307,823,830
Net income		464,190,818	537,855,981	403,641,157
Appropriation		(78,000,000)	–	–
Cash dividends		(138,000,057)	(390,000,000)	(307,000,000)
Balance at end of year		800,511,729	552,320,968	404,464,987
		878,511,729	552,320,968	404,464,987
ACCUMULATED REMEASUREMENT LOSSES ON RETIREMENT LIABILITY	15			
Balance at beginning of year		(4,254,784)	(6,245,231)	(3,477,499)
Remeasurement gain (loss) - net of deferred income tax		(2,559,921)	1,990,447	(2,519,339)
Effect of change in income tax rate		–	–	(248,393)
Balance at end of year		(6,814,705)	(4,254,784)	(6,245,231)
		₱2,802,005,332	₱1,048,066,244	₱898,219,756

See accompanying Notes to Financial Statements.

UPSON INTERNATIONAL CORP.

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

STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		₱583,986,935	₱717,005,262	₱537,551,068
Adjustments for:				
Depreciation and amortization	8	309,075,012	280,830,339	303,334,752
Finance costs	10	123,495,021	74,147,403	116,263,266
Interest income	4	(46,811,084)	(544,189)	(710,294)
Retirement expense	15	5,018,956	4,281,720	3,273,667
Provision for (reversal of) inventory obsolescence	12	2,916,376	24,841,900	(7,346,324)
Gain on lease modification	16	(102,070)	-	(621,157)
Gain on lease concessions	16	-	(17,500,079)	(52,687,895)
Operating income before working capital changes		977,579,146	1,083,062,356	899,057,083
Decrease (increase) in:				
Trade and other receivables		(108,765,398)	(24,351,690)	51,885,978
Inventories		(687,182,591)	(684,127,133)	(520,227,512)
Other assets		(25,182,984)	(32,216,675)	(23,897,105)
Increase (decrease) in trade and other payables		61,572,017	(527,961,576)	607,294,769
Net cash generated from (used for) operations		218,020,190	(185,594,718)	1,014,113,213
Income taxes paid		(187,146,870)	(135,154,934)	(91,805,655)
Interest received		37,553,002	544,189	710,294
Net cash provided by (used in) operating activities		68,426,322	(320,205,463)	923,017,852
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment	8	(219,496,536)	(109,233,206)	(58,818,497)
Decrease in advances to a related party		-	-	1,098,699,844
Net cash provided by (used in) investing activities		(219,496,536)	(109,233,206)	1,039,881,347
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Bank loans and trust receipts availments	10	2,611,018,632	2,870,048,222	2,854,817,472
Issuance of capital stock	11	1,430,308,248	60	232,500,000
Payments of:				
Bank loans and trust receipts	10	(2,578,049,580)	(2,381,838,159)	(4,093,501,174)
Lease liabilities	16	(220,119,782)	(180,629,861)	(126,213,919)
Interest		(119,320,548)	(62,825,209)	(103,552,641)
Dividends	21	(413,306,057)	(114,694,000)	(307,000,000)
Net cash provided by (used in) financing activities		710,530,913	130,061,053	(1,542,950,262)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		559,460,699	(299,377,616)	419,948,937
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		801,412,803	1,100,790,419	680,841,482
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	₱1,360,873,502	₱801,412,803	₱1,100,790,419

		Years Ended December 31		
	Note	2023	2022	2021
NONCASH FINANCIAL INFORMATION				
Additions and modifications to ROU assets	16	(₱232,540,827)	(₱276,001,099)	(₱198,491,372)
Additions and modifications to lease liabilities	16	230,344,503	276,001,099	197,870,215
Capitalized borrowing costs	8	11,074,116	–	–

See accompanying Notes to Financial Statements.

UPSON INTERNATIONAL CORP.

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

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2023 AND 2022

AND FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 and 2021

1. Corporate Information

Upson International Corp. (Doing Business Under the Name and Style of Octagon Computer Superstore; Microvalley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light) (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on April 19, 1995. The Company is primarily engaged in the business of buying, selling, distributing, marketing, at wholesale and retail all kinds of goods, commodities, wares and merchandise such as but not limited to computer hardware equipment, telecommunications and other similar products.

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

Initial Public Offering (IPO)

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

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

Approval of Financial Statements

The financial statements of the Company as at December 31, 2023 and 2022, and for the years ended December 31, 2023, 2022 and 2021 were approved and authorized for issuance by the Company's BOD, as approved and endorsed by the Audit Committee, on February 28, 2024.

2. Summary of Material Accounting Policy Information

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

Basis of Preparation and Statement of Compliance

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

Measurement Bases

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

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

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

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

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

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

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

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

Adoption of Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following relevant amended PFRS effective for annual periods beginning or after January 1, 2023:

- Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial,

(2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods.
- Amendments to PAS 12, *Income Taxes - Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.
- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments.

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

Amended PFRS in Issue but not yet Effective

Relevant amended PFRS, which is not yet effective as at December 31, 2023 and has not been applied in preparing the financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2024:

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

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

Current versus Noncurrent Classification

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

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

Financial Assets and Liabilities

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

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

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

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

As at December 2023 and 2022, the Company does not have financial assets at FVPL and FVOCI, and financial liabilities at FVPL.

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

As at December 31, 2023 and 2022, the Company's cash in banks, cash equivalents, trade receivables and accrued interest receivable are classified under this category. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placement and which are subject to an insignificant risk of changes in value.

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

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

As at December 31, 2023 and 2022, the Company's trade and other payables (excluding statutory payables), bank loans and trust receipts payable, and lease liabilities are classified under this category.

Impairment of Financial Assets

The Company recognizes an allowance for ECL on its financial assets at amortized cost.

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

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

Reclassification

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

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

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

Derecognition of Financial Assets and Liabilities

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

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

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

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

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

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

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

Offsetting of Financial Assets and Liabilities

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

Classification of Financial Instrument between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

Inventories

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

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

Advances to Suppliers

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

Other Assets

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

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

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

Property and Equipment

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

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

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

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

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

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

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

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

Impairment of Nonfinancial Assets

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

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

IPO Costs

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

Capital Stock

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

Additional Paid-in Capital (APIC)

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

Retained Earnings

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

Dividend Distribution

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

Other Comprehensive Income (Loss)

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

Basic and Diluted Earnings Per Share (EPS)

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

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

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

Segment Reporting

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

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

Revenue Recognition

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

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

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

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

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

Other Income. Income is recognized when earned.

Cost and Expense Recognition

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

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

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

Borrowing Costs

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

Leases

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

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

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

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

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

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

- i. the amount of the initial measurement of lease liabilities;
- ii. any lease payments made at or before the commencement date less any lease incentives received;
- iii. any initial direct costs; and
- iv. an estimation of costs to be incurred by the Company in dismantling and removing the underlying asset, when applicable.

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

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

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

- i. fixed payments, including in-substance fixed payments;
- ii. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- iii. amounts expected to be payable by the lessee under residual value guarantees; and
- iv. the exercise price under a purchase option that the Company is reasonably certain to exercise; lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

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

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

Employee Benefits

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

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

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

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

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

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

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

Foreign Currency Transactions and Translation

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

Related Party Relationships and Transactions

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

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

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

Income Tax

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

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

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

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

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

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

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

VAT

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

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and,
- receivables and payables that are stated with the amount of VAT included.

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

Provisions

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

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

Contingencies

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

Events after the Reporting Date

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

3. Significant Judgments, Accounting Estimates and Assumptions

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

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

Judgments

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

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

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

Assessing the Renewal Options of Lease Agreements. The Company's lease agreements contain renewal options that is exercisable upon the mutual agreement of the Company and the lessors. The Company makes an assessment, at the commencement of the lease, whether it is reasonably certain that the renewal options will be exercised by the Company and will be agreed to by the lessors under the circumstances. As at December 31, 2023 and 2022, the Company has assessed that it is not reasonably certain that the renewal options will be mutually agreed by the Company and the lessors. As a result, the renewal options in the lease agreements were not considered in determining the lease term of the agreements.

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

Estimates and Assumptions

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

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

The Company has assessed that the ECL on trade receivables are not material as these pertain mainly to receivables from credit card companies and reputable third parties which are generally collected within three (3) to thirty (30) days from the date of transaction. No ECL was recognized for trade receivables in 2023, 2022 and 2021.

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

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

The information about the ECL on the Company's other financial assets at amortized cost, comprising of cash in banks, cash equivalents and accrued interest receivable, is disclosed in Note 18 to the financial statements. The carrying amounts of the Company's cash in banks and cash equivalents, and accrued interest receivable as at December 31, 2023 and 2022 are disclosed in Notes 4 and 5, respectively.

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

Refer to Note 6 for the carrying amounts of inventories as at December 31, 2023 and 2022. The Company wrote off inventories which were determined to be worthless amounting to ₱58.5 million in 2021. No inventories were written off in 2023 and 2022. Provision for (reversal of) inventory obsolescence amounted to ₱2.9 million, ₱24.8 million and (₱7.3 million) in 2023, 2022 and 2021, respectively. Allowance for inventory obsolescence amounted to ₱51.8 million and ₱48.9 million as at December 31, 2023 and 2022, respectively.

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

As at December 31, 2023 and 2022, the carrying amounts of property and equipment and ROU assets are disclosed in Notes 8 and 16, respectively. There were no changes in the estimated useful lives of these property and equipment and ROU assets in 2023, 2022 and 2021.

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

The carrying amounts of the Company's nonfinancial assets are as follows:

	Note	2023	2022
Property and equipment	8	₱819,418,924	₱689,495,330
ROU assets	16	275,426,853	251,313,980
Refundable lease deposits	7	213,463,543	177,620,244
Advances to a stockholder	5	31,791,848	–
Prepayments	7	3,685,777	18,562,429
Advances to suppliers	5	3,308,220	7,694,633
Input VAT	7	2,890,144	768,061
Advances to officers and employees	5	1,763,413	30,021

There were no impairment loss recognized on nonfinancial assets in 2023, 2022 and 2021.

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

The carrying amounts of retirement liability, retirement expense and the assumptions used in calculating such amounts, which include among others, discount rates and expected rates of salary increase, are disclosed in Note 15.

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

The carrying amounts of deferred tax assets recognized in the statements of financial position are disclosed in Note 17.

4. Cash and Cash Equivalents

This account consists of:

	2023	2022
Cash on hand	₱2,365,464	₱2,151,136
Cash in banks	558,508,038	799,261,667
Cash equivalents	800,000,000	–
	₱1,360,873,502	₱801,412,803

Cash in banks earn interest at prevailing bank deposit rates. Cash equivalents pertain to time deposit with maturity term of three months and earns interest at 6% per annum.

As at December 31, 2023, the cash and cash equivalents include the unapplied proceeds amounting to ₱983.0 million (see Note 11).

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

	2023	2022	2021
Cash in banks	₱680,425	₱544,189	₱710,294
Cash equivalents	46,130,659	–	–
	₱46,811,084	₱544,189	₱710,294

Accrued interest receivable from cash equivalents amounted to ₱9.3 million and nil as at December 31, 2023 and 2022, respectively (see Note 5).

5. Trade and Other Receivables

This account consists of:

	Note	2023	2022
Trade		₱134,936,141	₱55,309,570
Advances to:			
Stockholder	14	31,791,848	–
Suppliers		3,308,220	7,694,633
Officers and employees		1,763,413	30,021
Accrued interest receivable	4	9,258,082	–
		₱181,057,704	₱63,034,224

Trade receivables are noninterest-bearing and are generally settled within three to 30 days after the reporting period. No ECL was recognized for trade receivables in 2023, 2022 and 2021.

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

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

6. Inventories

This account consists of:

	2023	2022
At cost:		
Computers and peripherals	₱1,953,012,515	₱1,734,670,678
Accessories	589,958,494	515,993,669
Mobile phones	519,145,107	271,236,350
Printers and scanners	251,766,243	96,397,487
Consumables	88,712,318	97,113,902
	3,402,594,677	2,715,412,086
Less allowance for inventory obsolescence	(51,768,993)	(48,852,617)
At net realizable value	₱3,350,825,684	₱2,666,559,469

Movements in the allowance for inventory obsolescence are as follows:

	Note	2023	2022
Balance at beginning of year		₱48,852,617	₱24,010,717
Provision for inventory obsolescence	12	2,916,376	24,841,900
Balance at end of year		₱51,768,993	₱48,852,617

The Company's inventories are stated at NRV as at December 31, 2023 and 2022.

Under the terms of agreements, merchandise inventories amounting to ₱2,036.0 million and ₱2,510.2 million as at December 31, 2023 and 2022, respectively, are covered by trust receipts issued by local banks (see Note 10).

Cost of inventories sold during the period follows:

	2023	2022	2021
Inventories at beginning of year	₱2,715,412,086	₱2,031,284,953	₱1,569,558,866
Purchases	8,620,161,060	7,966,926,194	7,144,018,093
Cost of goods available for sale	11,335,573,146	9,998,211,147	8,713,576,959
Less inventories at end of year	(3,402,594,677)	(2,715,412,086)	(2,031,284,953)
	₱7,932,978,469	₱7,282,799,061	₱6,682,292,006

7. Other Assets

This account includes:

	Note	2023	2022
Refundable lease deposits	16	₱213,463,543	₱177,620,244
Prepayments		3,685,777	18,562,429
Input VAT		2,890,144	768,061
		220,039,464	196,950,734
Less noncurrent portion of refundable lease deposits		59,723,407	40,143,243
		₱160,316,057	₱156,807,491

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

Certain refundable lease deposits in 2022 were reclassified to conform with the current year presentation. The reclassification resulted to a reduction of the current assets by ₱40.1 million and consequently, increase in noncurrent assets as at December 31, 2022. There were no impact on the statement of comprehensive income and statement of cash flows for the year ended December 31, 2022.

8. Property and Equipment

Movements in this account follow:

December 31, 2023								
	Land	Building and Building Improvements	Leasehold Improvements	Store Furniture and Equipment	Transportation Equipment	Furniture and Fixtures	Construction in Progress	Total
Cost								
Balance at beginning of year	P201,025,000	P208,474,487	P526,265,782	P112,353,141	P123,990,094	P103,358,684	P78,960,249	P1,354,427,437
Additions	-	-	46,408,731	31,007,642	9,334,000	6,652,185	137,168,094	230,570,652
Transfers	-	-	36,808,413	-	-	-	(36,808,413)	-
Balance at end of year	201,025,000	208,474,487	609,482,926	143,360,783	133,324,094	110,010,869	179,319,930	1,584,998,089
Accumulated Depreciation and Amortization								
Balance at beginning of year	-	16,026,206	398,005,308	70,454,834	97,063,253	83,382,506	-	664,932,107
Depreciation and amortization	-	8,255,679	50,919,562	18,640,489	15,579,353	7,251,975	-	100,647,058
Balance at end of year	-	24,281,885	448,924,870	89,095,323	112,642,606	90,634,481	-	765,579,165
Carrying Amount	P201,025,000	P184,192,602	P160,558,056	P54,265,460	P20,681,488	P19,376,388	P179,319,930	P819,418,924

December 31, 2022								
	Land	Building and Building Improvements	Leasehold Improvements	Store Furniture and Equipment	Transportation Equipment	Furniture and Fixtures	Construction in Progress	Total
Cost								
Balance at beginning of year	P201,025,000	P29,192,000	P494,069,077	P87,740,359	P121,320,451	P97,465,164	P214,382,180	P1,245,194,231
Additions	-	-	5,408,056	24,612,782	2,669,643	5,893,520	70,649,205	109,233,206
Transfers	-	179,282,487	26,788,649	-	-	-	(206,071,136)	-
Balance at end of year	201,025,000	208,474,487	526,265,782	112,353,141	123,990,094	103,358,684	78,960,249	1,354,427,437
Accumulated Depreciation and Amortization								
Balance at beginning of year	-	7,784,533	335,440,152	57,305,383	81,536,984	80,187,625	-	562,254,677
Depreciation and amortization	-	8,241,673	62,565,156	13,149,451	15,526,269	3,194,881	-	102,677,430
Balance at end of year	-	16,026,206	398,005,308	70,454,834	97,063,253	83,382,506	-	664,932,107
Carrying Amount	P201,025,000	P192,448,281	P128,260,474	P41,898,307	P26,926,841	P19,976,178	P78,960,249	P689,495,330

Construction in progress represents the accumulated costs incurred in the construction of a warehouse and additional stores which are expected to be completed in 2024. As at December 31, 2023, the estimated total cost to complete the warehouse and store branches amounted to ₱53.4 million. In 2023, borrowing costs amounting to ₱11.1 million were capitalized using the capitalization rate of 5.69% (see Note 10).

The Company's building with a carrying amount of ₱164.9 million and ₱172.7 million as at December 31, 2023 and 2022, respectively, was used as collateral for a related party's outstanding loan with a local bank (see Note 14).

Fully depreciated property and equipment still being used by the Company amounted to ₱123.7 million and ₱118.6 million as at December 31, 2023 and 2022, respectively.

Depreciation and amortization are recognized from:

	Note	2023	2022	2021
ROU assets	16	₱208,427,954	₱178,152,909	₱168,388,201
Property and equipment		100,647,058	102,677,430	134,946,551
		₱309,075,012	₱280,830,339	₱303,334,752

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

	2023	2022	2021
Selling and marketing expenses	₱219,442,677	₱208,411,535	₱244,093,555
General and administrative expenses	89,632,335	72,418,804	59,241,197
	₱309,075,012	₱280,830,339	₱303,334,752

9. Trade and Other Payables

This account consists of:

	Note	2023	2022
Trade		₱1,256,409,554	₱1,180,036,130
Advances from a related party	14	25,403,485	25,403,485
Statutory payables		18,219,072	27,226,159
Accrued expenses		17,203,355	19,651,708
Retention payables		3,112,053	1,918,233
Dividends payable	11	–	275,306,000
Others		2,495,665	6,145,036
		₱1,322,843,184	₱1,535,686,751

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

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

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

Retention payables pertain to the amounts retained by the Company from payments to contractors for the construction contracts. These are deducted as a percentage of the amount certified as due to the contractor and paid upon final acceptance of the constructed property.

Others pertain to refundable customer deposits and other nontrade payables.

10. Bank Loans and Trust Receipts Payable

Movements in this account are as follows:

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

	2022		
	Bank Loans	Trust Receipts	Total
Balance at beginning of year	₱409,166,666	₱837,268,084	₱1,246,434,750
Availments	359,846,890	2,510,201,332	2,870,048,222
Payments	(127,346,889)	(2,254,491,270)	(2,381,838,159)
Balance at end of year	₱641,666,667	₱1,092,978,146	₱1,734,644,813

As at December 31, 2023 and 2022, the bank loans and trust receipts have terms of three months to one year, subject to refinancing upon approval of the creditor bank. Bank loans were obtained for working capital purposes and to finance ongoing construction of the Company. Trust receipts were obtained to finance the purchase of inventories. Interest rates on the bank loans and trust receipts range from 3.50% to 9.25% in 2023 and 2022.

Trust Receipts

Under the terms of agreements, merchandise inventories amounting to ₱2,036.0 million and ₱2,510.2 million as at December 31, 2023 and 2022, respectively, were covered by trust receipts issued by local banks (see Note 6).

Covenants

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

Details of finance costs charged to operations are as follows:

	Note	2023	2022	2021
Interest on trust receipts		₱68,676,271	₱47,067,120	₱52,827,502
Interest on bank loans		51,534,693	16,295,368	51,378,472
Accretion of interest on lease liabilities	16	14,358,173	10,784,915	12,057,292
		134,569,137	74,147,403	116,263,266
Less capitalized borrowing cost	8	(11,074,116)	–	–
		₱123,495,021	₱74,147,403	₱116,263,266

In 2023, borrowing costs amounting to ₱11.1 million using a capitalization rate of 5.69% was capitalized (see Note 8). No finance costs were capitalized in 2022 and 2021. Accrued interest payable presented under “Accrued expenses” in the “Trade and other payables” account in the statements of financial position amounted to ₱3.8 million and ₱3.0 million as at December 31, 2023 and 2022, respectively (see Note 21).

11. Equity

Capital Stock

The Company’s capital stock comprise of common shares with par value of ₱0.20 a share as at December 31, 2023 and 2022, and ₱1.00 a share as at December 31, 2021.

Details of capital stock follow:

	2023		2022		2021	
	Shares	Amount	Shares	Amount	Shares	Amount
Authorized						
Balance at beginning of year	6,250,000,000	₱1,250,000,000	1,250,000,000	₱1,250,000,000	500,000,000	₱500,000,000
Effect of share split	–	–	5,000,000,000	–	–	–
Increase	–	–	–	–	750,000,000	750,000,000
Balance at end of year	6,250,000,000	₱1,250,000,000	6,250,000,000	₱1,250,000,000	1,250,000,000	₱1,250,000,000
Issued and outstanding						
Balance at beginning of year	2,500,000,300	₱500,000,060	500,000,000	₱500,000,000	267,500,000	₱267,500,000
Effect of share split	–	–	2,000,000,000	–	–	–
Issuance	625,001,000	125,000,200	300	60	232,500,000	232,500,000
Balance at end of year	3,125,001,300	₱625,000,260	2,500,000,300	₱500,000,060	500,000,000	₱500,000,000

On November 15, 2021, the Board of Directors (BOD) and the stockholders approved the increase in the Company’s authorized capital stock from 500,000,000 shares at ₱1 par value a share, or equivalent to ₱500.0 million, to 1,250,000,000 shares at the same par value, or equivalent to ₱1,250.0 million. This was approved by the SEC on December 17, 2021. Of the increase, 232,500,000 shares at ₱1 par value a share, or equivalent to ₱232.5 million, were subscribed and paid by the stockholders as at December 31, 2021 (see Note 1).

On February 2, 2022, the BOD and the stockholders approved the amendments to the Company’s articles of incorporation which included a five-to-one share split where one share at ₱1 par value a share will be converted to five shares at ₱0.20 par value a share. The SEC approved the share split on April 12, 2022. The increase in authorized capital stock and share split were pursuant to the public offering of the Company’s shares with the PSE (see Note 1).

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

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

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

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

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

Retained Earnings

Under Section 43 of the Revised Corporation Code of the Philippines, stock corporations are prohibited from retaining surplus profits in excess of one hundred (100%) percent of paid-in capital except when justified by corporate expansion projects and when it is necessary for special reserve for probable contingencies, among others. The Company's paid-in capital (including additional paid-in capital) amounted to ₱1,930.3 million and ₱500.0 million as at December 31, 2023 and 2022, respectively, while the unappropriated retained earnings of the Company amounted to ₱878.5 million and ₱552.3 million as at December 31, 2023 and 2022, respectively.

Dividend Declaration

Details of the cash dividends declared by the Company in 2023, 2022 and 2021 are as follows:

Date of BOD approval	Stockholders of record	Dividend per	
		share	Amount
July 12, 2023	July 26, 2023	₱0.04	₱138,000,057
November 15, 2022	September 30, 2022	0.16	390,000,000
December 20, 2021	December 20, 2021	0.67	307,000,000

Dividends payable amounted to nil and ₱275.3 million as at December 31, 2023 and 2022, respectively (see Note 9).

Appropriations

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

Subsequent Events

On February 28, 2024, the BOD approved the declaration of cash dividends of ₱0.06 a share or a total of ₱187.5 million.

12. Operating Expenses

This account consists of:

	2023	2022	2021
Selling and marketing expenses	₱1,338,813,250	₱1,235,717,334	₱1,083,707,559
General and administrative expenses	337,167,179	294,386,414	238,980,251
	₱1,675,980,429	₱1,530,103,748	₱1,322,687,810

Selling and marketing expenses consist of:

	Note	2023	2022	2021
Merchant discount		₱304,859,917	₱296,226,878	₱297,563,734
Personnel costs		296,953,998	289,705,675	188,341,384
Rent	16	251,986,409	197,986,410	111,633,705
Depreciation and amortization	8	219,442,677	208,411,535	244,093,555
Utilities		131,221,218	116,674,928	97,583,181
Contracted and other services		97,759,776	65,315,214	134,388,881
Advertising		15,129,392	19,382,030	4,114,507
Freight and delivery		14,765,157	13,854,500	10,664,330
Retirement expense	15	3,778,330	3,318,264	2,670,606
Provision for (reversal of) inventory obsolescence	6	2,916,376	24,841,900	(7,346,324)
		₱1,338,813,250	₱1,235,717,334	₱1,083,707,559

General and administrative expenses consist of:

	Note	2023	2022	2021
Personnel costs		₱97,505,755	₱84,115,846	₱42,530,175
Depreciation and amortization	8	89,632,335	72,418,804	59,241,197
Taxes and licenses		61,079,416	56,505,615	57,001,480
IPO expense		16,546,052	8,273,027	-
Stationery and supplies		13,635,938	11,333,539	22,504,038
Repairs, warranties and maintenance		12,504,093	15,774,826	12,386,319
Transportation and travel		12,156,859	10,687,695	6,786,294
Representation		8,301,601	8,881,915	19,861,402
Professional fees		8,088,818	9,886,794	9,725,074
Insurance		7,817,667	4,986,726	3,668,483
Retirement expense	15	1,240,626	963,456	603,061
Rent	16	492,696	4,472,060	-
Others		8,165,323	6,086,111	4,672,728
		₱337,167,179	₱294,386,414	₱238,980,251

Personnel costs consist of:

	2023	2022	2021
Salaries and wages	₱346,795,528	₱322,011,067	₱206,355,220
Employee benefits	47,664,225	51,810,454	24,516,339
	₱394,459,753	₱373,821,521	₱230,871,559

13. Other Income

This account consists of:

	Note	2023	2022	2021
Interest income	4	₱46,811,084	₱544,189	₱710,294
Realized foreign exchange gain		7,472,929	7,021,758	–
Gain on lease modification	16	102,070	–	621,157
Gain on lease concessions	16	–	17,500,079	52,687,895
Other income		251,696,272	117,008,318	36,833,602
		₱306,082,355	₱142,074,344	₱90,852,948

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

14. Related Party Transactions

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

	Nature of Transaction	Transactions during the Year			Outstanding Balance	
		2023	2022	2021	2023	2022
Trade and Other Receivables						
Stockholder	Advances for business development expenses	₱31,791,848	₱–	₱–	₱31,791,848	₱–
Advances to a Related Party						
Entity under common control	Advances (Collection)	₱–	₱–	(₱1,098,699,844)	₱–	₱–
Trade and Other Payables						
Entity under common control	Advances from a related party	₱–	₱–	₱25,403,485	₱25,403,485	₱25,403,485
Lease Arrangement (see Note 16)						
Entity under common control	ROU asset amortization	(₱68,963,541)	(₱56,663,023)	(₱37,956,875)	₱18,764,032	₱60,088,894
	Lease liability payment	(68,402,482)	(60,565,286)	(40,020,000)	19,350,782	59,671,472

Terms and Conditions

Advances to a Stockholder

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

Advances from a Related Party

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

The Company's building with a carrying amount of ₱164.9 million and ₱172.7 million as at December 31, 2023 and 2022, respectively, was used as collateral for a related party's outstanding loan with a local bank (see Note 8).

Compensation of Key Management Personnel

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

	2023	2022	2021
Short-term employee benefits	₱6,853,860	₱6,853,860	₱3,120,000
Post-employment benefits	665,628	298,574	240,925
	₱7,519,488	₱7,152,434	₱3,360,925

15. Retirement Liability

The Company has an unfunded, non-contributory defined benefit plan covering substantially all qualified employees. The retirement liability is based on years of service and compensation based on the last year of employment as determined by an external actuary. The latest actuarial valuation was dated December 31, 2023.

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

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

	2023	2022	2021
Current service cost	₱2,544,484	₱2,627,547	₱2,241,359
Interest cost	2,474,472	1,654,173	1,032,308
	₱5,018,956	₱4,281,720	₱3,273,667

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

	2023	2022	2021
Selling and marketing expenses	₱3,778,330	₱3,318,264	₱2,670,606
General and administrative expenses	1,240,626	963,456	603,061
	₱5,018,956	₱4,281,720	₱3,273,667

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

	2023	2022
Balance at beginning of year	₱33,438,809	₱31,811,018
Current service cost	2,544,484	2,627,547
Interest cost	2,474,472	1,654,173
Remeasurement (gain) loss	3,413,228	(2,653,929)
Balance at end of year	₱41,870,993	₱33,438,809

The assumptions used to determine retirement liability are as follows:

	2023	2022	2021
Discount rate	6.20%	7.40%	5.20%
Salary increase rate	3.00%	3.00%	3.00%

The sensitivity analyses based on reasonably possible changes of the assumptions as at December 31, 2023 follow:

	Basis Points	Effect on Present Value of Retirement Liability
Discount rate	+100	(₱2,871,944)
	-100	8,893,570
Salary increase rate	+100	9,036,696
	-100	(3,081,059)

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

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

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

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

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

	2022		
	Accumulated Remeasurement Losses (Gains)	Deferred Tax (see Note 17)	Accumulated Remeasurement Losses, Net of Tax
Balance at beginning of year	₱8,326,975	(₱2,081,744)	₱6,245,231
Remeasurement gain	(2,653,929)	663,482	(1,990,447)
Balance at end of year	₱5,673,046	(₱1,418,262)	₱4,254,784

	2021		
	Accumulated Remeasurement Losses	Deferred Tax (see Note 17)	Accumulated Remeasurement Losses, Net of Tax
Balance at beginning of year	₱4,967,856	(₱1,490,357)	₱3,477,499
Remeasurement loss	3,359,119	(839,780)	2,519,339
Effect of change in income tax rate	–	248,393	248,393
Balance at end of year	₱8,326,975	(₱2,081,744)	₱6,245,231

As at December 31, 2023, the expected future benefit payments are as follows:

	Amount
More than 1 year to 5 years	₱12,736,044
More than 5 years to 10 years	4,958,200
10 years and up	311,643,997

16. Lease Commitments

Company as Lessee - Short-term Lease

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

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

	2023	2022	2021
Selling and marketing expenses	₱251,986,409	₱197,986,410	₱111,633,705
General and administrative expenses	492,696	4,472,060	–
	₱252,479,105	₱202,458,470	₱111,633,705

Company as Lessee - Long-term Lease

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

ROU Assets

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

	Note	2023	2022
Cost			
Balance at beginning of year		₱1,017,780,596	₱741,779,497
Additions		232,869,169	197,206,057
Effect of lease modification		(328,342)	78,795,042
Balance at end of year		1,250,321,423	1,017,780,596
Accumulated amortization			
Balance at beginning of year		766,466,616	588,313,707
Amortization	8	208,427,954	178,152,909
Balance at end of year		974,894,570	766,466,616
Carrying Amount		₱275,426,853	₱251,313,980

Lease Liabilities

The balance and movements in lease liabilities are as follows:

	Note	2023	2022
Balance at beginning of year		₱250,610,778	₱161,954,704
Additions		230,774,915	197,206,057
Payments		(220,119,782)	(180,629,861)
Accretion	10	14,358,173	10,784,915
Effect of lease modification		(430,412)	78,795,042
Gain on lease concessions	13	–	(17,500,079)
Balance at end of year		275,193,672	250,610,778
Current portion		147,320,374	154,972,049
Noncurrent portion		₱127,873,298	₱95,638,729

Incremental borrowing rate ranging from 3.69% to 6.75% was applied to determine the discounted amount of lease liabilities in 2023 and 2022.

In 2023, the Company has pre-terminated one (1) lease agreement resulting to a gain on lease modification of ₱0.1 million (see Note 13). In 2022, there were certain modifications to the lease agreements arising from increase in monthly rentals, reduction in leased area and extension of lease terms prior to renewal, which resulted to the increase in ROU assets and lease liabilities by ₱78.8 million. No gain or loss on lease modification was recognized in 2022.

Gain on lease concessions pertains to the difference between contractual lease payments and the payments made under lease concession agreements directly attributable to COVID-19. Gains related to lease concessions amounted to nil, ₱17.5 million and ₱52.7 million in 2023, 2022 and 2021, respectively (see Note 13).

The future minimum lease payments and present value as at December 31, 2023 is as follows:

	Minimum Lease Payments	Present Value
Not later than one year	₱161,235,917	₱147,320,374
Later than one year but not more than five years	123,702,631	127,873,298
	₱284,938,548	₱275,193,672

Refundable Lease Deposits

Lease deposits, which are refundable at the end of the lease term if unutilized, aggregate ₱213.5 million and ₱177.6 million as at December 31, 2023 and 2022, respectively (see Note 7).

17. Income Taxes

The provision for current income tax pertains to regular corporate income tax (RCIT) in 2023, 2022 and 2021.

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

	2023	2022	2021
Income tax computed at the statutory tax rate	₱145,996,734	₱179,251,315	₱134,387,767
Adjustment for:			
Expenses charged to APIC	(17,423,538)	-	-
Interest income already subjected to final tax	(11,702,771)	(136,047)	(177,574)
Nondeductible expenses	2,925,692	34,013	44,394
Effect of change in income tax rate	-	-	(344,676)
	₱119,796,117	₱179,149,281	₱133,909,911

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

	Note	2023	2022
Deferred Tax Assets:			
Allowance for inventory obsolescence		₱12,942,248	₱12,213,154
Retirement liability:			
Profit or loss		8,196,180	6,941,441
OCI	15	2,271,569	1,418,262
		23,409,997	20,572,857
Deferred Tax Liabilities:			
Capitalized borrowing cost		(2,768,529)	-
Unrealized foreign exchange gain		(1,522,269)	-
Excess of ROU asset over lease liability		(58,295)	(175,801)
		(4,349,093)	(175,801)
		₱19,060,904	₱20,397,056

18. Financial Risk Management

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:

	2023	2022
Cash in banks and cash equivalents	₱1,358,508,038	₱799,261,667
Trade receivables	134,936,141	55,309,570
Accrued interest receivable	9,258,082	-
	₱1,502,702,261	₱854,571,237

As at December 31, 2023 and 2022, the amount of cash in banks, cash equivalents, accrued interest receivable and trade receivables are neither past due nor impaired and were classified as “*High Grade*”. High grade financial assets are those accounts with counterparties who are not expected by the Company to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions and companies. Credit quality was determined based on the credit standing of the counterparty.

Security. The Company does not hold collateral as security.

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

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

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

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

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

2023				
	12-Month ECL	Lifetime ECL - Not Credit Impaired	Lifetime ECL - Credit Impaired	Total
Cash in banks and cash equivalents	P1,358,508,038	P-	P-	P1,358,508,038
Trade receivables	-	134,936,141	-	134,936,141
Accrued interest receivable	9,258,082	-	-	9,258,082
	P1,367,766,120	P134,936,141	P-	P1,502,702,261

2022				
	12-Month ECL	Lifetime ECL - Not Credit Impaired	Lifetime ECL - Credit Impaired	Total
Cash in banks	P799,261,667	P-	P-	P799,261,667
Trade receivables	-	55,309,570	-	55,309,570
	P799,261,667	P55,309,570	P-	P854,571,237

Liquidity Risk

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

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

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

2023				
	1 to 6 Months	6 Months to 1 Year	More than 1 Year	Total
Trade and other payables*	P1,301,512,059	P3,112,053	P-	P1,304,624,112
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
	P2,241,388,041	P992,085,853	P123,702,631	P3,357,176,525

*Excluding statutory payables.

2022				
	1 to 6 Months	6 Months to 1 Year	More than 1 Year	Total
Trade and other payables*	P1,506,542,359	P1,918,233	P-	P1,508,460,592
Bank loans and trust receipts payable	1,092,978,146	641,666,667	-	1,734,644,813
Lease liabilities	103,590,126	59,154,557	102,382,834	265,127,517
	P2,703,110,631	P702,739,457	P102,382,834	P3,508,232,922

*Excluding statutory payables.

Interest Rate Risk

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

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

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

These loans are promissory notes under loan facilities which mature within 90 days to one year as at December 31, 2023 and 2022, and bear an effective interest rate ranging from 3.50% to 9.25% in 2023 and 2022.

19. Fair Value of Financial Assets and Liabilities

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

	2023		2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash in banks and cash equivalents	₱1,358,508,038	₱1,358,508,038	₱799,261,667	₱799,261,667
Trade receivables	134,936,141	134,936,141	55,309,570	55,309,570
Accrued interest receivable	9,258,082	9,258,082	–	–
	₱1,502,702,261	₱1,502,702,261	₱854,571,237	₱854,571,237
Financial Liabilities				
Trade and other payables*	₱1,304,624,112	₱1,304,624,112	₱1,508,460,592	₱1,508,460,592
Bank loans and trust receipts payable	1,767,613,865	1,767,613,865	1,734,644,813	1,734,644,813
Lease liabilities	275,193,672	268,423,967	250,610,778	213,611,942
	₱3,347,431,649	₱3,340,661,944	₱3,493,716,183	₱3,456,717,347

*Excluding statutory payables.

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

Lease Liabilities. Estimated fair values have been calculated on the lease liabilities' expected cash flows using the prevailing market rates that are specific to the tenor of the instruments' cash flows at reporting dates (Level 3).

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

20. Capital Risk Management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. No changes were made in the objectives, policies or processes in 2023, 2022 and 2021.

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

The Company is not subject to externally imposed capital requirements.

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

	2023	2022
Total liabilities	₱3,424,697,703	₱3,641,097,352
Total equity	2,802,005,332	1,048,066,244
Debt-to-equity ratio	1.22:1	3.47:1

21. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes as at December 31, 2023 and 2022:

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

	December 31, 2021	Additions	Accretion/ Interest expense	Payment	Non-cash Changes	December 31, 2022
Bank loans and trust receipts payable	₱1,246,434,750	₱2,870,048,222	₱-	(₱2,381,838,159)	₱-	₱1,734,644,813
Lease liabilities	161,954,704	197,206,057	10,784,915	(180,629,861)	61,294,963	250,610,778
Dividends payable	-	390,000,000	-	(114,694,000)	-	275,306,000
Accrued interest payable	2,416,643	-	63,362,488	(62,825,209)	-	2,953,922
	₱1,410,806,097	₱3,457,254,279	₱74,147,403	(₱2,739,987,229)	₱61,294,963	₱2,263,515,513

22. Basic and Diluted Earnings Per Share

Basic earnings per share is computed as follows:

	2023	2022	2021
Net income	₱464,190,818	₱537,855,981	₱403,641,157
Divided by weighted average number of outstanding shares	2,968,751,050	2,500,000,300	1,337,500,000
	₱0.16	₱0.22	₱0.30

The earnings per share calculation reflects the changes in the number of outstanding shares as a result of the share split in 2022 and listing of shares in 2023 (see Note 11).

On April 3, 2023, the Company's shares of stock were listed under the Main Board of the PSE with an initial public offering of 625,001,000 common shares at an offer price of ₱2.40 a share (see Note 11).

The Company has no dilutive potential shares in 2023, 2022 and 2021.

23. Operating Segment Information

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

Sales reflected in the statements of comprehensive income are all from external customers and within the Philippines, which is the Company's domicile and primary place of operations. Additionally, the Company's noncurrent assets are also primarily acquired, located and used within the Philippines.

Sales are attributable to revenue from the general public, which are generated through the Company's store outlets. Consequently, the Company has no concentrations of revenue from a single customer in 2023, 2022 and 2021.



**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES**

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

We have audited in accordance with Philippine Standards on Auditing the basic financial statements of Upson International Corp. (Doing Business Under the Name and Style of Octagon Computer Superstore; Microvalley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light) (the Company) as at December 31, 2023 and 2022, and for the years ended December 31, 2023, 2022 and 2021, and have issued our report thereon dated February 28, 2024. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Supplementary Schedules are the responsibility of the Company's management. These supplementary schedules include the following:

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

These schedules are presented for the purpose of complying with the Revised SRC Rule 68 and are not part of the basic financial statements. The information in these supplementary schedules have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

REYES TACANDONG & Co.

DARRYL REESE O. SALANGAD

Partner

CPA Certificate No.

Tax Identification No.

BOA Accreditation No. Valid until April 13, 2024

BIR Accreditation No.

Valid until May 15, 2025

PTR No.

Issued January 2, 2024, Makati City

February 28, 2024

Makati City, Metro Manila

UPSON INTERNATIONAL CORP.

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

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

Schedule	Description	Page
A	Financial Assets	N/A
B	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)*	N/A
C	Amounts Receivable from Related Parties which are Eliminated During the Consolidation of the Financial Statements	N/A
D	Long-Term Debt**	N/A
E	Indebtedness to Related Parties (Long-term Loans from Related Companies)***	N/A
F	Guarantees of Securities of Other Issuers	N/A
G	Capital Stock	1

** There are no receivables arising from activities that are not in the ordinary course of business that aggregated more than ₱1.0 million or 1% of total assets, whichever is lower, as at December 31, 2023.*

*** There are no long-term debt as at December 31, 2023.*

**** Indebtedness to related parties are classified as current as at December 31, 2023.*

UPSON INTERNATIONAL CORP.

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

SCHEDULE G – CAPITAL STOCK

December 31, 2023

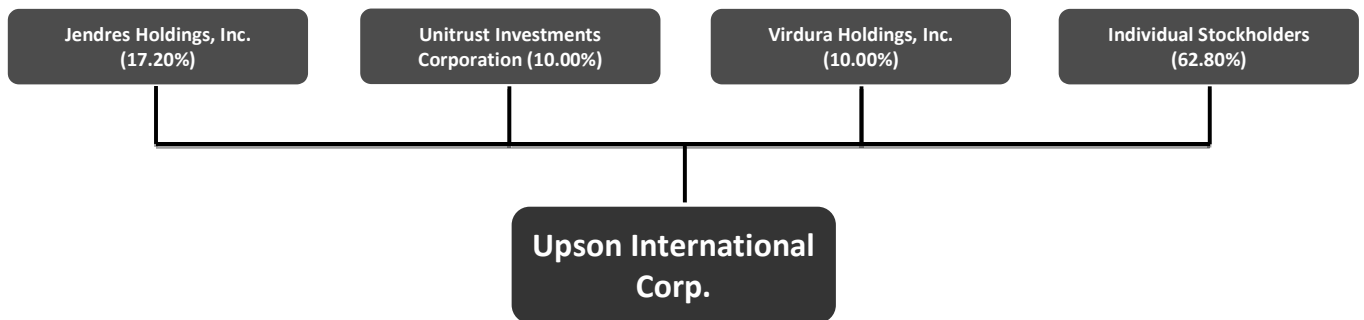
Title of Issue	Number of Shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for captions, warrants, conversion and other rights	Number of shares held by related parties	Number of shares held by directors, officers and employees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

UPSON INTERNATIONAL CORP.

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

MAP SHOWING THE RELATIONSHIP BETWEEN AND AMONG THE GROUP

December 31, 2023



UPSON INTERNATIONAL CORP.

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

**SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION**

December 31, 2023

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

UPSON INTERNATIONAL CORP.

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

**SCHEDULE FOR LISTED COMPANIES WITH A
RECENT OFFERING OF SECURITIES TO THE PUBLIC
For the Year Ended December 31, 2023**

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

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



**INDEPENDENT AUDITORS' REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

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

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

REYES TACANDONG & Co.

DARRYL REESE O. SAMANGAD

Partner

CPA Certificate No.

Tax Identification No

BOA Accreditation No. Valid until April 13, 2024

BIR Accreditation No.

Valid until May 15, 2025

PTR No.

Issued January 2, 2024, Makati City

February 28, 2024

Makati City, Metro Manila

UPSON INTERNATIONAL CORP.

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

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**December 31, 2023 and 2022**

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

CERTIFICATION

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


1. I am the duly appointed and incumbent Corporate Secretary of Upson International Corp. (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office address at Unit 2308, 23/F Capital House Tower 1, 9th Avenue corner 34th Street, Bonifacio Global City, Taguig City, Philippines.
2. No directors or officers of the Corporation are connected with any government agencies or its instrumentalities.
3. This Certificate is being issued to attest to the truth of the foregoing facts and for purposes of complying with the requirements of the Securities and Exchange Commission.

Done this 7th day of April 2026 at Manila, Philippines.


Dennis F. Uy

BEFORE ME, A NOTARY
PUBLIC IN THE CITY OF
MANILA
THIS 07 APR 2026

Doc No. 299
Page No. 10
Book No. VI
Series of 2026


GERSON D. CAMAS
Notary Public for the City of Manila
Notarial Commission No. 12-26-2025 Valid Until Dec. 31, 2026
2nd Floor, Citadel Bldg., Railroad Drive, Brgy. 653, District V,
Port Area, 1018, Manila, Metro Manila
Roll No. _____
IBP No. 12-26-2025 until 12-31-26
PTR No. 01-05-2026 until 12-31-26 City of Manila
MCLE Compliance No. _____ Valid Until April 14, 2028

CERTIFICATION OF INDEPENDENT DIRECTOR

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

1. I am an independent director of **UPSON INTERNATIONAL CORP.** and have been its independent director since **April 13, 2022**.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Rizal Commercial Banking Corporation	Consultant and Senior Advisor of Corporate Banking Group	2012 to present
Luisita Industrial Park Corporation	Director	1997 to present
Nippon Express Phils Corporation	Chairman	2012 to present
FBIA Insurance Agency	Chairman and President	1997 to present
Seafront Resources Corporation	Director	2025 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **UPSON INTERNATIONAL CORP.**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of _____ (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

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

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

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
NONE		

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of the agency/department) to be an independent director in _____ N/A _____, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of **UPSON INTERNATIONAL CORP.** of any changes in the abovementioned information within five days from its occurrence.

Done, this 19 MAR 2026 day of _____, at MANILA.

Chun Bing G. Uy
Affiant

SUBSCRIBED AND SWORN to before me this 9 MAR 2026 of _____ at MANILA, affiant personally appeared before me and exhibited to me his/her _____ issued at _____ on _____.

Doc No. 183 ;
Page No. 77 ;
Book No. ✓ ;
Series of 2026.

GERSON G. GAMAS
Notary Public for the City of Manila
Notarial Commission No. _____ Valid Until Dec. 31, 2028
2nd Floor, Citadel Bldg., Railroad Drive, Brgy. 683, District V,
Port Area, 1015, Manila, Metro Manila
Rel. No. _____
IBP No. 12-24-2025 until 12-31-26
PTR No. 01-05-2026; until 12-31-26 City of Manila
MCLE Compliance No. _____ Valid Until April 14, 2028

CERTIFICATION OF INDEPENDENT DIRECTOR

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

1. I am an independent director of **UPSON INTERNATIONAL CORP.** and have been its independent director since **April 13, 2022**.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Vitarich Corporation	Chairman (Non-executive Director)	2012 to present
Commtrand Construction Corporation	Vice Chairman	2014 to present
Malayan Savings Bank	Regular Member of the Board of Directors	2025 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **UPSON INTERNATIONAL CORP.**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of _____ (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

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

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

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
NONE		

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of the agency/department) to be an independent director in N/A, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of **UPSON INTERNATIONAL CORP.** of any changes in the abovementioned information within five days from its occurrence.

Done, this 19 MAR 2026 day of _____, at MANILA.

[Signature]
Jose Vicente C. Bengzon III
 Affiant

19 MAR 2026

SUBSCRIBED AND SWORN to before me this _____ day of _____ at _____, affiant personally appeared before me and exhibited to me his/her MANILA issued at _____ on _____.

Doc No. 182 ;
 Page No. 16 ;
 Book No. V1 ;
 Series of 2026.

[Signature]
GERSO D. GAMAS
 Notary Public for the City of Manila
 Notarial Commission No. _____ Valid Until Dec. 31, 2026
 2nd Floor, Citadel Bldg., Railroad Drive, Brgy. 653, District V.,
 Port Area, 1018, Manila, Metro Manila
 Roll No. _____
 IBP No. 12-26-2025 until 12-31-26
 PTR No. 01-05-2026; until 12-31-26 City of Manila |
 MCLE Compliance No. _____ Valid Until April 14, 2028

Upson International Corp.

Minutes of

2025 Annual Stockholders' Meeting

held virtually via Zoom
on May 26, 2025, 3:00 P.M.

Directors and Officers Present:

Lawrence O. Lee, Chairman
Arlene Louisa T. Sy, Chief Executive Officer and President
Rolando O. Raval, Jr., Director, Chief Operations Officer, and Moderator of the Meeting
Marcos A. Legaspi, Director and Chief Finance Officer
Anthony Thomas C. Roxas, Jr., Director, Investor Relations Officer
Jose Vicente C. Bengzon III, Independent Director
Ricardo A. Lee, Director
Raul M. Leopando, Director
William Lim, Director
Chun Bing G. Uy, Independent Director
Dennis F. Uy, Corporate Secretary
Darwin L. Mendoza, Compliance Officer

Also Present:

Representatives from Reyes Tacandong & Co., External Auditor
Representatives from PNB Trust Banking Group, Transfer Agent

Other Stockholders Present/Represented:

Anita Lim
Jendres Holdings, Inc.
Virdura Holdings, Inc.
Unitrust Investments Corporation

The 2025 Annual Stockholders' Meeting (ASM) of Upson International Corp. (the "Corporation") opened with an invocation followed by the Philippine National Anthem.

Mr. Raval introduced the members of the Board of Directors and the Management who were present at the ASM. Mr. Raval also acknowledged the presence of the representatives of the Corporation's External Auditor and Transfer Agent before he turned over the Meeting to Mr. Lawrence Lee to preside the ASM.

I. Call to Order

Mr. Lawrence Lee, the Chairman of the ASM, welcomed the Corporation's stockholders, Board of Directors, Management team, and stakeholders to the ASM then called the Meeting to order.

II. Certification of Notice and Quorum

Before proceeding, the Corporate Secretary, Mr. Dennis Uy, was requested to certify the posting and publication of the Notice and Quorum for the ASM.

Mr. Uy certified that in compliance with the rules issued by the Securities and Exchange Commission, the Notice of the Meeting with relevant information was uploaded and posted on the Philippine Stock Exchange, Inc.'s Edge Portal and the Corporation's website beginning March 21, 2025.

Further, Mr. Uy also stated that the same Notice was published in the business sections of Manila Bulletin and the Philippine Star, two newspapers of general circulation, in both print and online formats for two consecutive days, at least 21 days prior the Meeting.

Based on records, stockholders who registered and are participating in the Meeting, personally or by proxy, represent 2,437,499,600 common shares or 78% of the Corporation's total outstanding capital stock as of May 6, 2025, the Record Date of the ASM, as tabulated by the Corporation's Transfer Agent. The Corporate Secretary therefore certified that a quorum was present for the Meeting.

Mr. Uy also informed the attendees that Reyes Tacandong & Co. was the third-party tabulator of votes for the Meeting.

Lastly, he announced that the Meeting will be recorded.

III. Approval of the Minutes of the Previous Meeting held on May 27, 2024

The Chairman then proceeded to the Approval of the Minutes of the Previous Annual Meeting of Stockholders.

The Corporate Secretary was asked if the copies of the said Minutes were provided to stockholders.

As confirmed by the Corporate Secretary, a copy of the Minutes of the Previous Annual Meeting of Stockholders was posted on the Corporation's website. The link of the said Minutes was also provided in the approved and published Definitive Information Statement for the Meeting (DIS), which was also uploaded and posted on the Philippine Stock Exchange, Inc.'s Edge Portal and the Corporation's website.

The Chairman then asked for the voting results.

Before presenting the voting results, the Corporate Secretary stated that registered shares with no voting instructions shall be voted "For" for the matter under consideration, as stated in the DIS.

The Corporate Secretary then presented that based on the tabulation of votes, 2,437,499,600 common shares or 100% of stockholders present or represented in the Meeting voted in favor of the approval.

For		
Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
2,437,499,600	100	78

Against		
Shares Voted	Percent of Shares	Percent of Outstanding

	Present/Represented	Capital Stock
-	-	-

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

With the voting results, the motion was carried and the following resolution approving the minutes of the previous meeting of stockholders held on May 27, 2024 was approved:

“Resolved, to approve the Minutes of the Previous Annual Stockholders’ Meeting of Upson International Corp held on May 27, 2024.”

The Chairman then advised the Corporate Secretary to ensure that the Minutes of the Meeting reflect the resolutions adopted and approved, with corresponding tabulation of votes for each item.

IV. Annual Report and Audited Financial Statements for the period ended December 31, 2024

The Chairman proceeded to the next item in the Agenda. He requested Ms. Arlene Louisa Sy, Chief Executive Officer and President, to present the Corporation’s Annual Report and Audited Financial Statements for the period ended December 31, 2024 as follows:

“To our shareholders and stockholders, good afternoon and welcome. Today we do more than review 2024; we shall endeavor to unpack its momentum, its markers, and its meaning.

Before we delve into the numbers, let me walk you through the story we’ve prepared for today.

We begin with a clear-eyed look at where we are, our present standing, grounded in data and shaped by the choices we’ve made.

We then shift to recognition and awards - not for the sake of applause, but to reflect how external validation affirms internal conviction.

Next, we trace our growth trajectory, not as a line on a chart but as the building blocks we have laid down for 2024.

Along this path, we unpack the engine of our expansion, both the steady pulse of organic growth and the calculated leaps of inorganic gains.

Let me begin with reach. Our nationwide presence has grown to 245 branches, up from 232. Each location, a commitment. Each branch, a calculated bet on access. Our retail footprint now spans 30,302 square meters. That’s 3 hectares of retail space. A 6.32% expansion that reflects our scale and readiness.

We now carry 15,125 stock keeping units in total inventory. This is growth not by volume alone but by relevance, up 16.34% and still sharpening.

In 2024, we added 10 new tech brands to our portfolio. That brings us to 125 globally respected names. This means more brands, more choices, more reasons for customers to walk in.

And we've closed the final gap. We now have presence in all 18 regions of the Philippines. No longer expanding toward full coverage, we are already there.

In 2024, our efforts were recognized by those who matter most in our supply chain. We received over 32 distinctions from global technology partners, a reflection of how consistency in retail execution builds trust across the industry.

To name a few, among the awards were citations from HP, Acer, ASUS, and Lenovo which are leading brands in personal computers category.

We also earned top accolades from Huawei and OPPO, affirming our performance in mobility and connected devices.

Additional recognition came from specialized tech leaders like Seagate in storage solutions and TP-Link in networking.

Each award is simply a token of past performance and a signal of deeper alignment. They are a testament that showcase how we carried their products and outperformed their benchmarks of market relevance and reach.

With 245 branches nationwide as of end 2024, we concluded with ₱11.4 billion in revenues, up from ₱10.01 billion in 2023. This is a 14.24 percent increase. This growth reflects wider market reach and improved channel performance.

Within such growth, ₱304 million came from iStudio, our new retail company focused on Apple products, which began operations only in the final four months of the year. The traction has been immediate and measurable.

Gross profit margin last year was at 21.03 percent when measured independently. However, at the consolidated level, the gross margin held steady at 20.73 percent. This is largely due to the contribution of iStudio, where Apple's pricing model naturally yields lower margins compared to our other core product lines.

Same store sales grew 6.78 percent. This is a significant improvement from the 1.01 percent reported in 2023. The foot traffic is back. The buying intent is stronger. The sales mix is smarter.

EBITDA increased to ₱1.2 billion, with EBITDA margin inching up to 10.45 percent from 10.16 percent in 2023. This result is despite the ongoing investments in infrastructure, the addition of 20 new selling space and two more warehouses. These are deliberate steps taken to support operational resilience and future scale.

Net income closed at ₱481.5 million, a slight increase year-on-year. However, net income margin also softened to 4.21 percent, a reflection of the expansion-related costs incurred throughout the year

We remain steadfast in our medium term goal for expansion.

*In 2024, We opened 20 branches but closed 7 to yield a net of 13 branches. The said closures are primarily due to rezoning policies by landlords in malls. But we are now at 245 strong, bringing our total retail space to 3 hectares worth. *click* There were headwinds along the way such as*

regulatory compliances. A hurdle we have to prudently navigate. There is also the challenge of adequate space availability from mall operators. So we complement this with roadside expansion in areas ripe for business ahead of the malls. As of year end 2024, we have a total of 32 roadside outlets.

To reinforce this growth trajectory, we have expanded our infrastructure backbone with two newly established warehouses in Iloilo and Cabanatuan which are strategically placed to complement our existing network of six. These 2 warehouse additions enhance our logistical coverage and enable faster, more cost-efficient servicing of 15 branches each, within their respective zones. Each warehouse is equipped with upgraded logistics systems and supported by favorable delivery partnerships with key suppliers, designed to tighten our distribution cycle and manage transport costs. This helps us observe our uniform pricing of products in all our branches nationwide.

In a landscape crowded with choice, our strength lies in consistency. What defines us are the principles we commit to, not the numbers we report. Allow us to reiterate our core strengths:

Accessibility. With 245 branches in all 18 regions, we are present where others are absent. We are accessible not in theory, but in geography.

Availability. We maintain 15,125 SKUs supported by infrastructure designed for speed, scale, and certainty. The product is there when it's needed, where it's needed.

Authenticity. We are a certified retailer of original, untampered products. In an industry where shortcuts abound, we keep the line clear and the standards high.

Support. Our eight warehouses are not storage units. They are engines. They move volume, reduce logistic costs, and keep branches stocked and customers served.

These are our core strengths. This is our edge.

To grow strategically, we build organically from within and inorganically, by addition.

We established two new companies last year. The first is iStudio Technologies Philippines, focused on capturing the premium Apple segment. It is curated for a market that values nuance, precision, and identity. With its own theme, it stands as a distinct ecosystem. It requires concentration, and a deeper understanding of the premium choice. In the last four months of 2024, we have seen the traction take hold. Market entry is no longer theoretical. It is operational.

The second company, Upson Global, is in its pre-operational phase. It will begin with water purification technology, as the exclusive nationwide franchise holder of the trusted Philips brand. It is a full franchise structure, focused on deploying safe, certified, and accessible water solutions across the country. Other smart home technology may follow, but this is where it starts.

Both companies shall be self-sufficient and expansion shall not come from Upson's operational cashflows.

Strategic growth requires both timing and intent...

...Organic when the roots are ready,

...Inorganic when the soil is right.

We know that both are present.

In closing, we spoke today of strategic growth. But growth, by itself, is not the goal. It must be sustained. It must be aligned with the value we owe to you, who invested, who believed, and who hold us to account.

Your continued support is not taken as given. It is acknowledged. And it strengthens our commitment to move with purpose, and to deliver with consistency.

We enter 2025 with more than plans. We enter with momentum shaped by our core strengths and strategy. This is how we continue to grow. This is how we continue to deliver.

Thank you once again for standing with us.

Until the next.

Good afternoon.”

The Chairman then thanked Ms. Sy for the presentation for stockholders' consideration and approval, then asked the Corporate Secretary to announce the following voting results:

For		
Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
2,437,499,600	100	78

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

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

With the voting results, the motion was carried and the following resolution approving the Annual Report and Audited Financial Statements for the period ended December 31, 2024 was approved:

“Resolved, to note and approve the Annual Report and Audited Financial Statements of Upson International Corp. for the period ended December 31, 2024.”

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

The next item in the Agenda was the Ratification of Acts of the Board of Directors and the Management made and adopted since the previous annual meeting of stockholders on May 27, 2024 until May 26, 2025.

The Chairman asked the Corporate Secretary briefly discuss the matter.

As discussed by the Corporate Secretary, the acts of the Board of Directors and the Management are reflected in the minutes of meetings, which includes acts and resolutions covered by publicly-

available disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange, Inc. The acts of the Board of Directors and the Management were taken in the general conduct of the Corporation's business.

The Chairman then asked for the following voting results:

For		
Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
2,437,499,600	100	78

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

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

With the voting results, the motion was carried and the following resolution ratifying the acts of the Board of Directors and the Management was approved:

“Resolved, to ratify the acts made and adopted by the Board of Directors and the Management of Upson International Corp. from May 27, 2024 to May 26, 2025.”

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

The Chairman proceeded to the Election of Directors, including Independent Directors, for the ensuing year. He requested Ms. Arlene Louisa Sy, Chief Executive Officer, President, and member of the Nomination Committee, to present the following names of nominees to the Board of Directors:

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

Ms. Sy also mentioned that that the profiles of the aforementioned nominees are also provided in the DIS.

The Corporate Secretary was then asked to announce the following voting results:

Lawrence O. Lee	For		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	2,437,499,600	100	78
Against			

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

Ricardo A. Lee	For		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	2,437,499,600	100	78
	Against		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	-	-	-
	Abstain		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
-	-	-	

William Lim	For		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	2,437,499,600	100	78
	Against		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	-	-	-
	Abstain		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
-	-	-	

Arlene Louisa T. Sy	For		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	2,437,499,600	100	78
	Against		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	-	-	-
	Abstain		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
-	-	-	

Rolando O. Raval, Jr.	For		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	2,437,499,600	100	78
	Against		
	Shares Voted	Percent of Shares Present/ Represented	Percent of Outstanding Capital Stock
	-	-	-
	Abstain		

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

Marcos A. Legaspi	For		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	2,437,499,600	100	78
	Against		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	-	-	-
	Abstain		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
-	-	-	

Anthony Thomas C. Roxas, Jr.	For		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	2,437,499,600	100	78
	Against		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	-	-	-
	Abstain		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
-	-	-	

Raul M. Leopando	For		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	2,437,499,600	100	78
	Against		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	-	-	-
	Abstain		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
-	-	-	

Jose Vicente C. Bengzon III	For		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	2,437,499,600	100	78
	Against		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	-	-	-
	Abstain		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
-	-	-	

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

Chun Bing G. Uy	For		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	2,437,499,600	100	78
	Against		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	-	-	-
	Abstain		
	Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
	-	-	-

Given the voting results, the Corporate Secretary confirmed that all nominees garnered sufficient votes to be elected. Subsequently, the motion was carried and the following resolution electing the aforementioned nominees as directors was adopted:

“Resolved, to elect the following as directors of Upson International Corp. for 2025 to 2026:

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

The Chairman congratulated the elected members of the Board of Directors.

VII. Appointment of External Auditor

The next item in the Agenda was the Appointment of External Auditor. The Chairman turned over the floor to Mr. Jose Vicente Bengzon III, Independent Director and Chairman of the Audit Committee.

Mr. Bengzon presented that as pre-screened by the Audit Committee, and endorsed by the Board of Directors, Reyes Tacandong & Co. or RT&Co. is being endorsed for appointment as the Corporation’s External Auditor for the fiscal year ending December 31, 2025. Mr. Bengzon also added that a brief description of RT&Co. is provided in the DIS.

The Chairman thereafter thanked Mr. Bengzon then asked the Corporate Secretary on the following voting results:

	For	
Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock

2,437,499,600	100	78
Against		
Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
-	-	-
Abstain		
Shares Voted	Percent of Shares Present/Represented	Percent of Outstanding Capital Stock
-	-	-

With the voting results, the motion was carried and the following resolution was approved:

“Resolved, to appoint Reyes Tacandong & Co. as the External Auditor of Upson International Corp. for the fiscal year ending December 31, 2025.”

VIII. Other Matters/Question and Answer

The Chairman proceeded to the Question and Answer portion. The Chairman then mentioned that “In line with the provisions of the Revised Corporation Code of the Philippines and the Code of Corporate Governance for Publicly-listed Companies, all stockholders of record as of May 6, 2025 are allowed to send questions to the office of the Corporate Secretary, and through the chat box of the virtual meeting. For those that will not be entertained due to time constraints, rest assured that we will respond to your questions after this Meeting.”. He then requested the Moderator of the ASM to read the questions.

Upon checking, the Moderator informed the Chairman that no questions were received.

The Chairman then inquired if there are other matters. The Corporate Secretary responded that there are no other matters.

IX. Adjournment

The Chairman thereafter adjourned the ASM and thanked everyone who joined the Meeting.

Prepared by:


 Dennis F. Uy
 Corporate Secretary