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THE PHILIPPINE STOCK EXCHANGE, INC. (THE “PSE”) ASSUMES NO RESPONSIBILITY FOR THE CORRECTNESS OF STATEMENTS MADE, OR THE OPINIONS OR REPORTS EXPRESSED IN THIS DRAFT PRELIMINARY PROSPECTUS. THE PSE MAKES NO REPRESENTATION AS TO THE COMPLETENESS OF THE DRAFT PRELIMINARY PROSPECTUS AND DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS ARISING FROM OR IN RELIANCE, IN FULL OR IN PART, OF THE CONTENTS OF THIS DRAFT PRELIMINARY PROSPECTUS.

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION BUT HAS NOT YET BEEN DECLARED EFFECTIVE. THESE SECURITIES MAY NOT BE SOLD NOR OFFERS TO BUY THEM BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT IS RENDERED EFFECTIVE. THIS COMMUNICATION SHALL NOT CONSTITUTE AN OFFER TO SELL OR BE CONSIDERED A SOLICITATION OF AN OFFER TO BUY.

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UPSON International Corp.

UPSON INTERNATIONAL CORP.

(Incorporated in the Republic of the Philippines)

Offer of up to [789,473,600] Primary Common Shares and up to [98,684,200] Secondary Common Shares
With an Over-allotment Option of up to [98,684,200] Common Shares

Offer Price of up to ₱[5.50 **]per Offer Share**

To be listed and traded on the Main Board of The Philippine Stock Exchange, Inc.

Issue Manager and Bookrunner

FIRST METRO INVESTMENT CORPORATION
Metrobank Group

Joint Lead Underwriters

FIRST METRO INVESTMENT CORPORATION
Metrobank Group

RCBC Capital Corporation

Participating Underwriter

[●]

Selling Agents

Trading Participants of The Philippine Stock Exchange, Inc.

The date of this Prospectus is 8 August 2022

THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.

Upson International Corp.
Unit 2308, 23/F Capital House Tower 1,
9th Avenue corner 34th Street,
Bonifacio Global City, Taguig City, 1635
+63 (2) 8 526-7152
Corporate Website: www.upson.com.ph

This Prospectus relates to the offer and sale of up to 888,157,800 common shares (the "**Firm Offer**", and such shares the "**Firm Shares**"), with an Over-allotment option (as defined below) of up to 98,684,200 common shares (the "**Option Shares**") (collectively, the Firm Shares and Option Shares are referred to as the "**Offer Shares**"), each common share with a par value of ₱0.20 per common share of Upson International Corp. ("**we**", "**us**", "**our**", the "**Company**" or the "**Issuer**"), a corporation organized under Philippine law as further described below. The Firm Shares will comprise of up to 789,473,600 unissued common shares by way of primary offer (the "**Primary Offer**") and up to 98,684,200 existing Common Shares offered by Mr. Lawrence O. Lee (the "**Selling Shareholder**") pursuant to a secondary offer (the "**Secondary Offer**").

Pursuant to our amended articles of incorporation approved by the SEC on April 12, 2022, our authorized capital stock is ₱1,250,000,000 divided into 6,250,000,000 Common Shares with a par value of ₱0.20 per share, of which 2,500,000,300 Common Shares are outstanding and fully paid.

Upon completion of the Offer and assuming full exercise of the Over-allotment Option, a total of 3,289,473,900 Common Shares will be issued and outstanding, with the Firm Shares representing 27% of the issued and outstanding capital stock and, assuming full exercise of the Over-allotment Option, the Offer Shares will represent 30% of the issued and outstanding capital stock.

The Firm Shares will be offered at a price of up to [₱5.50] per Offer Share (the "Offer Price"). The determination of the Offer Price is further discussed on page [5353] of this Prospectus and was determined through a book-building process and discussions between our Company and First Metro Investment Corporation ("**First Metro**") as the Issue Manager and Bookrunner.

The Offer Shares will be listed and traded in the Main Board of the Philippine Stock Exchange, Inc. (the "PSE") under the trading symbol "[**UPSON**]". See "Plan of Distribution".

The Selling Shareholder has granted to the Joint Lead Underwriters an option, exercisable not later than the listing of the Offer Shares on the PSE, to sell the Option Shares to eligible investors at the Offer Price (the "**Over-allotment Option**"). The Option Shares will be sold as part of the Institutional Offer (as defined below). The Option Shares are not fully underwritten unlike the Firm Shares; consequently, the Option Shares may not be fully sold and taken up. Subject to the approval of the Philippine Securities and Exchange Commission (the "**SEC**"), the Selling Shareholder has appointed First Metro Securities Brokerage Corporation to act as the stabilizing agent (the "**Stabilizing Agent**") in relation to the Offer. In the event of full or partial exercise of the Over-allotment Option, the Selling Shareholder shall cause the delivery to the Stabilizing Agent of the proceeds of the Option Shares that were sold not later than the Listing Date (the "**Option Proceeds**"). The Stabilizing Agent may use the Option Proceeds to affect price stabilization transactions by purchasing Common Shares in the open market for a period not exceeding thirty (30) calendar days from and including the Listing Date, with a view to supporting the market price of the Common Shares at a level higher than that which might otherwise prevail during such period after the Listing Date (the "**Price Stabilization**"). The Stabilizing Agent may purchase shares in the open market only if the market price of the shares falls below the final Offer Price and only to the extent that the Lead Underwriter exercised the Over-allotment Option (the "**Stabilization Shares**") which in no case shall exceed 12% of the aggregate number of the Firm Shares. The Stabilizing Agent may conduct stabilization activities until the Option Proceeds are exhausted subject to compliance with all applicable laws, rules, and regulations. The Stabilizing Agent has the sole discretion of whether to undertake stabilization activities, and there is no assurance that the same will be undertaken. In the event that the Stabilizing Agent does not conduct stabilization activities, the Stabilizing Agent shall deliver to the Selling Shareholder the

Option Proceeds. There is also no assurance that the price of the Common Shares will not decline significantly prior to or after any such stabilizing activities end.

Based on an Offer Price of up to ₱[5.50] per Offer Share, the gross proceeds to be raised from the sale of the Primary Shares will be up to ₱4,342 million. Our estimated net proceeds to be raised from the sale of the Primary Shares, after we deduct the fees and expenses, will be up to ₱4,154 million. We intend to use the net proceeds it receives from the Offer for store network expansion and for general corporate purposes. For a more detailed discussion on the proceeds from the Offer and the Company's proposed use of proceeds, please see "Use of Proceeds" on page [48] of this Prospectus.

We will not receive any proceeds from the sale of the Secondary Shares and the Over-allotment Option. The Selling Shareholder's gross proceeds from the sale of the Secondary Shares will be approximately ₱543 million and the estimated net proceeds, after deducting fees and expenses payable by the Selling Shareholder, shall be ₱523 million. Assuming full exercise of the Over-allotment Option, the gross proceeds for the Selling Shareholder is estimated to be approximately ₱1,086 million and the estimated net proceeds, after deducting fees and expenses payable by the Selling Shareholder, is estimated to be approximately ₱1,057 million.

The Joint Lead Underwriters (as defined below) will receive a transaction fee equivalent to 3.00% of the gross proceeds from the sale of the Offer Shares, inclusive of the amounts to be paid to the Selling Agents such as the PSE Trading Participants. For a more detailed discussion on the fees to be received by the Joint Lead Underwriters, see "*PLAN OF DISTRIBUTION*" on page [186] of this Prospectus.

At least 621,710,460 of the Offer Shares (or 70% of the Offer Shares) are being offered and sold at the Offer Price to qualified institutional buyers ("**QIBs**") in the Philippines. Up to 177,631,560 Offer Shares (or 20% of the Offer Shares) are being offered to all of the trading participants of the PSE (the "**PSE Trading Participants**"), and up to 88,815,780 Offer Shares (or 10% of the Offer Shares) are being offered to local small investors ("**Local Small Investors**" or "**LSIs**") in the Philippines. Prior to the closing of the Offer, any allocation of Offer Shares not taken up by the QIBs, PSE Trading Participants, and LSIs shall be distributed by First Metro and RCBC Capital Corporation (each a "Joint Lead Underwriter" and, collectively, the "Joint Lead Underwriters") to their clients or to the general public. Pursuant to their firm underwriting commitments for the Offer, Offer Shares not taken up by the QIBs, PSE Trading Participants, LSIs, the clients of the Joint Lead Underwriters, or the general public shall be purchased by the Joint Lead Underwriters pursuant to the terms and conditions of the Underwriting Agreement.

Each holder of Common Shares will be entitled to such dividends as may be declared by our Company's Board of Directors (the "**Board**" or "**Board of Directors**"), provided that any share dividends declaration requires the approval of shareholders holding at least two-thirds of its total "outstanding capital stock." Republic ("**RA**") Act No. 11232 or the Revised Corporation Code of the Philippines (the "**Revised Corporation Code**") has defined "outstanding capital stock" as the total shares of stock issued under binding subscription contracts to subscribers or stockholders, whether fully or partially paid, except for treasury shares. The Company has approved a dividend policy of maintaining an annual dividend payout of up to 30% of its net income from the preceding year, subject to the requirements of applicable laws and regulations, the terms and conditions of any of its outstanding debt facilities, and the absence of circumstances that may restrict the payment of such dividends, such as where the Company undertakes major projects and developments. Our Company's Board may, at any time, modify the Company's dividend policy depending upon the Company's capital expenditure plans and/or any terms of financing facilities entered into to fund its current and future operations and projects. Our Company can give no assurance that it will pay any dividends in the future. Please see "Dividends and Dividend Policy" beginning on page [51] of this Prospectus.

All of the Common Shares issued, and to be issued or sold pursuant to the Offer have identical rights and privileges. The Common Shares may be owned by any person or entity regardless of citizenship or nationality, subject to the nationality limits under Philippine law. The Philippine Constitution and related statutes set forth restrictions on foreign ownership for companies engaged in certain activities.

No dealer, salesman, or any other person has been authorized to give any information or to make any representation not contained in this Prospectus. If given or made, any such information or representation must not be relied upon as having been authorized by the Company or the Joint Lead Underwriters. The distribution of this Prospectus and the offer and sale of the Shares may, in certain jurisdictions, be restricted by law. The Company and the Joint Lead Underwriters require persons into whose possession this Prospectus comes, to inform themselves of and observe all such restrictions. This Prospectus does not constitute an offer of any securities, any offer to sell, or a solicitation of any offer to buy any securities of the Company in any jurisdiction, to or from any person to whom it is unlawful to make such offer in such jurisdiction.

The information contained in this Prospectus relating to the Company and its operations has been supplied by the Company, unless otherwise stated herein. To the best of its knowledge and belief, the Company, which has taken reasonable care to ensure that such is the case, confirms that the information contained in this Prospectus relating to it and its operations is correct and that there is no material misstatement or omission of fact which would make any statement in this Prospectus misleading in any material respect and that the Company hereby accepts full and sole responsibility for the accuracy of the information contained in this Prospectus with respect to the same. No representation, warranty, or undertaking, express or implied, is made by the Joint Lead Underwriters, and no responsibility or liability is accepted by any thereof to the accuracy, adequacy, reasonableness or completeness of the information and materials contained herein (excluding any and all information pertaining to the Joint Lead Underwriters) or any other information provided by the Company in connection with the Offer Shares, their distribution or their future performance. The Joint Lead Underwriters do not make any representation or warranty, expressed or implied, as to the accuracy or completeness of the information contained in this Prospectus.

Unless otherwise indicated, all information in this Prospectus is as of the date of this Prospectus. Neither the delivery of this Prospectus nor any sale made pursuant to this Prospectus shall, under any circumstances, create any implication that the information contained herein is correct as of any date subsequent to the date hereof or that there has been no change in the affairs of the Company since such date.

The Joint Lead Underwritersand our Company have exercised due diligence in ascertaining that all material representations contained in this Prospectus are true and correct as of the date of this Prospectus and that no material information was omitted, which was necessary in order to make the statements contained herein as of the Listing Date not misleading.

Each person contemplating an investment in the Shares should make his own investigation and analysis of the creditworthiness of the Company and his own determination of the suitability of any such investment.

Before making an investment decision, investors should carefully consider the risks associated with an investment in the Common Shares. These risks include:

1. Risks relating to our Company's business;
2. Risks relating to the Philippines;
3. Risks relating to the Offer and the Offer Shares; and,
4. Risks relating to certain statistical information in this Prospectus.

Please refer to the section entitled "**RISK FACTORS**" beginning on page [27] of this Prospectus, which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of the Offer Shares.

An application for listing of the Offer Shares was approved on [●] by the Board of Directors of the PSE, subject to the fulfillment of certain listing conditions. The PSE assumes no responsibility for the correctness of any statements made or opinions expressed in this Prospectus. The PSE makes no representation as to its completeness and expressly disclaims any liability whatsoever for any loss arising from reliance on the entire or any part of this Prospectus. Such approval for listing is permissive only and does not constitute a recommendation or endorsement of the Offer Shares by the PSE or SEC.

An application was made to the SEC to register the Offer Shares under the provisions of RA No. 8799 or the Securities Regulation Code of the Philippines (the "**SRC**"). Subsequently, the SEC issued a pre-effective clearance on [●]. Any approval for registration of the Offer Shares by the SEC does not constitute a recommendation or endorsement of the Offer Shares by the SEC.

The listing of the Offer Shares is subject to the approval of the PSE. Thus, on May 27, 2022, the Company filed its application for the listing and trading of the issued and outstanding common shares of the Company and the Offer Shares. On [●], the PSE issued a Notice of Approval approving the listing of the common shares of the Company, subject to compliance with certain conditions. The PSE's approval of the listing is merely permissive and does not constitute a recommendation or endorsement of the Offer by the PSE. The PSE assumes no responsibility for the correctness of any of the statements made or opinions expressed in this Prospectus. Furthermore, the PSE makes no representation as to the completeness and expressly disclaims any liability whatsoever for any loss arising from or in reliance upon the whole or any part of the contents of this Prospectus.

The Offer Shares are offered subject to receipt and acceptance of any order by our Company and subject to our right to reject any order in whole or in part. It is expected that the Offer Shares will be delivered in book-entry form against payment to the Philippine Depository and Trust Corporation (the "**PDTC**") on or about [●].

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BUT HAS NOT YET BEEN DECLARED EFFECTIVE. NO OFFER TO BUY THE SECURITIES CAN BE ACCEPTED AND NO PART OF THE PURCHASE PRICE CAN BE ACCEPTED OR RECEIVED UNTIL THE REGISTRATION STATEMENT HAS BECOME EFFECTIVE, AND ANY SUCH OFFER MAY BE WITHDRAWN OR REVOKED, WITHOUT OBLIGATION OF COMMITMENT OF ANY KIND, AT ANY TIME PRIOR TO NOTICE OF ITS ACCEPTANCE GIVEN AFTER THE EFFECTIVE DATE. AN INDICATION OF INTEREST IN RESPONSE HERETO INVOLVES NO OBLIGATION OR COMMITMENT OF ANY KIND. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY.

UPSON INTERNATIONAL CORP.

By:

Arlene Louisa T. Sy
Chief Executive Officer and President

Republic of the Philippines)
City of) S.S.

BEFORE ME, a notary public in and for the city named above, personally appeared with Passport No. [●] issued at [●] on [●] valid until [●], who was identified by me through competent evidence of identity to be the same person who presented the foregoing instrument and signed the instrument in my presence, and who took an oath before me as to such instrument.

WITNESS MY HAND AND SEAL this ___day of _____________ at ___________.

Doc No. _________;
Book No. ________;
Page No. ________;
Series of 2022

No representation or warranty, express or implied, is made by our Company and the Joint Lead Underwriters, regarding the legality of an investment in the Offer Shares under any legal, investment or similar laws or regulations. No representation or warranty, express or implied, is made by the Joint Lead Underwriters as to the accuracy or completeness of the information herein and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by the Joint Lead Underwriters. The contents of this Prospectus are not investment, legal, or tax advice. Prospective investors should consult their own counsel, accountant, and other advisors as to legal, tax, business, financial and related aspects of a purchase of the Offer Shares. In making any investment decision regarding the Offer Shares, prospective investors must rely on their own examination of our Company and the terms of the Offer, including the merits and risks involved. Any reproduction or distribution of this Prospectus, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Offer Shares is prohibited.

THE OFFER SHARES ARE BEING OFFERED IN THE PHILIPPINES ON THE BASIS OF THIS PROSPECTUS ONLY. ANY DECISION TO PURCHASE THE OFFER SHARES IN THE PHILIPPINES MUST BE BASED ONLY ON THE INFORMATION CONTAINED HEREIN.

No person has been authorized to give any information or to make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by the Company or the Joint Lead Underwriters. This Prospectus does not constitute an offer to sell or the solicitation of an offer to purchase any securities other than the Offer Shares or an offer to sell or the solicitation of an offer to purchase such securities by any person in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this Prospectus nor any sale of the Offer Shares offered hereby shall, under any circumstances, create any implication that there has been no change in the affairs of our Company since the date hereof or that the information contained herein is correct as of any time subsequent to the date hereof.

Market data used throughout this Prospectus has been obtained from market research, reports and studies, publicly available information and industry publications. Industry publications generally state that the information that they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed. Similarly, industry forecasts, market research and the underlying economic assumptions relied upon therein, while believed to be reliable, have not been independently verified, and neither our Company nor the Joint Lead Underwriters make any representation as to the accuracy of that information.

The operating information used throughout this Prospectus has been calculated by our Company on the basis of certain assumptions made by it. As a result, this operating information may not be comparable to similar operating information reported by other companies.

The distribution of this Prospectus and the offer and sale of the Offer Shares in certain jurisdictions may be restricted by law. Our Company and the Joint Lead Underwriters require persons into whose possession this Prospectus comes to inform themselves about and to observe any such restrictions. This Prospectus does not constitute an offer of, or an invitation to purchase, any of the Offer Shares in any jurisdiction in which such offer or invitation would be unlawful. Each prospective purchaser of the Offer Shares must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers, sells, or resells the Offer Shares or possesses and distributes this Prospectus and must obtain any consents, approvals, or permissions required for the purchase, offer, sale or resale by it of the Offer Shares under the laws, rules and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales, or resales, and neither our Company nor the Joint Lead Underwriters shall have any responsibility therefor.

We, Upson, together with the Selling Shareholder, reserve the right to withdraw the offer and sale of the Offer Shares at any time, and the Joint Lead Underwriters reserve the right to reject any commitment to subscribe to the Offer Shares in whole or in part and to allot to any prospective purchaser less than the full amount of the Offer Shares sought by such purchaser. If the Offer is withdrawn or discontinued, our Company shall subsequently notify the SEC and the PSE. The Joint Lead Underwriters and certain related entities may acquire for their own account a portion of the Offer Shares.

Each offeree of the Offer Shares, by accepting delivery of this Prospectus, agrees to the foregoing.

Conventions that apply to this Prospectus

In this Prospectus, unless otherwise specified or the context otherwise requires, all references to our "Company" are to Upson International Corp. All references to the "Philippines" are references to the Republic of the Philippines. All references to the "Government" are to the national government of the Philippines. All references to "Philippine Peso", "PHP", "Pesos" and "₱" are to the lawful currency of the Philippines.

The items expressed in the Glossary of Terms may be defined otherwise by appropriate government agencies or regulations from time to time, or by conventional or industry usage.

Presentation of Financial Information

Our financial statements are reported in Philippine Peso and are prepared based on its accounting policies, which are in accordance with the Philippine Financial Reporting Standards ("**PFRS**") issued by the Financial Reporting Standards Council of the Philippines. PFRS includes statements named PFRS, Philippine Accounting Standards and Philippine Interpretations of International Financial Reporting Interpretations Committee.

The financial information included in this Prospectus has been derived from our financial statements. Unless otherwise indicated, financial information relating to us in this Prospectus is stated in accordance with PFRS.

Figures in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown in the same item of information may vary, and figures which are totals may not be an arithmetic aggregate of their components.

The Company's fiscal year begins on 1 January and ends on 31 December of each year. Reyes Tacandong & Co. ("**RTCo**") has examined the audited financial statements for the three months ended March 31, 2022 and for the years ended 31 December 2020, and 2021.

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

1. Known and unknown risks;
2. Uncertainties and other factors that may cause our actual results, performance, or achievements to be materially different from expected future results; and
3. Performance or achievements expressed or implied by forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies, current expectations and projections about future events, and operating, market, and financial trends affecting its business, and the environment in which we will operate in the future. In light of these risks and uncertainties associated with forward-looking statements, investors should be aware that the forward-looking events and circumstances discussed in this Prospectus might not occur. Important factors that could cause some or all of the assumptions not to occur or cause actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other things:

1. Our ability to successfully manage our activities;
2. Our ability to successfully implement our current and future strategies;
3. Our ability to anticipate and respond to consumer trends;
4. Our ability to develop products and provide services without delays due to regulatory or other causes;
5. Our ability to successfully manage our future business, financial condition, results of operations, and cash flow;
6. General political, social, and economic conditions and changes in the Philippines;
7. Any future political instability in the Philippines;
8. Changes in interest rates, inflation rates, and the value of the Peso against the U.S. dollar and other currencies;
9. Increases in inventory, maintenance, and rental costs;
10. Continued availability of capital and financing at an acceptable cost;
11. Changes in the laws, including tax laws, regulations, policies and licenses applicable to us;
12. Legal or regulatory proceedings in which our Company is or may become involved;
13. Uncontrollable events, such as war, civil unrest or acts of international or domestic terrorism, the outbreak of contagious diseases, accidents, and natural disasters; and,
14. Competition in the retail industry in the Philippines.

Additional factors that could cause our actual results, performance, or achievements to differ materially from forward-looking statements include, but are not limited to, those disclosed under "Risk Factors" in this Prospectus. These forward-looking statements speak only as of the date of this Prospectus. Our Company, the Issue Manager and Bookrunner, and the Joint Lead Underwriters expressly disclaim any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions, assumptions or circumstances on which any statement is based.

This Prospectus includes statements regarding our expectations and projections for future operating performance and business prospects. The words "believe," "plan," "expect," "anticipate," "estimate," "project," "intend," "forecast," "seek," "target," "aim," "may," "might," "will," "would," "could," and similar words identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Prospectus are forward-looking statements. Statements in this Prospectus as to our opinions, beliefs, and intentions accurately reflect in all material respects the opinions, beliefs, and intentions of its management as to such matters as of the date of this Prospectus, although we give no assurance that such opinions or beliefs will prove to be correct or that such intentions will not change. This Prospectus discloses, under the section "Risk Factors" and elsewhere, important factors that could cause actual results to differ materially from our expectations. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the above cautionary statements.

Our Company and the Joint Lead Underwriters have exercised due diligence in ascertaining that all material representations contained in the prospectus and any amendments and supplements are true and correct and that no material information was omitted, which was necessary in order to make the statements contained in said documents not misleading.

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GLOSSARY OF TERMS

In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

Affiliate	Upson Realty Development Corporation
Banking Day	Means a day (except Saturdays, Sundays and holidays) on which banks in Makati City are open for business
BIR	The Philippine Bureau of Internal Revenue
Board of Directors or Board or BOD	The Board of Directors of our Company
BSP	Bangko Sentral ng Pilipinas, the central bank of the Philippines
Common Shares	Common shares of the Company with par value of ₱[0.20] per share
Company or UIC or Upson	Upson International Corp.
Congress	Congress of the Philippines
Constitution	Philippine Constitution
Consumer electronics	For this Prospectus, consumer electronics is limited to PC and peripherals, computer components and peripherals, communication devices such as mobile phones and its accessories, and security and protection devices sold primarily in retail outlets in the context of our Company.
COVID-19	Corona Virus Disease
CPE	Customer Premises Equipment
CPR	Certificate of Product Registration
CRC	University of Asia and the Pacific – Center of Research and Communication Foundation, Inc
DENR	The Philippine Department of Environment and Natural Resources
DIY	Do-It-Yourself
DOLE	The Philippine Department of Labor and Employment
DTI	Department of Trade and Industry
EBITDA	Earnings before interests, taxes, depreciation and amortization
ERP	Effective Radiated Power
ETF	Exchange Traded Funds

FIA	Foreign Investments Act or Republic Act No. 7042
Firm Shares	[888,157,800] Shares
First Metro	First Metro Investment Corporation
GDP	Gross Domestic Product
ICT	Information and Communications Technology
IRO	Investor Relations Office
IRR	Implementing Rules and Regulations
IT	Information Technology
Independent Auditor	Reyes Tacandong & Co.
Issue Manager and Bookrunner	First Metro Investment Corporation
Joint Lead Underwriters	First Metro Investment Corporation and RCBC Capital Corporation
LGU	Local Government Unit
Listing Date	[On or about September 16, 2022]
LSI	Local small investor
MSME	Micro, Small, and Medium Enterprises
NTC	National Telecommunications Commission
Offer	The offer and sale of the Offer Shares at the Offer Price in accordance with the terms set forth in this Prospectus
Offer Price	Up to [₱ 5.50 per share]
Offer Shares	Up to [986,842,000] Shares
OMB	Optical Media Board
OMB Memorandum Circular No. 2005-003	Entities who distribute and import optical discs containing films, music, software, games and other copyrighted materials
Optical Media	A storage medium or device in which information, including sounds and/or images, or software code, has been stored
Optical Media Act of 2003	Republic Act No. 9239, to regulate the manufacture, mastering, replication, importation, and exportation of optical media
PC	Personal Computer

PCC	Philippine Competition Commission
PDTC	Philippine Depository and Trust Corporation
Peso or PHP	The lawful currency of the Philippines
PFRS	Philippine Financial Reporting Standards
PLC	Publicly Listed Company
Pricing Date	[August 29, 2022]
PSE	The Philippine Stock Exchange, Inc.
PSE Listing Rules	The Revised Listing Rules of the PSE, as amended
PSE Trading Participants	Trading participants of the PSE
PTE	Public telecommunications entity
Public Telecommunications	Republic Act No. 7925 including, where the context requires, related implementing regulations issued by the NTC
QIBs	Qualified Institutional Buyers
RPT	Related Party Transaction
SCCP	Securities Clearing Corporation of the Philippines
SEC	Philippine Securities and Exchange Commission
SME	Small Medium Enterprise
SOHO	Small Office Home Office
sq.m.	Square meters
SRC	Securities Regulation Code
SSS	Social Security System
Tax Code	National Internal Revenue Code of 1997 of the Philippines (Republic Act No. 9337) and its implementing rules, as amended
TTA	Technology Transfer Arrangement
USD	U.S. Dollars
VAT	Value-added tax
WDN	Wireless Data Network

WLAN	Wireless Local Area Network

EXECUTIVE SUMMARY

The following summary is qualified in its entirety by, and is subject to, the more detailed information presented in this Prospectus, including our financial statements, including notes thereto, which are appended to this Prospectus. Capitalized terms not defined in this summary are defined in the "Glossary of Terms" on page [1], "Business" on page [90].

Our Company, Upson International Corp., is a leading retailer of IT-related merchandise including a wide range of hardware and software products. Our Company retails under the brand names ***Octagon Computer Superstore ("Octagon"), Micro Valley, and Gadget King***. With our strong track record, dedication, and commitment to excellence, we have been able to establish partnerships with well-known international brands such as Acer, Asus, Lenovo, Brother, HP, DELL, Sony, Samsung, Sandisk, among others.

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

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

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

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

According to a study by the University of Asia and the Pacific – Center of Research and Communication Foundation, Inc. ("**CRC**") (2021), our Company is the largest in terms of store network and sales amongst mall-based consumer electronics retailers. As of March 31, 2022, we have a total of 188 branches, of which 22 are stand-alone stores, while 166 are mall-based stores. Our regional network of stores is found in the National Capital Region (60), North Luzon (32), South Luzon (35), Visayas (23), and Mindanao (38).

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

In addition to our physical store network, our Company also leases a total of six (6) warehouses. These are located in Manila (3), Cebu (1), Cagayan de Oro (1), and Davao City (1).

As of December 31, 2021, our Company's revenues grew 5% to ₱8,567.9 million from ₱8,152.2 million in 2020. Our Company's net income likewise increased by 95% to ₱403.6 million from ₱206.7 million in 2020 due to the opening of new stores and the prudent management of expenses due to the effects of the COVID-19 pandemic.

As of March 31, 2022, our Company generated ₱2,099.2 million revenue or a 0.36% increase from March 31, 2021 amounting to ₱2,091.8 million. Our Company's net income likewise increased by 69% from ₱65.1 million for the three months ended March 31, 2021 to ₱110.2 million for the three months ended March 31, 2022. The increase is attributable to the combined effects of additional 5 stores opened in 2022; slightly improved contribution margins brought about by better purchasing arrangements with suppliers and the reduction of financing costs due to settlement of previous loans in 2021.

HISTORY AND KEY MILESTONES

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

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

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

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

As of March 31, 2022, our Company had the largest store network throughout the country with 188 branches, offering a complete line and up-to-date IT portfolio of over 13,000 SKUs and serving thousands of people every day. We have consistently been named Top Distributor, Dealer of the Year, Retail Partner of the Year, and Top National Sales by our long-standing suppliers such Acer, Asus, Epson, HP, Seagate, and more.

COMPETITIVE STRENGTHS

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

Fast-growing IT retailer with unparalleled store network nationwide

We are a fast-growing retailer of IT-related products in the Philippines. Within the past three (3) years, we have steadily widened our nationwide reach from 165 stores in 2018 to 188 stores in the first quarter of 2022, and have grown our revenues and net income at a compounded annual growth rate (CAGR) of 8% and 78%. For the years ended December 31, 2019, 2020, and 2021, our revenues hit ₱7,569.6 million, ₱8,152.2 million, and ₱8,567.9 million, respectively, making us the largest mall-based consumer electronics retailer in the country according to the study by the University of Asia and the Pacific – Center of Research and Communication Foundation ("**CRC**"). As of March 31, 2022, we generated ₱2,099.2 million in revenues.

In line with our vision, we have built a more extensive store network compared to our competitors. We are already present in 16 out of the 17 regions in the country, allowing us to reach and capture almost the entire population and income groups. As of March 31, 2022, we directly own and operate a total of 188 stores or equivalent to a total retail space of approximately 23,452.03 sq.m.

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

According to CRC, Filipinos still favor in-store shopping over online. They prefer to visit physical stores to check actual product quality and performance especially for larger devices and equipment and more expensive purchases. The ability to "see and touch the products" is regarded as an important reason for such preference as well as other factors such as the ease of asking questions and assistance, after-sales service including warranties and repairs, and lack of access to credit cards. Despite the rise of e-commerce, CRC expects that 70% of consumer electronics retail sales will still be generated through on-site channels and only 30% through online platforms in 2021.

Authentic and untampered products

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

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

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

Well-recognized brands with a comprehensive and regularly-refreshed portfolio

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

Our comprehensive and frequently updated assortment of products allows us to be responsive to prevailing market needs and local preferences, making us more attractive to consumers and competitive in the marketplace. In 2021, for example, we introduced an average of approximately 200 new SKUs per month, which we believe is a strong performance considering the impact of the COVID-19 pandemic on global supply chains and distribution networks, and a testament to our strength in product category management. As of March 31, 2022, we maintained an active portfolio of more than 13,000 SKUs spanning across nine major categories, including personal computer, printing, communication, storage, networking, peripherals, components, accessories, and software. Some of the well-known brands we carry include Acer, Asus, Brother, Canon, Dell, D-Link, Epson, HP, Huawei, Kingston, Lenovo, Logitech, Microsoft, Samsung, Sandisk, Seagate, Sony and Transcend, among others.

We believe the combination of these advantages have increased our customer base and driven our robust financial performance. In the past three years, we served more than 2 million customers annually, allowing us to reach an average monthly revenue of approximately ₱4.0 million per store. For the year ended December 31, 2021, our revenues rose 5% to ₱8,567.9 million, with personal computer accounting for 49% of total revenues, printing for 14%, communication for 13%, components and networking for 12%, accessories for 10%, and peripherals for 3%. As of March 31, 2022, we generated ₱2,099.2 million in revenues, with personal computer accounting for 49% of total revenues, printing for 14%, communication for 13%, components and networking for 12%, accessories for 9%, and peripherals for 3%.

Highly effective supply chain delivering operational excellence and competitive pricing

We believe that the effectiveness of our supply chain management is fueled by our in-depth know-how, strategically located warehouse network and in-house logistics assets, and dynamic supplier collaborations.

1. **In-depth know-how**. With 27 years in operation, we have built a strong relationship with suppliers, customers, lessors, and regulators. This enables us to gain valuable insights for our store operations including retaining and attracting new customers as well as improving our consumer experience and operational efficiencies throughout our branches and warehouses. In addition, we have gained a deep understanding of relevant local regulations and processes involved in operating in varied locations. This know-how results in significant benefits to us such as access to mall-based spaces for our store network expansion as well as on-time acquisition and renewal of permits and clearances which in turn facilitate the on-time development and roll-out of new stores.
2. **Strategically located warehouse network and in-house logistics assets.** Our warehouses function as secured storage facilities and distribution centers for designated regions or areas. These warehouses perform receiving, organization, fulfillment, and distribution functions. Our ability to efficiently distribute stocks from our warehouses to our nearby stores based on demand and inventory data demonstrates another competency. Currently, our Company has six (6) warehouses: one (1) in Cebu to service the Visayas region; one (1) in Cagayan de Oro and one (1) in Davao City to service Mindanao, and three (3) in Manila to serve as the main warehouse. We intend to add nine (9) more warehouse and distribution facilities as well as strengthen our delivery fleet. In addition, we have 30 delivery trucks and vehicles to meet our distribution needs.
3. **Dynamic supplier collaborations.** We maintain a mutually beneficial relationship with our suppliers whom we consider partners in the industry. This is evidenced by our average relationship of 20 years for our top 15 suppliers and the recognition we have received over the years including being named as Top Distributor, Dealer of the Year, Retail Partner of the Year, Top National Sales, and Exemplary Performance Award by our longtime suppliers such as Acer, Asus, Epson, HP, and Seagate, among others. We believe this level of collaboration adds to our ability to offer a broader selection of products at competitive prices. More importantly, it signifies their trust in our Company's management, business model, and robust store network. In the past three (3) years, we sourced our products from over 100 suppliers.

   These good working relationships help us in many ways, including, but not limited to:

   1. Lowering our costs through volume incentives, bundling programs, and favorable payment terms;

2. Supporting our efficiency efforts by shipping directly to our regional warehouses and certain store locations, subject to our instructions;
3. Providing regular product trainings to our store personnel;
4. Assisting us to obtain products that may be in short or limited supply; and
5. Sharing insights with us which we use to anticipate industry trends and practices.

We believe these supply chain competencies will continue to support timely inventory replenishment and re-allocation of product offerings among our stores, customized store-level merchandise mix, purchasing cost advantages, and optimal stock levels. In the years ended December 31, 2019, 2020, and 2021, we had average inventory turnovers of 85 days, 81 days, and 95 days, respectively. For March 31, 2022, our average inventory turnover is at 120 days. For the three months period ended March 31, 2022 and year ended December 31, 2021, we recognized a total of ₱34.6 million and ₱36.8 million, respectively, as Other Income from the promotional support from our suppliers.

Compelling combination of rising profitability and cash generation

Reflecting the scale of our store network, we have grown our revenues to ₱7,569.6 million in 2019, ₱8,152.2 million in 2020, ₱8,567.9 million in 2021 and ₱2,099.2 million for the three (3) months ended March 31, 2022, despite the challenges in global supply chain caused by COVID-19. At the same time, our gross profit climbed to ₱1,581.1 million in 2019, ₱1,671.3 million in 2020, ₱1,885.6 million in 2021 and ₱461.0 million for the three (3) months ended March 31, 2022, with improved margins of 20.9%, 20.5%, 22.0% and 22.0%, respectively. Our net income rose to ₱85.3 million in 2019 and nearly doubled from ₱206.7 million in 2020 to ₱403.6 million in 2021 and ₱110.2 million for the three (3) months ended March 31, 2022, which represents a net profit margin of 1.1% in 2019, 2.5% in 2020, 4.7% in 2021 and 5.3% for the three (3) months ended March 31, 2022. Our EBITDA reached ₱725.3 million in 2019, ₱824.4 million in 2020, ₱957.1 million in 2021, and ₱216.9 million for the three (3) months ended March 31, 2022, which represent 9.6%, 10.1%, 11.2% and 10.33% of our revenues for the corresponding period. We also maintained consistent cash generation, with a cash balance of ₱267.0 million, ₱680.8 million, and ₱1,100.8 million in the years ended December 31, 2019, 2020, and 2021, and ₱773.3 million as of March 31, 2022.

Proven, founder-led leadership team backed by an engaged organization

Our continued growth is made possible by our dedicated and experienced management team. We have benefitted from the vision, industry experience, entrepreneurial drive, and strong execution capabilities of our leadership team which enabled us to deliver continued revenue growth and profitability in the rapidly evolving retail industry. Their expertise in selecting a high-quality mix of products that are relevant to changing computer and technology trends as well as consumer preferences enhance our ability to respond to such developments and emerging industry practices in a cost-effective and timely manner, ultimately providing us with competitive advantages which are difficult for competitors to replicate.

The original founders continue to guide our Company today supported by our management team who has in-depth industry and company knowledge. Our management team, led by Lawrence O. Lee, Arlene Louisa T. Sy, Rolando O. Raval Jr., and Marcos A. Legaspi, has an average of over 30 years of experience in supply chain management, retail, and technology. Other members of our management team also possess technical and business management skills and are assisted by our digital capabilities.

Our more than 800 team members, who are based across the country, complement our management team and bring diverse skills that make our organization and culture stronger. As we are partners in shared success, we adopt a holistic approach to investing in our people. For example, we provide competitive salaries and performance-based cash bonuses. At the store level, our in-store management teams are also empowered and incentivized to drive sales and profitability of their respective stores. Moreover, we equip our team members with comprehensive training and development programs, including knowledge of the latest trends in consumer behavior and preferences as well as after-sales support. We also arrange product trainings for our store personnel with our suppliers at least twice a year. As of March 31, 2022, key functions such as sales and marketing, procurement, and supply chain management comprised approximately 70% of our total employees.

We believe our experienced leadership team and the business relationships they have cultivated over the years, combined with our highly skilled and motivated workforce, have contributed to our strong growth and resilience through economic cycles, and will continue to benefit us in the future.

KEY STRATEGIES

We aim to lead the Filipino towards technological advancement, while achieving profitable and sustainable growth.

We plan to use our key competitive strengths to pursue the following long-term strategies:

Ensure availability of complete line of IT products with integrity

We believe the rapid innovation in technology along with favorable trends and drivers of demand will likely sustain the growth of the consumer electronics industry, as affirmed by the CRC report (2021). As such, we expect more consumers to upgrade their current IT equipment and devices or make new purchases even as the market normalizes from COVID-19.

In order to capture the market's demand, we continuously aim to strengthen our portfolio that offers a complete, quality, and up-to-date suite of IT products for every UIC customer. We will further enhance our merchandising strategy by launching more SKUs in our existing and adjacent product categories as well as timely adjusting our merchandise mix based on market demand.

Ensuring product integrity is a critical element to this strategy and will remain a cornerstone of how we do business. We believe our established reputation is based on selling only authentic and untampered products, which many of our suppliers acknowledge and recognize us for because it keeps the good reputation of their brands. In this regard, we plan to build on our track record of securing strong product support and warranties from suppliers and delivering value to customers through products with integrity than on price alone.

Moreover, we will continue to use market intelligence gained from our regular interaction and consultation with our suppliers to better align product availability with anticipated demand and product lifecycle. Through this process, we will be able to improve our planning and analysis and accordingly, arrange for the distribution and marketing of the latest product offerings.

We believe this strategy, based on our market experience and understanding of the landscape, will broaden our product portfolio, increase customer loyalty, maintain our solid relationships with suppliers, and ultimately benefit our overall performance.

Expand our store network and penetrate markets with high growth potential

We believe our "Nationwide reach, Nationwide service" commitment is one of the reasons why our customers and suppliers choose us. We intend to expand our footprint in untapped markets and further penetrate those that we have covered. In the next five (5) years, we plan to add an approximate 25,000 sq.m. of retail selling space in key regions, such as the National Capital Region, Central Luzon, CALABARZON, Western and Central Visayas, and Mindanao. Accordingly, we expect to more than double our total retail space to approximately 50,000 sq.m. by 2026 from 23,452.03 sq.m. as of March 31, 2022.

We believe our approach to expansion is thoughtful and disciplined and can translate to a significant rise in our market share. For example, in determining the regions to focus on, we are guided by relevant operating data which we already have for our existing stores covering 16 out of the 17 regions in the country. We plan to prioritize regions with highest return potential as well as where IT products are not readily available, or IT infrastructure is emerging or is still being developed. Further, in selecting specific mall-based locations, we have an internal working team tasked to rigorously assess several factors, such as the locality's demographic attributes, foot traffic, public transport accessibility, proposed lease terms, and manpower requirements, among others.

As of March 31, 2022, we have approximately 1,656 sq.m. of retail space or 22 stores in development which we expect to complete over the course of the year. Due to our streamlined processes and long-term relationships with mall operators, we typically are able to complete construction and start operation of our stores within two months, including acquisition of government and lessor approvals, permits, and licenses. Full-year sales targets are also usually achieved within a year after the opening.

Launch new store formats

We continue to introduce new retail formats as needed that match distinctive demands in certain markets to complement our current offerings and facilitate new in-store experiences. These new formats will be developed selectively and have a different product mix and concept from our existing stores.

In 2021, we introduced our four (4) concept stores and, in March 2022, we launched another store format named Octagon City. Octagon City is a one-stop shop that offers a broader selection of products and accessories, ranging from personal computers to various technology devices used in, communication, entertainment, home security, and health and wellness such as smartwatches. It is located along Chino Roces Avenue (formerly Pasong Tamo) in Makati City. Octagon City started commercial operations on March 11, 2022 with the opening of the first phase of the project comprising approximately 291 sq.m. of retail space. The second phase of the development will add approximately 199 sq.m. of retail space upon completion.

Excel in omnichannel experience and raise brand recognition

Due to constant changes in consumer expectations and behaviors, we have taken strategic initiatives to bridge our physical stores and the e-commerce space as well as engage with consumers across multiple channels. Specifically, we extended our consumer outreach through online channels such as our Octagon website (www.octagon.com.ph) and popular third-party shopping platforms such as Shopee, Lazada, and Pick-a-roo.

To excel in omni-channel experience, we intend to continuously enhance our e-commerce website, social media, and loyalty program. Combined with our over 1,000 employees, we believe these capabilities will create an ecosystem that helps better serve customers with a convenient and seamless shopping experience.

For our e-commerce website, we plan to expand our online product offerings and introduce in-store fulfillment of online orders. We will offer a "buy online pick-up in store" option where customers can conveniently place orders on our website and pick it up at their store of choice. We believe this option gives consumers greater flexibility, personalized service, and reliable support for warranties and repair. In addition, it will drive people to our physical stores which may lead to other in-store purchases, thereby generating higher revenue and profitability for our stores.

For social media, we plan to develop and execute a comprehensive strategy with a defined vision and a detailed implementation roadmap. We also intend to launch marketing initiatives, including, but not limited to, increasing our advertising and promotion campaigns targeted to individuals and institutions in a small office and home office, gaming, education, and small medium enterprise sectors. Additionally, we plan to check our overall brand health more frequently based on consumer feedback and public commentary available on our social media and digital sales channels.

For our customer loyalty program, we are committed to our make our rewards offerings more compelling by understanding what is most important to them. As we expand our membership base, we aim to gain valuable insights into consumer preferences based on actual and up-to-date feedback from customers.

We believe these strategies will allow us to further invest in our brand to support our reputation and drive new and repeat customer growth.

Develop more warehouses and respond quickly to changing consumer demands

We have been able to compete successfully in the marketplace through a combination of our scale, service, marketing efforts, and ability to make right decisions on our product range and price.

To further intensify our supply chain capabilities, we are adding a total of nine (9) warehouses and distribution facilities in key cities nationwide such as Manila, Naga, Cabanatuan, and Dagupan.

As COVID-19 continues to amplify the increased demand for our products, we will remain responsive to changes in demand and supply and provide a reliable experience for consumers. We aim to refine this strategy by carefully planning and maintaining appropriate inventory levels. Using our customized inventory system and various forecasting techniques, we expect to align our inventory with in-demand and fast-moving products while slowing purchase orders for other products. We will also work closely with our suppliers and vendors to prevent out-of-stocks and manage delivery times and distribution, particularly for our core product categories such as personal computer and communication which are currently experiencing above historic demand.

Explore opportunistic acquisitions

We plan to explore acquisition opportunities to deepen our market-leading position and enhance our competitiveness. We will consider acquisition targets based on synergy potential and financial performance. As of March 31, 2022, we have not entered into any negotiations with any specific acquisition targets.

RISKS OF INVESTING

Before making an investment decision, prospective investors should carefully consider the risks associated with an investment in the Offer Shares. Certain of these risks are discussed in the section entitled "Risk Factors" and include risks relating to the Group and its business in general, regulatory risks, risks relating to the Philippines, risks relating to the Offer and the Offer Shares, and risks relating to certain information in this Prospectus, such as:

- Risks relating to the Company's business
    - Disruptions in the domestic or international supply chain may affect our business operations.
    - Fluctuations in foreign exchange and peso devaluation may materially affect our operational results and financial condition.
    - We lease majority of our stores, and there is no assurance that we will be able to continue to renew these leases or enter into new leases on acceptable terms.
    - Failure to comply with prevailing laws and regulations may disrupt our business continuity and operations.
    - Our margins may be affected by increases in our operating and other expenses.
    - We depend on and operate on centralized warehouses and distribution centers.
    - We are exposed to higher levels of risks of theft, robbery, and pilferage because of the high value and portable nature of our merchandise.
    - We may be exposed to risks of inventory obsolescence, decline in inventory value, significant inventory write-downs or write-offs, and working capital tied up in inventories.
    - We rely on third-party service providers for the transportation, and delivery of products to the stores.
    - We are subject to various risks for which our Company may not be adequately insured.
    - We may not be able to maintain or improve store sales.
    - Our business is sensitive to changes in purchase and selling prices.
    - The success of our business depends in part on our ability to develop and maintain good relationships with key suppliers and distributors.
    - Any damage to the reputation of the consumer electronic brands we distribute could harm our business.

- We may not timely identify or effectively respond to consumer needs, expectations or trends, and source and sell the appropriate product mix to suit changing customer preferences.
- We may experience difficulty in implementing our growth strategy.
- Our new retail formats have a comparatively limited track record.
- We may not be able to hire, retain, and train sufficient qualified personnel for our operations.
- Dissatisfaction with our customer service could prevent our stores from retaining customers.
- Any damage to our stores' image and reputation could harm our business.
- Strong competition could negatively affect prices and demand for our products and market share.
- Our Company is dependent on certain key executives.
- We have related party transactions.
- The interests of certain significant shareholders of our Company may differ from those of other shareholders.
- Cybercrime or information technology failures could disrupt our operations.
- We may be unable to fulfill the terms and conditions of our licenses, permits and other authorizations, or fail to renew them on expiration.
- Our intellectual property rights could be infringed or we could infringe the intellectual property rights of others.
- There is a possibility that our pending trademark applications may be denied.
- The Company may be subject to penalties for non-compliance with its loan agreements.

- Risks relating to the Philippines
  - The COVID-19 global pandemic has had and is expected to continue to have an adverse effect on our business and results of operations.
  - Our business activities are based in the Philippines; therefore, any downturn in the Philippine economy could have a material adverse impact on our business, financial condition, results of operations, and prospects.
  - Any future deterioration in economic conditions in the Philippines could materially and adversely affect our financial position and results of operation, including our ability to grow our business, and our ability to implement our business strategy. Changes in the conditions of the Philippine economy could materially and adversely affect our business, financial condition, or results of operations.
  - Political instability in the Philippines may have a negative effect on the Philippine economy and business environment which could have a material adverse impact on our business.
  - Natural or other catastrophes, including severe weather conditions, may materially disrupt our operations and financial condition.
  - Acts of terrorism and territorial disputes among the Philippines and its neighboring nations could destabilize the country and could have a material adverse effect on our assets and financial condition.
  - Any decrease in the credit ratings of the Philippines may adversely affect our business.

- Risks relating to the Offer and the Offer Shares
  - There can be no guarantee that the Offer Shares will be registered with the SEC and listed on the PSE, or that there will be no other regulatory action that could delay or affect the Offer.
  - As there has been no prior trading of the Company's Common Shares, there can be no assurance that an active market for the Offer Shares will develop following the Offer or, if developed, that such market will be sustained.
  - The Offer Shares may not be a suitable investment for all investors.
  - The market price of securities can and does fluctuate. The Offer Shares have not been publicly traded and the relative volatility and illiquidity of the securities market may substantially limit an investor's ability to sell the Offer Shares at a suitable price or at a time they desire which may result to an investors' investments in the Company to decline.
  - Shareholders may be subject to limitations on minority shareholders' rights.
  - Our Company may be unable to pay dividends on the Common Shares.
  - We cannot give any assurance that it will pay any dividends in the future.

        - Investors may incur immediate and substantial dilution as a result of purchasing Shares in the Offer.
- Risks relating to certain statistical information in this Prospectus
    - Certain information contained herein is derived from unofficial publications.
    - Non-verification of Certain Information.

INVESTOR RELATIONS OFFICE

The Investor Relations Office ("IRO") will be tasked with (a) the creation and implementation of an investor relations program that reaches out to all shareholders and informs them of corporate activities and (b) the formulation of a clear policy for accurately, effectively and sufficiently communicating and relating relevant information to our stakeholders as well as to the broader investor community.

The IRO will also be responsible for ensuring that our shareholders have timely and uniform access to official announcements, disclosures and market-sensitive information relating to us. As our officially designated spokesperson, the IRO will be responsible for receiving and responding to investor and shareholder queries. In addition, the IRO will oversee most aspects of our shareholder meetings, press conferences, investor briefings, management of the investor relations portion of the Company's website and the preparation of its annual reports. The IRO will also be responsible for conveying information such as the Company's policy on corporate governance and corporate social responsibility, as well as other qualitative aspects of our operations and performance. Our Investor Relations Office will be located in our office in Unit 2308, 23/F Capital House Tower 1, 9th Avenue corner 34th Street, Bonifacio Global City, Taguig City. The Company's Investor Relations Officer will be Ms. Rachelle C. Paunlagui and she may be contacted via email at iro@upson.com.ph or through telephone number +63 (2) 8 526-7152.

COMPANY INFORMATION

The Company is corporation incorporated with limited liability under the laws of the Philippines. The Company's registered principal office address is Unit 2308, 23/F Capital House Tower 1, 9th Avenue corner 34th Street, Bonifacio Global City, Taguig City. The Company's telephone number is +(632) 8526-7152. The Company's website is www.upson.com.ph. The information on the Company's website is not incorporated by reference into, and does not form part of, this Prospectus.

SUMMARY OF THE OFFER

The following does not purport to be a complete listing of all the rights, obligations, and privileges attaching to or arising from the Offer Shares. Some rights, obligations, or privileges may be further limited or restricted by other documents and subject to final documentation. Prospective investors are enjoined to perform their own independent investigation and analysis of our Company and the Shares. Each prospective investor must rely on its own appraisal of our Company and the Shares and its own independent verification of the information contained herein and any other investigation it may deem appropriate for the purpose of determining whether to invest in the Offer Shares and must not rely solely on any statement or the significance, adequacy, or accuracy of any information contained herein. The information and data contained herein are not a substitute for the prospective investor's independent evaluation and analysis.

Issuer	Upson International Corp.
Selling Shareholder	Mr. Lawrence O. Lee
Issue Manager and Bookrunner	First Metro Investment Corporation
Joint Lead Underwriters	First Metro Investment Corporation RCBC Capital Corporation
Selling Agents	PSE Trading Participants
Stock Transfer Agent	Philippine National Bank acting through its Trust Banking Group
Receiving Agent	Philippine National Bank acting through its Trust Banking Group
Escrow Agent	Philippine National Bank acting through its Trust Banking Group
Independent Auditors	Reyes Tacandong & Co.
Legal Counsel to the Issuer	Picazo Buyco Tan Fider & Santos Law Offices
Legal Counsel to the Issue Manager and Bookrunner, and Joint Lead Underwriters	Angara Abello Concepcion Regala & Cruz Law Offices
The Offer	Offer and sale of 888,157,800 Firm Shares and up to 98,684,200 Option Shares pursuant to the Over-allotment Option
Plan of Distribution	Up to 621,710,460 Firm Shares (or 70% of the Firm Shares) are being allocated to qualified institutional buyers ("**QIBs**") and the general public in the Philippines at the Offer Price. Up to 177,631,560 Firm Shares (or 20% of the Firm Shares) are being allocated to all of the PSE Trading Participants. Each PSE Trading Participant shall initially be allocated [1,421,000] Firm Shares and subject to reallocation as may be determined by the PSE. Based on the initial allocation for each trading participant, there will be a total of [6,560] residual Firm Shares to be allocated as may be determined by the Issue Manager and Bookrunner, and the Joint Lead Underwriters. Up to 88,815,780 Firm Shares (or 10% of the Firm Shares) are being offered to Local Small Investors at the Offer Price through the PSE Electronic Allocation System or PSE EASy. A Local Small Investor ("**LSI**") is defined as a subscriber to the Offer who is willing to subscribe to a minimum board lot or whose subscription does not exceed ₱[100,000.00]. In the case of this Offer, the

minimum subscription of LSIs shall be [●] shares or ₱[●], while the maximum subscription shall be [●]or ₱[●]. There will be no discount on the Offer Price. The procedure in subscribing to Offer Shares via PSE EASy is indicated in our Implementing Guidelines for Local Small Investors to be announced through the PSE EDGE website. Should the total demand for the Offer Shares in the LSI program exceed the maximum allocation, the Lead Underwriter shall prioritize the subscriptions of small investors with amounts lower than the maximum subscription.

Offer Shares not taken up by the PSE Trading Participants or the LSIs shall be distributed by the Joint Lead Underwriters to their respective clients or to the general public. Offer Shares not taken up by the QIBs, PSE Trading Participants and the LSIs, the Joint Lead Underwriter's clients, or the general public shall be purchased by the Joint Lead Underwriters, on a firm commitment basis, pursuant to the terms and conditions of the Underwriting Agreement.

Offer Price

Up to ₱[5.50] per Offer Share. The Offer Price will be determined through a book-building process and discussions between our Company and the Issue Manager and Bookrunner, and the Joint Lead Underwriters.

Over-allotment Option

An option granted by the Selling Shareholder to the Joint Lead Underwriter to sell the Option Shares to eligible investors at the Offer Price, on the same terms and conditions as the Firm Shares as set out in this Prospectus, solely to cover over-allotments, if any, and proceeds from the exercise of the Over-allotment Option, the "Option Proceeds." See "Plan of Distribution – The Over-Allotment Option and Stabilization Activities" on page [186] of this Prospectus.

Price Stabilization

The Option Proceeds may be used by the Stabilizing Agent to effect price stabilization transactions by purchasing Common Shares in the open market for a period not exceeding thirty (30) calendar days from and including the Listing Date ("Price Stabilization Period"), with a view to supporting the market price of the Common Shares at a level higher than that which might otherwise prevail during such period. The Stabilizing Agent may purchase shares in the open market only if the market price of the shares falls below the final Offer Price and only to the extent of the Stabilization Shares. The Stabilizing Agent may conduct Stabilization Activities until the Option Proceeds are exhausted, subject to compliance with all applicable laws and regulation. The Stabilizing Agent has the sole discretion whether to undertake Stabilization Activities, and there is no assurance that the same will be undertaken. In the event that the Stabilizing Agent does not conduct Stabilization Activities, the Stabilizing Agent shall deliver to the Selling Shareholder the Option Proceeds. There is also no assurance that the price of the Common Shares will not decline significantly before or after any such stabilizing activities end. See "Plan of Distribution – The Over-Allotment Option and Stabilization Activities" on page [186] of this Prospectus.

Offer Period

The Offer Period shall commence at 9:00 a.m., Manila time, on [September 5, 2022] and end at 12:00 p.m., Manila time, on [September 9, 2022]. Our Company and Joint Lead Underwriters reserve the right to extend or terminate the Offer Period with the approval of the SEC and the PSE.

Applications must be received by the Receiving Agent by 12:00 p.m., Manila time on [September 9, 2022], whether filed through a participating Selling Agent or through PSE EASy for LSI applications or filed directly with the Joint Lead Underwriters. Applications received thereafter or without the required documents will be rejected. Applications shall be considered irrevocable upon submission to a participating Selling Agent or PSE EASy or the Joint Lead Underwriters, and shall be subject to the terms and conditions of the Offer as stated in this Prospectus and in the application. The actual purchase of the Offer Shares shall become effective only upon the actual listing of the Offer Shares on the PSE and upon the obligations of the Joint Lead Underwriters under the Underwriting Agreement becoming unconditional and not being suspended, terminated or cancelled on or before the Listing Date in accordance with the provisions of such agreement.

Eligible Investors

The Offer Shares may be purchased by any natural person of legal age residing in the Philippines, regardless of nationality, or any corporation, association, partnership, trust account, fund or entity residing in and organized under the laws of the Philippines and/or licensed to do business in the Philippines, regardless of nationality, subject to our right to reject an application or reduce the number of Offer Shares applied for subscription or purchase if the same will cause our Company to be in breach of the Philippine ownership requirements under relevant Philippine laws. Foreign investors interested in subscribing or purchasing the Offer Shares should inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally. Foreign investors, both corporate and individual, warrant that their purchase of the Offer Shares will not violate the laws of their jurisdiction and that they are allowed to acquire, purchase and hold the Offer Shares.

Use of Proceeds

We intend to use the net proceeds it receives from the Offer for store network expansion and for general corporate purposes. See "Use of Proceeds" on page [48] of this Prospectus for details of how the total net proceeds are expected to be applied.

Minimum Subscription and Board Lot

Each application must be for a minimum of [●] Offer Shares, and thereafter, in multiples of [●] Offer Shares. Applications for multiples of any other number of Common Shares may be rejected or adjusted to conform to the required multiple, at our discretion.

Lock-up

The PSE Consolidated Listing and Disclosure Rules (the "**PSE Listing Rules**") require an applicant company for the Main Board to cause the Company's existing shareholders owning at least 10% of the outstanding shares of the Company not to sell, assign or in any manner dispose of their shares for a period of 180 days after the listing of the shares.

In accordance with the foregoing, the Common Shares held by the following shareholders will be subject to the 180-day lock-up requirement:

Shareholder	No. of Common Shares Held Subject to Lock-up Period
Ricardo A. Lee	[445,834,335]
William Lim	[356,665,665]
Lawrence O. Lee	[248,464,535]*
Jendres Holdings, Inc.	[537,500,000]
Virdura Holdings, Inc.	[312,500,000]

Unitrust Investments Corporation	[312,500,000]

**Assuming the Over-allotment Option is fully exercised or [347,148,735] Common Shares if the Over-allotment Option is not exercised.*

In addition, if there is any issuance of shares or securities such as private placements, assets for shares swap or a similar transaction or instruments which lead to issuance of shares or securities such as convertible bonds, warrants or a similar instrument that are completed within 180 days prior to the start of the offer period, and the transaction price is lower than the Offer Price in the initial public offering, all such shares or securities shall be subject to a lock-up period of at least 365 days from full payment of such shares or securities.

The following shall be covered by the 365-day lock-up requirement:

Shareholder	**No. of Common Shares Held Subject to Lock-up Period**
Marcos A. Legaspi	[95]
Rolando O. Raval, Jr.	[95]
Arlene Louisa T. Sy	[95]
Anthony Thomas C. Roxas, Jr.	[100]
Chun Bing G. Uy	[100]
Raul M. Leopando	[100]
Jose Vincente C. Bengzon, III	[100]

To implement the foregoing lock-up requirements, the PSE requires the applicant company to lodge the locked-up shares with the PDTC through a Philippine Central Depository ("**PCD**") participant for the electronic lock-up of the shares or enter into an escrow agreement with the trust department or custodian unit of an independent and reputable financial institution.

See "Principal and Selling Shareholder — Lock-up" on page [149] and "Plan of Distribution — The Institutional Offer — Lock-up" on page [186].

Registration, Listing and Trading

We have filed an application with the SEC for the registration and an application with the PSE for the listing of all its issued and outstanding stock (including the Offer Shares). The SEC issued an Order of Effectivity and Permit to Sell on [●] and the PSE approved the listing application on [●], subject to compliance with certain listing conditions.

All of the Offer Shares are expected to be listed on the Main Board of the PSE under the symbol "[UPSON]." See "Description of the Shares." All of the Offer Shares are expected to be listed on the PSE on [September 16, 2022]. Trading of the Offer Shares that are not subject to lock up is expected to commence on [September 16, 2022].

Dividends and Dividend Policy

Each holder of Common Shares will be entitled to such dividends as may be declared by our Company's Board of Directors (the "**Board**" or "**Board of Directors**"), provided that any share dividends declaration requires the approval of shareholders holding at least two-thirds of its total "outstanding capital stock." Republic Act No. 11232 or the Revised Corporation Code of the Philippines (the "**Revised Corporation Code**") has defined "outstanding capital stock" as the total shares of stock issued under binding subscription contracts to subscribers or stockholders, whether fully or partially paid, except for treasury shares. The Company has approved a dividend policy of maintaining an annual dividend payout of up to 30% of its net income from the preceding year, subject to the requirements of applicable laws and regulations, the terms and conditions of any of its outstanding debt facilities, and the absence of circumstances that may restrict the payment of such dividends, such as where the Company undertakes major projects and developments. Our Company's Board may, at any time, modify our dividend policy depending upon our capital expenditure plans and/or any terms of financing facilities entered into to fund its current and future operations and projects. We can give no assurance that it will pay any dividends in the future. See "Dividends and Dividend Policy" on page [51] of this Prospectus for more discussion.

Form, Title and Registration of the Offer Shares

The Offer Shares will be issued in scripless form through the electronic book-entry system of Philippine National Bank acting through its Trust Banking Group as Registrar for the Offer, and lodged with the PDTC as Depository Agent on Listing Date through PSE Trading Participants respectively nominated by the applicants. For this purpose, applicants shall indicate in the proper space provided for in the Application Form the name of a PSE Trading Participant under whose name their shares will be registered.

After Listing Date, shareholders may request the Registrar, through their respective nominated PS Trading Participants, to (a) open a scripless registry account and have their holdings of the Offer Shares registered under their name, or (b) issue stock certificates evidencing their investment in the Offer Shares. Any expense that will be incurred in relation to such registration or issuance shall be for the account of the requesting shareholder.

Legal title to the Offer Shares will be shown in an electronic register of shareholders ("**Registry of Shareholders**") which shall be maintained by the Registrar. The Registrar shall send a transaction confirmation advice confirming every receipt or transfer of the Offer Shares effected in the Registry of Shareholders (at the cost of the requesting shareholder). The Registrar shall send (at our cost) at least once every year a statement of account to all shareholders named in the Registry of Shareholders, except certificated shareholders and depository participants, confirming the number of shares held by each shareholder on record in the Registry of Shareholders. Such statement of account shall serve as evidence of ownership of the relevant shareholder as of the given date thereof. Any costs and expenses with respect to the request by shareholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting shareholder.

Restrictions on Ownership

The Offer Shares will be in scripless form and may be purchased by any person, association, partnership, or trust, regardless of citizenship or nationality, subject to the nationality limits under Philippine law. The Philippine Constitution and related statutes set forth restrictions on foreign ownership for companies engaged in nationalized or partly nationalized activities. We own certain real estate in the Philippines. As such, foreign equity in our Company cannot exceed 40% of our total outstanding capital stock. For more information relating to restrictions on the ownership of the Shares, please see "Description of the Shares" on page [155] and "Philippine Foreign Exchange and Foreign Ownership Controls" on page [184].

Registration of Foreign Investments

The BSP requires that investments in shares of stock funded by inward remittance of foreign currency be registered with the BSP only if the foreign exchange needed to service capital repatriation or dividend remittance will be sourced from the Philippine banking system. The registration with the BSP of all foreign investments in the Offer Shares shall be the responsibility of the foreign investor. See "Philippine Foreign Exchange and Foreign Ownership Controls" beginning on page [184] of this Prospectus.

Selling and Transfer Restrictions

Initial placement and subsequent transfers of interests in the Offer Shares shall be subject to normal selling restrictions for listed securities as may prevail in the Philippines from time to time. Existing shareholders who own an equivalent of at least 10% of the Company's issued and outstanding Shares after the Offer are required under the revised listing rules of the PSE applicable to companies applying for listing on the PSE Main Board, not to sell, assign or otherwise dispose of their shares for a minimum of 180 days from Listing Date. See "Lockup" above and "Principal Shareholders" on page [149] of this Prospectus.

In addition, if there is any issuance or transfer of Shares (i.e. private placements, asset for shares swap, or a similar transaction) or instruments which lead to issuance of Shares (i.e. convertible bonds, warrants or a similar instrument) done and fully paid for within 180 days prior to the start of the Offer, and the transaction price is lower than that of the Offer Price, all such Common Shares issued or transferred shall be subject to a lock-up period of at least 365 days from full payment of such Shares.

Except for the issuance of the Offer Shares or shares for distribution by way of stock dividends and certain option grants and issuances under employee incentive schemes, the PSE is expected to require the Company, as a condition to the listing of the Shares, not to issue new shares in capital or grant any rights to or issue any securities convertible into or exchangeable for, or otherwise carrying rights to acquire or subscribe to, any shares in its capital or enter into any arrangement or agreement whereby any new shares or any such securities may be issued for a period of 180 days after the Listing Date.

Tax Considerations

See "Philippine Taxation" on page [176] of this Prospectus for further information on the Philippine tax consequences of the purchase, ownership and disposal of the Offer Shares.

Procedure for Application for the Offer

For PSE Trading Participants ("TPs")

Application forms to purchase and signature cards will be provided to the TPs by Joint Lead Underwriters. Application forms will also be made available for download on the Company website.

Applicants shall complete the application form, indicating all pertinent information such as the applicant's name, address, taxpayer's identification number, citizenship, and all other information as may be required in the application form. Applicants shall undertake to sign all documents and to do all necessary acts to enable them to be registered as holders of Offer Shares. Failure to complete the application form may result in the rejection of the application.

Applications must be received by the Receiving Agent not later than 12:00 p.m. on [September 9, 2022]. Applications received thereafter or without the required documents will be rejected. Applications shall be considered irrevocable upon submission to a PSE Trading Participant, and shall be subject to the terms and conditions of the Offer as stated in this Prospectus and in the application. The actual purchase of the Offer Shares shall become effective only upon the actual listing of the Offer Shares on the PSE and upon the obligations of the Joint Lead Underwriters under the Underwriting Agreement becoming unconditional and not being suspended, terminated or cancelled on or before the Listing Date in accordance with the provisions of such agreement.

If the applicant is a corporation, partnership or trust account, the application must be accompanied by the following documents:

1. A certified true copy of the applicant's latest articles of incorporation and by-laws (or articles of partnership in the case of a partnership) and other constitutive documents (each as amended to date) duly certified by its corporate secretary (or managing partner in the case of a partnership);
2. A certified true copy of the applicant's SEC certificate of registration or certificate of filing amended articles of incorporation or by-laws, as the case may be, duly certified by its corporate secretary (or managing partner in the case of a partnership); and
3. A duly notarized corporate secretary's certificate (or certificate of the managing partner in the case of a partnership) setting forth the resolution of the applicant's board of directors or equivalent body authorizing the purchase of the Offer Shares indicated in the application, identifying the designated signatories authorized for the purpose, including his or her specimen signature, and certifying the percentage of the applicant's capital or capital stock held by Philippine Nationals.

Foreign corporate and institutional applicants who qualify as Eligible Investors, in addition to the documents listed above, are required to submit, in quadruplicate, a representation, and warranty stating that their purchase of the Offer Shares to which their application relates will not violate the laws of their jurisdictions of incorporation or organization, and that they are allowed, under such laws, to acquire, purchase and hold the Offer Shares.

An application should be submitted in quadruplicate (four (4) copies, one (1) of which shall be returned to the applicant) and accompanied by the following documents (complete):

1. Duly accomplished Applications submitted in quadruplicate (4 copies), one (1) of which will be returned to the TP;
2. The required attachments as enumerated in the Applications;
3. Two (2) specimen signature cards fully completed and signed by the applicant's designated signatories, and certified by its corporate secretary (or equivalent officer);
4. Four (4) hard copies of the Sales Report duly certified by the representative authorized of the TPs; and
5. A soft copy of the accomplished Sales Report must be sent to [PNB Trust] and [equities@firstmetro.com.ph] with subject [UPSON] Sales Report.

This should be read in conjunction with the Offer Implementing Guidelines which will be published on the PSE EDGE website prior to the start of the Trading Participants and Retail Offer.

For Local Small Investors

LSI applications to subscribe for the Offer Shares must be done online through PSE EASy. The system will generate a reference number and payment instructions. Application to subscribe for the Offer Shares must be completed and settled by 12:00 p.m., Manila time, on [September 9, 2022].

Further information about the Company, details about the Offer, instructions for subscribing through PSE EASy, payment terms, and the list of the PSE Trading Participants where LSI applicants may open trading accounts for the lodgment of the LSI applicant's shares will be made available in the Offer Implementing Guidelines which will be published on the PSE EDGE website prior to the start of the Trading Participant and Retail Offer.

Note that LSI applications will be processed on a first-come, first-served basis; while the final allocation of Offer Shares will be determined pursuant to allocation mechanics wherein fully paid allocations will be allotted in ascending order (i.e. from the lowest to highest) and upon the Receiving Agent's validation or confirmation of complete payment of the purchased Retail Offer Shares.

This section should be read in conjunction with the Offer Implementing Guidelines which will be published on the PSE EDGE website.

Payment Terms for the PSE Trading Participants

The purchase price must be paid in full in Philippine Pesos upon the submission of the duly completed and signed application form and signature card together with the requisite attachments.

Payments for the PSE Trading Participants Offer Shares must be cleared on or before [●]. The modes of payment and instructions will be specified in the Offer Implementing Guidelines which will be published on the PSE EDGE website prior to the start of the Offer Period.

Acceptance or Rejection of Applications for the Offer

Application forms are subject to confirmation by the Joint Lead Underwriters and our final approval. We, together with the Selling Shareholder, Joint Lead Underwriters, reserve the right to accept, reject or scale down the number and amount of Offer Shares covered by any application. We, together with the Selling Shareholder, the Issue Manager and Bookrunner, and the Joint Lead Underwriters, have the right to reallocate available Offer Shares in the event that the Offer Shares are insufficient to satisfy the total applications received.

The Offer Shares will be allotted in such a manner as our Company, Joint Lead Underwriters may, in their sole discretion, deem appropriate, subject to distribution guidelines of the PSE. Applications with checks dishonored upon first presentation and Application forms which do not comply with terms of the Offer will be automatically rejected. Notwithstanding the acceptance of any Application form, the actual subscription of the Offer Shares by the applicant will be effective only upon the listing of the Offer Shares at the PSE.

Refunds for the Offer

In the event that the number of Offer Shares to be received by an applicant, as confirmed by Joint Lead Underwriters, is less than the number covered by its application, or if an application is rejected by our Company, the Joint Lead Underwriters shall refund, without interest, within five (5) banking days from the end of the Offer Period, all or a portion of the payment corresponding to the number of Offer Shares wholly or partially rejected. All refunds shall be made through the Receiving Agent with whom the applicant has filed the application, at the applicant's risk.

Expected Timetable

The timetable of the Offer is expected to be as follows:

Book Building Period	[August 1-29, 2022]
Price setting date	[August 29, 2022]
Notice of Final Offer Price to the SEC and PSE	[August 29, 2022]
Start of Offer Period	[September 5, 2022]
Submission of Firm Order and Commitments by PSE Trading Participants	[September 7, 2022]
End of Offer Period	[September 9, 2022]
Listing Date	[September 16, 2022]

The dates included above are subject to the approval of the PSE and the SEC, subject to market and other conditions, and may be changed at the discretion of the Company, Joint Lead Underwriters, subject to the approval of the SEC and PSE.

Risk of Investing

Before making an investment decision, prospective investors should carefully consider the risks associated with an investment in the Offer Shares. Certain of these risks are discussed in the section entitled "Risk Factors" on page [27] and include risks relating to the Company's business, risks relating to the Philippines risks relating to the Offer and the Offer Shares, and risks relating to certain statistical information in this Prospectus.

SUMMARY OF FINANCIAL AND OPERATIONAL INFORMATION

*The following tables present the selected financial information of our Company and should be read in conjunction with the auditors' reports, our Company's financial statements including the notes thereto included on page [193] in this Prospectus, and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations". The selected financial information set forth in the following table has been derived from the financial statements for the three months ended March 31, 2021 and 2022 and for the fiscal years ended 31 December 2019, 2020, 2021, including the related notes, as examined and audited by Reyes Tacandong & Co. ("**RTCo**"). in accordance with Philippine Financial Reporting Standards ("**PFRS**"). All of this information should be read in conjunction with the financial statements and notes thereto contained in this Registration Statement. The summary of financial information set out below does not purport to project the results of operations or financial condition of the Company for any future period or date.*

STATEMENTS OF COMPREHENSIVE INCOME
(All amounts in thousands Philippine Pesos, except per share data)

	Audited				
	For the years ended December 31,			For the three months ended March 31,	
	2019	**2020**	**2021**	**2021**	**2022**
Sales	**₱7,569,579**	**₱8,152,204**	**₱8,567,941**	**₱2,091,750**	**₱2,099,215**
Cost of Sales	(5,988,485)	(6,480,931)	(6,682,292)	(1,648,647)	(1,638,215)
Gross Income	**1,581,094**	**1,671,273**	**1,885,649**	**443,103**	**461,000**
Operating Expenses	(1,217,042)	(1,257,649)	(1,322,688)	(360,384)	(340,540)
Other Income	3,668	95,463	90,853	34,314	41,278
Income from Operations	**367,720**	**509,087**	**653,814**	**117,033**	**161,738**
Finance Costs	(245,967)	(213,969)	(116,263)	(30,771)	(14,820)
Income Before Income Tax	**121,753**	**295,118**	**537,551**	**86,262**	**146,918**
Provision for (benefit from) Income Tax					
Current	39,948	74,471	112,615	15,292	33,902
Deferred	(3,495)	13,903	21,295	5,886	2,802
	36,453	88,373	133,910	21,178	36,704
Net Income	**85,300**	**206,745**	**403,641**	**65,084**	**110,214**
OTHER COMPREHENSIVE INCOME					
Remeasurement loss on retirement liability - net of tax	**–**	**(3,478)**	**(2,519)**	**–**	**–**
Total Comprehensive Income	**₱85,300**	**₱203,267**	**₱401,122**	**₱65,084**	**₱110,214**
Basic/Diluted Earnings per Share	**₱0.06**	**₱0.15**	**₱0.30**	**₱0.05**	**₱0.04**

STATEMENTS OF FINANCIAL POSITION
(All amounts in thousands Philippine Pesos)

	Audited			
	As of December 31,			As of March 31,
	2019	2020	2021	2022
ASSETS				
Current Assets				
Cash	₱266,996	₱680,841	₱1,100,790	₱773,278
Trade and other receivables	78,629	90,569	38,683	37,805
Advances to related parties	2,352,669	1,098,700	–	–
Inventories	1,412,942	1,479,700	2,007,274	2,352,743
Assets held for sale	157,639	–	–	–
Other current assets	134,379	140,836	164,734	177,560
Total Current Assets	**4,403,254**	**3,490,646**	**3,311,481**	**3,341,386**
Noncurrent Assets				
Property and equipment	835,337	759,068	682,939	670,126
Right-of-use (ROU) assets	182,793	123,363	153,466	215,047
Deferred tax assets	49,193	36,781	16,078	13,275
Total Noncurrent Assets	**1,067,323**	**919,212**	**852,483**	**898,448**
TOTAL ASSETS	**₱5,470,577**	**₱4,409,858**	**₱4,163,964**	**₱4,239,834**
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	₱1,229,135	₱1,179,857	₱1,787,805	₱1,534,513
Current portion of bank loans and trust receipts payable	2,438,785	2,335,118	1,246,435	1,424,125
Current portion of lease liabilities	145,845	90,400	121,678	133,521
Income tax payable	8,083	16,929	37,739	28,625
Total Current Liabilities	**3,821,848**	**3,622,304**	**3,193,657**	**3,120,784**
Noncurrent Liabilities				
Bank loans - net of current portion	1,220,000	150,000	–	–
Lease liabilities - net of current portion	42,484	40,529	40,276	77,831
Retirement liability	17,666	25,178	31,811	32,785
Total Noncurrent Liabilities	**1,280,150**	**215,707**	**72,087**	**110,616**
Total Liabilities	**5,101,998**	**3,838,011**	**3,265,744**	**3,231,400**
Equity				
Capital stock	267,500	267,500	500,000	500,000
Retained earnings	101,079	307,824	404,465	514,679
Accumulated remeasurement loss on retirement liability	–	(3,477)	(6,245)	(6,245)
Total Equity	**368,579**	**571,846**	**898,220**	**1,008,434**
TOTAL LIABILITIES AND EQUITY	**₱5,470,577**	**₱4,409,858**	**₱4,163,964**	**₱4,239,834**

STATEMENTS OF CASHFLOWS
(All amounts in thousands Philippine Pesos)

	Audited				
	For the years ended December 31,			For the three months ended March 31,	
	2019	2020	2021	2021	2022
CASH FLOWS FROM OPERATING ACTIVITIES					
Income before income tax	₱121,753	₱295,118	₱537,551	₱86,261	₱146,919
Adjustments for:					
Depreciation and amortization	357,573	315,341	303,335	73,315	55,148
Finance costs	245,967	213,969	116,263	30,772	14,819
Gain on lease concessions	–	(94,417)	(52,688)	(11,399)	(6,536)
Provision for (reversal of) inventory obsolescence	–	13,402	(7,346)	–	–
Retirement expense	5,112	2,544	3,274	651	974
Interest income	(411)	(919)	(710)	(230)	(135)
Gain on lease modification	–	(127)	(621)	(465)	–
Operating income before working capital changes	729,995	744,911	899,057	178,905	211,189
Decrease (increase) in:					
Trade and other receivables	(13,621)	(11,939)	51,886	28,257	878
Inventories	(24,983)	(144,479)	(520,228)	(174,535)	(345,469)
Other current assets	(12,429)	(6,458)	(23,897)	5,177	(12,826)
Increase (decrease) in trade and other payables	(72,702)	(55,134)	607,295	167,575	(253,562)
Net cash generated from operations	606,259	526,902	1,014,113	205,379	(399,790)
Income taxes paid	(31,566)	(65,624)	(91,806)	(11,859)	(43,015)
Interest received	411	919	710	230	135
Net cash provided by operating activities	**575,104**	**462,197**	**923,018**	**193,750**	**(442,670)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Decrease (increase) advances to related parties	(255,975)	3,287	1,098,700	(1,448)	–
Additions to property and equipment	(53,849)	(45,500)	(58,818)	(9,534)	(12,794)
Proceeds from sale of assets held for sale	–	157,639	–	–	–
Net cash provided by (used in) investing activities	**(309,824)**	**115,426**	**1,039,881**	**(10,982)**	**(12,794)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Payments of:					
Loans	(2,714,645)	(3,981,515)	(4,093,501)	(652,033)	(388,437)
Dividends	–	–	(307,000)	–	–
Lease liabilities	(246,651)	(109,976)	(126,214)	(28,745)	(37,546)
Interests	(225,287)	(195,135)	(103,553)	(27,610)	(12,193)
Proceeds from loans and trust receipts availments	2,962,715	4,122,848	2,854,817	667,778	566,128
Proceeds from additional subscription of shares of stock	–	–	232,500	–	–
Net cash used in financing activities	**(223,868)**	**(163,778)**	**(1,542,950)**	**(40,610)**	**127,952**
NET INCREASE IN CASH	**41,412**	**413,846**	**419,949**	**142,158**	**(327,512)**
CASH AT BEGINNING OF YEAR	**225,584**	**266,996**	**680,841**	**680,841**	**1,100,790**
CASH AT END OF YEAR	**₱266,996**	**₱680,841**	**₱1,100,790**	**₱822,999**	**773,278**
SUPPLEMENTAL DISCLOSURE ON NON-CASH ACTIVITY					
Additions and modifications to ROU assets	(₱24,538)	(₱134,141)	(₱198,491)	₱83,211	₱91,122
Additions and modifications to lease liabilities	24,538	134,014	197,870	83,060	91,122
Transfer of loans payable	–	1,315,000	–	–	–
Recognition of ROU assets and lease liabilities	389,763	–	–	–	–

RISK FACTORS

An investment in the Offer Shares involves a number of risks. The price of securities can and does fluctuate, and any individual security is likely to experience upward or downward movements and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. Past performance is not indicative of future performance and results, and there may be a large difference between the buying price and the selling price of the Offer Shares. Investors should carefully consider all the information contained in this Prospectus, including the risk factors described below, before deciding to invest in the Offer Shares. The occurrence of any of the following events, or other events not currently anticipated, could have material adverse effect on our Company's business, financial condition and results of operations and cause the market price of the Offer Shares to decline. All or part of an investment in the Offer Shares could be lost. Investors deal with a range of investments, each of which may carry a different level of risk.

The risk factor discussed in this section does not purport to disclose all of the risks and other significant aspects of investing in the Offer Shares. Additional risks and uncertainties not currently known to it or those it currently views to be immaterial may also materially and adversely affects our business, financial conditions or results of operations. Investors should undertake independent research and study the trading of securities before commencing any trading activity. Investors should seek professional advice regarding any aspect of the securities such as the nature of risks involved in the trading of securities, and specifically those of high-risk securities. Each Investor should also seek professional advice if he or she is uncertain of, or has not understood any aspect of, the securities to be invested in or the nature of risks involved in the trading of securities. Investors may request publicly available information on the Common Shares and the Company from the SEC.

The risk factors discussed in this section are of equal importance and are separated into categories for ease of reference only. The order in which risks are presented is not necessarily an indication of the likelihood of the risks actually materializing, of the potential significance of the risks or of the scope of any potential harm to our business, results of operations, financial condition and prospects. The means by which we intend to address the risk factors discussed herein are principally presented under the captions "Business", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Industry", and "Board of Directors and Senior Management—Corporate Governance" of this Prospectus.

RISK RELATING TO THE COMPANY'S BUSINESS

Disruptions in the domestic or international supply chain may affect our business operations.

We rely on third-party suppliers for the provision of information technology-related products that we distribute through our stores. These information technology-related products include hardware for computing, printing, communication, storage, networking, peripherals, components, and accessories as well as software for operating systems, productivity tools, and security and protection.

We may experience material disruptions in the supply of products due to interruptions in the operations of these suppliers, which may in turn be caused by a number of factors, including equipment failures or property damage, changes in laws and regulations in their manufacturing processes, financial difficulties, and labor disputes faced by these suppliers. Other factors may also disrupt our ability to obtain products from these suppliers. These factors include weather-related events, natural disasters, trade policy changes or restrictions, tariffs or import-related taxes, third-party labor disputes, shipping capacity constraints, port congestion, third-part contract disputes, supply or shipping interruptions or costs, military conflicts, acts of terrorism, or other factors beyond our control.

If our domestic or international supply chains are disrupted, our business operations, financial performance, and standing may be adversely affected given that our products are sourced from abroad. We regularly monitor our inventory levels and maintain inventory levels typically ranging from two to three months. We likewise forecast demands of our products for six months to a year, and consider the lead time in replenishment to ensure we have sufficient inventory to meet customer demand for the products we carry.

The failure of any of our key suppliers to meet their commitments to us may also affect our business operations and financial standings. There is no assurance that our suppliers will continue to have sufficient resources to meet our demands and to supply the agreed items in a timely manner.

We mitigate such risk by securing stocks in advance and storing inventory for one quarter. We are not dependent on a single or a limited number of suppliers for our product lineup. Our relationship with our suppliers is generally transactional in nature and non-exclusive. We have a pool of alternate suppliers in the event that a particular supplier fails to deliver. In addition, we implement a careful selection policy for our prospective suppliers taking into consideration their track record of operations, clientele, location, industry reputation, available resources, and delivery capabilities, among others. In addition, we manage our inventory by factoring in supply disruptions to ensure that we have sufficient supply to meet local demand.

Fluctuations in foreign exchange and peso devaluation may materially affect our operational results and financial condition.

The Philippine economy has experienced volatility in the value of the Philippine Peso and also limitations to the availability of foreign exchange. The value of the Philippine Pesos underwent significant fluctuations between July 1997 and December 2004 with the Philippine Peso declining from approximately ₱29.00 to U.S.$1.00 in July 1997 to ₱56.18 to U.S.$1.00 by December 2004. As of March 31, 2022, the Philippine Peso has declined to ₱51.81 per U.S.$1.00 from ₱50.99 per U.S.$1.00 as of December 31, 2021.

We are exposed to foreign exchange risk as we import our products from abroad. Fluctuations in the exchange rate between the Philippine Peso and other currencies, and the weakening of the Philippine Peso may cause us to incur additional costs. If the foreign exchange rates increase over long periods of time and the value of the Philippine Peso decreases, we may spend more and exceed our projected budget.

We address increases in foreign exchange rates and peso devaluation by adjusting the prices of our products. The adjustment on the prices of our products are done on an as-needed basis, and not solely triggered by fluctuations in foreign exchange and peso devaluation. Price adjustments may also be initialized due to market trends and product developments or movements. There is no assurance that the Philippine Peso will not depreciate against other currencies in the future and that such depreciation will not have an adverse effect on the Philippine economy and our business.

We lease majority of our stores, and there is no assurance that we will be able to continue to renew these leases or enter into new leases on acceptable terms.

As of March 31, 2022, the Company has 188 stores, 187 of which are held under lease, while 1 is owned. We lease our store spaces from third parties. There can be no assurance that we will be able to renew our leases with these parties as they expire. In the event that we apply for new leases, there is also no assurance that we will be able to enter into new leases on terms which are acceptable to us.

As of the date of this Prospectus, all lease contracts necessary for the operations of the Company, including those in the processes of being executed by relevant counterparties, are valid and subsisting.

Our store leases in large shopping centers may not be available for extension as the mall owners may decide to change tenants for better commercial arrangements. In addition, if we are unable to renew leases, we may be required to enter into new agreements with other unknown parties at market terms which may be less favorable than the terms enjoyed under agreements with previous lessors. Moreover, if rent prices increase significantly, it may cease to be economical to lease stores and we may have to discontinue operations at some or all of our leased stores. Any inability to renew leases as they expire or acquire new leases in other favorable locations and sites on acceptable terms, termination of the existing leases, or revision of the terms of leases to our detriment could have a material adverse effect on our business, financial condition, and results of operations.

To mitigate such risk, we aim to maintain good relations with our lessors at all times. In addition, we have a team in place to regularly monitor the validity period of the leases for our stores. This monitoring activity allows us to plan ahead for the renewal of the leases that are about to expire. As new stores will be opened in the future, we intend to continuously monitor old and new leases in order to prevent disruption in our operations.

Failure to comply with prevailing laws and regulations may disrupt our business continuity and operations.

Our business continuity and operations are subject to various laws and regulations, including those relating to employment, working conditions, consumer protection, the environment, competition, and trade and intellectual property. We endeavor to fully comply with applicable laws and regulations at all times. See "*Regulatory and Environmental Matters*."
New laws, regulations, or revisions to existing laws may pose constraints on our business continuity and operations, and may entail additional expenses and resources. Further, we may experience disruptions in our operations and be unable to execute our long-term growth strategies if we encounter difficulties to comply with new regulations. In addition, our ability to comply with applicable laws and regulations can be affected by a variety of factors, including the effectiveness of our compliance and risk management policies, the ability of management to adequately monitor our operations. If we fail to fully comply with any regulatory requirements in a timely manner, we may be subject to penalties, sanctions, litigation, and possible non-renewal or revocation of our permits and licenses. All of which could also adversely affect our business continuity and reputation. To mitigate this risk, we closely monitor the industry for new regulations, consult with regulatory authorities, and endeavor to timely comply with all laws and regulations applicable to our operations.

Our margins may be affected by increases in our operating and other expenses.

Our operations may be subject to increases in operating and other expenses due to a number of factors including, but not limited to, any of the following:

1. Increases in rent;
2. Increases in labor costs;
3. Increases in the rate of inflation;
4. Increases in foreign exchange costs;
5. Adverse changes in the cost of existing and future debt financing;
6. Increases in insurance premiums; and,
7. Increases in the cost of utilities.

Any increase in our operating and other expenses will have an impact on our margins and cash flow. Our Company's margins, results of operations and financial condition could be materially and adversely affected if our stores do not generate sufficient revenue to meet operating expenses, debt service and capital expenditure requirements.

To mitigate such risk, we adjust the selling prices of our products to recover cost increases in our merchandise. Moreover, we receive inventory price protection from our suppliers, and are reimbursed if the suppliers reduce the suggested retail price of the products that have already been purchased. We also continuously monitor and control our operating expenses in order to improve our margins.

We depend on and operate on centralized warehouses and distribution centers.

We have regional warehouses in Cebu, Davao, and Cagayan de Oro. These regional warehouses are being held by the Company under lease agreements. All of its current six (6) warehouses and the additional nine (9) warehouses are all leased which may disrupt the Company's supply and logistic capabilities. Any disruptions to the operations of the warehouse facilities such as natural disasters or systems failures may have an impact on our business. Disruptions to the normal operations of the warehouse may hamper product distribution and affect sales. Natural disasters such as earthquakes, typhoons, floods, and fires may also cause damage to the inventory.

We intend to manage such operational risk by decentralizing distribution centers which will allow us to deliver goods to our branches more efficiently.

We are exposed to higher levels of risks of theft, robbery, and pilferage because of the high value and portable nature of our merchandise.

Considering the nature of our business and inventories, consisting of high-value and portable items such as laptops and mobile phones, we are prone to theft, robbery, or pilferage. In addition, most of our in-store transactions are cash-based, thereby exposing us to possible cash change shortages and issues of theft and pilferage. Significantly, we are vulnerable to large-scale theft and robbery.

To mitigate this risk, we take additional measures to ensure tight security for our stores and products. Such security measures include lock and key control, CCTV, and any other suitable physical safeguards that may be required. We also adopt policies regarding internal controls and enforce regulations for safeguarding personnel, inventory items, and property.

We may be exposed to risks of inventory obsolescence, decline in inventory value, significant inventory write-downs or write-offs, and working capital tied up in inventories.

We may be exposed to risks of inventory obsolescence because of rapidly changing technology and consumer preference. Inventory obsolescence may require us to write down our inventory to the lower of cost or net realizable value which could adversely impact our operating result

If we fail to effectively manage the level of our inventories, we may experience a heightened risk of inventory obsolescence, a decline in inventory value and significant inventory write-downs or write-offs.

Any of the said circumstances may materially and adversely affect our financial condition and results of operations. To mitigate such risk, we regularly consult with our suppliers for their insights and forecasts. We also continuously refine our strategies and operations according to prevailing industry trends and market conditions in order to meet customer demand, pursue effective marketing activities, and manage optimal level of product inventory.

The Company's policy is to provide allowance for inventory obsolescence in compliance with the Philippine Financial Reporting Standards ("**PFRS**"). Inventories are stated at the lower cost and net realizable value ("**NRV**"). NRV represents the estimated selling price less all estimated cost to sell any adjustment necessary for obsolescence.

Using specific identification methodologies, the Company determines the allowance for obsolete items every quarter by aging analysis, comparison of recent sales transactions of similar goods with adjustments to reflect any changes in economic conditions since the date of the transactions occurred, the actual condition of inventory and current technological development, among others.

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-downs of inventories, arising from an increase in NRV, is recognized as a reduction in the amount of inventories and recognized as expense in the year in which the reversal occurs.

We rely on third-party service providers for the transportation, and delivery of products to the stores.

We have our own delivery trucks and vehicles that transport all land-based deliveries. However, we rely on third-party logistics service providers for our interisland transfers. There is a possibility that our inventory may be negatively affected due to transportation and freight delays. A disruption in our logistics or supply chain network could adversely affect our ability to distribute and maintain inventory, which could result in lost sales, increased supply chain costs, or damage to our Company's brand and reputation.

Further, there can be no assurance that we will be able to effectively coordinate our logistics strategy to the degree necessary for the realization of our plans. In addition, any deterioration in the relationships among suppliers, distributors and third-party services providers, or other changes relating to these parties, could have an adverse effect on our business, financial condition, and results of operations.

To mitigate such risk, we manage our inventory levels in both our stores and warehouses and maintain reasonably sufficient inventory to meet anticipated demand, typically ranging from two to three months of inventory level.

We are subject to various risks for which our Company may not be adequately insured.

Our Company maintains all-risk insurance that we consider to be the insurance coverage standard in our industry. See "*Business—Insurance*". Nonetheless, such insurance does not cover all risks associated with our business. Accidents and other events could potentially lead to interruptions of our operations or cause us to incur significant costs, all of which may not be fully covered by our Company's insurance policies. As we expand, our inventory levels are expected to increase, which thereby entails additional insurance coverage expenses. In addition, our insurance coverage is subject to various limitations, exclusions, and retention amounts. Further, we do not maintain product liability insurance.

If any of our insurance providers become insolvent, we may not be able to successfully claim payment. Moreover, our insurance policies and terms of coverage will be subject to renewals and negotiations on a periodic basis and there is no assurance that adequate insurance coverage will be available on commercially reasonable terms in the future. Any material increase in insurance rates, decrease in available coverage or failure to maintain adequate insurance in the future could adversely affect our business operations and financial condition; we cannot provide assurance of effective mitigation to such risk.

To manage these risks, we continue to obtain and maintain the relevant insurance coverage, in such amounts and covering such risks as we deem appropriate and as may be usually carried by other comparable companies in the industry.

We may not be able to maintain or improve store sales.

We may not be able to maintain or increase the level of store sales that we have experienced in the past. Our overall store sales have fluctuated in the past and will likely fluctuate in the future which could be attributed to changing customer preferences, competition, economic conditions, pricing, and product availability, among others. Any adverse conditions that can happen may cause our store sales results to be materially lower than in recent periods, which could ultimately impact our financial condition and operational results.

To mitigate such risk, we focus on price competitiveness, operating efficiencies, and marketing activities. We intend to continue to provide products at competitive prices, while continuing initiatives to improve our operating margins through scale efficiencies, continued cost discipline, and optimum inventory levels, among others. For the new stores to be rolled out in the future, we intend to conduct marketing activities that will further promote foot traffic, create brand awareness, and increase sales activities in the stores.

Our business is sensitive to changes in purchase and selling prices.

As is typical in the consumer electronics industry, our margins are sensitive to any change in prices charged by our suppliers. There can be no assurance that we will be able to successfully negotiate favorable terms with our suppliers at all times. If and when prices at which we buy from our suppliers do rise, we may need to pass all or a portion of these additional costs to our customers in order to maintain profit margins. However, any price increase in our product portfolio may provoke competitive pricing from our competitors which may adversely affect our market share and financial condition. While price increases are generally done on a gradual basis to cushion its impact to our customers, we may be constrained in implementing it immediately. In the event that the Company is unable to pass increases in prices charged by the Company's suppliers on to the Company's customers, the Company's financial condition and results of operations may be materially and adversely affected. In addition, our suppliers may also publish lower suggested retail prices to the market at any time which may force us to adjust our prices immediately and affect our margins.

To mitigate such risk, we have an inventory price protection from our suppliers, through which we are able to offset declines in selling prices by receiving reimbursement if the suppliers reduce the suggested retail price of the products which remain in our inventory.

The success of our business depends in part on our ability to develop and maintain good relationships with key suppliers and distributors.

We derive our revenue from the sale of consumer electronic products, and our success depends on our ability to maintain smooth and harmonious relationships with existing suppliers and to engage new suppliers with terms and conditions favorable to the Company. We have long-standing working relationships with a broad range of well-known international brands. In some instances, these relationships also grant us exclusive rights to offer specific models of key brands in the Philippines. See "*Business—Suppliers and Key Supply Agreements.*

We maintain close relations with a broad range of suppliers, establish business relations with key suppliers, and build a sound and diversified plan for product sourcing. Our wide reach in the country and effective supply chain allow us to achieve competitive pricing and cost benefits. Should changes occur in the market conditions or our competitive position, we may not be able to sell our products on competitive terms, which could have an adverse effect on our business, financial condition, and results of operations.

If we are unable to maintain good relationships with our existing suppliers, or if we are unable to develop and maintain new suppliers, we will be unable to carry merchandise and products that are in demand and can generate profit. As a result, our market positioning may be adversely affected, and our revenue and profitability may be affected.

To mitigate this risk, our Company endeavors to maintain strong and good working relationships with our key suppliers through mutual cooperation and open communication.

Any damage to the reputation of the consumer electronic brands we distribute could harm our business.

The reputation and brand image of the consumer electronic products we carry are among the key factors in our success. We believe that maintaining and enhancing the reputation of our distributed products is integral to our business operations and growth. Nevertheless, the strength of these brands could also be affected by defective products, product recall or other negative publicity involving these brands.

To mitigate this risk, we endeavor to select and offer only reputable consumer electronic products manufactured by well-known brands whose suppliers are market-leading and multinational brand owners. These suppliers typically respond directly and immediately to protect their brand and reputation. Moreover, the consumer electronic products of these suppliers are under a warranty period varying between different product categories, typically ranging from six (6) months to two (2) years, covered by comprehensive warranties.

We may not timely identify or effectively respond to consumer needs, expectations or trends, and source and sell the appropriate product mix to suit changing customer preferences.

The pace of innovation in the consumer electronics industries is rapid. Our Company's success depends in part on our ability to identify trends that affect customer preferences, and to source and sell products that both meet our standards for quality and respond to changing customers' preferences. The rapid availability of new technology and products and changes in consumer preferences have made it more difficult to reliably predict sales demand. Consumer preferences may shift for a variety of reasons, including changes in economic conditions, demographic and social trends, and leisure activity patterns or consumer lifestyle choices. These trends are not easy to identify and are extremely difficult to predict. Failure to source and effectively market products, or to accurately forecast changes in customer preferences, could negatively affect customer satisfaction levels, our relationship with customers, and the demand for our products.

In the event that we are unable to identify and adapt to such changes in consumer preferences quickly, or in case the products which we carry are superseded by merchandise carried by our competitors, demand for our products may decline; our business, financial condition, results of operations and prospects may be materially and adversely affected.

To mitigate this risk, we regularly interact and consult with our suppliers to align our product availability with anticipated demand and product lifecycles. We also have dedicated employees within our procurement and merchandising teams to ensure that we continue to identify market needs and product trends.

We may experience difficulty in implementing our growth strategy.

We plan to expand our presence within the Philippines. We have strategically-located stores intended to maximize coverage and penetration of our target market segments. Our Company's growth is dependent on our strategy to continue to successfully build and operate stores in new locations across the country. Our successful implementation of this strategy depends upon, among other things:

1. Favorable economic conditions and regulatory environment;
2. The identification of suitable sites for store locations;
3. Our ability to purchase or lease appropriate spaces for new store locations;
4. Our ability to open new stores in a timely manner;
5. Our ability to continue to attract customers to our stores;
6. The hiring, training, and retention of skilled store personnel;
7. The identification and relocation of experience store management personnel;
8. The effective management of inventory to meet the needs of its stores on a timely basis;
9. The availability of sufficient levels of cash flow or necessary financing to support our Company's expansion; and,
10. Our ability to successfully address competition, logistics, and other challenges encountered in connection with expansion into new geographic areas and markets.

Failure to successfully implement our growth strategy within the targeted time frames, due to any of the reasons identified above or otherwise, may have a material adverse effect on our financial condition and results of operations.

In addition, if we are unable to successfully manage the potential difficulties associated with store growth, we may not be able to capture the scale efficiencies we expect from expansion. If we are not able to capture scale efficiencies, improve our systems, continue our cost discipline and enhance our merchandise offerings, we may not be able to achieve our goals with respect to operating margins. Furthermore, if we do not adequately refine and improve our various ordering, tracking, and allocation systems, we may not be able to increase sales or reduce inventory shrinkage, which may also cause our operating margins to stagnate or decline.

Our management team has a proven track record of delivering results and driving business growth, which we believe will enable us to implement and execute our growth strategy. They are supported by an experienced board of directors with broad leadership experience and deep insights into the retail industry. In addition, our strong relationship with our suppliers, customers, lessors, and regulators as well as our engaged store personnel and organization may continue to position us for growth.

In order to mitigate this risk, we also have an experienced team that assesses the potential locations of new stores. We believe that our ability to carefully evaluate locations, while being mindful of the timing and appropriate product mix in our new stores were the key factors which contributed to our successful expansion initiatives in the past. As for logistics and inventory, we have developed our own system which will continue to be adopted for the new stores moving forward. Our Company intends to continue implementing these initiatives as we aim to further expand our reach across the country in the future.

Our new retail formats have a comparatively limited track record

We have plans of expanding our store network and retail formats. We have over 25 years of solid track record in strengthening our footprint across the country. In the last two (2) years, however, we launched new store formats, namely Concept Store, Octagon Mobile, and Octagon City, and launched our e-commerce platform as well. Our limited track record in these store formats may adversely impact our business, financial condition, and results of operations.

The continued rise of our revenues as well as key performance indicators such as gross profit margin and net income margin demonstrates our ability to effectively manage this risk. Our experienced management team, careful evaluation of markets, and selective rollout help us to successfully anticipate consumer trends and keep pace with industry developments. Moreover, our ability to refine or introduce marketing approaches, in a cost-effective manner and reach scale efficiencies, enable us to mitigate potential risks and uncertainties related to tapping niche market segments through new store formats.

We may not be able to hire, retain, and train sufficient qualified personnel for our operations.

If we are unable to hire, train, manage and retain employees with suitable skills sets, including store and corporate staff with the capabilities of delivering on strategic objectives, we may lose sales, and our labor costs may be greatly affected. Our Company's future success is also dependent on our key senior management who are manning the operations and financial aspects of the business and on our ability to attract and retain talented personnel.

Stricter regulation of labor and employment may affect our ability to hire sufficient employees in a cost-efficient manner for our stores. If we experience difficulties in maintaining a qualified workforce or experience increased labor costs, our ability to compete effectively in our target markets, provide high-quality customer service, open new stores and execute our business strategy could be adversely impacted; our results of operations could, in turn, be negatively affected.

To manage risks associated with human resources, we have training programs in place for our employees. We place great importance on attracting, developing, and retaining qualified employees. Our performance-based approach to compensation and rewards also contribute to our ability to attract and retain talent and drive performance.

As of March 31, 2022, we employed 1,034 employees. Our attrition rate was at 3.9%. We invest in our team by giving them opportunities for success. This starts with placing the right employees for the right jobs and giving them compensation and benefits which we believe are competitive and are designed to support the financial well-being of our employees and their families. Our incentive program, which we regularly review, also supports our effort to retain talent. We also strive to manage talent development and engagement by continuously building skills at all levels and improving the work conditions and environment.

Dissatisfaction with our customer service could prevent our stores from retaining customers.

Customer satisfaction is particularly dependent on the quality and effectiveness of products sold and on our ability to provide efficient after-sales services such as maintenance and repairs. While service-related items such as warranty, maintenance, and repairs are covered by our suppliers, these services are coursed through us by the customers. Any unsatisfactory response or lack of responsiveness could adversely affect customer satisfaction and loyalty.

To manage this, we have policies in place which allow the return or exchange of products purchased. For example, customers may return or exchange products within seven (7) days of purchase, subject to certain conditions, such as products must be in the original packaging and in good condition, along with proof of purchase. For product warranty, our suppliers generally provide a warranty period varying between different product categories, typically ranging from six (6) months to two (2) years.

In addition, we provide continuous trainings for our store teams to efficiently handle customer needs and concerns. We also maintain good relations with our suppliers to ensure ready lines of communication especially with regard to customer-related concerns.

Any damage to our stores' image and reputation could harm our business.

Our Company seeks to maintain, extend, and expand our stores' image through marketing initiatives, including advertising and consumer promotions. The success of such efforts depends on our ability to adapt to a rapidly changing media environment, including the increasing reliance on social media and online dissemination of advertising campaign.

Our Company's overall image may be damaged if any of our products or services fail to maintain or enhance our stores' image, or if we fail to maintain high standards for product and service quality. The strength of our brand could also be affected due to non-compliance with laws and regulations, misconduct by employees, product defects, machine or product misuse, unfavorable customer experience, product recalls or liability, labor disputes, or any other negative publicity involving our Company, stores, product line-up, and suppliers.

To mitigate this risk, we ensure that only authentic and untampered products are sold and offered in our stores. We also continue to invest in expanding our product offerings. Moreover, our performance-based approach to compensation and rewards has created a proactive culture whereby the entire organization is motivated to enhance the business operations and reputation of the Company.

Strong competition could negatively affect prices and demand for our products and market share.

Our Company is one of the leading retailers of IT-related consumer products in the Philippines. We compete with various other retailers regardless of size which sell products that essentially fall under the same product categories and business style of our Company such as price, location, product line up, customer experience and service, store layout, brands carried, among others. In addition, some of our competitors are also pursuing expansion strategies which could be bigger and more aggressive since these competitors may have been in the industry longer or may have greater financial, distribution, and marketing resources. There can be no assurance that we will be able to compete successfully against current or new entrants. Moreover, we may experience difficulty in developing our presence in new locations where there is an established presence of local homegrown players. We may need to spend significant financial resources to pursue aggressive marketing and promotional campaigns in these locations in order to capture the local market but there is no assurance that such initiatives will be successful. Failure to implement our plans and strategies to successfully compete and gain significant market share in industry may have an adverse effect on our financial condition and results of operations.

To mitigate this risk, we continue to strengthen our brand image as a trusted IT retailer. We strive to differentiate ourselves from our competitors through product offerings and positioning, as well as improve our competitive advantages over existing and new competitors. We also continue to respond to changes in technology and consumer preferences in a timely manner, while ensuring that our products are priced competitively and consistently across all our stores. For example, we keep abreast of new technology and product trends from the insights we gather from our suppliers. We use these insights as valuable inputs in our strategic plans to remain competitive moving forward.

Our Company is dependent on certain key executives.

The success of our Company is dependent on the efforts, abilities, and continued performance of our senior management team and key senior personnel. The insights and experience we have gained and our key employees may be difficult to replace should any of them leave their position. These key executives may, in the future, leave our Company or compete with us. Accordingly, the loss of any such individuals could have a material adverse effect on our business, results of operations, and financial condition.

To mitigate this risk, we continue to form a competent and dynamic team of professional executives and managers engaged in the management of the business. We also have a succession plan that we review periodically.

We have related party transactions.

Our Company has a number of related party transactions with Upson Realty Development Corporation ("**URDC**"). These transactions are included among those described in the section of this Prospectus entitled "Related Party Transactions" and in the notes to the Company's financial statements appearing in the appendices of this Prospectus. Our practice has been to enter into contracts with these affiliate companies on an arm's-length basis and on commercial terms, which are at least as favorable as the terms available to or from non-affiliated parties.

Our Company has entered into a number of lease contracts with URDC for office and parking spaces in Manila and Taguig City to house our operations. The term of these contracts are mostly for two (2) years subject to renewal. The contracts were entered into at arm's length basis, under terms and conditions customary for lease agreements, and for such rentals that are comparable to the prevailing rates for the same type of property in the area. Generally, transactions entered with related parties are made at terms equivalent to those that prevail in arm's length transactions or terms comparable to those available from or to unrelated third parties, and must be approved by the Board of Directors. Our related party transactions are described in greater detail under the heading "*Related Party Transactions*" and the notes to the Company's financial statements appearing in the appendices of this Prospectus.

Under Section 50 of the National Internal Revenue Code, in the case of two or more businesses owned or controlled directly or indirectly by the same interests, the Bureau of Internal Revenue ("**BIR**") Commissioner is authorized to distribute, apportion, or allocate gross income or deductions between or among such businesses upon determination of the necessity to prevent evasion of taxes or to clearly reflect the income of any such business. On January 23, 2013, the BIR issued Regulation No. 2-2013 on Transfer Pricing Regulations (the "Transfer Pricing Regulations") which adheres to the arm's length methodologies set out under the Organization for Economic Cooperation and Development Transfer Pricing Guidelines in addressing Base Erosion and Profit Shifting ("**BEPS**"). The Transfer Pricing Regulations are applicable to cross-border and domestic transactions between related parties and associated enterprises. The BIR Transfer Pricing Regulations defines related parties as two or more enterprises (a) where one enterprise participates directly or indirectly in the management, control, or capital of the other, or (b) where the same persons participate directly or indirectly in the management, control, or capital of the enterprises. The arm's length principle requires the transaction with a related party to be made under comparable conditions and circumstances as a transaction with an independent party such that if two related parties derive profits at levels above or below comparable market levels solely by reason of the special relationship between them, the profits will be deemed as non-arm's length. In such a case, the BIR—pursuant to the BIR Commissioner's authority to distribute, apportion or allocate gross income or deductions between or among two or more businesses owned or controlled directly or indirectly by the same interests (if such is necessary in order to clearly reflect the income of such business)—may make the necessary transfer pricing adjustments to the taxable profits of the related parties to ensure that taxpayers clearly reflect income attributable to controlled transactions and to prevent the avoidance of taxes with respect to such transactions. While we believe that we enter into transactions with related parties on an arm's length basis and documented pursuant to the Transfer Pricing Regulations, there can be no assurance that the BIR will confirm these transactions as arm's length on the basis of the Transfer Pricing Regulations, and that that any transfer pricing adjustments by the BIR will not have a material adverse effect on the financial condition or results of operations.

Although our Company has instituted internal policies with respect to related party transactions and believes that all past related party transactions have been conducted at arm's length on commercially reasonable terms, these transactions may involve conflicts of interest which, although not contrary to law, may negatively impact us and have an adverse effect on our business or results of operations. These transactions may involve potential conflicts of interest, which could be detrimental to our Company and/or our shareholders. To mitigate these risks, our Company ensures that our transactions with related parties are at arm's length, and regularly conducts internal review of its related party transactions.

The interests of certain significant shareholders of our Company may differ from those of other shareholders.

Our Company is controlled by our Principal Shareholders. Some of our existing shareholders will continue to have significant shareholdings in, and influence over the management of our Company. There can be no assurance that the interests of such shareholders will align with those of our other shareholders.

To manage this risk, we are committed to observing the highest standards of, and best practices in, corporate governance as articulated in our organizational charter, our Corporate Governance Manual, Code of Conduct and Ethics, and the rules, regulations and issuances implemented or promulgated by the relevant authorities, particularly with respect to related party transactions contained therein.

Cybercrime or information technology failures could disrupt our operations.

We are increasingly reliant on a robust information technology infrastructure to process, transmit, and store electronic and financial information, and to manage a variety of business processes and activities with respect to our day-to-day operations. As with all corporate information systems, our information systems may be vulnerable to a variety of interruptions due to events beyond our control, including, but not limited to, natural disasters, terrorist attacks, hardware failures, cybercrime and computer fraud risk.

Any successful cybercrime attacks or other disruption to our information technology systems could have a material adverse effect on our business, results of operations, financial condition and prospects.

To manage these risks, we implement features in our IT infrastructure to reduce cyber-security risks and to adequately back-up our electronic and financial information.

We may be unable to fulfil the terms and conditions of our licenses, permits and other authorizations, or fail to renew them on expiration.

Our Company is required to maintain licenses, permits and other authorizations, including those relating to certain construction activities for new and existing stores, and are also required to obtain and renew various permits, for example, NTC Accreditation Certificate of Customer Provided Terminal Equipment Supplier, NTC Dealer's Permit for Wireless Data Network Equipment, and those set out in the Permits and Licenses of this Prospectus. Our regulatory licenses and permits contain various conditions that must be complied with in order to keep them valid. If we are unable meet such conditions, our regulatory permits and licenses may be suspended or revoked which may lead to temporary or permanent closing of our stores, suspension of construction activities, or other adverse consequences.

To mitigate this risk, we regularly monitor the validity of our regulatory permits and licenses to ensure that all are secured and renewed in a timely manner. However, there can be no assurance that the Company will continue to be able to renew the necessary licenses, permits and other authorizations for ours stores and business operations as necessary or that such licenses, permits and other authorizations will not be revoked. The inability to secure or renew them could have an adverse effect on our business, financial condition and results of operations.

Our intellectual property rights could be infringed or we could infringe the intellectual property rights of others.

Our intellectual property is integral to the conduct of our business and strategy. Thus, it is our policy to protect and defend vigorously our rights to our intellectual property.

Even though we believe that we have appropriate right to all of our trademarks and intellectual properties, we may face litigations of infringement that could derail our ability to expand and market our brand equity. Any such litigation may be costly and could divert financial resources and employee efforts from our business. Furthermore, if we fail to defend ourselves against such litigations, then we may be unable to use our trademarks and intellectual

properties in the future and may be liable for damages, thus adversely affecting our business, financial condition, brand awareness and operations.
To manage these risks, our Company is in the process of applying for registration with the Intellectual Property Office the trademarks that it is currently using. We continue to monitor and enforce our rights in areas and markets which our stores exist. We also ensure that we conduct the required due diligence to ensure that our conduct does not infringe on the intellectual property rights of third parties.

There is a possibility that our pending trademark applications may be denied.

The Company knows and believes in the importance of securing its intellectual property rights over the brands and products it owns under its name. Since its incorporation, the Company has been cautious and successful in maintaining its trademarks.

At present, the Company has pending trademark applications for its Micro Valley, Gadget World, and Uniso brands. In the event that the Company's intellectual property rights are compromised or used without its consent, or it fails to secure such rights, the Company's reputation and business viability may be adversely affected.

To mitigate this risk, the Company keeps track of the validity of its trademarks, in order to ensure that those that are expiring are secured and made available for Company use.

The Company may be subject to penalties for non-compliance with its loan agreements

The Company 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.

Any future non-compliance by the Company with the terms of its loan agreements may give rise to financial or other penalties or sanctions, including termination of such loan agreements. The breach of loan covenants may also result in giving the relevant lenders the right to demand payment of outstanding loans even before they are due. Occurrence of these events may adversely affect the Company’s business, prospects and results of operations.

In order to be proactive, the Company has assigned people to monitor the compliance with its loan covenants. As of the date of this Prospectus, the Company is compliant with its loan covenants.

RISKS RELATING TO THE PHILIPPINES

Our Company operates and is based in the Philippines. Therefore, our business, financial condition, results of operations, and prospects are subject to risks associated with the economic, political, social and other conditions in the country which are systemic and beyond our control.

To manage these risks and enhance the resilience of our Company, we intend to continue our focus on innovating our stores and product offerings, pursue geographic expansion, strengthen our presence in e-commerce and increase our marketing efforts.

The COVID-19 global pandemic has had and is expected to continue to have an adverse effect on our business and results of operations.

COVID-19, an infectious disease that was first reported to have been transmitted to humans in late 2019, has spread globally over the course of 2020. In March 2020, it was declared as a pandemic by the World Health Organization. The Government has taken measures in varying degrees across the Philippines to contain the spread of the virus, including social distancing measures, community quarantine, suspension of operations of non-essential businesses and travel restrictions.

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines (the "**President**") imposed stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months. This was extended to September 12, 2021 by virtue of the issuance of Proclamation No. 1021 on September 16, 2020. Enhanced community quarantine was imposed throughout the island of Luzon until May 15, 2020, and subsequently extended to April 30, 2020. This was further extended to May 15, 2020 in selected areas, including the National Capital Region ("**NCR**"). This community quarantine has been extended on a more relaxed form after the May 15, 2020 extension. On January 29, 2021, the general community quarantine was further extended until February 28, 2021 in selected areas. Most recently, from March 27, 2021 to April 11, 2021, the Government imposed enhanced community quarantine once more in Metro Manila and neighboring areas due to a surge in COVID-19 cases. This was changed to modified enhanced community quarantine from April 12, 2021 to May 14, 2021.

On September 10, 2021, the President issued Proclamation No. 1218, series of 2021, which further extending the period of the State of Calamity throughout the Philippines until September 12, 2022, unless earlier lifted or extended as circumstances may warrant. The Inter-Agency Task Force ("**IATF**") for the Management of Emerging Infectious Diseases approved the shift in the policy of classifying Provinces, Highly Urbanized Cities ("**HUCs**"), and Independent Component Cities ("**ICC**s") for purposes of community quarantine and adopted the Alert Level System for identified pilot areas of implementation and piloted the implementation thereof in the NCR on September 8, 2021, and has since expanded to other regions.

In the third and fourth quarters of 2021, there was a surge of cases during the onslaught of the Delta variant that saw daily cases reaching 20,000. During this period, the highest number of confirmed COVID-19 cases in a day reached 26,303 cases on September 11, 2021. On November 11, 2021, the President issued Executive Order No. 151, series of 2021, approving the nationwide implementation of the Alert Level System for COVID-19 Response.

The IATF, through IATF Resolution No. 157-A, series of 2022, approved the recommendations of the Sub-Technical Working Group on Data Analytics placing certain provinces, HUCs, and ICCs under their respective Alert Levels effective January 16, 2022 until January 31, 2022, including the NCR under Alert Level 3.

As of the date of this Prospectus, Metro Manila and neighboring areas have been placed under the least restrictive Alert Level 1 of the Pilot Implementation of Alert Levels System, as COVID-19 cases continue to fall. Considering the evolving nature of this outbreak, with the threat of Omicron variant from South Africa entering the country, we continue to follow the minimum health protocols imposed by the national and local government.

A number of restrictions imposed as a result of the COVID-19 pandemic affected our day-to-day operations. We did not suspend operations in any of our locations throughout this period of the pandemic. The community quarantine and curfew in our areas of operation resulted in shorter operating hours, from an average of 13 hours pre-pandemic to nine (9) hours. Due to the community quarantine in the NCR and other areas in the Philippines, there may also be delays in the targeted opening of new stores within the time frames initially intended.

Apart from the direct adverse impact on our business described above, the COVID-19 pandemic has also (i) adversely affected consumer confidence in general macroeconomic conditions and caused decreases in consumer purchasing power and consumer discretionary spending; (ii) disrupted the operations of our business partners and third-party suppliers; (iii) disrupted the supply chain of materials, facilities and other products through the effects of travel restrictions, quarantines, closure of factories and facilities, and political, social and economic instability; (iv) increased volatility or caused disruption of global financial markets and affected businesses' capabilities of accessing capital markets and other funding resources on favorable or acceptable terms; and (v) resulted in social and political instability. As the situation evolves, these indirect impacts may become more significant and could also have a severe adverse impact our results of operation and cash flow.

We are not able to accurately predict the impact that COVID-19 will have on our business due to uncertainties with respect to the severity and duration of the COVID-19 pandemic, additional actions that may be taken by government, changes in consumer behavior, recovery of economies and consumer spending, and the competitive environment. The extent of the impact of the COVID-19 pandemic on us will depend on future developments. These include the timeliness and effectiveness of actions taken or not taken to contain and mitigate the effects of COVID-19, both in the Philippines and internationally, by governments, central banks, healthcare providers, health system participants, and other businesses and individuals, which are highly uncertain and cannot be predicted. The COVID-19 pandemic may heighten many of the other risks described in this Prospectus, to the same extent that it affected the business and financial results of our Company.

The prolonged lockdowns gave rise to new norms such as (1) work from home; and (2) online learning. These new norms fueled the consumers' need for computers and its peripherals, which offset the loss of revenue due to the temporary closure of some malls and the significant decrease in foot traffic. Given these new norms, our revenues grew and demand for our products, such as computers and communication devices, increased.

Our business activities are based in the Philippines; therefore, any downturn in the Philippine economy could have a material adverse impact on our business, financial condition, results of operations, and prospects.

The Philippines has experienced periods of slow or negative growth, high inflation, significant devaluation of the Philippine Peso, and the imposition of exchange controls. We cannot assure prospective investors that one or more of these factors will not negatively impact the purchasing power of Philippine customers. The demand for many of the products we carry is closely tied to domestic consumer purchasing power and disposable income levels. Any decrease in consumer purchasing power and disposable income levels could have a material adverse effect on our business, operations, and financial condition.

The Philippines is currently experiencing an economic downturn due to the COVID-19 pandemic and the resultant community quarantine. The country's gross domestic product suffered a -9.4% contraction is 2020. The World Bank expects the Philippine economy to grow by 5.5% and 6.3% in 2021 and 2022, respectively. For the year 2020, domestic inflation averaged 2.6%, reaching as high as 3.5% in December. However, the average inflation was still within the government's 2% to 4% projection. In 2020, the BSP cut the rate on its overnight reverse repurchase facility several times, effecting a 200-basis point total reduction for the entire 2020. In addition, the Monetary Board cut the rate on the overnight deposit facility and the overnight lending facility to 1.50% and 2.50%, respectively. As of March 24, 2022, the Monetary Board maintained the interest rate on overnight reverse repurchase facility at 2.00% and the overnight lending and deposit facilities rates at 2.50% and 1.50%, respectively. A global recession also took place in 2020 as the economic effects of the COVID-19 pandemic were felt in other countries, which also adversely affected the Philippine economy.

Any future deterioration in economic conditions in the Philippines could materially and adversely affect our financial position and results of operation, including our ability to grow our business, and our ability to implement our business strategy. Changes in the conditions of the Philippine economy could materially and adversely affect our business, financial condition, or results of operations.

Factors that may adversely affect the Philippine economy include the following: (i) Decreases in business, industrial, manufacturing or financial activities in the Philippines, the Southeast Asian region or globally; (ii) Scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in the Philippines, the Southeast Asian region or globally; (iii) Exchange rate fluctuations and foreign exchange controls; (iv) Rising inflation or increases in interest rates; (v) Levels of employment, consumer confidence and income; (vi) Changes in the Government's fiscal and regulatory policies; (vii) Government budget deficits; (viii) Adverse trends in the current accounts and balance of payments of the Philippine economy; (ix) Public health epidemics or outbreaks of diseases, such as COVID-19, Middle East Respiratory Syndrome-Corona virus (MERSCov), Severe Acute Respiratory Syndrome (SARS), avian influenza (commonly known as bird flu) or H1N1, or other similar disease (such as Zika) in the Philippines or in other Southeast Asian countries; (x) Natural disasters, including but not limited to tsunamis, typhoons, volcanic eruptions, earthquakes, fires, floods and similar events; (xi) Political instability, terrorism or military conflict in the Philippines, other countries in the region or globally; and (xii) Other regulatory, social, political or economic developments in or affecting the Philippines.

Any downturn in the Philippine economy may have a negative impact on consumer sentiment and general business conditions in the Philippines, which may materially reduce the revenues, profitability and cash flows of our Company.

Political instability in the Philippines may have a negative effect on the Philippine economy and business environment which could have a material adverse impact on our business.

The Philippines has from time to time experienced political and military instability. In recent history, there has been political instability in the Philippines, including impeachment proceedings against two (2) former presidents and the chief justice of the Supreme Court of the Philippines, hearings on graft and corruption, issues against various government officials, and public and military protests arising from alleged misconduct by previous and current administrations. There can be no assurance that acts of political violence will not occur in the future and any such events could negatively impact the Philippine economy. An unstable political environment may negatively affect the general economic conditions and operating environment in the Philippines which, in turn, could have a material adverse effect on the business, operations, and financial condition of our Company.

In addition, we may be affected by political and social developments in the Philippines, including changes in the political leadership. The Philippine general elections for national, provincial, and local officials were held on May 9, 2022, with Ferdinand R. Marcos, Jr. and Sara Z. Duterte garnering the majority votes for the Presidential and Vice-Presidential posts, respectively.

With the recent inauguration of the newly elected President Marcos Jr., our Company may also be affected by changes in government policies in the Philippines. Such regulatory changes may include, but are not limited to, the introduction of new laws and regulations that could impact our business.

There can be no assurance that the new administration will continue to implement social and economic policies that promote a favorable and stable macroeconomic and business environment. Policy instabilities or fundamental change of policy directions, including those with respect to Philippine foreign policy, may lead to an increase in political or social uncertainty and the loss of investor confidence in the Philippines. Any potential instability could have an adverse effect on the Philippine economy, which may impact our business, prospects, financial condition and results of operations

Natural or other catastrophes, including severe weather conditions, may materially disrupt our operations and financial condition.

The Philippines has experienced several major natural catastrophes over the years, including typhoons, droughts, volcanic eruptions and earthquakes. In this connection, our operations may be affected by utility shortages and power shutdowns caused by such natural catastrophes. There can be no assurance that the occurrence of such natural catastrophes will not materially disrupt our operations and, consequently, adversely affect our business, financial condition and results of operations.

We carry insurance for certain catastrophic events. However, there are certain losses for which we cannot obtain insurance at a reasonable cost, including business interruption insurance. Any material uninsured loss could materially and adversely affect our business, financial condition and results of operations.

Acts of terrorism and territorial disputes among the Philippines and its neighboring nations could destabilize the country and could have a material adverse effect on our assets and financial condition.

The Philippines has been subject to a number of terrorist attacks in the past several years. The Philippine military has been in conflict with various groups identified as being responsible for kidnapping and terrorist activities in the Philippines, and with separatist groups. In addition, bombings have taken place in the Philippines, mainly in cities in the southern part of the country.

An increase in the frequency, severity or geographic reach of these terrorist acts, violent crimes, bombings and similar events could have a material adverse effect on investments, and on the confidence in, and the performance of, the Philippine economy. Any such destabilization could cause interruption to our business and materially and adversely affect our financial conditions, results of operations and prospects.

Continued conflicts between the Government and separatist groups could lead to further injuries or deaths by civilians and members of the Armed Forces of the Philippines, which could destabilize parts of the Philippines and adversely affect the Philippine economy. There can be no assurance that the Philippines will not be subject to further acts of terrorism or violent crimes in the future, which could have a material adverse effect on our business, financial condition and results of operations.

Territorial disputes with the People's Republic of China (the "**PRC**") and a number of Southeast Asian countries may disrupt the Philippine economy and business environment. Competing and overlapping territorial claims by the

Philippines, the PRC and several Southeast Asian nations (such as Vietnam, Brunei, and Malaysia) over certain islands and maritime features in the West Philippine Sea (South China Sea) have for decades been a source of tension and conflict.

The PRC claims historic rights to nearly all of the West Philippine Sea based on its so-called “nine-dash line,” and in recent years dramatically expanded its military presence in the sea, thereby raising tensions in the region among the claimant countries. In 2013, the Philippines became the first claimant country to file a case before the Permanent Court of Arbitration, an international arbitration tribunal based at the Hague, Netherlands, to legally challenge claims of the PRC over the West Philippine Sea and to resolve the dispute under the principles of international law and the United Nations Convention on the Law of the Sea. In July 2016, the tribunal rendered a decision stating that the Philippines has exclusive sovereign rights over the West Philippine Sea (South China Sea), and that the “nine-dash line” claim of the PRC is invalid. The Government, under the current administration, has taken measures to de-escalate tensions concerning the territorial dispute with the PRC.

There is no guarantee that the territorial dispute among the Philippines and other countries, including the PRC, would end or that any existing tension will not escalate further, considering that the PRC has taken steps to exercise control over the disputed territory. In such event, the Philippine economy may be disrupted and its business and financial standing may be adversely affected.

Any deterioration in the Philippine economy as a result of these or other factors may adversely affect our operations. In particular, further disputes between the Philippines and other countries may lead to reciprocal trade restrictions or suspension of visa-free access and/or overseas Filipinos permits. Any such developments could materially and adversely affect our business, financial condition and results of operations.

Any decrease in the credit ratings of the Philippines may adversely affect our business.

The Philippines is currently rated investment grade by major international credit rating agencies such as Moody’s, Standard & Poor’s and Fitch. In May 2020, the Philippines received its first credit rating outlook downgrade in 15 years after Fitch lowered the country’s credit outlook to stable from positive due to the economic fallout from the COVID-19 pandemic. As of July 16, 2020, Moody has affirmed the Philippines Baa2 rating with stable outlook. On January 10, 2021, Fitch affirmed the Philippines’ long-term foreign-currency issuer default rating at BBB, noting that the outlook is stable. On July 12, 2021, however, Fitch revised the outlook of the Philippines to negative, although its long-term foreign-currency issuer default rating remained at BBB. The change in outlook was attributed to the potential scarring effects, and possible challenges associated with unwinding the exceptional policy response to the COVID-19 health crisis and restoring sound public finances as the pandemic recedes. As of May 28, 2021, S&P maintained its BBB+ long-term credit rating for the Philippines with a stable outlook, and also affirmed its A-2 short-term credit rating for the Philippines. While Moody’s and S&P retained the sovereign rating and stable outlook, no assurance can be given that these agencies will not in the future downgrade the credit ratings of the Government and, therefore, Philippine companies, including the Company. We cannot assure the effective mitigation of this systemic risk. Any such downgrade could have an adverse impact on the liquidity in the Philippine financial markets, and on the ability of the Government and Philippine companies, including our Company, to raise additional financing and the interest rates and other commercial terms at which such additional financing is available.

RISKS RELATING TO THE OFFER AND THE OFFER SHARES

There can be no guarantee that the Offer Shares will be registered with the SEC and listed on the PSE, or that there will be no other regulatory action that could delay or affect the Offer.

Purchasers of Offer Shares will be required to pay in full for such Offer Shares on the Settlement Date, which is expected to be on [●]. Although the PSE has issued a Notice of Approval on [●] approving the listing of the Company’s shares, this is subject to conditions. Further, the Listing Date is scheduled to occur after the Settlement Date, there can be no guarantee that listing will occur on the anticipated Listing Date or at all. Furthermore, there is no guarantee that the shares will be registered with the SEC. Delays in registration with the SEC and admission and the commencement of trading in shares on the PSE have occurred in the past. If the SEC does not approve the registration of the shares and the PSE does not admit the Offer Shares onto the PSE, the market for the Offer Shares would be illiquid and shareholders may not be able to trade the Offer Shares. This may materially and adversely affect the value of the Offer Shares.

As there has been no prior trading of the Company's Common Shares, there can be no assurance that an active market for the Offer Shares will develop following the Offer or, if developed, that such market will be sustained.

There has been no prior market for the Offer Shares, so there may be no liquidity in the market for the Offer Shares and the price of the Offer Shares may fall.

The Offer Price has been determined after taking into consideration a number of factors including, but not limited to, our prospects, the market prices for shares of companies engaged in related businesses similar to ours, and prevailing market conditions. The price at which the Common Shares will trade on the PSE at any point in time after the Offer may vary significantly from the Offer Price.

The Offer Shares may not be a suitable investment for all investors.

Each prospective investor in the Offer Shares must determine the suitability of that investment in light of its own circumstances. In particular, each prospective investor should:

1. Have sufficient knowledge and experience to make a meaningful evaluation of the Company and the businesses, the merits and risks of investing in the Offer Shares and the information contained in this Prospectus;
2. Have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of our particular financial situation, an investment in the Offer Shares and the impact the Offer Shares will have on our overall investment portfolio;
3. Have sufficient financial resources and liquidity to bear all of the risks of an investment in the Offer Shares, including where the currency for purchasing and receiving dividends on the Offer Shares is different from the potential investor's currency;
4. Understand and be familiar with the behavior of any relevant financial markets; and
5. Be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect our investment and our ability to bear the applicable risks.

The market price of securities can and does fluctuate. The Offer Shares have not been publicly traded and the relative volatility and illiquidity of the securities market may substantially limit an investor's ability to sell the Offer Shares at a suitable price or at a time they desire which may result to an investors' investments in the Company to decline.

The market price of securities can and does fluctuate, and it is impossible to predict whether the price of the Common Shares will rise or fall or even lose all of its value. The market price of Common Shares could be affected by several factors, including:

1. General market, political and economic conditions;
2. Changes in earnings estimates and recommendations by financial analysts;
3. Changes in market valuations of listed shares in general and other retail shares in particular;
4. The market value of the assets of the Company;
5. Changes to Government policy, legislation or regulations; and
6. General operational and business risks.

In addition, many of the risks described on page [27] in this Prospectus could materially and adversely affect the market price of the Common Shares.

In part as a result of the global economic downturn, the global equity markets have experienced price and volume volatility that has affected the share prices of many companies. Share prices for many companies have experienced wide fluctuations that have often been unrelated to the operating performance of those companies. Fluctuations such as these may adversely affect the market price of the Common Shares.

Shareholders may be subject to limitations on minority shareholders' rights.

The obligations under Philippine law of majority shareholders and directors with respect to minority shareholders may be more limited than those in other countries such as the United States or the United Kingdom. Consequently, minority shareholders may not be able to protect their interests under current Philippine law to the same extent as in certain other countries. There can be no assurance that legal rights or remedies of minority shareholders will be the same, or as extensive, as those available in other jurisdictions, or sufficient to protect the interests of minority shareholders.

The Revised Corporation Code, however, provides for certain protective rights to minority shareholders by requiring a vote by our shareholders representing at least two-thirds (2/3) of our outstanding capital stock for certain corporate acts.

Our Company may be unable to pay dividends on the Common Shares.

Dividend declaration by the Company on our shares of stock is payable in cash or in property or additional shares of stock. We approved a dividend policy of maintaining an annual dividend pay-out of up to 30% of our net income from the preceding year, subject to the requirements of applicable laws and regulations, the terms and conditions of any of its outstanding debt facilities, and the absence of circumstances that may restrict the payment of such dividends, such as where the Company undertakes major projects and developments. Our Board may, at any time, modify our dividend policy depending upon our capital expenditure plans and/or any terms of financing facilities entered into to fund our current and future operations and projects.

We cannot give any assurance that it will pay any dividends in the future.

Declaration of cash dividends by the Company requires the approval of the Board, the declaration of stock dividends by the Company requires the approval of our Board and the approval of stockholders representing at least two-thirds (2/3) of the outstanding capital stock.

Investors may incur immediate and substantial dilution as a result of purchasing Shares in the Offer.

The issue price of the Shares in the Offer may be substantially higher than the net tangible book value per share of the outstanding Shares. Therefore, purchasers of Shares in the Offer may experience immediate and substantial dilution and the Company's existing shareholders may experience a material increase in the net tangible book value per share of the Shares they own. See "Dilution" beginning on page [55] of this Prospectus.

RISKS RELATING TO CERTAIN STATISTICAL INFORMATION IN THIS PROSPECTUS

Certain information contained herein is derived from unofficial publications.

Certain information in this Prospectus relating to the Philippines, the industries in which we compete and the markets wherein we operate, including statistics relating to market size, are derived from various Government and private publications. This Prospectus also contains industry information which was prepared from publicly available third-party sources. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed. The information contained in the Industry section may not be consistent with other information. Similarly, industry forecasts and other market research data, including those contained or extracted herein, have not been independently verified by the Company, the Issue Manager and Bookrunner, and the Joint Lead Underwriters, nor any of their respective affiliates or advisors, and may not be accurate, complete, up-to-date or consistent with other information compiled within or outside the Philippines. Prospective investors are cautioned accordingly.

Non-verification of Certain Information.

The section of this Prospectus entitled "Industry" was not independently verified by the Company and the Joint Lead Underwriters, or any of their respective affiliates or advisors.

USE OF PROCEEDS

Based on the Offer Price of up to ₱5.50 per Offer Share, the estimated gross proceeds that we will receive from the Primary Shares will be ₱4,342.1 million and we estimate that the net proceeds from the Primary Shares will be approximately ₱4,153.5 million after deducting the applicable underwriting fees, costs and expenses for the Offer payable by us. We will not receive any proceeds from the sale of the Secondary Shares by the Selling Shareholder.

The proceeds of the Offer will not be used to reimburse any officer, director, employee or shareholder for service rendered, assets previously transferred, money loaned or advance or otherwise. In addition, no part of the proceeds will be allotted for payment of bank loans of the Company.

We intend to use the net proceeds from the Primary Offer, as follows:

Use of Proceeds	**Estimated Amount (₱ millions)**	**Percentage**	**Estimated Timing of Disbursement**
Store network expansion	3,553.5	86%	2022-2026
General corporate purposes	600.0	14%	2022-2026
Total	**4,153.5**	**100%**	

In the event that the Offer proceeds are less than the expected amount, we intend to allocate the proceeds in order of priority as follows:

1. Store network expansion
2. General corporate purpose

Store Network Expansion

To further cement our market leading position, we intend to continue to grow our store network and penetrate cities with high growth potential. We plan to open fifty (50) stores in 2022 within NCR, and key cities in Luzon, Visayas, and Mindanao. We target to open 250 stores, or an additional retail space of 25,000 sq.m., from 2022 to 2026, with an aggressive rollout in the next three (3) years.

We intend to use majority of the net proceeds from the Primary Offer for store network expansion which also includes improvements in our supply chain and logistics.

As a complement to our store expansion, we will also further improve our supply chain capabilities by developing nine (9) new warehouses and distribution facilities and renovate the current six (6) warehouses as of March 31, 2022. We are currently in the planning stages of the nine (9) new warehouses and distribution facilities. These new warehouses and distribution facilities will be located in key areas such as Manila, Cabanatuan, Dagupan, Naga, Iloilo, Bacolod, General Santos, Zamboanga and Palawan to service store expansion in these regions. Out of the nine (9) new warehouses and distribution facilities, we have already secured locations in Cabanatuan, Naga, Dagupan and Manila and is currently identifying target service areas for the remaining others.

In addition, we plan to strengthen our logistical capability by adding delivery vehicles. We are looking to add ten-wheeler trucks and delivery vans which we believe will improve our productivity as well as have control in the transport of our products.

General Corporate Purposes

We intend to allocate ₱600.0 million for additional working capital for additional store inventory for the existing stores as a result of the expected increase in revenues to be generated from new and existing customers.

EXPENSES

Based on the Offer Price of up to ₱[5.50]per Offer Share, the total proceeds, total expenses, and the net proceeds from the Primary Shares will be:

	Estimated Amount (₱ millions)
Total Proceeds from the Primary Offer	**4,342.1**
Estimated Expenses	
Underwriting and selling fees[1]	97.7
Documentary Stamps Tax	1.0
SEC registration, filing and research fees	2.0
PSE filing fee	18.5
Estimated professional fees[2]	65.4
Estimated Stock Transfer, Receiving and Escrow Agent Fees	2.0
Estimated other expenses[3]	2.0
Total Expenses	**188.6**
Total Net Proceeds from the Primary Offer	**4,153.5**

The actual underwriting and selling fees and other Offer-related expanses may vary from the estimated amounts indicated. The estimated expenses set forth in the table above reflect the estimated expenses relating to the Primary Shares and are presented in this Prospectus for convenience only. The taxes, underwriting and selling fees pertaining to the sale of the Secondary Shares will be paid by the Selling Shareholder. In the event that the Over-allotment Option is not exercised, it is deemed cancelled and the filing fee is forfeited. We will not receive any proceeds from the sale of Shares by the Selling Shareholder.

	Estimated Amount (₱ millions)
Estimated Total proceeds from the sale of the Secondary Shares	**1,085.5**
Estimated Expenses	
Underwriting and selling fees	10.9
Estimated Taxes to be paid	6.5
Estimated Crossing of Shares Expenses	12.2
Total Expenses	**29.6**
Total Net Proceeds from the Secondary Shares	**1,055.9**

The actual underwriting and selling fees and other Offer-related expenses may vary from the estimated amounts indicated above.

The proposed use of proceeds described above represents a best estimate of the use of the net proceeds of the Primary Offer based our current plans and expenditures. Other than as described above, no part of the net proceeds from the Primary Offer shall be used to acquire assets outside of the ordinary course of business or finance the acquisition of other businesses, or to reimburse any officer, director, employee or shareholder of our Company for services rendered, assets previously transferred, money loaned or advanced, or otherwise.

1 *Inclusive of 1.00% paid to the PSE Trading Participants*

2 *Professional fees is further broken down into: Issue Management: ₱46.3million; Legal: ₱4million; Audit: ₱12million; Public Relations: ₱1million; Industry Consultant: ₱2million; Data Site – Virtual Data Room: ₱0.1million*

3 *Estimated other expenses amounting to ₱2.0 million pertains to administrative costs to be incurred for the Offer. This includes printing fees, liaising costs, transportation expenses, and other similar costs.*

To the extent that the Offer proceeds are insufficient to finance the above-mentioned purposes, additional financing from loans and internally-generated cash flows will be utilized as necessary.

The actual amount and timing of disbursement of the net proceeds from the Offer for the uses stated above will depend on various factors which include, among others, changing market conditions or new information regarding the cost or feasibility of our expansion projects. Our cost estimates may change as plans develop, and actual costs may be different from the Company's budgeted costs. To the extent that the net proceeds from the Offer are not immediately applied to the above purpose, the Company will invest the net proceeds in interest-bearing short-term demand deposits and/or money market instruments. Aside from underwriting and selling fees, the the Joint Lead Underwriters will not receive any of the net proceeds from the Offer.

In the event of any material deviation or substantial adjustment in the planned use of proceeds, we shall inform our shareholders, the SEC and the PSE in writing at least 30 days before such deviation or adjustment is implemented. Any material or substantial adjustments to the use of proceeds, as indicated above, will be approved by our Board of Directors and disclosed to the SEC and the PSE. In addition, we shall submit via the PSE's Electronic Disclosure Generation Technology ("PSE EDGE") the following disclosure to ensure transparency in the use of proceeds:

1. Any disbursements made in connection with the planned use of proceeds from the Offer;
2. Quarterly Progress Report on the application of the proceeds from the Offer on or before the first 15 days of the following fiscal quarter, the quarterly progress reports should be certified by the Company's Chief Financial Officer or Treasurer and external auditor;
3. Annual summary of the application of the proceeds on or before 31 January of the following year, the annual summary report should be certified by the Company's Chief Financial Officer or Treasurer and external auditor; and,
4. Approval by the Company's Board of Directors of any reallocation on the planned use of proceeds, or of any change in the Work Program. The actual disbursement or implementation of such reallocation must be disclosed by the Company at least 30 days prior to the said actual disbursement or implementation.

The quarterly and annual reports required in items (ii) and (iii) above must include a detailed explanation for any material variances between the actual disbursements and the planned use of proceeds in the Prospectus, if any. The detailed explanation must state the approval of the Board as required in item (iv) above.

DIVIDENDS AND DIVIDEND POLICY

Limitations and Requirements

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.

We are allowed under Philippine laws to declare cash, property and stock dividends, subject to certain requirements. See "Description of the Shares—Rights Relating to Shares—Dividend Rights."

Record Date

Pursuant to existing SEC rules, cash dividends declared by the Company 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 Company 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 Company 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. The loan agreements of the Company also require maintenance of a debt-service ratio of at least 1.2

times.

In 2021, bank loans, which bear certain covenants including the restriction on declaration of dividends, were settled. As of March 31, 2022, December 31, 2021 and 2020, the Company is compliant with the above covenants.

Dividend History

Below is a summary of the dividend declaration of our Company:

Date of Declaration	***Dividend Payment Date***	***Amount of Dividends***	***Type of Dividend***
20 December 2021	28 December 2021	₱307,000,000.00	Cash dividends

Other than the dividend declaration above, the Company has not declared any other dividend for the past two (2) years.

Dividend Policy

We are authorized under Philippine law to declare dividends, subject to certain requirements. The payment of dividends, either in the form of cash or shares, will depend upon our earnings, cash flow and financial condition, among other factors. We may declare dividends only out of our unrestricted retained earnings. These represent our net accumulated earnings with our unimpaired capital, which are not appropriated for any other purpose. We may pay dividends in cash, by the distribution of property, or by the issue of shares. Dividends paid in cash or property is subject to the approval by our Board of Directors. Dividends paid in the form of additional shares are subject to approval by both our Board of Directors and at least two-thirds (2/3) of the outstanding share capital of the shareholders at a shareholders' meeting called for such purpose.

We have approved a dividend policy of maintaining an annual dividend pay-out of up to 30% of our net income from the preceding year, subject to the requirements of applicable laws and regulations, the terms and conditions of any of our outstanding debt facilities, and the absence of circumstances that may restrict the payment of such dividends, such as where the Company undertakes major projects and developments. Dividends must be approved by our Board (and shareholders in case of a share dividend declaration) and may be declared only from the unrestricted retained earnings of the Company. Our Board of Directors may, at any time, modify our dividend policy, depending upon our capital expenditure plans and/or any terms of financing facilities entered into to fund our current and future operations and projects. We can give no assurance that we will pay any dividends in the future.

DETERMINATION OF THE OFFER PRICE

The Offer Shares shall be listed and traded on the Main Board of the PSE under the symbol "UPSON". For a description of the PSE, see "The Philippine Stock Exchange" on page [165]. Since the Offer Shares have not been listed on any stock exchange, there has been no market price for the Offer Shares derived from day-to-day trading.

The Offer Price has been set at up to ₱[5.50] per Offer Share. The final Offer Price was determined through a book building process and discussions between our Company and the Issue Manager and Bookrunner. The factors considered in determining the Offer Price were, among others, the Company's ability to generate earnings and cash flow, its short- and long-term prospects, the level of demand from institutional investors, overall market conditions at the time of launch of the Offer and the market price of listed comparable companies, with reference to the relevant country's stock market index. The Offer Price does not have any correlation to the book value of the Offer Shares.

CAPITALIZATION AND INDEBTEDNESS

The following table sets out our loans payable, equity, and capitalization as of March 31, 2022 and as adjusted to reflect the sale of the Offer Shares based on an Offer Price of up to ₱[5.50] per Offer Share, assuming no exercise of the Over-allotment Option, and certain equity events which occurred subsequent to March 31, 2022 as described below.

The following table sets forth: (i) our capitalization and indebtedness as of March 31, 2022, (ii) as adjusted to give effect to stock split, and (iii) as further adjusted to give effect to the issuance of the Offer Shares. This table should be read in conjunction with our audited financial statements as of March 31, 2022 and notes thereto, included in the Prospectus.

(Amounts in in ₱ Millions, except Outstanding Shares in millions shares)	As of 31 March 2022,		
	Actual	**as Adjusted After Giving Effect to the Stock Split**	**As Adjusted After Giving Effect to the Offer**
	(Audited)	**(Unaudited)**	**(Unaudited)**
Total debt	3,231.4	3,231.4	3,231.4
Equity:			
Outstanding Shares	500.0	2,500.0	3,289.5
Capital stock	500.0	500.0	657.9
Additional paid-in capital	-	-	3,947.4
Other components of equity	(6.3)	(6.3)	(6.3)
Retained earnings	514.7	514.7	514.7
Total equity	1,008.4	1,008.4	5,113.7
Total capitalization	4,239.8	4,239.8	8,345.1

The following table presents the Company's key financial ratios:

Financial Ratios	**Formula**	**March 31, 2022**	**December 31, 2021**	**2020**	**2019**
Current Ratio	Current Assets / Current Liabilities	1.07	1.04	0.96	1.15
Solvency Ratio	Net Income Before Depreciation and Taxes / Total Liabilities	0.05	0.22	0.14	0.09
Debt-to-Equity Ratio	Total Liabilities / Total Equity	3.2	3.64	6.71	13.84
Asset-to-Equity Ratio	Total Assets / Total Equity	4.2	4.64	7.71	14.84
Interest Rate Coverage Ratio	Net Income Before Interest and Taxes / Interest Expense	10.91	5.6	2.36	1.49
Debt Service Coverage Ratio	EBITDA / (Interest Expense + Current Portion of Loans)	0.15	0.71	0.34	0.28
Earnings per Share*	Net Income / Weighted Average Outstanding Common Shares	0.04	0.3	0.15	0.06
Book Value per Share**	Total Equity / Weighted Average Outstanding Common Shares	2.02	3.36	2.14	1.38
Return on Assets	Net Income / Total Assets	0.03	0.09	0.04	0.02
Return on Equity	Net Income / Total Equity	0.11	0.55	0.44	0.26
Price to Earnings***	Share Price / EPS	124.76	18.22	35.58	86.24
Dividend Yield***	Annual Dividends per Share / Price per Share		0.12		

** Earnings per share is computed based on average outstanding shares with retrospective application of stock split, as required by the Philippine Accounting Standard (PAS) 33.*

***Book value per share is based on the average outstanding shares, without taking into account the stock split.*

****Using price per share at Php5.5. Dividend per share in 2021 is 0.67*

DILUTION

We will offer up to 986,842,000 Offer Shares to the public, to be comprised of 789,473,600 unissued common shares to be issued from our authorized and unissued common stock and up to 98,684,200 existing common shares to be offered by the Selling Shareholder. In addition, up to 98,684,200 existing common Shares will be offered by the Selling Shareholder as part of the Over-Allotment Option.

Prior to the Offer, our issued and outstanding shares amount to 2,500,000,300. Upon listing, our issued and outstanding share increases to 3,289,473,900.

The book value, or total equity, attributable to our Common Shareholders, based on our audited financial statements as of March 31, 2022 was ₱1,008.4 million. The book value attributable to our Common Shareholders represents the amount of our total equity attributable to equity holders of our Company. The Company's book value per share is computed by dividing the book value attributable to our shareholders by the equivalent number of Common Shares corresponding to the total equity as of March 31, 2022. Without taking into account any other changes in such book value after March 31, 2022 other than the sale of 789,473,600 Primary Shares at the Offer Price of up to ₱[5.50] per Offer Share, and after deduction of the underwriting discounts and commissions and estimated offering expenses of the Offer payable by the Company, the Company's net book value as of listing would increase by ₱[5,113.7] million, or ₱[1.55] per Common Share. This represents an immediate increase in book value of ₱[1.15] per Common Share to existing shareholders, and an immediate dilution of ₱[3.95]per Common Share to purchasers of Offer Shares at the Offer Price of ₱[5.50] per Offer Share.

The following table illustrates dilution on a per share basis based on the Offer Price of up to ₱[5.50] per Offer Share:

Offer Price per Offer Share	₱[5.50]
Book value per Common Share as of March 31, 2022	₱[0.40]
Difference in Offer Price per Offer Share Increase and book value per Common Share as of March 31, 2022	₱[5.10]
Pro-forma book value per Common Share immediately after completion of the Offer	₱[1.55]
Dilution to investors of the Offer Shares (based on pro-forma book value per Common Share)	₱[3.95]

The following table sets forth the shareholdings and percentage of Common Shares outstanding of our existing and new shareholders immediately after completion of the Offer (assuming the Over-allotment Option is not exercised):

	Common Shares	
	Number of Shares	**%**
Existing Shareholders	2,401,316,100	73%
New Investors	888,157,800	27%
Total	3,289,473,900	100%

The following table sets forth the shareholdings and percentage of Common Shares outstanding of our existing and new shareholders immediately after completion of the Offer (assuming the Over-allotment Option is fully exercised):

	Common Shares	
	Number of Shares	**%**
Existing Shareholders	2,302,631,900	70.00%
New Investors	986,842,000	30.00%
Total	3,289,473,900	100%

EFFECTS OF THE [STOCK SPLIT] TO THE FINANCIAL STATEMENTS OF UPSON INTERNATIONAL CORPORATION

On February 2, 2022, our shareholders also approved amendments to our Articles of Incorporation which included a reduction of the par value of our Shares from One Peso (₱1.00) per common share to Twenty Centavos (₱0.20) per common share, resulting in a stock split whereby every existing common share with a par value of One Peso (₱1.00) would become 5 common shares with a Ten Centavos (₱0.20) par value per share which was approved by the Commission on April 12, 2022. The Stock Split will affect the Company's book value per share and the earnings per share, see the sections entitled "Capitalization and Indebtedness" and "Dilution" of this Prospectus.

(Amounts in in ₱ Millions, except Outstanding Shares in millions shares, and book value and earnings per share ratios)	As of March 31, 2022	As of March 31, 2022 as Adjusted After Giving Effect to the [Stock Split]
Total Current Assets	3,341.4	3,341.4
Total Noncurrent Assets	898.4	898.4
Total Assets	4,239.8	4,239.8
Total Current Liabilities	3,120.8	3,120.8
Total Noncurrent Liabilities	110.6	110.6
Total Liabilities	3,231.4	3,231.4
Total Equity	1,008.4	1,008.4
Total Liabilities and Equity	4,239.8	4,239.8
Book Value per Share*	2.02	0.40
Earnings per Share**	0.04	0.04

**Book value per share is based on the average outstanding shares as at March 31, 2022, without taking into account the stock split.*
*** Earnings per share is computed based on average outstanding shares with retrospective application of stock split, as required by the Philippine Accounting Standard (PAS) 33.*

The pro-forma presentation of figures above is reflected in the audited financial statements of Upson as at and for the three months ended March 31, 2022 as presented in this Prospectus as the SEC approval of the application for the stock split occurred on April 12, 2022.

The following table sets forth Upson's financial ratios as of March 31, 2022 and as adjusted to give effect to the stock split.

	[As of March 31, 2022]	As of March 31, 2022 as Adjusted After Giving Effect to the [Stock Split]
Current Ratio(1)	1.07	1.07
Solvency Ratio(2)	0.05	0.05
Debt-to-Equity Ratio(3)	3.20	3.20
Asset-to-Equity Ratio(4)	4.20	4.20

[1]Current Ratio is computed by dividing the total current assets by total current liabilities.
[2]Solvency Ratio is computed by dividing net income plus depreciation and amortization by total liabilities.
[3]Debt to Equity Ratio is computed by dividing the total liabilities by total equity.
[4]Asset to Equity Ratio is computed by dividing the total assets by total equity.

SUMMARY OF FINANCIAL AND OPERATIONAL INFORMATION

*The following tables present the selected financial information of our Company and should be read in conjunction with the auditors' reports, our Company's financial statements including the notes thereto included on page [193] in this Prospectus, and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations". The selected financial information set forth in the following table has been derived from the financial statements for the three months ended March 31, 2021 and 2022 and for the fiscal years ended 31 December 2019, 2020, 2021, including the related notes, as examined and audited by Reyes Tacandong & Co. ("**RTCo**") in accordance with Philippine Financial Reporting Standards ("**PFRS**"). All of this information should be read in conjunction with the financial statements and notes thereto contained in this Registration Statement. The summary of financial information set out below does not purport to project the results of operations or financial condition of the Company for any future period or date.*

STATEMENTS OF COMPREHENSIVE INCOME
(All amounts in thousands Philippine Pesos, except per share data)

	Audited				
	For the years ended December 31,			For the three months ended March 31,	
	2019	2020	2021	2021	2022
Sales	**₱7,569,579**	**₱8,152,204**	**₱8,567,941**	**₱2,091,750**	**₱2,099,215**
Cost of Sales	(5,988,485)	(6,480,931)	(6,682,292)	(1,648,647)	(1,638,215)
Gross Income	**1,581,094**	**1,671,273**	**1,885,649**	**443,103**	**461,000**
Operating Expenses	(1,217,042)	(1,257,649)	(1,322,688)	(360,384)	(340,540)
Other Income	3,668	95,463	90,853	34,314	41,278
Income from Operations	**367,720**	**509,087**	**653,814**	**117,033**	**161,738**
Finance Costs	(245,967)	(213,969)	(116,263)	(30,771)	(14,820)
Income Before Income Tax	**121,753**	**295,118**	**537,551**	**86,262**	**146,918**
Provision for (benefit from) Income Tax					
Current	39,948	74,471	112,615	15,292	33,902
Deferred	(3,495)	13,903	21,295	5,886	2,802
	36,453	88,373	133,910	21,178	36,704
Net Income	**85,300**	**206,745**	**403,641**	**65,084**	**110,214**
OTHER COMPREHENSIVE INCOME					
Remeasurement loss on retirement liability - net of tax	–	**(3,478)**	**(2,519)**	–	–
Total Comprehensive Income	**₱85,300**	**₱203,267**	**₱401,122**	**₱65,084**	**₱110,214**
Basic/Diluted Earnings per Share	**₱0.06**	**₱0.15**	**₱0.30**	**₱0.05**	**₱0.04**

STATEMENTS OF FINANCIAL POSITION
(All amounts in thousands Philippine Pesos)

	Audited			
	As of December 31,			As of March 31,
	2019	2020	2021	2022
ASSETS				
Current Assets				
Cash	₱266,996	₱680,841	₱1,100,790	₱773,278
Trade and other receivables	78,629	90,569	38,683	37,805
Advances to related parties	2,352,669	1,098,700	–	–
Inventories	1,412,942	1,479,700	2,007,274	2,352,743
Assets held for sale	157,639	–	–	–
Other current assets	134,379	140,836	164,734	177,560
Total Current Assets	**4,403,254**	**3,490,646**	**3,311,481**	**3,341,386**
Noncurrent Assets				
Property and equipment	835,337	759,068	682,939	670,126
Right-of-use (ROU) assets	182,793	123,363	153,466	215,047
Deferred tax assets	49,193	36,781	16,078	13,275
Total Noncurrent Assets	**1,067,323**	**919,212**	**852,483**	**898,448**
TOTAL ASSETS	**₱5,470,577**	**₱4,409,858**	**₱4,163,964**	**₱4,239,834**
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	₱1,229,135	₱1,179,857	₱1,787,805	₱1,534,513
Current portion of bank loans and trust receipts payable	2,438,785	2,335,118	1,246,435	1,424,125
Current portion of lease liabilities	145,845	90,400	121,678	133,521
Income tax payable	8,083	16,929	37,739	28,625
Total Current Liabilities	**3,821,848**	**3,622,304**	**3,193,657**	**3,120,784**
Noncurrent Liabilities				
Bank loans - net of current portion	1,220,000	150,000	–	–
Lease liabilities - net of current portion	42,484	40,529	40,276	77,831
Retirement liability	17,666	25,178	31,811	32,785
Total Noncurrent Liabilities	**1,280,150**	**215,707**	**72,087**	**110,616**
Total Liabilities	**5,101,998**	**3,838,011**	**3,265,744**	**3,231,400**
Equity				
Capital stock	267,500	267,500	500,000	500,000
Retained earnings	101,079	307,824	404,465	514,679
Accumulated remeasurement loss on retirement liability	–	(3,477)	(6,245)	(6,245)
Total Equity	**368,579**	**571,846**	**898,220**	**1,008,434**
TOTAL LIABILITIES AND EQUITY	**₱5,470,577**	**₱4,409,858**	**₱4,163,964**	**₱4,239,834**

STATEMENTS OF CASHFLOWS
(All amounts in thousands Philippine Pesos)

	Audited				
	For the years ended December 31,			For the three months ended March 31,	
	2019	2020	2021	2021	2022
CASH FLOWS FROM OPERATING ACTIVITIES					
Income before income tax	₱121,753	₱295,118	₱537,551	₱86,261	₱146,919
Adjustments for:					
Depreciation and amortization	357,573	315,341	303,335	73,315	55,148
Finance costs	245,967	213,969	116,263	30,772	14,819
Gain on lease concessions	–	(94,417)	(52,688)	(11,399)	(6,536)
Provision for (reversal of) inventory obsolescence	–	13,402	(7,346)	–	–
Retirement expense	5,112	2,544	3,274	651	974
Interest income	(411)	(919)	(710)	(230)	(135)
Gain on lease modification	–	(127)	(621)	(465)	–
Operating income before working capital changes	729,995	744,911	899,057	178,905	211,189
Decrease (increase) in:					
Trade and other receivables	(13,621)	(11,939)	51,886	28,257	878
Inventories	(24,983)	(144,479)	(520,228)	(174,535)	(345,469)
Other current assets	(12,429)	(6,458)	(23,897)	5,177	(12,826)
Increase (decrease) in trade and other payables	(72,702)	(55,134)	607,295	167,575	(253,562)
Net cash generated from operations	606,259	526,902	1,014,113	205,379	(399,790)
Income taxes paid	(31,566)	(65,624)	(91,806)	(11,859)	(43,015)
Interest received	411	919	710	230	135
Net cash provided by operating activities	**575,104**	**462,197**	**923,018**	**193,750**	**(442,670)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Decrease (increase) advances to related parties	(255,975)	3,287	1,098,700	(1,448)	–
Additions to property and equipment	(53,849)	(45,500)	(58,818)	(9,534)	(12,794)
Proceeds from sale of assets held for sale	–	157,639	–	–	–
Net cash provided by (used in) investing activities	**(309,824)**	**115,426**	**1,039,881**	**(10,982)**	**(12,794)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Payments of:					
Loans	(2,714,645)	(3,981,515)	(4,093,501)	(652,033)	(388,437)
Dividends	–	–	(307,000)	–	–
Lease liabilities	(246,651)	(109,976)	(126,214)	(28,745)	(37,546)
Interests	(225,287)	(195,135)	(103,553)	(27,610)	(12,193)
Proceeds from loans and trust receipts availments	2,962,715	4,122,848	2,854,817	667,778	566,128
Proceeds from additional subscription of shares of stock	–	–	232,500	–	–
Net cash used in financing activities	**(223,868)**	**(163,778)**	**(1,542,950)**	**(40,610)**	**127,952**
NET INCREASE IN CASH	**41,412**	**413,846**	**419,949**	**142,158**	**(327,512)**
CASH AT BEGINNING OF YEAR	**225,584**	**266,996**	**680,841**	**680,841**	**1,100,790**
CASH AT END OF YEAR	**₱266,996**	**₱680,841**	**₱1,100,790**	**₱822,999**	**773,278**
SUPPLEMENTAL DISCLOSURE ON NON-CASH ACTIVITY					
Additions and modifications to ROU assets	(₱24,538)	(₱134,141)	(₱198,491)	₱83,211	₱91,122
Additions and modifications to lease liabilities	24,538	134,014	197,870	83,060	91,122
Transfer of loans payable	–	1,315,000	–	–	–
Recognition of ROU assets and lease liabilities	389,763	–	–	–	–

SELECT FINANCIAL AND OPERATING INFORMATION

The following tables present the selected financial information of our Company and should be read in conjunction with the auditors' reports, our Company's financial statements including the notes thereto included on page [193] in this Prospectus, and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations". The selected financial information set forth in the following table has been derived from the financial statements for the fiscal years ended 31 December 2019, 2020, 2021, and for the three months ended 31 March 2021 and 2022, including the related notes, as examined and audited by Reyes Tacandong & Co. ("RT&Co") in accordance with Philippine Financial Reporting Standards ("PFRS"). All of this information should be read in conjunction with the financial statements and notes thereto contained in this Registration Statement. The summary of financial information set out below does not purport to project the results of operations or financial condition of the Company for any future period or date.

STATEMENTS OF COMPREHENSIVE INCOME
(All amounts in thousands Philippine Pesos, except per share data)

	Audited				
	For the years ended December 31,			For the three months ended March 31	
	2019	**2020**	**2021**	**2021**	**2022**
Sales	**₱7,569,579**	**₱8,152,204**	**₱8,567,941**	**₱2,091,750**	**₱2,099,215**
Cost of Sales	(5,988,485)	(6,480,931)	(6,682,292)	(1,648,647)	(1,638,215)
Gross Income	**1,581,094**	**1,671,273**	**1,885,649**	**443,103**	**461,000**
Operating Expenses	(1,217,042)	(1,257,649)	(1,322,688)	(360,384)	(340,540)
Other Income	3,668	95,463	90,853	34,314	41,278
Income from Operations	**367,720**	**509,087**	**653,814**	**117,033**	**161,738**
Finance Costs	(245,967)	(213,969)	(116,263)	(30,771)	(14,820)
Income Before Income Tax	**121,753**	**295,118**	**537,551**	**86,262**	**146,918**
Provision for (benefit from) Income Tax					
Current	39,948	74,471	112,615	15,292	33,902
Deferred	(3,495)	13,903	21,295	5,886	2,802
	36,453	88,373	133,910	21,178	36,704
Net Income	**85,300**	**206,745**	**403,641**	**65,084**	**110,214**
OTHER COMPREHENSIVE INCOME					
Remeasurement loss on retirement liability - net of tax	–	**(3,478)**	**(2,519)**	–	–
Total Comprehensive Income	**₱85,300**	**₱203,267**	**₱401,122**	**₱65,084**	**₱110,214**
Basic/Diluted Earnings per Share	**₱0.06**	**₱0.15**	**₱0.30**	**₱0.05**	**₱0.04**

STATEMENTS OF FINANCIAL POSITION
(All amounts in thousands Philippine Pesos)

	Audited			
	As of December 31,			As of March 31,
	2019	2020	2021	2022
ASSETS				
Current Assets				
Cash	₱266,996	₱680,841	₱1,100,790	₱773,278
Trade and other receivables	78,629	90,569	38,683	37,805
Advances to related parties	2,352,669	1,098,700	–	–
Inventories	1,412,942	1,479,700	2,007,274	2,352,743
Assets held for sale	157,639	–	–	–
Other current assets	134,379	140,836	164,734	177,560
Total Current Assets	**4,403,254**	**3,490,646**	**3,311,481**	**3,341,386**
Noncurrent Assets				
Property and equipment	835,337	759,068	682,939	670,126
Right-of-use (ROU) assets	182,793	123,363	153,466	215,047
Deferred tax assets	49,193	36,781	16,078	13,275
Total Noncurrent Assets	**1,067,323**	**919,212**	**852,483**	**898,448**
TOTAL ASSETS	**₱5,470,577**	**₱4,409,858**	**₱4,163,964**	**₱4,239,834**
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	₱1,229,135	₱1,179,857	₱1,787,805	₱1,534,513
Current portion of bank loans and trust receipts payable	2,438,785	2,335,118	1,246,435	1,424,125
Current portion of lease liabilities	145,845	90,400	121,678	133,521
Income tax payable	8,083	16,929	37,739	28,625
Total Current Liabilities	**3,821,848**	**3,622,304**	**3,193,657**	**3,120,784**
Noncurrent Liabilities				
Bank loans - net of current portion	1,220,000	150,000	–	–
Lease liabilities - net of current portion	42,484	40,529	40,276	77,831
Retirement liability	17,666	25,178	31,811	32,785
Total Noncurrent Liabilities	**1,280,150**	**215,707**	**72,087**	**110,616**
Total Liabilities	**5,101,998**	**3,838,011**	**3,265,744**	**3,231,400**
Equity				
Capital stock	267,500	267,500	500,000	500,000
Retained earnings	101,079	307,824	404,465	514,679
Accumulated remeasurement loss on retirement liability	–	(3,477)	(6,245)	(6,245)
Total Equity	**368,579**	**571,846**	**898,220**	**1,008,434**
TOTAL LIABILITIES AND EQUITY	**₱5,470,577**	**₱4,409,858**	**₱4,163,964**	**₱4,239,834**

STATEMENTS OF CASHFLOWS
(All amounts in thousands Philippine Pesos)

	Audited				
	For the years ended December 31,			For the three months ended March 31	
	2019	2021	2022	2021	2022
CASH FLOWS FROM OPERATING ACTIVITIES					
Income before income tax	₱121,753	₱295,118	₱537,551	₱86,261	₱146,919
Adjustments for:					
Depreciation and amortization	357,573	315,341	303,335	73,315	55,148
Finance costs	245,967	213,969	116,263	30,772	14,819
Gain on lease concessions	–	(94,417)	(52,688)	(11,399)	(6,536)
Provision for (reversal of) inventory obsolescence	–	13,402	(7,346)	–	–
Retirement expense	5,112	2,544	3,274	651	974
Interest income	(411)	(919)	(710)	(230)	(135)
Gain on lease modification	–	(127)	(621)	(465)	–
Operating income before working capital changes	729,995	744,911	899,057	178,905	211,189
Decrease (increase) in:					
Trade and other receivables	(13,621)	(11,939)	51,886	28,257	878
Inventories	(24,983)	(144,479)	(520,228)	(174,535)	(345,469)
Other current assets	(12,429)	(6,458)	(23,897)	5,177	(12,826)
Increase (decrease) in trade and other payables	(72,702)	(55,134)	607,295	167,575	(253,562)
Net cash generated from operations	606,259	526,902	1,014,113	205,379	(399,790)
Income taxes paid	(31,566)	(65,624)	(91,806)	(11,859)	(43,015)
Interest received	411	919	710	230	135
Net cash provided by operating activities	**575,104**	**462,197**	**923,018**	**193,750**	**(442,670)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Decrease (Increase) advances to related parties	(255,975)	3,287	1,098,700	(1,448)	–
Additions to property and equipment	(53,849)	(45,500)	(58,818)	(9,534)	(12,794)
Proceeds from sale of assets held for sale	–	157,639	–	–	–
Net cash provided by (used in) investing activities	**(309,824)**	**115,426**	**1,039,881**	**(10,982)**	**(12,794)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Payments of:					
Loans	(2,714,645)	(3,981,515)	(4,093,501)	(652,033)	(388,437)
Dividends	–	–	(307,000)	–	–
Lease liabilities	(246,651)	(109,976)	(126,214)	(28,745)	(37,546)
Interests	(225,287)	(195,135)	(103,553)	(27,610)	(12,193)
Proceeds from loans and trust receipts availments	2,962,715	4,122,848	2,854,817	667,778	566,128
Proceeds from additional subscription of shares of stock	–	–	232,500	–	–
Net cash used in financing activities	**(223,868)**	**(163,778)**	**(1,542,950)**	**(40,610)**	**127,952**
NET INCREASE IN CASH	**41,412**	**413,846**	**419,949**	**142,158**	**(327,512)**
CASH AT BEGINNING OF YEAR	**225,584**	**266,996**	**680,841**	**680,841**	**1,100,790**
CASH AT END OF YEAR	**₱266,996**	**₱680,841**	**₱1,100,790**	**₱822,999**	**773,278**
SUPPLEMENTAL DISCLOSURE ON NON-CASH ACTIVITY					
Additions and modifications to ROU assets	(₱24,538)	(₱134,141)	(₱198,491)	₱83,211	₱91,122
Additions and modifications to lease liabilities	24,538	134,014	197,870	83,060	91,122
Transfer of loans payable	–	1,315,000	–	–	–
Recognition of ROU assets and lease liabilities	389,763	–	–	–	–

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Prospective investors should read the following discussion and analysis of the financial condition and results of operations together with the audited financial statements and the notes thereto included in this prospectus and the section Company's financial condition and results of operations as at March 31, 2022 and for the three months ended March 31, 2021 and 2022 and as at and for the years ended December 31, 2019, 2020, 2021 are based on our Company's audited financial statements.

The amendments to PFRS 16, COVID-19-related Rent Concessions provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. The Company elected to apply the practical expedient on the accounting for rent concessions received in 2020, 2021 and 2022 as a direct consequence of the COVID-19 pandemic. The "Other Charges - net" account in the statements of comprehensive income for the three months period March 31, 2022 years ended December 31, 2020 and 2021 may not be comparable due to recognition of "gain on lease concession" as an effect of the election to apply practical expedient allowed by the amendments to PFRS 16.

Our Audited Financial Statements included in this Prospectus were prepared in compliance with PFRS.

SIGNIFICANT FACTORS AFFECTING THE COMPANY'S RESULTS OF OPERATIONS

Our results of operations are affected by a variety of factors. Set out below is a discussion of the most significant factors that have affected our results in the past and which we expect to affect our financial results in the future. Factors other than those set out below could also have a significant impact on our results of operations and financial condition in the future. See "Risk Factors".

Company's Store Network

The volume of products that we are able to sell is mainly affected by the number of stores and store locations we are able to open and operate in. We continuously strive to expand our market coverage by opening new stores in various growth areas in the country.

Operating in varied locations governed by different local regulators and authorities also entails dealing with diverse local laws and regulations which require customized approaches and processes that may impede the set up and opening of new stores as scheduled. Laws and regulations at the local level change more frequently and the changes can impose additional costs and other compliance requirements that we may not be able to immediately address. Succeeding years' sales is adversely affected when scheduled new store openings are delayed. Delay in the rollout of new stores will adversely affect our business, results of operation and financial condition.

In terms of our store network, all are Company-owned. From 2019 to 2022, we owned and operated the following number of stores:

Period ended	No. of Stores
March 31, 2022	188
December 31, 2021	183
December 31, 2020	175
December 31, 2019	166

We had a stable store network expansion averaging 9-11 stores per year, with the exception of years 2020 and 2021, where the COVID-19 Pandemic forced the Philippine government to impose restrictions which directly affected our expansion efforts. We are slowly regaining our expansion momentum as the Philippine economy opens up in the second half of 2021.

While new store openings increase our revenues, costs also increase during construction and the overall profitability is largely dependent on the new store's ability to reach its full revenue potential.

Economic, Social, and Political Conditions in the Philippines

Our operations have been substantially affected and will continue to be affected by the economic, social, and political conditions in the Philippines.

The continuing demand for our products is directly related to the strength of the Philippine economy, including overall growth rate and volume of business activities in the country.

The Philippine economy, in the last few years, has been in a continuous growth curve until the COVID-19 Pandemic hit the Philippine economy and caused a minus 9.4% growth in the GDP in 2020. Despite the adverse conditions brought by the Pandemic, we remained in a strong financial position closing at total revenue of ₱8,152.2 million in 2020, a 7.7% or ₱582.6 million increase from the ₱7,569.6 million revenue in 2019. This is due to the increase in demand of Information Technology products amidst the Pandemic.

In 2021, the Philippine economy started to recover as the country opened up at the second half of the year. We continue to capitalize on the recovery of the economy and increase in demand due to digitalization.

Competition

Sales are directly affected by competition from other competitors. We compete on the basis of store network reach, product range, availability and pricing. We believe that we have an edge against our competitors in terms of the aforementioned competition basis. Through all the expansion plans, new store concepts and existing strategies, we believe that we will be able to differentiate ourselves against the rest of our competitors.

Seasonality

We experience seasonal fluctuations in net sales. Historically, the strongest sales levels occur in the months of June to October, and our lowest sales levels occur in January to May.

We take advantage of stronger seasonal sales by implementing campaigns geared towards increasing average spend per customer and launching marketing strategies to increase transaction count during seasons with lower sales levels.

Critical Accounting Policies

Critical accounting policies are those that are both (i) relevant to the presentation of our financial condition and results of operations and (ii) require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increase, those judgments become even more subjective and complex.

The significant accounting and financial reporting policies that have been used in the preparation of the audited financial statements are disclosed in the 2022 audited financial statements. These policies have been consistently applied to all the periods presented, unless otherwise stated. For more information on our significant accounting and financial reporting policies, see Note 2 of the notes to financial statements in the 2022 audited financial statements included on page [193] in this Prospectus.

FINANCIAL POSITION

As of and for the period ended March 31, 2022 and December 31, 2021
(All amounts in thousands Philippine Pesos)

	March 31, 2022	December 31, 2021	Increase (Decrease)	% Change
ASSETS				
Current Assets				
Cash	₱773,278	₱1,100,790	(₱327,512)	(29.75%)
Trade and other receivables	37,805	38,683	(878)	(2.27%)
Inventories	2,352,743	2,007,274	345,469	17.21%
Other current assets	177,560	164,734	12,826	7.79%
Total Current Assets	**3,341,386**	**3,311,481**	**29,905**	**0.90%**
Noncurrent Assets				
Property and equipment	670,126	682,939	(12,813)	(1.88%)
Right-of-use (ROU) assets	215,047	153,466	61,581	40.13%
Deferred tax assets	13,275	16,078	(2,803)	(17.43%)
Total Noncurrent Assets	**898,448**	**852,483**	**45,965**	**5.39%**
TOTAL ASSETS	**₱4,239,834**	**₱4,163,964**	**₱75,870**	**1.82%**
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	₱1,534,513	₱1,787,805	(₱253,292)	(14.17%)
Current portion of bank loans and trust receipts payable	1,424,125	1,246,435	177,690	14.26%
Current portion of lease liabilities	133,521	121,678	11,843	9.73%
Income tax payable	28,625	37,739	(9,114)	(24.15%)
Total Current Liabilities	**3,120,784**	**3,193,657**	**(72,873)**	**(2.28%)**
Noncurrent Liabilities				
Lease liabilities - net of current portion	77,831	40,276	37,555	93.24%
Retirement liability	32,785	31,811	974	3.06%
Total Noncurrent Liabilities	**110,616**	**72,087**	**38,529**	**53.45%**
Total Liabilities	**3,231,400**	**3,265,744**	**(34,344)**	**(1.05%)**
Equity				
Capital stock	500,000	500,000	–	0%
Retained earnings	514,679	404,465	110,214	27.25%
Accumulated remeasurement loss on retirement liability	(6,245)	(6,245)	–	0%
Total Equity	**1,008,434**	**898,220**	**110,214**	**12.27%**
TOTAL LIABILITIES AND EQUITY	**₱4,239,834**	**₱4,163,964**	**₱75,870**	**1.82%**

Our total assets stood at ₱4,240.0 million as of March 31, 2022, an increase of 1.82% from the total assets of ₱ 4,164.0 million as of December 31, 2021.

Cash and cash equivalents stood at ₱773.3 million as of March 31, 2022, lower by 29.75% than the balance of ₱ 1,100.8 million as of December 31, 2021. The decrease was due to net cash outflows from operating activities of ₱ 442.7 million surpassing the combined net cash inflows from investing activities and financing activities of ₱115.2 million in 2022.

Trade and other receivables stood at ₱37.8 million as of March 31, 2022, a decrease of 2.27% from the amount of ₱ 38.7 million as of December 31, 2021. Trade receivables represent mainly outstanding receivables from credit card companies and other payment service providers. The decrease was due to the lower volume of sales in the last 3 days of March 2022.

Inventory amounted to ₱2,352.7 million as of March 31, 2022, increasing by 17.21% from ₱2,007.3 million as of December 31, 2021. The increase over this period is due to our initiative to augment our inventory level in order to curb the impact of the continuing and unpredictable mobility restrictions brought about by the COVID-19 Pandemic to the supply chain.

Property and equipment stood at ₱670.1 million as of March 31, 2022, lower by 1.88% than the amount of ₱682.9 million as of December 31, 2021. The decrease in property and equipment is caused by the net impact of the depreciation expense over the cost of the new stores opened over this period.

Trade and other payables amounted to ₱1,534.5 million as of March 31, 2022, decreasing by 14.17% from ₱1,787.8 million as of December 31, 2021. The decrease in the trade and other payables is due to the payment to suppliers of previous period outstanding balances.

Bank loans and trust receipts stood at ₱1,424.1 million as of March 31, 2022, higher by 9.73% from the amount ₱ 1,246.4 million as of December 31, 2021. The increase is due to the availment of trust receipts in 2022.

Total equity stood at ₱1,008.4 million as of March 31, 2022 with an increase of 12.27% from the amount ₱898.2 million as of December 31, 2021. The increase represents the net effect of the total comprehensive income amounting to ₱110.2 million for the period ended March 31, 2022.

As of and for the years ended December 31, 2021 and 2020
(All amounts in thousands Philippine Pesos)

	December 31			
	2021	2020	Increase (Decrease)	% Change
ASSETS				
Current Assets				
Cash	₱1,100,790	₱680,841	₱419,949	61.68%
Trade and other receivables	38,683	90,569	(51,886)	(57.29%)
Advances to related parties	–	1,098,700	(1,098,700)	(100%)
Inventories	2,007,274	1,479,700	527,574	35.65%
Other current assets	164,734	140,836	23,898	16.97%
Total Current Assets	**3,311,481**	**3,490,646**	**(179,165)**	**(5.13%)**
Noncurrent Assets				
Property and equipment	682,939	759,068	(76,129)	(10.03%)
Right-of-use (ROU) assets	153,466	123,363	30,103	24.40%
Deferred tax assets	16,078	36,781	(20,703)	(56.29%)
Total Noncurrent Assets	**852,483**	**919,212**	**(66,729)**	**(7.26%)**
TOTAL ASSETS	**₱4,163,964**	**₱4,409,858**	**(₱245,894)**	**(5.58%)**
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	₱1,787,805	₱1,179,857	₱607,948	51.53%
Current portion of bank loans and trust receipts payable	1,246,435	2,335,118	(1,088,683)	(46.62%)
Current portion of lease liabilities	121,678	90,400	31,278	34.60%
Income tax payable	37,739	16,929	20,810	122.93%
Total Current Liabilities	**3,193,657**	**3,622,304**	**(428,647)**	**(11.83%)**
Noncurrent Liabilities				
Bank loans - net of current portion	–	150,000	(150,000)	(100.00%)
Lease liabilities - net of current portion	40,276	40,529	(253)	(0.62%)
Retirement liability	31,811	25,178	6,633	26.34%
Total Noncurrent Liabilities	**72,087**	**215,707**	**(143,620)**	**(66.58%)**
Total Liabilities	**3,265,744**	**3,838,011**	**(572,267)**	**(14.91%)**
Equity				
Capital stock	500,000	267,500	232,500	86.92%
Retained earnings	404,465	307,824	96,641	31.39%
Accumulated remeasurement loss on retirement liability	(6,245)	(3,477)	(2,768)	79.61%
Total Equity	**898,220**	**571,846**	**326,373**	**57.07%**
TOTAL LIABILITIES AND EQUITY	**₱4,163,964**	**₱4,409,858**	**(₱245,894)**	**(5.58%)**

Our total assets stood at ₱4,164.0 million as of December 31, 2021, a decrease of 5.58% from the total assets of ₱ 4,409.9 million as of December 31, 2020.

Cash and cash equivalents stood at ₱1,100.8 million as of December 31, 2021, higher by 61.3% than the balance of ₱680.8 million as of December 31, 2020. The increase was due to net cash inflows from operating activities of ₱923.0 million surpassing the combined net cash outflows from investing activities and financing activities of ₱503.1 million in 2021.

Trade and other receivables stood at ₱38.7 million as of December 31, 2021, a decrease of 57.3% from the amount of ₱90.6 million as of December 31, 2020. Trade receivables represent mainly outstanding receivables from credit card companies and other payment service providers. The decrease was due to the lower volume of sales in the last 3 days of 2021.

Advances to related parties amounting to ₱1,098.7 million as of December 31, 2020 were fully collected in 2021.

Inventory amounted to ₱2,007.3 million as of December 31, 2021, increasing by 35.7% from ₱1,479.7 million as of December 31, 2020. The increase over this period is due to our initiative to augment our inventory level in order to curb the impact of the continuing and unpredictable mobility restrictions brought about by the COVID-19 pandemic to the supply chain.

Property and equipment stood at ₱682.9 million as of December 31, 2021, lower by 10.0% than the amount of ₱ 759.1 million as of December 31, 2020. The decrease in property and equipment is caused by the net impact of the depreciation expense over the cost of the new stores opened over this period.

Trade and other payables amounted to ₱1,787.8 million as of December 31, 2021, increasing by 51.5% from ₱1,179.9 million as of December 31, 2020. The increase in the trade and other payables is due to increased purchases during 2021, when we augmented our inventory level in order to curb the impact of the continuing and unpredictable mobility restrictions brought about by the COVID-19 pandemic to the supply chain.

Bank loans and trust receipts stood at ₱1,246.4 million as of December 31, 2021, lower by 49.8% from the amount ₱2,485.1 million as of December 31, 2020. The decrease is due to settlement of major bank loans in 2021.

Capital stock is ₱500.0 million as of December 31, 2021, increased by 86.9% from ₱267.5 million as of December 31, 2020. The increase in capital stock resulted from the additional subscriptions of shares of stock in 2021.

Total equity stood at ₱898.2 million as of December 31, 2021 with an increase of 57.1% from the amount ₱571.8 million as of December 31, 2020. The increase represents the net effect of the total comprehensive income amounting to ₱401.1 million, issuance of additional shares of stock amounting to ₱232.5 million and dividend distribution amounting to ₱307.0 million for the year ended December 31, 2021.

As of and for the years ended December 31, 2020 and 2019
(All amounts in thousands Philippine Pesos)

	December 31			
	2020	2019	Increase (Decrease)	*% Change*
ASSETS				
Current Assets				
Cash	₱680,841	₱266,996	₱413,845	*155.00%*
Trade and other receivables	90,569	78,629	11,940	*15.19%*
Advances to related parties	1,098,700	2,352,669	(1,253,969)	*(53.30%)*
Inventories	1,479,700	1,412,942	66,758	*4.72%*
Assets held for sale	–	157,639	(157,639)	*(100.00%)*
Other current assets	140,836	134,379	6,457	4.81%
Total Current Assets	**3,490,646**	**4,403,254**	**(912,608)**	**(20.73%)**
Noncurrent Assets				
Property and equipment	759,068	835,337	(76,269)	(9.13%)
Right-of-use (ROU) assets	123,363	182,793	(59,430)	(32.51%)
Deferred tax assets	36,781	49,193	(12,412)	(25.23%)
Total Noncurrent Assets	**919,212**	**1,067,323**	**(148,111)**	**(13.88%)**
TOTAL ASSETS	**₱4,409,858**	**₱5,470,577**	**(₱1,060,719)**	**(19.39%)**
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	₱1,179,857	₱1,229,135	(₱49,278)	(4.01%)
Current portion of bank loans and trust receipts payable	2,335,118	2,438,785	(103,667)	(4.25%)
Current portion of lease liabilities	90,400	145,845	(55,445)	(38.02%)
Income tax payable	16,929	8,083	8,846	109.44%
Total Current Liabilities	**3,622,304**	**3,821,848**	**(199,544)**	**(5.22%)**
Noncurrent Liabilities				
Bank loans - net of current portion	150,000	1,220,000	(1,070,000)	(87.70%)
Lease liabilities - net of current portion	40,529	42,484	(1,955)	(4.60%)
Retirement liability	25,178	17,666	7,512	42.52%
Total Noncurrent Liabilities	**215,707**	**1,280,150**	**(1,064,443)**	**(83.15%)**
Total Liabilities	**3,838,011**	**5,101,998**	**(1,263,987)**	**(24.77%)**
Equity				
Capital stock	267,500	267,500	–	0%
Retained earnings	307,824	101,079	206,745	204.54%
Accumulated remeasurement loss on retirement liability	(3,477)	–	(3,477)	0%
Total Equity	**571,846**	**368,579**	**203,268**	**55.15%**
TOTAL LIABILITIES AND EQUITY	**₱4,409,858**	**₱5,470,577**	**(₱1,060,719)**	**(19.39%)**

Total assets stood at ₱4,409.9 million as of December 31, 2020, lower by 19.4% than the total assets of ₱5,470.6 million as of December 31, 2019.

Cash and cash equivalents stood at ₱680.8 million as of December 31, 2020, higher by 155.0% than the amount of ₱ 267.0 million as of December 31, 2019. The increase was due to total net cash inflows from operating and investing activities of ₱577.6 million surpassing net cash outflows from financing activities of ₱163.8 million in 2020.

Trade and other receivables of ₱90.6 million as of December 31, 2020, rose 15.2% from ₱78.6 million as of December 31, 2019. 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 the last days of 2020.

Advances to related parties of ₱ 1,098.7 million as of December 31, 2020, was 53.3% lower from ₱2,352.7 million as of December 31, 2019. The decrease was due to the substantial settlement of the outstanding advances by the assignment of the Company's loans payable to the related party.

Inventory amounted to ₱1,479.7 million as of December 31, 2020, a 4.7% increase from ₱1,412.9 million as of December 31, 2019. In 2020, the Company maintained this normal level of inventory.

Property and equipment of ₱ 759.1 million as of December 31, 2020, lower by 9.1% from ₱835.3 million as of December 31, 2019. The decrease in property and equipment was due to the net impact of the depreciation expense over the cost of the new stores opened during the year.

Trade and other payables amounted to ₱1,179.9 million as of December 31, 2020, which decreased by 4.0% from ₱ 1,229.1 million as of December 31, 2019. The slight decrease is the result of settlements of trade payables towards the end of 2020.

Bank loans and trust receipts stood at ₱2,485.1 million as of December 31, 2020, lower by 32.1% from the amount ₱3,658.8 million as of December 31, 2019. The decrease is mainly due to the assignment of loans payable to a related party as settlement for the outstanding balance of advances to the said related party.

Capital stock remained at ₱267.5 million as of December 31, 2020 and 2019.

Total equity stood at ₱ 571.8 million as of December 31, 2020, an increase of 55.1% from ₱368.6 million as of December 31, 2019. The increase represents the total comprehensive income for the year ended December 31, 2020 amounting to ₱203.3 million.

As of and for the years ended December 31, 2019 and 2018
(All amounts in thousands Philippine Pesos)

	December 31			
	2019	2018	Increase (Decrease)	% Change
ASSETS				
Current Assets				
Cash	₱266,996	₱225,584	₱41,412	18.36%
Trade and other receivables	78,629	65,008	13,621	20.95%
Advances to related parties	2,352,669	2,096,694	255,975	12.21%
Inventories	1,412,942	1,387,958	24,984	1.80%
Assets held for sale	157,639	157,639	–	0.00%
Other current assets	134,379	121,950	12,429	10.19%
Total Current Assets	**4,403,254**	**4,054,833**	**348,421**	**8.59%**
Noncurrent Assets				
Property and equipment	835,337	907,553	(72,216)	(7.96%)
Right-of-use (ROU) assets	182,793	389,763	(206,970)	(53.10%)
Deferred tax assets	49,193	45,999	3,194	6.94%
Total Noncurrent Assets	**1,067,323**	**1,343,315**	**(275,992)**	**(20.55%)**
TOTAL ASSETS	**₱5,470,577**	**₱5,398,148**	**₱72,429**	**1.34%**
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	₱1,229,135	₱1,301,837	(₱72,702)	(5.58%)
Current portion of bank loans and trust receipts payable	2,438,785	1,970,715	468,070	23.75%
Current portion of lease liabilities	145,845	227,957	(82,112)	(36.02%)
Income tax payable	8,083	–	8,083	0%
Total Current Liabilities	**3,821,848**	**3,500,509**	**321,339**	**9.18%**
Noncurrent Liabilities				
Bank loans - net of current portion	1,220,000	1,440,000	(220,000)	(15.28%)
Lease liabilities - net of current portion	42,484	161,805	(119,321)	(73.74%)
Retirement liability	17,666	12,554	5,112	40.72%
Total Noncurrent Liabilities	**1,280,150**	**1,614,359**	**(334,209)**	**(20.70%)**
Total Liabilities	**5,101,998**	**5,114,868**	**(12,870)**	**(0.25%)**
Equity				
Capital stock	267,500	267,500	–	0%
Retained earnings	101,079	15,780	85,299	540.55%
Accumulated remeasurement loss on retirement liability	–	–	–	0%
Total Equity	**368,579**	**283,280**	**85,299**	**30.11%**
TOTAL LIABILITIES AND EQUITY	**₱5,470,577**	**₱5,398,148**	**₱72,429**	**1.34%**

Total assets of ₱ 5,470.6 million as of December 31, 2019 was 1.3% higher than the total assets of ₱5,398.1 million as of December 31, 2018.

Cash and cash equivalents of ₱267.0 million as of December 31, 2019 was 18.4% higher than ₱225.6 million as of December 31, 2018. This increase was due to net cash inflows from operating activities of ₱575.1 million surpassing total net cash outflows from investing and financing activities of ₱533.7 million in 2019.

Trade and other receivables stood at ₱78.6 million as of December 31, 2019, an increase of 21.0% from ₱65.0 million as of December 31, 2018. 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 2019.

Advances to related parties of ₱2,352.7 million as of December 31, 2019 was a 12.2% increase from ₱2,096.7 million as of December 31, 2018. The increase was due to cash advances to related parties for working capital requirements during 2019.

Inventory amounted to ₱1,412.9 million as of December 31, 2019, a slight increase of 1.8% from ₱1,388.0 million as of December 31, 2018. In 2019, we maintained this normal level of inventory.

Property and equipment of ₱835.3 million as of December 31, 2019 was 8.0% lower than ₱907.6 million as of December 31, 2018. The decrease in property and equipment is due to the net impact of the depreciation expense over the cost of the new stores opened over this period.

Trade and other payables amounted to ₱1,229.1 million as of December 31, 2019, a 5.6% decrease from ₱1,301.8 million as of December 31, 2018. The decrease was a result of substantial settlement of trade payables towards the end of 2019.

Bank loans and trust receipts of ₱3,658.8 million as of December 31, 2019 was 7.3% higher than ₱3,410.7 million as of December 31, 2018. The increase was due to the availment of trust receipts for the purchases made towards the end of 2019.

Capital stock remained at ₱267.5 million as of December 31, 2019 and 2018.

Total equity of ₱ 368.6 million as of December 31, 2019 was a 30.1% increase from ₱283.3 million as of December 31, 2018. The increase represents the total comprehensive income for the year ended December 31, 2019 amounting to ₱85.3 million.

RESULTS OF OPERATIONS

Three Months ended March 31, 2022 compared with three months ended March 31, 2021
(All amounts in thousands Philippine Pesos)

	2022 (Three Months)	2021 (Three Months)	Increase (Decrease)	% Change
Sales	**₱2,099,215**	**₱2,091,750**	**₱7,465**	**0.36%**
Cost of Sales	(1,638,215)	(1,648,647)	(10,432)	(0.63%)
Gross Income	**461,000**	**443,103**	**17,897**	**4.04%**
Operating Expenses	(340,540)	(360,384)	(19,844)	(5.51%)
Other Income	41,278	34,314	6,964	20.29%
Income from Operations	**161,738**	**117,033**	**44,705**	**38.20%**
Finance Costs	(14,820)	(30,771)	(15,951)	(51.84%)
Income Before Income Tax	**146,918**	**86,262**	**60,656**	**70.32%**
Provision for (benefit from) Income Tax				
Current	33,902	15,292	18,610	121.70%
Deferred	2,802	5,886	(3,084)	(52.40%)
	36,704	21,178	15,526	73.31%
Net Income	**₱110,214**	**₱65,084**	**₱45,130**	**69.34%**

Revenue

For the three months ended March 31, 2022, we recorded revenues of ₱2,099.2 million, a 0.36% increase amounting to ₱7.5 million, from the ₱2,091.8 million revenue for the three months ended March 31, 2021. We opened 5 stores in 2022, the earliest of which was opened in February 25, 2022 while the 4 other stores were opened in March 2022. This represents or a 2.73% growth in store network from 183 in 2021 to 188 in 2022. It is worth noting that, by January and February of 2022, cases of the Omicron variant of COVID-19 peaked at 39,000 cases per day. Management's appreciation of this impact leads us to conclude that the Q1 revenues may be similar to the 22% Q1 revenue contribution of 2020 during the first wave of the pandemic.

Cost of Sales

Our cost of sales for the three months ended March 31, 2022 reached ₱1,638.2 million, a 0.63% decrease amounting to ₱10.4 million as compared to the three months ended March 31, 2021 cost of sales amounting to ₱1,648.6 million. The decrease in cost of sales was mainly caused by lower freight and logistics cost as COVID-related restrictions are lifted. We were able to improve our gross profit ratio from 21.18% in 2021 to 21.96% in 2022 as a result of improved purchasing arrangements with suppliers.

Operating Expenses

Our operating expenses for the three months ended March 31, 2022 closed at ₱340.5 million, ₱19.8 million or 5.51% decrease from the expenses incurred for the three months ended March 31, 2021 amounting to ₱360.4 million. Significant operating expenses include depreciation and amortization, merchant discount, personnel costs, contracted and other services and rent. The decrease in operating expenses is caused by the reduction in the entertainment and representation expenses and reduction in depreciation expense for ROUA and property and equipment.

Finance Cost

For the three months ended March 31, 2022, finance cost reached ₱14.8 million, a 51.84% decrease from ₱30.8 million for the three months ended March 31, 2021. The decrease was mainly caused by the payment of outstanding bank loans in 2021.

Income Tax Expense

Provision for income tax closed at ₱36.7 million for the three months ended March 31, 2022, higher by 73.31% or ₱15.5 million from the amount of ₱21.2 million for the three months ended March 31, 2021. The increase is due to the improvement on the Company's income before tax from ₱86.3 million in 2021 to ₱146.9 million in 2022.

Net Income

Net income for the three months ended March 31, 2022 reached ₱110.2 million, an approximately 69.34% increase or ₱45.1 million as compared to the three months ended March 31, 2021 net income of ₱65.1 million. The increase is attributable to the combined effects of additional 5 stores opened in 2022, and the slightly improved contribution margins brought about by better purchasing arrangements with suppliers and the reduction of financing costs due to settlement of previous loans in 2021.

Year ended December 31, 2021 compared with year ended December 31, 2020
(All amounts in thousands Philippine Pesos)

	2021	2020	Increase (Decrease)	% Change
Sales	**₱8,567,941**	**₱8,152,204**	**₱415,737**	**5.10%**
Cost of Sales	(6,682,292)	(6,480,931)	201,361	3.11%
Gross Income	**1,885,649**	**1,671,273**	**214,376**	**12.83%**
Operating Expenses	(1,322,688)	(1,257,649)	65,039	5.17%
Other Income	90,853	95,463	(4,610)	(4.83%)
Income from Operations	**653,814**	**509,087**	**144,727**	**28.43%**
Finance Costs	(116,263)	(213,969)	(97,706)	(45.66%)
Income Before Income Tax	**537,551**	**295,118**	**242,433**	**82.15%**
Provision for (benefit from) Income Tax				
Current	112,615	74,471	38,144	51.22%
Deferred	21,295	13,903	7,392	53.17%
	133,910	88,373	45,537	51.53%
Net Income	**₱403,641**	**₱206,745**	**₱196,896**	**95.24%**

Revenue

For the year ended December 31, 2021, we recorded revenues of ₱8,567.9 million, a 5.1% increase amounting to ₱ 415.7 million, from the ₱8,152.2 million revenue for the year ended December 31, 2020. We opened 8 stores in 2021 or a 5% growth in store network from 175 in 2020 to 183 in 2021.

Cost of Sales

Our cost of sales for the year ended December 31, 2021 reached ₱6,682.3 million, a 3.1% increase amounting to ₱ 201.4 million as compared to the prior year's cost of sales amounting to ₱6,480.9 million. The rise in cost of sales was mainly driven by the increase in volume of units sold during the year. We were able to improve our gross profit ratio from 20.5% in 2020 to 22.0% in 2021 as a result of the improving purchase concessions from suppliers.

Operating Expenses

Our operating expenses for the year ended December 31, 2021 closed at ₱1,322.7 million, ₱65.1 million or 5.2% increase from the expenses incurred for the year ended December 31, 2020 amounting to ₱1,257.6 million. Significant operating expenses include depreciation and amortization, merchant discount, personnel costs, contracted and other services and rent. The increases in the various expense accounts are traced primarily to the increased volume of sales.

Finance Cost

For the year ended December 31, 2021, finance cost reached ₱116.3 million, a 45.7% decrease from ₱214.0 million for the year ended December 31, 2020. The decrease was mainly caused by the assignment of substantial loans payable to a related party towards the end of 2020.

Income Tax Expense

Provision for income tax closed at ₱133.9 million for the year ended December 31, 2021, higher by 51.5% or ₱45.5 million from the amount of ₱88.4 million for the year ended December 31, 2020. The increase is due to the improvement on the Company's income before tax from ₱295.1 million in 2020 to ₱537.6 million in 2021.

Net Income

Net income for the year ended December 31, 2021, reached ₱403.6 million, an approximately 95.2% increase or ₱196.9 million as compared to the prior year's net income of ₱206.7 million. The increase is attributable to the combined effects of additional 8 stores opened in 2021, improved gross profit margins and reduction of financing costs.

Year ended December 31, 2020 compared with year ended December 31, 2019

(All amounts in thousands Philippine Pesos)

	2020	**2019**	**Increase (Decrease)**	**% Change**
Sales	**₱8,152,204**	**₱7,569,579**	**₱582,625**	**7.70%**
Cost of Sales	(6,480,931)	(5,988,485)	492,446	8.22%
Gross Income	**1,671,273**	**1,581,094**	**90,179**	**5.70%**
Operating Expenses	(1,257,649)	(1,217,042)	40,607	3.34%
Other Income	95,463	3,668	91,795	2502.59%
Income from Operations	**509,087**	**367,720**	**141,367**	**38.44%**
Finance Costs	(213,969)	(245,967)	(31,998)	-13.01%
Income Before Income Tax	**295,118**	**121,753**	**173,365**	**142.39%**
Provision for (benefit from) Income Tax				
Current	74,471	39,948	34,523	86.42%
Deferred	13,903	(3,495)	17,398	(497.80%)
	88,373	36,453	51,920	142.43%
Net Income	**₱206,745**	**₱85,300**	**₱121,445**	**142.37%**

Revenue

For the year ended December 31, 2020, the Company recorded revenues of ₱8,152.2 million, a 7.7% or ₱582.6 million improvement or increase from the ₱7,569.6 million revenue for the year ended December 31, 2019. The increase was due to the 9 additional stores opened in 2020, or a 5% growth in store network from 166 in 2019 to 175 in 2020. Additional revenues generated was an allocated to the effect of the opportunities which opened up in the Information Technology industry creating increased demand for IT related solutions and products, resulting from the COVID-19 pandemic.

Cost of Sales

Our cost of sales for the year ended December 31, 2020, reached ₱ 6,480.9 million, an 8.2% or ₱492.4 million increase over the prior year's level of ₱5,988.5 million. The rise in cost of sales was mainly attributable to the increase in volume of units sold during the year. We maintained our gross profit ratio at 20.5% in 2020 and 20.9% in 2019 mainly due to the continued performance of higher margin products.

Operating Expenses

Our operating expenses for the year ended December 31, 2020, closed at ₱1,257.6 million, a ₱40.6 million or 3.3% percent hike from the expenses incurred for the year ended December 31, 2019, amounting to ₱1,217.0 million. The increase was mainly due to the higher sales volume for the year, which drove the increase in merchant discount and rent, and was partially offset by the cost savings in personnel costs, and contracted and other services as a result of the mandatory lockdowns brought by the COVID-19 pandemic.

Finance Cost

For the year ended December 31, 2020, finance cost reached ₱214.0 million, a 13.0% decrease from ₱246.0 million for the year ended December 31, 2019. The decrease is due to the settlements of loans in 2020.

Income Tax Expense

Provision for income tax closed at ₱88.4 million for the year ended December 31, 2020, higher by 142.4% or ₱51.9 million from the amount of ₱36.5 million for the year ended December 31, 2019. The increase is due to the improvement on our income before tax from ₱121.8 million in 2019 to ₱295.1 million in 2020.

Net Income

Net income for the year ended December 31, 2021, reached ₱206.7 million, a ₱121.4 million or approximately 142.3% increase from the prior year's ₱85.3 million. The increase is attributable to the combined effects of the 9 new stores opened in 2020 and the relatively reduced amount of operating expenses due to the impact of the COVID-19 pandemic.

Year ended December 31, 2019 compared with year ended December 31, 2018
(All amounts in thousands Philippine Pesos)

	2019	2018	Increase (Decrease)	% Change
Sales	**₱7,569,579**	**₱6,811,575**	**₱758,004**	**11.13%**
Cost of Sales	(5,988,485)	(5,570,013)	418,472	7.51%
Gross Income	**1,581,094**	**1,241,562**	**339,532**	**27.35%**
Operating Expenses	(1,217,042)	(991,726)	225,316	22.72%
Other Income	3,668	400	3,268	817.00%
Income from Operations	**367,720**	**250,236**	**117,484**	**46.95%**
Finance Costs	(245,967)	(148,447)	97,520	65.69%
Income Before Income Tax	**121,753**	**101,789**	**19,964**	**19.61%**
Provision for (benefit from) Income Tax				
Current	39,948	31,700	8,248	26.02%
Deferred	(3,495)	(1,283)	2,212	172.41%
	36,453	**30,417**	6,036	19.84%
Net Income	**₱85,300**	**₱71,372**	**₱13,928**	**19.51%**

Revenues

For the year ended December 31, 2019, we recorded revenues of ₱7,569.6 million, an 11.1% or ₱758.0 million improvement from the ₱6,811.6 million revenue for the year ended December 31, 2018. We opened 14 new stores in 2019 or a 9% growth in terms of store network from 152 in 2018 to 166 in 2019.

Cost of Sales

Our cost of sales for the year ended December 31, 2019, reached ₱ 5,988.5 million, a 7.5% or a ₱418.5 million increase over the prior year's level of ₱5,570.0 million. The rise in cost of sales was mainly attributable to the increase in the volume of units sold for the year. We were able to increase our gross profit ratio from 18.2% in 2018 to 20.9% in 2019 as a result of continued improvement in the performance higher margin products. Volume discounts from suppliers also contributed to the gross profit improvement.

Operating Expenses

Our operating expenses for the year ended December 31, 2019, closed at ₱ 1,217.0 million, ₱225.3 million or 22.7% increase from the expenses incurred for the year ended December 31, 2018, amounting to ₱991.7 million.

In 2019, we adopted the PFRS 16, *Leases*, using the modified retrospective approach and elected to apply the standard to contracts that were previously identified as leases applying PAS 17, *Leases*, and Philippine Interpretation IFRIC-4, *Determining whether an Arrangement Contains a Lease*. Upon the adoption of the PFRS 16, we capitalized the present value of the future minimum lease payments as ROUA and also recognized the related lease liabilities. This resulted to the substantial increase in the depreciation and amortization, and the related decrease in rent expense in 2019.

Finance Cost

For the year ended December 31, 2019, finance cost reached ₱246.0 million, a 65.8% increase from ₱148.4 million for the year ended December 31, 2018. The increase is due to loan availments towards the end of 2018 which caused full year recognition of finance cost in 2019.

Income Tax Expense

Provision for income tax closed at ₱36.5 million for the year ended December 31, 2019, higher by 170.7% or ₱6.0 million from the amount ₱30.4 million for the year ended December 31, 2018. The increase is due to the improvement on the income before tax from ₱101.8 million in 2018 to ₱121.8 million in 2019.

Net Income

Net income for the year ended December 31, 2019, reached ₱85.3 million, a ₱13.9 million or approximately 13.9% increase from the prior year's net income of ₱71.4 million. The increase is attributable to impact of the additional 14 stores opened in 2019.

LIQUIDITY AND CAPITAL RESOURCES

Our principal liquidity requirements are for operating and capital expenditures which are composed of inventory purchases, store improvements, logistical infrastructure and store network expansion, among others.

Our principal sources of liquidity are from internally generated cash from operations and bank loans. As at March 31, 2022, we had total current assets of ₱3,341.4 million, of which cash and cash equivalents accounted for 23.1% or ₱773.3 million. Our total current liabilities amounted to ₱3,120.8 million, of which ₱1,534.5 million were trade and other payables, and ₱1,424.1 million represented the current portion of bank loans and trust receipts payable.

We expect a growth in our working capital due to increased sales and store network expansion. Moving forward, we expect to continue to fund our plan for store network expansion from operating cash flows and borrowings.

We may also, from time to time, seek other sources of funding, which may include debt or equity financing, depending on our financing needs and market conditions. In the course of conducting our business, we have, and will continue, to incur short-term debt from several banking institutions.

Cash flows from operating activities

The net cash used for our operating activities for the three months ended March 31, 2022, was ₱442.7 million which consisted of income before income tax of ₱146.9 million, increased by non-cash income and expense aggregating

₱64.3 million. Working capital changes which include decrease in trade and other receivables and trade and other payables, and the increase in inventories and other net operating assets, amounted to ₱611.0 million outflow.

For the year ended December 31, 2021, cash provided by operating activities amounted to ₱923.0 million which consisted of income before income tax of ₱537.6 million, increased by non-cash income and expense aggregating ₱361.5 million. Working capital changes closed at net amount of ₱115.1 million inflow.

In 2020, cash provided by operating activities amounted to ₱462.2 million which consisted of income before income tax of ₱295.1 million, increased by non-cash income and expense aggregating ₱449.8 million. Working capital changes closed at net amount of ₱218.0 million outflow.

In 2019, net cash provided by operating activities totaled ₱606.3 million. Operating income before working capital adjustments amounted to ₱730.0 million but working capital changes yielded a net outflow of ₱123.7 million.

Cash flows from investing activities

For the three months ended March 31, 2022, the net cash provided by investing activities, which included the expenditures for additional furniture and fixture and for new stores amounted to ₱12.8 million. For the year ended December 31, 2021, the net used by investing activities, which included the collection of advances to related parties, net of the expenditures for new stores amounted to ₱1,039.9 million. For the year ended December 31, 2020, the net cash provided by investing activities totaled ₱115.4 million while in 2019, a total of ₱309.8 million cash was used for investing activities.

Cash flows from financing activities

The net cash used in financing activities for the three months ended March 31, 2022 and year ended December 31, 2021, 2020 and 2019 totaled ₱128.0 million, ₱1,543.0 million, ₱163.8 million, and ₱223.9 million, respectively. In 2021, we received additional subscription of shares of stock amounting to ₱232.5 million and distributed dividends amounting to ₱307.0 million. Other main components of the financing activities include the availment and payment of loan and trust receipt, as well as payment of lease liabilities and the respective interests charged.

Debt Obligations and Facilities

Our total amount of current liabilities as of March 31, 2022, closed at ₱3,120.8 million, the major components of which were the current portion of bank loans and trust receipts aggregating ₱1,424,1 million, trade and other payables of ₱1,534.5 million and current portion of lease liabilities of ₱133.5 million. The total amount of noncurrent liabilities as of March 31, 2022, was ₱110.6 million, which was composed of the noncurrent portion of lease liabilities amounting to ₱77.8 million and retirement liability of ₱32.8 million.

FINANCIAL POSITION

As of and for the period ended March 31, 2022 and December 31, 2021
(All amounts in thousands Philippine Pesos)

	March 31, 2022	%	December 31, 2021	%
ASSETS				
Current Assets				
Cash	₱773,278	18.24%	₱1,100,790	26.44%
Trade and other receivables	37,805	0.89%	38,683	0.93%
Inventories	2,352,743	55.49%	2,007,274	48.21%
Other current assets	177,560	4.19%	164,734	3.96%
Total Current Assets	**3,341,386**	**78.81%**	**3,311,481**	**79.53%**
Noncurrent Assets				
Property and equipment	670,126	15.81%	682,939	16.40%
Right-of-use (ROU) assets	215,047	5.07%	153,466	3.69%
Deferred tax assets	13,275	0.31%	16,078	0.39%
Total Noncurrent Assets	**898,448**	**21.19%**	**852,483**	**20.47%**
TOTAL ASSETS	**₱4,239,834**	**100.00%**	**₱4,163,964**	**100.00%**
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	₱1,534,513	36.19%	₱1,787,805	42.94%
Current portion of bank loans and trust receipts payable	1,424,125	33.59%	1,246,435	29.93%
Current portion of lease liabilities	133,521	3.15%	121,678	2.92%
Income tax payable	28,625	0.68%	37,739	0.91%
Total Current Liabilities	**3,120,784**	**73.61%**	**3,193,657**	**76.70%**
Noncurrent Liabilities				
Lease liabilities - net of current portion	77,831	1.84%	40,276	0.97%
Retirement liability	32,785	0.77%	31,811	0.76%
Total Noncurrent Liabilities	**110,616**	**2.61%**	**72,087**	**1.73%**
Total Liabilities	**3,231,400**	**76.22%**	**3,265,744**	**78.43%**
Equity				
Capital stock	500,000	11.79%	500,000	12.01%
Retained earnings	514,679	12.14%	404,465	9.71%
Accumulated remeasurement loss on retirement liability	(6,245)	(0.15%)	(6,245)	(0.15%)
Total Equity	**1,008,434**	**23.78%**	**898,220**	**21.57%**
TOTAL LIABILITIES AND EQUITY	**₱4,239,834**	**100.00%**	**₱4,163,964**	**100.00%**

As of and for the years ended December 31, 2021 and 2020
(All amounts in thousands Philippine Pesos)

	December 31, 2021	%	December 31, 2020	%
ASSETS				
Current Assets				
Cash	₱1,100,790	26.44%	₱680,841	15.44%
Trade and other receivables	38,683	0.93%	90,569	2.05%
Advances to related parties	–	0.00%	1,098,700	24.91%
Inventories	2,007,274	48.21%	1,479,700	33.55%
Other current assets	164,734	3.96%	140,836	3.19%
Total Current Assets	**3,311,481**	**79.53%**	**3,490,646**	**79.16%**
Noncurrent Assets				
Property and equipment	682,939	16.40%	759,068	17.21%
Right-of-use (ROU) assets	153,466	3.69%	123,363	2.80%
Deferred tax assets	16,078	0.39%	36,781	0.83%
Total Noncurrent Assets	**852,483**	**20.47%**	**919,212**	**20.84%**
TOTAL ASSETS	**₱4,163,964**	**100.00%**	**₱4,409,858**	**100.00%**
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	₱1,787,805	42.94%	₱1,179,857	26.75%
Current portion of bank loans and trust receipts payable	1,246,435	29.93%	2,335,118	52.95%
Current portion of lease liabilities	121,678	2.92%	90,400	2.05%
Income tax payable	37,739	0.91%	16,929	0.38%
Total Current Liabilities	**3,193,657**	**76.70%**	**3,622,304**	**82.14%**
Noncurrent Liabilities				
Bank loans - net of current portion	–	0.00%	150,000	3.40%
Lease liabilities - net of current portion	40,276	0.97%	40,529	0.92%
Retirement liability	31,811	0.76%	25,178	0.57%
Total Noncurrent Liabilities	**72,087**	**1.73%**	**215,707**	**4.89%**
Total Liabilities	**3,265,744**	**78.43%**	**3,838,011**	**87.03%**
Equity				
Capital stock	500,000	12.01%	267,500	6.07%
Retained earnings	404,465	9.71%	307,824	6.98%
Accumulated remeasurement loss on retirement liability	(6,245)	(0.15%)	(3,477)	(0.08%)
Total Equity	**898,220**	**21.57%**	**571,846**	**12.97%**
TOTAL LIABILITIES AND EQUITY	**₱4,163,964**	**100.00%**	**₱4,409,858**	**100.00%**

As of and for the years ended December 31, 2020 and 2019
(All amounts in thousands Philippine Pesos)

	December 31, 2020	%	December 31, 2019	%
ASSETS				
Current Assets				
Cash	₱680,841	15.44%	₱266,996	4.88%
Trade and other receivables	90,569	2.05%	78,629	1.44%
Advances to related parties	1,098,700	24.91%	2,352,669	43.01%
Inventories	1,479,700	33.55%	1,412,942	25.83%
Assets held for sale	–	0.00%	157,639	2.88%
Other current assets	140,836	3.19%	134,379	2.46%
Total Current Assets	**3,490,646**	**79.16%**	**4,403,254**	80.49%
Noncurrent Assets				
Property and equipment	759,068	17.21%	835,337	15.27%
Right-of-use (ROU) assets	123,363	2.80%	182,793	3.34%
Deferred tax assets	36,781	0.83%	49,193	0.90%
Total Noncurrent Assets	**919,212**	**20.84%**	**1,067,323**	19.51%
TOTAL ASSETS	**₱4,409,858**	**100.00%**	**₱5,470,577**	100.00%
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	₱1,179,857	26.75%	₱1,229,135	22.47%
Current portion of bank loans and trust receipts payable	2,335,118	52.95%	2,438,785	44.58%
Current portion of lease liabilities	90,400	2.05%	145,845	2.67%
Income tax payable	16,929	0.38%	8,083	0.15%
Total Current Liabilities	**3,622,304**	**82.14%**	**3,821,848**	69.86%
Noncurrent Liabilities				
Bank loans - net of current portion	150,000	3.40%	1,220,000	22.30%
Lease liabilities - net of current portion	40,529	0.92%	42,484	0.78%
Retirement liability	25,178	0.57%	17,666	0.32%
Total Noncurrent Liabilities	**215,707**	**4.89%**	**1,280,150**	23.40%
Total Liabilities	**3,838,011**	**87.03%**	**5,101,998**	93.26%
Equity				
Capital stock	267,500	6.07%	267,500	4.89%
Retained earnings	307,824	6.98%	101,079	1.85%
Accumulated remeasurement loss on retirement liability	(3,477)	(0.08%)	–	0.00%
Total Equity	**571,846**	**12.97%**	**368,579**	6.74%
TOTAL LIABILITIES AND EQUITY	**₱4,409,858**	**100.00%**	**₱5,470,577**	100.00%

As of and for the years ended December 31, 2019 and 2018
(All amounts in thousands Philippine Pesos)

	December 31, 2019	%	December 31, 2018	%
ASSETS				
Current Assets				
Cash	₱266,996	4.88%	₱225,584	4.18%
Trade and other receivables	78,629	1.44%	65,008	1.20%
Advances to related parties	2,352,669	43.01%	2,096,694	38.84%
Inventories	1,412,942	25.83%	1,387,958	25.71%
Assets held for sale	157,639	2.88%	157,639	2.92%
Other current assets	134,379	2.46%	121,950	2.26%
Total Current Assets	**4,403,254**	**80.49%**	**4,054,833**	**75.12%**
Noncurrent Assets				
Property and equipment	835,337	15.27%	907,553	16.81%
Right-of-use (ROU) assets	182,793	3.34%	389,763	7.22%
Deferred tax assets	49,193	0.90%	45,999	0.85%
Total Noncurrent Assets	**1,067,323**	**19.51%**	**1,343,315**	**24.88%**
TOTAL ASSETS	**₱5,470,577**	**100.00%**	**₱5,398,148**	**100.00%**
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	₱1,229,135	22.47%	₱1,301,837	24.12%
Current portion of bank loans and trust receipts payable	2,438,785	44.58%	1,970,715	36.51%
Current portion of lease liabilities	145,845	2.67%	227,957	4.22%
Income tax payable	8,083	0.15%	–	0.00%
Total Current Liabilities	**3,821,848**	**69.86%**	**3,500,509**	**64.85%**
Noncurrent Liabilities				
Bank loans - net of current portion	1,220,000	22.30%	1,440,000	26.68%
Lease liabilities - net of current portion	42,484	0.78%	161,805	3.00%
Retirement liability	17,666	0.32%	12,554	0.23%
Total Noncurrent Liabilities	**1,280,150**	**23.40%**	**1,614,359**	**29.91%**
Total Liabilities	**5,101,998**	**93.26%**	**5,114,868**	**94.75%**
Equity				
Capital stock	267,500	4.89%	267,500	4.96%
Retained earnings	101,079	1.85%	15,780	0.29%
Accumulated remeasurement loss on retirement liability	–	0.00%	–	0.00%
Total Equity	**368,579**	**6.74%**	**283,280**	**5.25%**
TOTAL LIABILITIES AND EQUITY	**₱5,470,577**	**100.00%**	**₱5,398,148**	**100.00%**

RESULTS OF OPERATIONS

Three Months ended March 31, 2022 compared with three months ended March 31, 2021
(All amounts in thousands Philippine Pesos)

	2022 (Three Months)	%	2021 (Three Months)	%
Sales	**₱2,099,215**	**100.00%**	**₱2,091,750**	**100.00%**
Cost of Sales	(1,638,215)	(78.04%)	(1,648,647)	(78.82%)
Gross Income	**461,000**	**21.96%**	**443,103**	**21.18%**
Operating Expenses	(340,540)	(16.22%)	(360,384)	(17.23%)
Other Income	41,278	1.97%	34,314	1.64%
Income from Operations	**161,738**	**7.70%**	**117,033**	**5.59%**
Finance Costs	(14,820)	(0.71%)	(30,771)	(1.47%)
Income Before Income Tax	**146,918**	**7.00%**	**86,262**	**4.12%**
Provision for (benefit from) Income Tax				
Current	33,902	1.61%	15,292	0.73%
Deferred	2,802	0.13%	5,886	0.28%
	36,704	1.75%	21,178	1.01%
Net Income	**₱110,214**	**5.25%**	**₱65,084**	**3.11%**

Year ended December 31, 2021 compared with year ended December 31, 2020
(All amounts in thousands Philippine Pesos)

	2021	%	2020	%
Sales	**₱8,567,941**	**100.00%**	**₱8,152,204**	**100.00%**
Cost of Sales	(6,682,292)	(77.99%)	(6,480,931)	(79.50%)
Gross Income	**1,885,649**	**22.01%**	**1,671,273**	**20.50%**
Operating Expenses	(1,322,688)	(15.44%)	(1,257,649)	(15.43%)
Other Income	90,853	1.06%	95,463	1.17%
Income from Operations	**653,814**	**7.63%**	**509,087**	**6.24%**
Finance Costs	(116,263)	(1.36%)	(213,969)	(2.62%)
Income Before Income Tax	**537,551**	**6.27%**	**295,118**	**3.62%**
Provision for (benefit from) Income Tax				
Current	112,615	1.31%	74,471	0.91%
Deferred	21,295	0.25%	13,903	0.17%
	133,910	**1.56%**	88,373	1.08%
Net Income	**₱403,641**	**4.71%**	**₱206,745**	**2.54%**

Year ended December 31, 2020 compared with year ended December 31, 2019

(All amounts in thousands Philippine Pesos)

	2020	%	2019	%
Sales	**₱8,152,204**	**100.00%**	**₱7,569,579**	**100.00%**
Cost of Sales	(6,480,931)	(79.50%)	(5,988,485)	(79.11%)
Gross Income	**1,671,273**	**20.50%**	**1,581,094**	**20.89%**
Operating Expenses	(1,257,649)	(15.43%)	(1,217,042)	(16.08%)
Other Income	95,463	1.17%	3,668	0.05%
Income from Operations	**509,087**	**6.24%**	**367,720**	**4.86%**
Finance Costs	(213,969)	(2.62%)	(245,967)	(3.25%)
Income Before Income Tax	**295,118**	**3.62%**	**121,753**	**1.61%**
Provision for (benefit from) Income Tax				
Current	74,471	0.91%	39,948	0.53%
Deferred	13,903	0.17%	(3,495)	-0.05%
	88,373	1.08%	36,453	0.48%
Net Income	**₱206,745**	**2.54%**	**₱85,300**	**1.13%**

Year ended December 31, 2019 compared with year ended December 31, 2018
(All amounts in thousands Philippine Pesos)

	2019	%	2018	%
Sales	**₱7,569,579**	**100.00%**	**₱6,811,575**	**100.00%**
Cost of Sales	(5,988,485)	(79.11%)	(5,570,013)	(81.77%)
Gross Income	**1,581,094**	**20.89%**	**1,241,562**	**18.23%**
Operating Expenses	(1,217,042)	(16.08%)	(991,726)	(14.56%)
Other Income	3,668	0.05%	400	0.01%
Income from Operations	**367,720**	**4.86%**	**250,236**	**3.67%**
Finance Costs	(245,967)	(3.25%)	(148,447)	(2.18%)
Income Before Income Tax	**121,753**	**1.61%**	**101,789**	**1.49%**
Provision for (benefit from) Income Tax				
Current	39,948	0.53%	31,700	0.47%
Deferred	(3,495)	-0.05%	(1,283)	-0.02%
	36,453	0.48%	**30,417**	0.45%
Net Income	**₱85,300**	**1.13%**	**₱71,372**	**1.05%**

KEY PERFORMANCE INDICATORS

Below are the major performance measures that we use for our Company. Currently, the Company does not have any subsidiaries. We employ analyses using comparisons and measurements based on the financial data for current periods against the same period of the previous year.

	For the year ended December 31			For the period ended March 31
	2019	**2020**	**2021**	**2022**
Gross Profit Margin	20.9%	20.5%	22.0%	21.96%
Net Income Margin	1.1%	2.5%	4.7%	5.3%
EBITDA (₱ thousands)	725,293	824,428	957,149	216,886
EBITDA Margin	9.6%	10.1%	11.2%	10.33%
Return on Average Assets	1.6%	4.2%	9.4%	3%
Return on Average Equity	26.2%	44.0%	54.9%	11%
Current Ratio	1.15	0.96	1.04	1.07
Debt to Equity Ratio	13.84	6.71	3.64	3.20
Inventory Turnover (days)	85	81	95	120

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, 2019, 2020 and 2021, and 90 days for the three months period ended March 31, 2022)

FINANCIAL RISK DISCLOSURE

We are not aware of any known trends, demands, commitments, events, or uncertainties that will have a material impact on our liquidity.

Our Company is not aware of any event that will trigger direct or contingent financial obligation that is material to us, including default or acceleration of any obligation.

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

Our Company 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.

We do not have any significant elements of income or loss that did not arise from our continuing operations.

Our Company does not have any seasonal aspects that had a material effect on the financial conditions or results of operations.

QUALITATIVE AND QUANTITATIVE DISCLOSURE OF MARKET RISK

Credit Risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. We are exposed to credit risk from our operating activities and from its deposits with banks and financial institutions and trade and other receivables.

Liquidity Risk

Liquidity risk arises from the possibility that we may encounter difficulties in raising funds to meet commitments from financial instruments. It may result from either the inability to sell assets quickly at fair values or failure to collect from counterparty.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our exposure to the risk of changes in market interest rates relates primarily to its loans and trust receipts payable. Our additional financing through bank borrowings. Our policy is to obtain the most favorable interest.

BUSINESS

Our Company, Upson International Corp., is a leading retailer of IT-related merchandise including a wide range of hardware and software products. Our Company retails under the brand names ***Octagon Computer Superstore ("Octagon"), Micro Valley, and Gadget King***. With our strong track record, dedication, and commitment to excellence, we have been able to establish partnerships with well-known international brands such as Acer, Asus, Lenovo, Brother, HP, DELL, Sony, Samsung, and Sandisk, among others.

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

Micro Valley is a specialty store focusing for do-it-yourself components and customization of personal computers, as well as gaming-specific PCs and peripherals for the growing gaming market.

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

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

According to a study by the University of Asia and the Pacific – Center of Research and Communication Foundation, Inc. ("**CRC**") (2021), our Company is the largest in terms of store network and sales amongst mall-based consumer electronics retailers. As of December 31, 2021, we have a total of 183 branches. As of March 31, 2022, we have added 5 more branches to our store network, which can be found in various regions such as the National Capital Region (60), North Luzon (32), South Luzon (35), Visayas (23), Mindanao (38). Out of the 188 branches, 22 are stand-alone stores, and 166 are mall-based stores.

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

In addition to our physical store network, our Company also has a total of six (6) warehouses, three (3) of which are located in Manila, one (1) in Cebu, one (1) in Cagayan de Oro, and one (1) in Davao City.

As of December 31, 2021, our Company's revenues grew 5% to ₱8,567.9 million from ₱8,152.2 million in 2020. Our Company's net income likewise increased by 95% to ₱403.6 million from ₱206.7 million in 2020 due to the opening of new stores and the prudent management of expenses due to the effects of the COVID-19 pandemic.

As of March 31, 2022, our Company generated ₱2,099.2 million revenue or a 0.36% increase from March 31, 2021 amounting to ₱2,091.8 million. Our Company's net income likewise increased by 69% from ₱65.1 million for the three months ended March 31, 2021 to ₱110.2 million for the three months ended March 31, 2022. The increase is attributable to the combined effects of additional 5 stores opened in 2022, and the slightly improved contribution margins brought about by better purchasing arrangements with suppliers and the reduction of financing costs due to settlement of previous loans in 2021.

HISTORY AND KEY MILESTONES

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

We started out as a distributor of well-known global IT brands such as Logitech and Canon. In 1997, the Asian Financial Crisis unraveled, causing our distribution business to be short-lived. We had to streamline operations and redirect our efforts towards a more resilient business model—retailing. We then merged with former affiliate Columbia Computer International Corporation in 2003, and within 18 months, we have opened 60 new stores around Metro Manila and in key cities such as Cebu and Davao.

We opened our first Octagon Computer Superstore in 2004 and added the brands Micro Valley Computer Superstore in 2006 and Gadget King in 2019 into our portfolio. Our first stores were located in SM Megamall for Octagon, in Greenhills Shopping Center for Micro Valley, and in Iloilo for Gadget King. From there, we have built a market-leading brand and established an extensive store network nationwide—thereby becoming the largest retailer of IT products in the country.

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

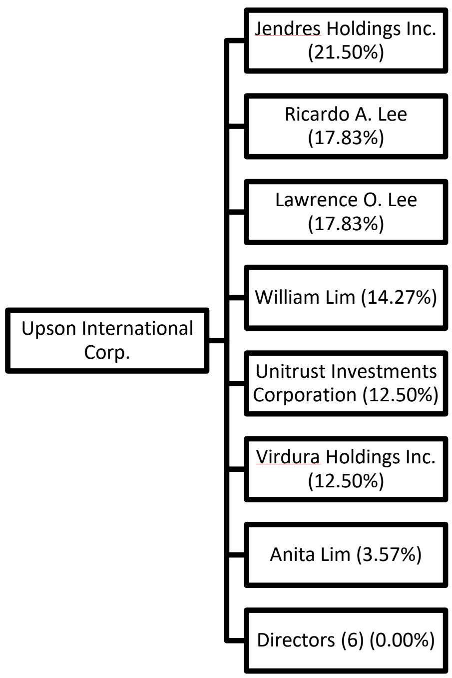
In 2021, we introduced a new store format, Concept Store, to provide our customers with an exclusive and full product suite of a single brand. Each Concept Store is dedicated entirely to a specific brand, including Acer, HP, Brother, and Silvertec.

As of March 31, 2022, our Company had the largest store network throughout the country with 188 branches, offering a complete line and up-to-date IT portfolio of over 13,000 SKUs and serving thousands of people every day. We have consistently been named Top Distributor, Dealer of the Year, Retail Partner of the Year, and Top National Sales by our long-standing suppliers such Acer, Asus, Epson, HP, Seagate, and more.

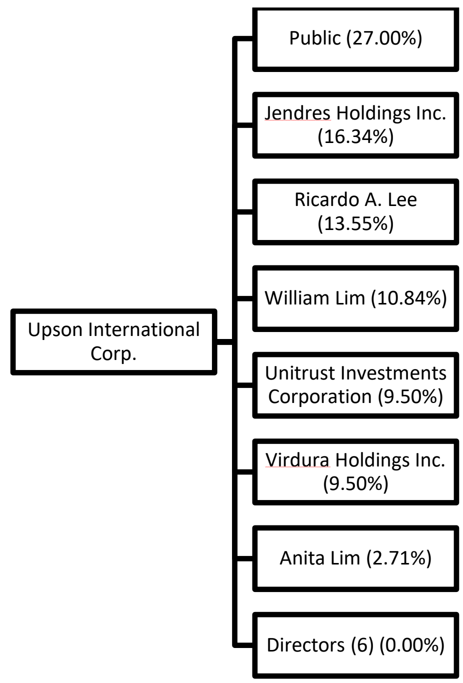
CORPORATE STRUCTURE

The figures below illustrate the current corporate structure and the post-offer corporate structure of the Company:

Current corporate structure:

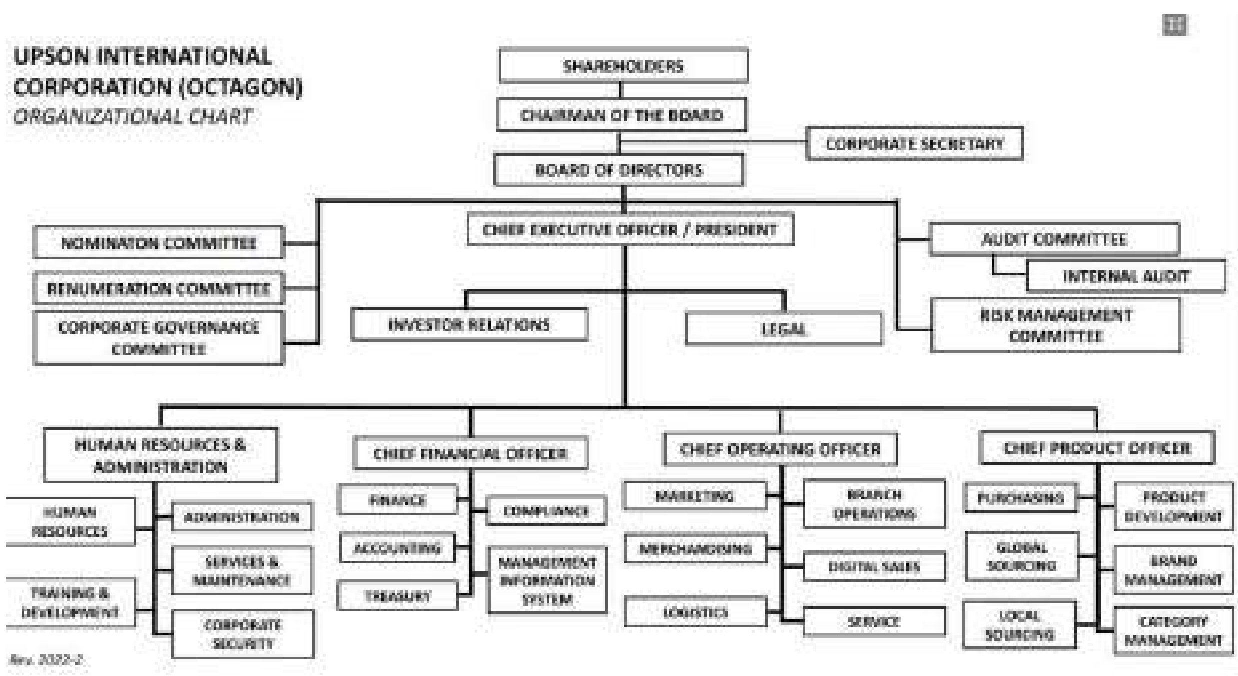


Corporate structure post-Offer:



As may be noted from the above diagrams, the Company currently does not have any subsidiaries.

ORGANIZATIONAL STRUCTURE



COMPETITIVE STRENGTHS

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

Fast-growing IT retailer with unparalleled store network nationwide

We are a fast-growing retailer of IT-related products in the Philippines. Within the past three (3) years, we have steadily widened our nationwide reach from 165 stores in 2018 to 188 in the first quarter of 2022, and have grown our revenues and net income at a compounded annual growth rate (CAGR) of 8% and 78% for the three-year period. For the years ended December 31, 2019, 2020 and 2021, our revenues hit ₱7,569.6 million, ₱8,152.2 million, and ₱8,567.9 million, respectively, making us the largest mall-based consumer electronics retailer in the country according to the study by the University of Asia and the Pacific – Center of Research and Communication Foundation ("**CRC**"). As of March 31, 2022, we generated ₱2,099.2 million in revenues.

In line with our vision, we have built an extensive store network compared to our competitors. We are already present in 16 out of the 17 regions in the country, allowing us to reach and capture almost the entire population and income groups. As of March 31, 2022, we directly own and operate a total of 188 stores or equivalent to a total retail space of approximately 23,452.03 sq.m.

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

According to CRC, Filipinos still favor in-store shopping over online. They prefer to visit physical stores to check actual product quality and performance especially for larger devices and equipment and more expensive purchases. The ability to "see and touch the products" is regarded as an important reason for such preference as well as other factors such as the ease of asking questions and assistance, after-sales service including warranties and repairs, and lack of access to credit cards. Despite the rise of e-commerce, CRC expects 70% of consumer electronics retail sales will still be generated through on-site channels and only 30% through online platforms in 2021.

Authentic and untampered products

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

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

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

Well-recognized brands with comprehensive and regularly-refreshed portfolio

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

Our comprehensive and frequently updated assortment of products allows us to be responsive to prevailing market needs and local preferences, making us more attractive to consumers and competitive in the marketplace. In 2021, for example, we introduced an average of approximately 200 new SKUs per month, which we believe is a strong performance considering the impact of the COVID-19 pandemic on global supply chains and distribution networks, and a testament to our strength in product category management. As of March 31, 2022, we maintained an active portfolio of more than 13,000 SKUs spanning across nine major categories, including personal computer, printing, communication, storage, networking, peripherals, components, accessories, and software. Some of the well-known brands we carry include Acer, Asus, Brother, Canon, Dell, D-Link, Epson, HP, Huawei, Kingston, Lenovo, Logitech, Microsoft, Samsung, Sandisk, Seagate, Sony, and Transcend, among others.

We believe the combination of these advantages have increased our customer base and driven our robust financial performance. In the past three years, we served more than two (2) million customers annually, allowing us to reach an average monthly revenue of approximately ₱4.0 million per store. For the year ended December 31, 2021, our revenues rose 5% to ₱8,567.9 million, with personal computer accounting for 49% of total revenues, printing for 14%, communication for 13%, components and networking for 12%, accessories for 10%, and peripherals for 3%. As of March 31, 2022, we generated ₱2,099.2 million in revenues, with personal computer accounting for 49% of total revenues, printing for 14%, communication for 13%, components and networking for 12%, accessories for 9%, and peripherals for 3%.

Highly effective supply chain delivering operational excellence and competitive pricing

We believe that the effectiveness of our supply chain management is fueled by our in-depth know-how, strategically located warehouse network and in-house logistics assets, and dynamic supplier collaborations.

1. **In-depth know-how**. With 27 years in operation, we have built a strong relationship with suppliers, customers, lessors, and regulators. This enables us to gain valuable insights for our store operations including retaining and attracting new customers as well as improving our consumer experience and operational efficiencies throughout our branches and warehouses. In addition, we have gained a deep understanding of relevant local regulations and processes involved in operating in varied locations. This know-how results in significant benefits to us such as access to mall-based spaces for our store network expansion as well as on-time acquisition and renewal of permits and clearances which in turn facilitate the on-time development and roll-out of new stores.
2. **Strategically located warehouse network and in-house logistics assets.** Our warehouses function as secured storage facilities and distribution centers for designated regions or areas. These warehouses perform receiving, organization, fulfillment, and distribution functions. Our ability to efficiently distribute stocks from our warehouses to our nearby stores based on demand and inventory data demonstrates another competency. Currently, our Company has six (6) warehouses: one (1) in Cebu to service the Visayas region; one (1) in Cagayan de Oro and one (1) in Davao City to service Mindanao, and three (3) in Manila to serve as the main warehouse. We intend to add nine (9) more warehouse and distribution facilities as well as strengthen our delivery fleet. In addition, we have approximately 30 delivery trucks and vehicles to meet our distribution needs.
3. **Dynamic supplier collaborations.** We maintain a mutually beneficial relationship with our suppliers whom we consider partners in the industry. This is evidenced by our average relationship of 20 years for our top 15 suppliers and the recognition we have received over the years including being named as Top Distributor, Dealer of the Year, Retail Partner of the Year, Top National Sales, and Exemplary Performance Award by our

longtime suppliers such as Acer, Asus, Epson, HP, Seagate, and more. We believe this level of collaboration adds to our ability to offer a broader selection of products at competitive prices. More importantly, it signifies their trust in our Company's management, business model, and robust store network. In the past three (3) years, we sourced our products from over 100 suppliers.

These good working relationships help us in many ways, including, but not limited to:

1. Lowering our costs through volume incentives, bundling programs, and favorable payment terms;
2. Supporting our efficiency efforts by shipping directly to our regional warehouses and certain store locations, subject to our instructions;
3. Providing regular product trainings to our store personnel;
4. Assisting us to obtain products that may be in short or limited supply; and
5. Sharing insights with us which we use to anticipate industry trends and practices.

We believe these supply chain competencies will continue to support timely inventory replenishment and re-allocation of product offerings among our stores, customized store-level merchandise mix, purchasing cost advantages, and optimal stock levels. In the years ended December 31, 2019, 2020, and 2021, we had average inventory turnovers of 85 days, 81 days, and 95 days, respectively. For March 31, 2022, our average inventory turnover is at 120 days. For the three-month period ended March 31, 2022 and year-ended December 31, 2021, we recognized a total of ₱34.6 million and ₱36.8 million, respectively, as Other Income from promotional support from suppliers.

Compelling combination of rising profitability and cash generation

Reflecting the scale of our store network, we have grown our revenues to ₱7,569.6 million in 2019, ₱8,152.2 million in 2020, ₱8,567.9 million in 2021, and ₱2,099.2 million in the first quarter of 2022, despite the challenges in global supply chain caused by COVID-19. At the same time, our gross profit climbed to ₱1,581.1 million in 2019, ₱1,671.3 million in 2020, ₱1,885.6 million in 2021, and ₱461 million in the first quarter of 2022, with improved margins of 20.9%, 20.5%, 22.0%, and 21.96%, respectively. Our net income rose to ₱85.3 million in 2019, nearly doubled from ₱206.7 million in 2020 to ₱403.6 million in 2021, and reached ₱110.2 million in the first quarter of 2022 which represent a net profit margin of 1.1% in 2019, 2.5% in 2020, 4.7% in 2021, and 5.3% in the first quarter of 2022. Our EBITDA reached ₱725.3 million in 2019, ₱824.4 million in 2020, ₱957.1 million in 2021, and ₱216.9 million in the first quarter of 2022 which represent 9.6%, 10.1%, 11.2%, and 10.3% of our revenues for the corresponding period. We also maintained consistent cash generation, with a cash balance of ₱267.0 million, ₱680.8 million, ₱1,100.8 million, ₱773.3 million in the years ended December 31, 2019, 2020, and 2021, and the quarter ended March 31, 2022.

Proven, founder-led leadership team backed by an engaged organization

Our continued growth is made possible by our dedicated and experienced management team. We have benefitted from the vision, industry experience, entrepreneurial drive, and strong execution capabilities of our leadership team which enabled us to deliver continued revenue growth and profitability in the rapidly evolving retail industry. Their expertise in selecting high-quality mix of products that are relevant to changing computer and technology trends as well as consumer preferences enhance our ability to respond to such developments and emerging industry practices in a cost-effective and timely manner, ultimately providing us with competitive advantages which are difficult for competitors to replicate.

The original founders continue to guide our Company today supported by our management team who has an in-depth industry and company knowledge. Our management team, led by Lawrence O. Lee, Arlene Louisa T. Sy, Rolando O. Raval Jr., and Marcos A. Legaspi, has an average of over 30 years of experience in supply chain management, retail, and technology. Other members of our management team also possess technical and business management skills and are assisted by our digital capabilities.

Our more than 800 team members, who are based across the country, complement our management team and bring diverse skills that make our organization and culture stronger. As we are partners in shared success, we adopt a holistic approach in investing in our people. For example, we provide competitive salaries and performance-based cash bonuses. At the store level, our in-store management teams are also empowered and incentivized to drive sales and profitability of their respective stores. Moreover, we equip our team members with comprehensive training and development programs, including knowledge of the latest trends in consumer behavior and preferences as well as after-sales support. We also arrange product trainings for our store personnel with our suppliers at least twice a year. As of March 31, 2022, key functions such as sales and marketing, and procurement and supply chain management comprised approximately 70% of our total employees.

We believe our experienced leadership team and the business relationships they have cultivated over the years combined with our highly skilled and motivated workforce have contributed to our strong growth and resilience through economic cycles and will continue to benefit us in the future.

KEY STRATEGIES

We aim to lead the Filipino towards technological advancement, while achieving profitable and sustainable growth.

We plan to use our key competitive strengths to pursue the following long-term strategies:

Ensure availability of complete line of IT products with integrity

We believe the rapid innovation in technology along with favorable trends and drivers of demand will likely sustain the growth of the consumer electronics industry, as affirmed by a CRC report (2021). As such, we expect more consumers to upgrade their current IT equipment and devices or make new purchases even as the market normalizes from COVID-19.

In order to capture the market's demand, we continuously aim to strengthen our portfolio that offers a complete, quality, and up-to-date suite of IT products for every UIC customer. We will further enhance our merchandising strategy by launching more SKUs in our existing and adjacent product categories as well as timely adjusting our merchandise mix based on market demand.

Ensuring product integrity is a critical element to this strategy and will remain a cornerstone of how we do business. We believe our established reputation is based on selling only authentic and untampered products, which many of our suppliers acknowledge and recognize us for because it keeps the good reputation of their brands. In this regard, we plan to build on our track record of securing strong product support and warranties from suppliers and delivering value to customers through products with integrity than on price alone.

Moreover, we will continue to use market intelligence gained from our regular interaction and consultation with our suppliers to better align product availability with anticipated demand and product lifecycle. Through this process, we will be able to improve our planning and analysis and accordingly, arrange for the distribution and marketing of the latest product offerings.

We believe this strategy, based on our market experience and understanding of the landscape, will broaden our product portfolio, increase customer loyalty, maintain our solid relationships with suppliers, and ultimately benefit our overall performance.

Expand our store network and penetrate markets with high growth potential

We believe our "Nationwide reach, Nationwide service" commitment is one of the reasons why our customers and suppliers choose us. We intend to expand our footprint in untapped markets and further penetrate those that we have covered. In the next five years, we plan to add an approximate 25,000 sq.m. of retail selling space in key regions, such as the National Capital Region, Central Luzon, CALABARZON, Western and Central Visayas, and Mindanao.

Accordingly, we expect to more than double our total retail space to approximately 50,000 sq.m. by 2026 from 23,452.03 sq.m. as of March 31, 2022.

We believe our approach to expansion is thoughtful and disciplined and can translate to a significant rise in our market share. For example, in determining the regions to focus on, we are guided by relevant operating data which we already have for our existing stores covering 16 out of the 17 regions in the country. We plan to prioritize regions with highest return potential as well as where IT products are not readily available, or IT infrastructure is emerging or is still being developed. Further, in selecting specific mall-based locations, we have an internal working team tasked to rigorously assess several factors, such as the locality's demographic attributes, foot traffic, public transport accessibility, proposed lease terms, and manpower requirements, among others.

As of March 31, 2022, we have approximately 1,656 sq.m. of retail space or 22 stores in development which we expect to complete over the course of the year. Due to our streamlined processes and long-term relationships with mall operators, we typically are able to complete construction and start operation of our stores within two months, including acquisition of government and lessor approvals, permits, and licenses. Full-year sales targets are also usually achieved within a year after the opening.

Launch new store formats

We continue to introduce new retail formats as needed that match distinctive demands in certain markets to complement our current offerings and facilitate new in-store experience. These new formats will be developed selectively and have a different product mix and concept from our existing stores.

We introduced our four (4) concept stores in 2021, and we launched another store format named Octagon City in March 2022. Octagon City is a one-stop-shop that offers broader selection of products and accessories, ranging from personal computers to various technology devices used in, communication, entertainment, home security, and health and wellness such as smartwatches. It is located along Chino Roces Avenue (formerly Pasong Tamo) in Makati City. Octagon City started commercial operations on March 11, 2022 with the opening of the first phase of the project comprising approximately 291 sq.m. of retail space. The second phase of the development will add approximately 199 sq.m. of retail space upon completion.

Excel in omni-channel experience and raise brand recognition

Due to constant changes in consumer expectations and behaviors, we have taken strategic initiatives to bridge our physical stores and the e-commerce space as well as engage with consumers across multiple channels. Specifically, we extended our consumer outreach through online channels such as our Octagon website (www.octagon.com.ph) and popular third-party shopping platforms such as Shopee, Lazada, and Pick-a-roo.

To excel in omni-channel experience, we intend to continuously enhance our e-commerce website, social media, and loyalty program. We believe that these capabilities, combined with our over 1,000 employees, will create an ecosystem that helps better serve customers with convenient and seamless shopping experience.

For our e-commerce website, we plan to expand our online product offerings and introduce in-store fulfillment of online orders. We will offer a "buy online, pick-up in store" option where customers can conveniently place orders on our website and pick it up at their store of choice. We believe this option gives consumers greater flexibility, personalized service, and reliable support for warranties and repair. In addition, it will drive people to our physical stores which may lead to other in-store purchases, thereby generating higher revenue and profitability for our stores.

For social media, we plan to develop and execute a comprehensive strategy with a defined vision and detailed implementation roadmap. We also intend to launch marketing initiatives, including, but not limited to, increasing our advertising and promotion campaigns targeted to individuals and institutions in small office and home office, gaming, education, and small medium enterprise sectors. Additionally, we plan to check our overall brand health more frequently based on consumer feedback and public commentary available on our social media and digital sales channels.

For our customer loyalty program, we are committed to our make our rewards offerings more compelling by understanding what is most important to them. As we expand our membership base, we aim to gain valuable insights into consumer preferences based on actual and up-to-date feedback from customers.

We believe these strategies will allow us to further invest in our brand to support our reputation and drive new and repeat customer growth.

Develop more warehouses and respond quickly to changing consumer demands

We have been able to compete successfully in the marketplace through a combination of our scale, service, marketing efforts, and ability to make right decisions on our product range and price.

To further intensify our supply chain capabilities, we are adding a total of nine (9) warehouses and distribution facilities in key cities nationwide such as Manila, Naga, Cabanatuan, and Dagupan.

As COVID-19 continues to amplify the increased demand for our products, we will remain responsive to changes in demand and supply and provide a reliable experience for consumers. We aim to refine this strategy by carefully planning and maintaining appropriate inventory levels. Using our customized inventory system and various forecasting techniques, we expect to align our inventory with in-demand and fast-moving products while slowing purchase orders for other products. We will also work closely with our suppliers and vendors to prevent out-of-stocks and manage delivery times and distribution, particularly for our core product categories such as personal computer and communication which are currently experiencing above historic demand.

Explore opportunistic acquisitions

We plan to explore acquisition opportunities to deepen our market-leading position and enhance our competitiveness. We will consider acquisition targets based on synergy potential and financial performance. As of March 31, 2022, we have not entered into any negotiations with any specific acquisition targets.

OPERATIONS

Retail Formats and Location

We offer our products through multiple retail formats to be able to provide our customers the flexibility when purchasing the preferred products.

Prime Store

Our prime stores are the main retail stores and operate under the brand names **Octagon Computer Superstore, Micro Valley, and Gadget King**. These stores offer a wide spectrum of consumer electronics products including computers, laptops, components, peripherals, mobile, and accessories. The prime stores floor area ranges from 30 to 1,000 sq.m., with an average floor area of 127.96 sq.m., as of March 31, 2022.

As of March 31, 2022, there are 146 Octagon Computer Store, 20 Micro Valley, and 14 Gadget King stores strategically-located nationwide.

Octagon Computer Superstore

Brand	Location	Size
NATIONAL CAPITAL REGION		
Octagon SM Megamall	Highway Hills, Mandaluyong City	940.06
Octagon Festival Super Mall	Alabang, Muntinlupa City	682.56
Octagon Ayala De Bay	Macapagal Ave., Paranaque City	331.58
Octagon ATC	Alabang, Muntinlupa City	289.08
Octagon SM North EDSA	EDSA, Quezon City	266.51
Octagon SM Southmall	Zapote Road, Las Pinas City	258.62
Octagon Glorietta	Ayala Center, Makati City	214.25
Octagon Mall of Asia	Macapagal Ave., Pasay City	200.45
Octagon Pasong Tamo	Chino Roces Ave, Makati, 1203 Metro Manila	291.00
Octagon Sucat	Brgy. Dionisio, Paranaque City	161.49
Octagon SM San Mateo	Gen Luna St., San Mateo, Rizal	150.07
Octagon SM San Lazaro	Felix Huertas St., Sta Cruz, Manila	147.56
Octagon Uptown Mall	BGC, Taguig City	142.89
Octagon SM Sta Mesa	Aurora Blvd., Quezon City	142.22
Octagon Ayala Mall 30th	Meralco Ave. Pasig City	132.29
Octagon SM Masinag	Marcos Highway, Antipolo City	128.56
Octagon SM Grand Central	Rizal Ave., Caloocan City	128.00
Octagon SM BF Paranaque	BF Homes, Paranaque City	125.43
Octagon Fairview Terraces	Quirino Highway, Quezon City	112.69
Octagon Galleria	EDSA cor. Ortigas Ave., Quezon City	101.80
Octagon Trinoma	North Ave., Mindanao Ave. Quezon City	181.33
Octagon Greenbelt	Ayala Center, San Lorenzo, Makati City	97.74
Octagon SM Muntinlupa	National Road, Muntinlupa City	97.48
Octagon VMall Greenhills	Ortigas Ave., San Juan City	96.37
Octagon SM Fairview	Fairview, Quezon City	93.89
Octagon Cash & Carry	Filmore St., Palanan Makati City	88.59
Octagon Sta Lucia Grandmall	Marcos Highway, Cainta, Rizal	88.06
Octagon Robinsons Magnolia	Aurora Blvd., Kaunlaran, Quezon City	84.81
Octagon Eastwood	Bagumbayan Quezon City	81.30
Octagon SM Cubao	Barangay Socorro, Cubao, Quezon City	80.03
Octagon SM Taytay	Taytay, Rizal	78.75
Octagon SM Novaliches	Quirino Highway, Quezon City	75.89
Octagon SM Marikina	Marcos Highway, Marikina City	73.32
Octagon Robinsons Manila	M. Adriatico St., Ermita, Manila	70.47
Octagon Ayala Mall Feliz	Marcos Highway, Pasig City	67.69
Octagon SM Bicutan	Dona Soledad Ave., Paranaque City	65.91
Octagon SM Manila	Ermita, Manila	62.88
Octagon SM Valenzuela	Mc Arthur Highway, Valenzuela City	62.00
Octagon Market Market	BGC, Taguig City	48.48
Octagon Unimart	Capitol Commons, Shaw Blvd., Pasig City	48.04

Brand	Location	Size
NORTH LUZON		
Octagon SM Baliwag	Dona Remedios Trinidad Highway, Baliuag, Bulacan	176.64
Octagon SM Pampanga	San Jose, San Fernando, Pampanga	166.03
Octagon SM Baguio	Luneta Hill, Baguio City	161.99
Octagon Robinsons Ilocos	San Francisco, San Nicolas, Ilocos Norte	150.00
Octagon NE Pacific Mall	Maharlika Highway, Cabanatuan City	148.72
Octagon Urdaneta CB Mall	Mc Arthur Highway, Urdaneta City	146.00
Octagon SM San Jose	San Jose del Monte, Bulacan	130.21
Octagon SM Tuguegarao	Mabini St., Cor. Luna St., Tuguegarao City	123.47
Octagon SM Cabanatuan	Hermogenes C. Concepcion Sr., Cabanatuan City	116.48
Octagon SM Marilao	Ibayo, Marilao, Bulacan	115.14
Octagon SM Urdaneta	Mc Arthur Highway, Urdaneta City	114.61
Octagon SM Olongapo	Central East Tapinac, Olongapo City	106.60
Octagon Robinsons Tuguegarao	Tanza, Tuguegarao City	105.55
Octagon Vigan Xentromall	Quezon Ave., Vigan City	105.00
Octagon Robinsons Pangasinan	Calasiao, Pangasinan	104.51
Octagon Robinsons La Union	MacArthur Highway, Brgy, San Fernando, La Union	96.83
Octagon SM City Tarlac	Mc Arthur Highway, Tarlac City	93.67
Octagon Laoag	Paco Roman St., Laoag City, Ilocos Norte	90.00
Octagon Tuguegarao	Gosiengfiao Bldg., Tuguegarao City	85.00
Octagon SM Telabastagan	Mc Arthur Highway, San Fernando, Pampanga	81.31
Octagon Robinsons Santiago	Maharlika Highway, Mabini, Santiago City	78.15
Octagon Vigan	19 Quezon Avenue, Vigan City, Ilocos Sur	73.00
Octagon Starmall	San Francisco Del Monte, Bulacan	72.25
Octagon SM Olongapo	Gordon Ave., Olongapo City	70.62
Octagon SM Center Pulilan	Pulilan, Bulacan	67.19
Octagon SM Cauayan	Cauayan City, Isabela	50.16
Octagon SM Clark	Malabanias, Angeles City	50.00
Octagon Nepo Mall	Arellano St., Dagupan City	36.00

Brand	Location	Size
SOUTH LUZON		
Octagon Calapan	Home Mark Bldg. J.P. Rizal St., Calapan	216.00
Octagon SM Trece Martires	Trece Martires, Cavite City	204.66
Octagon SM Dasmariñas	Governor's Drive, Sampaloc, Cavite City	203.44
Octagon General Trias	Brgy. Tejero, General Trias, Cavite	201.25
Octagon SM Sta. Rosa	Tagapo St., Sta Rosa, Laguna	158.08
Octagon Robinsons Galleria South	National Highway, Nueva, San Pedro Laguna	154.43
Octagon NCCC Mall	Puerto Princesa, Palawan	137.10
Octagon SM Lucena	Lucena City	135.04
Octagon SM Daet	Daet, Camarines Norte	132.12
Octagon Xentromall	Calapan City, Oriental Mindoro	129.28
Octagon Palawan	TTH Center Rizal Ave., Puerto Princesa, Palawan	125.00
Octagon Tabaco Mall	Divino Rostro, Tabaco City	121.40
Octagon Pacific Mall	Landco Business Park, F. Imperial St., Legazpi City	121.37
Octagon SM Bacoor	Habay II, Bacoor, Cavite City	119.28
Octagon SM Rosario	General Trias Drive, Tejeros, Rosario, Cavite City	111.09
Octagon SM Molino	Molino IV, Bacoor, Cavite City	111.01
Octagon Batangas	RL Bldg., D Silang St. Cor. P.Burgos St., Batangas City	110.00
Octagon SM Lemery	Illustre Ave., Lemery, Batangas City	102.00
Octagon Robinsons Palawan	Brgy. San Manuel, Puerto Princesa, Palawan	98.40
Octagon SM Batangas	Pallocan Kanluran, Batangas City	90.96
Octagon LCC Mall.	Peñaranda St., Legazpi City	84.00
Octagon SM San Pablo	Brgy. San Rafael, San Pablo, Laguna	82.10
Octagon SM Legazpi	Cor. I.Roces Ave. & Terminal Rd., Legazpi City	73.18
Octagon Robinsons Lipa	Mataas Na Lupa, Lipa City	70.16
Octagon SM Lipa	JP Laurel Highway, Lipa City	59.72
Octagon SM Palawan	Malvar St. Cor. Lacao St., San Miguel, Puerto Princesa	54.51
Octagon SM Calamba	National Highway, Real, Calamba City	49.77
Octagon SM Naga	Ninoy & Cory Ave., CBD II, Triangulo, Naga City	42.43
VISAYAS		
Octagon SM Cebu	Northwing Mabolo, Cebu City	413.25
Octagon SM Iloilo	Benigno Aquino Ave., Mandurriao, Iloilo City	321.25
Octagon Tacloban 3	RUL Bldg., Romualdez St. Tacloban City	270.00
Octagon SM Seaside	Mambaling, Cebu City	185.29
Octagon Ayala Malls Central Bloc	Cebu IT Park, Cebu City	163.84
Octagon Robinsons Bacolod	Northwing, Mandalagan, Bacolod City	147.49
Octagon Ayala Malls Capitol Central	Gatuslao St., Bacolod City, Negros Occidental	141.95
Octagon Dumaguete	Dona Plaza Milagros Bldg., Dumaguete City	140.00
Octagon Cebu Ayala	Stall Ayala Center Cebu, Barrio Luz, Cebu City	138.98
Octagon J. Center	A.S. Fortuna Street, Mandaue City	137.25
Octagon SM Bacolod	SM City Mall, Rizal St., Bacolod City	118.33
Octagon Robinsons Iloilo	Robinsons Place, Ledesma St., Iloilo City	113.40
Octagon Bacolod	Yusay Arcade Araneta St., Bacolod City	112.78
Octagon Robinsons Dumaguete	Calindagan, Dumaguete City	99.75
Octagon SM Tacloban	Justice Romualdez St., Tacloban City	95.69
Octagon Robinsons Cebu	Carreta, Cebu City	91.48
Octagon Robinsons Jaro	Brgy. San Vicente, Jaro, Iloilo City	75.91
Octagon SM Ormoc	Real St., Ormoc City,	66.15
Octagon Robinsons Tacloban	Tacloban City	48.65

Brand	Location	Size
NORTH MINDANAO		
Octagon Limketkai Mall	Lapasan, Cagayan De Oro City	285.44
Octagon KCC Mall Zamboanga	Camino Nuevo, Zamboanga Del Sur	224.20
Octagon Butuan 1	Cuason Bldg., Butuan	200.00
Octagon Valencia 2	Fuji Building, Sayre Highway, Valencia City	200.00
Octagon CDO 1	145 Gomez Cor. Velez St., Cagayan De Oro	190.00
Octagon Ozamis	Chua Hong Bldg., Ozamis City, Misamis Occidental	185.00
Octagon Iligan 1	Dream Star Bldg., Iligan City	140.00
Octagon Centrio Mall	C.M. Recto Ave., Cagayan De Oro City	137.98
Octagon Surigao	Rosalyn Bldg., Rizal St., Surigao City	129.00
Octagon Robinsons Iligan	Macapagal Ave., Iligan City	125.81
Octagon Surigao 2	Gaisano Capital, Surigao City	99.30
Octagon SM Mindpro	La Purisima St., Zone III, Zamboanga City	83.49
Octagon Gaisano Supermall	Roxas Ave., Villaverde, Iligan City	75.87
Octagon SM Butuan	J.C. Aquino Ave., Lapu-Lapu, Butuan City	73.72
Octagon SM CDO	Downtown Premier, Cagayan De Oro City	72.31
Octagon Dipolog 2	Lee Plaza City Central, Quezon Ave., Dipolog City	70.00
Octagon Robinsons Butuan	J.C. Aquino Ave., Butuan City	65.60
Octagon Zamboanga	Jasmin Tower, Mayor Jaldon St., Zamboanga City	220.00
SOUTH MINDANAO		
Octagon General Santos	Kaman Bldg., Lagao, General Santos City	263.00
Octagon SM Lanang	J.P. Laurel Ave, Davao City	226.84
Octagon KCC Marbel Mall	Gen. Santos Drive, Koronadal	192.00
Octagon Marbel	Jayven's Bldg. cor. Posadas St., Gensan Drive, Koronadal City	162.95
Octagon SM General Santos	Corner Santiago Blvd., General Santos City	158.96
Octagon Davao	Gaisano Mall of Davao, JP Laurel Ave., Bajada, Davao City	156.66
Octagon Digos	Gaisano Mall of Digos, Tres De Mayo, Digos City	145.86
Octagon Tagum	Gaisano Mall Tagum, Tagum City, Davao Del Norte	136.07
Octagon Cotabato	Elena V. Co Bldg., Don Rufino Alonzo St., Cotabato City	110.00
Octagon Abreeza Mall	Bajada, Davao City	100.82
Octagon Veranza Mall	J. Catolico Sr. Ave., Lagao, General Santos City	94.28
Octagon SM Davao	Quimpo Blvd. Ecoland, Davao City	74.69
Octagon Victoria	Victoria Plaza, JP Laurel Ave., Davao City	66.11

Octagon Megamall

Octagon Ayala de Bay

Octagon Bacoor

Octagon Baguio

<u>*Micro Valley*</u>

Brand	Location	Size
NATIONAL CAPITAL REGION		
Micro Valley SM North EDSA	Brgy. Sto. Cristo, Quezon City	242.31
Micro Valley Festival Mall	Alabang, Muntinlupa City	126.44
Micro Valley SM San Mateo	Gen. Luna St., San Mateo, Rizal	94.87
Micro Valley VMall Greenhills	San Juan City	93.00
Micro Valley SM Marikina	Marikina-Infanta Highway, Marikina City	83.51
Micro Valley SM Southmall	Zapote Road, Almanza Uno, Las Pinas City	77.56
NORTH LUZON		
Micro Valley SM Cabanatuan	San Roque Norte, Cabanatuan City	54.60
Micro Valley Tuguegarao	Tanza, Tuguegarao City	32.66
SOUTH LUZON		
Micro Valley SM Dasmariñas	Sampaloc 1, Cavite City	188.44
Micro Valley SM Batangas	Pallocan Kanluran, Batangas City	103.70
Micro Valley Pacific Mall Lucena	Tagarao St., Lucena City	96.12
Micro Valley SM Molino	Molino IV, Bacoor, Cavite City	83.04
Micro Valley SM Lucena	Dalahican Road, Lucena City	54.73
Micro Valley SM Sta. Rosa	Tagapo St., Sta Rosa, Laguna	48.74
VISAYAS		
Micro Valley SM Iloilo	Brgy. Bolilao, Mandurriao, Iloilo City	186.87
Micro Valley SM Bacolod	Rizal St., Reclamation Area, Bacolod City	73.90
Micro Valley Dumaguete	Po's Marketing Bldg., Dumaguete City	70.00
SOUTH MINDANAO		
Micro Valley Davao Ecoland	Quimpo Blvd., Davao City	119.10
Micro Valley KCC Mall General Santos	Lagao, General Santos City	72.00
Micro Valley Davao Ilustre	Ilustre Street, Davao City	70.00

Micro Valley North EDSA

Micro Valley San Mateo

Gadget King

Brand	Location	Size
National Capital Region		
Gadget King Sta Lucia	Marcos Highway, Cainta, Rizal	89.83
Gadget King San Mateo	San Mateo, Rizal	79.60
Gadget Kind SM Fairview	Brgy. Greater Lagro, Quezon City	73.52
Gadget King SM Valenzuela	McArthur Highway, Valenzuela City	72.34
Gadget King SM Novaliches	Quirino Highway, Novaliches	55.44
Gadget King SM Southmall	Alabang Zapote Road., Las Pinas City	53.73
Gadget King SM Sta Mesa	Aurora Blvd., Quezon City	51.47
Gadget King VMall Greenhills	San Juan City	38.35
Gadget King SM Marikina	Marcos Highway, Marikina City	32.23
NORTH LUZON		
Gadget King SM San Jose	San Jose del Monte, Bulacan	75.43
SOUTH LUZON		
Gadget King SM Palawan	Malvar St., Cor., Lacao St. Puerto Princesa City	40.13
VISAYAS		
Gadget King SM Iloilo	Brgy. Bolilao, Mandurriao, Iloilo City	68.18
SOUTH MINDANAO		
Gadget King Gaisano Davao	J.P. Laurel, Bajada, Davao City	101.55
Gadget King Gaisano Tagum	Tagum City, Davao Del Norte	79.30

Gadget King Novaliches

Gadget King Tagum

Concept Stores

Our concept store carries a broad range and exclusive products of a single IT brand. Each concept store ensures the specialization and expertise on the brand's product to target customers with strong brand loyalty. These stores have a floor area ideally ranging from 30 to 150 sq.m. As of March 31, 2022, we have a total of five (5) concept stores – ACER (2), HP (1), Brother (1), and Silvertec (1). Currently, we are in the process of negotiating and discussing with other well-known IT brands for expansion.

Concept Store Location

Brand	Location	Size
ACER	Gaisano Mall of Davao (South Mindanao)	63.17
ACER	Robinsons Place Isabela	61.59
HP	Glorietta 2, Makati	61.00
Brother	SM North EDSA	50.17
Silvertec	SM North EDSA	36.00

Brother North EDSA

Silvertec North EDSA

Mobile Store

The Octagon Mobile store is our specialty store focusing on communication and connectivity devices such as mobile phones, tablets, networking products and mobile-related accessories. Mobile stores ideally should have a floor area between 35-100 sq.m. As of March 31, 2022, we have three (3) Octagon Mobile stores.

Mobile Store Location

Brand	Location	Size
Octagon Mobile	SM Sta. Mesa	51.47
Octagon Mobile	Ramos Building, Dipolog City	46.82
Octagon Mobile	SM BF Paranaque	48.67

Octagon Mobile Sta. Mesa

E-commerce

We also offer our products via online retail through established e-commerce platforms such as Shopee, Lazada, and Pick-a-roo. We commenced our online retail operations in June 2020. The launch of our online retail operations was timely and beneficial as our customers quickly turned to e-commerce platforms for their IT requirements due to the change in environment due to the lockdowns brought about by the COVID-19 pandemic.

Store selection and management

We have successfully established our stores in key locations nationwide. We consider demographic characteristics, foot traffic, rent and retail space, and accessibility of the store as critical factors in identifying a store location. The construction of a new store takes around two (2) months.

We also have established operational procedures, principles, and policies for our store design and layout, product selection, inventory management, logistics, visual merchandising, pricing, marketing, employee training, and other business activities. In many instances, the application of these procedures enables us to fast-track store openings.

We have a designated team, headed by Mr. Lawrence O. Lee as Chairman and Engr. Rolando O. Raval, Jr. as Chief Operations Officer, responsible for selecting new store locations. The Company ensures that these locations contribute to the long-term success of the business.

Product Portfolio

We offer a full-range of IT related products. Our product lines include personal computers, printing, communication, storage, networking, peripherals, components, accessories, and software. We carry popular, high quality, reliable and trusted brands.

Our products can be classified under the following categories:

Product Category	Description	Select Pictures of Products
Personal Computer	Multi-purpose general computers designed for individual use Examples: Desktops, Laptops, Tablets	

Printing	Devices used to print documents and other paraphernalia Examples: Printers, Consumables	
Communication	Electronic equipment used primarily for telecommunication Example: Mobile Phones	
Storage	Computer equipment used for information storage Examples: Hard Drives, SSD	 
Networking	Electronic devices used for interaction and communication of various devices within a computer network Examples: Routers	 
Peripherals	Other electronic devices used for a computer for additional functionality and expand its capabilities Examples: Monitors, Projectors, Scanners, UPS	

Components	Various physical parts of a computer Examples: Motherboard, Processor, Memory, Video Cards and Casing	 
Accessories	Other related items utilized to support another computer equipment Examples: Cables, Mice & Keyboards, Headsets, Speakers	 
Software	Includes operating systems, productivity tolls, and security and protection	

The table below enumerates the list of major product categories and select brands under each brand classification.

Product Category	**Select Brands**
Personal Computer	Acer, Asus, Avita, Chuwi, Dell, HP, Huawei, Lenovo,
Printing	Brother, Canon, Epson, HP
Communication	Apple, Huawei, Oppo, Realme, Samsung, Vivo, Xiaomi
Storage	Apacer, JW Concepts, Kingmax, Kingston, Lexar, Norgicool, Octagon, Patriot, Ritek, Sandisk, Silvertec, Transcend, Team, Trendy, Uniso,
Networking	Asus, Dlink, Linksys, Mercusys, Tenda, TPLink
Peripherals	Acer, AOC, Asus, Brother, Canon, Epson, HP, Philips, Samsung
Components	AMD, Corsair, Gigabyte, HyperX, Inno3D, Intel, MSI, Palit, Patriot, PowerColor, Sapphire
Accessories	A1TEch, A4Tech, APC, Anker, Belkin, Edifier, Genius, Hytac, JBL, JW Concept, Logitech, Manhattan, Newmen, Plantronics, Rapoo, Razer, Sennheiser, Silvertec, SonicGear, Sony, SteelSeries, Uniso, Wacom
Software	Bitdefender, Eset, Kaspersky, Microsoft

Product and Brand Selection

We offer a wide range of products to cover the market's needs and changing preferences. We constantly observe and monitor market behavior and emerging technological trends to effectively provide the proper product placement in each store. Our Company chooses trusted, high quality brands while also taking into consideration the buying capacity of the customers.

Pricing

We price our products based on the suggested retail prices, market survey, and benchmark against similar products. We monitor market behavior including its competitors to enable us to provide our customers with value for money products. We price and retail our products uniformly across all branches.

We engage in pricing strategies to further strengthen our customer base, customer and brand loyalty. We occasionally bundle several products at a lower cost than if purchased separately. We also impose a price mark down to clear inventory for slow slow-moving items, overstocked items or end-of-season items.

Suppliers

Our Company has over 100 suppliers including Brother International Philippines Inc., Canon Marketing Philippines Inc., Epson Philippines Corp., HP Inc., Acer Philippines Inc., Asus Philippines Inc., Lenovo Philippines Inc., Logitech Asia Pacific Ltd., to name a few. We have established a strong relationship with most of our suppliers and we have been dealing with most them for an average of twenty (20) years.

Our good working relationship with our suppliers help us in many ways, including, but not limited to:

1. Lowering our costs through volume incentives, bundling programs, and favorable payment terms;
2. Supporting our efficiency efforts by shipping directly to our regional warehouses and certain store locations, subject to our instructions;
3. Providing regular product trainings to our store personnel;
4. Assisting us to obtain products that may be in short or limited supply; and,
5. Sharing insights with us which we use to anticipate industry trends and practices.

Our Company purchases items on a per order basis through purchase orders issued to suppliers. A purchase order provides the supplier details, terms of payment are usually 60-90 days, discounts, entry date of order, delivery date and cancellation date, if any. Most orders are delivered to our head office in Manila, while others have special arrangements and will be delivered to our warehouse in Visayas and Mindanao.

Customers

We cater our products to a wide range of customers and in various industries. These customers can be categorized into three (3) main groups: general retail, corporate, and online.

1. General Retail, our major customer base, are composed of households, small-offices-home-offices (SOHOs), micro, small, and medium enterprises (MSMEs), gamers, and other hobby-based or PC-customization accounts.
2. Our corporate customers include private companies, educational institutions, and government agencies and units.
3. The online customers are customers who purchase products from our website and e-commerce platforms. Our online retail operations began in June 2020. Due to the limited-capacity operations of brick and mortar stores

operating brought about by the COVID-19 pandemic, we have been experiencing growing revenue contribution from online customers.

Marketing and Advertising

We engage with various agencies for our outdoor advertising which includes billboards, window and door ads, and lamp post banners. In addition, we also utilize our relationship with manufacturers and/or distributors as marketing initiatives.

We believe we are able to utilize our store network in establishing a strong brand recall. We also pride ourselves with excellent customer service and having a wide range of products, which we consider an effective marketing tool that allows customers to return to the store for its future needs.

Moving forward, our marketing strategy is to position the Octagon, Micro Valley, Gadget King and Octagon Mobile brands as convenience and one stop shopping stores for PC hardware components and gaming products, mobiles and other PC related items. Our objective is to make our brand your preferred IT-related store.

Loyalty Program

Our OCTAGON loyalty program is voluntary. Members can join and maintain membership for free, and use the benefits in store or online, including in all our Octagon Computer Superstore, Micro Valley, Gadget King, Octagon Mobile, and concept stores and on our website www.octagon.com.ph.

Below is the initial list of benefits which we expect to continue to grow and personalize over time:

1. Early access to upcoming offers and events;
2. Custom notifications and communications;
3. Exclusive access to member-only deals and offers, including but not limited to:
   - Special markdown prices;
   - Free items for qualified purchases; and
   - Rewards points for items.

We believe the program will also provide valuable consumer data that will allow us to personalize our marketing efforts and improve our operational efficiency through maintaining an appropriate merchandise mix that supports the needs of the location.

The program was soft launched in certain areas in June 2022, and will be offered to reach a wide customer base across the country. Through feedback and data analysis, we are committed to continuously improve the program to provide our customers with meaningful rewards and position us to be top-of-mind for consumers.

Intellectual Property

We regard our intellectual property as fundamental to our business and our growth strategy, and so it is our policy to protect and defend our rights to such intellectual property as they have significant value and are important to the marketing of our stores and. brands. As of the date of this Prospectus, our Company uses the following trademarks:

Mark	Application Number	Date Filed	Status
GADGET KING	N/A	October 29, 2021	Valid until October 29, 2031

Gadget King			
Octagon	42022500995	January 17, 2022	Valid until April 21, 2032
Micro Valle	42022500994	January 17, 2022	On-process
Gadget World	N/A	May 2, 2022	On-process
Octagon Mobile	N/A	May 2, 2022	On-process
Uniso	N/A	June 22, 2022	On-process

We regularly consult with our legal counsel to ensure our continued compliance with applicable laws and regulations affecting our intellectual property.

Competition

Our Company operates in the Retail Consumer Electronics Industry. According to the Philippine Statistics Authority ("**PSA**"), there are over 6,750 establishments engaged in the retailing of ICT equipment. Though there is a large number of establishments, there are only about 10 to 15 companies that have consistent presence in the malls as standalone stores or kiosks. These companies, including Silicon Valley, Complink, Electroworld, ADI (Asianic), Villman, and Zagato (PC Express), are some of the Company's direct competitors.

We compete with these companies primarily in terms of in-store purchases, range and quality of products offered, pricing, target market, and sales network coverage. To ensure its market leading position, we continuously expand our store network and constantly introduce new products, as well as enhance existing product offerings, to adapt to evolving consumer preferences.

Inventory Management

We have been managing our own warehouse and delivery system since the beginning of our operations. Other warehouses are located in Cebu for the Visayas, Cagayan de Oro for North Mindanao, and Davao City for South Mindanao. We are also building additional nine (9) warehouses nationwide.

Our main warehouse is located in Manila which primarily serves the National Capital Region but can likewise serve all branches nationwide. The main warehouse in Manila is being held by the Company pursuant to a lease agreement.

Our stores, warehouses, and distribution channels are designed to be linked with each other through our online inventory system. This enables our central office staff to monitor orders, shipping, receiving, and transferring of products including the balance of inventory on a real time basis.

We regularly check our sell-through in order to effectively purchase and allocate products. We strictly follow the first in and first out (FIFO) system in the disposal of its inventories.

Our inventories are done daily, quarterly, and annually. The main purpose for these inventories is to identify and minimize losses and to check if the system's accuracy. The Area Managers also conduct store branches spot checking or random check inventories to validate if the system is accurate and most importantly, to manage losses due to obsolescence, theft, pilferage and damages.

Information Technology Infrastructure

Our technological capabilities continually improve our operational efficiency. Our customized and integrated information technology systems allow us to plan, manage, and monitor every step of the supply chain process. Critical business information from merchandising, inventory, and point-of-sale ("POS") data to customer data, financial management systems, and business intelligence and analytics is captured on a near real-time basis.

Our Company utilizes Odoo Enterprise ERP Cloud system for our financials, procurement, and inventory management that allows real-time monitoring of critical business information. We also use MYOB Retail Manager for our POS system which is also integrated to Odoo Enterprise System. With this integrated system, we can monitor stores daily sales and inventory levels. We plan to update our current POS system to Odoo Enterprise POS in order to have a fully-integrated system which will enable us further improve our operational efficiency.

For our e-commerce sales, we use the Shopify E-Commerce platform, which allows us to sell products online, monitor orders and inventory. In addition, it provides SSL certificates to improve security for online customers and integration with PAYNAMICS payment gateway, provides a secure connection and customers can select wide range of payment facilities available.

Insurance

We maintain appropriate insurance policies that are relevant to our business needs and operations to cover a variety of risks. Such risks are but not limited to the following: fire and lightning, earthquakes, marine transport, typhoons, riots/strikes, malicious damage, robbery and burglary. The insurance providers are trusted and reliable domestic insurers.

Our Company considers insurance coverage that is consistent with industry practice and is adequate for its business operations. From time to time, we review and assess our risk and adjust our insurance coverage as may be appropriate.

Employees

As of March 31, 2022, we have 1,034 employees. The following table sets forth the breakdown of the Company's employees by function:

Function	**Number of Employees**
Rank and file	809
Key management, Managers, and Supervisors	225
Regular	689
Probationary	52
Contractual	293
Total	**1,034**

We aim to foster a strong sense of responsibility in a motivating environment to enhance our employees' incentives and loyalty. We conduct various trainings for different levels of staff, including trainings tailored to specific job duty. As we are partners in shared success, we adopt a holistic approach in investing in our people. For example, we provide competitive salaries and performance-based cash bonuses. At the store level, our in-store management teams are also empowered and incentivized to drive sales and profitability of their respective stores. Moreover, we equip our team members with comprehensive training and development programs, including knowledge of the latest trends in consumer behavior and preferences as well as after-sales support. We also arrange product trainings for our store personnel with our suppliers at least twice a year. As of March 31, 2022, key functions, such as sales and marketing, and procurement and supply chain management comprised approximately 70% of our total employees.

Permits and Licenses

We have obtained, and are in the process of obtaining, all material permits and licenses from the relevant and appropriate local government units and regulatory agencies in relation to our continued business, as confirmed byAdarlo Caoile & Associates Law Firm in a legal opinion dated May 27, 2022.

Set out in Annex A of this Prospectus are the material permits and licenses necessary for our Company to operate in the Philippines, the failure to possess any of which would have a material adverse effect on our business and operations. We believe that we have all material permits and licenses necessary for us to operate the business as currently conducted and such permits and licenses are valid, subsisting, or pending renewal. With respect to material permits and licenses which are pending renewal, we expect to obtain such renewal in due course. We do not expect that the pending renewals will have a material adverse impact on its operations.

Legal Proceedings

As of the date of this Prospectus, our Company is not involved in any administrative, legal and arbitration proceedings. It is not involved in any litigation, arbitration or claims (including personal injuries, employee compensation or product liability claims) of material importance. Our Company is not aware of any litigation, arbitration or claims of material importance pending or threatened against it that would have a material adverse effect on its business, financial condition or results of operations.

Investor Relations Office

The Investor Relations Office ("**IRO**") will be tasked with (a) The creation and implementation of an investor relations program that reaches out to all shareholders and informs them of corporate activities, and (b) The formulation of a clear policy for accurately, effectively and sufficiently communicating and relating relevant information to our stakeholders as well as to the broader investor community.

The IRO will also be responsible for ensuring that our shareholders have timely and uniform access to official announcements, disclosures and market-sensitive information relating to us. As our officially designated spokesperson, the IRO will be responsible for receiving and responding to investor and shareholder queries. In addition, the IRO will oversee most aspects of our shareholder meetings, press conferences, investor briefings, management of the investor relations portion of the Company's website and the preparation of its annual reports. The IRO will also be responsible for conveying information such as the Company's policy on corporate governance and corporate social responsibility, as well as other qualitative aspects of our operations and performance. Our Investor Relations Office will be located in our office in Unit 2308, 23/F Capital House Tower 1, 9th Avenue corner 34th Street, Bonifacio Global City, Taguig City. The Company's Investor Relations Officer will be Ms. Rachelle C. Paunlagui and she may be contacted via email at iro@upson.com.ph or through telephone number +63 (2) 8 526-7152.

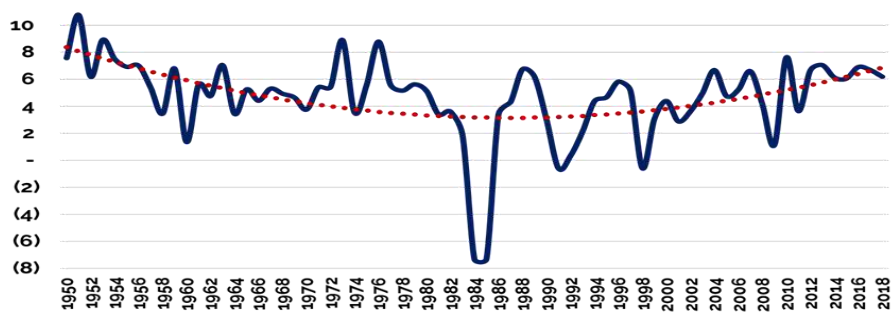
INDUSTRY

The information that appears in this Industry Overview has been prepared by the Center for Research and Communication ("CRC") and reflects estimates of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. The Company compensated CRC for the conduct of the study referred to in this Prospectus. References to CRC should not be considered as the opinion of CRC as to the value of any security or the advisability of investing in the Company. The Company believes that the sources of information contained in this Industry Overview are appropriate sources for such information and have taken reasonable care in reproducing such information. The Company has no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information prepared by CRC and set out in this Industry Overview has not been independently verified by the Company, the Issue Manager, the Underwriters or any other party involved in the Offering and neither they nor CRC give any representations as to its accuracy and the information should not be relied upon in making, or refraining from making, any investment decision.

THE MACROECONOMIC ENVIRONMENT IN THE PHILIPPINES

The Philippines' economic performance since 2020 (represented by the GDP data) showed a significant downward trend as the pandemic hit both the supply and demand enablers. The lockdown restrictions hampered productive activities resulting in a steep decline in economic growth to -9.4% y-o-y in 2020, affected by several factors such as decreased household and capital expenditures, and lower production and sales in the Industry and Service sectors. This was a stark contrast with the pre-pandemic performance where the long-term growth averaged at 5-6%. (see Figure 1).

Figure 1. Pre-Pandemic PH Growth Momentum[4]

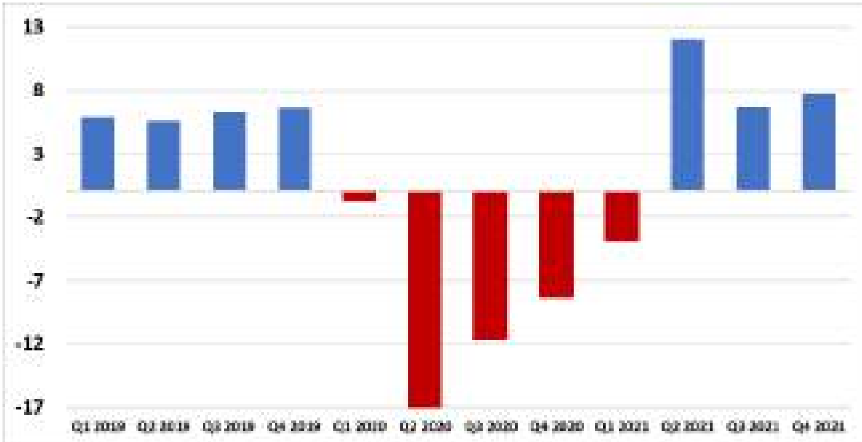


The downward trend continued during the first quarter of 2021. Nonetheless, some improvements were observed as the Philippines posted positive economic growth in the second and third quarters, although largely due to lower base effect (see Figure 2). Full year 2021 economic performance posted a 5.6% y-o-y expansion, slightly higher than market consensus, propelled by the increase in investors' appetite and consumer confidence observed in the last three quarters of 2021 as well as the seasonal improvement in consumption during holiday season. Production levels for the Industry and Services sector then registered positive growth of 8.2% and 5.3%, respectively, as restrictions implemented by the government were gradually lifted.

Figure 2. Quarterly GDP Growth (2019-2021)[5]

4 Source of basic data: PHILIPPINE STATISTICS AUTHORITY and UA&P-School of Economics

5 Source of basic data: PHILIPPINE STATISTICS AUTHORITY



Moving forward, there is a consensus among international organizations and local economists that the economic outlook for 2022 is going to be fairly optimistic, arising from improvements in employment, production, and demand.

Total demand is expected to significantly improve due to the gradual easing of travel restrictions, coupled by potential higher employment rates. The seasonal increase in consumption during the holiday season and the election-related spending will likewise help propel total demand. Certainly, this will help buoy economic activities, benefiting most industries including retail trade.

Retail Trade Trends

While the total economic activity was observed to be declining for most of the quarters since the onset of the pandemic (save for Q3-2021), the retail trade activities appeared to have a better performance. Corresponding to the general decline in consumption in Q2-2020, retail trade had declined by 11% during the said period. However, retail trade growth significantly improved during Q2 and Q4 2021, by 8.4% and 8.2% respectively, driven by the increase in retail production and demand.

Demand for Electronic Products

The fear of contracting the virus while safety protocols are yet to be fully enforced shifted the business and academic operations mostly into work-from-home and online set-up, driving an extraordinary increase in online tools (i.e., laptop/computers, mobile phones, printers, online-related accessories). This is evident in the latest import data of consumer electronics and telecommunication products. Note that in 2021 (January-November data) the two mentioned products recorded double-digit growth of 25% and 31%, respectively: higher than the pre-2020 rate. The average growth rate (from 2015-2019) of office equipment, consumer electronics, and telecommunication stood at 7.3%, 25.6%, and 16.5% (see Table 4).

Table 4. Import Growth (%) Data of Select Electronic Product Categories[6]

Year	Office Equipment	Consumer Electronics	Telecommunication
2016	24.4	56.3	70.4
2017	(16.15)	10.09	(41.35)
2018	22.48	21.20	31.06
2019	(1.40)	14.93	5.88

6 Source of basic data: PHILIPPINE STATISTICS AUTHORITY
Note: 2021 data reflects the YTD growth (2020 vs. 2021) up to November

2020	(20.92)	(36.75)	(30.59)
2021	(6.3)	25.4	31.3

Catalysts

The improvement in employment will help sustain consumer demand, including items that will facilitate work-from-home (WFH) arrangements and online learning, following trends that indicate permanent aspects of households and business operations in the digital space. Likewise, consumer electronics retailing will continue to be supported by the growth of the e-commerce sector. While e-commerce growth is expected to be substantial (+300% by 2025, or an estimated $15-B), the penetration rate remains low at 5%, offering hefty growth opportunities for the electronics retailing industry. The national government's digitization plan, as further discussed in the latter section will also buoy growth in the industry. Moreover, the growing popularity of financial technology and gaming will provide an extra boost in the electronic retail landscape.

THE PHILIPPINE CONSUMER ELECTRONICS RETAIL INDUSTRY

From a product viewpoint, the consumer electronics sector in its broader sense can be classified as follows:

Table 5. Consumer Electronics Sector

Category	Product lines
Computer hardware & peripherals	Desktops, laptops, tablets, monitors, operating system and software applications, storage devices, memory sticks, CDs, keyboards, mouse, headsets, speakers, projectors, scanners, printers, and ink consumables, etc.
Computer components & peripherals	Motherboard, video card, processors, memory, sound card, router, monitor, etc.
Communication and photographic equipment	Mobile phone and accessories, telephone, fax machine, intercom, satellite, satellite disks, drones, cameras, camcorders, telescopes, etc.
Home electronics & entertainment	Home appliances like smart TVs, refrigerators, washing machines, air conditioners and electric fans, electronic stoves, microwaves, electric kettles, coffee machines, game consoles, DVD players and recorders, hi-fi systems, home theaters, radio, game consoles, etc.
Car Electronics	Sound systems, video entertainment, light & navigation systems and devices, air-conditioning and temperature control, information access systems, etc.
Others: Consumer-based devices and health-related devices; security, etc.	Portable medical devices and wearables, home care products, surveillance & security systems

Each product line can comprise a specialized industry (i.e., computer hardware & peripherals industry, home electronics industry, etc.) with its own distinct and yet overlapping target markets and channels.

Since 2016, the Philippine consumer electronics market showed consistent growth, with revenues over USD 7 billion (Php 358 billion).[7] The market encompasses electronic and digital devices used primarily for private entertainment, communication, or home-office activities. This includes portable gadgets such as mobile phones, computing equipment such as computers and peripherals, and multimedia appliances such as TV and streaming devices sold by retailers in both online and offline channels.[8] Consumer electronics is limited to computers and its components and peripherals, communication equipment such as mobile phones and accessories, and do-it-yourself security and protection devices.

In this section, the Philippine consumer electronics market is classified into the following product segments: (1) Computers and its peripherals, (2) Components and its peripherals, (3) Communication devices and its accessories, and (4) Security and protection devices and software as patterned after UIC's product categories.

As of May 2021, the consumer electronics market's largest product segment in terms of revenues is communication devices with a 66% share, consisting mostly of smartphones and mobile phones. On the other hand, computers, components, and peripherals make up 34% (see Figure 4).[9]

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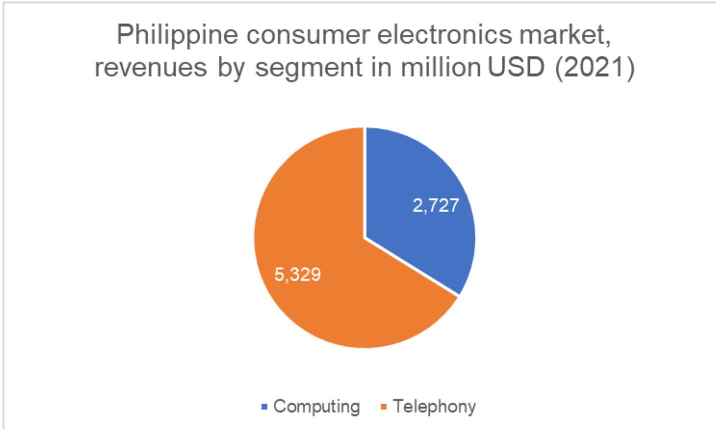
7 *USD 1 = PHP 51.21 (as of January 2022)*

[8] *Source: Statista, 2021*

[9] *Source: Statista, 2021*

Figure 4. Philippine Consumer Electronics Market, Revenues by Segment in Million USD (2021)



Consumer electronics cater to the following market segments with the corresponding channels to reach each segment:

Table 7. Channels for Each Market Segment

Segment	Target Market	Channel
Retail	Households, MSMEs, gamers, hobbyists, vloggers, influencers	1. Brick and mortar outlets found in malls, standalone stores, concept stores, specialized stores, kiosks 2. Online (e-commerce platforms such as websites and third party providers such as Lazada and Shopee
Institutional	Large enterprises and corporations	1. Direct sales from ERP and IT service providers/ manufacturers

In terms of sales, 70% is expected to still be generated through retail outlets or offline channels in 2021 while only 30% will be generated through online platforms. Of these online platforms, 49% of sales transactions are completed via desktops while 51% is completed via mobile phones, with the gap increasing in favor of mobile phones in the next five years. With the accessibility of e-commerce, online sales are also expected to grow up to 54% in 2025.[10]

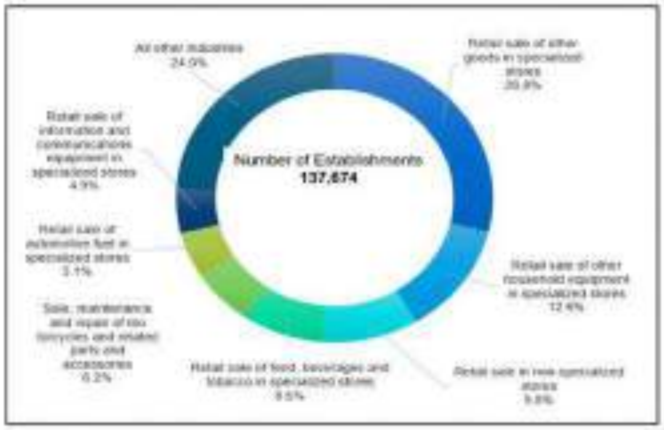
In the more updated PwC survey conducted in December 2021, it was also noted that in-store shopping has bounced back to 46% in March 2021, due to the confidence brought about by vaccination. Simultaneous to this is the rise of online shopping through mobile phones which reached a historic 52% in December compared to 35% in March.11 With online discounts and alternative payments such as cash-on-delivery and e-wallets, e-commerce is becoming a relevant channel, especially for cheaper consumer electronics.12

COMPETITION IN THE PHILIPPINE CONSUMER ELECTRONICS RETAIL INDUSTRY

In the latest 2018 census of Philippine Business by the Philippine Statistical Authority (PSA), there are over 137,000 wholesale and retail establishments of which close to 5.0% or 6,750 establishments are engaged in the retailing of ICT equipment in specialized stores (see Figure 5 below). Not all of these establishments however have retail channels in the malls.

[10] *Statista, 2021*
11 PwC. (2021). A time for hope: Consumers' outlook brightens despite headwinds: December 2021 global consumer insights pulse survey. https://www.pwc.com/gx/en/industries/consumer-markets/consumer-insights-survey.html
12 Euromonitor International (2021)

Figure 5. Percent distribution of Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles Establishments, Philippines: 2018 CPBI13



In 2020, it is estimated that the value of the PC and PC-related peripherals and components in Philippine consumer electronics retail industry (excluding mobile communications) is about Php 157 billion, wherein at least 10-15% are transacted in malls. UIC dominates the market followed by a far second and third players.

Structure of industry players and competitor profile

Table 14. Competitors in the Philippine Consumer Electronics Retail Industry with Estimated Market Size (in Million Pesos) (2020)14

Competitors	Number of Outlets	Regional Coverage	Sales (2020)	Share
Upson (Octagon)	175	Luzon, Visayas and Mindanao	8,152	5.18%
Company A	66	Luzon, Visayas and Mindanao	3,009	1.91%
Company B	28	Luzon	1,300	0.83%
Company C	50	Luzon, Visayas, and Mindanao	860	0.55%
Company D	29	Luzon	847	0.54%
Company E	36	Luzon and Visayas	529	0.34%
Company F	27	Luzon	217	0.14%
Company G	66 (2 of which are repair outlets)	Luzon and Visayas	141	0.09%
Others			142,212	90.43%
TOTAL			**157,267**	**100%**

The Philippine Consumer Electronics Retail industry is not exactly competitive in structure since few large-format firms, headed by Upson, dominate this retail channel in the malls. Outside of this are direct and online buyers and institutional accounts that may have a different industry structure altogether. Table 14 summarizes the major players and competitors in the consumer electronics retail industry.

While the industry structure overall appears highly competitive (i.e. small market shares of many firms), a closer examination indicates that a small set of large players actually cover the mall-based retail channels. There are only

13 Source: Philippine Statistics Authority, Annua Survey of Philippine Business and Industry 2018
14 Source: Company reports, CRC estimates

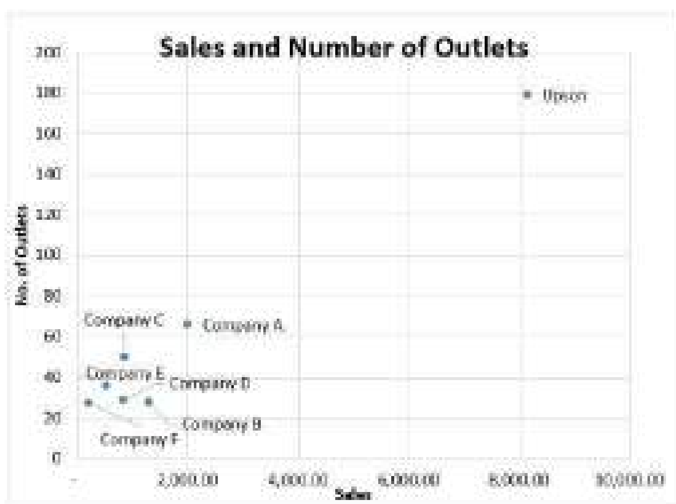
about 10-15 companies that have a consistent presence in the malls as standalone stores or kiosks. The rest are pushed via other channels such as institutional and direct orders.

Hence, this mall-based retail consumer electronics retailing is dominated by a few firms operating widely in various popular urban-based malls. Initially, retail consumer electronics stores are general stores in which a customer can buy different gadgets and electronics accessories with a variety of brands. As the trend shifted to brand-consciousness on the purchase of PC/laptops and related items, concept/specialized stores have increased in popularity. Top retailers in the consumer electronics industry mostly have their branches/stores within malls with a product range that almost provide all buyers what they need when it comes to electronic gadgets, and cater mostly to in-store purchases. They all target in-store purchases of households, MSMEs, component assemblers and gamers. Since these firms—large, small, or kiosk—are found in designated sections in malls, they compete with each other since their markets overlap. Hence, wherever the malls are and will be, these retailers will follow suit. Despite the competition within the channel, strong presence in malls has proven to be a profitable venture for all players in the industry.

Others capitalize on their presence and long-standing partnership with these malls. They expanded their product lines to consumer electronics as well. Upson likewise capitalizes on the same long partnership with the malls by extending their product ranges and therefore market scope, opening additional outlets within the same mall.

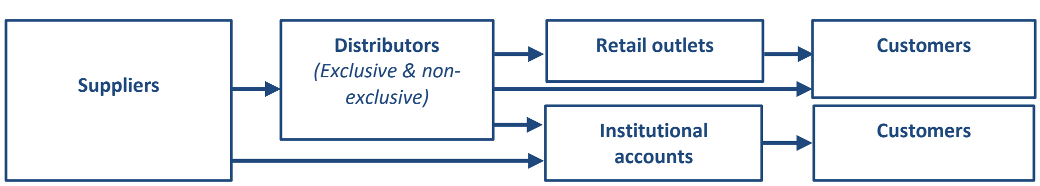
Having more outlets is critical to cornering market share - the more outlet stores the firm has, the higher the market share (See Figure 6 below). In addition, an extensive network of outlets provides the scale-economies to effectively compete in an industry where margins are slim and affordability is critical. In a crowded channel, the number of outlets to catch and to reach foot traffic and in-store purchases are likewise important. Moreover, outlets with stand-alone-store formats are equally important to establish a strong store-brand image and top-of-mind recall.

Figure 6. Relationship between Outlets and Sales



Philippine Consumer Electronics Value Chain and Key Partners

Figure 7. Philippine Consumer Electronics Value Chain

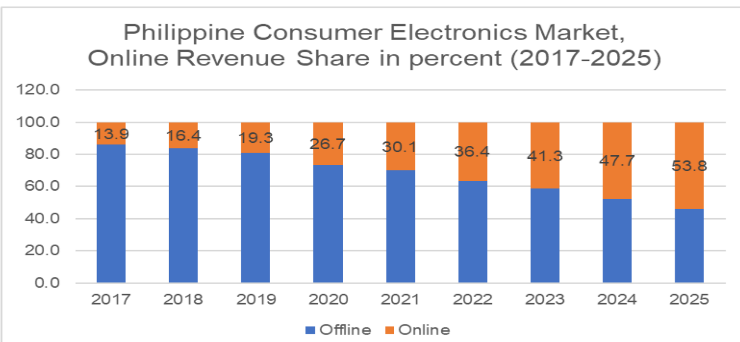


The consumer electronics retail industry's value chain, composed of various interlinked industries, is critical to reaching the target customers. There are three broad downstream channels to reach two broad sets of customers, comprising retail and institutional accounts. Retail accounts are composed of households, small offices/home offices (SOHOs), micro, small, and medium enterprises (MSMEs), gamers, and other hobby-based or PC-customization accounts.

It should be noted that the value chain is closely interlinked with the global supply chain. The recent disruptions on the global supply and distribution networks of electronic parts and accessories in 2021 which extended up to 2022 have significantly affected the supply chain. Delivery of PCs, laptops, communication devices and equipment have been delayed worldwide. Prices also shot up, posing a threat to product affordability in the market.

Retail customers do not normally purchase their PCs and hardware, much more personal communication devices online. Based on the data provided by Statista, since the pandemic began, total online purchases, although growing by 7.4% from the previous year, only accounted for 26.7% of total purchases in 2020 (see Figure 8).

Figure 8. Philippine Consumer Electronics Market, Online Revenue Share in Percent (2017-2025)[15]



While direct distributors or wholesalers often try to directly target the retail segments, shopping malls remain to be the preferred primary channel for consumer electronics retailers to effectively reach their customers nationwide.

The institutional segment, composed primarily of some specialized medium to mostly large-scale enterprises, is reached by institutional account channels like enterprise resource planning (ERP) consultants, designers, and programmers. This channel tailor-fits software and network services, hardware, and peripherals to the specific digitization requirements of their institutional accounts.

Key partners

The retail industry is dependent on commercial space to reach their target markets. In particular, consumer electronics retailers that are primarily mall-based grow their business in line with the expansion of shopping malls. Thus, those engaged in commercial construction and the development and operations of shopping malls and similar retail outlets serve as the consumer electronics retail industry's key partners. As mall tenants, leading retailers of consumer electronics maintain long-standing relationships with shopping mall developers which provide sought-after retail space in high-traffic locations and regions with emerging markets or wider geographic reach. These mall operators also impact a retailer's profitability with rental fee rates and leasing terms. When the pandemic hit and operations of retailers belonging to non-essential sectors were first suspended in 2020, mall operators waived rental

[15] *Statista (2021)*

fees to help ease the burden from highly-affected retail stores, while minimizing the risk of closures and increased vacancies in a turbulent economic period.

The major mall developers are SM Prime Holdings, Ayala Land, Robinsons Land, and Double Dragon Properties. As expected, most malls are concentrated in NCR, specifically in these cities: Quezon City, Makati City, Manila, Mandaluyong City, and Taguig City.

According to the study conducted by CRC, around 237,000 sq.m. gross floor area of shopping mall space was completed by the end of 2021, contributing to the existing total of 9.3 million sq.m. Recovery is also expected in 2022, with 523,700 sq.m. new retail space. However, given the effects of the current pandemic and the rise of online shopping among consumers,, vacancies on shopping mall spaces are also projected to increase by 17%.[16]Thus, retail is foreseen to best adopt e-commerce to complement physical stores and take advantage of technological opportunities to maximize sales.[17] This direction with the retail trends that will shape the future of the industry: creating destinations through concept stores and reaching customers through multi-channel retailing (integration of in-store and online platforms).[18]

Key Suppliers

Philippine retailers of consumer electronics rely mostly on established global suppliers and vendors, with only a few exceptions of local manufacturers of homegrown brands. With mobile phones being the largest segment, the majority of the Philippines' biggest suppliers are smartphone manufacturers from South Korea (Samsung, LG) or China (Oppo, Vivo, Huawei, Xiaomi) that offer a wide range of affordable gadgets catering to the mass market. In the computer and peripherals segment, similar Asian brands dominate the market (Acer, Lenovo, Asus) in addition to big US manufacturers such as Apple, HP, Microsoft, and Dell, and Japanese brands such as Canon, Sony, Epson, and Panasonic.

Other drivers of competition in the large retail formats

Significant entry barriers. There are several significant entry barriers that new players have to hurdle in entering the Philippine consumer electronics retail industry. These include:

Access to mall-based retail channels. Securing retail space in malls poses a significant entry barrier. In addition to having the financial capital and the store-brand recall, developing a close partnership with the mall operators should also be in consideration.

Regulatory policies and logistics distribution. Consumer electronics are imported goods, which therefore require developing the systems and acquiring the long experience and familiarity with the logistics and distribution business in the Philippines.

Reliable logistics and distribution resources and capabilities. The sourcing, warehousing, and distribution of goods from abroad to an extensive retail network in the nationwide market pose a significant entry barrier. Ensuring that the goods are readily available on the shelves in stores in the malls require either exclusive control or reliable access to such logistics and distribution resources, technological infrastructure, and capabilities.

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[16] Cushman & Wakefield. (2022). How global brands are shaping the Metro Manila retail landscape. https://www.cushmanwakefield.com/en/philippines/insights/how-global-brands-are-shaping-the-metro-manila-retailer-landscape-2021

[17] Colliers. (2021). Bound for rebound: Property stakeholders anticipate recovery in 2022. https://www.colliers.com/en-ph/research/philippine-property-outlook-2022

[18] Cushman & Wakefield. (2022). How global brands are shaping the Metro Manila retail landscape. https://www.cushmanwakefield.com/en/philippines/insights/how-global-brands-are-shaping-the-metro-manila-retailer-landscape-2021

Economies of scale. Keeping the prices of in-store goods competitive while generating reasonable margins to sustain the operations is achieved when the relevant economies of scale have been reached. Maintaining a huge working capital and physical investments, growing market base, fixed costs at the minimum, and operational efficiency can lead to scale economies in the retailing of consumer electronics.

Close substitutes and major industry competitors. The rapid development of technology inevitably gives rise to substitutes that can alter or even dampen demand for mall-based retailing of electronic goods. Some of these include personal cloud storage & cloud-based services (Google, M365, Dropbox), cross-platform communication services (mobile phones, PCs, and tablets), telco companies' bundle packages, and purely online shops.

Role of complementary products. Strong complementarity between products can trigger demand between such products. The complementary goods in consumption for the consumer electronic products comprise of the following: (i) PC and mobile accessories, since the purchase of laptops, PCs, and mobile phones can trigger demand for their accessories; (ii) Internet and data services can in turn trigger demand for the use of electronic devices; (iii) Streaming services, since the subscriptions can trigger demand for mobile devices, home entertainment equipment, and its accessories; and (iv) The purchase of internet-ready household appliances such as smart TVs and similar equipment can also stimulate demand for smartphone upgrades, audio equipment, smart home devices, wearables, etc.

Prospects in the Philippine Consumer Electronics Retail Industry

Key industry forecasts

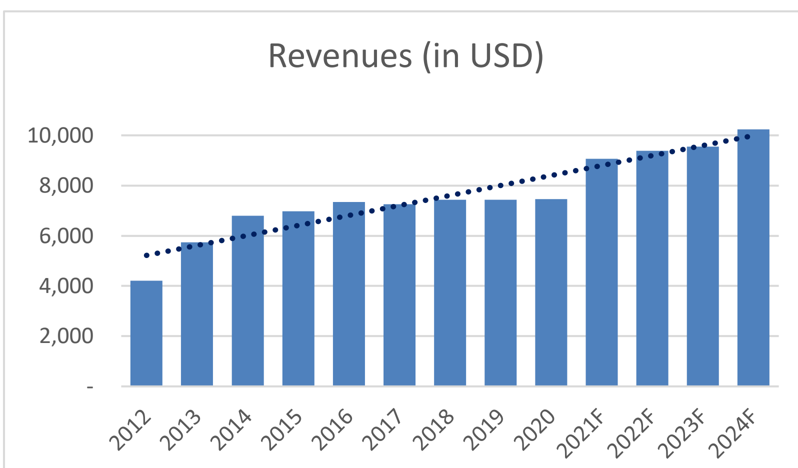
Demand for consumer electronics covering the four product categories of UIC is expected to continue the uptrend in the next 4 years with an estimate revenue of USD 10,243 million in the year 2024 (see Figure 12).

The key drivers of growth are the following:

1. **GDP growth**. It is expected that an improvement in economic performance will result in higher demand for most products, including electronic products and accessories.
2. **Peso-dollar rate**. Since the consumer electronics market is highly dependent on imports, peso depreciation is expected to make electronic products less affordable and will have a negative impact on demand.
3. **Time**. Aligned with the linear increase in mobile and internet penetration, the demand for electronic products is expected to increase over time, accounting for the increase in the number of prospective users.

Figure 12. Forecast of Philippine Consumer Electronics Revenues (in USD millions) for 2021-2024

Revenues (in USD Millions)	
2012	4,203.00
2013	5,733.00
2014	6,791.00
2015	6,969.00
2016	7,342.00
2017	7,251.00
2018	7,435.00
2019	7,440.00
2020	7,459.00
2021F	**9,063.21**
2022F	**9,380.13**
2023F	**9,548.47**
2024F	**10,243.53**



Key industry trends

There are major megatrends that will stimulate the demand for consumer electronics. These include the following:

1. **Digital ecosystems (brand-centric compatibility).** The rise of hybrid ecosystems in all facets of consumer and business behavior and processes following the post-pandemic lockdowns have accelerated the shift to digital ecosystems. Most of these ecosystems revolve around specific brands as large manufacturers of consumer electronics expand their product lines for seamless compatibility. According to Oxford Economics, "the digital economy is worth **USD 11.5 trillion globally**, equivalent to 15.5% of global GDP and that has grown two and a half times faster than global GDP over the past 15 years, almost doubling in size since the year 2000".[19]

2. **Smart homes and smart cities.** The post-pandemic world will move highly urbanized cities towards the smart city concept where hybrid living will call for the development of data-driven info-structures, connectivity, 5G adoption, analytics, and artificial intelligence systems in and for private and public services.[20] According to technology consultants Frost and Sullivan, the thrust towards the development of smart cities will spell business opportunities worth USD 2.46 trillion by 2025.[21] In the Philippines, this thrust will be initiated by private and large developers in their vast integrated property developments, in collaboration with the government for infrastructure support and ICT companies for their services. Corollary to such a megatrend is the push for health and wellness technology support such as COVID sterilizers and air-condition systems, UV disinfection systems, environment health monitoring and detection apps, etc.

3. **Virtual and augmented reality, gamification.** Online games such as e-sports and even casual gamers will be a major driver for electronics and its devices. According to Euromonitor, e-sports gamers cut across generations – baby boomers, millennials, generation X and Z – although the general profile tends to be younger for all. In the Philippines, gamers can be as young as 16 years old. In fact, computers and electronics account for over one sponsorship per property or close to 240 sponsorship deals. In contrast, soft drinks account for less than 0.4 sponsorship per property or less than 80 sponsorship deals.22 Augmented reality will extend beyond games and will spill over to many areas such as movies, and education and training. According to Mr. Marlon Marcelo of the Philippine Esports Organization (PESO), out of the 52.8 million gamers in the Philippines as of 2020, 74% are mobile players spending an average of two hours per day, 65% are PC users spending one to two hours per day, and 45% are gaming console users. The rise in the popularity of augmented reality and gamers can be attributed to the almost 18 months of hard lockdown in the Philippines.23 Such trends will propel demand not only for consoles and mobile devices but also for components and peripherals of customized PCs.

[19] Huawei & Oxford Economics. (2017). Digital spillover: Measuring the true impact of the digital economy. https://www.huawei.com/minisite/gci/en/digital-spillover/files/gci_digital_spillover.pdf

[20] UNCTAD. (2021). Digital economy report 2021: Cross-border data flows and development: for whom the data flow. https://unctad.org/system/files/official-document/der2021_en.pdf

[21] Frost & Sullivan. (2020, October 29). Smart cities to create business opportunities worth $2.46 trillion by 2025, says Frost & Sullivan [Press release]. https://www.frost.com/news/press-releases/smart-cities-to-create-business-opportunities-worth-2-46-trillion-by-2025-says-frost-sullivan/

[22] Euromonitor International. (2021). Discovering investment opportunities in esports. https://go.euromonitor.com/webinar-sports-211118-discovering_investment_opportunities_in_esports.html

[23] Malasig, J. (2021, July 1). Philippines ranks 4th among countries with most number of people subscribed to streaming service. Interaksyon. https://interaksyon.philstar.com/hobbies-interests/2021/07/01/195036/philippines-ranks-4th-among-countries-with-most-number-of-people-subscribed-to-streaming-service/

REGULATORY AND ENVIRONMENTAL MATTERS

The statements herein are based on the laws in force as of the date of this Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all of the regulatory and environmental Considerations that may be relevant us or the offering.

LAWS AND REGULATIONS OF THE PHILIPPINES

Optical Media Act of 2003

In 2003, Republic Act No. 9239 or the Optical Media Act of 2003 (the "**Optical Media Act"**) was enacted into law to regulate the manufacture, mastering, replication, importation, and exportation of optical media. The Optical Media Act requires an entity engaged in the importation, acquisition, sale or distribution of optical media to: (i) Register with the Optical Media Board (**OMB**); and (ii) Secure a license to operate in the optical media business. Under the Optical Media Act, optical media is defined as "a storage medium or device in which information, including sounds and/or images, or software code, has been stored, either by mastering and/or replication, which may be accessed and read using a lens scanning mechanism employing a high intensity light source such as a laser or any such other means as may be developed in the future. The term shall include, but not be limited to, devices which shall be listed in the IRR of this Act, or as prescribed by the OMB."

The Implementing Rules and Regulations (the "**IRR**") of the Optical Media Act provides that magnetic media shall likewise be regulated by the provisions of the Optical Media Act. In this regard, the IRR defines magnetic media as "a storage medium or device characterized by a base, usually plastic, coated with ferric oxide powder, in which visual and/or aural information, or software code, may be recorded or stored, including, but not limited to, magnetic tapes, cassettes, video tapes, diskettes and floppy discs or any technical variation thereof as may be determined by the Board."

Other activities that will require an entity to register with the OMB and secure a license to operate in the optical media business are as follows: (a) Importation, exportation, acquisition, sale or distribution of manufacturing equipment, parts and accessories and manufacturing materials used or intended for use in the mastering, manufacture or replication of optical media; (b) Possession or operation of manufacturing equipment, parts and accessories, or the possession, acquisition, sale or use of manufacturing materials for the mastering, manufacture or replication of optical media; and (c) Mastering, manufacture, replication, importation or exportation of optical media. Those engaged or intending to engage in more than one of the aforementioned activities and/or conduct or intend to conduct business in more than one location shall separately register with and secure the license from the OMB for every business activity at each place of business.

Under OMB Memorandum Circular No. 2005-001, the following entities must register with the OMB: (i) Importers of optical media, regardless of content; manufacturing equipment, spare parts and accessories used in the production of optical media; and manufacturing materials such as but not limited to, optical grade polycarbonate, adhesives, lacquers, chemicals, paints, inks, targets, substrates, blank optical discs, and such other materials needed for the mastering, manufacturing, replication, or duplication of optical media; (ii) Those engaged in the manufacture or fabrication, sale and acquisition of manufacturing equipment, spare parts and accessories used in the production of optical media, and the production and manufacture, sale and acquisition of manufacturing materials such as optical grade polycarbonate, adhesives, lacquers, chemicals, paints, inks, targets, substrates, blank discs, and such other materials needed for the manufacture of optical media; (iii) Those who are in possession of or engaged in the acquisition, sale or use of manufacturing materials for the mastering, manufacture or replication of optical media; and (iv) Those who offer to the public with intent to profit the use of optical disc writers and re-writers, such as, but not limited to "cd-burning" services. All registered entities shall obtain from OMB a separate license for each activity which they intend to engage in or are actually engaged in and for each location at which such activity is being undertaken. The license from OMB is required to: (i) Engage in the business of (a) production or distribution as local licensee or exclusive distributor and/or representative; (b) importation, exportation or mastering, manufacture, replication or duplication of optical media, and magnetic media; (c) importation, exportation, manufacture, acquisition, or sale of manufacturing equipment, and manufacturing materials; (ii) Copy, replicate, duplicate any copyrighted material; (iii) Import or export optical media, magnetic media, manufacturing equipment, parts and accessories, and manufacturing materials; (iv) Transport optical discs and magnetic media in commercial quantities; (v) transfer the location of any business activity as herein enumerated; (vi) Use an assigned SID Code; and (vii) Be in possession of or to store manufacturing equipment, parts, accessories and manufacturing materials.

Under OMB Memorandum Circular No. 2005-003, registered producers, local licensees, distributors and importers of optical disc containing films, music, software, games and other copyrighted content shall submit a list of their accredited retail outlets, setting forth the business name, address and President and/or Proprietor/s thereof, within thirty (30) days from approval of their license to engage in such business, or within thirty (30) days from entering into a sales or other agreement with a retail outlet, and on or before April 30th of each year, or at any time upon the request of retail outlet or the OMB. These entities are required to submit a list of their accredited retail outlets and request for the issuance of a Certificate of Accreditation. Accredited retail outlets may then individually request the issuance by the OMB of the Certificate of Accreditation and shall prominently display such Certificate and an accreditation poster to be issued by the OMB. A registered producer, local licensee, distributor or importer of optical discs may opt to request the issuance of such certificate and poster on behalf of its retail outlets, provided further that such certificate and poster are not provided to such retailer at a fee higher than what is charged by the OMB for said issuance.

All entities engaged in the importation, exportation, production, distribution and wholesale and retail sale of recordable discs, such as, but not limited to CD-R, CD-RW, DVD-R, etc. are required to register and obtain a license to engage in an optical media business, under OMB Memorandum Circular No. 2005-007.

Also, under OMB Memorandum Circular No. 2018-002 entities, establishments and individuals engaged in the manufacturing, importation, exportation, distribution, sale, rental, and other commercial activities involving Storage Devices, for commercial purpose, are required to register and acquire the necessary license and/or permit with the Registration and Licensing Division of the OMB. Storage Devices refer to flash drives or thumb drives, secure digital ("**SD**") cards, network attached storage ("**NAS**"), external/internal hard disk drives ("**HDD**"), solid state drives ("**SSD**"), cellular phones, tablet computers, portable music players, and internet-based file storage and synchronization service fall within the purview of the above definitions. The mentioned entities or establishments shall maintain and keep true and complete record of all transactions relating to the conduct of business. They shall likewise make the same available upon request of the OMB.

Failure to maintain and keep the required records, or to make the same available to OMB personnel for purposes of inspection shall subject the mentioned entities to corresponding penalties. Failure to comply with the licensing requirements is punishable by suspension of operations of the establishment for a period of not less than one (1) month, but not more than three (3) months, confiscation of Storage Devices and/or fine of not less than ₱50,000.00, but not more than ₱100,000.00. On the other hand, failure to comply with the reportorial requirements is punishable with suspension of operations of the establishment for a period of not less than six (6) months and/or a fine of not less than ₱100,000.00, but not more than ₱500,000.00. In addition to the foregoing, the permits, licenses, or registration issued by national or local government units in favor of the mentioned entities and establishments, which are involved in the manufacturing, importation, exportation, distribution, sale, rental, and other commercial activities with respect to Storage Devices without the proper license from the OMB, shall automatically be cancelled.

NTC Memorandum Circular No. 09-08-91

Memorandum Circular No. 09-08-91 of the National Telecommunications Commission (the "**NTC**"), provides for the "Guidelines in the Sale, Purchase and Importation of various Radio Communications Equipment intended for Use in Private and Government-Owned Radio Communications Networks."

Any and all importations of various radio communications equipment particularly radio transceivers, and/or transmitter be covered by an appropriate Permit to Import issued by the NTC. A Permit to Import valid for a period of ninety (90) days from the date of issuance thereof shall be issued by the NTC. Grantees of Permits to Import shall import only radio communications equipment, spare parts and/or accessories as contained in the Permit to Import and only in quantities as authorized by the NTC. Grantees of Permit to Import shall present evidence of tax payment and corresponding customs duties of all items imported under such Permit to Import issued by the NTC. Radio Equipment dealers and manufacturers must reflect and include the radio communications equipment and/or accessories imported in their regular Sales and Stock Reports submitted to the NTC for the next reporting period covering the actual date of import.

The sale of radio communications equipment shall only be done by a duly accredited radio equipment dealer and/or manufacturer with a valid Radio Equipment Dealers and/or Manufacturer's Permit or by an individual, entity or corporation with a valid Permit to Sell issued by the NTC. The sale of radio communications equipment to any individual, entity or corporation whether government or private, without a valid Permit to Purchase issued by the NTC is strictly prohibited.

The purchase of any radio communications equipment by any entity or corporation whether private or government without a valid Permit to Purchase issued by the NTC is strictly prohibited. The Permit to Purchase shall be valid for a period of one-hundred eighty (180) days and may be extended provided adequate proof (such as valid Purchase Order) that corresponding orders for the required radio communications equipment have been made within the validity period of the Permit to Purchase.

NTC Memorandum Circular No. 01-01-12

NTC Memorandum Circular No. 01-01-12, provides for the "Guidelines in the Importation of non-type approved/accepted Customer Premises Equipment ("**CPE**") for purposes of demonstration and/or testing." CPE is an equipment located at the customer's premise enabling communication or a relevant component thereof which is intended to be connected directly or indirectly by any means whatsoever to interfaces of public telecommunications networks. Network interface means a network termination point at which a user is provided with access to a public telecommunications network through wire or wireless interface. Examples of CPE are corded/cordless telephone sets, facsimile. Machines, PABX/KTS, DSL Modem, 2G/3G/4G/WiMax Modem, 2G/3G/4G mobile phones, POS Terminal via PSTN or public wireless network, etc.

The importation of CPE maybe requested by any entity intending to test use a CPE product or by an applicant of CPE type approval/acceptance certificate to demonstrate and test a CPE product. Permit to Import must be secured from the NTC prior to importation. If the shipment arrives without the necessary import permit, a Release Clearance may be secured by the importer, in lieu of the Permit to Import. A Permit to Import issued by the NTC shall have a validity of ninety (90) days from the date of issuance.

NTC Memorandum Circular No. 08-08-04A

NTC Memorandum Circular No. 08-08-04A provides for rules and regulations on the purchase, sale, lease and/or retail of mobile phone units, parts and accessories. A mobile phone is defined under the circular as a handheld radio communications device employing cellular mobile telephone system ("**CMTS**") and similar technologies, popularly referred to as cellular phones or cell phones, capable of transmitting and receiving voice, data and other multimedia services by means of radio waves.

Under NTC Memorandum Circular No. 08-08-04A, a Mobile Phone Dealer ("**MPD**") is a person or entity authorized by the NTC to purchase mobile phones, locally, including parts and accessories from mobile phones supplier/distributor and engage in the sale to end users/customers. Meanwhile, a Mobile Phone Supplier/Distributor ("**MPSD**") is a person or entity accredited by the NTC to engage in the importation of mobile phones, including parts and accessories thereof from manufacturers and in the sale/distribution thereof to mobile phone dealers. NTC Memorandum Circular No. 08-08-04A also differentiates an MPD and MPSD from a Mobile Phone Retailer/Reseller ("**MPRR**"), which is defined as a person or entity registered with the NTC to buy mobile phones, including parts and accessories thereof from an MPD and engages in a limited scale in the buy and sell to end users/customers for a limited period.

Under NTC Memorandum Circular No. 08-08-04A, all MPDs, MPSDs, and MPRRs must obtain the necessary accreditation/permit/registration certificate from the NTC. MPDs and MPRRs are also mandated to register with the NTC all available mobile phone units it has in stock and/or possession by submitting the list of its International Mobile Equipment Identity ("**IMEI**") code on a monthly basis. MPDs and MPRRs shall also submit a list of all available subscriber identification module ("**SIM**") numbers it has in stock and/or possession.

Violations of any of the provisions of NTC Memorandum Circular No. 08-08-04A shall be dealt with in accordance with existing rules and regulations including the suspension, cancellation and revocation of permits, the closure of the operation or establishment and/or the imposition of fines. The illegal purchase, sale, lease and/or retail of mobile phone acquired from any illegal source shall be fined with a penalty of ₱5,000.00 per unit per violation. The purchase, sale, lease and/or retail of mobile phones without NTC type approval/type acceptance labels/stickers shall also be fined with a penalty of ₱5,000.00 per unit per violation. Meanwhile, the illegal importation of mobile phone, parts and accessories shall be fined with a penalty of ₱5,000.00 per unit. Finally, an MPD or MPRR operating without a valid NTC Permit shall be fined ₱5,000.00 and may be closed by the NTC.

NTC Memorandum Circular No. 09-09-2003

NTC Memorandum Circular No. 09-09-2003, covers all wireless data networks and devices operating within 2400MHz to 2483MHz, 5150MHz to 5350MHz and 5470MHz to 5850MHz bands. It provides that indoor equipment and devices shall be submitted for type approval/acceptance registration by accredited dealers and suppliers before the equipment and devices are placed on stock and sold. Indoor equipment and devices include radio equipment and devices with an effective radiated power ("**ERP**") not exceeding 250mW and no external antenna, e.g. WLAN cards or other similar cards directly sold to the end users, WLAN enabled portable computers, bluetooth enabled mobile phones, bluetooth enabled computers and personal digital assistants.

Indoor Wireless Data Network ("**WDN**") equipment and devices shall not use external antenna. WDN is a network of computers and other computing devices utilizing radio frequency. WDN equipment and devices can only be sold and used after these are duly registered type approved/type accepted by the TNC under NTC Memorandum Circular No. 09-09-2003.

Accredited dealers and suppliers intending to import WDN equipment and devices shall secure permit to import from the NTC. The application for permit to import shall be supported by pro forma invoice detailing, among others, make/type/model and number of units to be imported. Imported equipment and devices shall, upon release from the Bureau of Customs, submit sales and stock report to the NTC. The NTC shall issue NTC Type Approval/Acceptance Registration Number for each of the units imported upon payment of the required registration fee. Only radio dealers and suppliers accredited by the NTC can sell WDN equipment and devices. They shall only sell and maintain on stock indoor equipment and devices duly registered under NTC Memorandum Circular No. 09-09-2003. Outdoor equipment shall only be sold to persons or entities with duly approved permit to purchase. Accredited radio dealers and suppliers shall comply with existing rules and regulations, among other, on sales and stock reporting and permit to import, etc.

Violations of any of the provisions of NTC Memorandum Circular No. 09-09-2003 shall be dealt with in accordance with existing rules and regulations to include cancellation of registration, accreditation, authorization, permits and. licenses. Selling of unregistered indoor equipment and devices shall be fined with a penalty of P5,000.00 per unit with forfeiture of equipment/device. Non-submission of monthly Sales and Stock Report shall be fined with a penalty of ₱1,000.00 per month.

Retail Trade Liberalization Act

Republic Act No. 8762 otherwise known as the Retail Trade Liberalization Act of 2000 ("**R.A. No. 8762**") was enacted into law on 7 March 2000. R.A. No. 8762 repealed R.A. No. 1180 or "An Act to Regulate the Retail Business," and liberalized the Philippine retail industry to encourage Filipino and foreign investors to forge an efficient and competitive retail trade sector in the interest of empowering the Filipino consumer through lower prices, high quality goods, better services and wider choices. Prior to the passage of R.A. No. 8762, retail trade was limited for Filipino citizens or corporations that are 100% Filipino-owned. R.A. No. 8762 was amended by Republic Act No 11595 ("**R.A. No. 11595**") which was signed into on law on 10 December 2021 and took effect on 21 January 2022.

Retail trade is defined by R.A. No. 8762 to cover any act, occupation, or calling of habitually selling direct to the general public any merchandise, commodities or goods for consumption. R.A. No. 8762 as amended by R.A. No. 11595 provides that foreign-owned partnerships, associations and corporations may, upon registration with the SEC, or in case of foreign-owned single proprietorships, with the DTI, engage or invest in the retail trade business, subject to the following conditions:

1. A foreign retailer shall have a minimum paid-up capital of ₱25 million;
2. The foreign retailer's country of origin does not prohibit the entry of Filipino retailers; and,
3. In the case of foreign retailers engaged in retail trade through more than one physical store, the minimum investment per store must be at least ₱10 million: Provided, that this requirement shall not apply to foreign investors and foreign retailers who are legitimately engaged in retail trade and were not required to comply with the minimum investment per store at the time of the effectivity of the R.A. No. 11595.
4. The foreign investor shall be required to maintain in the Philippines, the full amount of the prescribed minimum capital, unless the foreign investor has notified the SEC or the DTI, whichever is appropriate, of its intention to repatriate its capital and cease operations in the Philippines. The actual use in Philippine operations of the inwardly remitted minimum capital requirements shall be monitored by the SEC, or by the DTI, whichever is appropriate.
5. Failure to maintain in the Philippines the paid-up capital required, prior to notification of the SEC or the DTI, shall subject the foreign retailer to penalties or restrictions on any future trading activities/business in the Philippines.
6. For purposes of registration with the SEC or the DTI, the foreign retailer shall submit a certification from the BSP of the inward remittance of the minimum required capital investment, or in lieu thereof, such other proof certifying that its capital investment is deposited and maintained in a bank in the Philippines.

The Consumer Act

Republic Act No. 7394 or the Consumer Act of the Philippines (the **Consumer Act**) was enacted in 1992 to fulfill the policy of the State to protect the interests of consumers, to promote their general welfare, and to establish standards of conduct for business and industry. Specifically, it seeks to: (i) Protect consumers against hazards to health and safety, (ii) Protect consumers against deceptive, unfair and unconscionable sales acts and practices; (iii)Pprovide information and education to facilitate sound choice and the proper exercise of rights by the consumer; (iv) Provide adequate rights and means of redress; and (v) Involve consumer representatives in the formulation of social and economic policies.

This law imposes rules to regulate such matters as: (i) Consumer product quality and safety; (ii) Fair, honest consumer transactions and consumer protection against deceptive, unfair and unconscionable sales acts or practices; (iii) Practices relative to the use of weights and measures; (iv) Consumer product and service warranties; (v) Compulsory labeling and fair packaging; (vi) Liabilities for defective products and services; (vii) Consumer protection against misleading advertisements and fraudulent sales promotion practices; and (viii) Consumer credit transactions.

The Consumer Act prohibits false, deceptive, or misleading advertisements and sales promotions and deceptive sales and acts and practices for the purpose of inducing or which is likely to induce directly or indirectly the purchase of consumer products or services. An advertisement shall be false, deceptive or misleading if it is not in conformity with the provisions of the Consumer Act or if it is misleading in any material respect. In determining whether any advertisement is false, deceptive or misleading, there shall be taken into account, among other things, not only representations made or any combination thereof, but also the extent to which the advertisement fails to reveal material facts in the light of such representations, or materials with respect to consequences which may result from the use or application of consumer products or services to which the advertisement relates under the conditions prescribed in said advertisement, or under such conditions as are customary or usual. Any person who violates the provisions of the Consumer Act shall be subject to administrative fines or imprisonment or both at the discretion of the court. Should the offense be committed by a juridical person, the chairman of the board of directors, the president, general manager, or the partners and/or the persons directly responsible therefor shall be penalized.

Manufacturers, distributors, importers or re-packers of consumer products are required to indicate in their labels or packaging a parallel translation in the English or Filipino language of the nature, quality, quantity and other relevant prescribed information or instructions of such consumer products in a manner that cannot be easily removed, detached or erased. The Consumer Act provides for the following minimum labeling requirements for consumer products sold in the Philippines: (a) The correct and registered trade name or brand name; (b) The duly registered trademark; (c) The duly registered business name; (d) The address of the manufacturer, importer, and repacker of the consumer product in the Philippines; (e) The general make or active ingredients; (f) The net quantity of contents, in terms of weight, measure or numerical count rounded off to at least the nearest tenths in the metric system; (g) The country of manufacture, if imported; and (h) If a consumer product is manufactured, refilled or repacked under license from a principal, the label shall so state the fact. The following information may also be required by authorities to be indicated in the packaging: (a) Whether it is flammable or inflammable; (b) Directions for use, if necessary; (c) Warning of toxicity; (d) Wattage, voltage or amperes; or (e) Process of manufacture used if necessary.

The DTI is tasked with implementing the Consumer Act with respect to labels and packaging of consumer products other than food products, and regulates product labeling, proper and correct description of goods, product labels with foreign characters/languages, data/information on product contents and origins and other similar matters.

No person shall conduct any sales campaigns, including beauty contests, national in character, sponsored and promoted by manufacturing enterprises without first securing a permit from the DTI prior to the commencement thereof. A sales promotion which is intended for broad consumer participation and utilizes mass media shall indicate the duration, commencement and termination of the promotion, the deadline for submission of entries and the governing criteria or procedure to be followed therein. The winners in any sales promotion shall be determined at a definite time and place and shall be verified by a representative of the DTI and the sponsor.

Violation of the Consumer Act shall warrant administrative penalties and/or imprisonment of not less than one year but not more than five years, or a fine of not less than ₱5,000.00 but not more than ₱10,000.00 or both, at the discretion of the court. Should the offense be committed by a juridical person, the chairman of the board of directors, the president, general manager, or the partners and/or the persons directly responsible therefor shall be penalized.

Labor and Employment

Labor Code of the Philippines

The Labor Code of the Philippines (the "**Labor Code**") seeks to protect labor, promote full employment, ensure equal opportunities regardless of sex, race or creed and regulate the relations between workers and employers. The Labor Code prescribes the rules for hiring and termination of private employees, the conditions of working including maximum work hours and overtime, employee benefits such as holiday pay, thirteenth month and retirement pay and the guidelines in the organization and membership of labor unions.

In this connection, the Department of Labor and Employment ("**DOLE**") is the government agency mandated to formulate policies and implement programs and services, and serves as the policy-coordinating arm of the executive branch in the field of labor and employment. The DOLE has exclusive authority in the administration and enforcement of labor and employment laws such as the Labor Code and the Occupational Safety and Health Standards, as amended, and such other laws as specifically assigned to it or to the Secretary of the DOLE.

The Labor Code recognizes subcontracting arrangements, whereby a principal puts out or farms out with a contractor the performance or completion of a specific job, work or service within a definite or predetermined period, regardless of whether such job, work or service is to be performed or completed within or outside the premises of the principal. Such arrangements involve a "trilateral relationship" among: (i) The principal who decides to farm out a job, work or service to a contractor; (ii) The contractor who has the capacity to independently undertake the performance of the job, work, or service; and (iii) The contractual workers engaged by the contractor to accomplish the job, work, or service.

On March 16, 2017, Department Order No. 174 (2017) ("**D.O. No. 174**") was issued by the DOLE providing for the guidelines on contracting and subcontracting, as provided for under the Labor Code. It has reiterated the policy that labor-only contracting is absolutely prohibited where: (1) (a) The contractor or subcontractor does not have substantial capital, or does not have investments in the form of tools, equipment, machineries, supervision or work premises, among others; and (b) The contractor's or subcontractor's recruited and placed employees are performing activities which are directly related to the main business operation of the principal; or (2) The contractor or subcontractor does not exercise the right to control over the performance of the work of the employee. The failure of legitimate contractors to register gives rise to the presumption that the contractor is engaged in labor-only contracting.

On June 13, 2017, the DOLE issued Department Circular No. 1 (2017) clarifying that the prohibition under D.O. No. 174 does not apply to business process outsourcing, knowledge process outsourcing, legal process outsourcing, IT Infrastructure outsourcing, application development, hardware and/or software support, medical transcription, animation services, and back office operations or support.

D.O. No. 174 reaffirms the constitutional and statutory right to security of tenure of workers. It absolutely prohibits labor-only contracting and other illicit forms of employment arrangement. D.O. No. 174 permits contracting and subcontracting provided that: (i) The contractor or subcontractor is engaged in a distinct and independent business and undertakes to perform the job or works on its own responsibility, according to its own manner and method; (ii) The contractor or subcontractor has substantial capital to carry out the job farmed out by the principal on his account, manner and method and investment in the form of tools, equipment, machinery and supervision; (iii) In performing the work farmed out, the contractor or subcontractor is free from the control and/or direction of the principal in all matters connected with the performance of the work except as to the result thereto; and (iv) The service agreement ensures compliance with all the rights and benefits for all employees of the contractor or subcontractor under the labor laws.

On May 2, 2018, President Rodrigo Duterte signed Executive Order No. 51, reiterating the prohibition of the practice of illegal contracting or subcontracting in the country. The executive order aims to protect the worker's right to security of tenure, self-organization and collective bargaining and peaceful concerted activities.

Social Security System, PhilHealth and the Pag-IBIG Fund

An employer or any person who uses the services of another person in business, trade, industry or any undertaking is required, under Republic Act No. 11199, otherwise known as the Social Security Act of 2018, to ensure coverage of employees following procedures set out by the law and the Social Security System (SSS). Under the said law, an employer must deduct from its employees their monthly contributions in an amount corresponding to their salary, wage, compensation or earnings during the month in accordance with the monthly salary credits, the schedule and the rate of contributions as may be determined and fixed by the Social Security Commission, and pay its share of contribution and remit these to the SSS within a period set by law and/or SSS regulations. This enables the employees or their dependents to claim their pension, death benefits, permanent disability benefits, funeral benefits, sickness benefits and maternity-leave benefits.

The failure of the employer to comply with any of its obligations may lead to sanctions, including the imposition of a fine of not less than ₱5,000.00 nor more than ₱20,000.00, or imprisonment for not less than six years and one day nor more than 12 years, or both, at the discretion of the court. The erring employer will also be liable to the SSS for damages equivalent to the benefits to which the employee would have been entitled had his name been reported on time to the SSS and for the corresponding contributions and penalties thereon.

Employers are likewise required to ensure enrolment of their employees in a National Health Insurance Program ("**NHIP**") administered by the Philippine Health Insurance Corporation, a government corporation attached to the Department of Health tasked with ensuring sustainable, affordable and progressive social health insurance pursuant to the provisions of Republic Act No. 10606, otherwise known as the National Health Insurance Act of 2013.

On February 20, 2019, Republic Act No. 11223, otherwise known the Universal Health Care Act, was enacted, which amended certain provisions of the National Health Insurance Act of 2013. Under the said law, all Filipino citizens are now automatically enrolled into the National Health Program. However, membership is classified into two types, direct contributors and indirect contributors. Direct contributors refer to those who have the capacity to pay premiums, are gainfully employed and are bound by an employer-employee relationship, or are self-earning, professional practitioners, migrant workers, including their qualified dependents, and lifetime members. On the other hand, indirect contributors refer to all others not included as direct contributors, as well as their qualified dependents, whose premium shall be subsidized by the national government including those who are subsidized as a result of special laws. Every member is also granted immediate eligibility for a health benefit package under the program. An employer who fails or refuses to register its employees, regardless of their employment status, or to deduct contributions from its employees' compensation or remit the same to our Corporation shall be punished with a fine of not less than ₱5,000.00 multiplied by the total number of employees of the firm.

Under Republic Act No. 9679, otherwise known as the Home Development Mutual Fund Law of 2009, all employees who are covered by the SSS must also be registered with and covered by the Home Development Mutual Fund, more commonly referred to as the Pag-IBIG Fund. It is a national savings program as well as a fund to provide for affordable shelter financing to Filipino workers. Coverage under the Home Development Mutual Fund is compulsory for all SSS members and their employers. Under the law, an employer must deduct and withhold 2% of the employee's monthly compensation, up to a maximum of ₱5,000.00, and likewise make a counterpart contribution of 2% of the employee's monthly compensation, and remit the contributions to the Home Development Mutual Fund. Refusal of an employer to comply, without any lawful cause or with fraudulent intent, particularly with respect to registration of employees as well as collection and remittance of contributions, is punishable by a fine of not less but no more than twice the amount involved, or imprisonment of not more than six years, or both such fine and imprisonment. These penalties are apart from the civil liabilities and/or obligations of the delinquent employer. When the offender is a corporation, the penalty will be imposed upon the members of the governing board and the president or general manager, without prejudice to the prosecution of related offenses under the Revised Penal Code and other laws, revocation and denial of operating rights and privileges in the Philippines and deportation when the offender is a foreigner.

DOLE Mandated Work-Related Programs

Under Republic Act No. 9165, otherwise known as the Comprehensive Dangerous Drugs Act, a national drug abuse prevention program implemented by the DOLE must be adopted by private companies with ten or more employees. For this purpose, employers must adopt and establish company policies and programs against drug use in the workplace in close consultation and coordination with the DOLE, labor and employer organizations, human resource development managers and other such private sector organizations. DOLE Department Order No. 053-03 sets out the guidelines for the implementation of Drug-Free Workplace policies and programs for the private sector.

The employer or the head of the work-related, educational or training environment or institution also has the duty to prevent or deter the commission of acts of sexual harassment and to provide the procedures for the resolution, settlement or prosecution of such cases. Under the Anti-Sexual Harassment Act, the employer will be solidarily liable for damages arising from the acts of sexual harassment committed in the workplace if the employer is informed of such acts by the offended party and no immediate action is taken. Notwithstanding, the victim of sexual harassment is not precluded from instituting a separate and independent action for damages and other affirmative relief. Any person who violates the provisions of this law shall, upon conviction, be penalized by imprisonment of not less than one month nor more than six months, or a fine of not less than ₱10,000.00 nor more than ₱20,000.00, or both such fine and imprisonment, at the discretion of the court. Any action arising from the violation of the provisions of this law shall prescribe in three years.

Moreover, DOLE Department Order No. 102-10 requires all private workplaces to have a policy on HIV and AIDS and to implement a workplace program in accordance with the Philippines AIDS Prevention and Control Act. The workplace policies aim to manage sensitive issues, such as confidentiality of medical information and continuation of employment for HIV-positive staff, and to avoid discrimination against any employee due to HIV/AIDS. Any HIV/AIDS-related information about workers should be kept strictly confidential and kept only on medical files, whereby access to it is strictly limited to medical personnel.

All private workplaces are also required to establish policies and programs on solo parenting, Hepatitis B, and tuberculosis prevention and control.

Occupational Safety and Health Standards Law

Republic Act No. 11058, otherwise known as the Occupational Safety and Health Standards Law, was signed into law in August 2018. Under this law, every employer, contractor, subcontractor and any person who manages, controls, or supervises the work being undertaken is required, among others, to furnish the workers a place of employment free from hazardous conditions that are causing or are likely to cause death, illness or physical harm to the workers. The law also requires them to give complete job safety instructions or orientation and to inform the workers of all hazards associated with their work, health risks involved or to which they are exposed, preventive measures to eliminate or minimize the risks and steps to be taken in cases of emergency. Department Order No. 198, series of 2018 ("**D.O. No. 198**") was promulgated by the DOLE to implement the provisions of the Occupational Safety and Health Standards Law. D.O. No. 198 classifies establishments as low, medium or high risk, and depending on the number of employees per establishment, provides for the corresponding requirements and provisions required of each employer, such as number of safety officers, occupational health officers and provision for health equipment and facilities.

Under the DOLE Labor Advisory No. 04, series of 2019 ("**Guide for Compliance of Establishments to D.O. No. 198**"), the establishment concerned shall be responsible for determining its own level of classification (low, medium or high risk) based on Hazards Identification and Risk Assessment Control conducted by the company.

The employer, project owner, contractor or subcontractor, if any, and any person who manages, controls or supervises the work being undertaken shall be jointly and solidarily liable for compliance with occupational safety and health standards, including the penalties imposed for any violations thereof.

Retirement Law

Republic Act No. 7641, which amended Article 287 of the Labor Code, provides for the mandated payment of retirement benefits to eligible employees. All employees are entitled to receive retirement benefits that they have earned upon retirement under existing laws or collective bargaining agreements. In the absence of a retirement plan or agreement providing for retirement benefits of employees, an employee, upon reaching the age of sixty (60) years or more, but not beyond sixty-five (65) years, who has served at least five (5) years in the establishment, may retire and shall be entitled to retirement pay equivalent to at least one-half (1/2) month salary for every year of service, a fraction of at least six (6) months being considered as one whole year.

General Business Regulatory Framework

Revised Corporation Code of the Philippines

Republic Act No. 11232, also known as the Revised Corporation Code, was signed into law on February 20, 2019 and took effect on February 23, 2019. The following are among the salient features of the Revised Corporation Code:

- Corporations are granted perpetual existence, unless the articles of incorporation provide otherwise. Perpetual existence shall also benefit corporations whose certificates of incorporation were issued before the effectivity of the Revised Corporation Code, unless a corporation, upon a vote of majority of the shareholders of the outstanding capital stock, notifies the SEC that it elects to retain its specific corporate term under its current Articles of Incorporation.

- A corporation vested with public interest must submit to its shareholders and to the SEC an annual report of the total compensation of each of its directors or trustees, and a director or trustee appraisal or performance report and the standards or criteria used to assess each director, or trustee.
- Corporations engaged in businesses vested with public interest as may be determined by the SEC must have independent directors constituting at least 20% of the Board.
- The Revised Corporation Code allows the creation of a "One Person Corporation" (**OPC**), which is a corporation composed of a single stockholder, provided that, only natural person, trust, or an estate may form such. It expressly prohibits banks and quasi-banks, preneed, trust, insurance, public and publicly listed companies, among others, from being incorporated as such. This restriction also applies with respect to incorporations such as Close Corporation. No minimum authorized capital stock is also required for an OPC, unless provided for under special laws.
- Material contracts between a corporation vested with public interest and its own directors, trustees, officers, or their spouses and relatives within the fourth civil degree of consanguinity or affinity must be approved by at least two-thirds (2/3) of the entire membership of the Board, with at least a majority of the independent directors voting to approve the same.
- The right of shareholders to vote in the election of directors or trustees, or in shareholders' meetings, may now be done through remote communication or in absentia if authorized by the corporate by-laws. However, as to corporations vested with public interest, these votes are deemed available, even if not expressly stated in the corporate by-laws. The shareholders who participate through remote communication or in absentia are deemed present for purposes of quorum. When attendance, participation and voting are allowed by remote communication or in absentia, the notice of meetings to the shareholders must state the requirements and procedures to be followed when a shareholder or member elects either option.
- In case of transfer of shares of listed companies, the SEC may require that these corporations whose securities are traded in trading markets, and which can reasonably demonstrate their capability to do so, issue their securities or shares of stock in uncertificated or scripless form in accordance with the Rules of the SEC.

The Revised Corporation Code refers to the Philippine Competition Act in case of covered transactions under said law involving the sale, lease, exchange, mortgage, pledge, or disposition of properties or assets; increase or decrease in the capital stock, incurring creating or increasing bonded indebtedness; or mergers or consolidations covered by the Philippine Competition Act thresholds.

The Philippine Competition Act

Republic Act No. 10667, otherwise known as the Philippine Competition Act, was signed into law on July 21, 2015 and took effect on August 5, 2015. This Act aims to codify anti-trust laws in the Philippines, and it provides the competition framework in the country. The Philippine Competition Act was enacted to provide free and fair competition in trade, industry, and all commercial economic activities.

To implement its objectives, the Philippine Competition Act provides for the creation of a Philippine Competition Commission (the **"PCC**"), an independent quasi-judicial agency that has the following powers: (a) to conduct investigations, (b) issue subpoenas, (c) conduct administrative proceedings, and (d) impose administrative fines and penalties. However, to conduct a search and seizure, the PCC must apply for a warrant with the relevant court.

The Philippine Competition Act imposes sanctions on anti-competitive agreements between or among competitions, and mergers and acquisitions which have the object or effect of substantially preventing, restricting, or lessening competition. It also prohibits practices which involve abuse of a dominant position, such as selling goods or services below cost to drive out competition, imposing barriers to entry or preventing competitors from growing, and setting prices or terms that discriminate unreasonably between customers or sellers or the same goods, subject to exceptions.

The Philippine Competition Act also introduces the pre-notification regime for mergers and acquisitions, which requires covered transactions to be notified to the PCC for its approval.

A merger or acquisition that meets the thresholds but was not notified to the PCC, or notified but consummated, in whole or in part, prior to the expiration of the waiting period, is considered void and will subject the parties to a fine ranging from 1% to 5% of the value of the transaction. Anti-competitive agreements, as defined under the law, are subject to penalties that include: (a) a fine of not less than ₱50.0 million but not more than ₱250.0 million; and (b) imprisonment for two to seven years for directors and management personnel who knowingly and willfully participate in such criminal offenses. Administrative fines of ₱100.0 million to ₱250.0 million may be imposed on entities that engage in anti- competitive agreements, abuse their dominant position, and conclude prohibited mergers and acquisitions. Treble damages may be imposed where the violation involves the trade or movement of basic necessities and prime commodities.

On June 3, 2016, the PCC issued the implementing rules and regulations of the Philippine Competition Act ("**IRR**"). Under the IRR, as a general rule, parties to a merger or acquisition are required to provide notification when: (a) the aggregate annual gross revenues in, into or from the Philippines, or value of the assets in the Philippines of the ultimate parent entity of the acquiring or the acquired entities exceed ₱1.0 billion (**Size of Party**); and (b) the value of the transaction exceeds ₱1.0 billion, as determined in the IRR (**Size of Transaction**); while Parties to a joint venture transaction shall also be subject to the notification requirement if either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱1.0 billion, or (b) the gross revenues generated in the Philippines by assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱1.0 billion.

The PCC also has released its "Guidelines on the Computation of Merger Notification Thresholds," providing the method for calculation of the aggregate value of assets and gross revenues from sales for the purposes of determining whether a proposed merger or acquisition is notifiable to the PCC.

On March 1, 2018, the PCC issued Memorandum Circular No. 18-001, which adjusted the thresholds for the compulsory notification of mergers and acquisitions from ₱1.0 billion for both the Size of Person and Size of Transaction tests to ₱5.0 billion for the Size of Person and ₱2.0 billion for the Size of Transaction as defined in the Implementing Rules and Regulations. In addition, parties to a joint venture transaction shall be subject to the notification requirement if either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱2.0 billion; or (b) the gross revenues generated in the Philippines by the assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱2.0 billion.

The same memorandum circular also provided that unless otherwise modified or repealed by the PCC, the thresholds set out in Rule 4, Section 3 of the Implementing Rules and Regulations, as amended, shall be automatically adjusted commencing on March 1, 2019 and on March 1 of every succeeding year, using as index the Philippine Statistics Authority's official estimate of the nominal Gross Domestic Product (GDP) growth of the previous calendar year rounded up to the nearest hundred million. The annual nominal GDP from 2017 to 2018 grew by 10.2%.

In a PCC resolution issued on February 11, 2020 the PCC raised the thresholds to ₱6.0 billion for Size of Party and ₱2.4 billion for Size of Transaction effective March 1, 2020. Notification also became mandatory for joint venture transactions if either the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱2.2 billion, or the gross revenues generated in the Philippines by the assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱2.2 billion. Effective March 1, 2020, these thresholds were likewise raised to ₱2.4 billion.

Section 4 (eee) of Republic Act No. 11494, otherwise known as the Bayanihan 2 Act, exempts from compulsory notification all mergers and acquisitions with transaction values below ₱50.0 billion if entered into within two (2) years from the effectivity of Bayanihan 2 Act, or from September 15, 2020. A transaction is considered "entered into" upon signing by the parties of the definitive agreement.

Under the PCC Resolution No. 22-2020 adopting the rules implementing Section 4 (eee) of the Bayanihan 2 Act, mergers and acquisitions shall still be subject to compulsory notification when:

1. Both the transaction value and the size of the ultimate parent entity of either party is at least ₱50.0 billion; and
2. The transaction is entered into prior to the effectivity of the Bayanihan 2 act and exceeds the thresholds applicable.

Additionally, the Bayanihan 2 Act suspends PCC's power to motu proprio review mergers and acquisitions for one year from the effectivity of the law. However, transactions entered into prior to the effectivity of the Bayanihan 2 Act which has not yet been reviewed by the PCC; and transactions pending review by the PCC prior to the effectivity of the Bayanihan 2 Act, or from September 15, 2020, shall not be covered by the exemption from the PCC's power to review transactions motu proprio. Further, mergers and acquisitions entered into during the effectivity of the Bayanihan 2 Act may still be reviewed by the PCC motu proprio after one year from the effectivity of the law.

Any voluntary notification shall constitute a waiver to the exemption from review.

On September 15, 2017, the PCC published the 2017 Rules of Procedure ("**Rules**") which apply to investigations, hearings, and proceedings of the PCC, except to matters involving mergers and acquisitions unless otherwise provided. It prescribes procedures for fact-finding or preliminary inquiry and full administrative investigations by the PCC. The Rules also include non-adversarial remedies such as the issuance of binding rulings, show cause orders, and consent orders.

On September 10, 2019, the Supreme Court of the Philippines approved the Rules on Administrative Search and Inspection under the Philippine Competition Act. The rules govern the application, issuance, and enforcement of inspection orders for administrative investigations of alleged violations of the Philippine Competition Act. Inspection orders will allow the PCC and its deputized agents to enter, search and inspect business premises, offices, land and vehicles to examine, copy, photograph, record or print information in order to prevent their removal, concealment, tampering with or destruction.

Foreign Investments Act of 1991

Republic Act No. 7042, as amended, otherwise known as the Foreign Investments Act of 1991, ("**FIA"** or "**R.A. No. 7042**"), liberalized the entry of foreign investment into the Philippines. Under the FIA as amended, in domestic market enterprises, foreigners can own as much as 100% equity interest in a domestic corporation except in areas specified in the Regular Foreign Investment Negative List (the **Negative List**) periodically issued by the President of the Philippines. This Negative List enumerates industries and activities which have foreign ownership limitations under the FIA as amended, and other existing laws. Nationalized activities include, among others, land ownership, retail trade, mining and the operation of public utilities as the term is defined under Republic Act No. 11659 or "An Act Amending Commonwealth Act No. 146 otherwise known as the Public Service Act" ("**RA 11659**"). R.A. No. 7042 was amended by Republic Act No. 8179 which was signed into law on 28 March 1996, and was again recently amended by Republic Act No. 11647, ("**R.A. No. 11647**") which was signed into law on 2 March 2022 and took effect on 17 March 2022.

Under the FIA as amended, non-Philippine Nationals may own 100% equity interest in micro and small domestic market enterprises with a minimum paid-in capital of One Hundred Thousand US Dollars (US$100,000.00) if (1) they involve advanced technology as determined by the Department of Science and Technology, or (2) they are endorsed as startup or startup enablers by the lead host agencies pursuant to Republic Act No. 11337, otherwise known as the "Innovative Startup Act," or (3) a majority of their direct employees are Filipino, but in no case shall the number of Filipino employees be less than fifteen (15).

For the purpose of complying with nationality laws, the term Philippine National is defined under the FIA as any of the following:

a. A citizen of the Philippines;
b. A domestic partnership or association wholly owned by citizens of the Philippines;
c. A corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines;
d. A corporation organized abroad and registered to do business in the Philippines under the Revised Corporation Code, of which 100% of the capital stock outstanding and entitled to vote is wholly owned by Filipinos; or
e. A trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine National and at least 60% of the fund will accrue to the benefit of Philippine Nationals.

The Philippine Constitution sets restrictions on the ownership of private land by foreigners. In this regard, it states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens. While the Philippine Constitution prescribes nationality restrictions on land ownership, there is generally no prohibition against foreigners owning buildings and other permanent structures. However, with respect to condominium developments, the foreign ownership of units in such developments is limited to 40%. A corporation with more than 40% foreign equity may be allowed to lease land for a period of 25 years, renewable for another 25 years.

In SEC Memorandum Circular No. 08 dated May 20, 2013 ("**SEC MC No. 08"**), or the Guidelines on Compliance with the Filipino Foreign Ownership Requirements Prescribed in the Constitution and/or Existing Laws by Corporations Engaged in Nationalized and Partly Nationalized Activities, it is provided that for purposes of determining compliance with the nationality requirement, the required percentage of Filipino ownership shall be applied both to (a) The total number of outstanding shares of stock entitled to vote in the election of directors, and (b) The total number of outstanding shares of stock, whether or not entitled to vote in the election of directors. A petition for certiorari questioning the constitutionality of SEC MC No. 08 was filed in June 2013. In *Jose M. Roy III v. Chairperson Teresita Herbosa* (G.R. No. 207246) dated April 18, 2017, the Supreme Court affirmed the validity of SEC MC No. 08.

In the 2014 case of *Narra Nickel Mining and Development Corporation, et. al vs. Redmont Consolidated Mines Corp* (G.R. No. 195580) and its corresponding motions for reconsideration (the "**Narra Nickel Case**"), the Supreme Court affirmed that the Grandfather Rule, wherein shares owned by corporate shareholders are attributed either as Filipino or foreign equity by determining the nationality not only of such corporate shareholders, but also such corporate shareholders' own shareholders, until the nationality of shareholder individuals is taken into consideration, is to be used jointly and cumulatively with the Control Test, which merely takes into account the nationality of the listed shareholders of the corporation. Such joint and cumulative application shall be observed as follows: (i) If the corporation's Filipino equity falls below 60.0%, such corporation is deemed foreign-owned, applying the Control Test; (ii) If the corporation passes the Control Test but there is doubt as to the beneficial ownership and control of the corporation, the Grandfather Rule must be applied.

Data Privacy Act of 2012

Republic Act No. 10173, or the Data Privacy Act of 2012, was signed into law on August 15, 2012. The law applies to any natural or juridical person involved in the processing of personal information, including personal information controllers and processors. It mandated the creation of the National Privacy Commission (the "**Privacy Commission**"), which shall administer and implement the provisions of the Data Privacy Act and ensure the compliance of the Philippines with international standards set for data protection.

The Data Privacy Act aims to protect the fundamental human right to privacy of data subjects by: (a) Protecting the privacy of individuals while ensuring free flow of information; (b) Regulating the collection, recording, organization, storage, updating or modification, retrieval, consultation, use, consolidation, blocking, erasure or destruction of personal data; and (c) Ensuring that the Philippines complies with international standards set for data protection through the Privacy Commission.

The law mandates companies to inform individuals about how their personal information is collected and processed. It also ensures that all personal information must be: (a) collected and processed on a lawful basis, which includes consent, and only for reasons that are specified, legitimate, and reasonable; (b) handled properly, ensuring its accuracy and retention only for as long as reasonably needed; and (c) discarded properly to avoid access by unauthorized third parties.

Personal information that is collected must be retained only for a reasonable period of time. Such a reasonable period of time is the reasonable amount of time the collector needs the information for its purposes, and the collector must notify the owner of the personal information of that duration. The data collector must implement appropriate measures for the storage and protection of the collected personal information from accidental alteration, destruction, disclosure and unlawful processing. Furthermore, the data controller must assign compliance officer(s) to ensure compliance with the provisions of the data privacy law and its accompanying implementing rules and regulations.

Its Implementing Rules and Regulations took effect on September 9, 2016, mandating all Philippines companies to comply with the following: (a) appointment of a Data Protection Officer; (b) conduct of a privacy impact assessment; (c) adoption of a privacy management program and privacy policy; (d) implementing privacy and data protection measures; and (e) establishing a breach reporting procedure. In addition, companies with at least 250 employees or access to the sensitive personal information of at least 1,000 individuals are required to register their data processing systems with the Privacy Commission. The IRR furthermore provides the only instances when data sharing is allowed, to wit: (a) data sharing is authorized by law, provided that there are adequate safeguards for data privacy and security, and processing adheres to principles of transparency, legitimate purpose and proportionality; (b) in the private sector, data sharing for commercial purposes is allowed upon (i) consent of the data subject, and (ii) when covered by a data sharing agreement; (c) data collected from parties other than the data subject for the purpose of research shall be allowed when the personal data is publicly available; and (d) data sharing among government agencies for purposes of public function or provision of a public service shall be covered by a data sharing agreement.

Local Government Code

Republic Act No. 7160, otherwise known as the Local Government Code of 1991 ("**LGC**") establishes the system and powers of provincial, city, municipal, and barangay governments in the country. The LGC general welfare clause states that every local government unit (**LGU**) shall exercise the powers expressly granted, those necessarily implied, as well as powers necessary, appropriate, or incidental for its efficient and effective governance, and those which are essential to the promotion of the general welfare.

The power to tax and police power are exercised by the LGU through their respective legislative bodies. Specifically, the LGU, through its legislative body, has the authority to enact such ordinances as it may deem necessary and proper for sanitation and safety, the furtherance of the prosperity, and the promotion of the morality, peace, good order, comfort, convenience, and general welfare of the locality and its inhabitants. Ordinances can reclassify land, impose real property taxes, order the closure of business establishments, and require permits and licenses from businesses operating within the territorial jurisdiction of the LGU.

Businesses are required to obtain a local business permit from the local government unit having jurisdiction over the territory where an entity seeks to operate before commencement of actual operations. A local business permit is issued only after compliance with certain local government requirements, including, but not limited to, a Sanitary Permit, Certificate of Electrical Inspection, Fire Safety Inspection, Locational Clearance, Barangay Business Clearance and payment of the required fees. These ancillary permits are valid for one year and must be renewed before the local business permit is issued. Failure to obtain a local business permit may expose an entity to fines and penalties, and even suspension or closure of its business.

Electronic Commerce Act

Republic Act No. 8792 or the Electronic Commerce Act of 2000 ("**R.A. No. 8792**") recognizes the vital role of information and communications technology in nation building, and the need to create an information-friendly environment which supports and ensures the availability, diversity and affordability of information and communications technology products and services. It aims to facilitate domestic and international dealings, transactions, arrangement agreements, contracts and exchanges and storage of information through the utilization of electronic, optical and similar media to promote the universal use of electronic transaction in the government and general public.

R.A. No. 8792 restricts access to an electronic file, or an electronic signature of an electronic data message or electronic document only in favor of the individual or entity having a legal right to the possession or the use of plaintext, electronic signature or file and solely for authorized purposes. The law also ensures confidentiality and prohibits any person who obtains access to any electronic key, electronic data message, electronic document, book, register, correspondence, information, or other material pursuant to any powers conferred under the said law, from convening to or sharing the same with any other person, except for purposes expressly authorized by law. The implementing rules of the law provide that the electronic key for identity or integrity shall not be made available to any person or party without the consent of the individual or entity in lawful possession of that electronic key.

The law clarifies that violations of the Consumer Act of the Philippines (Republic Act No. 7394) and other related laws through transactions covered by or using electronic data messages or electronic documents shall be penalized with the same penalties as provided therein.

Intellectual Property Code

Under the Intellectual Property Code of the Philippines ("**IP Code**"), the rights to a trademark are acquired through the registration with the Bureau of Trademarks of the Intellectual Property Office (the "**IPO**"), which is the principal government agency involved in the registration of brand names, trademarks, patents and other registrable intellectual property materials.

Upon registration, the IPO shall issue a certificate of registration to the owner of the mark, which shall confer the right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs or containers for goods or services which are identical or similar to those in respect of which the mark is registered. The said certificate of registration shall also serve as prima facie evidence of the validity of registration and the registrant's ownership of the mark. A certificate of registration shall remain in force for an initial period of ten (10) years and may be renewed for periods of ten (10) years at its expiration.

The IP Code applies to license agreements which generally fall within the definition of technology transfer arrangements ("**TTAs**"). The IP Code defines TTAs as contracts or agreements involving the transfer of systematic knowledge for the manufacture of a product, the application of a process, or rendering of a service including management contracts; and the transfer, assignment or licensing of all forms of intellectual property rights, including licensing of computer software, except computer software developed for the mass market. TTAs must comply with Sections 87 and 88 of the IP Code, i.e. TTAs cannot contain the provisions which are prohibited under Section 87 but must contain the mandatory provisions under Section 88. Failure to comply with these provisions of the IP Code will *automatically render the entire arrangement unenforceable.*

Customs Modernization and Tariff Act

Republic Act No. 10863 or the Customs Modernization and Tariff Act (the "**CMTA**") requires all goods imported from any foreign country into the Philippines, to be subject to import taxes.

In 2014, the Department of Finance issued DO No. 12-2014 requiring importers to secure an Importer Clearance Certificate ("**ICC**") from the BIR as a pre-requisite for accreditation with the Bureau of Customs ("**BOC**"). However, in 2018, Department of Finance Order No. 11-2018 ("**D.O. No. 11-2018**") repealed the Bureau of Internal Revenue Import Clearance Certificate requirement for importers. In accordance with the CMTA, D.O. No. 11- 2018 and Customs Memorandum Order No. 05-2018 ("**C.M.O. No. 05-2018**") provides that the authority to accredit and register importers and customs brokers is reverted solely to the BOC. In 2019, the BOC issued Customs Memorandum Order No. 31-2019, amended C.M.O. No. 05-2018 and provided for the guidelines for accreditation of importers and customs brokers, to ensure that no accredited importers may be used as dummies, thus maximizing the accountability of real importers and ensuring compliance with Republic Act No. 11032, or the Ease of Doing Business Act.

Anti-Money Laundering Act

Republic Act No. 9160 or the Anti-Money Laundering Act ("**AMLA**"), as amended by Republic Act No. 11521, criminalizes money laundering. In this regard, money laundering is defined as a crime whereby the proceeds of an unlawful activity are transacted, thereby making them appear to have originated from legitimate sources. It is committed by the following:

1. Any person knowing that any monetary instrument or property represents, involves, or relates to, the proceeds of any unlawful activity, transacts or attempts to transact said monetary instrument or property.
2. Any person knowing that any monetary instrument or property involves the proceeds of any unlawful activity, performs or fails to perform any act as a result of which he facilitates the offense of money laundering referred to in the paragraph above.
3. Any person knowing that any monetary instrument or property is required under the AMLA to be disclosed and filed with the Anti-Money Laundering Council, fails to do so.

The Anti-Money Laundering Act also imposes requirements on customer identification, record keeping, and reporting of covered and suspicious transactions.

Under Republic Act No. 11521, a covered transaction is a transaction in cash or other equivalent monetary instrument involving a total amount in excess of ₱500,000.00 within one (1) banking day; for covered persons under Section 3(a)(8), a single casino cash transaction involving an amount in excess of ₱5,000,000.00 or its equivalent in any other currency.

On the other hand, a suspicious transaction refers to a transaction with covered institutions, regardless of the amounts involved, where any of the following circumstances exist:

1. There is no underlying legal/trade obligation, purpose or economic justification
2. The client is not properly identified;
3. The amount involved is not commensurate with the business or financial capacity of the client;
4. Taking into account all known circumstances, it may be perceived that the client's transaction is structured to avoid being the subject of reporting requirements under the AMLA;
5. Any circumstance relating to the transaction which is observed to deviate from the profile of the client and/or the client's past transactions with the covered person;
6. The transaction is related to an unlawful activity/offense under the AMLA; and
7. Transactions similar or analogous to the foregoing.

ENVIRONMENTAL MATTERS

Philippine Environmental Impact Statement System

The Philippine Environmental Impact Statement System (the "**EISS Law**") established under Presidential Decree No. 1586, which is implemented by the DENR, is the general regulatory framework for any project or undertaking that is either (i) classified as environmentally critical or (ii) is situated in an environmentally critical area. The DENR, through its regional offices or through the Environmental Management Bureau ("**EMB**"), determines whether a project is environmentally critical or located in an environmentally critical area and processes all applications for an Environmental Compliance Certificate ("**ECC**").

The law requires an entity that will undertake any such declared environmentally critical project to submit an Environmental Impact Statement ("**EIS**") which is a comprehensive study of the significant impacts of a project on the environment, while a project in an environmentally critical area are generally required to submit an Initial Environmental Examination ("**IEE**"). While the terms and conditions of an EIS or an IEE may vary from project to project, at a minimum, they contain all relevant information regarding the environmental effects of a project. The entire process of organization, administration and assessment of the effects of any project on the quality of the physical, biological and socio-economic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS system. The EIS serves as an application for the issuance of an ECC, if the proposed project is environmentally critical or situated in an environmentally critical area; or for the issuance of a Certificate of Non-Coverage, if otherwise. An ECC is a Government certification that, among others: (i) the proposed project or undertaking will not cause significant negative environmental impact; (ii) the proponent has complied with all the requirements of the EISS Law in connection with the project; and (iii) the proponent is committed to implement its approved Environmental Management Plan ("**EMP**") in the EIS. The EMP details the prevention, mitigation, compensation, contingency and monitoring measures to enhance positive impacts and minimize negative impacts and risks of a proposed project or undertaking.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund ("**EGF**") when the ECC is issued for projects determined by the DENR to pose a significant public risk to life, health, property and the environment or where the project requires rehabilitation or restoration. The EGF is intended to meet any damage caused by such a project as well as any rehabilitation and restoration measures. Project proponents are also required to establish an Environmental Monitoring Fund ("**EMF**") when an ECC is eventually issued. The EMF is to support the activities of the team monitoring the project proponent's compliance with ECC conditions, EMP and applicable laws, rules and regulations.

In certain instances, the EMB may determine and issue a certification that a certain project is not covered by the EIS System and an ECC is not required. Consequently, a Certificate of Non-Coverage (**"CNC**") may be issued in lieu of an ECC.

Ecological Solid Waste Management Act of 2000

Ecological Solid Waste Management Act of 2000 (Republic Act No. 9003), which provides for the proper management of solid waste which includes, discarded commercial waste and non-hazardous institutional and industrial waste. The said law prohibits, among others, the transporting and dumping of collected solid wastes in areas other than prescribed centers and facilities. The National Solid Waste Management Commission, together with other government agencies and the different local government units, are responsible for the implementation and enforcement of the said law.

Any violation of this law may be punishable by fine or imprisonment, or both, depending on the prohibited act committed. If the offense is committed by a corporation, the chief executive officer, president, general manager, managing partner or such other officer-in-charge shall be liable for the commission of the offense.

DENR Rules on Disposition of Hazardous Waste

A waste generator or a person who generates or produces hazardous wastes through any institutional, commercial, industrial or trade activities must register online and pay the registration fee to the EMB Regional Office having jurisdiction over the location of the waste generator. Upon registration, the EMB shall issue a DENR identification number, which is generally a one-time permit unless there is a change in the hazardous wastes produced.

Under DENR Administrative Order No. 2013-22, a duly registered waste generator must, among others: (a) designate a full-time Pollution Control Officer; (b) disclose to the DENR the type and quantity of waste generated; (c) implement proper waste management from the time the wastes are generated until they are rendered non-hazardous; (d) continue to own and be responsible for the wastes generated in the premises until the wastes have been certified by an accredited waste treater as adequately treated, recycled, reprocessed, or disposed of; (e) adhere to the hazardous waste transport manifest system when hazardous wastes for offsite treatment, storage, and/or disposal; (f) prepare and submit to the DENR comprehensive emergency preparedness and response program to mitigate spills and accidents involving chemicals and hazardous wastes; (g) communicate to its employees the hazards posed by the improper handling, storage, transport, use and disposal of hazardous wastes and their containers; and (h) develop capability to implement the emergency preparedness and response programs and continually train core personnel on the effective implementation of such programs.

Failure to comply with DENR Administrative Order No. 2013-22 shall make the violator liable for a fine of ₱ 50,000.00. In addition to such penalty, a violation of any of its Governing Rules or rules covering the Contingency Program shall result in the immediate suspension of the permit.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

THE BOARD AND SENIOR MANAGEMENT

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

Name	Age	Nationality	Position
Lawrence O. Lee	63	Filipino	Chairman of the Board and Director
Arlene Louisa T. Sy	48	Filipino	President, Chief Executive Officer, and Director
Rolando O. Raval, Jr.	55	Filipino	Chief Operations Officer and Director
Marcos A. Legaspi	66	Filipino	Chief Finance Officer and Director
Anita Lim	56	Filipino	Treasurer
Dennis F. Uy	60	Filipino	Corporate Secretary
Ricardo A. Lee	62	Filipino	Director
William Lim	63	Filipino	Director
Anthony Thomas C. Roxas, Jr.	56	Filipino	Executive Director
Chun Bing G. Uy	67	Filipino	Independent Director
Raul M. Leopando	69	Filipino	Director
Jose Vicente C. Bengzon, III	64	Filipino	Independent Director

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

Lawrence O. Lee is our Chairman and was our President from 2012 to 2021. He is a seasoned entrepreneur with 35 years of retail experience and is concurrently the Chairman of Upson Realty and Development Corporation, Director of Silvertec Global Philippines, Inc. and President Lamp Light International Corporation, and Director of Transway Hotels Group Corp. Mr. Lawrence Lee completed his Bachelor of Science degree major in Biology from the University of Santo Tomas.

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

Rolando O. Raval, Jr. is our Chief Operations Officer and Director. Engr. Raval joined our Company 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. Mr. Raval completed his Bachelor of Science Major in Civil Engineering degree from the Ateneo De Davao University. He also holds a post-graduate diploma in Research and Development Management from the University of the Philippines.

Marcos A. Legaspi is Chief Finance Officer and Director of the Company. Prior to joining us in 2020, his 40-year career in finance included serving as CFO, management consultant, and external auditor across companies in the retail, manufacturing, telecommunications, real estate, and technology industries. He was also an auditor at Sycip Gorres Velayo & Co. (SGV) earlier in his career. Mr. Legaspi holds a Bachelor of Science degree in Commerce with a Major in Accounting from the Polytechnic University of the Philippines. He is a Certified Public Accountant.

Anita Lim was appointed as the Treasurer of our Company in 2007. Prior to this, she was with Upson Int'l Import and Export. Ms. Lim also served as an executive director of our Company. Ms. Lim has a Bachelor of Science Degree in Management from Centro Escolar University.

Dennis F. Uy has been our Corporate Secretary since 2012. He is also the Corporate Secretary of Silvertec Global Philippines Inc. Mr. Uy was a Manager for Maximax Office Automation from 1987 to 1995, Sales Executive for Automatic Center from 1985 to 1986, and Manager for Shikaina Drug Store from 1984 to 1985. Mr. Uy graduated from the Philippine School of Business Administration with a degree of Bachelor of Science in Business Administration – Marketing.

Ricardo A. Lee is a Director and was the Company's Chairman from 1995 to 2021. Mr. Lee, together with Mr. William Lim, the founders, organized and incorporated the Proton Microsystems, Inc. in 1995. Currently, Mr. Lee is involved in other business undertakings and serves as Director of Transway Hotels Group Corp., Director of Silvertec Global Philippines, Inc., and Director Lamp Light International Corporation, as well as Director of Upson Realty and Development Corporation. Mr. Lee has been an entrepreneur for the past forty (40) years.

William Lim has been a director of the Company since 1995. He was also the Company's Treasurer from 1995 to 2007. Mr. Lim is also a director of Upson Realty and Development Corporation. Mr. Lim received his Bachelor of Science Degree in Engineering major in Civil Engineering from the University of Mindanao. Mr. Lim has been an entrepreneur for the past forty (40) years.

Anthony Thomas C. Roxas, Jr. is an Executive Director of our Company and has been a financial advisor to key members of the Board since 2016. He brings with him 23 years of banking experience in Investment Banking and Corporate Banking with First Metro Investment Corporation and Metrobank. He is concurrently Finance Director in ME Sicat Construction Inc., Finance Executive Director of Orion Group International and Quantity Solutions Inc. He served as Finance Executive Director to HMR Philippines as well as Senior Management Advisor to Tapa King Inc from 2016 to 2018. His undergraduate studies in Economics are from the University of Sto. Tomas while his graduate studies were from the Asian Institute of Management and the University of Asia and the Pacific**.**

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

Raul M. Leopando is a Director of the Company. Mr. Leopando has been in Investment Banking for 46 years. Mr. Leopando is the Chairman of the Board of RCBC Securities Corporation, Vice Chairman of the Board of RCBC Bankard Services Inc., Consultant to the Chairman of RCBC and YGC, Director of RCBC Capital, Director of Maibarara Geothermal Energy Inc., Director of Petrogreen Energy Corporation, and Director of Seafront Resources Corporation. He was a Senior Project Officer at First Metro Investment Corporation then later joined the Private Development Corporation of the Philippines as a Project Analyst and Manager. Mr. Leopando also worked for the Philippine Pacific Capital Corporation (PPCC) where he rose from the ranks to become PPCC's President and CEO. Mr. Leopando was concurrently the Chairman of the Board of RCBC Securities Corporation until December 31, 2010. He was a three-term President of the Investment Houses Association of the Philippines. Mr. Leopando also served as the Vice Chairman of the Capital Market Development Committee of FINEX and of the Capital Market Development Council. He was also formerly a member of the Board of several listed companies, such as Polar Mining Corp, Fil Hispano Ceramics Corp., Roxas Holdings Inc., Charter Land, Paxy's Corp., Petro Energy Corporation, and Marcventures. Mr. Leopando was the only Filipino 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 has been an Independent Director of our Company since 2022. Mr. Bengzon is concurrently the Chairman of Vitarich Corporation, the President the Chief Executive Officer of Torres Trading Company, Inc., the Vice Chairman and Chairman, Executive Committee of Commtrend Construction Corporation, a Director of Inception Technology Phils., Corp., a Senior Adviser and Executive Committee and Risk Oversight Committee Member of Malayan Savings Bank, a Director and the Risk Oversight Committee Chairman of Rizal Microbank (RCBC Subsidiary), and a Director of UPCC Holdings Corporation. Prior to his election as an Independent Director of the Company, 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. 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.

SIGNIFICANT EMPLOYEES

We do not believe that our 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 Prospectus.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS OF DIRECTORS AND EXECUTIVE OFFICERS

To the best of our knowledge and belief and after due inquiry, none of the Directors, nominees for election as director, or our executive officers and affiliates has in the five year period prior to the date of this Prospectus: (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 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.

CORPORATE GOVERNANCE

We recognize 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 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.

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, and 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 Company, 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 Company'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:

1. Ensure proper onboarding of new directors (i.e. orientation on the Company's business, charter, articles of incorporation and by-laws, among others);
2. 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;
3. 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;
4. Determine violation/s of the Corporate Governance Manual and recommend appropriate penalty/ies for violation thereof for further review and approval of the Company's Board;
5. Collaborate with other departments to properly address compliance issues, which may be subject to investigation;
6. Ensure the integrity and accuracy of all documentary submissions to regulators;
7. Ensure the attendance of board members and key officers to relevant trainings;
8. Issue a certification every January 30th of the year on the extent of the Company's compliance with this Manual for the completed year, explaining the reason/s of the latter's deviation from the same; and
9. Identify, monitor and control compliance risks.

COMMITTEES OF THE BOARD

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 Prospectus 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 Company's objectives, mission, vision, policies, and applicable regulatory requirements.

Audit Committee

The Audit Committee serves to enhance the Board's oversight capability over our Company'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 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.

Nomination Committee

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 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.

Remuneration Committee

The Remuneration Committee of our Board shall have at least three (3) members, one of whom shall be an independent 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 Company's culture, strategy and control environment.

Corporate Governance Committee

The Corporate Governance Committee shall consist of at least three (3) voting members who are members of the Company's Board of Directors (majority or all of which shall be Independent Directors). Among other functions that may be delegated by the Company'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 Company'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 Company's Board members and senior officers, and remuneration packages for corporate and individual performance.

Risk Management Committee

The Risk Management Committee is responsible for the oversight of our Company'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.

EXECUTIVE COMPENSATION TABLE

Compensation

The following table sets out our President, and the four most highly compensated executive officers for the period ended March 31, 2022:

Name	Position
Ricardo A. Lee	Chairman
Lawrence O. Lee	President
Anita Lim	Finance Director
William Lim	Executive Director
Arlene Louisa T. Sy	Purchasing Manager

The following table identifies and summarizes the aggregate compensation of our President and the four most highly compensated executive officers, as well as the aggregate compensation paid to all other directors and all other officers as a group, for the years ended March 31, 2022, 31 December 2019, 2020, and 2021:

	Year	Salary	Bonus	Other annual compensation
Chairman, President and the three most highly compensated executive officers named above	2019	3,244,618.00	N/A	N/A
	2020	4,269,070.00	N/A	N/A
	2021	8,010,964.00	N/A	N/A
	2022	8,010,964.00	N/A	N/A

Aggregate compensation paid to all other directors and all other officers as a group	2019	5,131,254.44	N/A	N/A
	2020	5,139,624.36	N/A	N/A
	2021	21,137,360.40	N/A	N/A
	2022	8,010,964.00	N/A	N/A

STANDARD ARRANGEMENTS AND OTHER ARRANGEMENTS

Standard Arrangements

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

Other Arrangements

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

WARRANTS AND OPTIONS

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

PRINCIPAL SHAREHOLDERS

SHAREHOLDERS

The following table sets forth our shareholders as of the date of this Prospectus:

Name of Shareholder	Nationality	No. of Common Shares Held	Percentage of Ownership
Jendres Holdings, Inc.	Filipino	537,500,000	21.50%
Ricardo A. Lee	Filipino	445,834,335	17.83%
Lawrence O. Lee	Filipino	445,832,935	17.83%
William Lim	Filipino	356,665,665	14.27%
Unitrust Investments Corporation	Filipino	312,500,000	12.50%
Virdura Holdings Inc.	Filipino	312,500,000	12.50%
Anita Lim	Filipino	89,166,665	3.57%
Marcos A. Legaspi	Filipino	100	0.00%
Rolando O. Raval, Jr.	Filipino	100	0.00%
Arlene Louisa T. Sy	Filipino	100	0.00%
Anthony Thomas C. Roxas, Jr.	Filipino	100	0.00%
Chun Bing G. Uy	Filipino	100	0.00%
Raul M. Leopando	Filipino	100	0.00%
Jose Vincente C. Bengzon, III	Filipino	100	0.00%
		2,500,000,300	**100%**

Selling Shareholder

The following table below sets forth, for the Selling Shareholder, the number of Shares and percentage of Outstanding shares held before the Offer, the maximum number of Shares to be sold in the Offer and the number of Share and percentage of outstanding Shares owned immediately after the Offer, assuming the full exercise of the Over-allotment Option.

Selling Shareholder	BEFORE THE OFFER		BASE OFFER ONLY		WITH FULL-EXERCISE OF THE OVER-ALLOTMENT OPTION	
	No. of Shares held	% of Shares Outstanding	No. of Shares held	% of Shares Outstanding	No. of Shares held	% of Shares Outstanding
Lawrence O. Lee	445,832,935	17.83%	347,148,735	10.55%	248,464,535	7.55%

Lock-up

The PSE rules require existing shareholders owning at least 10% of the outstanding shares of a company not to sell, assign or in any manner dispose of their shares for a period of 180 days after the listing of the shares. The following shareholders are covered by the aforesaid 180-day PSE lock-up requirement:

Shareholder	No. of Shares held before the Offer	% OF TOTAL SHAREHOLDING		
		Before the Offer	After the Firm Offer	Assuming Full Exercise of the Over-allotment Option
Ricardo A. Lee	445,834,335	17.83%	13.55%	13.55%
Lawrence O. Lee	445,832,935	17.83%	10.55%	7.55%
William Lim	356,665,665	14.27%	10.84%	10.84%
Jendres Holdings, Inc.	537,500,000	21.50%	16.34%	16.34%
Virdura Holdings, Inc.	312,500,000	12.50%	9.50%	9.50%
Unitrust Investments Corporation	312,500,000	12.50%	9.50%	9.50%

In addition, if there is any issuance of shares or securities such as private placements, assets for shares swap or a similar transaction or instruments which lead to issuance of shares or securities such as convertible bonds, warrants or a similar instrument that are completed within 180 days prior to the start of the offer period, and the transaction price is lower than the Offer Price in the initial public offering, all such shares or securities shall be subject to a lock-up period of at least 365 days from full payment of such shares or securities. The following shareholders are covered by the aforesaid 365-day lock-up requirement:

Shareholder	No. of Shares held before the Offer	% OF TOTAL SHAREHOLDING		
		Before the Offer	After the Firm Offer	Assuming Full Exercise of the Over-allotment Option
Marcos A. Legaspi	95	0.00%	0.00%	0.00%
Rolando O. Raval, Jr.	95	0.00%	0.00%	0.00%
Arlene Louisa T. Sy	95	0.00%	0.00%	0.00%
Anthony Thomas C. Roxas, Jr.	100	0.00%	0.00%	0.00%
Chun Bing G. Uy	100	0.00%	0.00%	0.00%
Raul M. Leopando	100	0.00%	0.00%	0.00%
Jose Vincente C. Bengzon, III	100	0.00%	0.00%	0.00%

To implement the foregoing lock-up requirements, the PSE requires the applicant company to lodge the shares with the PDTC through a Philippine Central Depository (PCD) participant for the electronic lock-up of the shares or enter into an escrow agreement with the trust department or custodian unit of an independent and reputable financial institution.

In addition to the foregoing lock-ups, we, together with the Selling Shareholder, have agreed with the Issue Manager and Bookrunner, and the Joint Lead Underwriters that, except in connection with the Over-allotment Option, they will not, without the prior written consent of the Issue Manager, Bookrunner and Lead Underwriter, issue, offer, pledge, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal of) any Shares or securities convertible or exchangeable into or exercisable for any Shares or warrants or other rights to purchase Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options for a period of 180 days after the listing of the Offer Shares.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

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

The following table sets out our shareholders of more than 5% of our Company's voting securities and their respective shareholdings and corresponding percentage ownership as of the date of this Prospectus.

Title of Class	Name and address of record owners and relationship with the Company	Name of beneficial owner and relationship with record owner	Citizenship	% of total of outstanding shares
Common	**Jendres Holdings, Inc**. 1504 B Gotesco Regency Twin Towers Condominium, 1129 Natividad Lopez Street, Ermita, Manila Stockholder	Lawrence O. Lee Stockholder	Filipino	21.50
Common	**Ricardo A. Lee** 744 Romualdez Street, Ermita, Manila Stockholder	-	Filipino	17.83
Common	**Lawrence O. Lee** 1076 Zobel cor. Romualdez Streets., Ermita, Manila Stockholder	-	Filipino	17.83
Common	**William Lim** 58B Midland Park Manor 2, Greenhills, Ortigas Avenue, San Juan City Stockholder	-	Filipino	14.27
Common	**Virdura Holdings, Inc.** 58B Midland Park Manor 2, Greenhills, Ortigas Avenue, San Juan City Stockholder	William Lim Stockholder	Filipino	12.50
Common	**Unitrust Investments Corporation** 2202 Gotesco Tower B Condominium Concepcion, Ermita, Manila Stockholder	Ricardo A. Lee Stockholder	Filipino	12.50

Security ownership of management as of date of this prospectus

Title of Class	Name and address of record owners and relationship with the Company	Position	Amount and Nature of Beneficial Ownership	% of total of outstanding shares
Common	**Anita Lim** 34 N. Domingo Street, Quezon City Treasurer	Treasurer	89,166,665 Direct	3.57
Common	**Arlene Louisa T. Sy** 1503 B Gotesco Regency Twin Towers Condominium, 1129 Natividad Lopez Street, Ermita, Manila Director, Chief Executive Officer, and President	Chief Executive Officer and President	100 Direct	0.00
Common	**Rolando O. Raval, Jr.** 18 Apollo II, Moonwalk Village, Las Piñas City Director and Chief Operations Officer	Chief Operations Officer	100 Direct	0.00
Common	**Marcos A. Legaspi** 37 Targa Street Village East, Cainta, Rizal Director and Chief Finance Officer	Chief Finance Officer	100 Direct	0.00
Common	**Anthony Thomas C. Roxas, Jr.** 6 Sta. Lucia St., Brgy. Kapitolyo, Pasig City Executive Director	Executive Director	100 Direct	0.00

Dilution of Principal Shareholders

	PRE-OFFER		AFTER FIRM OFFER	
Name of Shareholder	**Number of Shares held**	**Percentage Total of Shareholding**	**Number of Shares held**	**Percentage Total of Shareholding**
Jendres Holdings, Inc.	537,500,000	21.50	537,500,000	16.34
Ricardo A. Lee	445,834,335	17.83	445,834,335	13.55
Lawrence O. Lee	445,832,935	17.83	347,148,735	10.55
William Lim	356,665,665	14.27	356,665,665	10.84
Unitrust Investment Corporation	312,500,000	12.50	312,500,000	9.50
Virdura Holdings Inc.	312,500,000	12.50	312,500,000	9.50

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 Prospectus.

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 Company.

RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence (referred herein as affiliates). Related parties may be individuals or corporate entities.

In the ordinary course of business, we have loan and lease transactions with URDC, a related party. Under our policies, these transactions are made substantially on the same terms as similar transactions to other individuals and businesses of comparable risk. The Company's significant transactions with URDC for the years ended December 31, 2020 and 2021 and for the three months ended March 31, 2022 are as follows:

		Transactions during the Period			Outstanding Balance		
		Three Months	One Year		March 31,	December 31,	
(in Millions)	Nature of Transaction	2022	2021	2020	2022	2021	2020
Advances from a related party	Advances	₱–	₱25.4	₱–	₱25.4	₱25.4	₱–
	ROU Asset amortization	(₱11.6)	(₱38.0)	(₱1.8)	₱105.2	₱38.0	₱2.2
	Lease liability payment	(15.1)	(40.0)	(1.0)	103.4	38.9	2.4
Lease arrangement	Short-term rent expense	–	–	11.0	–	–	–
	Collections	₱–	(₱1,098.7)	₱–			
	Advances	–	–	61.0			
Entities under common control	Assignment of loans	–	–	(1,315.0)	₱–	₱–	₱1,098.7

Advances To and From a Related Party

The Company has cash advances to and from URDC mainly to finance working capital requirements. Outstanding balances are unsecured, non-interest bearing, due and demandable and are cash settled.

On December 29, 2020, the Company assigned its bank loans, and all the associated rights and obligations, aggregating ₱1,315.0 million to URDC as settlement for the outstanding balance of the advances to the said related party.

Lease Agreement

The Company entered into lease agreements with URDC for office spaces, warehouse and parking lots located at Romualdez Street, Ermita Manila for two years starting January 1, 2020 renewable upon mutual agreement of the parties. On January 1, 2021, the Company and the related party agreed to extend the lease term up to December 31, 2023.

The lease agreements were entered into at arm's length basis, under terms and conditions customary for lease agreements, and for such rentals that are comparable to the prevailing rates for the same type of property in the area. Generally, transactions entered with related parties are made at terms equivalent to those that prevail in arm's length transactions or terms comparable to those available from or to unrelated third parties, and must be approved by the Board of Directors. Our Company regularly conducts internal review of related party transactions to ensure that these transactions with related parties are at arm's length.

For further information on our related party transactions, including detailed breakdowns of amounts receivable from related parties and the income and expenses relating to related party transactions, see Note 15 to the Company's audited financial statements for the three months ended March 31, 2021 and 2022, and for the years ended December 31, 2019, 2020, and 2021.

DESCRIPTION OF THE SHARES

The Offer Shares shall be offered at a price of up to ₱ [5.50] per Offer Share. The determination of the Offer Price is further discussed in "Determination of the Offer Price." A total of up to [3,289,473,900] Shares will be outstanding after the Offer and the Offer Shares will comprise approximately [27.00]% of the outstanding Shares after the Offer upon full exercise of the Over-allotment Option and will comprise approximately [30.00]% if the Over-allotment Option is not exercised.

Share Capital Information

As of the date of this Prospectus, we have an authorized capital stock of One Billion Two Hundred Fifty Million Pesos (₱1,250,000,000.00), divided into 6,250,000,000 common shares with the par value of Twenty Centavos (₱0.20) per share. The Offer Shares will consist of up to [888,157,800] Firm Shares and up to [98,684,200] Option Shares. The Firm Shares will comprise up to [789,473,600] unissued shares to be offered and issued by way of primary offer and [98,684,200] issued Shares owned by the Selling Shareholder to be offered by way of a secondary offer. The Option Shares will comprise up to [98,684,200] issued Shares owned by the Selling Shareholder to be offered by way of a secondary offer.

Increase in Authorized Capital and Stock Split

On November 15, 2021, our Board approved an amendment to our Articles of Incorporation to increase our authorized capital stock from Five Hundred Million Pesos (₱500,000,000.00) to One Billion Two Hundred Million Pesos (₱1,250,000,000.00) divided into 1,250,000,000 common shares with par value of One Peso (₱1.00) per share (the "**Increase in Authorized Capital Stock**"). The objective of the Increase in Authorized Capital Stock was to create sufficient additional unissued shares that may be offered to the public.

To satisfy the requirement under the Revised Corporation Code that at least 25% of the amount of any increase in authorized capital stock must be subscribed, Jendres Holdings, Inc., Virdura Holdings, Inc., and Unitrust Investments Corporation, subscribed to 232,500,000 common shares at par value of One Peso (₱1.00) per share or for the total subscription price of Two Hundred Thirty-Two Million Five Hundred Thousand Pesos (₱232,500,000.00) (the "**Subscription**").

On February 2, 2022, our shareholders also approved amendments to our Articles of Incorporation which included a reduction of the par value of our Shares from One Peso (₱1.00) per common share to Twenty Centavos (₱0.20) per common share, resulting in a stock split whereby every existing common share with a par value of One Peso (₱1.00) would become 5 common shares with a Ten Centavos (₱0.20) par value per share (the "**Stock Split**").

The Increase in Authorized Capital Stock and Subscription will have no future impact on our financial position and income generation. The assets, liabilities, equity, income statements and the financial ratios (including the book value per share and the basic and diluted earnings per share) will remain the same as presented in our financial statements as of March 31, 2022 and December 31, 2021. As the Increase in Authorized Capital Stock was approved by the SEC on December 17, 2021, the effect of the Increase in Authorized Capital Stock has already been reflected in our financial statements as of March 31, 2022 and December 31, 2021 including the notes thereto, appearing in Appendix A-1 of this Prospectus**.** The Stock Split will affect the Company's book value per share and the earnings per share, see the sections entitled "Capitalization and Indebtedness" and "Dilution" of this Prospectus.

Share Capital

A Philippine corporation may issue common or preferred shares, or such other classes of shares with such rights, privileges or restrictions as may be provided for in the articles of incorporation and by-laws of the corporation. Subject to the approval by the SEC, it may increase or decrease its authorized capital stock by amending its articles of incorporation, provided that the change is approved by a majority of the board of directors and by shareholders representing at least two-thirds (2/3) of the outstanding capital stock of the corporation voting at a shareholders' meeting duly called for the purpose.

Under Philippine law, the shares of a corporation may either be with or without a par value. All of the Common Shares currently issued have a par value of ₱0.20 per share. In the case of par value shares, where a corporation issues shares at a price above par, whether for cash or otherwise, the amount by which the subscription price exceeds the par value is credited to an account designated as additional paid-in capital or paid-in surplus.

Subject to approval by the SEC, a corporation may increase or decrease its authorized capital shares, provided that the change is approved by a majority of the board of directors of such corporation and shareholders representing at least two-thirds of the issued and outstanding capital shares of the corporation voting at a shareholders' meeting duly called for the purpose.

A corporation is empowered to acquire its own shares for a legitimate corporate purpose, provided that the corporation has Unrestricted Retained Earnings or surplus profits sufficient to pay for the shares to be acquired. Examples of instances in which the corporation is empowered to purchase its own shares are: when the elimination of fractional shares arising out of share dividends is necessary or desirable, the purchase of shares of dissenting shareholders exercising their appraisal right (as discussed below), and the collection or compromise of an indebtedness arising out of an unpaid subscription. When a corporation repurchases its own shares, the shares become treasury shares, which may be resold at a price fixed by the board of directors of such corporation.

The Board is authorized to issue shares from treasury from time to time. Treasury shares may be issued to any person, corporation or association, whether or not a shareholder of the Company, including its officers or employees for such consideration in money as the Board may determine.

RIGHTS RELATING TO SHARES

Voting Rights

Our 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 below.

Dividend Rights

Dividends are payable to all shareholders on the basis of outstanding shares held by them, each common share being entitled to the same unit of dividend as any other outstanding common shares. Dividends are payable to shareholders whose names are recorded in the stock and transfer book as of the record date fixed by our directors. The PDTC has an established mechanism for distribution of dividends to beneficial owners of the shares which are traded through the PSE and lodged with the PDTC as required for scripless trading.

Under Philippine law, the Company can only declare dividends to the extent that we have unrestricted retained earnings that represent the amount of accumulated profits and gains realized out of the normal and continuous operations of the Company after deducting therefrom distributions to stockholders and transfers to capital stock or other accounts, and which is: (1) not appropriated by its Board of Directors for corporate expansion projects or programs; (2) not covered by a restriction for dividend declaration under a loan agreement; and (3) not required to be retained under special circumstances obtaining in the corporation such as when there is a need for a special reserve for probable contingencies. The Company may pay dividends in cash, property or by the issuance of shares. Dividends may be declared by the board of directors except for stock dividends which may only be declared and paid with the approval of shareholders representing at least two-thirds of the issued and outstanding capital stock of our corporation voting at a shareholders' meeting duly called for the purpose.

The Revised Corporation Code prohibits a Philippine corporation from retaining surplus profits in excess of 100% of its paid-in capital stock. 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 of our corporation; (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.

Philippine corporations whose securities are listed on any stock exchange are required to maintain and distribute an equitable balance of cash and stock dividends, consistent with the needs of shareholders and the demands for growth or expansion of the business.

A cash dividend declaration does not require any further approval from the shareholders. A stock dividend declaration requires the further approval of shareholders holding or representing not less than two-thirds (2/3) of the Company's outstanding capital stock. The Revised Corporation Code defines the term "outstanding capital stock" to mean the "total shares of stock issued under binding subscription contracts to subscribers or shareholders, whether fully or partially paid, except treasury shares." Such shareholders' approval may be given at a general or special meeting duly called for such purpose. See "Dividends and Dividend Policy".

Pre-emptive Rights

The Revised Corporation Code confers pre-emptive rights on shareholders of a Philippine corporation entitling such shareholders to subscribe for all issues or other dispositions of equity-related securities by the Issuer in proportion to their respective shareholdings, regardless of whether the equity-related securities proposed to be issued or otherwise disposed of are identical to the shares held. A Philippine corporation may, however, provide for the denial of these pre-emptive rights in its articles of incorporation. Likewise, shareholders who are entitled to such pre-emptive rights may waive the same through a written instrument to that effect. Under our Company's Articles of Incorporation, such pre-emptive rights have been denied.

Derivative Rights

Philippine law recognizes the right of a shareholder to institute proceedings on behalf of the corporation in a derivative action in circumstances where the corporation itself is unable or unwilling to institute the necessary proceedings to redress wrongs committed against the corporation or to vindicate corporate rights as, for example, where the directors of the corporation themselves are the malefactors.

Appraisal Rights

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 dissenting shareholder may require 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.

Right of Inspection

A shareholder has the right to inspect the records of all business transactions of the corporation and the minutes of any meeting of the board of directors and shareholders at reasonable hours on business days and may demand a copy of excerpts from such records or minutes at his or her expense. However, the corporation may refuse such inspection if the shareholder demanding to examine or copy the corporation's records has improperly used any information secured through any prior examination, or was not acting in good faith or for a legitimate purpose in making his demand.

Right to Financial Statements

A shareholder has a right to be furnished with the most recent financial statement of a Philippine corporation, which shall include a balance sheet as of the end of the last taxable year and a profit or loss statement for said taxable year, showing in reasonable detail its assets and liabilities and the results of its operations. At the meeting of shareholders, the board of directors is required to present to the shareholders a financial report of the operations of the corporation for the preceding year, which shall include financial statements duly signed and certificate by an independent certified public accountant.

Board of Directors

Unless otherwise provided by law or in the articles of incorporation, the corporate powers of the Company are exercised, its business conducted, and its property controlled by the Board. Pursuant to its articles of incorporation, as amended, the Company shall have nine (9) Directors, three (3) of whom are independent Directors within the meaning set forth in Section 38 of the SRC. The Board shall be elected during each regular meeting of shareholders, at which shareholders representing at least a majority of the issued and outstanding capital shares of the Company are present, either in person or by proxy.

Under the Philippine law, representation of foreign ownership on the Board is limited to the proportion of the foreign shareholding. Directors may only act collectively, individual directors have no power as such. Four (4) directors, which is a majority of the Board, constitute a quorum for the transaction of corporate business. Except for certain corporate actions such as the election of officers, which shall require the vote of a majority of all the members of the Board, every decision of a majority of the quorum duly assembled as a board is valid as a corporate act.

Any vacancy occurring in the Board of Directors other than by removal by the stockholders or by expiration of term, may be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum; otherwise, the vacancy must be filled by the stockholders at a regular or at any special meeting of stockholders called for the purpose.

Any director elected in this manner by the Board shall serve only for the unexpired term of the director whom such director replaces and until his successor is duly elected and qualified.

SHAREHOLDERS' MEETING

Annual or Regular Shareholders' Meetings

All Philippine corporations are required to hold an annual meeting of shareholders for corporate purposes, one of which is the election of directors. Our By-Laws provide for annual meetings on the 25th of May of each year , and if a legal holiday, then on the next succeeding business day.

Special Shareholders' Meeting

Under the Company's By-laws special meetings of shareholders, for any purpose or purposes, may at any time be called by the resolution of the Board, by the Chairman of the Executive Committee, the President, the Chief Executive Officer, or at the written request of stockholders representing at least a majority of the issued and outstanding capital, setting forth the purpose/s of such meeting in the written notice.

Under SEC Memorandum Circular No. 7, series of 2021 ("**MC7S2021**"), any number of shareholders of a corporation ("**Qualifying Shareholders**") who hold at least ten percent (10%) or more of the outstanding capital stock ("**Qualifying Shares**") of a Publicly Listed Company ("**PLC**") for a period of at least one (1) year shall have the right to call for a special meetings of shareholders, subject to the guidelines set under Section 49 of the Revised Corporation Code and other relevant regulations.

Notice of Shareholders' Meeting

Written notice of the annual and special meetings of the stockholders shall be served to each registered stockholder by electronic transmission. For regular meetings, the notice shall be sent at least twenty-one (21) days prior to the date of the meeting in accordance with SEC Memorandum Circular No. 6, series of 2020 while for special meetings, at least fourteen (14) days prior written notice shall be sent to all registered stockholders. The notice shall be deemed to have been given at the time when it has been electronically through any of the means mentioned herein. Waiver of such notice may be made only in writing.

Any such notice must include, among others, the date, hour, venue of the meeting, and a statement of the matters to be transacted at the meeting, and no business other than that specified in the notice shall be transacted at such meeting. Any director or stockholder may propose any other matter for inclusion in the agenda at any regular or special stockholders' meeting, subject to reasonable guidelines issued by the Board which are consistent with applicable laws, rules and regulations of the SEC, as may be amended from time to time. The notice of stockholders' meeting shall also set the date, time and place of validation of proxies, which in no case, shall be less than five (5) business days prior to the stockholders' meeting. The notice shall also contain the procedures to be followed when a stockholder elects to vote through remote communication or in absentia.

We shall also provide information or documents to all stockholders by electronic transmission. The information or documents shall be deemed delivered upon the transfer or posting by electronic means. As used herein, electronic transmission means the delivery or transfer of documents, data or information by electronic mail (or any other electronic means) to the electronic address or contact number of the stockholders registered in the books of the Company, posting in the PSE, posting in our website (in the subsections for stockholders' meetings or disclosures of the Governance section), or such other recognized means of electronic transfer of data or information.

We shall require all stockholders to designate a valid electronic address and/or mobile number for them to receive notices and other information or documents from us. Stockholders preferring to receive physical copies of the notice, information or documents shall make a written request to us. Upon receipt of the request, we shall send the notice information and documents by personal or courier service.

Notice of any meeting may be waived, expressly or impliedly, by any shareholder, in person or by proxy, before or after the meeting. When the meeting of the shareholders is adjourned to another time or place, notice of the adjourned meeting need not be provided so long as the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is decided. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.

Under SEC MC7S2021, the call for a special shareholders meeting by the Qualifying Shareholders shall be in writing, signed by all Qualifying Shareholders, addressed to the Board of Directors and transmitted through the Corporate Secretary at least forty-five (45) days prior to the proposed date of the proposed meeting. The following details must be stated in the call: (a) names of the Qualifying Shareholders; (b) purpose of the call; (c) proposed date and time of the proposed meeting; and (d) proposed agenda items.

The Board of Directors shall determine if the objectives and conditions in the call for a special shareholders meeting at least seven (7) days prior to the proposed date of special meeting. If the objectives and conditions of the meeting is consistent with the requirements of SEC MC7S2021, the Board of Directors shall issue the notice to convene the special shareholders meeting.

If found to be inconsistent the Board shall send a written notice to the requesting stockholders indicating that. a meeting cannot be called due to their failure to comply with the requirement of SEC MC7S2021.

Quorum

Unless otherwise provided by an existing shareholders' agreement or by law, in all regular or special meeting of shareholders, a majority of the outstanding capital shares must be present or represented in order to constitute a quorum, except in those cases where the Revised Corporation Code provides a greater percentage vis-à-vis the total outstanding capital shares. If no quorum is constituted, the meeting shall be adjourned until the requisite amount of shares shall be presented.

Pursuant to our By-laws, the chairman of the board, or in case of his absence or disability, the vice chairman of the board, may then call to order any meeting of the shareholders, and proceed to the transaction of business, provided a majority of the shares issued and outstanding be present, either in person or by proxy, but if there be no quorum present at any meeting, the meeting may be adjourned by the shareholders present from time to time until the quorum shall be obtained. If neither the chairman nor the vice chairman of the board is present, then the meeting is to be conducted by the president, and in case the latter is also absent, by a chairman to be chosen by the stockholders.

Voting

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 bylaws, through remote communication or in absentia. The SEC shall issue the rules and regulations governing participation and voting through remote communication or in absentia, taking into account the company's scale, number of shareholders or members, structure, and other factors consistent with the protection and promotion of shareholders' or members' meeting.

Fixing Record Dates

Under existing SEC rules, cash dividends declared by corporations whose shares are listed on the PSE shall have a record date which shall not be less than 10 or more than 30 days from the date of declaration. In case no record date is specified for cash dividends, it is deemed to be fixed at 15 days after the company's declaration. With respect to share dividends, the record date shall not be less than 10 or more than 30 days from the date of shareholder approval, provided, however, that the record date set shall not be less than 10 trading days from receipt by the PSE of the notice of declaration of share dividends. In the event that share dividends are declared in connection with an increase in the authorized capital shares, the corresponding record date shall be fixed by the SEC.

Matters Pertaining to Proxies

Shareholders may vote at all meetings the number of shares registered in their respective names, either in person or by proxy duly given in writing and duly presented to the Corporate Secretary before or during the meeting. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Corporate Secretary. Proxies should comply with the relevant provisions of the Revised Corporation Code, the SRC, the IRRs, and SEC Memorandum Circular No. 5 (series of 1996) issued by the SEC.

Dividends

The Common Shares have full dividend rights. Dividends on our Common Shares, if any, are paid in accordance with Philippine law. Dividends are payable to all shareholders on the basis of outstanding Common Shares held by them, each Common Share being entitled to the same unit of dividend as any other Common Share. Dividends are payable to shareholders whose names are recorded in the stock and transfer book as of the record date fixed by our Board of Directors. The PSE has an established mechanism for distribution of dividends to beneficial owners of Common Shares which are traded through the PSE which are lodged with the PCD Nominee as required for scripless trading.

Issue of Shares

Subject to otherwise applicable limitations, we may issue additional shares to any individual for consideration deemed fair by the Board, provided said consideration shall not be less than the par value of the issued shares. No share certificates shall be issued to a subscriber until the full amount of the subscription together with interest and expenses (in case of delinquent Shares) has been paid and proof of payment of the applicable taxes shall have been submitted to the Corporate Secretary. Under the PSE Rules, only fully paid shares may be listed on the PSE.

Transfer of Common Share

All transfer of shares on the PSE shall be done by means of a book-entry system. Pursuant to this system of trading and settlement, a registered shareholder transfers legal title over the shares to such nominee, but retains beneficial ownership over the shares. A shareholder transfers legal title by surrendering the stock certificate representing his shares to participants of the PDTC System (i.e., brokers and custodian banks) that, in turn, lodge the same with the PCD Nominee. A shareholder may request his shares to be uplifted from the PDTC, in which case a certificate of stock is issued to the shareholder and the shares are registered in the name of the shareholder. See "The Philippine Stock Exchange" on page [165].

Under Philippine law, transfer of the Common Shares is not required to be effected on the PSE, but any off-exchange transfers will subject the transferor to a capital gains tax that may be significantly greater than the stock transfer tax applicable to transfers effected on an exchange. See "Philippine Taxation" on page [176]. All transfers of Shares on the PSE must be effected through a licensed stockbroker in the Philippines.

Share Register

Our Company's share register is maintained at the principal office of the Stock Transfer Agent, Philippine National Bank acting through its Trust Banking Group.

Share Certificates

Certificates representing the Common Shares will be issued in such denominations as shareholders may request, except that certificates will not be issued for fractional shares. For shareholders who wish to split their certificates, they may do so through application to the Stock Transfer Agent. Shares may also be lodged and maintained under the book-entry system of the PDTC. See "The Philippine Stock Exchange" on page [165].

Mandatory Tender Offer

Pursuant to the SRC and its implementing rules and regulations, it is mandatory for any person or group of persons acting in concert to make a tender offer to all the shareholders of the target corporation before the intended acquisition of:

1. 35% of the outstanding voting shares or such outstanding voting shares that are sufficient to gain control of the board in a public company in one or more transactions within a period of 12 months;
2. 35% of the outstanding voting shares or such outstanding voting shares that are sufficient to gain control of the board in a public company directly from one or more shareholders; or
3. Equity which would result in ownership of over 50% of the outstanding equity securities of a public company.

Pertaining to the first instance, when the securities tendered pursuant to such an offer exceed the number of shares that the acquiring person or group of persons is willing to acquire, the securities shall be purchased from each tendering shareholder on a pro rata basis according to the number of securities tendered by each security holder.

In the event that the tender offer is oversubscribed, the aggregate amount of securities to be acquired at the close of such tender offer shall be proportionately distributed to the selling shareholder/s with whom the acquirer may have been in private negotiations and the minority shareholders.

Pertaining to the second instance, the tender offer shall be made for all the outstanding voting shares. The sale of shares pursuant to the private transaction with the shareholders shall not be completed prior to the closing and completion of the tender offer.

Pertaining to the third instance, the acquirer shall be required to make a tender offer for all the outstanding equity securities to all remaining shareholders of the company at a price supported by a fairness opinion provided by an independent financial advisor or equivalent third party. The acquirer shall be required to accept all securities tendered.

Further, no mandatory tender is required on:

1. Purchases of shares from unissued capital shares unless such purchases will result in a 50% or more ownership of shares by the purchaser or such percentage that is sufficient to gain control of the Board;
2. Purchases from an increase in the authorized capital shares of the target company;
3. Purchases in connection with a privatization undertaken by the government of the Philippines;
4. Purchases in connection with corporate rehabilitation under court supervision;
5. Purchases through an open market at the prevailing market price; or,
6. Purchases resulting from a merger or consolidation.

Fundamental Matters

The Revised Corporation Code provides that the following acts of the corporation require the approval of shareholders representing at least two-thirds (2/3) of the issued and outstanding capital stock of the corporation: (i) amendment of the articles of incorporation; (ii) removal of directors; (iii) sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the assets of the corporation; (iv) investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which the corporation was organized; (v) delegation to the board of directors of the power to amend or repeal by-laws or adopt new by-laws; (vi) merger or consolidation; (vii) an increase or decrease in capital stock; (viii) dissolution; (ix) extension or shortening of the corporate term; (x) creation or increase of bonded indebtedness; (xi) declaration of stock dividends; (xii) management contracts with related parties; and (xiii) ratification of contracts between the corporation and a director or officer. Further, the approval of shareholders holding a majority of the outstanding capital shares of a Philippine corporation, including non-voting shares, is required for the adoption or amendment of the by-laws of such corporation.

Reportorial Requirements

Every corporation lawfully doing business in the Philippines is required to file an annual report of its operations, i.e., the General Information Sheet, within such period as may be required by the SEC. The General Information Sheet contains, among others, details on the current shareholdings of a corporation's shareholders. Based on the applicable regulations of the SEC, the deadline for filing the General Information Sheet is within thirty (30) days from the date of the actual meeting of the shareholders of the corporation. However, if any actions resulting in relevant changes in the information reported in the General Information Sheet occur between annual meetings, the corporation is required to submit an amended General Information Sheet containing the new information within seven (7) days after such change occurred or became effective.

In addition, all stock corporations are required to file copies of their annual financial statements with the SEC. The annual financial statement is generally due within one hundred twenty (120) calendar days after the end of the fiscal year.

Stock corporations are also mandated to file other reports under applicable regulations, such as quarterly financial statements for the first three quarters of the Company's fiscal year, among others.

Publicly listed corporations or those with class of shares listed in the PSE are additionally required to file the foregoing reports and other required reports with the PSE.

Shareholders are entitled to request for copies of the most recent financial statements of the corporation, which include a statement of financial position as of the end of the most recent tax year and a profit and loss statement for that year. Shareholders are also entitled to inspect and examine the books and records that the corporation is required by law to maintain. The Board is required to present to shareholders at every annual meeting a financial report of the Company's operations for the preceding year. This report is required to include audited financial statements.

Recent Sale of Unregistered or Exempt Securities, Including Recent Issuances of Securities Constituting an Exempt Transaction

The following securities were issued as exempt from the registration requirements of the SRC 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	15,625,000	Subscription
December 17, 2021	Jendres Holdings, Inc.	62,500,000	Common	15,625,000	Subscription
December 17, 2021	Unitrust Investments Corporation	62,500,000	Common	15,625,000	Subscription

Date	Name	Number of Shares	Class	Amount Paid	Nature
December 29, 2021	Jendres Holdings, Inc.	45,000,000	Common	45,000,000	Subscription
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

THE PHILIPPINE STOCK EXCHANGE

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by the Company and the Joint Lead Underwriters, or advisors in connection with the offer and sale of the Offer Shares.

Brief History

The PSE is the only stock exchange in the Philippines. However, initially, the Philippines had two stock exchanges, the Manila Stock Exchange, which was organized in 1927, and the Makati Stock Exchange, which began operations in 1963. Each exchange was self-regulating and governed by its respective Board of Governors elected annually by its members. The PSE was formed out of the merger of the Manila Stock Exchange and the Makati Stock Exchange. It was incorporated in 1992 by officers of both Stock Exchanges. In March 1994, the licenses of the two exchanges were revoked. The PSE previously maintained two trading floors, one in Makati City and the other in Pasig City, which were linked by an automated trading system that integrated all bid and ask quotations from the bourses. In February 2018, the PSE transferred to its new office located at the PSE Tower, Bonifacio Global City, Taguig City, Philippines. The PSE Tower houses the PSE corporate offices and a single, unified trading floor. On June 24, 2022, the PSE closed its trading floor at the PSE Tower, Bonifacio Global City to embrace digital trading. Traders are to conduct activities off-site instead of their trading booths, embracing remote setup. While the PSE shifted to "floorless trading," bell ringing ceremonies for new listings would still be conducted in the PSE headquarters.

In June 1998, the SEC granted "Self-Regulatory Organization" status to the PSE, allowing it to impose rules as well as implement penalties on erring trading participants and listed companies. On August 8, 2001, the PSE completed its demutualization, converting from a non-stock member-governed institution into a stock corporation in compliance with the requirements of the SRC. Each of the 184 member-brokers was granted 50,000 common shares of the new PSE at a par value of ₱1.00 per share. In addition, a trading right evidenced by a "Trading Participant Certificate" was immediately conferred on each member broker allowing the use of the PSE's trading facilities. As a result of the demutualization, the composition of the PSE Board of Governors was changed, requiring the inclusion of seven brokers and eight non-brokers, one of whom is the President of the PSE. On December 15, 2003, the PSE listed its shares by way of introduction at its own bourse as part of a series of reforms aimed at strengthening the Philippine securities industry.

Classified into financial, industrial, holding firms, property, services, and mining and oil sectors, companies are listed either on the PSE's Main Board or the Small, Medium and Emerging Board. On April 13, 2013, the PSE issued Rules on Exchange Traded Funds ("**ETF**") which provides for the listing of ETFs on an ETF Board separate from the PSE's existing boards. Previously, the PSE allowed listing on the First Board, Second Board or the Small, Medium and Enterprises Board. With the issuance by the PSE of its Memorandum No. CN-No. 2013-0023 dated June 6, 2013, revisions to the PSE Listing Rules were made, among which changes are the removal of the Second Board listing and the requirement that lock-up rules be embodied in the articles of the incorporation of the Issuer. Each index represents the numerical average of the prices of component stocks.

The PSE has a benchmark index, referred to as the PSEi, which reflects the price movements of the 30 largest and most active stocks at the PSE. The PSEi is a free float market capitalization weighted index.

The PSE launched its Corporate Governance Guidebook in November 2010 as another initiative of the PSE to promote good governance among listed companies. It is composed of 10 guidelines embodying principles of good business practice and based on internationally recognized corporate governance codes and best practices. With the increasing calls for good corporate governance, the PSE has adopted an online daily disclosure system to improve the transparency of listed companies and to protect the investing public. In December 2013, the PSE replaced its online disclosure System ("**OdiSy**") with a new disclosure system, the PSE Electronic Disclosure Generation Technology ("**EDGE**"). EDGE was acquired from the Korea Exchange and is a fully automated system, equipped with a variety of features to (i) further standardize the disclosure reporting process of listed companies on the PSE, (ii) improve investors' disclosure searching and viewing experience and (iii) enhance overall issuer transparency in the market. In June 2015, the PSE shifted to a new trading system, the PSEtrade XTS, which utilizes NASDAQ's X-stream

Technology. The PSEtrade XTS, which replaced the NSC trading platform provided by NYSE Euronext Technologies SAS, is equipped to handle large trading volumes. It is also capable of supporting the future requirements of the PSE should more products and services be introduced. In November 2016, PSE received regulatory approvals to introduce new products in the stock market — the Dollar Denominated Securities and the Listing of PPP Companies. In June 2018, the PSE received approval from the SEC to introduce short selling in the equities market. Also in 2018, the PSE transferred to its new office located at the PSE Tower, Bonifacio Global City, Taguig City, which currently houses the unified trading floors in Makati City and Pasig City.

On March 22, 2018, the PSE completed a stock rights offering of 11,500,000 Common Shares which were offered at the price of ₱252.00 per share, or a total of ₱2,898,000,000.00. The proceeds if the stock rights offering will be used to fund the acquisition of PDS and capital expenditure requirements of the PSE. As of the date of this Prospectus, the PSE has an authorized capital stock of ₱120 million, of which 85,025,692 shares are issued. Out of this total, 84,925,686 shares are outstanding, and 100,006 are treasury shares.

The table below sets out movements in the composite index as of the last business day of each calendar year from 2001 to 2021 and YTD 2022, and shows the number of listed companies, market capitalization, and value of shares traded for the same period:

Year	Composite Index at Closing	Number of Listed Companies	Aggregate Market Capitalization	Combined Value of Turnover
			(in ₱ billions)	(in ₱ billions)
2001	1,168.1	231	2,141.4	159.6
2002	1,018.4	234	2,083.2	159.7
2003	1,442.4	236	2,973.8	145.4
2004	1,822.8	235	4,766.3	206.6
2005	2,096.0	237	5,948.4	383.5
2006	2,982.5	239	7,173.2	572.6
2007	3,621.6	244	7,977.6	1,338.3
2008	1,872.9	246	4,069.2	763.9
2009	3,052.7	248	6,029.1	994.2
2010	4,201.1	253	8,866.1	1,207.4
2011	4,372.0	245	8,697.0	1,422.6
2012	5,812.7	254	10,952.7	1,771.7
2013	5,889.8	257	11,931.3	2,546.2
2014	7,230.6	263	14,251.7	2,130.1
2015	6,952.1	216	13,465.1	2,172.5
2016	6,840.6	265	14,438.8	1,929.5
2017	8,558.4	267	17,583.1	1,958.4
2018	7,466.0	267	16,146.7	1,736.8
2019	7,815.3	270	16,705.4	1,776.2
2020	7,139.7	274	15,888.9	1,770.9
2021	7,122.6	280	18,081.1	2,233.1

Trading

The PSE is a double auction market. Buyers and sellers are each represented by stockbrokers. To trade, bid, or ask prices are posted on the PSE's electronic trading system. A buy (or sell) order that matches the lowest asked (or highest bid) price is automatically executed. Buy and sell orders received by one broker at the same price are crossed at the PSE at the indicated price. Transactions are generally invoiced through a confirmation slip sent to customers on the trade date (or the following trading day). Payment of purchases of listed securities must be made by the buyer on or before the third trading day (the settlement date) after the trade.

Equities trading on the PSE starts at 9:30 a.m. and ends at 12:00 p.m. for the morning session, and resumes at 1:00 p.m. and ends at 3:00 p.m. for the afternoon session. Trading days are Monday to Friday, except legal and special holidays and days when the BSP clearing house is closed.

Minimum trading lots range from 5 to 1,000,000 shares depending on the price range and nature of the security traded. Odd-sized lots are traded by brokers on a board specifically designed for odd-lot trading.

To maintain stability in the stock market, daily price swings are monitored and regulated. Under current PSE regulations, whenever an order will result in a breach of the trading threshold of a security within a trading day, the trading of that security will be frozen. Orders cannot be posted, modified or cancelled for a security that is frozen. In cases where an order has been partially matched, only the portion of the order that will result in a breach of the trading threshold will be frozen. Where the order results in a breach of the trading threshold, the following procedures shall apply:

1. In the case the static threshold is breached, the PSE will accept the order, provided the price is within the allowable percentage price difference under the implementing guidelines of the revised trading rules (i.e., 50.0% of the previous day's reference or closing price, or the last adjusted closing price); otherwise, such order will be rejected. In cases where the order is accepted, the PSE will adjust the static threshold to 60.0%. All orders breaching the 60.0% static threshold will be rejected by the PSE.
2. In the case the dynamic threshold is breached, the PSE will accept the order if the price is within the allowable percentage price difference under the existing regulations (i.e., 20.0% for security cluster A and newly-listed securities, 15.0% for security cluster B and 10.0% for security cluster C); otherwise, such order will be rejected by the PSE.

Non-Resident Transactions

When the purchase/sale of Philippine shares involves a non-resident, whether the transaction is effected in the domestic or foreign market, it will be the responsibility of the securities dealer/broker to register the transaction with the BSP. The local securities dealer/broker shall file with the BSP, within three business days from the transaction date, an application in the prescribed registration form. After compliance with other required undertakings, the BSP shall issue a Certificate of Registration. Under BSP rules, all registered foreign investments in Philippine securities, including profits and dividends, net of taxes and charges, may be repatriated.

Settlement

The Securities Clearing Corporation of the Philippines ("**SCCP**") is a wholly-owned subsidiary of the PSE, and was organized primarily as a clearance and settlement agency for SCCP-eligible trades executed through the facilities of the PSE. SCCP received its permanent license to operate on January 17, 2002. It is responsible for:

1. Synchronizing the settlement of funds and the transfer of securities through Delivery versus Payment clearing and settlement of transactions of Clearing Members, who are also Trading Participants of the PSE;
2. Guaranteeing the settlement of trades in the event of a Trading Participant's default through the implementation of its Fails Management System and administration of the Clearing and Trade Guaranty Fund; and
3. Performing Risk Management and Monitoring to ensure final and irrevocable settlement.

SCCP settles PSE trades on a three-day rolling settlement environment, which means that settlement of trades takes place three trading days after transaction date ("T+3"). The deadline for settlement of trades is 12:00 noon of T+3. Securities sold should be in scripless form and lodged under the book-entry system of the PDTC. Each PSE Broker maintains a Cash Settlement Account with one of the seven existing Settlement Banks of SCCP, which are Banco de Oro Unibank, Inc., Rizal Commercial Banking Corporation, Metropolitan Bank and Trust Company, DB, The Hong Kong Shanghai Banking Corporation Limited, Unionbank of the Philippines and Maybank Philippines Inc. Payment for securities bought should be in good, cleared funds and should be final and irrevocable. Settlement is presently on a broker level.

SCCP implemented its Central Clearing and Central Settlement ("**CCCS**") system on May 29, 2006. CCCS employs multilateral netting, whereby the system automatically offsets "buy" and "sell" transactions on a per issue and a per flag basis to arrive at a net receipt or a net delivery security position for each Clearing Member. All cash debits and credits are also netted into a single net cash position for each Clearing Member. Novation of the original PSE trade contracts occurs, and SCCP stands between the original trading parties and becomes the Central Counterparty to each PSE-eligible trade cleared through it.

Scripless Trading

In 1995, the PDTC (formerly the Philippine Central Depository, Inc.), was organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. On December 16, 1996, the PDTC was granted a provisional license by the SEC to act as a central securities depository.

All listed securities at the PSE have been converted into book-entry settlement in the PDTC. The depository service of the PDTC provides the infrastructure for lodgment (deposit) and upliftment (withdrawal) of securities, pledge of securities, securities lending and borrowing and corporate actions including shareholders' meetings, dividend declarations and rights offerings. The PDTC also provides depository and settlement services for non-PSE trades of listed equity securities. For transactions on the PSE, the security element of the trade will be settled through the book-entry system, while the cash element will be settled through the current settlement banks, Banco de Oro Unibank, Inc., Rizal Commercial Banking Corporation, Metropolitan Bank and Trust Company, DB, The Hong Kong Shanghai Banking Corporation Limited, Unionbank of the Philippines and Maybank Philippines Inc.

In order to benefit from the book-entry system, securities must be immobilized into the PDTC system through a process called lodgment. Lodgment is the process by which shareholders transfer legal title (but not beneficial title) over their shares in favor of the PCD Nominee Corporation ("**PCD Nominee**"), a corporation wholly-owned by the PDTC, whose sole purpose is to act as nominee and legal title holder of all shares lodged in the PDTC. "Immobilization" is the process by which the warrant or share certificates of lodging holders are cancelled by the transfer agent and the corresponding transfer of beneficial ownership of the immobilized shares in the account of the PCD Nominee through the PDTC participant will be recorded in the issuing corporation's registry. This trust arrangement between the participants and PDTC through the PCD Nominee is established by and explained in the PDTC Rules and Operating Procedures approved by the SEC. No consideration is paid for the transfer of legal title to the PCD Nominee. Once lodged, transfers of beneficial title of the securities are accomplished via book-entry settlement.

Under the current PDTC system, only participants (e.g. brokers and custodians) will be recognized by the PDTC as the beneficial owners of the lodged equity securities. Thus, each beneficial owner of shares, through his participant, will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee. All lodgments, trades and uplifts on these shares will have to be coursed through a participant. Ownership and transfers of beneficial interests in the shares will be reflected, with respect to the participant's aggregate holdings, in the PDTC system, and with respect to each beneficial owner's holdings, in the records of the participants. Beneficial owners are thus advised that in order to exercise their rights as beneficial owners of the lodged shares, they must rely on their participant-brokers and/or participant-custodians.

Any beneficial owner of shares who wishes to trade his interests in the shares must course the trade through a participant. The participant can execute PSE trades and non-PSE trades of lodged equity securities through the PDTC system. All matched transactions in the PSE trading system will be fed through the SCCP, and into the PDTC system. Once it is determined on the settlement date (T+3) that there are adequate securities in the securities settlement account of the participant-seller and adequate cleared funds in the settlement bank account of the participant-buyer, the PSE trades are automatically settled in the SCCP Central Clearing and Central Settlement system, in accordance with the SCCP and PDTC Rules and Operating Procedures. Once settled, the beneficial ownership of the securities is transferred from the participant-seller to the participant-buyer without the physical transfer of stock certificates covering the traded securities.

If a shareholder wishes to withdraw his shareholdings from the PDTC system, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the upliftment of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under the PCD Nominee. The expenses for upliftment are for the account of the uplifting shareholder.

The difference between the depository and the registry would be on the recording of ownership of the shares in the issuing corporations' books. In the depository set-up, shares are simply immobilized, wherein customers' certificates are cancelled and a confirmation advice is issued in the name of PCD Nominee to confirm new balances of the shares lodged with the PDTC. Transfers among/between broker and/or custodian accounts, as the case may be, will only be made within the book-entry system of the PDTC. However, as far as the issuing corporation is concerned, the underlying certificates are in the PCD Nominee's name. In the registry set-up, settlement and recording of ownership of traded securities will already be directly made in the corresponding issuing company's transfer agents' books or system. Likewise, recording will already be at the beneficiary level (whether it be a client or a registered custodian holding securities for its clients), thereby removing from the broker its current "de facto" custodianship role.

Amended Rule on Lodgment of Securities

On June 24, 2009, the PSE apprised all listed companies and market participants through Memorandum No. 2009-0320 that commencing on July 1, 2009, as a condition for the listing and trading of the securities of an applicant company, the applicant company shall electronically lodge its registered securities with the PDTC or any other entity duly authorized by the SEC, without any jumbo or mother certificate in compliance with the requirements of Section 43 of the SRC. In compliance with the foregoing requirement, actual listing and trading of securities on the scheduled listing date shall take effect only after submission by the applicant company of the documentary requirements stated in Article III Part A of the Revised Listing Rules.

For listing applications, the amended rule on lodgment of securities is applicable to:

1. The offer shares/securities of the applicant company in the case of an initial public offering;
2. The shares/securities that are lodged with the PDTC, or any other entity duly authorized by the PSE in the case of a listing by way of introduction;
3. New securities to be offered and applied for listing by an existing listed company; and
4. Additional listing of securities of an existing listed company.

Pursuant to the said amendment, the PDTC issued an implementing procedure in support thereof, to wit:

1. For new companies to be listed at the PSE as of July 1, 2009 the usual procedure will be observed but the Transfer Agent of the companies shall no longer issue a certificate to PCD Nominee but shall issue a Registry Confirmation Advice, which shall be the basis for the PDTC to credit the holdings of the Depository Participants on listing date.
2. On the other hand, for existing listed companies, the PDTC shall wait for the advice of the Transfer Agents that it is ready to accept surrender of PCNC jumbo certificates and upon such advice the PDTC shall surrender all PCNC jumbo certificates to the Transfer Agents for cancellation. The Transfer Agents shall issue a Registry Confirmation Advice to PCNC evidencing the total number of shares registered in the name of PCNC in our registry as a confirmation date.

Further, the PSE apprised all listed companies and market participants on May 21, 2010 through Memorandum No. 2010-0246 that the Amended Rule on Lodgment of Securities under Section 16 of Article III, Part A of the Revised Listing Rules of the PSE shall apply to all securities that are lodged with the PDTC or any other entity duly authorized by the PSE.

Issuance of Stock Certificates for Certificated Shares

On or after the listing of the shares on the PSE, any beneficial owner of the shares may apply with PDTC through his broker or custodian-participant for a withdrawal from the book-entry system and return to the conventional paper-based settlement. If a shareholder wishes to withdraw his stockholdings from the PDTC system, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the uplifting of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under PCD Nominee. The expenses for upliftment are on the account of the uplifting shareholder.

Upon the issuance of stock certificates for the shares in the name of the person applying for upliftment, such shares shall be deemed to be withdrawn from the PDTC book-entry settlement system, and trading on such shares will follow the normal process for settlement of certificated securities. The expenses for upliftment of the shares into certificated securities will be charged to the person applying for upliftment. Pending completion of the upliftment process, the beneficial interest in the shares covered by the application for upliftment is frozen and no trading and book-entry settlement will be permitted until the relevant stock certificates in the name of the person applying for upliftment shall have been issued by the relevant company's transfer agent.

Amended Rule on Minimum Public Ownership

Under the PSE Amended Rule on Minimum Public Ownership, listed companies are required, at all times, to maintain a minimum percentage of listed securities held by the public of 20.0% of the listed companies' total issued and outstanding shares (i.e. exclusive of treasury shares), or at such percentage that may be prescribed by the PSE. For purposes of determining compliance with the MPO, shares held by the following are generally considered "held by the public": (i) individuals (for as long as the shares held are not of a significant size (i.e. less than 10.0%)) and are non-strategic in nature; (ii) trading participants (for as long as the shares held are non-strategic in nature); (iii) investment and mutual funds; (iv) pension funds; (v) PCD nominees if this account constitutes a number of shareholders, none of which has significant holdings (provided that if an owner of shares under the PCD Nominee has a shareholding that is 10% or more of the total issued and outstanding shares, then this shareholder is considered a principal shareholder); and (vi) social security funds.

Listed companies which become non-compliant with the MPO on or after January 1, 2013 will be suspended from trading for a period of not more than six (6) months and will automatically be delisted if it remains non-compliant with the MPO after the lapse of the suspension period. Suspended or delisted shares will not be traded on the exchange. In addition, sale of shares of listed companies that do not maintain the MPO are not considered publicly listed for taxation purposes and should, therefore, be subjected to capital gains tax and documentary stamp tax.

In accordance with SEC Memorandum Circular No. 13 Series of 2017 issued on December 1, 2017, the MPO requirement on initial public offerings is increased from 10% to 20%, while existing publicly listed companies as of December 2017 remain to be subject to the 10% MPO. The PSE rule on MPO requires that listed companies shall, at all times, maintain a minimum percentage of listed securities held by the public of 10.0% or 20%, as applicable, of the listed companies' issued and outstanding shares, exclusive of any treasury shares. As of date, the SEC is looking at increasing the MPO requirement of existing listed companies to 25.0%, such proposed rules on MPO is yet to be issued by the SEC for comments by the public.

On August 3, 2020, the PSE issued Memorandum Circular No. 2020-0076, Guidelines on MPO Requirement for Initial and Backdoor Listings, effective immediately. Under the guidelines, companies applying for initial listing through an IPO are required to have a minimum public offer size of 20% to 33% of its outstanding capital stock, as follows:

Market Capitalization	Minimum Public Offer
Not exceeding ₱500.0 million	33% or ₱50.0 million, whichever is higher
Over ₱500.0 million to ₱1.0 billion	25% or ₱100.0 million, whichever is higher
Over ₱1.0 billion	20% or ₱250.0 million, whichever is higher

A company listing through an IPO is required to maintain at least 20% public ownership level at all times, whether the listing is initial or through backdoor listing. For companies doing a backdoor listing, the 20% MPO requirement shall be reckoned from the actual issuance or transfer (as may be applicable) of the securities which triggered the application of the Backdoor Listing Rules or from actual transfer of the business in cases where the Backdoor Listing Rules are triggered by a substantial change in business.

Amended REIT Listing Rules

On February 7, 2020, the PSE issued Memorandum No. 2020-0005 on the Amended Listing Rules for Real Estate Investment Trusts ("**Amended REIT Listing Rules**"). Under the Amended REIT Listing Rules, a REIT must meet the following criteria in addition to the criteria in the PSE Listing Rules:

1. A REIT must be a stock corporation established in accordance with the Revised Corporation Code of the Philippines and the rules and regulations promulgated by the Commission principally for the purpose of owning income-generating real estate assets.
2. A REIT must have a dividend policy of distributing annually at least ninety percent (90%) of its distributable income as dividends to its shareholders in accordance with the REIT Act of 2009 and its IRR.
3. A REIT must be a public company upon and after listing, and to be considered as such, a REIT must have at least one thousand (1,000) public shareholders each owning at least fifty (50) shares of any class of shares who in the aggregate own at least one-third (1/3) of the outstanding capital stock.
4. A REIT must have a minimum paid-up capital of ₱300 million.
5. At least seventy-five percent (75%) of the deposited property of the REIT must be invested in, or consist of, income-generating real estate; provided, that a REIT shall not invest in real estate located outside the Philippines which exceeds more than forty percent (40%) of its deposited property and, provided further, that the REIT shall at all times secure a special authority from the securities and exchange commission in making such investment outside the Philippines.
6. At least 1/3 of the board of directors of a REIT must be independent directors, which in no case shall be less than two (2).
7. A REIT must appoint a qualified fund manager and property manager in accordance with the REIT Act of 2009 and its IRR, as may be amended.
8. Directors or officers of the REIT, fund manager, property manager, distributor and other REIT participants are subjected to the fit and proper rule under the REIT Act of 2009 and its IRR.
9. A newly formed REIT which invokes the frack record or operating history of its income generating real estate assets shall submit audited financial statements and any other supporting documents that reflect the back record or operating history of the REIT's income-generating real estate assets for the applicable period.
10. The Articles of Incorporation and By-Laws of the REIT shall provide that all of the shares of stock of the REIT shall be issued in the form of uncertificated securities and an investor may not require the REIT to issue a certificate in respect of any share recorded in their name.
11. Pursuant to Section 8 of these Rules, the REIT shall submit a firm undertaking on the part of its sponsors/promoters which transferred income-generating real estate to the REIT to reinvest in real estate or infrastructure projects in the Philippines any monies realized by such sponsors/promoters from (a) the subsequent sale of REIT shares or other securities issued in exchange of income generating real estate transferred by such sponsors/promoters to the REIT; or (b) the sale of any income-generating real estate to

the REIT. The firm undertaking shall also state the firm commitment to regularly report to the REIT the status of implementation of the Reinvestment Plan.

12. The submission of a Reinvestment Plan by the sponsors/ promoters which transferred income-generating real estate to the REIT.
13. The REIT and its sponsors/promoters which transferred income-generating real estate to the REIT shall be parties to a listing agreement with the Exchange which contains, among others, their undertaking to comply with these Rules.

The Amended REIT Listing Rules also set out the special and regular reports required for REITs and the guidelines to observed in the reinvestment by the sponsors/promoters which transferred income generating real estate to the REIT.

On June 13, 2022, PSE issued Memorandum MEA No. 2022-0001 amending the Amended REIT Listing Rules relating to Lock-Up Exemption for REIT Sponsors and the Shareholder Equity Requirement. The pertinent amendments under MEA No. 2022-0001 are as follows:

1. REIT Lock-Up Exemption in Initial Public Offerings
   To enable a secondary offering of REIT shares during the IPO, even in cases where the actual issuance of REIT shares to the sponsors/promoters in exchange for their contributed properties at a price lower than the IPO price may take place within the one hundred eighty (180)-day period before the IPO due to pending regulatory approvals, such shares issued to sponsors/promoters shall be exempted from the application of the Lock-Up Rule, provided that:
   a. The shares could not have been issued earlier than the 180-day period prior to the IPO because of pending regulatory requirements;
   b. The sponsors/promoters sell the exempted shares during the IPO, provided that, such sponsors/promoters may only sell shares during IPO to the extent of forty-nine percent (49%) of the REIT's outstanding capital stock; and
   c. REIT shares which are covered by this exemption but are not sold during the IPO shall lose their lock-up exemption and be subject to the 365-day lock-up counted from full payment.

   Except as provided in the above Lock-Up Exemption, the shares of principal stockholders of a newly-incorporated REIT which invokes the track record of its income-generating real estate asset shall be subject to a 365-day lock-up period.
2. 49% maximum limit of REIT IPO Lock-Up Exemption
3. The ₱500 Million minimum stockholder's equity required under the existing PSE Listing and Disclosure Rules be present at the time of filing, instead of the fiscal year immediately preceding the filing of the listing application.
4. A newly-formed REIT is not prohibited from undertaking a secondary offering of shares during Initial Public Offering.

MANDATORY LOCK-UP RULE

<u>*MANDATORY LOCK-UP RULE FOR SME BOARD LISTING*</u>

On August 14, 2020, PSE issued Memorandum Circular No. 2020-0080 ("**C.N. No. 2020-0080**"), Revisions to the Mandatory Lock-Up Rule for Small, Medium and Emerging ("**SME**") Board Listing, effective immediately. Under C.N. No. 2020-0080, the Applicant Company shall cause its existing non-public stockholders and their related parties to refrain from selling, assigning, encumbering or in any manner disposing of their shares for a period of one (1) year after the listing of such shares. All other stockholders shall not be subject to mandatory lockup. "Non-public stockholders" was defined under C.N. No. 2020-0080 as the Applicant Company's:

1. Principal stockholders (i.e. the owner of 10% or more of the issued and outstanding shares);
2. Subsidiaries or affiliates;
3. Directors;
4. Principal officers; and,

5. Any other person who has substantial influence on how the applicant company is being managed.

Meanwhile, “related parties” was defined as the non-public stockholder’s:

- Principal stockholders (i.e, the owner of 10% or more of the issued and outstanding shares);
- Subsidiaries or affiliates;
- Directors;
- Principal officers; and
- Members of the immediate families sharing the same household of any of its principal stockholders, directors, or principal officers.

AMENDMENTS TO THE LOCK-UP RULE IN THE MAIN BOARD AND SME BOARD

On June 13, 2022, PSE issued Memorandum MEA No. 2022-0003, amending the lock-up rule in the Main Board Listing Rules and SME Board Listing Rules. The amendment allows alternative investment funds (“AIFs”) or their investment vehicle with demonstrated track record in private equity investments to sell during IPO the shares that they acquired within 180 days prior to the IPO at a price lower than the IPO price, subject to conditions.

AMENDMENTS TO THE VOLUNTARY DELISTING RULES

On December 1, 2020, PSE issued Memorandum Circular No. 2020-0104 (“C.N. 2020-0104”) on the amendments to the voluntary delisting rules. Under C.N. 2020-0104, the delisting must be approved by: a. at least two-thirds (2/3) of the entire membership of the Board, including the majority, but not less than two, of all of its independent directors; and b. Stockholders owning at least two-thirds (2/3) of the total outstanding and listed shares of the listed company.

Further, the number of votes cast against the delisting proposal should not be more than ten percent (10%) of the total outstanding and listed shares of the listed company.

As regards the tender offer price, the minimum tender offer price shall be the higher of: (a) The highest valuation based on the fairness opinion or valuation report prepared by an independent valuation provider in accordance with SRC Rule 19.2.6; or (b) Volume weighted average price of the listed security for one year immediately preceding the date of posting of the disclosure of the approval by the Company’s Board of Directors of the Company’s delisting from the Exchange.

RULE ON INITIAL LISTING THROUGH A PREFERRED SHARES OFFERING

On May 24, 2022, PSE issued Memorandum Circular No. 2022-0023 (“**C.N. 2022-0023**”), Rule on Initial Listing through a Preferred Shares Offering, effective immediately. Under C.N. 2022-0023, the minimum offering to the public shall be at least One Billion Pesos (₱1,000,000,000.00) or twenty percent (20%) of the market capitalization of preferred shares applied for listing, whichever is higher.

Further, upon listing, the applicant company should have at least 1,000 stockholders, each owning at least one (1) board lot, whether it is listing on the Main Board or the SME Board. After listing, the listed company shall be subject to the 20% public float requirement.

As regards the lock-up rule, the 180-day / 365-day lock-up rule shall not apply to the initial listing through a preferred shares offering; however, preferred shares and instruments entitling the holder to issuance of preferred shares (e.g., convertible bonds, warrants) issued and fully paid within 180 days before the initial public offering (“IPO”) at a price lower than the IPO price shall be locked up for 365 days from full payment. If the applicant company has outstanding common shares which are listed, the same will not be covered by the lock-up rule.

Companies mandated by law or regulation to list and/or offer their shares to the public cannot list through this mode of initial listing. A company that lists under this Rule also cannot list by way of introduction.

REVISED RULES ON BACKDOOR LISTING

On May 26, 2022, PSE issued Memorandum Circular No. 2022-0024 ("**C.N. No. 2022-0024**"), Revised Rules on Backdoor Listing, effective immediately. Under C.N. No. 2022-0024, backdoor listing is deemed to occur if the following elements are present:

1. The listed company, directly or indirectly, acquires the shares or assets of an unlisted company or person or group of persons or vice versa; and
2. Such transaction or series of transactions results or will result in:
   - Change in control or de facto control of the listed company; and/or
   - Substantial change in the business of the listed company.

Change in control takes place when the purchaser acquires more than fifty percent (50%) of the voting power of the listed company while de facto control is acquired if the purchaser becomes the single largest substantial shareholder of the listed company after the transaction leading to the backdoor listing. Meanwhile, there is substantial change in business of the listed company if the value of the new business or assets acquired is more than fifty percent (50%) of the total assets of the listed company, based on the audited consolidated financial statements of the listed company as of the end of the fiscal year preceding the backdoor listing or the latest available interim financial statements, as may be applicable.

Some of the notable salient provisions of C.N. No. 2022-0024 are as follows:

1. Corporate approvals for primary issuance of shares resulting in backdoor listing are required, as follows:
   a) At least 2/3 of the entire membership of the Board of Directors, including the majority (but not less than two) of its independent directors; and
   b) Stockholders owning at least 2/3 of the total issued and outstanding shares of the listed company
2. Where a transaction results in change of control of the listed company but the new controlling stockholder will not conduct a tender offer on the basis of any of the exemptions provided in SRC Rule 19.3, the new controlling stockholder or the listed company must submit to the Exchange a written confirmation from the SEC that the mandatory tender offer requirement is not applicable. Meanwhile, if the transaction results in substantial change in business of the listed company without the listed company effecting a change in its Registration Statement, the listed company must also submit a written confirmation from the SEC that amendment of its Registration Statement is not required. Pending submission of these confirmations, the trading of the shares of the listed company will remain to be suspended.
3. A backdoor-listed company shall conduct a public offering of at least ten percent (10%) of its issued and outstanding shares within one (1) year from closing or completion of the transaction giving rise to backdoor listing. A stock rights offering ("SRO") shall not be deemed a public offering for purposes of this rule. Prior to the conduct of the public offering, the listed company shall not conduct any private capital-raising activity (except SRO, Employee Stock Option Plan and stock dividend declaration), unless the same is necessary to comply with the 20% MPO requirement. Secondary offering of shares under trading suspension or lock-up shall not be allowed during the public offering. Non-compliance with the public offering requirement within the prescribed 1-year period shall result in trading suspension of the listed shares.
4. The lock-up rule pursuant to the transaction shall be six (6) months after the conduct of the public offering. Shares held by stockholders owning at least ten percent (10%) of the total issued and outstanding shares shall be locked up for one (1) year from closing or completion of the transaction giving rise to backdoor listing.

PHILIPPINE TAXATION

The following is a general description of certain Philippine tax aspects of consequences of the acquisition, ownership and disposition of the Common Shares. This general description does not purport to be a comprehensive description of the Philippine tax aspects of the Common Shares and no information is provided regarding the tax aspects of acquiring, owning, holding or disposing of the Common Shares under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequence in light of particular situations of acquiring, owning, holding and disposing of the Common Shares in such other jurisdictions. The following discussion does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own, or dispose of the Common Shares.

The tax treatment of a prospective investor may vary depending on such investor's particular situation and certain investors may be subject to special rules not discussed below. This summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to invest in the shares and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rates. This discussion does not provide information regarding the tax aspects of acquiring, owning, holding or disposing of the shares under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequence in light of particular situations of acquiring, owning, holding and disposing of the shares in such other jurisdictions.

EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR AS TO THE PARTICULAR TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF LOCAL AND NATIONAL TAX LAWS.

As used herein, the term "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen thereof. A "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen thereof. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien engaged in trade or business in the Philippines". A non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "non-resident alien not engaged in trade or business in the Philippines". A "domestic corporation" is created or organized under the laws of the Philippines; a "resident foreign corporation" is a non-Philippine corporation engaged in trade or business in the Philippines; and a "non-resident foreign corporation" is a non-Philippine corporation not engaged in trade or business in the Philippines. This general description does not purport to be a comprehensive description of the Philippine tax aspects of the Common Shares and no information is provided regarding the tax aspects of acquiring, owning, holding or disposing of the Common Shares under applicable tax laws of other applicable jurisdictions an the specific Philippine tax consequence in light of particular situations of acquiring, owning, holding and disposing of the Common Shares in such other jurisdictions.

PHILIPPINE TAXATION

On January 1, 2018, Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion ("**TRAIN**"), took effect. The TRAIN amended various provisions of the Tax Code, including those on ordinary income tax of individuals, capital gains tax on the sale and disposition of shares of stock, estate tax, donor's tax, and documentary stamp tax. On March 26, 2021, the second package of the Comprehensive Tax Reform program, Republic Act No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act ("**CREATE**"), was signed into law, thereby amending provisions of the Tax Code relating to, among others, corporate income tax, lowering corporate income taxes and modernizing fiscal incentives in a bid to complement the expected incremental revenues from the first package.

Corporate Income Tax

A domestic corporation is subject to a tax of 25%, of its taxable income from all sources within and outside the Philippines beginning July 1, 2020, provided that domestic corporations with net taxable income not exceeding ₱5,000,000.00 and with total assets not exceeding ₱100,000,000.00 (excluding land on which the particular business entity's office, plant, and equipment are situated during the taxable year for which the tax is imposed) (referred to as micro, small, and medium enterprises, or MSMEs), shall be taxed at 20%. Taxable net income refers to items of income specified under Section 32 (A) of the Philippine Tax Code (the Tax Code), less itemized deductions under Section 34 of the Tax Code or those allowed under special laws, or the optional standard deduction (OSD) equivalent to an amount not exceeding 40% of the corporation's gross income. Passive income of a domestic corporation is taxed as follows: (a) gross interest income from Philippine currency bank deposits and yield from deposit substitutes, trust funds and similar arrangements as well as royalties from sources within the Philippines which are generally taxed at the lower final withholding tax rate of 20% of the gross amount of such income; and (b) interest income from a depository bank under the expanded foreign currency deposit system which is subject to a final tax at the rate of 15% of such income.

Beginning July 1, 2020 and until June 30, 2023, a minimum corporate income tax of 1% of the gross income as of the end of the taxable year is imposed on a domestic corporation beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operations, when the minimum corporate income tax is greater than the ordinary corporate income tax, provided that after June 30, 2023, the rate of minimum corporate income tax shall be 2% of the gross income as of the end of the taxable year. Any excess of the minimum corporate income tax, however, over the ordinary corporate income tax shall be carried forward and credited against the latter for the three immediately succeeding taxable years. Likewise, subject to certain conditions, the minimum corporate income tax may be suspended with respect to a corporation which suffers losses (1) on account of a prolonged labor dispute, or (2) because of force majeure, or (3) because of legitimate business reverses.

SALE, EXCHANGE, OR DISPOSITION OF SHARES AFTER THE IPO

Taxes on transfer of shares listed and traded at the PSE

Unless an applicable income tax treaty exempts the sale from income and/or percentage tax (please see discussion below on tax treaties), a sale or other disposition of shares of stock through the facilities of the PSE by a resident or a non-resident holder (other than a dealer in securities) is subject to a percentage tax usually referred to as a stock transaction tax at the rate of six-tenths of one percent (6/10 of 1%) of the gross selling price or gross value in money of the shares of stock sold or otherwise disposed, which shall be paid by the seller or transferor. This tax is required to be collected by and paid to the Government by the selling stockbroker on behalf of his client. The stock transaction tax is classified as a percentage tax in lieu of a capital gains tax. Under certain income tax treaties, the exemptions from capital gains tax may not be applicable to stock transaction tax.

In addition, Value Added Tax (VAT) of 12% is imposed on the commission earned by the PSE-registered broker, and is generally passed on to the client, the seller or transferor. The stock transaction tax will not apply if the shares are sold outside the facilities of the PSE, including during a trading suspension.

PSE Memorandum CN-No. 2012-0046 dated August 22, 2012 provides that, immediately after December 31, 2012, the SEC shall impose a trading suspension for a period of not more than six (6) months, on shares of a listed company that has not complied with the Rule on Minimum Public Ownership (MPO) which requires listed companies to maintain a minimum percentage of listed securities held by the public of the listed companies issued and outstanding shares at all times. The sale of such listed company's shares during the trading suspension may be effected only outside the trading system of the PSE and shall therefore be subject to taxes on the sale of shares that are not listed or traded at the stock exchange (i.e., capital gains tax, documentary stamp tax, and possibly donor's tax if the fair market value of the shares of stock sold is greater than the consideration or the selling price, as the amount exceeding the selling price shall be deemed a gift subject to donor's tax under Section 100 of the Tax Code.)

Companies which do not comply with the MPO after the lapse of the trading suspension shall be automatically delisted.

The stock transaction tax will also not apply if the shares sold are issued by a corporation that does not meet the MPO requirement, even if the sale is done through the facilities of the PSE. Revenue Regulations No. 16-2012 (R.R. 16-12) provides that the sale, barter, transfer, and/or assignment of shares of listed companies that fail to meet the MPO requirement after December 31, 2012 will be subject to capital gains tax and documentary stamp tax. R.R. 16-12 also requires publicly listed companies to submit public ownership reports to the BIR within fifteen (15) days after the end of each quarter.

Capital Gains Tax, if the Sale Was Made Outside the PSE

Pursuant to the TRAIN Law, the net capital gains realized by a citizen, resident alien, whether or not engaged in trade or business within the Philippines, or a domestic corporation (other than a dealer in securities) during each taxable year from the sale, exchange or disposition of shares of stock outside the facilities of the PSE, are subject to capital gains tax at the rate of 15.0% of the net capital gains realized during the taxable year. For non-resident alien individuals, such sale, exchange, or disposition is also taxable at the rate of 15%, except that this constitutes final withholding tax.

Upon the effectivity of CREATE Law, the net capital gains realized by a resident foreign corporation or a non-resident foreign corporation during each taxable year from the sale, exchange, or disposition of shares of stock in a domestic corporation outside the facilities of the PSE are subject to 15%.

Furthermore, if the fair market value of the shares of stock in a Philippine corporation sold outside the facilities of the local stock exchange is greater than the consideration received by the seller or the selling price, the amount by which the fair market value of the shares exceeds the selling price shall be deemed a gift that is subject to donor's tax under Section 100 of the Tax Code; provided, however, that a sale, exchange or other transfer of such shares outside the facilities of the local stock exchange made in the ordinary course of business (a transaction which is bona fide, at arm's length and free from donative intent) will be considered as made for an adequate and full consideration in money or money's worth and will not be subject to donor's tax.

The transfer of shares shall not be recorded in the books of a company, unless the BIR has issued a Certificate Authorizing Registration ("**CAR**"), certifying that capital gains and documentary stamp taxes relating to the sale or transfer have been paid or, where applicable, tax treaty relief has been confirmed by the International Tax Affairs Division of the BIR in respect of the capital gains tax, or other conditions have been met.

Tax on Dividends

Cash and property dividends received from a domestic corporation by individual shareholders who are either citizens or residents of the Philippines are subject to a final withholding tax at the rate of 10%, which shall be withheld by the Company. Cash and property dividends received by non-resident alien individuals engaged in trade or business in the Philippines are subject to a 20% final withholding tax on the gross amount thereof, while cash and property dividends received by non-resident alien individuals not engaged in trade or business in the Philippines are subject to a final withholding tax at 25% of the gross amount, subject, however, to the applicable preferential tax rates under tax treaties executed between the Philippines and the country of residence or domicile of such non-resident foreign individuals.

Cash and property dividends received from a domestic corporation by another domestic corporation or by resident foreign corporations are not subject to tax while those received by non-resident foreign corporations are generally subject to a final withholding tax at the rate of 25%, starting January 1, 2021, subject to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile of such non-resident foreign corporation. The 25% rate for dividends paid to a non-resident foreign corporation with countries of domicile having no tax treaty with the Philippines may be reduced to a lower rate of 15% (tax sparing rate) if (i) the country in which the non-resident foreign corporation is domiciled imposes no tax on foreign sourced dividends, or (ii) if the country of domicile of the non-resident foreign corporation allows a 10% or greater credit equivalent for taxes deemed to have been paid in the Philippines.

Revenue Memorandum Circular No. 80-1991 (*Publishing the Resolution of the Supreme Court dated March 7, 1990 in G.R. No. 76573 entitled "Marubeni Corporation vs. Commissioner of Internal Revenue and Court of Tax Appeals" re: pre-requisites for the availment of 15% preferential tax rate under then Section 24 (b)(1) now Sec. 25(b)(5)(B) of the National Internal Revenue Code, as amended* dated August 12, 1991) states that in order to avail of the 15% tax sparing rate a non-resident foreign holder must submit the following documents to the payor of the cash dividends: (i) An authenticated certification issued by the foreign tax authority that the dividends received by the non-resident foreign corporation from the domestic corporation were not among the items considered in arriving at the income tax due from the non-resident foreign corporation; (ii) The income tax return of the non-resident foreign corporation for the taxable year when the dividends were received; and (iii) An authenticated document issued by the foreign tax authority showing that the foreign government allowed a credit on the tax deemed paid in the Philippines or did not impose any tax on the dividends. The income recipient may also file a request for a ruling from the BIR that the 15% income tax rate is applicable to its receipt of the dividends and the request has to comply with Revenue Memorandum Order No. 9-2014 (*Requests for Rulings with the Law and Legislative Division* dated February 6, 2014) and other relevant BIR issuances. The income recipient should thereafter provide the payor of the cash dividends with proof of its filing of an application for a ruling with the BIR before the deadline for the remittance to the BIR of the withholding tax on the dividends.

The abovementioned tax rates are without prejudice to applicable preferential tax rates under income tax treaties in force between the Philippines and the country of domicile of the non-resident holder. Most tax treaties to which the Philippines is a party provide for a reduced tax rate of 15% in cases where the dividend arises in the Philippines and is paid to a resident of the other contracting state. Most income tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the dividend, who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant dividend-earning interest is effectively connected with such permanent establishment.

On March 31, 2021, the BIR issued Revenue Memorandum Order No. 14-2021 which repealed the provisions of Revenue Memorandum Order No. 8-2017 (*Procedure for Claiming Tax Treaty Benefits for Dividend, Interest and Royalty Income of Nonresident Income Earners, dated October 24, 2016*) insofar as the submission of a CORTT in order to avail of preferential treaty rates. Such submission of a CORTT shall be discontinued, provided that previously submitted CORTT Forms prior to effectivity of Revenue Memorandum Order No. 14-2021 shall still be forwarded to the relevant Revenue District Offices for compliance checks. The said revenue memorandum order streamlined the process in securing tax treaty relief. A withholding agent or income payor may decide whether to apply the preferential tax treaty rates based on the prescribed documents submitted by a non-resident taxpayer prior to payment of income for the first time. Should the withholding agent or income payor decide to apply the preferential tax treaty rate, the said withholding agent or income payor is required to file with the BIR-International Tax Affairs Division ("**ITAD**") at any time after the payment of the withholding tax but in no case later than the last day of the fourth month following the close of the relevant taxable year a request for confirmation on the propriety of the withholding tax rates applied. Should the withholding agent or income payor decide not to apply the preferential tax treaty rate, the nonresident taxpayer may at any time after receipt of income file a tax treaty relief application with the BIR- ITAD.

If a company withholds the regular tax rate instead of the reduced rate applicable under an income tax treaty, a non-resident holder of the company's shares may file a claim for a refund from the BIR. However, because the refund process in the Philippines requires the filing of an administrative claim and the submission of supporting information, and may also involve the filing of a judicial appeal, it may be impractical to pursue such a refund.

Transfer taxes (e.g. DST, local transfer tax) may be payable if the dividends declared are property dividends, depending on the type of property distributed as dividends. Stock dividends distributed pro rata to all the shareholders of the corporation are generally not subject to Philippine income tax. However, the subsequent sale, exchange, or disposition of shares in a domestic corporation received as stock dividends by the shareholder is subject to either: (a) stock transaction tax, if the transfer is through a local stock exchange, or (b) capital gains tax and documentary stamp tax, if otherwise.

Tax Treaties

The following table lists some of the countries with which the Philippines has tax treaties and the tax rates currently applicable to non-resident holders who are residents of those countries:

Country	Dividends (%)	Stock transaction tax on sale or disposition effected through the PSE (%)[9]	Capital gains tax due on disposition of shares outside the PSE (%)
Canada	25[1]	0.6	May be exempt[13]
China	15[2]	Exempt[10]	May be exempt[13]
France	15[3]	Exempt[11]	May be exempt[13]
Germany	15[4]	Exempt[12]	May be exempt[13]
Japan	15[5]	0.6	May be exempt[13]
Singapore	25[6]	0.6	May be exempt[13]
United Kingdom	25[7]	0.6	Exempt[14]
United States	25[8]	0.6	May be exempt[13]

Notes:

1. *15% if the recipient company which is a resident of Canada controls at least 10% of the voting power of the company paying the dividends; 25% in all other cases.*
2. *10% if the beneficial owner is a company which holds directly at least 10% of the capital of the company paying the dividends; 15% in all other cases.*
3. *10% if the recipient company (excluding a partnership) holds directly at least 10% of the voting shares of the company paying the dividends; 15% in all other cases.*
4. *5% if the recipient company (excluding a partnership) holds directly at least 70% of the capital of the company paying the dividends; 10% if the recipient company (excluding a partnership) holds directly at least 25% of the capital of the company paying the dividends; 15% in all other cases.*
5. *10% if the recipient company holds directly at least 10% of either the voting shares of the company paying the dividends or of the total shares issued by that company during the period of six months immediately preceding the date of payment of the dividends; 15% in all other cases.*
6. *15% if during the part of the taxable year of the paying company which precedes the date of payment of dividends and during the whole of its prior taxable year at least 15% of the outstanding shares of the voting shares of the paying company were owned by the recipient company; 25% in all other cases.*
7. *15% if the recipient company is a company which controls directly or indirectly at least 10% of the voting power of the company paying the dividends; 25% in all other cases.*
8. *20% if during the part of the taxable year of the paying company which precedes the date of payment of dividends and during the whole of its prior taxable year at least 10% of the outstanding shares of the voting shares of the paying corporation were owned by the recipient corporation; 25% in other cases. Notwithstanding the rates provided under the Convention between the Government of the Republic of the Philippines and the Government of the United States of America with respect to Taxes on Income, corporations which are residents of the United States may avail of the 15% withholding tax rate under the tax-sparing clause of the Philippine Tax Code provided certain conditions are met.*
9. *If the stock transaction tax is not expressly included in the tax treaty, the income recipient will be subject to stock transaction tax at the rate of 0.6% of the gross selling price as provided under Section 127 of the Tax Code as amended by Section 39 of the TRAIN.*
10. *Article 2(1)(b) of the Agreement between the Government of the Republic of the Philippines and the Government of the People's Republic of China for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income was signed on November 18, 1999.*
11. *Article 1 of the Protocol to the Tax Convention between the Government of the Republic of the Philippines and the Government of the French Republic signed on January 9, 1976 was signed in Paris, France on June 26, 1995.*

12. *Article 2 (3)(a) of Agreement between the Government of the Republic of the Philippines and the Federal Republic of Germany for the Avoidance of Double Taxation with Respect to Taxes on Income and Capital signed on September 9, 2013.*
13. *Capital gains are taxable only in the country where the seller is a resident, provided the shares are not those of a corporation, the assets of which consist principally of real property situated in the Philippines, in which case the sale is subject to Philippine taxes.*
14. *Under the income tax treaty between the Philippines and the United Kingdom, capital gains on the sale of the shares of Philippine corporations are subject to tax only in the country where the seller is a resident, irrespective of the nature of the assets of the Philippine corporation.*

When availing of capital gains tax exemption on the sale of shares of stock under a tax treaty, a tax treaty exemption ruling shall be necessary in order to completely implement the transfer. For sale of shares made outside the PSE, a CAR from the BIR is required before the transfer is registered in the stock and transfer book. The BIR issues the CAR only after verifying that the applicable taxes have been paid. Thus, in lieu of proof of payment of capital gains tax, the tax treaty relief ruling should be submitted to the BIR office processing the CAR.

The requirements for a tax treaty relief application in respect of capital gains tax or the stock transaction tax on the sale of shares are set out in Revenue Memorandum Order No. 14-2021 which repealed the provisions of Revenue Memorandum Order No. 72-2010 (Guidelines on the Processing of Tax Treaty Relief Applications (TTRA) Pursuant to Existing Philippine Tax Treaties dated August 25, 2010), BIR Form No. 0901-C, other BIR issuances. These include proof of residence in the country that is a party to the income tax treaty. Proof of residence consists of a consularized certification from the tax authority of the country of residence of the seller of shares which provides that the seller is a resident of such country under the applicable income tax treaty. If the seller is a juridical entity, authenticated certified true copies of its articles of incorporation or association issued by the proper government authority should also be submitted to the BIR in addition to the certification of its residence from the tax authority of its country of residence.

The tax treaty relief application has to be filed with the BIR at any time after the transaction but shall not be later than the last day of the fourth moth following the close of the taxable year when the income is paid or when the transaction is consummated based on Revenue Memorandum Circular No. 77-2021.

Documentary Stamp Taxes

Under the TRAIN Law, the original issue of shares is subject to documentary stamp tax of ₱2.00 on each ₱200.00 par value, or fraction thereof, of the shares issued. On the other hand, the transfer of shares is subject to a documentary stamp tax at a rate of ₱1.50 on each ₱200.00, or fractional part thereof, of the par value of the Shares. The documentary stamp tax is imposed on the person making, signing, issuing, accepting or transferring the document and is thus payable either by the vendor or the purchaser of the shares. However, the sale, barter or exchange of shares of stock, should they be listed and traded through the PSE, are exempt from documentary stamp tax.

Estate and Gift Taxes

Shares issued by a domestic corporation are deemed to have a Philippine situs and their transfer by way of a succession or donation, even if made by a non-resident decedent or donor outside the Philippines, is subject to Philippine estate and donor's taxes.

Under the TRAIN Law, the transfer of shares of stock upon the death of a registered holder to his heirs by way of succession, whether such an individual was a citizen of the Philippines or an alien, regardless of residence, shall be subject to an estate tax which is levied on the net estate of the deceased at a uniform rate of 6%. An Investor shall be subject to donor's tax at a uniform rate of 6% based on the value of the total gift on the transfer of the Commercial Papers by gift in excess of ₱250,000.00 made during a calendar year, regardless of the relation of the donor to the donee.

The estate or donor's taxes payable in the Philippines may be credited with the amount of any estate or donor's taxes imposed by the authority of a foreign country, subject to limitations on the amount to be credited, and the tax status of the donor. The estate tax and the donor's tax, however, shall not be collected in respect of intangible property, such as shares of stock: (1) if the decedent at the time of his death or the donor at the time of the donation was a citizen and resident of a foreign country which at the time of his death or donation did not impose a transfer tax of any character, in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or (2) if the laws of the foreign country of which the decedent or donor was a citizen and resident at the time of his death or donation allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

In the case the shares of stock are transferred for less than an adequate and full consideration in money or money's worth, the amount by which the fair market value of the shares of stock exceeded the value of the consideration may be deemed a gift, and donor's taxes may be imposed on the transferor of the shares of stock, based on Section 100 of the Philippine Tax Code, provided that a transfer of property made in the ordinary course of business (i.e. a transaction which is bona fide, at arm's length, and free from any donative intent), will be considered as made for an adequate and full consideration in money or money's worth.

Taxation outside the Philippines

Shares of stock in a domestic corporation are considered under Philippine law to be situated in the Philippines and any gain derived from their sale is entirely from Philippine sources; hence, such gain is subject to Philippine income tax and the transfer of such shares by gift (i.e. donation) or succession is subject to the donor's tax or estate tax.

The tax treatment of a non-resident holder in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of its domicile or business activities and such holder's particular situation. This Prospectus does not discuss the tax considerations of non-resident holders of shares of stock under laws other than those of the Philippines.

IPO Tax

Republic Act No. 11494, otherwise known as the "Bayanihan to Recover As One Act," took effect on September 15, 2020. Section 6 of this law repealed Section 127(B) of the Philippine Tax Code on the IPO Tax.

Under Revenue Regulations No. 23-2020 issued by the BIR, tax on shares of stocks sold, bartered, exchanged or other disposition through IPO provided under Section 127(B) of the Philippine Tax Code is repealed. Every sale, barter, exchange or other disposition through IPO of shares of stock in closely held corporations shall no longer be subject to IPO Tax.

CORPORATE RECOVERY AND TAX INCENTIVES ENTERPRISES LAW

The salient provisions of the CREATE Law include:

1. Reduction in corporate income tax (CIT) from the current 30% to 20% for MSMEs and to 25% for other corporate taxpayers by July 1, 2020;
2. Reduction in the minimum corporate income tax rate to 1% effective July 1, 2020 until June 30, 2023;
3. Effective July 1, 2020, a period of four to seven (7) years during which export enterprises may enjoy the 5% special corporate income tax based on the gross income earned in lieu of all national and local taxes;
4. Extension of the applicability of the net operating loss carryover for losses incurred during the first three years from the start of commercial operation by registered projects or activities, from the current three to five consecutive taxable years immediately following the year of such loss;

5. Net capital gains derived by resident foreign corporations on the sale of shares of stock of domestic corporations not traded on the Philippine stock exchange will be subject to a final tax of 15%, increased from the current rate of 5% on the first ~US$2,000 and 10% on the excess thereof;
6. Regional Operating Headquarters will be subject to regular CIT rates effective January 1, 2022, increased from the current 10% rate on taxable income;
7. Qualified Registered Business Enterprises (RBE) will be granted an income tax holiday for four to seven years, depending on the assigned RBE category level. After the income tax holiday period, a special corporate income tax rate of 5% beginning July 1, 2020 will be imposed on gross income earned in lieu of all national and local taxes. The duration of the special corporate income tax is five to ten years depending on the assigned Registered Business Enterprises tier level; and
8. in lieu of the special corporate income tax, enhanced deductions may be granted for a period of five to ten years depending on the assigned Registered Business Enterprises category level.

PHILIPPINE FOREIGN EXCHANGE AND FOREIGN OWNERSHIP CONTROLS

Registration of Foreign Investments and Exchange Controls

Under current BSP regulations, an investment in listed Philippine securities (such as the Common Shares) must be registered with the BSP if the foreign exchange needed to service the repatriation of capital and the remittance of dividends, profits and earnings derived from such shares is to be sourced from the Philippine banking system. If the foreign exchange required to service capital repatriation or dividend remittance is sourced outside the Philippine banking system, registration is not required. BSP Circular No. 471 (Series of 2005), as amended, however subjects foreign exchange dealers, money changers and remittance agents to R.A. No. 9160 (the Anti-Money Laundering Act of 2001, as amended) and requires these non-bank sources of foreign exchange to require foreign exchange buyers to submit, among others, the original BSP registration document in connection with their application to purchase foreign exchange exceeding US$5,000.00 for purposes of capital repatriation and remittance of dividends.

Registration of Philippine securities listed on the PSE may be done directly with a custodian bank duly designated by the foreign investor. A custodian bank may be a universal or commercial bank or an offshore banking unit registered with the BSP to act as such and appointed by the investor to register the investment, hold shares for the investor, and represent the investor in all necessary actions in connection with his investments in the Philippines. Applications for registration must be accompanied by: (i) purchase invoice, subscription agreement and proof of listing on the PSE (either or both), (ii) credit advice or bank certificate showing the amount of foreign currency inwardly remitted and converted into Pesos, and (iii) transfer instructions from the stockbroker or dealer, as the case may be.

Upon registration of the investment, proceeds of divestments, or dividends of registered investments are repatriable or remittable immediately and in full through the Philippine banking system, net of applicable tax, without need of BSP approval. Capital repatriation of investments in listed securities is permitted upon presentation of the BSP registration document and the broker's sales invoice, at the exchange rate prevailing at the time of purchase of the foreign exchange from the banking system. Remittance of dividends is permitted upon presentation of: (1) the BSP registration document, (2) the cash dividends notice from the PSE and the Philippine Central Depository printout of cash dividend payment or computation of interest earned, (3) copy of secretary's sworn statement on the board resolution covering the dividend declaration and (4) detailed computation of the amount applied for in the format prescribed by the BSP. Pending reinvestment or repatriation, divestment proceeds, as well as dividends of registered investments, may be lodged temporarily in interest-bearing deposit accounts. Interest earned thereon, net of taxes, may also be remitted in full. Remittance of divestment proceeds or dividends of registered investments may be reinvested in the Philippines if the investments are registered with the BSP or the investor's custodian bank.

The foregoing is subject to the power of the BSP, through the Monetary Board, with the approval of the President of the Philippines, to suspend temporarily or restrict the availability of foreign exchange, require licensing of foreign exchange transactions or require delivery of foreign exchange to the BSP or its designee during an exchange crisis, when an exchange crisis is imminent, or in times of national emergency.

The registration with the BSP of all foreign investments in any Common Shares received in exchange for Offer Shares shall be the responsibility of the foreign investor.

Foreign Ownership Controls

The Philippine Constitution and related statutes set forth restrictions on foreign ownership of companies engaged in certain activities, among them the ownership of private land.

In connection with the ownership of private land, Article XII, Section 7 of the Philippine Constitution, in relation to Article XII, Section 2 of the Philippine Constitution and Chapter 4 of Commonwealth Act No. 141, states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens.

RA 7042, as amended, otherwise known as the Foreign Investments Act of 1991 and the Negative List issued pursuant thereto, reserves to Philippine Nationals all areas of investment in which foreign ownership is limited by mandate of the Constitution and specific laws. Section 3(a) of RA 7042 defines a "Philippine National" as:

1. A citizen of the Philippines;
2. A domestic partnership or association wholly-owned by citizens of the Philippines;
3. A trustee of funds for pension or other employee retirement or separation benefits where the trustee is a Philippine National and at least 60% of the fund will accrue to the benefit of the Philippine Nationals;
4. A corporation organized under the laws of the Philippines of which at least 60.0% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines; or
5. A corporation organized abroad and registered as doing business in the Philippines under the Revised Corporation Code of which 100.0% of the capital stock outstanding and entitled to vote is wholly-owned by Filipinos.

However, the Foreign Investments Act of 1991 states that where a corporation (and its non-Filipino shareholders) own stock in a SEC-registered enterprise, at least 60.0% of the capital stock outstanding and entitled to vote of both the investing corporation and the investee corporation must be owned and held by citizens of the Philippines. Further, at least 60.0% of the members of the board of directors of both the investing corporation and the investee corporation must be Philippine citizens in order for the investee corporation to be considered a Philippine National.

The Company currently owns real estate. The Company will be subject to nationality restrictions found under the Philippine Constitution and other laws limiting land ownership to Philippine Nationals. Compliance with the required Philippine Nationals of a corporation is to be determined on the basis of outstanding capital stock whether fully paid or not.

As of the date of this Prospectus, 100% of our total outstanding capital stock is held by Philippine Nationals. Immediately after the completion of the Offer, foreign equity shall not exceed 40.0% of our total outstanding capital stock.

PLAN OF DISTRIBUTION

We shall offer 888,157,800 Firm Shares shall to investors, through the Joint Lead Underwriters. At least 621,710,460 Offer Shares (or 70% of the Firm Shares) are being offered by the Joint Lead Underwriters to the QIBs and to the general public. Up to 177,631,560 Firm Shares (or 20% of the Firm Shares) are being offered to all of the PSE Trading Participants. The remaining up to 88,815,780 Firm Shares (or 10% of the Firm Shares) are being offered to the LSIs in the Philippines. Prior to the closing of the Offer, any Offer Shares not taken up by the QIBs, PSE Trading Participants, and LSIs shall be distributed by the Joint Lead Underwriters to their clients or to the general public. In the event that there are Offer Shares that remain unsubscribed at the end of the Offer, the Joint Lead Underwriters shall subscribe to the balance on a firm commitment basis pursuant to the terms and conditions of the Underwriting Agreement between the Company and the Issue Manager and Bookrunner, and the Joint Lead Underwriters

Underwriting Commitment

To facilitate the Offer, we have appointed First Metro as the Issue Manager and Bookrunner. In addition, First Metro, together with RCBC Capital Corporation, will act as Joint Lead Underwriters for the transaction. First Metro and RCBC Capital are both duly-licensed by the SEC to engage in underwriting or distribution of the Offer Shares. We may, from time to time, engage in transactions with and perform services in the ordinary course of our business for the Company or other members of our Company. Our Company and the Joint Lead Underwriters shall enter into an Underwriting Agreement to be dated on the Pricing Date (the “Underwriting Agreement”), whereby the Joint Lead Underwriters, on a pro-rata basis, agree to underwrite all of the Offer Shares at the Offer Price on a firm commitment basis.

In accordance with the Underwriting Agreement, the Joint Lead Underwriters have agreed to underwrite the entire Offer on a firm basis, and to distribute and sell the Offer Shares. The Underwriting Agreement will be subject to certain conditions and is subject to termination by the Joint Lead Underwriters if certain circumstances, including force majeure, occur on or before the time at which the Common Shares, including the Firm Shares, are listed on the PSE. In addition, this agreement is conditional, inter alia, on the Firm Shares being listed on the PSE on the Listing Date or such date as the Joint Lead Underwriters may determine.

There is no arrangement for the Joint Lead Underwriters to return to us any unsold Offer Shares. The Underwriting Agreement may be terminated in certain circumstances prior to payment of the net proceeds of the Offer Shares being made to our Company. The Issue Manager and Bookrunner does not have any other business relationships with the Company. First Metro is not represented in our Board of Directors. Neither is there a provision in the Underwriting Agreement, which would entitle the Joint Lead Underwriters to representation in our Board of Directors as part of our compensation for underwriting services. The Joint Lead Underwriters shall receive from us a transaction fee equivalent to 3.00% of the gross proceeds of the Offer, inclusive of the amounts to be paid to Selling Agents such as the PSE Trading Participants. The transaction fee is based on the final nominal amount of the Offer Shares to be issued and shall be withheld by PNB Trust, the Receiving and Paying Agent, from the proceeds of the Offer. All reasonable out-of-pocket expenses to be incurred by the Joint Lead Underwriters in connection with the Offer shall be for the account of our Company.

First Metro Investment Corporation

First Metro is a leading investment bank in the Philippines with over fifty years of service in the development of the country’s capital markets. It is the investment banking arm of the Metrobank Group, one of the largest financial conglomerates in the country, and is duly licensed by the SEC to engage in the underwriting and distribution of securities. First Metro and its subsidiaries offer a wide range of services, from debt and equity underwriting to loan syndication, project finance, financial advisory, investment advisory, government securities and corporate debt trading, equity brokering, online trading, asset management, and research. First Metro has earned a solid reputation for its creativity, innovation, and timely execution. It has proven its ability to create value and opportunities as well as provide solutions that are pioneering, game changing, and responsive to the needs of both issuers and investors.

RCBC Capital Corporation

RCBC Capital is a licensed investment house providing a complete range of capital-raising and financial advisory services. Established in 1974, RCBC Capital has over 48 years of experience in the underwriting of equity, quasi-equity and debt securities, as well as in managing and arranging the syndication of loans, and in financial advisory. RCBC Capital is a wholly owned subsidiary of the Rizal Commercial Banking Corporation and a part of the Yuchengco Group of Companies, one of the country's largest fully-integrated financial services conglomerates. As of 31 March 2022, RCBC Capital's total assets were ₱3.7 billion while total capital was ₱3.1 billion.

THE TRADING PARTICIPANTS AND RETAIL OFFER SHARES

Pursuant to the PSE Rules, the Company will make available [up to 177,631,560] Firm Shares, or 20% of the Firm Shares for distribution to the PSE Trading Participants. The total number of Firm Shares allocated for each of the [125] PSE Trading Participants shall be [up to 1,421,000] Firm Shares, and shall be subject to reallocation following the procedures indicated in the Implementing Guidelines published in the PSE EDGE website.

PSE Trading Participants who take up the Offer Shares shall be entitled to a selling fee of [1%], VAT-inclusive of the Offer Shares taken up and purchased by the relevant trading participant. The selling fee, less a withholding tax of 10%, will be paid to the PSE Trading Participants within ten (10) banking days after the Listing Date.

The PSE Trading Participants may be allowed to subscribe for their dealer accounts provided that, if they opt to sell the Offer Shares to the clients during the Offer period, it must be at a price not higher than the Offer Price per share. Likewise, the PSE Trading Participants are prohibited from selling the Offer Shares during the period after the Offer period and prior to the Listing Date.

LSI Subscriptions through PSE EASY

A total of [88,815,780] Firm Shares, or 10% of the Firm Shares, shall be made available nationwide to LSIs through the PSE Electronic Allocation System or "PSE EASy." An LSI is defined as a subscriber to the Offer who is willing to subscribe to a minimum board lot or whose subscription does not exceed ₱[100,000.00]. In the case of this Offer, the minimum subscription of LSIs shall be [●] shares or [●] while the maximum subscription shall be [●] shares or up to [●]. There will be no discount on the Offer Price.

The procedure in subscribing to Offer Shares via PSE EASy shall be described in our Implementing Guidelines for Local Small Investors to be announced through the PSE EDGE website. Should the total demand for the Offer Shares in the LSI program exceed the maximum allocation, the Issue Manager and Bookrunner shall prioritize subscriptions of small investors with amounts lower than the maximum subscription.

All Firm Shares not taken up by the QIBs, the PSE Trading Participants, the LSIs, the general public and the Joint Lead Underwriters' clients shall be purchased by the Joint Lead Underwriters on a firm commitment basis pursuant to the terms and conditions of the Underwriting Agreement. Nothing herein or in the Underwriting Agreement shall limit the rights of the Joint Lead Underwriters from purchasing the Offer Shares for their own account.

Lodgement of Shares

All of the Offer Shares shall be lodged with the PDTC and shall be issued to the PSE Trading Participants and LSIs in scripless form. They may maintain the Offer Shares in scripless form or opt to have the stock certificates issued to them by requesting an upliftment of the relevant Offer Shares from the PDTC's electronic system after the Listing Date.

The Over-Allotment Option and Stabilization Activities

In connection with the Offer, and subject to the approval of the SEC, the Selling Shareholder has granted the Joint Lead Underwriters an Over-allotment Option, exercisable not later than the Listing Date, solely to cover over-allotment and for purposes of price stabilization activities. In connection therewith and the stabilization activities set out below, the Selling Shareholder has entered into a [Stabilization Agreement] dated [●] with [First Metro Securities Brokerage Corp.] as the Stabilizing Agent. In a letter dated [●], the SEC allowed [First Metro Securities Brokerage Corp.] to act as Stabilizing Agent in relation to the Offer and set out the guidelines for the stabilization activities.

In the event of full or partial exercise of the Over-allotment Option, the Selling Shareholder shall cause the delivery to the Stabilizing Agent of the Option Proceeds. Pursuant to the [Stabilization Agreement], the Stabilizing Agent may use the Option Proceeds to effect prize stabilization transactions by purchasing Common Shares in the open market for a period not exceeding 30 calendar days from and including the Listing Date, with a view to supporting the market price of the Common Shares at a level higher than that which might otherwise prevail during such period (the "**Stabilization Activities**"). The Stabilizing Agent may conduct Stabilization Activities until the Option Proceeds are exhausted, subject to compliance with all applicable laws and regulations. The Stabilizing Agent has the sole discretion whether to undertake Stabilization Activities, and there is no assurance that the same will be undertaken, and if commenced, may be discontinued by the Stabilizing Agent prior to the end of the 30-day period, upon mutual agreement with our Company, on behalf of and after consulting the Selling Shareholder. There is also no assurance that the price of the Common Shares will not decline significantly prior to or after any such stabilizing activities end.

Initial Stabilization Activities shall be below the Offer Price. The price for the subsequent stabilization activities shall be as follows:

1. After the initial stabilization action, and if there has not been an independent trade in the market at a higher price than the initial stabilization trade, the subsequent trade shall be below the initial stabilizing price; and,
2. After the initial stabilizing action, and if there has been an independent trade in the market at a higher price than the initial stabilization trade, the subsequent trade shall be at the lower of the stabilizing action price or the independent trade price.

For this purpose, independent trade shall mean any trade made by any person other than the Stabilizing Agent.

Such activities may stabilize, maintain or otherwise affect the market price of the Common Shares, which may have the effect of preventing a decline in the market price of the Common Shares and may also cause the price of the Common Shares to be higher than the price that otherwise would exist in the open market in the absence of these transactions.

At the end of the Price Stabilization Period, the following results may occur in respect of the Stabilization Activities that may be conducted by the Stabilizing Agent:

1. In the event that the Stabilizing Agent does not conduct price stabilization activities during the Price Stabilization Period, the Stabilizing Agent shall deliver to the Selling Shareholder the Option Proceeds;

2. In the event that the Stabilizing Agent exercises partial price stabilization activities during the Price Stabilization Period, the Stabilizing Agent shall (a) deliver to the Selling Shareholder the portion of the Option Proceeds, and (b) redeliver or procure the redelivery of, securities of an identical type, par value and description as the Stabilization Shares in such number as equal to the total number of Stabilization Shares purchased during the Price Stabilization Period; and

3. In the event that the Stabilizing Agent exercises full price stabilization activities conducted during the Price Stabilization Period, the Stabilizing Agent shall redeliver, or procure the redelivery of, securities of an identical type, par value and description as the Stabilization Shares, in such number as equal to the total number of Stabilization Shares.

LOCK-UP

The PSE rules require existing shareholders owning at least 10% of the outstanding shares of a company not to sell, assign or in any manner dispose of their shares for a period of 180 days after the listing of the shares subscribed in the transaction or 365 days after the Listing Date in case we are exempt from the track record and operating history requirements.

In addition, if there is any issuance or transfer of Shares (i.e., private placements, asset for shares swap or a similar transaction) or instruments which lead to issuance of Shares (i.e., convertible bonds, warrants or a similar instrument) done and fully paid for within 180 days prior to the start of the Offer, and the transaction price is lower than that of the Offer Price, all such Shares issued or transferred shall be subject to a lock-up period of at least 365 days from full payment of such Shares.

In accordance with the foregoing, the Common Shares held by the following shareholders will be subject to the lock-up periods specified below:

Shareholder	No. of Shares Held Before the Offer	% of Total Shareholding Before the Offer	% Total of Shareholding after the Firm Offer	% Total of Shareholding Assuming Full Exercise of the Over-allotment Option	Period of Lock-up (in days)
Ricardo A. Lee	445,834,335	17.83%	13.55%	13.55%	180
Lawrence O. Lee	445,832,935	17.83%	10.55%	7.55%	180
William Lim	356,665,665	14.27%	10.84%	10.84%	180
Jendres Holdings, Inc.	537,500,000	21.50%	16.34%	16.34%	180
Virdura Holdings, Inc.	312,500,000	12.50%	9.50%	9.50%	180
Unitrust Investments Corporation	312,500,000	12.50%	9.50%	9.50%	180
Marcos A. Legaspi	100	0.00%	0.00%	0.00%	365
Rolando O. Raval, Jr.	100	0.00%	0.00%	0.00%	365
Arlene Louisa T. Sy	100	0.00%	0.00%	0.00%	365
Anthony Thomas C. Roxas, Jr.	100	0.00%	0.00%	0.00%	365
Chun Bing G. Uy	100	0.00%	0.00%	0.00%	365
Raul M. Leopando	100	0.00%	0.00%	0.00%	365
Jose Vincente C. Bengzon, III	100	0.00%	0.00%	0.00%	365

To implement this lock-up requirement, the PSE requires, among others, to lodge the shares with the PDTC through a participant of the PDTC system for the electronic lock-up of the shares or to enter into an escrow agreement with the trust department or custodian unit of an independent and reputable financial institution.

Our Company, the Selling Shareholder and the shareholders listed above, being subject to the lock-up requirement, will enter into an escrow agreement with [Philippine National Bank acting through its Trust Banking Group] as the escrow agent thereunder.

Selling Restrictions

No securities, except of a class exempt under Section 9 of the SRC or unless sold in any transaction exempt under Section 10 thereof, shall be sold or distributed by any person within the Philippines, unless such securities shall have been registered with the SEC on Form 12-1 and the registration statement has been declared effective by the SEC.

LEGAL MATTERS

Certain legal matters as to Philippine law relating to the Offer will be passed upon by Picazo Buyco Tan Fider and Santos Law, legal counsel to the Company, and Angara Abello Concepcion Regala & Cruz Law Offices, legal counsel to the Issue Manager and Bookrunner, and the Joint Lead Underwriters.

Matters requiring the opinion of independent counsel will be passed upon by Adarlo Caoile & Associates Law (ACALaw). The law firm of ACALaw is a general practice and full-service law firm with lawyers who have extensive experience and expertise in various fields of the legal practice.

Each of the foregoing legal counsels and ACALaw Offices has neither shareholding in our Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for securities in our Company. None of the legal counsel will receive any direct or indirect interest in our Company or in any securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Offer.

INDEPENDENT AUDITORS

Our fiscal year begins on January 1 and ends on December 31. Reyes Tacandong & Co. ("**RT&Co.**") has audited and rendered an unqualified audit report on the Company's financial statements at December 31, 2020 and 2021 and as of March 31, 2022.

Darryll Reese Q. Salangad is the current audit partner and has served our Company since 2020. We have 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 our Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities of our Company. RT&Co. will not receive any direct or indirect interest in our Company or its securities (including options, warrants or rights thereto) pursuant to or in connection with the Offer. 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 following table sets out the aggregate fees billed for the current year and each of the last three years for professional services rendered by RT&Co. to the Company, excluding fees directly related to the Offer.

In ₱ Millions	**2019**	**2020**	**2021**	**2022**
Audit and Audit-Related Fees[a]	–	2.4	2.4	1.8
All Other Fees[b]	4.0	2.7	1.6	–
Total	4.0	5.1	4.0	1.8

1. Audit and Audit-Related Fees. This category includes the audit of annual financial statements and interim financial statements and services that are normally provided by the independent auditor in connection with statutory and regulatory filings or engagements for those calendar years. This is exclusive of out-of-pocket expenses incidental to the independent auditors' work, the amounts of which do not exceed 10% of the agreed-upon engagement fees.
2. All Other Fees. This category includes other services rendered by RT&Co. such as internal audit, or special audit if any.

In relation to the audit of our annual financial statements, our Corporate Governance Manual, which was approved by the Board of Directors on May 9, 2022, provides that the audit committee shall, among other activities, (i) evaluate significant issues reported by the external auditors in relation to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of our Company, (ii) ensure that other non-audit work provided by the external auditors are not in conflict with their functions as external auditors, and (iii) ensure the compliance of the Company with acceptable auditing and accounting standards and regulations.

AUDITED FINANCIAL STATEMENTS

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A S 9 5 0 0 3 8 3 6

COMPANY NAME

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)

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	N/A

COMPANY INFORMATION

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

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

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON'S ADDRESS

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

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

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

BOA/PRC Accreditation No. [illegible]
[illegible]
SEC Accreditation No. [illegible]
[illegible]

[illegible]
[illegible]
Makati City [illegible] Philippines
Phone : [illegible]
Fax : [illegible]
Website : [illegible]

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 March 31, 2022, December 31, 2021 and 2020, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the three months ended March 31, 2022 and 2021, and for the years ended December 31, 2021, 2020 and 2019, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2022, December 31, 2021 and 2020, and its financial performance and its cash flows for the three months ended March 31, 2022 and 2021, and for the years ended December 31, 2021, 2020 and 2019 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 the audit 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.

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.

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FIRM PRINCIPLES. WISE SOLUTIONS.

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 audit 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. 107615
Tax Identification No. 227-770-760-000
BOA Accreditation No. 4782; Valid until April 13, 2024
SEC Accreditation No. 1768-A
Valid until October 14, 2022
BIR Accreditation No. 08-005144-016-2019
Valid until July 2, 2022
PTR No. 8851719
Issued January 3, 2022, Makati City

June 14, 2022
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

	Note	March 31, 2022	December 31 2021	December 31 2020
ASSETS				
Current Assets				
Cash	4	₱773,278,392	₱1,100,790,419	₱630,841,482
Trade and other receivables	5	37,804,659	38,682,534	90,568,512
Advances to related parties	15	–	–	1,098,699,844
Inventories	6	2,352,743,540	2,007,274,236	1,479,700,400
Other current assets	7	177,560,043	164,734,059	140,836,954
Total Current Assets		3,341,386,634	3,311,481,248	3,490,647,192
Noncurrent Assets				
Property and equipment	9	670,125,901	682,939,554	759,067,608
Right-of-use (ROU) assets	17	215,046,563	153,465,790	123,362,619
Deferred tax assets	18	13,275,212	16,077,663	36,780,928
Total Noncurrent Assets		898,447,676	852,483,007	919,211,155
		₱4,239,834,310	₱4,163,964,255	₱4,409,858,347
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	10	₱1,534,512,814	₱1,787,805,048	₱1,179,856,946
Current portion of bank loans and trust receipts payable	11	1,424,125,470	1,246,434,750	2,335,118,452
Current portion of lease liabilities	17	133,520,206	121,678,646	90,400,339
Income tax payable		28,625,314	37,738,979	16,929,375
Total Current Liabilities		3,120,783,604	3,193,657,423	3,622,305,112
Noncurrent Liabilities				
Bank loans - net of current portion	11	–	–	150,000,000
Lease liabilities - net of current portion	17	77,831,584	40,276,058	40,528,672
Retirement liability	16	32,784,901	31,811,018	25,178,232
Total Noncurrent Liabilities		110,616,485	72,087,076	215,706,904
Total Liabilities		3,231,400,089	3,265,744,499	3,838,012,016
Equity				
Capital stock	12	500,000,000	500,000,000	267,500,000
Retained earnings	12	514,679,452	404,464,987	307,823,830
Accumulated remeasurement loss on retirement liability	16	(6,245,231)	(6,245,231)	(3,477,499)
Total Equity		1,008,434,221	898,219,756	571,846,331
		₱4,239,834,310	₱4,163,964,255	₱4,409,858,347

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

		Three Months Ended March 31		Years Ended December 31		
	Note	2022	2021	2021	2020	2019
NET SALES		₱2,099,215,377	₱2,091,749,885	₱8,567,941,202	₱8,152,203,754	₱7,569,578,893
COST OF SALES	6	(1,638,214,982)	(1,648,647,043)	(6,682,292,006)	(6,480,930,603)	(5,988,484,639)
GROSS INCOME		461,000,395	443,102,842	1,885,649,196	1,671,273,151	1,581,094,254
OPERATING EXPENSES	13	(340,540,416)	(360,383,855)	(1,322,687,810)	(1,257,649,464)	(1,217,042,438)
INCOME FROM OPERATIONS		120,459,979	82,718,987	562,961,386	413,623,687	364,051,816
FINANCE COSTS	11	(14,819,498)	(30,771,542)	(116,263,266)	(213,968,720)	(245,966,991)
OTHER INCOME	14	41,278,271	34,313,993	90,852,948	95,463,091	3,668,110
INCOME BEFORE INCOME TAX		146,918,752	86,261,438	537,551,068	295,118,058	121,752,935
PROVISION FOR (BENEFIT FROM) INCOME TAX	18					
Current		33,901,836	15,291,628	112,615,259	74,470,763	39,948,068
Deferred		2,802,451	5,885,964	21,294,652	13,902,630	(3,494,580)
		36,704,287	21,177,592	133,909,911	88,373,393	36,453,488
NET INCOME		110,214,465	65,083,846	403,641,157	206,744,665	85,299,447
OTHER COMPREHENSIVE LOSS						
Not to be reclassified to profit or loss in subsequent periods						
Remeasurement loss on retirement liability - net of deferred income tax	16	–	–	(2,519,339)	(3,477,499)	–
TOTAL COMPREHENSIVE INCOME		₱110,214,465	₱65,083,846	₱401,121,818	₱203,267,166	₱85,299,447
BASIC/DILUTED EARNINGS PER SHARE	23	₱0.04	₱0.05	₱0.30	₱0.15	₱0.06

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	Three Months Ended March 31		Years Ended December 31		
		2022	2021	2021	2020	2019
CAPITAL STOCK - ₱1 par value	12					
Issued and outstanding		₱500,000,000	₱267,500,000	₱500,000,000	₱267,500,000	₱267,500,000
RETAINED EARNINGS						
Balance at beginning of period		404,464,987	307,823,830	307,823,830	101,079,165	15,779,718
Net income		110,214,465	65,083,846	403,641,157	206,744,665	85,299,447
Cash dividends - ₱0.67 per share in 2021	12	–	–	(307,000,000)	–	–
Balance at end of period		514,679,452	372,907,676	404,464,987	307,823,830	101,079,165
ACCUMULATED REMEASUREMENT LOSSES ON RETIREMENT LIABILITY	16					
Balance at beginning of period		(6,245,231)	(3,477,499)	(3,477,499)	–	–
Remeasurement loss on retirement liability - net of deferred income tax		–	–	(2,519,339)	(3,477,499)	–
Effect of change in income tax rate		–	(248,393)	(248,393)	–	–
Balance at end of period		(6,245,231)	(3,725,892)	(6,245,231)	(3,477,499)	–
		₱1,008,434,221	₱636,681,784	₱898,219,756	₱571,846,331	₱368,579,165

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

		Three Months Ended March 31		Years Ended December 31		
	Note	2022	2021	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax		₱146,918,752	₱86,261,438	₱537,551,068	₱295,118,058	₱121,752,995
Adjustments for:						
Depreciation and amortization	9	55,148,018	73,314,649	303,334,752	315,341,178	357,573,116
Finance costs	11	14,819,498	30,773,542	116,263,266	213,968,720	245,968,991
Gain on lease concessions	17	(4,438,528)	(11,398,835)	(52,687,895)	(94,416,731)	–
Retirement expense	16	973,883	651,280	3,273,667	2,544,438	5,117,267
Interest income	4	(135,474)	(229,821)	(710,294)	(919,283)	(410,738)
Provision for (reversal of) inventory obsolescence	6	–	–	(7,346,324)	13,401,920	–
Gain on lease modification	17	–	(484,830)	(621,157)	(127,077)	–
Operating income before working capital changes		211,189,152	178,905,473	899,057,083	744,911,221	729,994,571
Decrease (increase) in:						
Trade and other receivables		877,878	28,258,491	51,885,978	(11,939,180)	(13,621,418)
Inventories		(345,469,904)	(174,534,687)	(520,227,512)	(80,180,756)	(24,983,437)
Other current assets		(12,825,984)	5,176,982	(23,897,106)	(6,457,604)	(12,429,028)
Increase (decrease) in trade and other payables		(253,562,195)	367,574,793	607,294,769	(56,133,620)	(72,701,529)
Net cash generated from (used for) operations		(399,790,886)	205,379,053	1,014,113,213	591,220,161	606,259,163
Income taxes paid		(43,015,508)	(11,859,092)	(91,805,655)	(65,623,949)	(31,565,549)
Interest received		135,474	229,821	710,294	919,283	410,738
Net cash provided by (used in) operating activities		(442,670,880)	193,749,782	923,017,852	526,515,495	575,104,952
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions to property and equipment	9	(12,793,549)	(9,533,746)	(58,818,497)	(45,500,392)	(58,849,064)
Decrease (increase) in advances to related parties	15	–	(1,448,068)	1,098,699,844	(61,030,970)	(255,975,356)
Proceeds from sale of assets held for sale	8	–	–	–	157,639,445	–
Net cash provided by (used in) investing activities		(12,793,549)	(10,981,814)	1,039,881,347	51,108,083	(309,824,420)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from loans and trust receipts availments	11	946,126,149	687,777,921	2,454,817,472	4,122,847,904	2,962,715,441
Payments of:						
Loans and trust receipts	11	(388,437,429)	(651,032,294)	(4,093,501,174)	(3,981,514,789)	(2,714,645,323)
Lease liabilities	17	(37,546,188)	(28,745,405)	(126,219,919)	(109,976,889)	(246,651,025)
Interests		(12,392,832)	(27,610,035)	(103,552,641)	(195,134,617)	(225,287,220)
Dividends	12	–	–	(307,000,000)	–	–
Proceeds from additional subscription of shares of stock	12	–	–	231,900,000	–	–
Net cash provided by (used) in financing activities		127,952,099	(40,610,813)	(1,541,950,262)	(163,777,841)	(223,868,127)
NET INCREASE (DECREASE) IN CASH		(327,512,027)	142,157,155	419,948,937	413,845,737	41,411,805
CASH AT BEGINNING OF PERIOD		1,100,790,419	680,841,482	680,841,482	266,995,745	225,583,940
CASH AT END OF PERIOD	4	₱773,278,392	₱822,998,637	₱1,100,790,419	₱680,841,482	₱266,995,745
NONCASH FINANCIAL INFORMATION						
Additions and modifications to ROU assets	17	₱91,121,595	₱83,210,974	(₱198,491,372)	(₱154,140,864)	(₱24,338,082)
Additions and modifications to lease liabilities	17	91,121,595	83,080,046	197,870,215	174,013,787	24,528,082
Assignment of loans payable	11	–	–	–	1,315,000,000	–
Recognition of ROU assets and lease liabilities		–	–	–	–	389,782,691

See accompanying Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Upson International Corp. (Doing Business Under the Name and Style of Octagon Computer Superstore; Microvalley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light) (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 November 15, 2021, the Board of Directors (BOD) 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 as at December 31, 2021 (see Note 12).

On December 17, 2021, the SEC approved the Company's change in its registered office address from 747 Romualdez Street, Ermita, Manila to Unit 2308, 23/F Capital House Tower 1, 9th Avenue corner 34th Street, Bonifacio Global City, Taguig City.

On February 2, 2022, the BOD approved the amendments to the Company's Articles of Incorporation which included a five-to-one share split whereby one share at ₱1 par value a share will be converted to five shares at ₱0.20 par value a share. The increase in authorized capital stock and share split are pursuant to the planned public offering of the Company's shares with the Philippine Stock Exchange (PSE). The SEC approved the share split on April 12, 2022 (see Note 12).

The financial statements of the Company as at March 31, 2022, December 31, 2021 and 2020, and for the three months ended March 31, 2022 and 2021, and for the years ended December 31, 2021, 2020 and 2019 were approved and authorized for issuance by the Company's BOD on June 14, 2022.

2. Summary of Significant Accounting Policies

The significant 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 of the Company have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS) issued by the Financial Reporting Standards Council (FRSC) and adopted by the SEC, including SEC pronouncements. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from the International Financial Reporting Interpretations Committee.

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

The financial statements have been prepared on a historical cost basis. 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 20.

Adoption of Amended PFRS
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS effective for annual periods beginning or after January 1, 2022:

- Amendments to PFRS 3, *Reference to Conceptual Framework* – The amendments will replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendments include an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or IFRIC 21, *Levies*, instead of the Conceptual Framework. The requirement will ensure that the liabilities recognized in a business combination will remain the same as those recognized applying the current requirements in PFRS 3. The amendments also clarified that an acquirer shall not recognize contingent assets acquired in a business combination. The amendments should be applied prospectively.

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when an entity first applied the amendments.

- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to the contract activities. The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as applicable. Accordingly, the comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS 2018 to 2020 Cycle:

  - Amendment to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity shall include when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees 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 amendment applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applied the amendments. Earlier application is permitted.

  - Amendment to PFRS 16, *Leases - Lease Incentives* – The amendment removes from the Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

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

Amended PFRS in Issue but not yet Effective

Relevant amended PFRS, which are not yet effective as at March 31, 2022 and have not been applied in preparing the financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* – 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. The amendments must be applied retrospectively. Earlier application is permitted.

- Amendments to PAS 1 and PFRS Practice Statement 2, *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, *Making Materiality Judgements*, is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.

- Amendments to PAS 8, *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. Earlier application is permitted.

- Amendments to PAS 12, *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. Earlier application is permitted.

Under 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.

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 March 31, 2022, December 31, 2021 and 2020, 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 March 31, 2022, December 31, 2021 and 2020, the Company's cash in banks, trade receivables, advances to related parties and refundable lease deposits (presented under "Other current assets" in the statements of financial position) are classified under this category.

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 March 31, 2022, December 31, 2021 and 2020, the Company's trade and other payables (excluding statutory payables and others), 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.

Assets Held for Sale
Assets held for sale pertain to equity investments in which the Company previously exercised control and which will be recovered through a sale transaction rather than through continuing use. These are measured at the lower of carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding the finance costs and income tax expense.

The criteria for assets to be classified as held for sale are regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Events or circumstances may extend the period to complete the sale of the asset beyond one year. Such extension of the period required to complete the sale still permits the asset to be classified as held for sale if the delay is beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset or group of assets.

<u>Advances to Suppliers</u>
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.

<u>Other Current Assets</u>
Other current assets include refundable lease deposits (classified as financial asset), input value-added tax (VAT) and prepayments.

Refundable lease deposits. Refundable lease deposits pertain to deposits as required by lease agreement to cover for repairs on damaged leased properties, which are refundable at the end of the lease term. 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.

<u>Property and Equipment</u>
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 is 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
Leasehold improvements	3 years or the term of lease whichever is shorter
Transportation equipment	5
Store furniture and equipment	3-5
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.

<u>Impairment of Nonfinancial Assets</u>
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 so that the increased carrying amount does 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.

<u>Capital Stock</u>
Capital stock is measured at par value for all shares issued.

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
Other comprehensive income 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.

Sales. Revenue is recognized upon the delivery of goods upon which the significant risks and rewards of ownership of the goods have passed to the buyer.

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

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.

Finance Costs. Finance costs are recognized in profit or loss using the effective interest method unless these are directly attributable to the construction of a qualifying asset, which are capitalized as part of the asset.

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 sale 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 or sale 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 shorter of the lease terms or the useful lives of the underlying assets 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 Benefit. 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.

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.

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3. Significant Judgments, Accounting Estimates and Assumptions

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

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

<u>Judgments</u>
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.

Determining the Classification of 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 Company 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.

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.

<u>Estimates and Assumptions</u>
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 are generally collected within three (3) days from the date of transaction. No ECL was provided for trade receivables for the three months ended March 31, 2022 and 2021, and for the years ended December 31, 2021, 2020 and 2019. The carrying amount of trade receivables amounted to ₱19.5 million, ₱19.9 million and ₱68.9 million as at March 31, 2022, December 31, 2021 and 2020, respectively (see 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 is disclosed in Note 19 to the financial statements.

The carrying amounts of the Company's other financial assets at amortized cost are as follows:

			December 31	
	Note	March 31, 2022	2021	2020
Cash in banks	4	₱771,255,320	₱1,097,065,384	₱678,931,982
Refundable lease deposits	7	158,422,180	156,044,735	139,526,459
Advances to related parties	15	–	–	1,098,699,844

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.

Inventories amounting to ₱58.5 million and ₱64.3 million were written off for the years ended December 31, 2021 and 2020, respectively. The Company did not write-off inventory for the three months ended March 31, 2022 and 2021, and for the year ended December 31, 2019. Provision for (reversal of) inventory obsolescence amounted to (₱7.3 million) and ₱13.4 million for the years ended December 31, 2021 and 2020, respectively. No provision for or reversal of inventory obsolescence were recognized for the three months ended March 31, 2022 and 2021, and for the year ended December 31, 2019. Allowance for inventory obsolescence amounted to ₱24.0 million as at March 31, 2022 and December 31, 2021, and ₱89.9 million as at December 31, 2020. The carrying amount of inventories amounted to ₱2,352.7 million, ₱2,007.3 million and ₱1,479.7 million as at March 31, 2022, December 31, 2021 and 2020, respectively (see Note 6).

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 CIP) 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.

There were no changes in the estimated useful lives of ROU assets and property and equipment for the three months ended March 31, 2022 and 2021, and for the years ended December 31, 2021, 2020 and 2019. The carrying amounts of property and equipment (except land and construction in progress) amounted to ₱432.1 million, ₱267.5 million and ₱382.8 million as at March 31, 2022, December 31, 2021 and 2020, respectively (see Note 9). The carrying amount of ROU assets amounted to ₱215.0 million, ₱153.5 million and ₱123.4 million as at March 31, 2022, December 31, 2021 and 2020, respectively (see Note 17).

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:

			December 31	
	Note	March 31, 2022	2021	2020
Property and equipment	9	₱670,125,901	₱682,939,554	₱759,067,608
ROU assets	17	215,046,563	153,465,790	123,362,619
Advances to suppliers	5	17,418,226	18,652,393	21,524,170
Input VAT	7	18,355,487	7,434,272	–
Advances to officers and employees	5	879,522	136,116	104,636
Prepayments	7	782,376	1,255,052	1,310,495

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. Those assumptions, which include among others, discount rates and expected rates of salary increase, are indicated in Note 16. 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 Company recognized retirement expense amounting to ₱1.0 million, ₱0.7 million, ₱3.3 million, ₱2.5 million and ₱5.1 million for the three months ended March 31, 2022 and 2021 and for the years ended December 31, 2021, 2020 and 2019, respectively. Retirement liability amounted to ₱32.8 million, ₱31.8 million and ₱25.2 million as at March 31, 2022, December 31, 2021 and 2020, respectively (see 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.

Deferred tax assets recognized in the statements of financial position amounted to ₱14.2 million, ₱16.1 million and ₱36.8 million as at March 31, 2022, December 31, 2021 and 2020, respectively (see Note 18).

4. Cash

This account consists of:

		December 31	
	March 31, 2022	2021	2020
Cash on hand	₱2,023,072	₱3,725,035	₱1,909,500
Cash in banks	771,255,320	1,097,065,384	678,931,982
	₱773,278,392	₱1,100,790,419	₱680,841,482

Cash in banks earn interest at prevailing bank deposit rates. Interest income earned amounted to ₱0.1 million, ₱0.2 million, ₱0.7 million, ₱0.9 million and ₱0.4 million for the three months ended March 31, 2022 and 2021, and for the years ended December 31, 2021, 2020 and 2019, respectively (see Note 14).

5. Trade and Other Receivables

This account consists of:

		December 31	
	March 31, 2022	2021	2020
Trade	₱19,506,911	₱19,894,025	₱68,939,706
Advances to:			
Suppliers	17,418,226	18,652,393	21,524,170
Officers and employees	879,522	136,116	104,636
	₱37,804,659	₱38,682,534	₱90,568,512

Trade receivables are noninterest-bearing and are generally settled within 3 days after the reporting period. No ECL was recognized for trade receivables for the three months ended March 31, 2022 and 2021, and for the years ended December 31, 2021, 2020 and 2019.

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

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

6. Inventories

This account consists of:

	March 31, 2022	December 31 2021	December 31 2020
Computers and peripherals	₱1,292,278,294	₱1,070,785,568	₱834,106,918
Accessories	554,605,837	440,105,159	393,750,613
Mobile phones	365,028,839	357,940,342	250,550,228
Consumables	111,173,077	117,789,026	70,678,608
Printers and scanners	53,668,210	44,664,858	20,472,499
At cost	2,376,754,257	2,031,284,953	1,569,558,866
Less allowance for inventory obsolescence	(24,010,717)	(24,010,717)	(89,858,466)
Net realizable value	₱2,352,743,540	₱2,007,274,236	₱1,479,700,400

Movements in the allowance for inventory obsolescence are as follows:

	Note	March 31, 2022	December 31 2021	December 31 2020
Balance at beginning of year		₱24,010,717	₱89,858,466	₱140,774,924
Provision for (reversal of) inventory obsolescence	13	–	(7,346,324)	13,401,920
Write-off		–	(58,501,425)	(64,318,378)
Balance at end of year		₱24,010,717	₱24,010,717	₱89,858,466

The Company's inventories are stated at NRV as at March 31, 2022, December 31, 2021 and 2020. Moreover, certain items of inventory that were previously provided with allowance for inventory obsolescence were sold in 2021. Accordingly, the related allowance for inventory obsolescence was reversed.

Under the terms of agreements, merchandise inventories amounting to ₱566.1 million ₱2,264.8 million and ₱2,922.0 million as at March 31, 2022, December 31, 2021 and 2020, respectively, were covered by trust receipts issued by local banks (see Note 11).

Cost of inventories sold during the year follows:

	Three Months Ended March 31 2022	Three Months Ended March 31 2021	Years Ended December 31 2021	Years Ended December 31 2020	Years Ended December 31 2019
Inventories at beginning of period	₱2,031,284,953	₱1,569,558,866	₱1,569,558,866	₱1,553,716,488	₱1,464,414,677
Purchases	1,983,684,286	1,823,181,680	7,144,018,093	6,496,772,981	6,077,786,450
Cost of goods available for sale	4,014,969,239	3,392,740,546	8,713,576,959	8,050,489,469	7,542,201,127
Less inventories at end of period	(2,376,754,257)	(1,744,093,503)	(2,031,284,953)	(1,569,558,866)	(1,553,716,488)
	₱1,638,214,982	₱1,648,647,043	₱6,682,292,006	₱6,480,930,603	₱5,988,484,639

7. Other Current Assets

This account includes:

	Note	March 31, 2022	December 31 2021	2020
Refundable lease deposits	17	₱158,422,180	₱156,044,735	₱139,526,459
Input VAT		18,355,487	7,434,272	–
Prepayments		782,376	1,255,052	1,310,495
		₱177,560,043	₱164,734,059	₱140,836,954

8. Assets Held for Sale

In 2020, the Company sold its investment in subsidiaries at its carrying value amounting to ₱157.6 million.

9. Property and Equipment

Movements in this account follow:

	March 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 period	₱201,025,000	₱29,192,000	₱494,069,077	₱87,740,359	₱121,320,451	₱97,465,164	₱214,382,180	₱1,245,194,231
Additions	–	–	9,185,316	1,144,768	–	503,063	1,950,396	12,783,543
Transfers	–	179,282,487	–	–	–	–	(179,282,487)	–
Balance at end of period	201,025,000	208,474,487	503,254,393	88,885,127	121,320,451	97,968,227	37,050,089	1,257,977,774
Accumulated Depreciation and Amortization								
Balance at beginning of period	–	7,784,533	335,440,152	57,305,383	81,536,984	80,187,625	–	562,254,677
Depreciation and amortization	–	2,060,418	15,338,537	2,848,024	3,927,312	1,432,965	–	25,607,256
Balance at end of period	–	9,844,951	350,778,689	60,153,407	85,464,296	81,620,590	–	587,861,933
Carrying Amount	₱201,025,000	₱198,629,536	₱152,475,704	₱28,731,720	₱35,856,155	₱16,347,637	₱37,050,089	₱670,115,841

	December 31, 2021							
	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	₱29,192,000	₱489,397,245	₱86,609,655	₱121,320,451	₱81,557,737	₱175,273,646	₱1,186,375,734
Additions	–	–	4,671,832	1,130,704	–	15,907,427	39,108,534	58,818,497
Balance at end of year	201,025,000	29,192,000	494,069,077	87,740,359	121,320,451	97,465,164	214,382,180	1,245,194,231
Accumulated Depreciation and Amortization								
Balance at beginning of year	–	6,324,933	246,488,346	39,313,188	57,645,446	77,536,213	–	427,308,126
Depreciation and amortization	–	1,459,600	88,951,806	17,992,195	23,891,538	2,651,412	–	134,946,551
Balance at end of year	–	7,784,533	335,440,152	57,305,383	81,536,984	80,187,625	–	562,254,677
Carrying Amount	₱201,025,000	₱21,407,467	₱158,628,925	₱30,434,976	₱39,783,467	₱17,277,539	₱214,382,180	₱682,939,554

	December 31, 2020							
	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	₱29,192,000	₱480,702,245	₱84,484,006	₱113,423,398	₱81,227,900	₱150,760,793	₱1,140,875,342
Additions	–	–	8,695,000	2,125,649	7,897,053	2,329,837	24,512,853	45,500,392
Balance at end of year	201,025,000	29,192,000	489,397,245	86,609,655	121,320,451	83,557,737	175,273,646	1,186,375,734
Accumulated Depreciation and Amortization								
Balance at beginning of year	–	4,865,333	168,537,929	22,278,738	34,548,956	75,307,282	–	305,538,238
Depreciation and amortization	–	1,459,600	77,950,417	17,034,450	23,096,490	2,228,931	–	121,769,888
Balance at end of year	–	6,324,933	246,488,346	39,313,188	57,645,446	77,536,213	–	427,308,126
Carrying Amount	₱201,025,000	₱22,867,067	₱242,908,899	₱47,296,467	₱63,675,005	₱6,021,524	₱175,273,646	₱759,067,608

Construction in progress represents the accumulated costs incurred in the construction of a warehouse and store branches which are expected to be completed in 2022. Construction in progress pertaining to building construction, which was completed in the first quarter of 2022, was recognized as part of building and building improvements. The construction of additional store branches started in February and March 2022. Estimated total cost to complete the warehouse and store branches as at March 31, 2022 amounted to ₱130.3 million.

As at December 31, 2021, the Company's building under construction with a carrying amount of ₱172.7 million was used as collateral for a related party's outstanding loan with a local bank. The building was completed in the first quarter of 2022 and has a carrying amount of ₱177.5 million, which remained to be a collateral for a related party's loan (see Note 15).

In 2020, the Company's building under construction and a related party's parcels of land with carrying amount of ₱172.7 million and ₱172.3 million, respectively, were used to secure bank loans amounting to ₱267.0 million. The related loans were settled in 2021 (see Note 11).

Fully depreciated property and equipment still being used by the Company amounted to ₱86.7 million, ₱76.8 million and ₱73.4 million as at March 31, 2022, December 31, 2021 and 2020, respectively.

Depreciation and amortization are recognized from:

		Three Months Ended March 31		Years Ended December 31		
	Note	2022	2021	2021	2020	2019
ROU assets	17	₱29,540,822	₱37,049,335	₱168,388,201	₱193,571,288	₱231,507,750
Property and equipment		25,607,196	36,265,314	134,946,551	121,769,888	126,065,366
		₱55,148,018	₱73,314,649	₱303,334,752	₱315,341,176	₱357,573,116

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

	Three Months Ended March 31		Years Ended December 31		
	2022	2021	2021	2020	2019
Selling and marketing expenses	₱40,058,343	₱58,402,553	₱244,093,555	₱293,168,209	₱335,415,053
General and administrative expenses	15,089,675	14,912,096	59,241,197	22,172,967	22,158,063
	₱55,148,018	₱73,314,649	₱303,334,752	₱315,341,176	₱357,573,116

10. Trade and Other Payables

This account consists of:

	Note	March 31, 2022	December 31 2021	December 31 2020
Trade		₱1,402,986,191	₱1,587,799,890	₱1,118,174,796
Accrued expenses		73,149,865	130,616,552	23,237,506
Advances from a related party	15	25,403,485	25,403,485	–
Retention payables		10,924,582	10,343,332	10,632,832
Statutory payables		12,432,943	26,026,587	18,276,527
Others		9,615,548	7,615,202	9,535,285
		₱1,534,512,614	₱1,787,805,048	₱1,179,856,946

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 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.

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.

11. Bank Loans and Trust Receipts Payable

Movements in this account are as follows:

	March 31, 2022		
	Bank Loans	Trust Receipts	Total
Balance at beginning of period	₱409,166,666	₱837,268,084	₱1,246,434,750
Availments	–	566,128,149	566,128,149
Payments	(112,499,999)	(275,937,430)	(388,437,429)
Balance at end of period	₱296,666,667	₱1,127,458,803	₱1,424,125,470

	December 31, 2021		
	Bank Loans	Trust Receipts	Total
Balance at beginning of year	₱1,089,166,666	₱1,395,951,786	₱2,485,118,452
Availments	590,000,000	2,264,817,472	2,854,817,472
Payments	(1,270,000,000)	(2,823,501,174)	(4,093,501,174)
Balance at end of year	₱409,166,666	₱837,268,084	₱1,246,434,750

	Note	December 31, 2020 Bank Loans	Trust Receipts	Total
Balance at beginning of year		₱1,953,416,666	₱1,705,368,671	₱3,658,785,337
Availments		1,200,801,340	2,922,046,564	4,122,847,904
Payments		(750,051,340)	(3,231,463,449)	(3,981,514,789)
Assignment	15	(1,315,000,000)	–	(1,315,000,000)
Balance at end of year		1,089,166,666	1,395,951,786	2,485,118,452
Less current portion		939,166,666	1,395,951,786	2,335,118,452
Noncurrent portion		₱150,000,000	₱–	₱150,000,000

Bank Loans

The bank loans and trust receipts have terms of three months to one year, subject to refinancing upon approval of the creditor bank. Interest rates on bank loans and trust receipts range from 3.75% to 5.50% in 2022, 3.50% to 6.88% in 2021, and 4.75% to 7.25% in 2020.

In 2020, bank loans amounting to ₱267.0 million were secured by the Company's building under construction and a related party's parcels of land with carrying amount of ₱172.7 million and ₱172.3 million, respectively. These loans were settled in 2021 (see Note 9).

On December 29, 2020, the Company assigned its bank loans, and all the associated rights and obligations, aggregating ₱1,315.0 million to a related party as settlement for the advances to the said related party (see Note 15).

Trust Receipts

Under the terms of agreements, merchandise inventories amounting to ₱566.1 million ₱2,264.8 million and ₱2,922.0 million as at March 31, 2022, December 31, 2021 and 2020, respectively, were covered by trust receipts issued by local banks (see Note 6).

Covenants

The terms of the loans provide for certain covenants which include, among others, restriction on declaration of dividends; change on the nature or scope of the business of the Company; reduce or increase the authorized capital stock; and use the proceeds from the loans for purposes other than those described in the contract. The terms also require maintenance of a debt-service ratio of at least 1.2 times.

In 2021, bank loans, which bear certain covenants including the restriction on declaration of dividends, were settled.

As at March 31, 2022, December 31, 2021 and 2020, the Company is compliant with the above covenants.

Details of finance costs charged to operations are as follows:

	Note	Three Months Ended March 31 2022	2021	Years Ended December 31 2021	2020	2019
Interest on trust receipts		₱9,926,937	₱16,993,735	₱52,827,502	₱85,184,282	₱96,615,910
Interest on bank loans		2,535,437	10,886,161	51,378,472	115,805,663	128,671,310
Accretion of interest on lease liabilities	17	2,357,124	2,891,646	12,057,292	12,978,775	20,679,771
		₱14,819,498	₱30,771,542	₱116,263,266	₱213,968,720	₱245,966,991

No finance costs were capitalized for the three months ended March 31, 2022 and 2021, and for the years ended December 31, 2021, 2020 and 2019.

12. Equity

Capital Stock

Details of capital stock follow:

	March 31, 2022		December 31 2021		December 31 2020	
	Shares	Amount	Shares	Amount	Shares	Amount
Authorized						
Balance at beginning of period	1,250,000,000	₱1,250,000,000	500,000,000	₱500,000,000	500,000,000	₱500,000,000
Increase	–	–	750,000,000	750,000,000	–	–
Balance at end of period	1,250,000,000	₱1,250,000,000	1,250,000,000	₱1,250,000,000	500,000,000	₱500,000,000
Issued and outstanding						
Balance at beginning of period	500,000,000	₱500,000,000	267,500,000	₱267,500,000	267,500,000	₱267,500,000
Subscription	–	–	232,500,000	232,500,000	–	–
Balance at end of period	500,000,000	₱500,000,000	500,000,000	₱500,000,000	267,500,000	₱267,500,000

On November 15, 2021, the BOD 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 as at December 31, 2021 (see Note 1).

On February 2, 2022, the BOD approved the amendments to the Company's articles of incorporation which included a five-to-one share split whereby one share at ₱1 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 (see Note 1).

Retained Earnings

On December 20, 2021, the BOD approved the declaration of cash dividends of ₱0.67 a share or a total of ₱307.0 million for all stockholders of record as of December 20, 2021. No dividends were declared for the three months ended March 31, 2022 and 2021, and for the years ended December 31, 2020 and 2019.

13. Operating Expenses

This account consists of:

	Three Months Ended March 31 2022	Three Months Ended March 31 2021	Years Ended December 31 2021	Years Ended December 31 2020	Years Ended December 31 2019
Selling and marketing expenses	₱265,061,658	₱276,391,797	₱1,083,707,559	₱1,020,512,126	₱1,046,747,980
General and administrative expenses	75,478,758	83,992,058	238,980,251	237,137,338	170,294,458
	₱340,540,416	₱360,383,855	₱1,322,687,810	₱1,257,649,464	₱1,217,042,438

Selling and marketing expenses consist of:

		Three Months Ended March 31		Years Ended December 31		
	Note	2022	2021	2021	2020	2019
Merchant discount		₱71,286,806	₱73,727,250	₱297,563,734	₱254,308,750	₱231,927,788
Personnel costs		65,722,875	28,429,566	188,341,384	79,893,465	108,864,196
Depreciation and amortization	9	40,068,543	58,402,553	244,093,555	293,168,209	335,435,063
Rent	17	38,655,945	35,018,299	111,633,705	43,007,173	11,298,846
Utilities		26,900,339	25,652,306	97,583,181	84,276,633	91,379,987
Contracted and other services		16,218,561	55,503,179	134,288,881	225,396,758	234,083,971
Freight and delivery		8,178,547	3,095,582	10,664,930	21,828,055	29,340,857
Provision for (reversal of) inventory obsolescence	6	–	–	(7,546,924)	13,401,920	–
Advertising		1,226,550	1,101,438	4,124,507	3,260,619	147,468
Retirement expense	16	814,893	521,024	2,670,606	2,085,550	4,088,814
		₱265,861,658	₱276,391,797	₱1,081,707,559	₱1,020,512,126	₱1,044,747,980

General and administrative expenses consist of:

		Three Months Ended March 31		Years Ended December 31		
	Note	2022	2021	2021	2020	2019
Taxes and licenses		₱32,960,850	₱32,347,424	₱57,001,480	₱96,947,260	₱62,221,467
Depreciation and amortization	9	15,089,675	14,912,096	59,741,197	21,172,967	21,168,068
Personnel costs		12,900,116	5,847,976	42,530,175	19,941,259	27,172,399
Stationery and supplies		8,101,519	6,517,518	22,504,038	19,573,461	16,087,854
Repairs, warranties and maintenance		3,836,289	2,585,285	12,885,219	7,986,726	13,258,678
Professional fees		2,573,882	2,585,048	9,725,074	9,598,781	4,680,758
Transportation and travel		1,897,996	1,630,894	6,786,294	5,853,538	9,841,415
Representation		1,771,348	15,818,582	19,881,402	37,427,585	6,392,613
Retirement expense	16	159,790	190,258	608,061	508,888	1,022,453
Rent	17	–	–	–	10,996,971	–
Others		1,986,504	2,320,869	8,341,211	6,204,252	7,418,788
		₱75,474,769	₱83,992,058	₱238,980,251	₱237,137,338	₱170,294,458

Personnel costs consist of:

	Three Months Ended March 31		Years Ended December 31		
	2022	2021	2021	2020	2019
Salaries and wages	₱68,715,351	₱24,762,961	₱206,355,220	₱80,258,289	₱115,259,192
Employee benefits	9,807,640	4,514,581	24,516,339	19,576,435	20,777,403
	₱78,523,991	₱29,277,542	₱230,871,559	₱99,834,724	₱136,036,595

14. Other Income

This account consists of:

		Three Months Ended March 31		Years Ended December 31		
	Note	2022	2021	2021	2020	2019
Gain on lease concessions	17	₱6,535,525	₱11,398,835	₱52,687,895	₱94,416,731	₱–
Interest income	4	135,474	229,821	710,294	919,283	410,738
Gain on lease modification	17	–	464,830	621,157	127,077	–
Others		34,607,272	22,220,507	36,833,602	–	3,257,372
		₱41,278,271	₱34,313,993	₱90,852,948	₱95,463,091	₱3,668,110

Others mainly pertain to income from product advertising or promotional support from suppliers. In 2019, other income pertains to sale of scrap materials.

15. Related Party Transactions

The Company has transactions with related parties as follows:

	Nature of Transaction	Transactions during the Period 2022 (Three Months)	2021 (One Year)	2020 (One Year)	Outstanding Balance March 31, 2022	December 31, 2021	December 31, 2020
Trade and Other Payables							
Entity under common control	Advances	₱–	₱13,401,485	₱–	₱25,403,085	₱25,408,485	₱–
Lease Arrangement (see Note 17)							
	ROU Asset Amortization	(₱11,896,852)	(₱37,956,875)	(₱1,797,705)	₱105,158,[illegible]	₱57,956,875	₱2,230,148
	Lease liability payment	(15,343,131)	(40,020,000)	(537,145)	108,940,711	18,923,941	2,381,076
Entity Under Common Control	Short-term lease expense	–	–	10,896,971	–	–	–
Advances to Related Parties							
	Advances	₱–	(₱1,098,889,844)	₱61,030,970			
Entities under common control	Assignment of loans	–	–	(1,315,000,000)	₱–	₱–	₱1,098,889,844

Terms and Conditions

Outstanding balances are unsecured, non-interest bearing, due and demandable and are cash settled. The Company assessed that the related party receivables are collectible by considering the financial position of the subsidiaries and other related parties and the market in which they operate.

As at March 31, 2022, the Company's building with a carrying amount of ₱177.5 million were used as collateral for a related party's outstanding loan with a local bank (see Note 9).

On December 29, 2020, the Company assigned its bank loans, and all the associated rights and obligations, aggregating ₱1,315.0 million to a related party as settlement for the outstanding balance of the advances to the said related party (see Note 11).

Compensation of Key Management Personnel

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

	Three Months Ended March 31 2022	2021	Years Ended December 31 2021	2020	2019
Short-term employee benefits	₱780,000	₱780,000	₱3,120,000	₱3,120,000	₱2,335,658
Post-employment benefits	129,159	172,212	240,925	229,616	397,838
	₱909,159	₱952,212	₱3,360,925	₱3,349,616	₱2,733,496

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, 2021.

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

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

	Three Months Ended March 31		Years Ended December 31		
	2022	2021	2021	2020	2019
Current service cost	₱560,340	₱393,203	₱2,241,359	₱1,572,811	₱4,163,762
Interest cost	413,543	258,077	1,032,308	971,627	948,505
	₱973,883	₱651,280	₱3,273,667	₱2,544,438	₱5,112,267

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

	Three Months Ended March 31		Years Ended December 31		
	2022	2021	2021	2020	2019
Selling and marketing expenses	₱814,093	₱521,024	₱2,670,606	₱2,035,550	₱4,089,814
General and administrative expenses	159,790	130,256	603,061	508,888	1,022,453
	₱973,883	₱651,280	₱3,273,667	₱2,544,438	₱5,112,267

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

		December 31	
	March 31, 2022	2021	2020
Balance at beginning of period	₱31,811,018	₱25,178,232	₱17,665,938
Current service cost	560,340	2,241,359	1,572,811
Interest cost	413,543	1,032,308	971,627
Remeasurement loss	–	3,359,119	4,967,856
Balance at end of period	₱32,784,901	₱31,811,018	₱25,178,232

The assumptions used to determine retirement liability are as follows:

		December 31	
	March 31, 2022	2021	2020
Discount rate	5.20%	5.20%	4.10%
Salary increase rate	3.00%	3.00%	3.00%

The sensitivity analyses based on reasonably possible changes of the assumptions as at March 31, 2022 follow:

	Basis Points	Effect on Present Value of Retirement Liability
Discount rate	+100	(₱3,831,744)
	-100	4,664,677
Salary increase rate	+100	4,562,813
	-100	(3,820,228)

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

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

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

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

	March 31, 2022		
	Cumulative Remeasurement Loss	Deferred Tax (see Note 18)	Cumulative Remeasurement Loss, Net of Tax
Balance at beginning and end of period	₱8,326,975	(₱2,081,744)	₱6,245,231

	December 31, 2021		
	Cumulative Remeasurement Loss	Deferred Tax (see Note 18)	Cumulative Remeasurement Loss, 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

	December 31, 2020		
	Cumulative Remeasurement Loss	Deferred Tax (see Note 18)	Cumulative Remeasurement Loss, Net of Tax
Balance at beginning of year	₱–	₱–	₱–
Remeasurement loss	4,967,856	(₱1,490,357)	₱3,477,499
Balance at end of year	₱4,967,856	(₱1,490,357)	₱3,477,499

As at March 31, 2022, the expected future benefit payments are as follows:

	Amount
More than 1 year to 5 years	₱8,361,079
More than 5 years to 10 years	4,683,935
10 years and up	236,682,053

17. Lease Commitments

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

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

Total rent expense on short-term leases amounting to ₱39.7 million, ₱35.0 million, ₱111.6 million, ₱54.0 million and ₱11.3 million for the three months ended March 31, 2022 and 2021, and for the years ended December 31, 2021, 2020 and 2019, respectively, is charged to the following (see Note 13):

	Three Months Ended March 31		Years Ended December 31		
	2022	2021	2021	2020	2019
Selling and marketing expenses	₱39,655,946	₱35,018,299	₱111,633,705	₱43,007,173	₱11,298,846
General and administrative expenses	–	–	–	10,996,971	–
	₱39,655,946	₱35,018,299	₱111,633,705	₱54,004,144	₱11,298,846

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

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

ROU Assets

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

			December 31	
	Note	March 31, 2022	2021	2020
Cost				
Balance at beginning of period		₱741,779,497	₱548,441,637	₱414,300,773
Additions		12,326,553	131,340,291	130,899,986
Termination		–	(11,686,032)	–
Effect of lease modification		78,795,042	73,683,601	3,240,878
Balance at end of period		832,901,092	741,779,497	548,441,637
Accumulated amortization				
Balance at beginning of period		588,313,707	425,079,018	231,507,730
Amortization	9	29,540,822	168,388,201	193,571,288
Termination		–	(5,153,512)	–
Balance at end of period		617,854,529	588,313,707	425,079,018
Carrying Amount		₱215,046,563	₱153,465,790	₱123,362,619

Refundable Lease Deposits
Refundable lease deposits amounted to ₱158.4 million, ₱156.0 million and ₱139.5 million as at March 31, 2022, December 31, 2021 and 2020, respectively (see Note 7). These deposits are refundable at the end of the lease terms.

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

			December 31	
	Note	March 31, 2022	2021	2020
Balance at beginning of period		₱161,954,704	₱130,929,011	₱188,329,519
Additions		12,326,553	131,340,291	130,699,986
Payments		(37,546,108)	(126,213,919)	(109,976,339)
Effect of lease modification		78,795,042	73,532,674	3,113,801
Gain on lease concessions	14	(6,535,525)	(52,687,695)	(94,416,731)
Accretion	11	2,357,124	12,057,292	12,978,775
Termination		–	(7,002,750)	–
Balance at end of period		211,351,790	161,954,704	130,929,011
Current portion		133,520,206	121,678,646	90,400,339
Noncurrent portion		₱77,831,584	₱40,276,058	₱40,528,672

Incremental borrowing rate ranging from 3.69% to 5.37% was applied to determine the discounted amount of lease liabilities in 2022, 2021 and 2020.

In 2021 and 2020, 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. There were also three (3) stores that ceased operations in 2021 resulting to the derecognition of the related ROU assets and lease liabilities. These resulted to gain on lease modification amounting to ₱0.5 million for the three months ended March 31, 2021, and ₱0.6 million, ₱0.1 million and nil for the years ended December 31, 2021, 2020 and 2019, respectively (see Note 14). No gain or loss on lease modification was recognized for the three months ended March 31, 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 ₱6.5 million, ₱11.4 million ₱52.7 million, ₱94.4 million and nil for the three months ended March 31, 2022 and 2021, and for the years ended December 31, 2021, 2020 and 2019, respectively (see Note 14).

The future minimum lease payments and present value as at March 31, 2022 is as follows:

	Minimum Lease Payments	Present Value
Not later than one year	₱138,907,742	₱133,520,206
Later than one year but not more than five years	79,941,972	77,831,584
	₱218,849,714	₱211,351,790

18. Income Taxes

The provision for current income tax pertains to regular corporate income tax (RCIT) for the three months ended March 31, 2022, and 2021, and for the years ended December 31, 2021, 2020 and 2019.

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:

	Three Months Ended March 31		Years Ended December 31		
	2022	2021	2021	2020	2019
Income tax computed at the statutory tax rate	₱36,729,688	₱21,565,360	₱134,387,767	₱88,535,417	₱36,525,881
Adjustment for:					
Effect of change in income tax rate	–	(344,677)	(344,676)	–	–
Interest income already subjected to final tax	(33,869)	(57,455)	(177,574)	(275,785)	(123,221)
Nondeductible expenses	8,468	14,364	44,394	113,761	50,828
	₱36,704,287	₱21,177,592	₱133,909,911	₱88,373,393	₱36,453,488

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

			December 31	
	Note	March 31, 2022	2021	2020
Deferred tax assets:				
Retirement liability:				
Profit or loss		₱6,114,482	₱5,871,011	₱6,063,113
OCI	16	2,081,744	2,081,744	1,490,357
Allowance for inventory obsolescence		6,002,679	6,002,679	26,957,540
Excess of lease liability over ROU asset		–	2,122,229	2,269,918
		14,198,905	16,077,663	36,780,928
Deferred tax liability-				
Excess of ROU asset over lease liability		(923,693)	–	–
		₱13,275,212	₱16,077,663	₱36,780,928

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises ("CREATE") was approved and signed into law by the country's President. Under the CREATE, the RCIT of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, the minimum corporate income tax (MCIT) was changed from 2% to 1% of gross income for a period of three (3) years. The changes in the income tax rates retrospectively became effective beginning July 1, 2020. However, the Company did not adopt the change in income tax rates in preparing the financial statements as at and for the year ended December 31, 2020 as the approval of CREATE law was considered a non-adjusting event for financial reporting.

The effect of the reduction in tax rates in 2020 was recognized as part of the income tax expense in 2021, as required by PAS 12, *Income Taxes*. Details of the adjustments are as follows:

	Year Ended December 31, 2021		
	Current tax expense	Deferred tax expense	Total
Provision for income tax	₱118,841,697	₱15,412,890	₱134,254,587
Change in income tax rate	(6,226,438)	5,881,762	(344,676)
Adjusted income tax expense	₱112,615,259	₱21,294,652	₱133,909,911

	Three Months Ended March 31, 2021		
	Current tax expense	Deferred tax expense	Total
Provision for income tax	₱21,518,066	₱4,202	₱21,522,268
Change in income tax rate	(6,226,438)	5,881,762	(344,676)
Adjusted income tax expense	₱15,291,628	₱5,885,964	₱21,177,592

19. Financial Risk Management

Financial Risk Management Objectives and Policies

The Company's activities expose it to a variety of financial risks: market risk which includes credit risk, liquidity risk and interest rate risk. The Company's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Company. The BOD reviews and approves the policies for managing each of these risks.

Credit Risk

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

		December 31	
	March 31, 2022	2021	2020
Cash in banks	₱771,255,320	₱1,097,065,384	₱678,931,982
Trade receivables	19,506,911	19,894,025	68,939,706
Advances to related parties	–	–	1,098,699,844
Refundable lease deposits	158,422,180	156,044,735	139,526,459
	₱949,184,411	₱1,273,004,144	₱1,986,097,991

As at March 31, 2022, and December 31, 2021 and 2020, the amount of cash in banks and trade receivables are neither past due nor impaired and were classified as *"High Grade"*, while advances to related parties and refundable lease deposits were classified as *"Standard Grade"*. The credit quality of such financial assets at amortized cost is further described as follows:

- *High Grade*. Pertains to counterparty who is 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.

- *Standard Grade*. Other financial assets not belonging to high grade financial assets are included in this category.

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 are due from credit card companies and are generally collectible within three (3) days from transaction date. Historical information and present circumstances does 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, advances to related parties and refundable lease deposits, 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. The following were considered in the assessment:

- Cash in banks are deposited with reputable counterparty banks, which exhibit good credit ratings.

- For advances to related parties, the Company's related parties have low credit risk and are in good financial standing. The related parties have no history of default and have sufficient assets to cover their advances thus, ECL is not significant.

- For refundable lease deposits, the counterparty lessors are reputable leasing companies which have low credit risk, thus no allowance for ECL was provided.

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

	March 31, 2022			
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Total
Cash in banks	₱771,255,320	₱–	₱–	₱771,255,320
Trade receivables	–	19,506,911	–	19,506,911
Refundable lease deposits	158,422,180	–	–	158,422,180
	₱929,677,500	₱19,506,911	₱–	₱949,184,411

	December 31, 2021			
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Total
Cash in banks	₱1,097,065,384	₱–	₱–	₱1,097,065,384
Trade receivables	–	19,894,025	–	19,894,025
Refundable lease deposits	156,044,735	–	–	156,044,735
	₱1,253,110,119	₱19,894,025	₱–	₱1,273,004,144

	December 31, 2020			
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Total
Cash in banks	₱678,931,982	₱–	₱–	₱678,931,982
Trade receivables	–	68,939,706	–	68,939,706
Advances to related parties	1,098,699,844	–	–	1,098,699,844
Refundable lease deposits	139,526,459	–	–	139,526,459
	₱1,917,158,285	₱68,939,706	₱–	₱1,986,097,991

Liquidity Risk

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

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

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

	March 31, 2022			
	1 to 6 Months	6 Months to 1 Year	More than 1 Year	Total
Trade and other payables*	₱1,501,539,941	₱10,924,182	₱–	₱1,512,464,123
Bank loans and trust receipts payable	1,127,458,803	296,666,667	–	1,424,125,470
Lease liabilities	8,712,299	130,195,443	79,941,972	218,849,714
	₱2,637,711,043	₱437,786,292	₱79,941,972	₱3,155,439,307

*Excluding statutory and other payables.

	December 31, 2021			
	1 to 6 Months	6 Months to 1 Year	More than 1 Year	Total
Trade and other payables*	₱1,743,819,927	₱10,343,332	₱–	₱1,754,163,259
Bank loans and trust receipts payable	837,268,084	409,166,666	–	1,246,434,750
Lease liabilities	71,319,722	55,867,380	51,666,697	178,853,799
	₱2,652,407,733	₱475,377,378	₱51,666,697	₱3,179,451,808

*Excluding statutory and other payables.

	December 31, 2020			
	1 to 6 Months	6 Months to 1 Year	More than 1 Year	Total
Trade and other payables*	₱1,141,412,302	₱10,632,832	₱–	₱1,152,045,134
Bank loans and trust receipts payable	1,395,951,786	939,166,666	150,000,000	2,485,118,452
Lease liabilities	8,369,716	89,984,006	42,516,907	140,870,629
	₱2,545,733,804	₱1,039,783,504	₱192,516,907	₱3,778,034,215

*Excluding statutory and other payables.

Interest Rate Risk

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

The Company's 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 March 31, 2022 and December 31, 2021 and 90 days to seven years as at December 31, 2020 and bear an effective interest rate ranging from 3.75% to 5.50% in 2022, 3.50% to 6.88% in 2021, and 4.75% to 7.25% in 2020.

20. Fair Value of Financial Assets and Liabilities

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

	March 31, 2022		December 31			
			2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets						
Cash in banks	₱771,255,320	₱771,255,320	₱1,097,065,384	₱1,097,065,384	₱678,931,982	₱678,931,982
Trade receivables	19,506,911	19,506,911	19,894,025	19,894,025	68,938,706	68,938,706
Advances to related parties	–	–	–	–	1,098,699,844	1,098,699,844
Refundable lease deposits	158,422,180	158,422,180	156,044,735	156,044,735	139,526,459	139,526,459
	₱949,184,411	₱949,184,411	₱790,762,231	₱790,762,231	₱1,986,097,991	₱1,986,097,991
Financial Liabilities						
Trade and other payables*	₱1,512,464,123	₱1,512,464,123	₱1,754,163,259	₱1,754,163,259	₱1,152,045,134	₱1,152,045,134
Bank loans and trust receipts payable	1,424,128,470	1,424,128,470	1,246,434,750	1,246,434,750	2,485,118,452	2,485,118,452
Lease liabilities	211,351,790	213,611,942	161,954,706	174,994,666	130,929,011	136,050,563
	₱3,147,944,383	₱3,150,204,535	₱3,162,552,715	₱3,175,592,675	₱3,768,092,597	₱3,773,214,149

**Excluding statutory and others payables.*

Due to the short-term maturities of cash in banks, trade receivables, advances to related parties, refundable lease deposits, trade and other payables (excluding statutory and other 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).

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 2022, 2021, 2020 and 2019.

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:

	March 31, 2022	December 31	
		2021	2020
Total liabilities	₱3,231,400,089	₱3,265,744,499	₱3,838,012,016
Total equity	1,008,434,221	898,219,756	571,846,331
Debt-to-equity ratio	3.20:1	3.64:1	6.71:1

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 March 31, 2022, December 31, 2021 and 2020:

	December 31, 2021	Additions (net of disposals)	Accretion/interest expense	Payment	Non-cash Changes	March 31, 2022
Bank loans and trust receipts payable	₱1,246,434,750	₱566,128,149	₱–	(₱388,437,429)	₱–	₱1,424,125,470
Lease liabilities	161,954,704	12,326,553	2,357,124	(37,546,108)	72,259,517	211,351,790
	₱1,408,389,454	₱578,454,702	₱2,357,124	(₱425,983,537)	₱72,259,517	₱1,635,477,260

	December 31, 2020	Additions (net of disposals)	Accretion/interest expense	Payment	Non-cash Changes	December 31, 2021
Bank loans and trust receipts payable	₱2,485,118,452	₱2,854,817,472	₱–	(₱4,093,501,174)	₱–	₱1,246,434,750
Lease liabilities	130,929,011	131,340,291	1,057,292	(126,213,919)	13,842,029	161,954,704
	₱2,616,047,463	₱2,986,157,763	₱12,057,292	(₱4,219,715,093)	₱13,842,029	₱1,408,389,454

	December 31, 2019	Additions	Accretion/interest expense	Payment	Non-cash Changes	December 31, 2020
Bank loans and trust receipts payable	₱3,658,785,337	₱4,122,847,904	₱–	(₱3,981,514,789)	(₱1,315,000,000)	₱2,485,118,452
Lease liabilities	188,329,519	130,899,986	12,978,775	(109,976,339)	(91,302,930)	130,929,011
	₱3,847,114,856	₱4,253,747,890	₱12,978,775	(₱4,091,491,128)	(₱1,406,302,930)	₱2,616,047,463

23. Basic and Diluted Earnings Per Share

Basic earnings per share is computed as follows:

	For The Three Months Ended March 31		For The Years Ended December 31		
	2022	2021	2021	2020	2019
Net income	₱110,214,495	₱63,083,846	₱405,641,157	₱206,744,665	₱85,298,447
Divided by weighted average number of outstanding shares	2,500,000,000	1,337,500,000	1,337,500,000	1,337,500,000	1,337,500,000
	₱0.04	₱0.05	₱0.30	₱0.15	₱0.06

On February 2, 2022, the BOD approved the amendments to the Company's articles of incorporation which included a 5-to-1 share split whereby 1 share at ₱1 par value a share will be converted to 5 shares at ₱0.20 par value a share. The earnings per share calculation reflects the changes in the number of outstanding shares as a result of the share split.

The Company has no dilutive potential shares for the three months ended March 31, 2022 and 2021, and for the years ended December 31, 2021, 2020 and 2019.

24. 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 for the three months ended March 31, 2022 and 2021, and for the years ended December 31, 2021, 2020 and 2019.

BOA/PRC Accreditation No. 4782
August 16, 2021, valid until April 13, 2024
SEC Accreditation No. 0207-FR-3 (Group A)
August 29, 2019, valid until August 28, 2022

BDO Towers Valero
8741 Paseo de Roxas
Makati City 1226 Philippines
Phone
Fax
Website www.reyestacandong.com

REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE
SECURITIES AND EXCHANGE COMMISSION

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 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 March 31, 2022, December 31, 2021 and 2020, and for the three months ended March 31, 2022 and 2021, and for the years ended December 31, 2021, 2020 and 2019, on which we have rendered our report dated June 14, 2022.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has seven (7) stockholders owning one hundred (100) or more shares each.

REYES TACANDONG & CO.

DARRYLL REESE Q. SALANGAD
Partner
CPA Certificate No. 107615
Tax Identification No. 227-770-760-000
BOA Accreditation No. 4782; Valid until April 13, 2024
SEC Accreditation No. 1788-A
Valid until October 14, 2022
BIR Accreditation No. 08-005144-016-2019
Valid until July 2, 2022
PTR No. 8851719
Issued January 3, 2022, Makati City

June 14, 2022
Makati City, Metro Manila

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 March 31, 2022, December 31, 2021 and 2020, and for the three months ended March 31, 2022 and 2021, and for the years ended December 31, 2021, 2020 and 2019, and have issued our report thereon dated June 14, 2022. 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

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.

DARRYLL REESE Q. SALANGAD
Partner
CPA Certificate No. 107615
Tax Identification No. 227-770-760-000
BOA Accreditation No. 4782; Valid until April 13, 2024
SEC Accreditation No. 1788-A
Valid until October 14, 2022
BIR Accreditation No. 08-005144-016-2019
Valid until July 2, 2022
PTR No. 8851719
Issued January 3, 2022, Makati City

June 14, 2022
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

March 31, 2022

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
H	Conglomerate Map	2

** There are no amounts to whom the aggregate indebtedness is ₱42.3 million or 1% of total assets as at March 31, 2022. In addition, the advances were made to the employees to carry out the ordinary course of business.*

*** There are no long-term debt as at March 31, 2022.*

**** Indebtedness to related parties are classified as current as at March 31, 2022.*

UPSON INTERNATIONAL CORP.

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

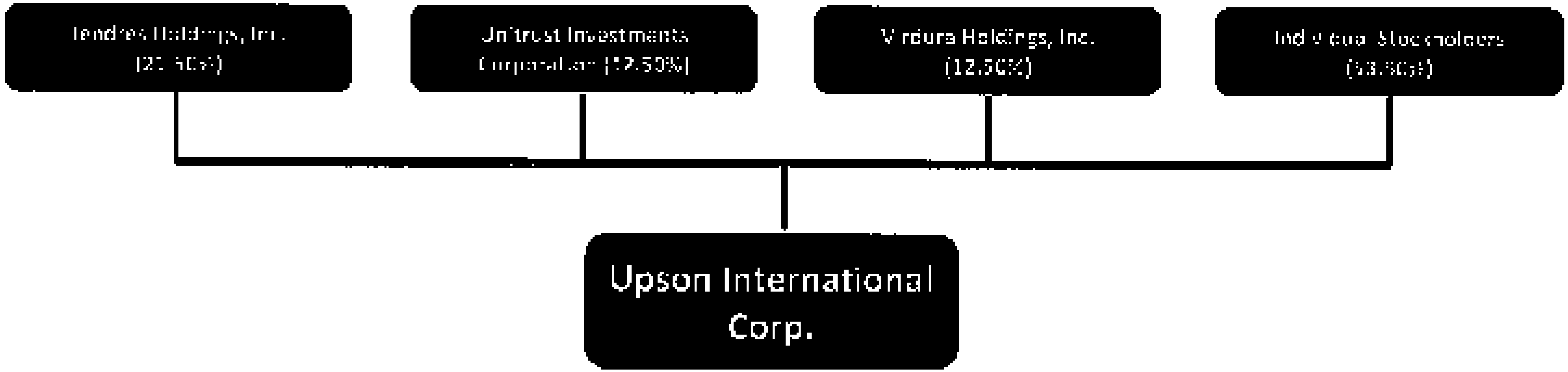
SCHEDULE G – CAPITAL STOCK

March 31, 2022

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 options, warrants, conversion and other rights	Number of shares held by related parties	Number of shares held by directors, officers and employees	Others
Common shares	1,250,000,000	500,000,000	–	232,500,000	267,000,000	–

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
March 31, 2021



UPSON INTERNATIONAL CORP.

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

SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

March 31, 2022

	Amount
Retained earnings as shown in the financial statements at beginning of period	₱404,464,987
Net deferred tax assets at beginning of period	(13,995,919)
Retained earnings, as adjusted to available for dividend distribution at beginning of period	390,469,068
Net income closed to retained earnings during the period	110,214,465
Movement in deferred tax assets during the period	2,802,451
Total retained earnings available for dividend declaration at end of period	₱503,485,984

Reconciliation:	
Retained earnings as shown in the financial statements at end of period	₱514,679,452
Net deferred tax assets at end of period	(11,193,468)
Retained earnings available for dividend declaration at end of period	₱503,485,984

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
March 31, 2022 and December 31, 2021 and 2020

Ratio	Formula	March 31, 2022	December 31 2021	December 31 2020
Current/Liquidity Ratio				
	Current assets	₱3,341,386,634	₱3,311,461,248	₱3,490,647,192
	Divided by: Current liabilities	3,120,783,604	3,193,657,423	3,622,305,112
	Current/Liquidity ratio	1.07:1.00	1.04:1.00	0.96:1.00
Solvency Ratio				
	Net income before depreciation and amortization	₱165,362,483	₱706,975,909	₱522,085,841
	Divided by: Total liabilities	3,231,400,089	3,265,744,499	3,838,012,016
	Solvency ratio	0.05:1.00	0.22:1.00	0.14:1.00
Debt-to-Equity Ratio				
	Total liabilities	₱3,231,400,089	₱3,265,744,499	₱3,838,012,016
	Divided by: Total equity	1,008,434,221	898,219,756	571,846,331
	Debt-to-Equity ratio	3.20:1.00	3.64:1.00	6.71:1.00
Asset-to-Equity Ratio				
	Total assets	₱4,239,834,310	₱4,163,964,255	₱4,409,858,347
	Divided by: Total equity	1,008,434,221	898,219,756	571,846,331
	Asset-to-Equity ratio	4.20:1.00	4.64:1.00	7.71:1.00
Interest Rate Coverage Ratio				
	Income before interest and taxes	₱161,738,250	₱653,814,334	₱509,086,778
	Divided by: Interest expense	14,819,498	116,263,286	213,968,720
	Interest Rate Coverage ratio	10.91:1.00	5.62:1.00	2.38:1.00
Return on Assets Ratio				
	Net income	₱110,214,465	₱403,641,157	₱206,744,665
	Divided by: Total assets	4,239,834,310	4,163,964,255	4,409,858,347
	Return on Assets ratio	0.03:1.00	0.10:1.00	0.05:1.00
Return on Equity Ratio				
	Net income	₱110,214,465	₱403,641,157	₱206,744,665
	Divided by: Total equity	1,008,434,221	898,219,756	571,846,331
	Return on Equity ratio	0.11:1.00	0.45:1.00	0.36:1.00
Net Profit Margin				
	Net income	₱110,214,465	₱403,641,157	₱206,744,665
	Divided by: Revenues	2,099,215,377	8,567,941,202	8,152,203,754
	Net Profit Margin	0.05:1.00	0.05:1.00	0.03:1.00

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	S	9	5	0	0	3	8	3	6	

COMPANY NAME

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)

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

747 Romualdez Street, Ermita, Manila

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	N/A

COMPANY INFORMATION

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

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

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON'S ADDRESS

747 Romualdez Street, Ermita, Manila

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.
747 Romualdez Street
Ermita, Manila

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, 2021 and 2020, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2021, 2020 and 2019, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years ended December 31, 2021, 2020 and 2019 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 the audit 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.

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.

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit 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. 107615
Tax Identification No. 227-770-760-000
BOA Accreditation No. 4782; Valid until April 13, 2024
SEC Accreditation No. 1788-A
Valid until October 14, 2022
BIR Accreditation No. 08-005144-016-2019
Valid until July 2, 2022
PTR No. 8851719
Issued January 3, 2022, Makati City

February 9, 2022
Makati City, Metro Manila

UPSON International Corp.

STATEMENT OF MANAGEMENT'S RESPONSIBIILITY 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, for the years ended December 31, 2021 and 2020, 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.

Ricardo Alas Lee
Chairman of the Board

Lawrence Ong Lee
Chief Executive Officer

Marcos Aquino Legaspi
Chief Financial Officer

Signed this 9th day of February, 2022

SUBSCRIBED AND SWORN BEFORE ME IN MANILA THIS MAR 15 2022

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Book No. 4
Series of 2022

ATTY. MANUEL ABUYO RODRIGUEZ II
Notary Public- Until 12/31/2022
NOTARIAL COMMISSION No. 2021-057
2nd Floor Midland Plaza Hotel, Adriatico St. Ermita, Mla.
IBP NO. 188583 – 1/17/2021 for 2022 / Pasig City
PTR No. 0097533 – 01/03/2022 at Manila
ROLL NO. 68732 / MCLE NO. VI-0015001

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	**2021**	2020
ASSETS			
Current Assets			
Cash	4	**₱1,100,790,419**	₱680,841,482
Trade and other receivables	5	**38,682,534**	90,568,512
Inventories	6	**2,007,274,236**	1,479,700,400
Advances to related parties	15	**–**	1,098,699,844
Other current assets	7	**164,734,059**	140,836,954
Total Current Assets		**3,311,481,248**	3,490,647,192
Noncurrent Assets			
Property and equipment	9	**682,939,554**	759,067,608
Right-of-use (ROU) assets	17	**153,465,790**	123,362,619
Deferred tax assets	18	**16,077,663**	36,780,928
Total Noncurrent Assets		**852,483,007**	919,211,155
		₱4,163,964,255	₱4,409,858,347
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	10	**₱1,787,805,048**	₱1,179,856,946
Current portion of bank loans and trust receipts payable	11	**1,246,434,750**	2,335,118,452
Current portion of lease liabilities	17	**121,678,646**	90,400,339
Income tax payable		**37,738,979**	16,929,375
Total Current Liabilities		**3,193,657,423**	3,622,305,112
Noncurrent Liabilities			
Bank loans - net of current portion	11	**–**	150,000,000
Lease liabilities - net of current portion	17	**40,276,058**	40,528,672
Retirement liability	16	**31,811,018**	25,178,232
Total Noncurrent Liabilities		**72,087,076**	215,706,904
Equity			
Capital stock	12	**500,000,000**	267,500,000
Retained earnings	12	**404,464,987**	307,823,830
Accumulated remeasurement loss on retirement liability	16	**(6,245,231)**	(3,477,499)
Total Equity		**898,219,756**	571,846,331
		₱4,163,964,255	₱4,409,858,347

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	**2021**	2020	2019
SALES		**₱8,567,941,202**	₱8,152,203,754	₱7,569,578,893
COST OF SALES	6	**(6,682,292,006)**	(6,480,930,603)	(5,988,484,639)
GROSS INCOME		**1,885,649,196**	1,671,273,151	1,581,094,254
OPERATING EXPENSES	13	**(1,322,687,810)**	(1,257,649,464)	(1,217,042,438)
INCOME FROM OPERATIONS		**562,961,386**	413,623,687	364,051,816
FINANCE COSTS	11	**(116,263,266)**	(213,968,720)	(245,966,991)
OTHER INCOME	14	**90,852,948**	95,463,091	3,668,110
INCOME BEFORE INCOME TAX		**537,551,068**	295,118,058	121,752,935
PROVISION FOR (BENEFIT FROM) INCOME TAX	18			
Current		**112,615,259**	74,470,763	39,948,068
Deferred		**21,294,652**	13,902,630	(3,494,580)
		133,909,911	88,373,393	36,453,488
NET INCOME		**403,641,157**	206,744,665	85,299,447
OTHER COMPREHENSIVE LOSS				
Not to be reclassified to profit or loss in subsequent periods				
Remeasurement loss on retirement liability - net of deferred income tax	16	**(2,519,339)**	(3,477,499)	–
TOTAL COMPREHENSIVE INCOME		**₱401,121,818**	₱203,267,166	₱85,299,447
BASIC/DILUTED EARNINGS PER SHARE	23	**₱1.51**	₱0.77	₱0.32

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

		Years Ended December 31		
	Note	**2021**	2020	2019
CAPITAL STOCK - ₱1 par value	12			
Authorized - 1,250,000,000 shares in 2021, and 500,000,000 shares in 2020 and 2019				
Issued and outstanding - 500,000,000 shares in 2021, 267,500,000 shares in 2020 and 2019		**₱500,000,000**	₱267,500,000	₱267,500,000
RETAINED EARNINGS				
Balance at beginning of year		**307,823,830**	101,079,165	15,779,718
Net income		**403,641,157**	206,744,665	85,299,447
Cash dividends - ₱0.67 per share in 2021	12	**(307,000,000)**	–	–
Balance at end of year		**404,464,987**	307,823,830	101,079,165
ACCUMULATED REMEASUREMENT LOSS ON RETIREMENT LIABILITY	16			
Balance at beginning of year		**(3,477,499)**	–	–
Remeasurement loss on retirement liability - net of deferred income tax		**(2,519,339)**	(3,477,499)	–
Effect of change in income tax rate		**(248,393)**	–	–
Balance at end of year		**(6,245,231)**	(3,477,499)	–
		₱898,219,756	₱571,846,331	₱368,579,165

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

	Note	Years Ended December 31		
		2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱537,551,068**	₱295,118,058	₱121,752,935
Adjustments for:				
Depreciation and amortization	9	**303,334,752**	315,341,176	357,573,116
Finance costs	11	**116,263,266**	213,968,720	245,966,991
Gain on lease concessions	17	**(52,687,895)**	(94,416,731)	–
Provision for (reversal of) inventory obsolescence	6	**(7,346,324)**	13,401,920	–
Retirement expense	16	**3,273,667**	2,544,438	5,112,267
Interest income	4	**(710,294)**	(919,283)	(410,738)
Gain on lease modification	17	**(621,157)**	(127,077)	–
Operating income before working capital changes		**899,057,083**	744,911,221	729,994,571
Decrease (increase) in:				
Trade and other receivables		**51,885,978**	(11,939,180)	(13,621,418)
Inventories		**(520,227,512)**	(144,479,134)	(24,983,433)
Other current assets		**(23,897,105)**	(6,457,604)	(12,429,028)
Increase (decrease) in trade and other payables		**607,294,769**	(55,133,520)	(72,701,529)
Net cash generated from operations		**1,014,113,213**	526,901,783	606,259,163
Income taxes paid		**(91,805,655)**	(65,623,949)	(31,565,549)
Interest received		**710,294**	919,283	410,738
Net cash provided by operating activities		**923,017,852**	462,197,117	575,104,352
CASH FLOWS FROM INVESTING ACTIVITIES				
Collection of advances to related parties		**1,098,699,844**	3,287,408	(255,975,356)
Additions to property and equipment	9	**(58,818,497)**	(45,500,392)	(53,849,064)
Proceeds from sale of assets held for sale	8	**–**	157,639,445	–
Net cash provided by investing activities		**1,039,881,347**	115,426,461	(309,824,420)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Loans and trust receipts	11	**(4,093,501,174)**	(3,981,514,789)	(2,714,645,323)
Dividends	12	**(307,000,000)**	–	–
Lease liabilities	17	**(126,213,919)**	(109,976,339)	(246,651,025)
Interests		**(103,552,641)**	(195,134,617)	(225,287,220)
Proceeds from loans and trust receipts availments	11	**2,854,817,472**	4,122,847,904	2,962,715,441
Proceeds from additional subscription of shares of stock	12	**232,500,000**	–	–
Net cash used in financing activities		**(1,542,950,262)**	(163,777,841)	(223,868,127)
NET INCREASE IN CASH		**419,948,937**	413,845,737	41,411,805
CASH AT BEGINNING OF YEAR		**680,841,482**	266,995,745	225,583,940
CASH AT END OF YEAR	4	**₱1,100,790,419**	₱680,841,482	₱266,995,745
NONCASH FINANCIAL INFORMATION				
Additions and modifications to ROU assets	17	**(₱198,491,372)**	(₱134,140,864)	(₱24,538,082)
Additions and modifications to lease liabilities	17	**197,870,215**	134,013,787	24,538,082
Transfer of loans payable	11	**–**	1,315,000,000	–

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Upson International Corp. (Doing Business Under the Name and Style of Octagon Computer Superstore; Microvalley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light) (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 747 Romualdez Street, Ermita, Manila.

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. Of the increase, 232,500,000 shares at ₱1 par value a share, or equivalent to ₱232.5 million were subscribed and paid as at December 31, 2021 (see Note 12).

The increase in authorized capital stock is pursuant to the planned public offering of the Company shares with the Philippine Stock Exchange (PSE). As at December 31, 2021, the Company is in the process of completing the required documentation with the SEC and PSE.

The financial statements of the Company as at December 31, 2021 and 2020, and for the years ended December 31, 2021, 2020 and 2019 was approved and authorized for issuance by the Company's Board of Directors (BOD) on February 9, 2022.

2. Summary of Significant Accounting Policies

The significant 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 of the Company have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS) issued by the Financial Reporting Standards Council (FRSC) and adopted by the SEC, including SEC pronouncements. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from the International Financial Reporting Interpretations Committee.

Measurement Bases

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

The financial statements have been prepared on a historical cost basis. 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 20.

Adoption of Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the Amendment to PFRS 16, *Leases - COVID-19-Related Rent Concessions beyond June 30, 2021*.

In 2020, PFRS 16 was amended to provide practical expedient to lessees from applying the requirements on lease modifications for eligible rent concessions that is a direct consequence of COVID-19 pandemic. A lessee may elect not to assess whether eligible rent concessions from a lessor is a lease modification. A lessee that makes this election account for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for a change that is not a lease modification, e.g., as a variable lease payment. This amendment is effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted, and covers eligible rent concessions until June 30, 2021. The Company applied the practical expedient in its financial statements for the year ended December 31, 2020.

Due to the continuing impact of the pandemic, another amendment to PFRS 16 was issued in 2021, which allows lessees to extend the application of the practical expedient regarding COVID-19-related rent concessions to reduction in lease payments that are due on or before June 30, 2022. The 2021 amendment is mandatory for entities that elected to apply the previous amendment. Accordingly, the Company has applied the amendment in the current year financial statements.

In 2021, the Company received additional rent concessions that met the criteria for the application of the practical expedient. The impact of application of the practical expedient is disclosed in Note 17.

Amended PFRS in Issue but not yet Effective

Relevant amended PFRS, which are not yet effective as at December 31, 2021 and have not been applied in preparing the financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2022:

- Amendments to PFRS 3, *Reference to Conceptual Framework* – The amendments will replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendments include an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* or IFRIC 21, *Levies,* instead of the Conceptual Framework. The requirement will ensure that the liabilities recognized in a business combination will remain the same as those recognized applying the current requirements in PFRS 3. The amendments also clarified that an acquirer shall not recognize contingent assets acquired in a business combination. The amendments should be applied prospectively.

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when an entity first applied the amendments.

- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as applicable. Accordingly, the comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS 2018 to 2020 Cycle:

  - Amendment to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity shall include when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees 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 amendment applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applied the amendments. Earlier application is permitted.

  - Amendment to PFRS 16, *Leases - Lease Incentives* – The amendment removes from the Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

Effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* – 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. The amendments must be applied retrospectively. Earlier application is permitted.

- Amendments to PAS 1 and PFRS Practice Statement 2, *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, *Making Materiality Judgements*, is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.

- Amendments to PAS 8, *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 require 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. Earlier application is permitted.

- Amendments to PAS 12, *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. Earlier application is permitted.

Under 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.

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 31, 2021 and 2020, 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, 2021 and 2020, the Company's cash in banks, trade receivables, advances to related parties and refundable lease deposits (presented under "Other current assets" in the statement of financial position) are classified under this category.

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, 2021 and 2020, the Company's trade and other payables (excluding statutory payables and others), 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 statement 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.

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.

<u>Inventories</u>

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

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

Assets Held for Sale

Assets held for sale pertain to equity investments in which the Company previously exercised control and which will be recovered through a sale transaction rather than through continuing use. These are measured at the lower of carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding the finance costs and income tax expense.

The criteria for assets to be classified as held for sale are regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Events or circumstances may extend the period to complete the sale of the asset beyond one year. Such extension of the period required to complete the sale still permits the asset to be classified as held for sale if the delay is beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset or group of assets.

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 Current Assets

Other current assets include refundable lease deposits (classified as financial asset), input value-added tax (VAT) and prepayments.

Refundable lease deposits. Refundable lease deposits pertain to deposits as required by lease agreement to cover for repairs on damaged leased properties, which are refundable at the end of the lease term. 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 is 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
Leasehold improvements	3 years or the term of lease whichever is shorter
Transportation equipment	5
Store furniture and equipment	3-5
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 so that the increased carrying amount does 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.

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

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
Other comprehensive income 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 stock split.

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.

Sales. Revenue is recognized upon the delivery of goods upon which the significant risks and rewards of ownership of the goods have passed to the buyer.

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
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.

Finance Costs. Finance costs are recognized in profit or loss using the effective interest method unless these are directly attributable to the construction of a qualifying asset, which are capitalized as part of the asset.

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 sale 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 or sale 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 shorter of the lease terms or the useful lives of the underlying assets 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 Benefit. 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.

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.

Determining the Classification of 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 Company 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.

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 are generally collected within three (3) days from the date of transaction. No ECL was provided for trade receivables in 2021, 2020 and 2019. The carrying amount of trade receivables amounted to ₱19.9 million and ₱68.9 million as at December 31, 2021 and 2020, respectively (see 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 is disclosed in Note 19 to the financial statements.

The carrying amounts of the Company's other financial assets at amortized cost are as follows:

	Note	**2021**	2020
Cash in banks	4	**₱1,097,065,384**	₱678,931,982
Refundable lease deposits	7	**156,044,735**	139,526,459
Advances to related parties	15	**–**	1,098,699,844

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 Company wrote-off inventory amounting to ₱58.5 million, ₱64.3 million and nil in 2021, 2020 and 2019, respectively. Provision for (reversal of) inventory obsolescence amounted to (₱7.3 million), ₱13.4 million and nil in 2021, 2020 and 2019, respectively. Allowance for inventory obsolescence amounted to ₱24.0 million and ₱89.9 million as at December 31, 2021 and 2020, respectively (see Note 6). The carrying amount of inventories amounted to ₱2,007.3 million and ₱1,479.7 million as at December 31, 2021 and 2020, respectively (see Note 6).

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 CIP) 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.

There were no changes in the estimated useful lives of ROU assets and property and equipment in 2021, 2020 and 2019. The carrying amounts of property and equipment (except land and construction in progress) amounted to ₱267.5 million and ₱382.8 million as at December 31, 2021 and 2020, respectively (see Note 9). The carrying amount of ROU assets amounted to ₱153.5 million and ₱123.4 million as at December 31, 2021 and 2020, respectively (see Note 17).

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	**2021**	2020
Property and equipment	9	**₱682,939,554**	₱759,067,608
ROU assets	17	**153,465,790**	123,362,619
Advances to suppliers	5	**18,652,393**	21,524,170
Input VAT	7	**7,434,272**	–
Prepayments	7	**1,255,052**	1,310,495
Advances to officers and employees	5	**136,116**	104,636

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. Those assumptions, which include among others, discount rates and expected rates of salary increase, are indicated in Note 16. 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 Company recognized retirement expense amounting to ₱3.3 million, ₱2.5 million and ₱5.1 million in 2021, 2020 and 2019, respectively. Retirement liability amounted to ₱31.8 million and ₱25.2 million as at December 31, 2021 and 2020, respectively (see 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.

Deferred tax assets recognized in the statements of financial position amounted to ₱16.1 million and ₱36.8 million as at December 31, 2021 and 2020, respectively (see Note 18).

4. Cash

This account consists of:

	2021	2020
Cash on hand	**₱3,725,035**	₱1,909,500
Cash in banks	**1,097,065,384**	678,931,982
	₱1,100,790,419	₱680,841,482

Cash in banks earn interest at prevailing bank deposit rates. Interest income earned amounted to ₱0.7 million, ₱0.9 million and ₱0.4 million in 2021, 2020 and 2019, respectively (see Note 14).

5. Trade and Other Receivables

This account consists of:

	2021	2020
Trade	**₱19,894,025**	₱68,939,706
Advances to:		
Suppliers	**18,652,393**	21,524,170
Officers and employees	**136,116**	104,636
	₱38,682,534	₱90,568,512

Trade receivables are noninterest-bearing and are generally settled within 3 days after the reporting period. No ECL was recognized for trade receivables in 2021, 2020 and 2019.

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

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

6. Inventories

This account consists of:

	2021	2020
Computers and peripherals	**₱1,070,785,558**	₱834,106,918
Accessories	**440,105,159**	393,750,613
Mobile phones	**357,940,342**	250,550,228
Consumables	**117,789,026**	70,678,608
Printers and scanners	**44,664,868**	20,472,499
At cost	**2,031,284,953**	1,569,558,866
Less allowance for inventory obsolescence	**(24,010,717)**	(89,858,466)
Net realizable value	**₱2,007,274,236**	₱1,479,700,400

Movements in the allowance for inventory obsolescence are as follows:

	Note	2021	2020	2019
Balance at beginning of year		**₱89,858,466**	₱140,774,924	₱140,774,924
Provision for (reversal of) inventory obsolescence	13	**(7,346,324)**	13,401,920	–
Write-off		**(58,501,425)**	(64,318,378)	–
Balance at end of year		**₱24,010,717**	₱89,858,466	₱140,774,924

Under the terms of agreements, merchandise inventories amounting to ₱2,264.8 million in 2021 and ₱2,922.0 million in 2020 were covered by trust receipts issued by local banks (see Note 11).

Cost of inventories sold during the year follows:

	2021	2020	2019
Inventories at beginning of year	**₱1,569,558,866**	₱1,553,716,488	₱1,464,414,677
Purchases	**7,144,018,093**	6,496,772,981	6,077,786,450
Cost of goods available for sale	**8,713,576,959**	8,050,489,469	7,542,201,127
Less inventories at end of year	**(2,031,284,953)**	(1,569,558,866)	(1,553,716,488)
	₱6,682,292,006	₱6,480,930,603	₱5,988,484,639

7. Other Current Assets

This account includes:

	Note	2021	2020
Refundable lease deposits	17	**₱156,044,735**	₱139,526,459
Input VAT		**7,434,272**	–
Prepayments		**1,255,052**	1,310,495
		₱164,734,059	₱140,836,954

8. **Assets Held for Sale**

Assets held for sale pertain to the Company's investments which were previously classified as investment in subsidiaries because of the Company's effective ownership in these entities.

The carrying amount of these investments, which represent estimated fair value less cost to sell, as at December 31, 2019 are as follows:

Company	Carrying amount
Upson Realty and Development Corp. (URDC)	₱124,999,500
Transway Hotels Group Inc. (THG)	24,999,950
Octagon International Marketing Corp. (OIMC)	7,349,995
Majestic Graphic and Printing Corp. (MGPC)	290,000
	₱157,639,445

In 2020, the Company sold the investments at its carrying value amounting to ₱157.6 million.

9. Property and Equipment

Movements in this account follow:

	2021							
	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**	**₱29,192,000**	**₱489,397,245**	**₱86,609,655**	**₱121,320,451**	**₱83,557,737**	**₱175,273,646**	**₱1,186,375,734**
Additions	**–**	**–**	**4,671,832**	**1,130,704**	**–**	**13,907,427**	**39,108,534**	**58,818,497**
Balance at end of year	**201,025,000**	**29,192,000**	**494,069,077**	**87,740,359**	**121,320,451**	**97,465,164**	**214,382,180**	**1,245,194,231**
Accumulated Depreciation and Amortization								
Balance at beginning of year	**–**	**6,324,933**	**246,488,346**	**39,313,188**	**57,645,446**	**77,536,213**	**–**	**427,308,126**
Depreciation and amortization	**–**	**1,459,600**	**88,951,806**	**17,992,195**	**23,891,538**	**2,651,412**	**–**	**134,946,551**
Balance at end of year	**–**	**7,784,533**	**335,440,152**	**57,305,383**	**81,536,984**	**80,187,625**	**–**	**562,254,677**
Carrying Amount	**₱201,025,000**	**₱21,407,467**	**₱158,628,925**	**₱30,434,976**	**₱39,783,467**	**₱17,277,539**	**₱214,382,180**	**₱682,939,554**

	2020							
	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	₱29,192,000	₱480,762,245	₱84,484,006	₱113,423,398	₱81,227,900	₱150,760,793	₱1,140,875,342
Additions	–	–	8,635,000	2,125,649	7,897,053	2,329,837	24,512,853	45,500,392
Balance at end of year	201,025,000	29,192,000	489,397,245	86,609,655	121,320,451	83,557,737	175,273,646	1,186,375,734
Accumulated Depreciation and Amortization								
Balance at beginning of year	–	4,865,333	168,537,929	22,278,738	34,548,956	75,307,282	–	305,538,238
Depreciation and amortization	–	1,459,600	77,950,417	17,034,450	23,096,490	2,228,931	–	121,769,888
Balance at end of year	–	6,324,933	246,488,346	39,313,188	57,645,446	77,536,213	–	427,308,126
Carrying Amount	₱201,025,000	₱22,867,067	₱242,908,899	₱47,296,467	₱63,675,005	₱6,021,524	₱175,273,646	₱759,067,608

Construction in progress represents the accumulated costs incurred in the construction of a building, warehouse and store branches which are expected to be completed in 2022. The construction of more store branches started in November and December 2021. Estimated total cost to complete the building, warehouse and store branches as at December 31, 2021 amounts to ₱132.3 million. As at December 31, 2021, the Company's building under construction with a carrying amount of ₱172.7 million were used as a collateral for a related party's outstanding loan with a local bank (see Note 15). In 2020, the Company's building under construction and a related party's parcels of land with carrying amount of ₱172.7 million and ₱172.3 million, respectively, were used to secure bank loans amounting to ₱276.0 million (see Note 11).

Fully depreciated property and equipment still being used by the Company amounted to ₱76.8 million and ₱73.4 million as at December 31, 2021 and 2020, respectively.

Depreciation and amortization are recognized from:

	Note	**2021**	2020	2019
ROU assets	17	**₱168,388,201**	₱193,571,288	₱231,507,730
Property and equipment		**134,946,551**	121,769,888	126,065,386
		₱303,334,752	₱315,341,176	₱357,573,116

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

	2021	2020	2019
Selling and marketing expenses	**₱244,093,555**	₱293,168,209	₱335,415,053
General and administrative expenses	**59,241,197**	22,172,967	22,158,063
	₱303,334,752	₱315,341,176	₱357,573,116

10. **Trade and Other Payables**

This account consists of:

	Note	**2021**	2020
Trade		**₱1,587,799,890**	₱1,118,174,796
Accrued expenses		**130,616,552**	23,237,506
Retention payables		**10,343,332**	10,632,832
Statutory payables		**26,026,587**	18,276,527
Advances from a related party	15	**25,403,485**	–
Others		**7,615,202**	9,535,285
		₱1,787,805,048	₱1,179,856,946

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 pertains 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.

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.

11. Bank Loans and Trust Receipts Payable

Movements in this account are as follows:

		2021	
	Bank Loans	**Trust Receipts**	**Total**
Balance at beginning of year	**₱1,089,166,666**	**₱1,395,951,786**	**₱2,485,118,452**
Availments	**590,000,000**	**2,264,817,472**	**2,854,817,472**
Payments	**(1,270,000,000)**	**(2,823,501,174)**	**(4,093,501,174)**
Balance at end of year	**₱409,166,666**	**₱837,268,084**	**₱1,246,434,750**

			2020	
	Note	Bank Loans	Trust Receipts	Total
Balance at beginning of year		₱1,953,416,666	₱1,705,368,671	₱3,658,785,337
Availments		1,200,801,340	2,922,046,564	4,122,847,904
Payments		(750,051,340)	(3,231,463,449)	(3,981,514,789)
Transfer	15	(1,315,000,000)	–	(1,315,000,000)
Balance at end of year		1,089,166,666	1,395,951,786	2,485,118,452
Less current portion		939,166,666	1,395,951,786	2,335,118,452
Noncurrent portion		₱150,000,000	₱–	₱150,000,000

Bank Loans

The bank loans and trust receipts have terms of three months to one year, subject to refinancing upon approval of the creditor bank. Interest rates on bank loans and trust receipts range from 3.50% to 6.88% in 2021, and 4.75% to 7.25% in 2020 and 2019.

In 2020, bank loans amounting to ₱276.0 million were secured by the Company's building under construction and a related party's parcels of land with carrying amount of ₱172.7 million and ₱172.3 million, respectively (see Note 9). These loans were settled in 2021.

On December 29, 2020, the Company assigned its bank loans, and all the associated rights and obligations, aggregating ₱1,315.0 million to a related party as settlement for the advances to the said related party (see Note 15).

Trust Receipts

Under the terms of agreements, merchandise inventories amounting to ₱2,264.8 million in 2021 and ₱2,922.0 million in 2020 are covered by trust receipts issued by local banks (see Note 6).

Covenants

The terms of the loans provide for certain covenants which include, among others, restriction on declaration of dividends; change on the nature or scope of the business of the Company; reduce or increase the authorized capital stock; and use the proceeds from the loans for purposes other than those described in the contract.

The terms also require maintenance of a debt-service ratio of at least 1.2 times. As at December 31, 2021 and 2020, the Company is compliant with the above covenants.

Details of finance costs charged to operations are as follows:

	Note	**2021**	2020	2019
Interest on trust receipts		**₱52,827,502**	₱85,184,282	₱96,615,910
Interest on bank loans		**51,378,472**	115,805,663	128,671,310
Accretion of interest on lease liabilities	17	**12,057,292**	12,978,775	20,679,771
		₱116,263,266	₱213,968,720	₱245,966,991

12. Equity

Capital Stock

Details of capital stock follow:

	2021		2020	
	Shares	**Amount**	Shares	Amount
Authorized:				
Balance at beginning of year	**500,000,000**	**₱500,000,000**	500,000,000	₱500,000,000
Increase	**750,000,000**	**750,000,000**	–	–
Balance at end of year	**1,250,000,000**	**₱1,250,000,000**	500,000,000	₱500,000,000
Issued and outstanding:				
Balance at beginning of year	**267,500,000**	**₱267,500,000**	267,500,000	₱267,500,000
Subscription	**232,500,000**	**232,500,000**	–	–
Balance at end of year	**500,000,000**	**₱500,000,000**	267,500,000	₱267,500,000

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. Of the increase, 232,500,000 shares at ₱1 par value a share, or equivalent to ₱232.5 million were subscribed and paid as at December 31, 2021 (see Note 1).

Retained Earnings

On December 20, 2021, the BOD approved the declaration of cash dividends of ₱0.67 a share or a total of ₱307.0 million for all stockholders of record as of December 20, 2021. No dividends were declared in 2020 and 2019.

13. **Operating Expenses**

This account consists of:

	2021	2020	2019
Selling and marketing expenses	**₱1,083,707,559**	₱1,020,512,126	₱1,046,747,980
General and administrative expense	**238,980,251**	237,137,338	170,294,458
	₱1,322,687,810	₱1,257,649,464	₱1,217,042,438

Selling and marketing expenses consist of:

	Note	**2021**	2020	2019
Merchant discount		**₱297,563,734**	₱254,303,750	₱231,927,788
Depreciation and amortization	9	**244,093,555**	293,168,209	335,415,053
Personnel costs		**188,341,384**	79,893,465	108,864,196
Contracted and other services		**134,388,881**	225,336,758	234,083,971
Rent	17	**111,633,705**	43,007,173	11,298,846
Utilities		**97,583,181**	84,276,633	91,379,987
Freight and delivery		**10,664,330**	21,828,055	29,540,857
Provision for (reversal of) inventory obsolescence	6	**(7,346,324)**	13,401,920	–
Advertising		**4,114,507**	3,260,613	147,468
Retirement expense	16	**2,670,606**	2,035,550	4,089,814
		₱1,083,707,559	₱1,020,512,126	₱1,046,747,980

General and administrative expenses consist of:

	Note	**2021**	2020	2019
Depreciation and amortization	9	**₱59,241,197**	₱22,172,967	₱22,158,063
Taxes and licenses		**57,001,480**	96,947,260	62,221,467
Personnel costs		**42,530,175**	19,941,259	27,172,399
Stationery and supplies		**22,504,038**	19,523,461	16,087,854
Representation		**19,861,402**	37,427,885	6,392,613
Repairs, warranties and maintenance		**12,386,319**	7,956,726	13,298,678
Professional fees		**9,725,074**	9,593,731	4,680,758
Transportation and travel		**6,786,294**	5,863,838	9,841,415
Retirement expense	16	**603,061**	508,888	1,022,453
Rent	17	**–**	10,996,971	–
Others		**8,341,211**	6,204,352	7,418,758
		₱238,980,251	₱237,137,338	₱170,294,458

Personnel costs consist of:

	2021	2020	2019
Salaries and wages	**₱206,355,220**	₱80,258,289	₱115,259,192
Employee benefits	**24,516,339**	19,576,435	20,777,403
	₱230,871,559	₱99,834,724	₱136,036,595

14. Other Income

This account consists of:

	Note	2021	2020	2019
Gain on lease concessions	17	**₱52,687,895**	₱94,416,731	₱–
Interest income	4	**710,294**	919,283	410,738
Gain on lease modification	17	**621,157**	127,077	–
Others		**36,833,602**	–	3,257,372
		₱90,852,948	₱95,463,091	₱3,668,110

Others mainly pertain to income from product advertising or promotional support from suppliers. In 2019, other income pertains to sale of scrap materials.

15. Related Party Transactions

The Company has transactions with related parties as follows:

		Transactions during the Year		Outstanding Balance	
	Nature of Transaction	**2021**	2020	**2021**	2020
Trade and other payables					
Entity under common control	Advances	**₱25,403,485**	₱–	**₱25,403,485**	₱–
Advances to Related Parties					
	Payment	**(₱1,098,699,844)**	₱–		
Entities under common	Advances	**–**	161,056,485		
control	Assignment of loans	**–**	(1,315,000,000)	**₱–**	₱1,098,699,844

As at December 31, 2021, the Company's building under construction with a carrying amount of ₱172.7 million were used as a collateral for a related party's outstanding loan with a local bank (see Note 9).

On December 29, 2020, the Company assigned its bank loans, and all the associated rights and obligations, aggregating ₱1,315.0 million to a related party as settlement for the outstanding balance of the advances to the said related party (see Note 11).

Terms and Conditions

Outstanding balances are unsecured, non-interest bearing, due and demandable and are cash settled. The Company assessed that the related party receivables are collectible by considering the financial position of the subsidiaries and other related parties and the market in which they operate.

Compensation of Key Management Personnel

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

	2021	2020	2019
Short-term employee benefits	**₱3,120,000**	₱3,120,000	₱2,335,658
Post-employment benefits	**240,925**	229,616	397,838
	₱3,360,925	₱3,349,616	₱2,733,496

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, 2021.

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:

	2021	2020	2019
Current service cost	**₱2,241,359**	₱1,572,811	₱4,163,762
Interest cost	**1,032,308**	971,627	948,505
	₱3,273,667	₱2,544,438	₱5,112,267

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

	2021	2020	2019
Selling and marketing expenses	**₱2,670,606**	₱2,035,550	₱4,089,814
General and administrative expenses	**603,061**	508,888	1,022,453
	₱3,273,667	₱2,544,438	₱5,112,267

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

	2021	2020
Balance at beginning of year	**₱25,178,232**	₱17,665,938
Current service cost	**2,241,359**	1,572,811
Interest cost	**1,032,308**	971,627
Remeasurement loss	**3,359,119**	4,967,856
Balance at end of year	**₱31,811,018**	₱25,178,232

The assumptions used to determine retirement liability are as follows:

	2021	2020
Discount rate	**5.20%**	4.10%
Salary increase rate	**3.00%**	3.00%

The sensitivity analyses based on reasonably possible changes of the assumptions as at December 31, 2021 follow:

	Basis Points	Effect on Present Value of Retirement Liability
Discount rate	+100	(₱3,831,744)
	-100	4,664,677
Salary increase rate	+100	4,562,813
	-100	(3,820,228)

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

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

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

Details of accumulated remeasurement loss on retirement liability recognized in equity as at December 31 are as follows:

	2021		
	Cumulative Remeasurement Loss	**Deferred Tax** (see Note 18)	**Cumulative Remeasurement Loss, 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**

	2020		
	Cumulative Remeasurement Loss	Deferred Tax (see Note 18)	Cumulative Remeasurement Loss, Net of Tax
Remeasurement loss	₱4,967,856	(₱1,490,357)	₱3,477,499

As at December 31, 2021, the expected future benefit payments are as follows:

	Amount
More than 1 year to 5 years	₱8,361,079
More than 5 years to 10 years	4,683,935
More than 10 years to 15 years	17,448,719
16 years and up	219,233,334

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 amounting to ₱111.6 million, ₱54.0 million and ₱11.3 million in 2021, 2020 and 2019, respectively, is charged to the following (see Note 13):

	2021	2020	2019
Selling and marketing expenses	**₱111,633,705**	₱43,007,173	₱11,298,846
General and administrative expenses	**–**	10,996,971	–
	₱111,633,705	₱54,004,144	11,298,846

Company as Lessee - Long-term Lease

The Company leases warehouse, office 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	**2021**	2020
Cost			
Balance at beginning of year		**₱548,441,637**	₱414,300,773
Additions		**131,340,291**	130,899,986
Disposals		**(11,686,032)**	–
Effect of lease modification		**73,683,601**	3,240,878
Balance at end of year		**741,779,497**	548,441,637
Accumulated amortization			
Balance at beginning of year		**425,079,018**	231,507,730
Amortization	9	**168,388,201**	193,571,288
Disposals		**(5,153,512)**	–
Balance at end of year		**588,313,707**	425,079,018
Carrying Amount		**₱153,465,790**	₱123,362,619

Refundable Lease Deposits

Refundable lease deposits amounted to ₱156.0 million and ₱139.5 million as at December 31, 2021 and 2020, respectively (see Note 7). These deposits are refundable at the end of the lease terms.

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

	Note	**2021**	2020
Balance at beginning of year		**₱130,929,011**	₱188,329,519
Additions		**131,340,291**	130,899,986
Payments		**(126,213,919)**	(109,976,339)
Effect of lease modification		**73,532,674**	3,113,801
Gain on lease concessions	14	**(52,687,895)**	(94,416,731)
Accretion	11	**12,057,292**	12,978,775
Disposals		**(7,002,750)**	–
Balance at end of year		**161,954,704**	130,929,011
Current portion		**121,678,646**	90,400,339
Noncurrent portion		**₱40,276,058**	₱40,528,672

Incremental borrowing rate ranging from 3.69% to 5.37% was applied to determine the discounted amount of lease liabilities in 2021 and 2020.

In 2021 and 2020, 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. There were also three (3) stores that ceased operations in 2021 resulting to the derecognition of the related ROU assets and lease liabilities. These resulted to gain on lease modification amounting to ₱0.6 million in 2021, ₱0.1 million in 2020 and nil in 2019 (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 ₱52.7 million in 2021, ₱94.4 million in 2020 and nil in 2019, (see Note 14).

The future minimum lease payments and present value as at December 31, 2021 is as follows:

	Minimum Lease Payments	Present Value
Not later than one year	₱127,187,102	₱121,678,646
Later than one year but not more than five years	51,666,697	40,276,058
	₱178,853,799	₱161,954,704

18. **Income Taxes**

The provision for current income tax pertains to regular corporate income tax (RCIT) in 2021, 2020 and 2019.

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:

	2021	2020	2019
Income tax computed at the statutory tax rate (25% in 2021, and 30% in 2020 and 2019)	**₱134,387,767**	₱88,535,417	₱36,525,881
Adjustment for:			
Effect of change in income tax rate	**(344,676)**	–	–
Interest income already subjected to final tax	**(177,574)**	(275,785)	(123,222)
Nondeductible expenses	**44,394**	113,761	50,829
	₱133,909,911	₱88,373,393	₱36,453,488

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

	Note	**2021**	2020
Allowance for inventory obsolescence		**₱6,002,679**	₱26,957,540
Retirement liability:			
Profit or loss		**5,871,011**	6,063,113
OCI	16	**2,081,744**	1,490,357
Excess of lease liability over ROU asset		**2,122,229**	2,269,918
		₱16,077,663	₱36,780,928

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises ("CREATE") was approved and signed into law by the country's President. Under the CREATE, the RCIT of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, the minimum corporate income tax (MCIT) was changed from 2% to 1% of gross income for a period of three (3) years. The changes in the income tax rates retrospectively became effective beginning July 1, 2020. However, the income tax rates used in preparing the financial statements as at and for the year ended December 31, 2020, are 30% and 2% for RCIT and MCIT, respectively.

The effect of the reduction in tax rates in 2020 was recognized as part of the 2021 income tax expense, as required by PAS 12, *Income Taxes.* Details of the adjustments are as follows:

	Current tax expense	Deferred tax expense	Total
Provision for income tax	₱118,841,697	₱15,412,890	₱134,254,587
Change in income tax rate	(6,226,438)	5,881,762	(344,676)
Adjusted income tax expense	₱112,615,259	₱21,294,652	₱133,909,911

19. **Financial Risk Management**

Financial Risk Management Objectives and Policies

The Company's activities expose it to a variety of financial risks: market risk which includes credit risk, liquidity risk and interest rate risk. The Company's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Company. The BOD reviews and approves the policies for managing each of these risks.

Credit Risk

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

	2021	2020
Cash in banks	**₱1,097,065,384**	₱678,931,982
Trade receivables	**19,894,025**	68,939,706
Advances to related parties	**–**	1,098,699,844
Refundable lease deposits	**156,044,735**	139,526,459
	₱1,273,004,144	₱1,986,097,991

As at December 31, 2021 and 2020, the amount of cash in banks and trade receivables are neither past due nor impaired and were classified as "*High Grade*", while advances to related parties and refundable lease deposits were classified as "*Standard Grade"*. The credit quality of such financial assets at amortized cost is further described as follows:

- *High Grade.* Pertains to counterparty who is 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.

- *Standard Grade.* Other financial assets not belonging to high grade financial assets are included in this category.

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 are due from credit card companies and are generally collectible within three (3) days from transaction date. Historical information and present circumstances does 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, advances to related parties and refundable lease deposits, 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. The following were considered in the assessment:

- Cash in banks are deposited with reputable counterparty banks, which exhibit good credit ratings.

- For advances to related parties, the Company's related parties have low credit risk and are in good financial standing. The related parties have no history of default and have sufficient assets to cover their advances thus, ECL is not significant.

- For refundable lease deposits, the counterparty lessors are reputable leasing companies which have low credit risk, thus no allowance for ECL was provided.

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.

	2021			
	12-month ECL	**Lifetime ECL - not credit impaired**	**Lifetime ECL - credit impaired**	**Total**
Cash in banks	**₱1,097,065,384**	**₱–**	**₱–**	**₱1,097,065,384**
Trade receivables	**–**	**19,894,025**	**–**	**19,894,025**
Refundable lease deposits	**156,044,735**	**–**	**–**	**156,044,735**
	₱1,253,110,119	**₱19,894,025**	**₱–**	**₱1,273,004,144**

	2020			
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Total
Cash in banks	₱678,931,982	₱–	₱–	₱678,931,982
Trade receivables	–	68,939,706	–	68,939,706
Advances to related parties	1,098,699,844	–	–	1,098,699,844
Refundable lease deposits	139,526,459	–	–	139,526,459
	₱1,917,158,285	₱68,939,706	₱–	₱1,986,097,991

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.

	2021			
	1 to 6 Months	**6 Months to 1 Year**	**More than 1 Year**	**Total**
Trade and other payables*	**₱1,743,819,927**	**₱10,343,332**	**₱–**	**₱1,754,163,259**
Bank loans and trust receipts payable	**837,268,084**	**409,166,666**	**–**	**1,246,434,750**
Lease liabilities	**71,319,722**	**55,867,380**	**51,666,697**	**178,853,799**
	₱2,652,407,733	**₱475,377,378**	**₱51,666,697**	**₱3,179,451,808**

**Excluding statutory payables and others totaling ₱33.6 million as at December 31, 2021.*

	2020			
	1 to 6 Months	6 Months to 1 Year	More than 1 Year	Total
Trade and other payables*	₱1,141,412,302	₱10,632,832	₱–	₱1,152,045,134
Bank loans and trust receipts payable	1,395,951,786	939,166,666	150,000,000	2,485,118,452
Lease liabilities	8,369,716	33,617,890	98,768,692	140,756,298
	₱2,545,733,804	₱983,417,388	₱248,768,692	₱3,777,919,884

**Excluding statutory payables and others totaling ₱27.8 million as at December 31, 2020.*

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 matures within 90 days to one year and bear an effective interest rate ranging from 3.50% to 4.25% in 2021.

20. Fair Value of Financial Assets and Liabilities

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

	2021		2020	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash in banks	**₱1,097,065,384**	**₱1,097,065,384**	₱678,931,982	₱678,931,982
Trade receivables	**19,894,025**	**19,894,025**	68,939,706	68,939,706
Advances to related parties	**–**	**–**	1,098,699,844	1,098,699,844
Refundable lease deposits	**156,044,735**	**156,044,735**	139,526,459	139,526,459
	₱1,273,004,144	**₱1,273,004,144**	₱1,986,097,991	₱1,986,097,991
Financial Liabilities				
Trade and other payables*	**₱1,754,163,259**	**₱1,754,163,259**	₱1,152,202,134	₱1,152,202,134
Bank loans and trust receipts payable	**1,246,434,750**	**1,246,434,750**	2,485,118,452	2,485,118,452
Lease liabilities	**161,954,704**	**174,994,666**	130,929,011	136,050,563
	₱3,162,552,713	**₱3,175,592,675**	₱3,768,249,597	₱3,773,371,149

**Excluding statutory payables and others totaling ₱33.6 million and ₱27.8 million as at December 31, 2021 and 2020, respectively.*

Due to the short-term maturities of cash in banks, trade receivables, advances to related parties, refundable lease deposits, trade and other payables (excluding statutory and other 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).

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 2021, 2020 and 2019.

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 as at December 31, 2021 and 2020 are as follows:

	2021	2020
Total liabilities	**₱3,265,744,498**	₱3,838,012,016
Total equity	**898,219,757**	571,846,331
Debt-to-equity ratio	**3.64:1**	6.71:1

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, 2021 and 2020:

	2020	**Additions (net of disposals)**	**Accretion**	**Payment**	**Non-cash Changes**	**2021**
Bank loans and trust receipts payable	**₱2,485,118,452**	**₱2,854,817,472**	**₱–**	**(₱4,093,501,174)**	**₱–**	**₱1,246,434,750**
Lease liabilities	**130,929,011**	**131,340,291**	**12,057,292**	**(126,213,919)**	**13,842,029**	**161,954,704**
	₱2,616,047,463	**₱2,986,157,763**	**₱12,057,292**	**(₱4,219,715,093)**	**₱13,842,029**	**₱1,408,389,454**

	2019	Additions	Accretion	Payment	Non-cash Changes	2020
Bank loans and trust receipts payable	₱3,658,785,337	₱4,122,847,904	₱–	(₱3,981,514,789)	(₱1,315,000,000)	₱2,485,118,452
Lease liabilities	188,329,519	130,899,986	12,978,775	(109,976,339)	(91,302,930)	130,929,011
	₱3,847,114,856	₱4,253,747,890	₱12,978,775	(₱4,091,491,128)	(₱1,406,302,930)	₱2,616,047,463

23. Basic and Diluted Earnings Per Share

Basic earnings per share is computed as follows:

	2021	2020	2019
Net income	**₱403,641,157**	₱206,744,665	₱85,299,447
Divided by weighted average number of outstanding shares	**267,500,000**	267,500,000	267,500,000
	₱1.51	₱0.77	₱0.32

The Company has no dilutive potential shares in 2021, 2020 and 2019.

24. 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 2021, 2020 and 2019.

**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE
SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors
Upson International Corp.
747 Romualdez Street
Ermita, Manila

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) as at December 31, 2021 and 2020, and for the years ended December 31, 2021, 2020 and 2019, on which we have rendered our report dated February 9, 2022.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has six (6) stockholders owning one hundred (100) or more shares each.

REYES TACANDONG & CO.

DARRYLL REESE Q. SALANGAD
Partner
CPA Certificate No. 107615
Tax Identification No. 227-770-760-000
BOA Accreditation No. 4782; Valid until April 13, 2024
SEC Accreditation No. 1788-A
Valid until October 14, 2022
BIR Accreditation No. 08-005144-016-2019
Valid until July 2, 2022
PTR No. 8851719
Issued January 3, 2022, Makati City

February 9, 2022
Makati City, Metro Manila

BOA/PRC Accreditation No. 4782
August 16, 2021, valid until April 13, 2024
SEC Accreditation No. 0207-FR-3 (Group A)
August 29, 2019, valid until August 28, 2022

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REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Upson International Corp.
747 Romualdez Street
Ermita, Manila

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, 2021 and 2020, and for the years ended December 31, 2021, 2020 and 2019, and have issued our report thereon dated February 9, 2022. 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

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.

DARRYLL REESE Q. SALANGAD
Partner
CPA Certificate No. 107615
Tax Identification No. 227-770-760-000
BOA Accreditation No. 4782; Valid until April 13, 2024
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PTR No. 8851719
Issued January 3, 2022, Makati City

February 9, 2022
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, 2021

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 amounts to whom the aggregate indebtedness is ₱41.6 million or 1% of total assets as at December 31, 2021. In addition, the advances were made to the employees to carry out the ordinary course of business.*

*** There are no long-term debt as at December 31, 2021.*

**** Indebtedness to related parties are classified as current as at December 31, 2021.*

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, 2021

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	1,250,000,000	500,000,000	–	232,500,000	267,000,000	–

UPSON INTERNATIONAL CORP.

(Doing Business Under the Name and Style of Octagon Computer Store; 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, 2021

	Amount
Retained earnings as shown in the financial statements at beginning of year	₱307,823,830
Net deferred tax assets at beginning of year	(36,780,928)
Retained earnings, as adjusted to available for dividend distribution at beginning of year	271,042,902
Net income closed to retained earnings during the year	403,641,157
Movement in deferred tax assets during the year	20,703,265
Dividends declared during the year	(307,000,000)
Total retained earnings available for dividend declaration at end of year	₱388,387,324

Reconciliation:	
Retained earnings as shown in the financial statements at end of year	₱404,464,987
Net deferred tax assets at end of year	(16,077,663)
Retained earnings available for dividend declaration at end of year	₱388,387,324

**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULE OF FINANCIAL
SOUNDNESS INDICATORS**

The Stockholders and the Board of Directors
Upson International Corp.
747 Romualdez Street
Ermita, Manila

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, 2021 and 2020, and for the years ended December 31, 2021, 2020 and 2019, and have issued our report thereon dated February 9, 2022. 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 the purpose of complying with the Revised Securities Regulation Code Rule (SRC) 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, 2021 and 2020, and for the years ended December 31, 2021, 2020 and 2019, and no material exceptions were noted.

REYES TACANDONG & CO.

DARRYLL REESE Q. SALANGAD
Partner
CPA Certificate No. 107615
Tax Identification No. 227-770-760-000
BOA Accreditation No. 4782; Valid until April 13, 2024
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February 9, 2022
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, 2021 and 2020

Ratio	Formula	2021	2020
Current/Liquidity Ratio			
	Current assets	**₱3,311,481,248**	₱3,490,647,192
	Divided by: Current liabilities	**3,193,657,423**	3,622,305,112
	Current/Liquidity ratio	**1.04:1.00**	0.96:1.00
Solvency Ratio			
	Net income before depreciation and amortization	**₱706,975,909**	₱522,085,841
	Divided by: Total liabilities	**3,265,744,499**	3,838,012,016
	Solvency ratio	**0.22:1.00**	0.14:1.00
Debt-to-Equity Ratio			
	Total liabilities	**₱3,265,744,499**	₱3,838,012,016
	Divided by: Total equity	**898,219,756**	571,846,331
	Debt-to-Equity ratio	**3.64:1.00**	6.71:1.00
Asset-to-Equity Ratio			
	Total assets	**₱4,163,964,255**	₱4,409,858,347
	Divided by: Total equity	**898,219,756**	571,846,331
	Asset-to-Equity ratio	**4.64:1.00**	7.71:1.00
Interest Rate Coverage Ratio			
	Income before interest and taxes	**₱653,814,334**	₱509,086,778
	Divided by: Interest expense	**116,263,266**	213,968,720
	Interest Rate Coverage ratio	**5.62:1.00**	2.38:1.00
Return on Assets Ratio			
	Net income	**₱403,641,157**	₱206,744,665
	Divided by: Total assets	**4,163,964,255**	4,409,858,347
	Return on Assets ratio	**0.10:1.00**	0.05:1.00
Return on Equity Ratio			
	Net income	**₱403,641,157**	₱206,744,665
	Divided by: Total equity	**898,219,756**	571,846,331
	Return on Equity ratio	**0.45:1.00**	0.36:1.00
Net Profit Margin			
	Net income	**₱403,641,157**	₱206,744,665
	Divided by: Revenues	**8,567,941,202**	8,152,203,754
	Net Profit Margin	**0.05:1.00**	0.03:1.00

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	S	O	9	5	0	0	3	8	3	6

COMPANY NAME

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

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

747 Romualdez Street, Ermita, Manila

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	N/A

COMPANY INFORMATION

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

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

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON'S ADDRESS

747 Romualdez Street, Ermita, Manila

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.
747 Romualdez Street
Ermita, Manila

Opinion

We have audited the accompanying financial statements of Upson International Corp. (Doing Business Under the Name and Style of Octagon Computer Store; Microvalley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light) (the Company), which comprise the statement of financial position as at December 31, 2020, and the statement of comprehensive income, statement of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audit 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 the audit 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.

Other Matter

The financial statements of the Company as at and for the year ended December 31, 2019 were audited by another auditor whose report dated April 24, 2020, expressed an unmodified opinion on those statements. The opinion of such auditor, however, does not include the prior period adjustments discussed in Note 4 to the financial statements.

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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

REYES TACANDONG & CO.

DARRYLL REESE Q. SALANGAD
Partner
CPA Certificate No. 107615
Tax Identification No. 227-770-760-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 1788-A
Valid until October 14, 2022
BIR Accreditation No. 08-005144-016-2019
Valid until July 2, 2022
PTR No. 8534288
Issued January 5, 2021, Makati City

April 12, 2021
Makati City, Metro Manila

UPSON INTERNATIONAL CORP.

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

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2020

(With Comparative Figures for 2019)

	Note	December 31, 2020	December 31, 2019 (As Restated - Note 4)	January 1, 2019 (As Restated - Note 4)
ASSETS				
Current Assets				
Cash	5	**₱680,841,482**	₱266,995,745	₱225,583,940
Trade and other receivables	6	**90,568,512**	78,629,332	65,007,914
Advances to related parties	16	**1,098,699,844**	2,352,668,874	2,096,693,518
Inventories	7	**1,479,700,400**	1,412,941,564	1,387,958,131
Assets held for sale	8	**–**	157,639,445	157,639,445
Other current assets	9	**140,836,954**	134,379,350	121,950,322
Total Current Assets		**3,490,647,192**	4,403,254,310	4,054,833,270
Noncurrent Assets				
Property and equipment	10	**759,067,608**	835,337,104	907,553,426
Right-of-use (ROU) assets	18	**123,362,619**	182,793,043	389,762,691
Deferred tax assets	19	**36,780,928**	49,193,201	45,998,579
Total Noncurrent Assets		**919,211,155**	1,067,323,348	1,343,314,696
		₱4,409,858,347	₱5,470,577,658	₱5,398,147,966
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	11	**₱1,179,856,946**	₱1,229,135,138	₱1,301,836,667
Current portion of bank loans and trust receipts payable	12	**2,335,118,452**	2,438,785,337	1,970,715,219
Current portion of lease liabilities	18	**90,400,339**	145,845,388	227,957,181
Income tax payable		**16,929,375**	8,082,561	–
Total Current Liabilities		**3,622,305,112**	3,821,848,424	3,500,509,067
Noncurrent Liabilities				
Bank loans - net of current portion	12	**150,000,000**	1,220,000,000	1,440,000,000
Lease liabilities - net of current portion	18	**40,528,672**	42,484,131	161,805,510
Retirement liability	17	**25,178,232**	17,665,938	12,553,671
Total Noncurrent Liabilities		**215,706,904**	1,280,150,069	1,614,359,181
Equity				
Capital stock	13	**267,500,000**	267,500,000	267,500,000
Retained earnings	13	**307,823,830**	101,079,165	15,779,718
Other comprehensive income	17	**(3,477,499)**	–	–
Total Equity		**571,846,331**	368,579,165	283,279,718
		₱4,409,858,347	₱5,470,577,658	₱5,398,147,966

See accompanying Notes to Financial Statements.

UPSON INTERNATIONAL CORP.

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2020

(With Comparative Figures for 2019)

	Note	2020	2019
SALES		**₱8,152,203,754**	₱7,569,578,893
COST OF SALES	7	**(6,480,930,603)**	(5,988,484,639)
GROSS INCOME		**1,671,273,151**	1,581,094,254
OPERATING EXPENSES	14	**(1,257,649,464)**	(1,217,042,438)
INCOME FROM OPERATIONS		**413,623,687**	364,051,816
FINANCE COST	12	**(213,968,720)**	(245,966,991)
OTHER CHARGES - Net	15	**95,463,091**	3,668,110
INCOME BEFORE INCOME TAX		**295,118,058**	121,752,935
PROVISION FOR INCOME TAX	19		
Current		**74,470,763**	39,948,068
Deferred		**13,902,630**	(3,494,580)
		88,373,393	36,453,488
NET INCOME		**206,744,665**	85,299,447
OTHER COMPREHENSIVE LOSS		**–**	–
Not to be reclassified to profit or loss in subsequent periods			
Remeasurement loss on retirement liability - net of tax	17	**(3,477,499)**	–
TOTAL COMPREHENSIVE INCOME		**₱203,267,166**	₱85,299,447

See accompanying Notes to Financial Statements.

UPSON INTERNATIONAL CORP.

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2020

(With Comparative Figures for 2019)

	Note	**2020**	2019 (As Restated - Note 4)
CAPITAL STOCK - ₱1 par value			
Authorized - 500,000,000 shares			
Issued and outstanding - 267,500,000 shares		**₱267,500,000**	₱267,500,000
RETAINED EARNINGS	13		
Balance at beginning of year, as previously reported		**352,214,679**	266,915,232
Prior period adjustments	4	**(251,135,514)**	(251,135,514)
Balance at beginning of year, as restated		**101,079,165**	15,779,718
Net income		**206,744,665**	85,299,447
Balance at end of year		**307,823,830**	101,079,165
OTHER COMPREHENSIVE INCOME			
Remeasurement loss on retirement liability - net of tax		**(3,477,499)**	–
		₱571,846,331	₱368,579,165

See accompanying Notes to Financial Statements.

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(With Comparative Figures for 2019)

	Note	2020	2019 (As Restated - Note 4)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**₱295,118,058**	₱121,752,935
Adjustments for:			
Depreciation and amortization	10	**315,341,176**	357,573,116
Finance costs	12	**213,968,720**	245,966,991
Gain on lease concessions	18	**(94,416,731)**	–
Provision for inventory obsolescence	7	**13,401,920**	–
Retirement expense	17	**2,544,438**	5,112,267
Interest income	5	**(919,283)**	(410,738)
Gain on lease modification	18	**(127,077)**	–
Operating income before working capital changes		**744,911,221**	729,994,571
Increase in:			
Trade and other receivables		**(11,939,180)**	(13,621,418)
Inventories		**(144,479,134)**	(24,983,433)
Other current assets		**(6,457,604)**	(12,429,028)
Decrease in trade and other payables		**(55,133,520)**	(72,701,529)
Net cash generated from operations		**526,901,783**	606,259,163
Income taxes paid		**(65,623,949)**	(31,565,549)
Interest received		**919,283**	410,738
Net cash provided by operating activities		**462,197,117**	575,104,352
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of assets held for sale	8	**157,639,445**	–
Additions to property and equipment	10	**(45,500,392)**	(53,849,064)
Decrease (increase) in advances to related parties		**3,287,408**	(255,975,356)
Net cash provided by (used in) investing activities		**115,426,461**	(309,824,420)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loan availments	12	**4,122,847,904**	2,962,715,441
Payments of:			
Loans	12	**(3,981,514,789)**	(2,714,645,323)
Lease liabilities	18	**(109,976,339)**	(246,651,025)
Interests		**(195,134,617)**	(225,287,220)
Net cash used in financing activities		**(163,777,841)**	(223,868,127)
NET INCREASE IN CASH		**413,845,737**	41,411,805
CASH AT BEGINNING OF YEAR		**266,995,745**	225,583,940
CASH AT END OF YEAR	5	**₱680,841,482**	₱266,995,745

NONCASH FINANCIAL INFORMATION			
Transfer of loans payable	12	**₱1,315,000,000**	₱–
Additions and modifications to ROU assets	18	**(134,140,864)**	(24,538,082)
Additions and modifications to lease liabilities	18	**134,013,787**	24,538,082
Recognition of ROU assets and lease liabilities arising from the adoption of PFRS 16, *Leases*	18	**–**	389,762,691

See accompanying Notes to Financial Statements.

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

NOTES TO FINANCIAL STATEMENTS
(With Comparative Figures and Information for 2019)

1. **Corporate Information**

Upson International Corp. (Doing Business Under the Name and Style of Octagon Computer Store; 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.

On December 5, 2018, the Board of Directors (BOD) approved amendments to the Articles of Incorporation (AOI) to include the trade names “Gadget King” and “Lamp Light” in the Company name. This amendment was approved by the SEC on February 28, 2019.

The registered office address of the Company is 747 Romualdez Street, Ermita, Manila.

The financial statements of the Company as at and for the year ended December 31, 2020 (with comparative figures and information for 2019) was approved and authorized for issuance by the BOD on April 12, 2021.

2. **Summary of Significant Accounting Policies**

The significant 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 of the Company have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS) issued by the Financial Reporting Standards Council (FRSC) and adopted by the SEC, including SEC pronouncements. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from the International Financial Reporting Interpretations Committee.

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

The financial statements have been prepared on a historical cost basis. 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 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 21.

Adoption of Amended PFRS
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS.

Effective for annual periods beginning on or after January 1, 2020:

- Amendments to References to the Conceptual Framework in PFRS – The amendments include new concepts affecting measurement, presentation and disclosure and derecognition; improved definitions and guidance-in particular the definition of an asset and a liability; and clarifications in important areas, such as the roles of stewardship, prudence, measurement uncertainty and substance over form in financial reporting.

- Amendments to PFRS 3 - *Definition of a Business* – This amendment provides an improved definition of a "business" which emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. To be considered a business, 'an integrated set of activities and assets' must include, at a minimum, 'an input and a substantive process that together significantly contribute to the ability to create an output'. The clarification is important because an acquirer may recognize goodwill (or a bargain purchase) when acquiring a business but not a group of assets. An optional simplified assessment (the concentration test) has been introduced to help companies determine whether an acquisition is of a business or a group of assets.

- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material* – The amendments clarify the definition of "material" and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS standards. Based on the new definition, an information is "material" if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Effective for annual periods beginning on or after June 1, 2020 -

- Amendments to PFRS 16, Leases – *Covid-19 Related Rent Concessions* – The amendments provide practical expedient to lessees from applying the requirements on lease modifications under PFRS 16 for eligible rent concessions that is a direct consequence of COVID-19 pandemic. A lessee may elect not to assess whether eligible rent concessions from a lessor is a lease modification. A lessee that makes this election account for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment. The amendments do not affect lessors. Earlier application of the amendments is permitted.

  Due to the impact of Covid-19 pandemic, the Company received rent concessions from lessors for leases related to its office and retail store spaces. The Company adopted the amendments to PFRS 16 upon its effectivity on June 1, 2020. Accordingly, the Company has applied the practical expedient to all Covid-19 related rent concessions that meet all of the following criteria:

  a. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

  b. any reduction in lease payments affects only payments originally due on or before June 30, 2021; and

  c. there is no substantive change to other terms and conditions of the lease.

  By applying the practical expedient, the Company is no longer required to remeasure the lease liabilities to reflect the revised consideration using a revised discount rate. Instead, the effect of the change in the lease liabilities is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs. The amount of reduction in lease liabilities that was recognized in profit or loss amounted to ₱94.4 million in 2020 (see Note 18).

Under prevailing circumstances, the adoption of the foregoing amended PFRS did not have 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 are not yet effective as at December 31, 2020 and have not been applied in preparing the financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2022:

- Amendments to PFRS 3, *Reference to Conceptual Framework* – The amendments replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendment included an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* or IFRIC 21, *Levies,* instead of the Conceptual Framework. The requirement would ensure that the liabilities recognized in a business combination would remain the same as those recognized applying the current requirements in PFRS 3. The amendment also added an explicit statement that contingent assets acquired in a business combination should not be recognized by an acquirer. The amendments should be applied prospectively.

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when an entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity. Accordingly, the comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS 2018 to 2020 Cycle:

    - Amendments to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees 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 amendments apply to financial liabilities that are modified or exchanged 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 16, *Leases - Lease Incentives* – The amendment removes from the Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

Effective for annual periods beginning on or after January 1, 2023 -

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* – 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. The amendments must be applied retrospectively. Earlier application is permitted.

Under 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.

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 31, 2020 and 2019, 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, 2020 and 2019, the Company's cash in banks, trade receivables, advances to related parties and refundable lease deposits (presented under "Other current assets" in the statement of financial position) are classified under this category (see Notes 5, 6, 9 and 16).

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, 2020 and 2019, the Company's trade and other payables (excluding statutory payables and others), bank loans and trust receipts payable, and lease liabilities are classified under this category (see Notes 11, 12 and 18).

Impairment of Financial Assets
The Company recognizes an allowance for ECL for 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 for 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 statement 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.

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 statement 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 statement 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 statement 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.

Assets Held for Sale
Assets held for sale pertain to equity investments where the Company previously exercised control and will be recovered through a sale transaction rather than through continuing use. These are measured at the lower of carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding the finance costs and income tax expense.

The criteria for assets to be classified as held for sale are regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Events or circumstances may extend the period to complete the sale of the asset beyond one year. Such extension of the period required to complete the sale still permits the asset to be classified as held for sale if the delay is beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset or group of assets.

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 Current Assets
Other current assets include refundable lease deposits (classified as financial asset) and prepayments.

Refundable lease deposits. Refundable lease deposits pertain to deposits as required by lease agreement to cover for repairs on damaged leased properties, which are refundable at the end of the lease term. 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 statement 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. Building and building improvements, leasehold improvements, transportation equipment, and furniture and fixtures are subsequently measured at cost less accumulated depreciation, amortization and any impairment losses.

Depreciation and amortization is 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
Leasehold improvements	3 years or the term of lease whichever is shorter
Transportation equipment	5
Store furniture and equipment	3-5
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, plant 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 so that the increased carrying amount does 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.

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

Retained Earnings
Retained earnings represent the cumulative balance of the Company's results of operations.

Other Comprehensive Income
Other comprehensive income (OCI) 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 other comprehensive income and presented as a separate line item within equity. These are not reclassified to profit or loss in subsequent periods.

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.

Sale of Goods. Revenue is recognized upon the delivery of goods upon which the significant risks and rewards of ownership of the goods have passed to the buyer.

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 Expenses Recognition
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 delivery.

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

Interest Expense. Interest expense is recognized in profit or loss using the effective interest method unless these are directly attributable to the construction of a qualifying asset, which are capitalized as part of the asset.

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 sale 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 or sale 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 contracts 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 shorter of the lease terms or the useful lives of the underlying assets 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 Benefit. 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 expense, in profit or loss. Interest expense 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 other comprehensive income 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.

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

Value-Added Tax (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” account under “Trade and other payables” account in the statement 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 interest expense. 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.

Determining the Classification of 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 Company than its legal form, governs its classification in the Company's statement of financial position.

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.

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 of 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 are generally collected within three (3) days from the date of transaction. No ECL was provided for trade receivables in 2020 and 2019. The carrying amount of trade receivables amounted to ₱68.9 million as at December 31, 2020 (₱74.1 million as at December 31, 2019) (see Note 6).

Assessing the ECL on Other Financial Assets at Amortized Cost. The Company determines the allowance for ECL of other financial assets at amortized cost using 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.

No loss allowance was provided on other financial assets at amortized cost in 2020 and 2019. The carrying amounts of the Company's other financial assets at amortized cost are as follows:

	Note	2020	2019 (As restated - see Note 4)
Cash in banks	5	**₱678,931,982**	₱265,153,245
Advances to related parties	16	**1,098,699,844**	2,352,668,874
Refundable lease deposits	9	**139,526,459**	132,043,890

Estimating the NRV of Inventories and Fair Value Less Cost to Sell of Assets Held for Sale. The NRV of inventories and fair value less cost to sell of assets held for sale 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 the asset 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.

In 2020, the Company wrote-off inventory amounting to ₱64.3 million. Provision for inventory obsolescence amounted to ₱13.4 million in 2020. Allowance for inventory obsolescence amounted to ₱89.9 million as at December 31, 2020 (₱140.8 million as at December 31, 2019) (see Note 7). The carrying amount of inventories amounted to ₱1,479.7 million as at December 31, 2020 (₱1,412.9 million as at December 31, 2019) (see Note 7).

Management has assessed that the fair value less cost to sell of assets held for sale approximates the carrying amount of the investments classified as held for sale as at December 31, 2019; hence, no provision for write-down of assets held for sale was recognized in 2019. The carrying amount of assets held for sale amounted to ₱157.6 million as at December 31, 2019 (see Note 8).

Estimating the Useful Lives of ROU Assets and Property and Equipment. The useful lives of the Company's ROU assets and property and equipment 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.

There were no changes in the estimated useful lives of ROU assets and property and equipment in 2020 and 2019. The carrying amounts of property and equipment (except land and construction in progress) amounted to ₱382.8 million as at December 31, 2020 (₱483.6 million as at December 31, 2019) (see Note 10). The carrying amount of ROU assets amounted to ₱123.4 million as at December 31, 2020 (₱182.8 million as at December 31, 2019) (see Note 18).

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	2020	2019 (As restated - see Note 4)
Property and equipment	10	**₱759,067,608**	₱835,337,104
ROU assets	18	**123,362,619**	182,793,043
Advances to suppliers	6	**21,524,170**	2,745,791
Prepayments	9	**1,310,495**	2,335,460
Advances to officers and employees	6	**104,636**	1,776,114

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. Those assumptions, which include among others, discount rates and expected rates of salary increase, are indicated in Note 17. Actual results that differ from the assumptions are accumulated and are recognized in other comprehensive income. 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 Company recognized retirement expense amounting to ₱2.5 million in 2020 (₱5.1 million in 2019). Retirement liability amounted to ₱25.2 million as at December 31, 2020 (₱17.7 million as at December 31, 2019) (see Note 17).

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.

Deferred tax assets recognized in the statement of financial position amounted to ₱36.8 million as at December 31, 2020 (₱49.2 million as at December 31, 2019) (see Note 19).

4. **Prior Period Adjustments**

The 2019 financial statements were restated to reflect the following adjustments:

	As at December 31, 2019		
	As Previously Reported	Effect of Restatement	As Restated
Property and equipment	₱48,661,013	₱786,676,091	₱835,337,104
Advances to related parties	1,937,358,819	415,310,055	2,352,668,874
Allowance for inventory obsolescence	64,318,378	76,456,546	140,774,924
Deferred tax assets	29,860,674	19,332,527	49,193,201
Retirement liability	29,680,729	(12,014,791)	17,665,938
Bank loans and trust receipts	2,591,705,183	1,067,080,154	3,658,785,337
Retained earnings	352,214,679	(251,135,514)	101,079,165

	As at January 1, 2019		
	As Previously Reported	Effect of Restatement	As Restated
Property and equipment	₱35,842,739	₱871,710,687	₱907,553,426
Advances to related parties	1,761,468,157	335,225,361	2,096,693,518
Allowance for inventory obsolescence	64,318,378	76,456,546	140,774,924
Deferred tax assets	26,366,094	19,632,485	45,998,579
Retirement liability	23,568,602	(11,014,931)	12,553,671
Bank loans and trust receipts	2,343,635,065	1,067,080,154	3,410,715,219
Retained earnings	266,915,232	(251,135,514)	15,779,718

Moreover, certain accounts in prior year were reclassified to conform to the current year presentation.

5. Cash

This account consists of:

	2020	2019
Cash on hand	**₱1,909,500**	₱1,842,500
Cash in banks	**678,931,982**	265,153,245
	₱680,841,482	₱266,995,745

Cash in banks earn interest at prevailing bank deposit rates. Interest income amounted to ₱0.9 million in 2020 (₱0.4 million in 2019) (see Note 15).

6. Trade and Other Receivables

This account consists of:

	2020	2019
Trade	**₱68,939,706**	₱74,107,427
Advances to:		
Suppliers	**21,524,170**	2,745,791
Officers and employees	**104,636**	1,776,114
	₱90,568,512	₱78,629,332

Trade receivables are noninterest-bearing and are generally settled within 3 days after the reporting period.

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

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

7. Inventories

This account consists of:

	2020	2019
At Cost:		
Computers and peripherals	**₱834,106,918**	₱844,859,923
Mobile phones	**250,550,228**	175,822,954
Printers and scanners	**20,472,499**	137,987,662
Consumables	**70,678,608**	62,559,174
	1,175,808,253	1,221,229,713
At NRV:		
Accessories	**393,750,613**	332,486,775
Less allowance for inventory obsolescence	**(89,858,466)**	(140,774,924)
	303,892,147	191,711,851
	₱1,479,700,400	₱1,412,941,564

The carrying amount computers and peripherals, mobile phones, printers and scanners and consumable items approximates their NRV as at December 31, 2020 and 2019.

Movements in the allowance for inventory obsolescence are as follows:

	Note	**2020**	2019
Balance at beginning of year		**₱140,774,924**	₱140,774,924
Provision for inventory obsolescence	14	**13,401,920**	–
Write-off		**(64,318,378)**	–
Balance at end of year		**₱89,858,466**	₱140,774,924

Under the terms of agreements, merchandise inventories amounting to ₱2,922.0 million in 2020 (₱1,340.7 million in 2019) are covered by trust receipts issued by local banks (see Note 12).

Cost of inventories sold during the year follows:

	2020	2019
Inventories at beginning of year	**₱1,553,716,488**	₱1,464,414,677
Purchases	**6,496,772,981**	6,077,786,450
Cost of goods available for sale	**8,050,489,469**	7,542,201,127
Less inventories at end of year	**(1,569,558,866)**	(1,553,716,488)
	₱6,480,930,603	₱5,988,484,639

8. **Assets Held for Sale**

Assets held for sale pertains to the Company's investment in the following entities:

Company	Carrying Amount
Upson Realty and Development Corp. (URDC)	₱124,999,500
Transway Hotels Group Inc. (THG)	24,999,950
Octagon International Marketing Corp. (OIMC)	7,349,995
Majestic Graphic and Printing Corp. (MGPC)	290,000
	₱157,639,445

The carrying amount of the Company's investment in the entities represents the estimated fair value less cost to sell as at December 31, 2019.

The investments were previously classified as investment in subsidiaries due to the Company's effective ownership in these entities. Following the BOD's approval to dispose the Company's investment in URDC, THG, OIMC, and MGPC in 2018, the Company reclassified the investments to assets held for sale in the statement of financial position. No gain or loss was recognized in the reclassification. In December 2020, the Company sold the investments at cost amounting to ₱157.6 million.

9. **Other Current Assets**

This account includes:

	Note	2020	2019
Refundable lease deposits	18	**₱139,526,459**	₱132,043,890
Prepayments		**1,310,495**	2,335,460
		₱140,836,954	₱134,379,350

Prepayments pertain to prepaid rent and insurance.

10. **Property and Equipment**

Movements in this account follow:

	2020							
	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**	**₱29,192,000**	**₱480,762,245**	**₱84,484,006**	**₱113,423,398**	**₱81,227,900**	**₱150,760,793**	**₱1,140,875,342**
Additions	**–**	**–**	**8,635,000**	**2,125,649**	**7,897,053**	**2,329,837**	**24,512,853**	**45,500,392**
Balance at end of year	**201,025,000**	**29,192,000**	**489,397,245**	**86,609,655**	**121,320,451**	**83,557,737**	**175,273,646**	**1,186,375,734**
Accumulated Depreciation and Amortization								
Balance at beginning of year	**–**	**4,865,333**	**168,537,929**	**22,278,738**	**34,548,956**	**75,307,282**	**–**	**305,538,238**
Depreciation and amortization	**–**	**1,459,600**	**77,950,417**	**17,034,450**	**23,096,490**	**2,228,931**	**–**	**121,769,888**
Balance at end of year	**–**	**6,324,933**	**246,488,346**	**39,313,188**	**57,645,446**	**77,536,213**	**–**	**427,308,126**
Carrying Amount	**₱201,025,000**	**₱22,867,067**	**₱242,908,899**	**₱47,296,467**	**₱63,675,005**	**₱6,021,524**	**₱175,273,646**	**₱759,067,608**

	2019 (As restated - see Note 4)							
	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	₱29,192,000	₱450,570,365	₱79,930,199	₱112,873,398	₱79,287,152	₱134,148,164	₱1,087,026,278
Additions	–	–	30,191,880	4,553,807	550,000	1,940,748	16,612,629	53,849,064
Balance at end of year	201,025,000	29,192,000	480,762,245	84,484,006	113,423,398	81,227,900	150,760,793	1,140,875,342
Accumulated Depreciation and Amortization								
Balance at beginning of year	–	3,405,733	84,624,663	5,980,961	11,913,443	73,548,052	–	179,472,852
Depreciation and amortization	–	1,459,600	83,913,266	16,297,777	22,635,513	1,759,230	–	126,065,386
Balance at end of year	–	4,865,333	168,537,929	22,278,738	34,548,956	75,307,282	–	305,538,238
Carrying Amount	₱201,025,000	₱24,326,667	₱312,224,316	₱62,205,268	₱78,874,442	₱5,920,618	₱150,760,793	₱835,337,104

Construction in progress represents the accumulated costs incurred in the construction of a building and store branches which is expected to be completed in 2021. Estimated total cost to complete the building and store branches as at December 31, 2020 amounts to ₱2.3 million. Building under construction and a related party's parcels of land with a carrying amount of ₱172.7 million and ₱172.3 million as at December 31, 2020 (₱150.8 million and ₱172.3 million as at December 31, 2019), respectively, were used as a collateral for an outstanding loan with a local bank (see Note 12).

Fully depreciated property and equipment still being used by the Company amounted to ₱73.4 million as at December 31, 2020 and 2019.

Depreciation and amortization are recognized from:

	Note	**2020**	2019 (As restated - see Note 4)
ROU assets	18	**₱193,571,288**	₱231,507,730
Property and equipment		**121,769,888**	126,065,386
		₱315,341,176	₱357,573,116

Depreciation and amortization are charged to the following (see Note 14):

	2020	2019
Selling and marketing expenses	**₱293,168,209**	₱335,415,053
General and administrative expenses	**22,172,967**	22,158,063
	₱315,341,176	₱357,573,116

11. Trade and Other Payables

This account consists of:

	2020	2019
Trade	**₱1,118,174,796**	₱1,201,784,858
Accrued expenses	**23,237,506**	–
Retention payables	**10,632,832**	–
Statutory payables	**18,276,527**	18,072,962
Others	**9,535,285**	9,277,318
	₱1,179,856,946	₱1,229,135,138

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 payable pertains 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.

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.

12. Bank Loans and Trust Receipts Payable

Movements in this account are as follows:

	Note	**2020**		
		Bank Loans	**Trust Receipts**	**Total**
Balance at beginning of year		**₱1,953,416,666**	**₱1,705,368,671**	**₱3,658,785,337**
Availments		**1,200,801,340**	**2,922,046,564**	**4,122,847,904**
Payments		**(750,051,340)**	**(3,231,463,449)**	**(3,981,514,789)**
Transfer	16	**(1,315,000,000)**	**–**	**(1,315,000,000)**
Balance at end of year		**1,089,166,666**	**1,395,951,786**	**2,485,118,452**
Less current portion		**939,166,666**	**1,395,951,786**	**2,335,118,452**
Noncurrent portion		**₱150,000,000**	**₱–**	**₱150,000,000**

	2019 (As restated - see Note 4)		
	Bank Loans	Trust Receipts	Total
Balance at beginning of year	₱1,918,083,333	₱1,492,631,886	₱3,410,715,219
Availments	1,622,000,000	1,340,715,441	2,962,715,441
Payments	(1,586,666,667)	(1,127,978,656)	(2,714,645,323)
Balance at end of year	1,953,416,666	1,705,368,671	3,658,785,337
Less current portion	733,416,666	1,705,368,671	2,438,785,337
Noncurrent portion	₱1,220,000,000	₱–	₱1,220,000,000

The bank loans and trust receipts have terms of three months to seven years, subject to refinancing upon approval of the creditor bank. Interest rates on bank loans and trust receipts range from 4.75% to 7.25% in 2020 and 2019.

Bank loans amounting to ₱276.0 million are secured by the Company's building under construction and a related party's parcels of land with carrying amount of ₱172.7 million and ₱172.3 million as at December 31, 2020 (₱150.8 million and ₱172.3 million as at December 31, 2019), respectively (see Note 10).

On December 29, 2020, the Company assigned its bank loans, and all the associated rights and obligations, aggregating ₱1,315.0 million to a related party as settlement for the advances to the said related party (see Note 16).

Under the terms of agreements, merchandise inventories amounting to ₱2,922.0 million in 2020 (₱1,340.7 million in 2019) are covered by trust receipts issued by local banks (see Note 12).

Covenants
The terms of the loans provide for certain covenants which include, among others, restriction on declaration of dividends; change on the nature or scope of the business of the Company; reduce or increase the authorized capital stock; and use the proceeds from the loans for purposes other than those described in the contract.

The terms also require maintenance of a debt-service ratio of at least 1.2 times.

As at December 31, 2020 and 2019, the Company is compliant with the above covenants.

Details of finance costs charged to operations are as follows:

	Note	**2020**	2019
Interest on bank loans		**₱115,805,663**	₱128,671,310
Interest on trust receipts		**85,184,282**	96,615,910
Accretion of interest on lease liabilities	18	**12,978,775**	20,679,771
		₱213,968,720	₱245,966,991

As at December 31, 2020, accrued interest expense on bank loans and trust receipts amounted to ₱5.9 million.

13. Retained Earnings

Under the Corporation Code of the Philippines (Code), stock corporations are prohibited from retaining surplus profit in excess of 100% of the paid-up capital, except under certain conditions as provided in the Code.

As at December 31, 2020, the Company’s capital stock and retained earnings amounted to ₱267.5 million and ₱307.8 million, respectively. The Company is allocating a portion of its retained earnings to address any possible adverse effects of COVID-19 pandemic to its operations in the next two years.

14. Operating Expenses

This account consists of:

	2020	2019
Selling and marketing expenses	**₱1,020,512,126**	₱1,046,747,980
General and administrative expense	**237,137,338**	170,294,458
	₱1,257,649,464	₱1,217,042,438

Selling and marketing expenses consist of:

	Note	**2020**	2019
Depreciation and amortization	10	**₱293,168,209**	₱335,415,053
Merchant discount		**254,303,750**	231,927,788
Contracted and other services		**225,336,758**	234,083,971
Utilities		**84,276,633**	91,379,987
Personnel costs		**79,893,465**	108,864,196
Rent	18	**43,007,173**	11,298,846
Freight and delivery		**21,828,055**	29,540,857
Provision for inventory obsolescence	7	**13,401,920**	–
Advertising		**3,260,613**	147,468
Retirement expense	17	**2,035,550**	4,089,814
		₱1,020,512,126	₱1,046,747,980

General and administrative expenses consist of:

	Note	**2020**	2019
Taxes and licenses		**₱96,947,260**	₱62,221,467
Representation		**37,427,885**	6,392,613
Depreciation and amortization	10	**22,172,967**	22,158,063
Personnel costs		**19,941,259**	27,172,399
Stationary and supplies		**19,523,461**	16,087,854
Rent	18	**10,996,971**	–
Professional fees		**9,593,731**	4,680,758
Repairs, warranties and maintenance		**7,956,726**	13,298,678
Transportation and travel		**5,863,838**	9,841,415
Retirement expense	17	**508,888**	1,022,453
Others		**6,204,352**	7,418,858
		₱237,137,338	₱170,294,558

15. **Other Charges** - Net

This account consists of:

	Note	**2020**	2019
Gain on lease concessions	18	**₱94,416,731**	₱–
Interest income	5	**919,283**	410,738
Gain on lease modification	18	**127,077**	–
Others		**–**	3,257,372
		₱95,463,091	₱3,668,110

16. Related Party Transactions

The Company has transactions with related parties as follows:

		Transactions during the Year		Outstanding Balance	
	Nature of Transaction	**2020**	2019 (As restated - see Note 4)	**2020**	2019 (As restated - see Note 4)
Advances to Related Parties					
Entities under common control	Advances	**₱161,056,485**	₱255,975,356		
	Assignment of loans	**(1,315,000,000)**	–	**₱1,098,699,844**	₱2,352,668,874

On December 29, 2020, the Company assigned its bank loans, and all the associated rights and obligations, aggregating ₱1,315.0 million to a related party as settlement for the outstanding balance of the advances to the said related party (see Note 12).

Terms and Conditions
Outstanding balances are unsecured, non-interest bearing, due and demandable and are cash settled. The Company assessed that the related party receivables are collectible by considering the financial position of the subsidiaries and other related parties and the market in which they operate. Hence, no provision for ECL was recognized in 2020 and 2019.

New Revenue Regulations on Related Party Transactions
The Company is not covered by the requirements and procedures for related party transactions under Revenue Regulations No. 34-2020.

Compensation of Key Management Personnel
The remuneration of the key management personnel of the Company are set out below:

	2020	2019
Short-term employee benefits	**₱3,120,000**	₱2,335,658
Post-employment benefits	**229,616**	397,838
	₱3,349,616	₱2,733,496

17. Retirement Liability

The Company has an unfunded, non-contributory defined benefit plan covering substantially all qualified employees. The retirement liability are 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, 2020.

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:

	2020	2019
Current service cost	**₱1,572,811**	₱4,163,762
Interest cost	**971,627**	948,505
	₱2,544,438	₱5,112,267

Retirement expense is charged to the following (see Note 14):

	2020	2019
Selling and marketing expenses	**₱2,035,550**	₱4,089,814
General and administrative expenses	**508,888**	1,022,453
	₱2,544,438	₱5,112,267

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

	2020	2019
Balance at beginning of year	**₱17,665,938**	₱12,553,671
Current service cost	**1,572,811**	4,163,762
Interest cost	**971,627**	948,505
Remeasurement loss	**4,967,856**	–
Balance at end of year	**₱25,178,232**	₱17,665,938

The assumptions used to determine retirement liability are as follows:

	2020	2019
Discount rate	**4.10%**	5.50%
Salary increase rate	**3.00%**	3.00%

The sensitivity analysis based on reasonably possible changes of the assumptions as at December 31, 2020 follow:

	Basis Points	Effect on Present Value of Retirement Liability
Discount rate	+100	(₱3,828,252)
	-100	4,720,464
Salary increase rate	+100	4,587,208
	-100	(3,799,891)

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 cumulative remeasurement loss on retirement liability recognized in equity as at December 31, 2020 are as follows:

	Cumulative Remeasurement Loss	Deferred Tax (see Note 19)	Cumulative Remeasurement Loss, Net of Tax
Remeasurement loss	₱4,967,856	₱1,490,357	₱3,477,499

As at December 31, 2020, the expected future benefit payments are as follows:

	Amount
More than 1 year to 5 years	₱3,073,925
More than 5 years to 10 years	4,214,448
More than 10 years to 15 years	5,861,686
16 years and up	170,562,608

18. 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 amounted to ₱54.0 million in 2020 (₱11.3 million in 2019) (see Note 14).

Company as Lessee - Long-term Lease

The Company leases warehouse, office and store spaces for a 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	**2020**	2019
Cost			
Balance at beginning of year		**₱414,300,773**	₱389,762,691
Additions		**130,899,986**	24,538,082
Effect of lease modification		**3,240,878**	–
Balance at end of year		**548,441,637**	414,300,773
Accumulated amortization			
Balance at beginning of year		**231,507,730**	–
Amortization	10	**193,571,288**	231,507,730
Balance at end of year		**425,079,018**	231,507,730
Carrying Amount		**₱123,362,619**	₱182,793,043

Refundable Lease Deposits

Refundable lease deposits amounted to ₱139.5 million as at December 31, 2020 (₱132.0 million as at December 31, 2019) (see Note 9). These deposits are refundable at the end of the lease terms.

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

	Note	2020	2019
Balance at beginning of year		**₱188,329,519**	₱389,762,691
Additions		**130,899,986**	24,538,082
Accretion	12	**12,978,775**	20,679,771
Effect of lease modification		**3,113,801**	–
Payments		**(109,976,339)**	(246,651,025)
Gain on lease concessions	15	**(94,416,731)**	–
Balance at end of year		**130,929,011**	188,329,519
Current portion		**90,400,339**	145,845,388
Noncurrent portion		**₱40,528,672**	₱42,484,131

Incremental borrowing rate ranging from 6.53% to 7.03% was applied to determine the discounted amount of lease liabilities in 2020 and 2019.

In February, a lease agreement pertaining to a branch store has been modified to reduce leased area and extend the lease term prior to renewal resulting to gain on lease modification amounting to ₱0.1 million.

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 and lease modifications amounting to ₱94.4 million are presented under "Other income (charges)" in the statements of comprehensive income.

The future minimum lease payments and present value as at December 31, 2020 is as follows:

	Minimum Lease Payments	Present Value
Not later than one year	₱98,768,692	₱90,400,339
Later than one year but not more than five years	41,987,606	40,528,672
	₱140,756,298	₱130,929,011

19. **Income Taxes**

The provision for current income tax pertains to RCIT in 2020 and 2019.

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:

	2020	2019
Income tax computed at the statutory tax rate	**₱88,535,417**	₱36,525,881
Adjustments for:		
Interest income already subjected to final tax	**(275,785)**	(123,222)
Nondeductible expenses	**113,761**	50,829
	₱88,373,393	₱36,453,488

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

	2020	2019 (As restated - see Note 4)
Allowance for inventory obsolescence	**₱26,957,540**	₱42,232,477
Retirement liability:		
Profit or loss	**6,063,113**	5,299,781
OCI	**1,490,357**	–
Excess of lease liability over ROU asset	**2,269,918**	1,660,943
	₱36,780,928	₱49,193,201

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises ("CREATE") was approved and signed into law by the country's President. Under the CREATE, the regular corporate income tax (RCIT) of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, the minimum corporate income tax (MCIT) was changed from 2% to 1% of gross income for a period of three (3) years. The changes in the income tax rates shall retrospectively become effective beginning July 1, 2020.

However, the income tax rates used in preparing the financial statements as at and for the year ended December 31, 2020 are 30% and 2% for RCIT and MCIT, respectively.

The table below summarizes the financial impact of the change in income tax rate to the Company's financial statements had the CREATE been substantively enacted as at December 31, 2020:

	Audited Balances (Based on Old Income Tax Rate)	Balances Using Revised Income Tax Rate	Differences
Deferred tax assets	₱36,780,928	₱30,650,773	(₱6,130,155)
Income tax payable	16,929,375	10,702,937	(6,226,438)
Retained earnings	307,823,830	309,410,470	1,586,640
Other comprehensive income	(3,477,499)	(3,725,892)	(248,393)
Income tax expense - current	74,470,763	68,244,325	(6,226,438)
Income tax expense - deferred	13,902,630	18,542,428	4,639,798
Net income	206,744,665	208,331,305	1,586,640

20. **Financial Risk Management**

Financial Risk Management Objectives and Policies

The Company's activities expose it to a variety of financial risks: market risk which includes credit risk, liquidity risk and interest rate risk. The Company's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Company. The BOD reviews and approves the policies for managing each of these risks.

Credit Risk

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

	2020	2019 (As restated - see Note 4)
Cash in banks	**₱678,931,982**	₱265,153,245
Trade receivables	**68,939,706**	74,107,427
Advances to related parties	**1,098,699,844**	2,352,668,874
Refundable lease deposits	**139,526,459**	132,043,890
	₱1,986,097,991	₱2,823,973,436

As at December 31, 2020 and 2019, the amount of cash in banks and trade receivables are neither past due nor impaired and were classified as "*High Grade*", while advances to related parties and refundable lease deposits were classified as "*Standard Grade"*. The credit quality of such financial assets at amortized cost is further described as follows:

- *High Grade.* Pertains to counterparty who is 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.

- *Standard Grade.* Other financial assets not belonging to high grade financial assets are included in this category.

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 are due from credit card companies and are generally collectible within three (3) days from transaction date. Historical information and present circumstances does 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, advances to related parties and refundable lease deposits, 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. The following were considered in the assessment:

- Cash in banks are deposited with reputable counterparty banks, which exhibit good credit ratings.

- For advances to related parties, the Company's related parties have low credit risk and are in good financial standing. The related parties have no history of default and have sufficient assets to cover their advances thus, ECL is not significant.

- For refundable lease deposits, the counterparty lessors are reputable leasing companies which have low credit risk, thus no allowance for ECL was provided.

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.

	2020			
	12-month ECL	**Lifetime ECL - not credit impaired**	**Lifetime ECL - credit impaired**	**Total**
Cash in banks	**₱678,931,982**	**₱–**	**₱–**	**₱678,931,982**
Trade receivables	**–**	**68,939,706**	**–**	**68,939,706**
Advances to related parties	**1,098,699,844**	**–**	**–**	**1,098,699,844**
Refundable lease deposits	**139,526,459**	**–**	**–**	**139,526,459**
	₱1,917,158,285	**₱68,939,706**	**₱–**	**₱1,986,097,991**

	2019 (As restated - see Note 4)			
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Total
Cash in banks	₱265,153,245	₱–	₱–	₱265,153,245
Trade and other receivables	–	74,107,427	–	74,107,427
Advances to related parties	2,352,668,874	–	–	2,352,668,874
Refundable lease deposits	132,043,890	–	–	132,043,890
	₱1,917,158,285	₱74,107,427	₱–	₱1,986,097,991

<u>Liquidity Risk</u>

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.

	2020			
	1 to 6 Months	**6 Months to 1 Year**	**More than 1 Year**	**Total**
Trade and other payables*	**₱1,141,412,302**	**₱10,632,832**	**₱–**	**₱1,152,045,134**
Bank loans and trust receipts payable	**1,395,951,786**	**939,166,666**	**150,000,000**	**2,485,118,452**
Lease liabilities	**8,369,716**	**33,617,890**	**98,768,692**	**140,756,298**
	₱2,545,733,804	**₱983,417,388**	**₱248,768,692**	**₱3,777,919,884**

**Excluding statutory payables and others totaling ₱27.8 million as at December 31, 2020.*

	2019 (As restated - see Note 4)			
	1 to 6 Months	6 Months to 1 Year	More than 1 Year	Total
Trade payables	₱1,201,784,858	₱–	₱–	₱1,201,784,858
Bank loans and trust receipts payable	1,705,368,671	733,416,666	1,220,000,000	3,658,785,337
Lease liabilities	53,384,338	97,509,088	46,667,980	197,561,406
	₱2,960,537,867	₱830,925,754	₱1,266,667,980	₱5,058,131,601

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 payable in installments at various dates starting from 2020 to 2027 and bear an effective interest rate ranging from 4.75% to 7.25% in 2020.

21. Fair Value of Financial Assets and Liabilities

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

	2020		2019 (As restated - see Note 4)	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash in banks	**₱678,931,982**	**₱678,931,982**	₱265,153,245	₱265,153,245
Trade receivables	**68,939,706**	**68,939,706**	74,107,427	74,107,427
Advances to related parties	**1,098,699,844**	**1,098,699,844**	2,352,668,874	2,352,668,874
Refundable lease deposits	**139,526,459**	**139,526,459**	132,043,890	132,043,890
	₱1,986,097,991	**₱1,986,097,991**	₱2,823,973,436	₱2,823,973,436
Financial Liabilities				
Trade payables and other payables*	**₱1,152,202,134**	**₱1,152,202,134**	₱1,201,784,858	₱1,201,784,858
Bank loans and trust receipts payable	**2,485,118,452**	**2,485,118,452**	3,658,785,337	3,658,785,337
Lease liabilities	**130,929,011**	**136,050,563**	188,329,519	187,277,429
	₱3,768,249,597	**₱3,773,371,149**	₱5,048,899,714	₱5,047,847,624

**Excluding statutory payables and others totaling ₱27.8 million and ₱27.4 million as at December 31, 2020 and 2019, respectively.*

Due to the short-term maturities of cash in banks, trade receivables, advances to related parties, lease deposits, trade payables and accrued expenses, 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).

22. 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 2020 and 2019.

The capital structure of the Company consists of net debt (bank loans and trust receipts after deducting cash and cash equivalents) 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 net debt-to-equity balance ratio as at December 31, 2020 and 2019 are as follows:

	2020	2019
Bank loans and trust receipts	**₱2,485,118,452**	₱3,658,785,337
Cash and cash equivalents	**(680,841,482)**	(266,995,745)
Net debt	**1,804,276,970**	3,391,789,592
Equity	**571,846,331**	368,579,165
Debt-to-fund balance ratio	**3.16:1**	9.2:1

23. **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, 2020 and 2019:

	2019 (As restated - see Note 4)	**Additions**	**Accretion**	**Payment**	**Non-cash Changes**	**2020**
Bank loans and trust receipts payable	**₱3,658,785,337**	**₱4,122,847,904**	**₱–**	**(₱3,981,514,789)**	**(₱1,315,000,000)**	**₱2,485,118,452**
Lease liabilities	**188,329,519**	**130,899,986**	**12,978,775**	**(109,976,339)**	**(91,302,930)**	**130,929,011**
	₱3,847,114,856	**₱4,253,747,890**	**₱12,978,775**	**(₱4,091,491,128)**	**(₱1,406,302,930)**	**₱2,616,047,463**

	2018	Additions	Accretion	Payment	Non-cash Changes	2019 (As restated - see Note 4)
Bank loans and trust receipts payable	₱3,410,715,219	₱2,962,715,441	₱–	(₱2,714,645,323)	₱–	₱3,658,785,337
Lease liabilities	–	24,538,082	20,679,771	(246,651,025)	389,762,691	188,329,519
	₱3,410,715,219	₱2,987,253,523	₱20,679,771	(₱2,961,296,348)	₱389,762,691	₱3,847,114,856

24. **Other Matters**

In March 2020, the World Health Organization declared the COVID-19 outbreak to be a global pandemic causing the Philippine government to declare a state of public health emergency followed by the implementation of mandated lockdowns all over the country, resulting in a slowdown in the Philippine economy. The Company continues to monitor the situation closely and may implement further measures to provide additional financial support and flexibility, to improve the Company's cash position and liquidity. The COVID-19 pandemic is still ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and the potential impact to the Company is largely dependent on the measures imposed by the government, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided. Management believes that the Company can continue as a going concern given its ability to obtain short-term and long-term funding.

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
October 4, 2018, valid until August 15, 2021
SEC Accreditation No. 0207-FR-3 (Group A)
August 29, 2019, valid until August 28, 2022

BDO Towers Valero (Formerly Citibank Tower)
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Makati City 1226 Philippines
Phone +632 8 982 9100
Fax +632 8 982 9111
Website www.reyestacandong.com

REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE
SECURITIES AND EXCHANGE COMMISSION

The Stockholders and the Board of Directors
Upson International Corp.
747 Romualdez Street
Ermita, Manila

We have audited the accompanying financial statements of Upson International Corp. (Doing Business Under the Name and Style of Octagon Computer Store; Microvalley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light) (the Company) as at and for the year ended December 31, 2020, on which we have rendered our report dated April 12, 2021.

In compliance with the Revised Securities Regulations Code Rule 68, we are stating that the Company has five (5) stockholders owning one hundred (100) or more shares each.

REYES TACANDONG & CO.

DARRYLL REESE Q. SALANGAD
Partner
CPA Certificate No. 107615
Tax Identification No. 227-770-760-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 1788-A
Valid until October 14, 2022
BIR Accreditation No. 08-005144-016-2019
Valid until July 2, 2022
PTR No. 8534288
Issued January 5, 2021, Makati City

April 12, 2021
Makati City, Metro Manila

BOA/PRC Accreditation No. 4782
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REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

The Stockholders and the Board of Directors
Upson International Corp.
747 Romualdez Street
Ermita, Manila

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Upson International Corp. (Doing Business Under the Name and Style of Octagon Computer Store; Microvalley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light) (the Company) as at and for the year ended December 31, 2020 and have issued our report thereon dated April 12, 2021. Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Supplementary Schedule of Retained Earnings Available for Dividend Declaration as at December 31, 2020 is the responsibility of the Company's management. The supplementary schedule is presented for purposes of complying with Revised Securities Regulation Code Rule 68, and is not part of the basic financial statements. The supplementary schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

REYES TACANDONG & CO.

DARRYLL REESE Q. SALANGAD
Partner
CPA Certificate No. 107615
Tax Identification No. 227-770-760-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 1788-A
Valid until October 14, 2022
BIR Accreditation No. 08-005144-016-2019
Valid until July 2, 2022
PTR No. 8534288
Issued January 5, 2021, Makati City

April 12, 2021
Makati City, Metro Manila

UPSON INTERNATIONAL CORP.

(Doing Business Under the Name and Style of Octagon Computer Store; 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, 2020

	Amount
Retained earnings as shown in the financial statements at beginning of year	₱101,079,165
Net deferred tax assets at beginning of year	(49,193,201)
Retained earnings, as adjusted to available for dividend distribution at beginning of year	51,885,964
Net income closed to retained earnings during the year	206,744,665
Movement in deferred tax assets during the year	12,412,273
Total retained earnings available for dividend declaration at end of year	₱271,042,902

Reconciliation:	
Retained earnings as shown in the financial statements at end of year	₱307,823,830
Net deferred tax assets at end of year	(36,780,928)
Retained earnings available for dividend declaration at end of year	₱271,042,902

Certified Public Accountant

Marcos A. Legaspi

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Cainta, Rizal 1900 Philippines
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The Stockholders and the Board of Directors
Upson International Corp.
747 Romualdez Street
Ermita, Manila

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of Upson International Corp. (the Company), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Emphasis of Matter

The financial statements of the Company as at December 31, 2018 were previously issued dated March 20, 2019. After this date, errors affecting the 2018 financial statements were discovered and have resulted to the restatement of the 2018 comparative figures. The nature and effect of these restatements are further discussed in Note 4 to the financial statements.

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

Management is responsible for the preparation and fair presentation of these 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 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

My 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. I also:

- Identify and assess 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 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 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of the 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.

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

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date JUN 29 2020 TSIS
RECEIVED
MELINA PRISCA S. RANJO

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

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

Marcos A. Legaspi
CPA Certificate No. 33091
BOA Accreditation No. 1188 (Valid up to April 25, 2020)
BIR Accreditation No. 07-001366-003-2017 (Valid up to 21 August 2020)
Tax Identification No. 129-213-668-000
PTR No. 14008657AA, January 20, 2020, Cainta, Rizal

April 24, 2020

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date JUN 29 2020 TSIS
RECEIVED
MELINA PRISCA S. RANJO

UPSON INTERNATIONAL CORP.
STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2019	2018 (As Restated - Note 4)
ASSETS			
Current Assets			
Cash	5	₱266,995,745	₱225,583,940
Trade and other receivables	6	78,629,332	65,007,914
Advances to related parties	15	1,937,358,819	1,761,468,157
Inventories	7	1,489,398,110	1,464,414,677
Assets held for disposal	8	157,639,445	157,639,445
Other current assets	9	134,379,350	121,950,322
Total Current Assets		4,064,400,801	3,796,064,455
Noncurrent Assets			
Investment properties	10	183,292,833	187,542,833
Right-of-use (ROU) assets	17	182,793,043	–
Property and equipment	11	48,661,013	35,842,739
Deferred tax assets	18	29,860,674	26,366,094
Total Noncurrent Assets		444,607,563	249,751,666
		₱4,509,008,364	₱4,045,816,121
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	12	₱1,071,495,693	₱1,144,197,222
Bank loans and trust receipts payable	13	2,591,705,183	2,343,635,065
Current portion of lease liabilities	17	145,845,388	–
Income tax payable		8,082,561	–
Total Current Liabilities		3,817,128,825	3,487,832,287
Noncurrent Liabilities			
Lease liabilities - net of current portion	17	42,484,131	–
Retirement liability	16	29,680,729	23,568,602
Total Noncurrent Liabilities		72,164,860	23,568,602
Equity			
Capital stock	14	267,500,000	267,500,000
Retained earnings	14	352,214,679	266,915,232
Total Equity		619,714,679	534,415,232
		₱4,509,008,364	₱4,045,816,121

See accompanying Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date JUN 29 2020 TSIS
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UPSON INTERNATIONAL CORP.
STATEMENTS OF COMPREHENSIVE INCOME

	Note	2019	2018 (As Restated - Note 4)
		Years Ended December 31	
REVENUE			
Sales		**₱7,569,578,893**	₱6,811,575,498
Interest income	5	**410,738**	400,205
Other income		**3,257,372**	–
		7,573,247,003	6,811,975,703
COST AND EXPENSES			
Cost of inventories sold	7	**6,097,447,190**	5,570,013,373
Merchant discount		**345,054,750**	376,020,146
Depreciation and amortization	11	**247,610,704**	10,536,594
Personnel costs		**142,148,623**	120,138,283
Contracted and other services		**120,957,009**	97,279,324
Utilities		**91,379,987**	82,349,360
Taxes and licenses		**62,221,467**	20,962,241
Freight and delivery		**29,540,857**	8,733,990
Stationary and supplies		**16,087,854**	9,618,238
Repairs, warranties and maintenance		**13,298,678**	12,720,534
Rent	17	**11,298,846**	234,213,760
Transportation and travel		**9,841,415**	6,771,819
Representation		**6,392,613**	2,194,469
Professional fees		**4,668,563**	332,000
Miscellaneous		**7,578,521**	9,855,238
		7,205,527,077	6,561,739,369
FINANCE COST	13	**245,966,991**	148,447,425
INCOME BEFORE INCOME TAX		**121,752,935**	101,788,909
PROVISION FOR (BENEFIT FROM) INCOME TAX	18		
Current		**39,948,068**	31,700,360
Deferred		**(3,494,580)**	(1,283,749)
		36,453,488	30,416,611
NET INCOME		**85,299,447**	71,372,298
OTHER COMPREHENSIVE INCOME		–	–
TOTAL COMPREHENSIVE INCOME		**₱85,299,447**	₱71,372,298

See accompanying Notes to Financial Statements.

UPSON INTERNATIONAL CORP.

STATEMENTS OF CHANGES IN EQUITY

	Note	2019	2018 (As Restated - Note 4)
		Years Ended December 31	
CAPITAL STOCK - ₱1 par value	14		
Authorized – 500,000,000 shares			
Issued and outstanding – 267,500,000 shares			
Balance at beginning of year		₱267,500,000	₱237,500,000
Issuance of shares from stock dividends		–	30,000,000
Balance at end of year		267,500,000	267,500,000
RETAINED EARNINGS			
Balance at beginning of year, as previously reported		349,961,634	225,542,934
Prior period adjustments	4	(83,046,402)	–
Balance at beginning of year, as restated		266,915,232	225,542,934
Stock dividends	14	–	(30,000,000)
Net income		85,299,447	71,372,298
Balance at end of year		352,214,679	266,915,232
		₱619,714,679	₱534,415,232

See accompanying Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date JUN 29 2020 TSIS
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UPSON INTERNATIONAL CORP.
STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	2019	2018 (As Restated - Note 4)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		₱121,752,935	₱101,788,909
Adjustments for:			
Depreciation and amortization	11	247,610,704	10,536,594
Finance costs	13	245,966,991	148,447,425
Retirement expense	16	6,112,127	4,282,406
Interest income	5	(410,738)	(400,205)
Operating income before working capital changes		621,032,019	264,655,129
Decrease (increase) in:			
Trade and other receivables		(13,621,418)	14,750,365
Inventories		(24,983,433)	(535,397,952)
Other current assets		(12,429,028)	(49,556,660)
Increase (decrease) in trade and other payables		(72,701,529)	703,669,905
Net cash generated from operations		497,296,611	398,120,787
Interest paid		(225,287,220)	(148,447,425)
Income taxes paid		(31,865,507)	(27,884,199)
Interest received		410,738	400,205
Net cash provided by operating activities		240,554,622	222,189,368
CASH FLOWS FROM AN INVESTING ACTIVITY			
Additions to property and equipment	11	(24,671,248)	(41,489,575)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loan availments	13	2,962,715,441	2,621,947,357
Payments of:			
Loans	13	(2,714,645,323)	(2,569,655,868)
Lease liabilities	17	(246,651,025)	–
Increase in advances to related parties		(175,890,662)	(336,186,335)
Net cash used in financing activities		(174,471,569)	(283,894,846)
NET INCREASE (DECREASE) IN CASH		41,411,805	(103,195,053)
CASH AT BEGINNING OF YEAR		225,583,940	328,778,993
CASH AT END OF YEAR	5	₱266,995,745	₱225,583,940
NONCASH FINANCIAL INFORMATION			
Recognition of ROU assets and lease liabilities upon adoption of PFRS 16, *Leases* as at January 1, 2019	2	(₱389,762,691)	₱–
Declaration of stock dividend	14	–	30,000,000

See accompanying Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
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UPSON INTERNATIONAL CORP.
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Upson International Corp. (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 retail business under the following trade names: "Octagon Computer Superstore", "Microvalley Computer Superstore", "Octagon Mobile", "Gadget World", "Uniso" and "Gadget King".

The principal office address of the Company is at 747 Romualdez Street, Ermita, Manila.

The financial statements of the Company as at and for the year ended December 31, 2019 and 2018 was approved and authorized for issue by the Board of Directors (BOD) on April 24, 2020.

2. Summary of Significant Accounting Policies

The significant 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 of the Company have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS) issued by the Financial Reporting Standards Council (FRSC) and adopted by the SEC, including SEC pronouncements. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from the International Financial Reporting Interpretations Committee.

Measurement Bases

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

The financial statements have been prepared on a historical cost basis. 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 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.

Further information about the assumptions made in measuring fair values are included in the following notes:

- Note 10, *Investment Properties* and,
- Note 20, *Fair Value of Financial Assets and Liabilities*.

Adoption of New and Amended PFRS
The accounting policies adopted are consistent with those of the previous reporting year, except for the adoption of the following new and amended PFRS which the Company adopted effective January 1, 2019:

- PFRS 16, *Leases*

  PFRS 16 replaced PAS 17, *Leases*, IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15, *Operating Leases-Incentives*, and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases (i.e., leases with a lease term of 12 months or less).

  At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term [i.e., ROU asset]. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the ROU asset.

  Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the ROU asset.

  Lessor accounting under PFRS 16 is substantially unchanged from accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  Subsequent to adoption of PFRS 16, the Philippine Interpretations Committee (PIC) Q&A No. 2019-12, *Determining Lease Term under PFRS 16* and PIC Q&A No. 2019-13, *Determining the Lease Term of Leases that are Renewable Subject.to Mutual Agreement of the Lessor and the Lessee* have been issued. The interpretations provide implementation guidance on the determination of lease term under the new standard for lease contracts that (1) contain an option to either extend or terminate the lease and (2) are renewable subject to mutual agreement of the parties, respectively. Accordingly, an entity should not include as part of the lease term, any optional or extended lease terms that are not enforceable beyond the non-cancellable period.

The Company has adopted PFRS 16 and its related issuances using the modified retrospective method, which requires that the cumulative effect of applying the new standard is recognized at the beginning of the year of initial application. Accordingly, the comparative information presented for 2018 have not been restated.

As at January 1, 2019, the Company has outstanding lease arrangements for its warehouses and store outlets which generally have terms of one (1) to three (3) years. The Company elected to apply the recognition exemption on leases of short-term leases for lease contracts with one (1) year term. The related lease expenses on these agreements are recognized in the profit or loss on a straight-line basis.

For the Company's lease contracts with a term of more than one (1) year, the Company has recognized ROU assets and lease liabilities. The lease liabilities were measured at the present value of the remaining lease payments, discounted at the interest rate implicit in the lease ranging from 6.54% to 7.03% as at January 1, 2019. The ROU assets were measured at the amount equal to the lease liabilities. The Company's ROU assets and lease liabilities recognized as at January 1, 2019 amounted to ₱389.8 million (see Note 17).

Reconciliation of operating lease commitments under PAS 17 as at December 31, 2018 and lease liabilities as at January 1, 2019 is as follows:

Operating lease commitments as at December 31, 2018 as disclosed under PAS 17 (see Note 17)	₱439,627,593
Discounted operating lease commitments as at January 1, 2019	₱400,747,520
Recognition exemption for short-term leases	(10,984,829)
Lease liabilities recognized upon initial adoption of PFRS 16 as at January 1, 2019	₱389,762,691

- Philippine Interpretation IFRIC 23, *Uncertainty Over Income Tax Treatments* – The interpretation provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under PAS 12, *Income Taxes*, in particular (i) matters to be considered in accounting for uncertain tax treatments separately, (ii) assumptions for taxation authorities' examinations, (iii) determinants of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) effect of changes in facts and circumstances.

- Amendments to PFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation* – The amendments clarify that a financial asset passes the "solely payments of principal and interest" criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. Consequently, financial assets with termination provisions can now be measured at amortized cost (or, depending on the business model, at fair value through other comprehensive income).

- Amendments to PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement* – The amendments specify how companies remeasure a defined benefit plan when a change - an amendment, curtailment or settlement - to a plan takes place during a reporting period. It requires entities to use the updated assumptions from this remeasurement to determine current service cost and net interest cost for the remainder of the reporting period after the change to the plan.

- Annual Improvements to PFRS 2015 to 2017 Cycle:

    - Amendments to PFRS 3, *Business Combinations* and PFRS 11, *Joint Arrangements - Previously Held Interest in a Joint Operation* – The amendments to PFRS 3, *Business Combinations*, clarify that when an entity obtains control of a business that is a joint operation, the acquirer applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the joint operation at its acquisition-date fair value. The amendment to PFRS 11, *Joint Arrangements*, clarifies that when an entity obtains joint control of a business that is a joint operation, the previously held interests in that business are not remeasured.

    - Amendments to PAS 12, *Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity* – The amendments require entities to recognize the income tax consequences of dividends as defined in PFRS 9 when the liability to pay dividends are recognized. The income tax consequences of dividends are recognized either in profit or loss, other comprehensive income or equity, consistently with the transactions that generated the distributable profits. This requirement applies to all income tax consequences of dividends, such as withholding taxes.

    - Amendments to PAS 23, *Borrowing Costs - Borrowing Costs Eligible for Capitalization* – The amendments clarify that an entity treats as part of its general borrowings any specific borrowings made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for intended use or sale are complete.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS, except for PFRS 16, did not have material effect on the financial statements of the Company. Additional disclosures were included in the financial statements, as applicable.

New and Amended PFRS in Issue but not yet Effective
Relevant new and amended PFRS, which are not yet effective as at December 31, 2019 and have not been applied in preparing the financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2020 -

- Amendments to References to the Conceptual Framework in PFRS – The amendments include a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance-in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurements uncertainty in financial reporting. The amendments should be applied retrospectively unless retrospective application would be impracticable or involve undue cost or effort.

- Amendments to PFRS 3 - *Definition of a Business* – This amendment provides a new definition of a "business" which emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. To be considered a business, 'an integrated set of activities and assets' must now include 'an input and a substantive process that together significantly contribute to the ability to create an output'. The distinction is important because an acquirer may recognize goodwill (or a bargain purchase) when acquiring a business but not a group of assets. An optional simplified assessment (the concentration test) has been introduced to help companies determine whether an acquisition is of a business or a group of assets.

- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material* – The amendments clarify the definition of "material" and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS standards. Based on the new definition, information is "material" if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Under prevailing circumstances, the adoption of the foregoing new and 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.

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 31, 2019 and 2018, 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 impairment, 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, 2019 and 2018, the Company's cash in banks, trade receivables, advances to related parties and refundable lease deposits are classified under this category.

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, 2019 and 2018, the Company's trade and other payables (excluding statutory payables), bank loans and trust receipts payable, and lease liabilities are classified under this category.

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.

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.

Impairment of Financial Assets
The Company recognizes an allowance for expected credit loss (ECL) for its financial assets at amortized cost. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

Trade Receivables. For trade receivables without significant financing component the Company has applied the simplified approach in measuring ECL.

Simplified approach requires that ECL should always be based on the lifetime ECL. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment 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. For other financial instruments at amortized cost, the ECL is 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. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

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 be incurred in selling the goods. 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 first-in, first-out 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.

When inventories are sold, the carrying amount of those inventories is recognized to profit or loss in the year in which the related revenue is recognized.

Assets Held for Disposal
Assets held for sale pertain to equity investments where the Company previously exercised control and are intended to be sold or disposed within the next reporting year.

The criteria for assets to be classified as held for disposal are regarded as met only when the disposal is highly probable and the asset is available for immediate disposal in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the disposal will be made or that the decision to dispose will be withdrawn. Management must be committed to the disposal expected within one year from the date of the classification.

Events or circumstances may extend the period to complete the disposal of the asset beyond one year. Such extension of the period required to complete the disposal still permits the asset to be classified as held for disposal if the delay is beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to dispose the asset or group of assets.

Such assets classified as held for disposal are measured at the lower of their carrying amount and fair value less cost to sell. Costs to sell are the incremental costs directly attributable to the disposal, excluding the finance costs and income tax expense.

The Company recognizes an impairment loss for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell, to the extent that it has not been recognized in the carrying amount of the asset before initial classification as held for sale. The Company recognizes a gain for any subsequent increase in fair value less costs to sell of an asset, but not in excess of the cumulative impairment loss that has been recognized.

Other Current Assets

Other current assets include refundable lease deposits and prepayments.

Refundable lease deposits. Refundable lease deposits pertain to deposits as required by lease agreement to cover for repairs on damaged leased properties, which are refundable at the end of the lease term. 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 year 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.

Investment Properties

Investment properties consist of land and building that are being held for capital appreciation or rental. Investment properties are initially recorded at cost, including transaction costs. Subsequent to initial recognition, building is carried at cost less accumulated depreciation, amortization and any impairment in value while land is carried at cost less any impairment in value. Subsequent expenditures relating to an item of investment property 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.

Depreciation of building are computed on a straight-line basis over 20 years. The estimated useful life and depreciation method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from the building.

Investment properties are derecognized when either these have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in profit or loss in the year of retirement or disposal.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Property and Equipment
Property and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site to its original state on which they are located.
At the end of each reporting period, items of property and equipment are measured at cost less any subsequent accumulated depreciation, amortization and impairment losses. 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.

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

	Number of Years
Leasehold improvements	3 years or the term of lease whichever is shorter
Transportation equipment	5
Furniture, fixtures and equipment	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.

Properties used for rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes construction cost and other direct costs and for qualifying assets, borrowing costs capitalized if any in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences at the time the assets are ready for their intended use.

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.

Gains or losses arising from 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
At the end of each reporting period, the Company assesses whether there is any indication that any of its nonfinancial assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. A reasonable and consistent basis of allocation can be identified; assets are also allocated to individual cash-generating units. Otherwise, these are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense. Impairment losses recognized in respect of cash-generating units are first applied to goodwill and are then applied to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized as income in profit or loss.

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

Retained Earnings
Retained earnings represent the cumulative balance of the Company's results of operations.

Revenue Recognition

Revenue from Contract with Customers. 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.

The Company recognized revenue from contracts with customers when it has met the following specific performance obligations:

a. Sale of goods - performance obligation is satisfied upon the delivery of goods, which corresponds to the point of time when the significant risks and rewards of ownership of the goods have passed to the buyer.

b. Other income - other income is recognized when earned.

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

Cost and Expenses Recognition
Cost and expenses are recognized in profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in profit or loss on the basis of (i) a direct association between the costs incurred and the earning of specific items of income; (ii) systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or (iii) immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify for recognition in the statements of financial position as an asset.

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 sale 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 or sale are complete. All other borrowing costs are recognized as expense in the period these are incurred based on the effective interest method.

Leases

a. Accounting policies prior to January 1, 2019

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

i. there is a change in contractual terms, other than a renewal or extension of the arrangement;

ii. a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

iii. there is a change in the determination of whether fulfillment is dependent on a specified asset; or

iv. there is a substantial change to the asset.

Where reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (i), (ii) or (iv) and at the date of renewal or extension period for scenario (ii).

The Company as a Lessee. Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

b. Accounting policies beginning January 1, 2019

The Company assesses whether the contracts 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 shorter of the lease terms or the useful lives of the underlying assets ranging from one (1) 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 net of amounts already paid and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

Retirement Benefits. The Company has an unfunded, noncontributory defined benefit plan covering all qualified employees. An employee is qualified and shall be entitled to receive the benefits upon reaching the retirement age established under existing laws.

The retirement benefits cost 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.

Retirement obligations recognized are computed on the basis of the provisions of Republic Act (RA) No. 7641 "Retirement Pay Law". The minimum retirement pay due to covered employees is equivalent to one-half month salary for every year of service, a fraction of at least six (6) months being considered as one whole year.

"One-half month salary" includes all of the following:

a. 15 days salary based on the latest salary rate;

b. Cash equivalent of 5 days or service incentive leave (or vacation leave); and

c. One twelfth of the 13th month pay (where the 13[th] month pay is the total basic salary for the last twelve months of service divided by twelve).

Post-employment cost includes current service cost plus interest cost. Actuarial gains and losses arising from changes in assumptions are recognized under other comprehensive income.

Actuarial gains and losses are recognized immediately in other comprehensive income in the period in which these arise and are not reclassified to profit or loss in subsequent periods.

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.

The retirement liability is the aggregate of the present value of the defined benefit obligation and 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.

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.

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 is recognized in profit or loss except to the extent that it relates to items recognized directly in equity as other comprehensive income.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of net operating loss carryover (NOLCO) and minimum corporate income tax (MCIT) to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of NOLCO and MCIT 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.

Value-Added Tax (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" account 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 interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates.

Contingencies

Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to financial statements unless the possibility of an outflow of resources embodying economic benefit is remote. Contingent assets are not recognized in the financial statements but 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

The preparation of the financial statements in compliance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. 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. Actual results could differ from such estimates.

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

In the process of applying the Company's accounting policies, management has made certain judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements.

Determining the Classification of 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 Company than its legal form, governs its classification in the Company's statements of financial position.

Evaluating Lease Commitments prior to January 1, 2019 - Company as a Lessee. The Company has entered into commercial property leases related to its offices and store and warehouse spaces. The Company has determined that the significant risks and rewards of ownership of these properties are not transferred to the Company under operating lease arrangements. Accordingly, these leases are accounted for as operating lease.

Classifying Lease Commitments beginning January 1, 2019 - 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.

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 readily available and presents the appropriate financing cost in leasing the underlying assets. The rate implicit in the lease is the rate that would cause the present value of the lease payments and unguaranteed residual to equal the sum of the fair value of the underlying assets and initial direct costs incurred.

Determining the Classification of Property. The Company classifies its fixed assets as investment properties or property and equipment based on its current intentions as to how the properties will be used. When the properties are held to earn rentals or for capital appreciation or both, the properties are classified as investment properties, otherwise, these are classified as property and equipment.

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 year are discussed below.

Assessing the ECL of 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 are generally collected within three (3) days from date of transaction.

No ECL was provided for trade receivables in 2019 and 2018. The carrying amount of trade receivables amounted to ₱74.1 million and ₱56.2 million as at December 31, 2019 and 2018, respectively (see Note 6).

Assessing the ECL on Other Financial Assets at Amortized Cost. The Company determines the allowance for ECL of other financial assets at amortized cost using 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.

No loss allowance was provided on other financial assets at amortized cost in 2019 and 2018. The carrying amounts of the Company's other financial assets at amortized cost are as follows:

	Note	2019	2018 (As Restated - see Note 4)
Cash in banks	5	**₱265,153,245**	₱223,811,440
Advances to related parties	15	**1,937,358,819**	1,761,468,157
Lease deposits	9	**132,043,890**	119,140,548

Estimating the NRV of Inventories and Fair Value Less Cost to Sell of Assets Held for Disposal. The NRV of inventories and fair value less cost to sell of assets held for disposal 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 the asset 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.

No allowance for inventory obsolescence was recognized in 2019 and 2018. Allowance for inventory obsolescence amounted to ₱64.3 million as at December 31, 2019 and 2018. The carrying amount of inventories amounted to ₱1,489.4 million and ₱1,464.4 million as at December 31, 2019 and 2018, respectively (see Note 7).

Management has assessed that the fair value less cost to sell of assets held for disposal estimates the carrying amount of the investments classified as held for sale as at December 31, 2019 and 2018; hence, no provision for write-down of assets held for disposal was recognized in 2019 and 2018. The carrying amount of assets held for disposal amounted to ₱157.6 million as at December 31, 2019 and 2018 (see Note 8).

Estimating the Useful Lives of Investment Properties, ROU Assets and Property and Equipment. The useful lives of the Company's investment properties, ROU assets and property and equipment 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 investment properties, 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 investment properties, ROU assets and property and equipment would increase the recognized expenses and decrease noncurrent assets.

There were no changes in the estimated useful lives of investment properties, ROU assets and property and equipment in 2019 and 2018. The carrying amounts of the Company's investment properties (excluding land) amounted to ₱70.8 million and ₱75.1 million as at December 31, 2019 and 2018, respectively (see Note 10). The carrying amounts of property and equipment amounted to ₱48.7 million and ₱35.8 million as at December 31, 2019 and 2018, respectively (see Note 11). The carrying amount of ROU assets amounted to ₱182.8 million s at December 31, 2019 (see Note 17).

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	2019	2018 (As Restated - see Note 4)
Investment properties	10	**₱183,292,833**	₱187,542,833
ROU assets	17	**182,793,043**	–
Property and equipment	11	**48,661,013**	35,842,739
Advances to suppliers	6	**2,745,791**	6,438,869
Prepayments	9	**2,335,460**	2,809,774
Advances to officers and employees	6	**1,776,114**	2,362,467

Estimating Retirement Liability. The determination of the obligation and cost for provision for retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions, which include among others, discount rates and expected rates of salary increase, are indicated in Note 16. Actual results that differ from the assumptions are accumulated and are recognized as part of equity. 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.

Retirement liability amounted to ₱29.7 million and ₱23.6 million as at December 31, 2019 and 2018, respectively (see Note 16).

Assess 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.

Deferred tax assets recognized in the statements of financial position amounted to ₱29.9 million and ₱26.4 million as at December 31, 2019 and 2018, respectively (see Note 18).

4. Prior Period Adjustment

Adjustments made to correct the 2018 balances are summarized as follows:

	Assets	Liabilities	Equity	Net Income
As previously reported	₱3,172,510,578	₱2,555,048,944	₱617,461,634	₱71,372,298
Adjustments:				
Recognize unrecorded asset acquisitions	564,675,505	564,675,505	–	–
Recognize unrecorded related party transactions	249,426,039	332,472,441	(83,046,402)	–
Reverse unreleased and stale checks recorded as outstanding checks	59,203,999	59,203,999	–	–
Reclassification of investment in subsidiaries to assets held for disposal	–	–	–	–
	873,305,543	956,351,945	(83,046,402)	–
As restated	₱4,045,816,121	₱3,511,400,889	₱534,415,232	₱71,372,298

Moreover, certain accounts in prior year were reclassified to conform with the current year presentation.

5. Cash

This account consists of:

	2019	2018 (As Restated - see Note 4)
Cash on hand	**₱1,842,500**	₱1,772,500
Cash in banks	**265,153,245**	223,811,440
	₱266,995,745	₱225,583,940

Cash in banks earn interest at prevailing bank deposit rates. Interest income earned amounted to ₱0.4 million in 2019 and 2018.

6. Trade and Other Receivables

This account consists of:

	2019	2018 (As Restated - see Note 4)
Trade receivables	**₱74,107,427**	₱56,206,578
Advances to:		
Suppliers	**2,745,791**	6,438,869
Officers and employees	**1,776,114**	2,362,467
	₱78,629,332	₱65,007,914

Trade receivables are noninterest-bearing and are generally settled on a 30-day term.

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

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

7. Inventories

This account consists of:

	2019	2018 (As Restated - see Note 4)
At Cost:		
Computers and peripherals	**₱844,859,923**	₱887,768,470
Mobile phones	**175,822,954**	160,416,474
Printers and scanners	**137,987,662**	131,111,761
Consumables	**62,559,174**	60,712,910
	₱1,221,229,713	₱1,240,009,615
At NRV:		
Accessories	**₱332,486,775**	₱288,723,440
Less allowance for inventory obsolescence	**(64,318,378)**	(64,318,378)
	268,168,397	224,405,062
	₱1,489,398,110	₱1,464,414,677

No provision for inventory obsolescence was recognized in 2019 and 2018.

Under the terms of agreements, merchandise inventories amounting to ₱ 1,340.7 million and ₱1,296.3 million in 2019 and 2018, respectively are covered by trust receipts issued by local banks (see Note 13).

Cost of inventories sold during the year follows:

	2019	2018 (As Restated - see Note 4)
Inventories at beginning of year	**₱1,464,414,677**	₱929,016,725
Purchases	**6,122,430,623**	6,105,411,325
Cost of goods available for sale	**7,586,845,300**	7,034,428,050
Less inventories at end of year	**1,489,398,110**	1,464,414,677
	₱6,097,447,190	₱5,570,013,373

8. Assets Held for Disposal

Assets held for disposal pertains to the Company's investment in the following entities:

Company	Carrying Amount (As Restated - see Note 4)
Upson Realty and Development Corp. (URDC)	₱124,999,500
Transway Hotels Group Inc. (THG)	24,999,950
Octagon International Marketing Corp. (OIMC)	7,349,995
Majestic Graphic and Printing Corp. (MGPC)	290,000
	₱157,639,445

The carrying amount of the Company's investment in the entities represents the estimated fair value less cost to sell as at December 31, 2019 and 2018.

The investments were previously classified as investment in subsidiaries due to the Company's effective ownership in these entities. Following the BOD's approval to dispose the Company's investment in URDC, THG, OIMC, and MGPC in 2018, the Company reclassified the investments to assets held for disposal in the statements of financial position. No gain or loss was recognized in the reclassication.

As at December 31, 2019 and 2018, the Company is in the process of completing its documentation in transferring all the shares.

9. Other Current Assets

This account includes:

	Note	2019	2018
Refundable lease deposits	17	**₱132,043,890**	₱119,140,548
Prepayments		**2,335,460**	2,809,774
		₱134,379,350	₱121,950,322

Prepayments pertain to prepaid rent and insurance.

10. Investment Properties

Movements of this account are as follows:

	2019			2018 (As Restated – see Note 4)		
	Land	Building and Building Improvements	Total	Land	Building and Building Improvements	Total
Cost						
Balance at beginning and end of year	₱112,459,500	₱85,000,000	₱197,459,500	₱112,459,500	₱85,000,000	₱197,459,500
Accumulated Depreciation						
Balance at beginning of year	–	9,916,667	9,916,667	–	5,666,667	5,666,667
Depreciation	–	4,250,000	4,250,000	–	4,250,000	4,250,000
Balance at end of year	–	14,166,667	14,166,667	–	9,916,667	9,916,667
Carrying Amount	₱112,459,500	₱70,833,333	₱183,292,833	₱112,459,500	₱75,083,333	₱187,542,833

The fair values of the investment properties were determined by an independent appraiser. Based on the latest appraisal reports dated April 4, 2018, the investment properties have an aggregate fair value of ₱201.7 million. The management used the appraisal reports as there is no evidence that the investment properties have either significantly increased or decreased in value between the reporting dates and the appraisal report dates. The fair value of the investment properties was determined based on the published selling prices of similar properties of the same vicinity as of the reporting date for market approach and cost of replacement for cost approach the appraisal of the properties gave due consideration to the highest and best use of the property. As defined, highest and best use is the most profitable likely use to which the property can be put. The fair value measurement for investment properties has been categorized under level 3 (significant unobservable inputs).

11. Property and Equipment

Movements of this account are as follows:

	2019			
	Leasehold Improvements	Transportation Equipment	Furniture and Fixtures	Total
Cost				
Balance at beginning of year	₱251,482,138	₱67,254,493	₱79,287,152	₱398,023,783
Additions	22,260,500	470,000	1,940,748	24,671,248
Balance at end of year	273,742,638	67,724,493	81,227,900	422,695,031
Accumulated Depreciation and Amortization				
Balance at beginning of year	229,492,489	59,140,503	73,548,052	362,181,044
Depreciation and amortization	9,270,911	822,833	1,759,230	11,852,974
Balance at end of year	238,763,400	59,963,336	75,307,282	374,034,018
Carrying Amount	₱34,979,238	₱7,761,157	₱5,920,618	₱48,661,013

	2018 (As Restated - see Note 4)			
	Leasehold Improvements	Transportation Equipment	Furniture and Fixtures	Total
Cost				
Balance at beginning of year	₱224,882,258	₱58,207,493	₱73,444,457	₱356,534,208
Additions	26,599,880	9,047,000	5,842,695	41,489,575
Balance at end of year	251,482,138	67,254,493	79,287,152	398,023,783
Accumulated Depreciation and Amortization				
Balance at beginning of year	224,882,258	58,207,493	72,804,699	355,894,450
Depreciation and amortization	4,610,231	933,010	743,353	6,286,594
Balance at end of year	229,492,489	59,140,503	73,548,052	362,181,044
Carrying Amount	₱21,989,649	₱8,113,990	₱5,739,100	₱35,842,739

Fully depreciated property and equipment still being used by the Company amounted to ₱356.5 million as at December 31, 2019 and 2018.

Depreciation and amortization recognized from:

	Note	2019	2018 (As Restated - see Note 4)
ROU assets	17	**₱231,507,730**	₱–
Property and equipment		**11,852,974**	6,286,594
Investment properties	10	**4,250,000**	4,250,000
		₱247,610,704	₱10,536,594

12. Trade and Other Payables

This account consists of:

	2019	2018 (As Restated - see Note 4)
Trade payables	**₱1,044,145,413**	₱1,121,703,361
Statutory payables	**18,072,962**	12,571,625
Others	**9,277,318**	9,922,236
	₱1,071,495,693	₱1,144,197,222

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

Statutory payables include taxes payables and payables to Social Security System, PhilHealth, and PAG-IBIG which are settled in the following month.

Others are noninterest-bearing and payable within the next reporting year.

13. Bank Loans and Trust Receipts Payable

Movements in this account are as follows:

	2019		
	Bank Loans	**Trust Receipts**	**Total**
Balance at beginning of year	**₱1,918,083,333**	**₱425,551,732**	**₱2,343,635,065**
Availments	**1,622,000,000**	**1,340,715,441**	**2,962,715,441**
Payments	**(1,586,666,667)**	**(1,127,978,656)**	**(2,714,645,323)**
Balance at end of year	**₱1,953,416,666**	**₱638,288,517**	**₱2,591,705,183**

	2018		
	Bank Loans	Trust Receipts	Total
Balance at beginning of year	₱2,055,833,333	₱235,510,243	₱2,291,343,576
Availments	1,325,666,667	1,296,280,690	2,621,947,357
Payments	(1,463,416,667)	(1,106,239,201)	(2,569,655,868)
Balance at end of year	₱1,918,083,333	₱425,551,732	₱2,343,635,065

The bank loans and trust receipts have terms of three months to one year, subject to refinancing upon approval of the creditor bank. Interest rates on bank loans and trust receipts range from 5.11% to 9.88% in 2019 and 2018.

Details of finance costs charged to operations are as follows:

	Note	2019	2018
Interest on bank loans		**₱128,671,310**	₱86,341,966
Interest on trust receipts		**96,615,910**	62,105,459
Accretion of lease liabilities	17	**20,679,771**	–
		₱245,966,991	₱148,447,425

14. Equity

Capital Stock
Capital stock consists of common shares as follows:

	2019		2018	
	Number of Stocks	**Amount**	Number of Stocks	Amount
Authorized capital stock				
Balance at beginning and end of year	**500,000,000**	**₱500,000,000**	500,000,000	₱500,000,000
Issued and outstanding				
Balance at beginning of year	**267,500,000**	**₱267,500,000**	237,500,000	₱237,500,000
Issuance through stock dividends distributed	**–**	**–**	30,000,000	30,000,000
Balance at end of year	**267,500,000**	**₱267,500,000**	267,500,000	₱267,500,000

Retained Earnings
As at December 31, 2019, the Company's retained earnings amounted to ₱352.2 million, and capital stock amounted to ₱267.5 million. The Company is allocating a portion of its retained earnings to address any possible adverse effects of the Covid 19 to its operations in the next two (2) to three (3) years.

15. Related Party Transactions

The Company has advances to related parties for working capital purposes as follows:

		Transactions during the Year		Outstanding Balance	
	Nature of Transaction	2019	2018 (As Restated – see Note 4)	2019	2018 (As Restated – see Note 4)
Due from Related Parties					
Entities under common control	Advances	₱175,890,662	₱245,342,595	₱1,937,358,819	₱1,761,468,157

Terms and Conditions of Related Party Transactions
Outstanding balances are unsecured, non-interest bearing, due and demandable and are cash settled. The Company assessed that the related party receivables are collectible by considering the financial position of the subsidiaries and other related parties and the market in which they operate. Hence, no provision for ECL was recognized in 2019 and 2018.

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

	2019	2018
Short-term employee benefits	₱2,335,658	₱2,335,658
Retirement benefits	397,838	404,307
	₱2,733,496	₱2,739,965

16. Retirement Benefits

The Company accrues retirement cost of its employees based on the estimated cost of retirement benefit required under RA No. 7641. The retirement benefits are based on years of service and compensation on the last year of employment.

The accrued retirement cost is exposed to interest rate risks and changes in the life expectancy of qualified employees. Under the plan, the employees are entitled to retirement benefits after completion of at least 5 years of service at the employee's option but with the Company's consent, and upon attainment of a retirement age of 60 with the option to extend up to age 65.

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

	2019	2018
Balance at beginning of year	₱23,568,602	₱19,286,196
Current service cost	4,877,132	2,822,441
Interest cost	1,234,995	1,459,965
Balance at end of year	₱29,680,729	₱23,568,602

Retirement expense recognized in statements of comprehensive income under "Personnel costs" account is as follows:

	2019	2018
Current service cost	₱4,877,132	₱2,822,441
Interest cost	1,234,995	1,459,965
	₱6,112,127	₱4,282,406

The assumptions used to determine retirement benefits are as follows:

	2019	2018
Discount rates	**5.24%**	7.57%
Expected rates of salary increase	**4.00%**	4.00%

The sensitivity analysis based on reasonably possible changes of the assumptions as at December 31, 2019 follow:

	Basis Points	Effect of Retirement Liability
Discount rates	+100	(₱234,488)
	-100	606,524
Salary increase rates	+100	870,385
	-100	(260,772)

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 weighted average duration of the defined benefit plan at the end of the reporting period is 26 years.

As at December 31, 2019, the expected future benefit payments are as follows:

	Amount
More than 1 year to 5 years	₱15,804,564
More than 5 years to 20 years	16,028,834
More than 20 years	23,712,888

The Company did not obtain an updated actuarial valuation as at and for the year ended December 31, 2019 as management assessed that the effect on the financial statements of the difference between the retirement benefits recognized by the Company and that resulting from an updated actuarial valuation is not significant.

17. Lease Commitments

Lease Commitments Prior to January 1, 2019

The Company as a Lessee – Operating Lease

The Company leases certain properties on which its stores and warehouses are situated. The lease contracts provide for a monthly fixed rental or an agreed minimum rent. Stores and warehouses lease agreements are renewable predominantly in two years and upon mutual agreement with the lessors.

Total rent expense amounted to ₱234.2 million in 2018.

Future annual minimum lease payments over the remaining term of the leases are as follows:

	2018
Not later than one year	₱251,779,946
Later than one year but not later than five years	187,847,647
	₱439,627,593

Lease Commitments Beginning January 1, 2019

Company as Lessee - Short-term Lease

The Company leases certain 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 amounted to ₱11.3 million in 2019.

Company as Lessee - Long-term Lease

ROU Assets

The balance of and movements in ROU assets as at December 31, 2019 follow:

	Note	Amount
Cost		
Balance at beginning of year	2	₱389,762,691
Additions		24,538,082
Balance at end of year		414,300,773
Accumulated amortization		
Amortization during the year	11	231,507,730
Carrying Amount		₱182,793,043

Refundable Lease Deposits

Refundable lease deposits amounted to ₱132.0 million and ₱119.1 million as at December 31, 2019 and 2018, respectively (see Note 9). These deposits are refundable at the end of the lease terms.

Lease Liabilities

The balance and movements in lease liabilities as at December 31, 2019 follow:

	Note	Amount
Balance at beginning of year	2	₱389,762,691
Additions		24,538,082
Accretion	13	20,679,771
Payments		(246,651,025)
Balance at end of year		188,329,519
Current portion		145,845,388
Noncurrent portion		₱42,484,131

Implicit rate ranging from 6.54% to 7.03% was applied to determine the discounted amount of lease liabilities.

The amounts recognized in profit or loss in 2019 follows:

	Note	Amount
Amortization of ROU assets	11	₱231,507,730
Interest expense on lease liabilities	13	20,679,771
Rental expense - short-term lease		11,298,846
		₱263,486,347

The future minimum lease payments and present value as at December 31, 2019 is as follows:

	Minimum Lease Payments	Present Value
Not later than one year	₱150,893,426	₱145,845,388
Later than one year but not more than five years	46,667,980	42,484,131
	₱197,561,406	₱188,329,519

18. Income Taxes

The provision for current income tax pertains to RCIT in 2019 and 2018.

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

	2019	2018
Income tax computed at the statutory tax rate	**₱36,525,881**	₱30,536,673
Adjustments for:		
Interest income already subjected to final tax	**(123,221)**	(120,062)
Nondeductible expenses	**50,828**	–
	₱36,453,488	₱30,416,611

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

	2019	2018
Allowance for inventory obsolescence	**₱19,295,513**	₱19,295,513
Retirement liability	**8,904,219**	7,070,581
Difference between ROU asset and lease liability	**1,660,942**	–
	₱29,860,674	₱26,366,094

19. Financial Risk Management

Financial Risk Management Objectives and Policies
The Company's activities expose it to a variety of financial risks: market risk which includes credit risk and liquidity 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 counterparty will default on its contractual obligations resulting in financial loss to the Company. Financial assets that potentially subject the Company to credit risk consist primarily of cash in banks and trade and other 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:

	2019	2018 (As Restated - see Note 4)
Cash in banks	**₱265,153,245**	₱223,811,440
Trade receivables	**74,107,427**	56,206,578
Advances to related parties	**1,937,358,819**	1,761,468,157
Refundable lease deposits	**132,043,890**	119,140,548
	₱2,408,663,381	₱2,160,626,723

As at December 31, 2019 and 2018, the amount of cash in banks and trade receivables are neither past due nor impaired and were classified as "*High Grade*", while advances to related parties and refundable lease deposits were classified as "*Standard Grade*". The credit quality of such financial assets at amortized cost is further described as follows:

- *High Grade.* Pertains to counterparty who is 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.

- *Standard Grade.* Other financial assets not belonging to high grade financial assets are included in this category.

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 are due from credit card companies and are generally collectible within three (3) days from transaction date. Historical information and present circumstances does 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, advances to related parties and lease deposits, 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 following were considered in the assessment:

- Cash are deposited with reputable counterparty banks, which exhibit good credit ratings.

- For advances to related parties, the Company's related parties have low credit risk and are in good financial standing. The related parties have no history of default and have sufficient assets to cover their advances thus, ECL is not significant.

- For refundable lease deposits, the counterparty lessors are reputable leasing companies which have low credit risk, thus no allowance for ECL was provided.

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.

	2019			
	12-month ECL	**Lifetime ECL - not credit impaired**	**Lifetime ECL - credit impaired**	**Total**
Cash in banks	₱265,153,245	₱–	₱–	₱265,153,245
Trade receivables	–	74,107,427	–	74,107,427
Advances to related parties	1,937,358,819	–	–	1,937,358,819
Refundable lease deposits	132,043,890	–	–	132,043,890
	₱2,334,555,954	₱74,107,427	₱–	₱2,408,663,381

	2018 (As Restated - see Note 4)			
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Total
Cash in banks	₱223,811,440	₱–	₱–	₱223,811,440
Trade and other receivables	–	56,206,578	–	56,206,578
Advances to related parties	1,761,468,157	–	–	1,761,468,157
Refundable lease deposits	119,140,548	–	–	119,140,548
	₱2,104,420,145	₱56,206,578	₱–	₱2,160,626,723

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.

	2019			
	1 to 6 Months	**6 Months to 1 Year**	**More than 1 Year**	**Total**
Trade payables	₱1,044,145,413	₱–	₱–	₱1,044,145,413
Bank loans and trust receipts payable	2,504,205,183	87,500,000	–	2,591,705,183
Lease liabilities	53,384,338	97,509,088	46,667,980	197,561,406
	₱3,601,734,934	₱185,009,088	₱46,667,980	₱3,833,412,002

	2018			
	1 to 6 Months	6 Months to 1 Year	More than 1 Year	Total
Trade payables	₱1,121,703,361	₱–	₱–	₱1,121,703,361
Bank loans and trust receipts payable	2,343,635,065	–	–	2,343,635,065
	₱3,465,338,426	₱–	₱–	₱3,465,338,426

20. Fair Value of Financial Assets and Liabilities

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

	2019		2018 (As Restated - see Note 4)	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash in banks	**₱265,153,245**	**₱265,153,245**	₱223,811,440	₱223,811,440
Trade receivables	**74,107,427**	**74,107,427**	56,206,578	56,206,578
Advances to related parties	**1,938,330,224**	**1,938,330,224**	1,761,468,157	1,761,468,157
Refundable lease deposits	**132,043,890**	**132,043,890**	119,140,548	119,140,548
	₱2,409,634,786	**₱2,409,634,786**	₱2,160,626,723	₱2,160,626,723
Financial Liabilities				
Trade payables	**₱1,044,145,413**	**₱1,044,145,413**	₱1,121,703,361	₱1,121,703,361
Bank loans and trust receipts payable	**2,591,705,183**	**2,591,705,183**	2,343,635,065	2,343,635,065
Lease liabilities	**188,329,519**	**188,329,519**	–	–
	₱3,824,180,115	**₱3,824,180,115**	₱3,465,338,426	₱3,465,338,426

Due to the short-term maturities of cash in banks, trade receivables, advances to related parties, lease deposits, trade payables (excluding statutory liabilities and provision for probable losses), 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).

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. The Company manages the capital structure and makes adjustments to it in light of 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.

No changes were made in the objectives, policies or processes in 2019 and 2018.

The Company considers its equity as its core capital. The Company's equity amounted to ₱619.7 million and ₱534.4 million as at December 31, 2019 and 2018, respectively.

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, 2019 and 2018:

	2018	Additions	Accretion	Payment	Non-cash Changes	**2019**
Bank loans and trust receipts payable	₱2,343,635,065	₱2,962,715,441	₱–	(₱2,714,645,323)	₱–	**₱2,591,705,183**
Lease liabilities	–	24,538,082	20,679,771	(246,651,025)	389,762,691	**188,329,519**
	₱2,343,635,065	₱2,987,253,523	₱20,679,771	(₱2,961,296,348)	₱389,762,691	**₱2,780,034,702**

	2017	Additions	Accretion	Payment	Non-cash Changes	2018
Bank loans and trust receipts payable	₱2,291,343,576	₱2,621,947,357	₱–	(₱2,569,655,868)	₱–	₱2,343,635,065
Stock dividend	–	–	–	–	30,000,000	30,000,000
	₱2,291,343,576	₱2,621,947,357	₱–	(₱2,569,655,868)	₱30,000,000	₱2,373,635,065

23. Events After the Reporting Date

The country is currently experiencing a pandemic virus crisis resulting in a slowdown in the Philippine economy because of mandated lockdowns all over the country.

While the financial impact is considered a non-adjusting subsequent event as at December 31, 2019, the effect on Company operations and financial performance, however, cannot be reasonably determined as at our report date.

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

The information for 2019 required by the above regulation is presented below.

Output VAT
The Company's VAT payments and the revenue subjected to VAT amounted to ₱33.6 million and ₱7,569.6 million, respectively for the year ended December 31, 2019.

The Company's revenue reported in the VAT returns are not the same as amounts presented in the statement of comprehensive income which are in accordance with PFRS.

Input VAT
The movements in the input VAT claimed for by the Company for the year ended December 31, 2019 is shown below:

	Bases	Input VAT
Input VAT carried over from previous period	₱–	₱–
Add current year payments for:		
Purchase of capital goods not exceeding 1 million	2,120,000	254,400
Domestic purchases of goods other than capital goods	5,659,414,959	679,129,795
Importation of goods other than capital goods	334,243,133	40,109,176
Domestic purchase of services	483,884,606	58,066,153
Input tax deferred on capital goods exceeding 1 Million from previous period		2,040,000
		779,599,524
Less applied against output VAT		779,599,524
		₱–

Taxes and Licenses
The Company's local and national taxes for the year ended December 31, 2019 consist of:

	Amount
Permits and licenses	₱23,184,488
Documentary stamp tax	23,527,719
Others	15,509,260
	₱62,221,467

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

	Paid	Accrued
Expanded withholding taxes	₱72,626,558	₱6,540,542
Tax on compensation and benefits	414,482	–
	₱73,041,040	₱6,540,542

Tax Cases and Assessments
The Company has no outstanding tax assessments and tax cases as at and for the year ended December 31, 2019.

UPSON International Corp.

April 24, 2020

"STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN"

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, 2019. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting 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, 2019 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 Philippine Financial Reporting Standard 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.

Signature: ______________________
Lawrence Lee
President

Signature: ______________________
Anita Lim
Treasurer

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date JUN 29 2020 TSIS
RECEIVED
MELINA PRISCA S. RAMIO

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

The Stockholders and the Board of Directors
Upson International Corp.
747 Romualdez Street
Ermita, Manila

I have audited the accompanying financial statements of Upson International Corp. (the Company) as at and for the year ended December 31, 2019, on which I have rendered my report dated April 24, 2020.

In compliance with Revenue Regulations V-20, I am not related by consanguinity or affinity to the president, manager or principal stockholders of the Company.

Marcos A. Legaspi
CPA Certificate No. 33091
BOA Accreditation No. 1188 (Valid up to April 25, 2020)
BIR Accreditation No. 07-001366-003-2017 (Valid up to 21 August 2020)
Tax Identification No. 129-213-668-000
PTR No. 14008657A, January 20, 2020, Cainta, Rizal

April 24, 2020

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date JUN 29 2020 TSIS
RECEIVED
MELINA PRISCA S. RANJO

Annex A

I. LIST OF MATERIALS PERMITS AND LICENSES OF UPSON INTERNATIONAL CORP. AND ITS STORES

Head Office

Location	Issuing Agency	Permit/License	Issuance/Validity / Expiry Date	Status/Remarks
747 Romualdez St., Ermita, 071, Brgy 663, Manila	Securities and Exchange Commission	Certificate of Incorporation	19 April 1995	Valid
	Local City Government	Business Permit	31 December 2022	Valid
	Bureau of Internal Revenue	BIR Certificate of Registration	26 July 1996	Valid
	Social Security System	Certificate of Membership	27 December 1996	Valid
	Philippine Health Insurance Corporation	Certificate of Registration	24 January 2017	Valid
	Home Development Mutual Fund	Certificate of Employer Registration	26 January 2004	Valid
	Department of Labor and Employment	Application for Registration	24 February 2017	Valid
	Bureau of Customs	Certificate of Registration	11 June 2022	Valid
	National Telecommunications Commission	Dealer's Permit	15 October 2022	Valid
	National Telecommunications Commission	Accreditation Certificate of Customer-Provided Terminal Equipment Supplier	15 September 2022	Valid
	National Telecommunications Commission	Mobile Phone Dealer's Permit	15 September 2022	Valid
	Optical Media Board	License to Operate - Distributor (Recordable Disc)	31 January 2023	Valid

		- Distributor (Plastic Casing) - Distributor (Storage Device) - Importer (Storage Devices) - Importer (Plastic Casing) - Importer (Recordable Disc)		
	Department of Budget and Management – Procurement Service	Certificate of Philgeps Registration (Platinum Membership)	18 November 2022	Valid

Octagon Computer Superstore

	Branch	Issuing Agency	Permit/License	Validity / Expiry Date	Status/Remarks
NATIONAL CAPITAL REGION					
1.	Octagon SM Megamall	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	5 March 2003	Valid
		National Telecommunications Commission	Dealer's Permit	25 September 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	15 September 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	19 March 2023	Valid
		Optical Media Board	License to Operate – Retailer (Optical	19 March 2023	Valid

			Disc Writer, Recordable Disc, Storage Device)		
2.	Octagon Festival Super Mall	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	4 December 2006	Valid
		National Telecommunications Commission	Dealer's Permit	29 June 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	15 September 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	09 April 2022	Pending release of permit
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	09 April 2022	Pending release of permit
3.	Octagon Ayala De Bay	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	13 February 2019	Valid
		National Telecommunications Commission	Dealer's Permit	1 October 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	27 July 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	30 April 2022	Valid

		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	30 April 2022	Valid
4.	Octagon ATC	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	23 July 2008	Valid
		National Telecommunications Commission	Dealer's Permit	15 Oct 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	15 September 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	09 April 2022	Pending release of permit
		Optical Media Board	License to Operate - Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	09 April 2022	Pending release of permit
5.	Octagon SM North EDSA	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	23 October 2009	Valid
		National Telecommunications Commission	Dealer's Permit	25 September 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	15 September 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	19 February 2022	Pending release of permit

		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	19 February 2022	Pending release of permit
6.	Octagon SM Southmall	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	Not indicated	Valid
		National Telecommunications Commission	Dealer's Permit	25 September 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	22 August 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	09 April 2022	Pending release of permit
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	09 April 2022	Pending release of permit
7.	Octagon Glorietta	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	29 October 2012	Valid
		National Telecommunications Commission	Dealer's Permit	29 June 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	15 September 2022	Valid
		Optical Media Board	License to Operate	19 March 2023	Valid

			(Retailer of Business Software)		
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	19 March 2023	Valid
8.	Octagon Mall of Asia	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	26 October 2015	Valid
		National Telecommunications Commission	Dealer's Permit	29 June 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	15 September 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	09 March 2023	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	10 March 2023	Valid
9.	Octagon Sucat	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	8 July 2016	Valid
		National Telecommunications Commission	Dealer's Permit	1 October 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	18 November 2022	Valid

		Optical Media Board	License to Operate (Retailer of Business Software)	19 April 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	19 April 2022	Valid
10.	Octagon SM San Mateo	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	28 April 2015	Valid
		National Telecommunications Commission	Dealer's Permit	29 August 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	25 August 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	22 July 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	22 July 2022	Valid
11.	Octagon SM San Lazaro	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	26 May 2005	Valid
		National Telecommunications Commission	Dealer's Permit	25 September 2022	Valid

		National Telecommunications Commission	Mobile Phone Dealer's Permit	22 August 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	19 January 2023	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	19 January 2023	Valid
12.	Octagon Uptown Mall	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	3 July 2015	Valid
		National Telecommunications Commission	Dealer's Permit	23 September 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	23 September 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	19 April 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	19 April 2022	Valid
13.	Octagon SM Sta Mesa	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	24 August 2005	Valid

		National Telecommunications Commission	Dealer's Permit	25 September 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	18 November 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	19 February 2023	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	19 February 2023	Valid
14.	Octagon Ayala Mall 30th	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	11 January 2017	Valid
		National Telecommunications Commission	Dealer's Permit	1 October 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	18 November 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	19 April 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	19 April 2022	Valid
15.	Octagon SM Masinag	Local City Government	Business Permit	31 December 2022	Valid

		Bureau of Internal Revenue	BIR Certificate of Registration	7 February 2020	Valid
		National Telecommunications Commission	Dealer's Permit	9 December 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	9 December 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	11 July 2021	Pending release of permit
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	11 July 2021	Pending release of permit
16.	Octagon SM BF Paranaque	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	23 October 2013	Valid
		National Telecommunications Commission	Dealer's Permit	29 June 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	22 August 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	09 April 2022	Pending release of permit
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	09 April 2022	Pending release of permit
17.	Octagon Fairview Terraces	Local City Government	Business Permit	8 February 2023	Valid

		Bureau of Internal Revenue	BIR Certificate of Registration	24 May 2018	Valid
		National Telecommunications Commission	Dealer's Permit	18 November 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	18 November 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	20 February 2023	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	20 February 2023	Valid
18.	Octagon Galleria	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	9 January 2007	Valid
		National Telecommunications Commission	Dealer's Permit	4 July 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	8 October 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	22 August 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	19 February 2022	Pending release of permit

19.	Octagon Greenbelt	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	02 October 2014	Valid
		National Telecommunications Commission	Dealer's Permit	29 June 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	15 September 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	19 March 2023	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	19 March 2023 (Optical Disc Writer, Recordable Disc) 22 March 2023 (Storage Device)	Valid
20.	Octagon SM Muntinlupa	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	11 October 2007	Valid
		National Telecommunications Commission	Dealer's Permit	15 October 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	22 August 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	19 April 2021	Pending release of permit
		Optical Media Board	License to Operate –	19 April 2022	Pending release of permit

			Retailer (Optical Disc Writer, Recordable Disc, Storage Device)		
21.	Octagon VMall Greenhills	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	14 April 2014	Valid
		National Telecommunications Commission	Dealer's Permit	29 June 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	22 August 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	19 March 2023	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	19 March 2023	Valid
22.	Octagon SM Fairview	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	24 January 2007	Valid
		National Telecommunications Commission	Dealer's Permit	8 October 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	22 August 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	19 February 2023	Valid

		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	19 February 2023	Valid
23.	Octagon Cash & Carry	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	16 January 2008	Valid
		National Telecommunications Commission	Dealer's Permit	15 October 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	22 August 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	19 March 2023	Valid
		Optical Media Board	License to Operate - Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	19 March 2023	Valid
24.	Octagon Sta Lucia Grandmall	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	21 January 2004	Valid
		National Telecommunications Commission	Dealer's Permit	12 September 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	15 September 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	19 July 2022	Valid

		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	19 July 2022 (Optical Disc Writer, Recordable Disc) 26 July 2022 (Storage Device)	
25.	Octagon Robinsons Magnolia	Local City Government	Business Permit	8 February 2023	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	23 July 2012	Valid
		National Telecommunications Commission	Dealer's Permit	2 September 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	22 August 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	19 February 2023	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	19 February 2023	Valid
26.	Octagon Eastwood	Local City Government	Business Permit	8 February 2023	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	16 March 2016	Valid
		National Telecommunications Commission	Dealer's Permit	29 June 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	22 August 2022	Valid
		Optical Media Board	License to Operate	19 February 2023	Valid

			(Retailer of Business Software)		
		Optical Media Board	License to Operate - Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	22 February 2023	Valid
27.	Octagon SM Cubao	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	23 March 2009	Valid
		National Telecommunications Commission	Dealer's Permit	22 June 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	22 August 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	19 February 2022	Pending release of permit
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	19 February 2022	Pending release of permit
28.	Octagon SM Taytay	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	30 August 2007	Valid
		National Telecommunications Commission	Dealer's Permit	9 December 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	9 December 2022	Valid
		Optical Media Board	License to Operate	19 July 2022	Valid

			(Retailer of Business Software)		
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	19 July 2022	Valid
29.	Octagon SM Novaliches	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	28 September 2010	Valid
		National Telecommunications Commission	Dealer's Permit	25 September 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	22 August 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	19 February 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	19 February 2022	Valid
30.	Octagon SM Marikina	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	3 July 2008	Valid
		National Telecommunications Commission	Dealer's Permit	11 September 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	22 August 2022	Valid

		Optical Media Board	License to Operate (Retailer of Business Software)	22 April 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	22 April 2022	Valid
31.	Octagon Robinsons Manila	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	17 September 2003	Valid
		National Telecommunications Commission	Dealer's Permit	25 September 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	15 September 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	19 January 2023	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	19 January 2023	Valid
32.	Octagon Ayala Mall Feliz	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	17 May 2018	Valid
		National Telecommunications Commission	Dealer's Permit	8 September 2022	Valid

		National Telecommunications Commission	Mobile Phone Dealer's Permit	20 July 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	20 April 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	20 April 2022	Valid
33.	Octagon SM Bicutan	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	22 May 2007	Valid
		National Telecommunications Commission	Dealer's Permit	29 June 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	22 August 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	19 April 2022	Pending release of permit
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	19 April 2022	Pending release of permit
34.	Octagon SM Manila	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	19 August 2005	Valid

		National Telecommunications Commission	Dealer's Permit	25 Sept 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	22 August 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	19 January 2023	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	19 January 2023	Valid
35.	Octagon Market Market	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	18 October 2006	Valid
		National Telecommunications Commission	Dealer's Permit	17 December 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	22 August 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	9 April 2022	Pending release of permit
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	9 April 2022	Pending release of permit
36.	Octagon Unimart	Local City Government	Business Permit	31 December 2022	Valid

		Bureau of Internal Revenue	BIR Certificate of Registration	28 September 2018	Valid
		National Telecommunications Commission	Dealer's Permit	8 September 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	8 September 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	30 April 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	30 April 2022	Valid
37.	Octagon SM Valenzuela	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	21 October 2005	Valid
		National Telecommunications Commission	Dealer's Permit	25 September 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	22 August 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	10 May 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	10 May 2022	Valid

38.	Octagon SM Grand Central Caloocan	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	6 October 2021	Valid
		National Telecommunications Commission	Dealer's Permit		For application
		National Telecommunications Commission	Mobile Phone Dealer's Permit		For application
		Optical Media Board	License to Operate (Retailer of Business Software)	10 May 2023	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	10 May 2023	Valid
NORTH LUZON					
39.	Octagon SM Baliwag	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	13 November 2008	Valid
		National Telecommunications Commission	Dealer's Permit	22 January 2023	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	19 June 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	11 June 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer,	11 June 2022	Valid

			Recordable Disc, Storage Device)		
40.	Octagon SM Pampanga	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	12 May 2015	Valid
		National Telecommunications Commission	Dealer's Permit	8 January 2023	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	9 June 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	11 June 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	11 June 2022	Valid
41.	Octagon SM Baguio	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	9 January 2004	Valid
		National Telecommunications Commission	Dealer's Permit	18 September 2022	Valid
		National Telecommunications Commission	Mobile Phone Retailer/Reseller Permit	18 September 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	11 June 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical	11 June 2022	Valid

			Disc Writer, Recordable Disc, Storage Device)		
42.	Octagon Robinsons Ilocos	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	28 September 2016	Valid
		National Telecommunications Commission	Dealer's Permit	22 March 2023	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	22 March 2023	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	11 June 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	11 June 2022	Valid
43.	Octagon SM Urdaneta	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	27 April 2018	Valid
		National Telecommunications Commission	Dealer's Permit	10 May 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	10 May 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	22 June 2022	Valid

		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	22 June 2022	
44.	Octagon SM San Jose	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	6 April 2016	Valid
		National Telecommunications Commission	Dealer's Permit	8 September 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	8 September 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	22 June 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	22 June 2022	Valid
45.	Octagon Urdaneta CB Mall	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	5 November 2012	Valid
		National Telecommunications Commission	Dealer's Permit	07 May 2022	Valid
		National Telecommunications Commission	Mobile Phone Retailer/Reseller's Permit	16 June 2022	Valid
		Optical Media Board	License to Operate	2 June 2022	Valid

			(Retailer of Business Software)		
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	11 June 2021	Pending release of permit
46.	Octagon SM Cabanatuan	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	2 November 2015	Valid
		National Telecommunications Commission	Dealer's Permit	8 September 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	8 September 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	22 June 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	22 June 2022	Valid
47.	Octagon SM Marilao	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	1 September 2005	Valid
		National Telecommunications Commission	Dealer's Permit	25 January 2022	Valid

		National Telecommunications Commission	Mobile Phone Dealer's Permit	19 June 2022	
		Optical Media Board	License to Operate (Retailer of Business Software)	11 June 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	11 June 2022	Valid
48.	Octagon Vigan	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	11 May 2004	Valid
		National Telecommunications Commission	Dealer's Permit	8 October 2022	Valid
		National Telecommunications Commission	Mobile Phone Retailer/Reseller's Permit	4 July 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	11 June 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	11 June 2022	Valid
49.	Octagon SM Olongapo Tapinac	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	10 September 2019	Valid

		National Telecommunications Commission	Dealer's Permit	11 November 2022	Valid
		National Telecommunications Commission	Mobile Phone Retailer/Reseller's Permit	11 November 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	30 June 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	30 June 2022	Valid
50.	Octagon SM Tuguegarao	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	25 September 2017	Valid
		National Telecommunications Commission	Dealer's Permit	28 February 2023	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	28 February 2023	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	30 June 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	30 June 2022	Valid
51.	Octagon Robinsons Pangasinan	Local City Government	Business Permit	31 December 2022	Valid

		Bureau of Internal Revenue	BIR Certificate of Registration	15 March 2012	Valid
		National Telecommunications Commission	Dealer's Permit	31 May 2022	Valid
		National Telecommunications Commission	Mobile Phone Retailer/Reseller's Permit	4 July 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	11 June 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	11 June 2022	Valid
52.	Octagon Laoag	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	4 March 2004	Valid
		National Telecommunications Commission	Dealer's Permit	15 October 2022	Valid
		National Telecommunications Commission	Mobile Phone Retailer/Reseller's Permit	4 July 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	19 June 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	11 June 2022	Valid

53.	Octagon SM Telabastagan	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	11 May 2018	Valid
		National Telecommunications Commission	Dealer's Permit	5 June 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	5 June 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	11 June 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	11 June 2022	Valid
54.	Octagon Robinsons Tuguegarao	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	5 June 2018	Valid
		National Telecommunications Commission	Dealer's Permit	26 September 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	21 September 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	30 June 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	30 June 2022	Valid

55.	Octagon Tuguegarao Luna	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	23 March 2004	Valid
		National Telecommunications Commission	Dealer's Permit	26 September 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	21 September 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	11 June 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	11 June 2022 Recordable Disc – 19 June 2022	Valid
56.	Octagon Robinsons Santiago	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	12 May 2015	Valid
		National Telecommunications Commission	Dealer's Permit	26 September 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	21 September 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	2 June 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer,	12 June 2022 (Optical Disc Writer)	Valid

			Recordable Disc, Storage Device)	11 June 2022 (Recordable Disc, Storage Device)	
57.	Octagon Starmall	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	16 August 2012	Valid
		National Telecommunications Commission	Dealer's Permit	12 November 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	25 August 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	11 June 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	11 June 2022	Valid
58.	Octagon SM City Tarlac	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	5 April 2010	Valid
		National Telecommunications Commission	Dealer's Permit	1 February 2023	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	19 June 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	11 June 2022	Valid

		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	11 June 2022	
59.	Octagon SM Olongapo	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	26 December 2011	Valid
		National Telecommunications Commission	Dealer's Permit	7 June 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	23 July 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	11 June 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	11 June 2022	Valid
60.	Octagon SM Center Pulilan	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	21 November 2017	Valid
		National Telecommunications Commission	Dealer's Permit	8 May 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	19 June 2022	Valid
		Optical Media Board	License to Operate	22 June 2022	Valid

			(Retailer of Business Software)		
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	22 June 2022	Valid
61.	Octagon NE Pacific Mall	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	6 April 2016	Valid
		National Telecommunications Commission	Dealer's Permit	7 July 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	7 July 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	22 June 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	22 June 2022	Valid
62.	Octagon SM Cauayan	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	17 June 2004	Valid
		National Telecommunications Commission	Dealer's Permit	26 September 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	21 September 2022	Valid

		Optical Media Board	License to Operate (Retailer of Business Software)	11 June 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	11 June 2022	Valid
63.	Octagon SM Clark	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	4 May 2006	Valid
		National Telecommunications Commission	Dealer's Permit	Jan 19 2023	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	19 June 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	11 June 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	19 June 2022	Valid
64.	Octagon Nepo Mall	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	19 September 2003	Valid
		National Telecommunications Commission	Dealer's Permit	25 September 2022	Valid

		National Telecommunications Commission	Mobile Phone Dealer’s Permit	July 4 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	11 June 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	11 June 2022	Valid
65.	Octagon Vigan Xentromall	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	22 September 2017	Valid
		National Telecommunications Commission	Dealer’s Permit	30 May 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer’s Permit	23 August 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	23 June 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	23 June 2022	Valid
66.	Octagon Robinsons La Union	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	9 October 2021	Valid

		National Telecommunications Commission	Dealer's Permit		Pending release of permit
		National Telecommunications Commission	Mobile Phone Dealer's Permit		Pending release of permit
		Optical Media Board	License to Operate (Retailer of Business Software)	5 June 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	5 June 2022	Valid

SOUTH LUZON					
67.	Octagon Calapan Camilmil	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	24 November 2020	Valid
		National Telecommunications Commission	Dealer's Permit	8 March 2023	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	8 March 2023	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	14 July 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	July 14, 2022	Valid
68.		Local City Government	Business Permit	31 December 2022	Valid

	Octagon SM Trece Martires	Bureau of Internal Revenue	BIR Certificate of Registration	3 May 2018	Valid
		National Telecommunications Commission	Dealer's Permit	29 August 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	29 September 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	22 July 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	22 July 2022	Valid
69.	Octagon SM Dasmariñas	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	2 July 2018	Valid
		National Telecommunications Commission	Dealer's Permit	Oct 2, 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	25 August 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	19 July 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	19 July 2022	Valid
70.	Octagon General Trias	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	6 June 2018	Valid

		National Telecommunications Commission	Dealer's Permit	28 October 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	26 July 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	22 July 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	22 July 2022	Valid
71.	Octagon SM Sta. Rosa	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	6 June 2018	Valid
		National Telecommunications Commission	Dealer's Permit	3 December 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	3 December 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	19 July 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	19 July 2022	Valid
72.	Octagon Robinsons Galleria South	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	3 March 2021	Valid
		National Telecommunications Commission	Dealer's Permit	4 July 2022	Valid

		National Telecommunications Commission	Mobile Phone Dealer's Permit	4 July 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	17 July 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	17 July 2022	Valid
73.	Octagon NCCC Mall	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	21 January 2018	Valid
		National Telecommunications Commission	Dealer's Permit	6 September 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	6 September 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	22 July 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	22 July 2022	Valid
74.	Octagon SM Lucena	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	2 July 2018	Valid
		National Telecommunications Commission	Dealer's Permit	25 September 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	3 July 2022	Valid

		Optical Media Board	License to Operate -Retailer of Business Software	19 July 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	19 July 2022	Valid
75.	Octagon Xentromall	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	17 May 2012	Valid
		National Telecommunications Commission	Dealer's Permit	27 June 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	23 August 2022	Valid
		Optical Media Board	License to Operate - Retailer of Business Software	19 July 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	19 July 2022 (Optical Disc Writer, Recordable Disc) 26 July 2022 (Storage Device)	Valid
76.	Octagon Palawan	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	6 June 2018	Valid
		National Telecommunications Commission	Dealer's Permit	6 September 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	6 September 2022	Valid

		Optical Media Board	License to Operate -Retailer of Business Software	19 July 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	26 July 2022	Valid
77.	Octagon Tabaco Mall	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	2 July 2018	Valid
		National Telecommunications Commission	Dealer's Permit	9 October 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	6 March 2023	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	19 August 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	19 August 2022	Valid
78.	Octagon Pacific Mall	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	2 July 2018	Valid
		National Telecommunications Commission	Dealer's Permit	8 Oct 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	6 March 2023	Valid
		Optical Media Board	License to Operate (Retailer	19 August 2022	Valid

			of Business Software)		
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	19 August 2022	Valid
79.	Octagon SM Bacoor	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	5 June 2018	Valid
		National Telecommunications Commission	Dealer’s Permit	29 August 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer’s Permit	15 September 2022	Valid
		Optical Media Board	License to Operate – Retailer of Business Software	19 July 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	19 July 2022	Valid
80.	Octagon SM Rosario	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	28 January 2010	Valid
		National Telecommunications Commission	Dealer’s Permit	4 July 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer’s Permit	25 August 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	19 July 2022	Valid

		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	19 July 2022	Valid
81.	Octagon SM Molino	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	16 May 2008	Valid
		National Telecommunications Commission	Dealer's Permit	29 August 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	25 August 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	19 July 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	19 July 2022	Valid
82.	Octagon Batangas	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	6 June 2018	Valid
		National Telecommunications Commission	Dealer's Permit	25 September 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	22 September 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	27 July 2022	Valid

		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	27 July 2022	Valid
83.	Octagon SM Lemery	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	24 July 2017	Valid
		National Telecommunications Commission	Dealer's Permit	27 November 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	27 November 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	22 July 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	22 July 2022	Valid
84.	Octagon Robinsons Palawan	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	2 July 2018	Valid
		National Telecommunications Commission	Dealer's Permit	6 September 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	6 September 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	19 July 2022	Valid
		Optical Media Board	License to Operate – Retailer	19 July 2022	Valid

			(Optical Disc Writer, Recordable Disc, Storage Device)		
85.	Octagon SM Batangas	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	31 March 2005	Valid
		National Telecommunications Commission	Dealer's Permit	25 September 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	22 September 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	19 July 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	19 July 2022	Valid
86.	Octagon LCC Mall	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	2 July 2018	Valid
		National Telecommunications Commission	Dealer's Permit	9 October 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	6 March 2023	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	19 August 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer,	19 August 2022	Valid

			Recordable Disc, Storage Device)		
87.	Octagon SM San Pablo	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	3 May 2018	Valid
		National Telecommunications Commission	Dealer's Permit	8 December 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	22 August 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	19 July 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	19 July 2022	Valid
88.	Octagon SM Legazpi	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	5 June 2018	Valid
		National Telecommunications Commission	Dealer's Permit	9 October 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	9 October 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	13 August 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	13 August 2022	Valid

89.	Octagon Robinsons Lipa	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	2 July 2018	Valid
		National Telecommunications Commission	Dealer's Permit	27 September 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	16 March 2023	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	19 July 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	19 July 2022	Valid
90.	Octagon SM Lipa	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	2 July 2018	Valid
		National Telecommunications Commission	Dealer's Permit	25 March 2023	Valid
		National Telecommunications Commission	Mobile Phone Retailer/Reseller's Permit	23 March 2023	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	July 19, 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	July 19, 2022	Valid
91.	Octagon SM Palawan	Local City Government	Business Permit	31 December 2022	Valid

		Bureau of Internal Revenue	BIR Certificate of Registration	3 May 2018	Valid
		National Telecommunications Commission	Dealer's Permit	14 March 2023	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	14 March 2023	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	29 July 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	29 July 2022	Valid
92.	Octagon SM Calamba	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	2 July 2018	Valid
		National Telecommunications Commission	Dealer's Permit	8 December 2022	Valid
		National Telecommunications Commission	Mobile Phone Retailer/Reseller's Permit	27 November 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	July 19, 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	July 26, 2022	Valid
93.	Octagon SM Naga	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	2 July 2018	Valid

		National Telecommunications Commission	Dealer's Permit	20 June 2022	Valid
		National Telecommunications Commission	Mobile Phone Retailer's Permit	6 March 2023	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	26 August 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	26 August 2022	Valid
94.	Octagon SM Daet	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	15 October 2020	Valid
		National Telecommunications Commission	Dealer's Permit	16 November 2022	Valid
		National Telecommunications Commission	Mobile Phone Retailer's Permit	16 November 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	23 August 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	23 August 2022	Valid
VISAYAS					
95.	Octagon SM Tacloban	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	20 April 2004	Valid

		National Telecommunications Commission	Dealer's Permit	8 November 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	8 November 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	05 September 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	5 September 2022	Valid
96.	Octagon Robinsons Tacloban	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	22 April 2017	Valid
		National Telecommunications Commission	Dealer's Permit	3 October 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	4 October 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	22 September 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	22 September 2022 Storage Devices – 29 September 2022	Valid
97.	Octagon SM Cebu Mabolo	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	04 April 2004	Valid
		National Telecommunications Commission	Dealer's Permit	25 September 2022	Valid

		National Telecommunications Commission	Mobile Phone Dealer's Permit	09 September 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	05 September 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	05 September 2022	Valid
98.	Octagon Tacloban 3	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	24 November 2020	Valid
		National Telecommunications Commission	Dealer's permit for wireless data network equipment	5 March 2023	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	5 March 2023	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	22 September 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	22 September 2022	Valid
99.	Octagon SM Seaside	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	21 January 2016	Valid
		National Telecommunications Commission	Dealer's Permit	17 November 2022	Valid

		National Telecommunications Commission	Mobile Phone Dealers Permit	17 November 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	22 September 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	22 September 2022	Valid
100.	Octagon Ayala Malls Central Bloc	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	03 December 2019	Valid
		National Telecommunications Commission	Dealer's Permit	27 December 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	27 December 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	24 September 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	24 September 2022	Valid
101.	Octagon Robinsons Bacolod	Local City Government	Business Permit	31 December 2021	Pending release of permit
		Bureau of Internal Revenue	BIR Certificate of Registration	9 August 2007	Valid
		National Telecommunications Commission	Dealer's Permit for Wireless Date Network	25 September 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	10 January 2023	Valid

		Optical Media Board	License to Operate – Retailer of Business Software	5 September 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	5 September 2022	Valid
102.	Octagon Ayala Malls Capitol Central	Local City Government	Business Permit	31 December 2021	Pending release of permit
		Bureau of Internal Revenue	BIR Certificate of Registration	24 May 2018	Valid
		National Telecommunications Commission	Dealer's Permit for Wireless Data Network	6 March 2023	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	6 March 2023	Valid
		Optical Media Board	License to Operate – Retailer of Business Software	14 September 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	14 September 2022	Valid
103.	Octagon Dumaguete	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	8 April 2005	Valid
		National Telecommunications Commission	Dealer's Permit for Wireless Data Network	25 September 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	25 September 2022	Valid
		Optical Media Board	License to Operate	5 September 2022	Valid

			(Retailer of Business Software)		
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	5 September 2022	Valid
104.	Octagon Cebu Ayala	Local City Government	Business Permit	31 December 2021	Pending release of permit
		Bureau of Internal Revenue	BIR Certificate of Registration	14 October 2013	Valid
		National Telecommunications Commission	Dealer's Permit	18 October 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	18 October 2022	Valid
		Optical Media Board	License to Operate – Retailer of Business Software	27 September 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	5 September 2022	Valid
105.	Octagon J. Center	Local City Government	Business Permit	31 December 2021	Pending release of permit
		Bureau of Internal Revenue	BIR Certificate of Registration	13 April 2012	Valid
		National Telecommunications Commission	Dealer's Permit for Wireless Date Network	7 June 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	7 June 2022	Valid
		Optical Media Board	License to Operate (Retailer	5 September 2022	Valid

			of Business Software)		
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	5 September 2022	Valid
106.	Octagon SM Bacolod	Local City Government	Business Permit	31 December 2021	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	5 April 2018	Valid
		National Telecommunications Commission	Dealer's Permit	25 September 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	10 January 2023	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	5 September 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	5 September 2022	Valid
107.	Octagon Robinsons Iloilo	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	8 April 2005	Valid
		National Telecommunications Commission	Dealer's Permit for Wireless Date Network	6 August 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	6 August 2022	Valid
		Optical Media Board	License to Operate	5 September 2022	Valid

			(Retailer of Business Software)		
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	5 September 2022	Valid
108.	Octagon Bacolod	Local City Government	Business Permit	31 December 2021	Pending releasee of permit
		Bureau of Internal Revenue	BIR Certificate of Registration	24 May 2018	Valid
		National Telecommunications Commission	Dealer's Permit	23 September 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	23 September 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	14 September 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	14 September 2022	Valid
109.	Octagon Robinsons Dumaguete	Local City Government	Business Permit	31 December 2022	Pending release of permit
		Bureau of Internal Revenue	BIR Certificate of Registration	1 July 2019	Valid
		National Telecommunications Commission	Radio Communications Equipment Dealer's Permit	25 September 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	25 September 2022	Valid
		Optical Media Board	License to Operate (Retailer	5 September 2022	Valid

			of Business Software)		
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	5 September 2022	Valid
110.	Octagon Robinsons Cebu	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	25 January 2016	Valid
		National Telecommunications Commission	Dealer's Permit	17 November 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	17 November 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	22 September 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	22 September 2022	Valid
111.	Octagon Robinsons Jaro	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	5 June 2018	Valid
		National Telecommunications Commission	Dealer's Permit	4 April 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	4 April 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	2 September 2022	Valid

		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	2 September 2022	
112.	Octagon SM Ormoc	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	5 June 2018	Valid
		National Telecommunications Commission	Radio Communications Equipment Dealer's Permit	17 March 2023	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	17 March 2023	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	10 September 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	5 September 2022 (Optical Disc Writer) 10 September 2022 (Recordable Disc, Storage Device)	Valid
113.	Octagon SM Iloilo	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	8 April 2005	Valid
		National Telecommunications Commission	Radio Communications Equipment Dealer's Permit	6 August 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	6 August 2022	Valid
		Optical Media Board	License to Operate (Retailer	5 September 2022	Valid

			of Business Software)		
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	5 September 2022	Valid
NORTH MINDANAO					
114.	Octagon Limketkai Mall	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	14 November 2007	Valid
		National Telecommunications Commission	Radio Communications Equipment Dealer's Permit	15 October 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	1 September 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	9 October 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	9 October 2022	Valid
115.	Octagon KCC Mall Zamboanga	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	3 May 2018	Valid
		National Telecommunications Commission	Radio Communications Equipment Dealer's Permit	13 August 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	15 June 2022	Valid
		Optical Media Board	License to Operate (Retailer	22 October 2022	Valid

			of Business Software)		
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	22 October 2022	Valid
116.	Octagon Valencia 2	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	15 September 2015	Valid
		National Telecommunications Commission	Radio Communications Equipment Dealer's Permit	8 June 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	1 September 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	9 October 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	9 October 2022	Valid
117.	Octagon CDO 1	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	12 August 2003	Valid
		National Telecommunications Commission	Radio Communications Equipment Dealer's Permit	25 September 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	13 September 2022	Valid
		Optical Media Board	License to Operate (Retailer	9 October 2022	Valid

			of Business Software)		
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	9 October 2022	Valid
118.	Octagon Ozamis	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	27 January 2005	Valid
		National Telecommunications Commission	Radio Communications Equipment Dealer's Permit	25 September 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	1 September 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	9 October 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	9 October 2022	Valid
119.	Octagon Butuan 1	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	28 February 2006	Valid
		National Telecommunications Commission	Dealer's Permit	22 August 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	11 November 2022	Valid
		Optical Media Board	License to Operate (Retailer	9 October 2022	Valid

			of Business Software)		
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	9 October 2022	Valid
120.	Octagon Iligan 1	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	6 June 2018	Valid
		National Telecommunications Commission	Radio Communications Equipment Dealer's Permit	25 September 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	1 September 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	9 October 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	9 October 2022	Valid
121.	Octagon Centrio Mall	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	12 October 2002	Valid
		National Telecommunications Commission	Radio Communications Equipment Dealer's Permit	12 November 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	1 September 2022	Valid
		Optical Media Board	License to Operate (Retailer	9 October 2022	Valid

			of Business Software)		
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	9 October 2022	Valid
122.	Octagon Surigao	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	3 November 2006	Valid
		National Telecommunications Commission	Radio Communications Equipment Dealer's Permit	22 August 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	22 August 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	9 October 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	9 October 2022	Valid
123.	Octagon Surigao 2	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	17 May 2012	Valid
		National Telecommunications Commission	Radio Communications Equipment Dealer's Permit	22 August 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	22 August 2022	Valid
		Optical Media Board	License to Operate (Retailer	9 October 2022	Valid

			of Business Software)		
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	9 October 2022	Valid
124.	Octagon Robinsons Iligan	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	24 August 2017	Valid
		National Telecommunications Commission	Radio Communications Equipment Dealer's Permit	1 November 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	1 November 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	9 October 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	9 October 2022	Valid
125.	SM Mindpro (Zamboanga City)	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	15 October 2020	Valid
		National Telecommunications Commission	Dealer's Permit	8 July 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	8 July 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	3 October 2022	Valid

		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	3 October 2022	
126.	Octagon Gaisano Supermall	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	24 November 2011	Valid
		National Telecommunications Commission	Radio Communications Equipment Dealer's Permit	8 June 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	1 September 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	9 October 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	9 October 2022	Valid
127.	Octagon SM Butuan	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	5 October 2020	Valid
		National Telecommunications Commission	Radio Communications Equipment Dealer's Permit	16 November 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	16 November 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	30 October 2022	Valid

		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	30 October 2022	
128.	Octagon SM CDO	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	08 December 2003	Valid
		National Telecommunications Commission	Radio Communications Equipment Dealer's Permit	25 September 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	13 September 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	9 October 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	9 October 2022	Valid
129.	Octagon Dipolog 2	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	04 August 2014	Valid
		National Telecommunications Commission	Radio Communications Equipment Dealer's Permit	23 June 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	15 June 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	9 October 2022	Valid

		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	09 October 2022	
130.	Octagon Robinsons Butuan	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	07 November 2013	Valid
		National Telecommunications Commission	Radio Communications Equipment Dealer's Permit	22 August 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	22 August 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	9 October 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	9 October 2022	Valid
131.	Octagon Zamboanga	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	8 April 2018	Valid
		National Telecommunications Commission	Radio Communications Equipment Dealer's Permit	25 September 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	15 June 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	9 October 2022	Valid

		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	9 October 2022	
SOUTH MINDANAO					
132.	Octagon General Santos	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	17 February 2004	Valid
		National Telecommunications Commission	Radio Communications Equipment Dealer's Permit	22 September 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	12 July 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	9 October 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	9 October 2022	Valid
133.	Octagon SM Lanang	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	18 October 2012	Valid
		National Telecommunications Commission	Radio Communications Equipment Dealer's Permit	2 December 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	12 September 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	9 October 2022	Valid

		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	9 October 2022	Valid
134.	Octagon Marbel	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	12 October 2004	Valid
		National Telecommunications Commission	Radio Communications Equipment Dealer's Permit	22 September 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	12 July 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	9 October 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	9 October 2022	Valid
135.	Octagon SM General Santos	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	16 August 2012	Valid
		National Telecommunications Commission	Radio Communications Equipment Dealer's Permit	22 September 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	12 July 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	9 October 2022	Valid

		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	9 October 2022	Valid
136.	Octagon Davao	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	29 March 2012	Valid
		National Telecommunications Commission	Radio Communications Equipment Dealer's Permit	2 December 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	12 September 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	9 October 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	9 October 2022	Valid
137.	Octagon Digos	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	8 April 2005	Valid
		National Telecommunications Commission	Radio Communications Equipment Dealer's Permit	2 October 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	2 October 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	9 October 2022	Valid

		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	9 October 2022	Valid
138.	Octagon Tagum	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	20 March 2012	Valid
		National Telecommunications Commission	Radio Communications Equipment Dealer's Permit	2 December 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	12 September 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	9 October 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	9 October 2022	Valid
139.	Octagon Cotabato	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	12 January 2005	Valid
		National Telecommunications Commission	Radio Communications Equipment Dealer's Permit	22 September 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	7 September 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	9 October 2022	Valid

		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	9 October 2022	Valid
140.	Octagon Abreeza Mall	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	5 May 2011	Valid
		National Telecommunications Commission	Radio Communications Equipment Dealer's Permit	2 December 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	12 September 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	9 October 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	9 October 2022	Valid
141.	Octagon KCC Marbel Mall	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	12 January 2017	Valid
		National Telecommunications Commission	Radio Communications Equipment Dealer's Permit	30 August 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	5 August 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	9 October 2022	Valid

		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	9 October 2022	Valid
142.	Octagon Veranza Mall	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	15 July 2013	Valid
		National Telecommunications Commission	Radio Communications Equipment Dealer's Permit	Sept 22, 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	July 12, 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	9 October 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	9 October 2022	Valid
143.	Octagon SM Davao	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	29 March 2012	Valid
		National Telecommunications Commission	Radio Communications Equipment Dealer's Permit	2 December 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	12 September 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	9 October 2022	Valid

		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	9 October 2022	Valid
144.	Octagon Victoria	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	17 August 2007	Valid
		National Telecommunications Commission	Radio Communications Equipment Dealer's Permit	20 Sept 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	12 Sept 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	9 October 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	9 October 2022	Valid

Micro Valley

NATIONAL CAPITAL REGION					
145.	Micro Valley SM North EDSA	Local City Government	Business Permit	8 February 2023	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	2 February 2019	Valid
		National Telecommunications Commission	Dealer's Permit	12 September 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	12 September 2022	Valid

		Optical Media Board	License to Operate (Retailer of Business Software)	28 February 2022	Pending release of permit
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	28 February 2022	Pending release of permit
146.	Micro Valley Festival Mall	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	10 December 2006	Valid
		National Telecommunications Commission	Dealer's Permit	8 October 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	22 August 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	9 April 2022	Pending release of permit
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	9 April 2022	Pending release of permit
147.	Micro Valley SM San Mateo	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	16 May 2018	Valid
		National Telecommunications Commission	Dealer's Permit	16 June 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	15 June 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	20 July 2019	Pending release of permit

		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	20 July 2019	Pending release of permit
148.	Micro Valley Vmall Greenhills	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	18 May 2015	Valid
		National Telecommunications Commission	Dealer’s Permit	17 Dec 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer’s Permit	22 August 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	19 March 2022	Pending release of permit
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	19 March 2022	Pending release of permit
149.	Micro Valley SM Marikina	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	25 September 2018	Valid
		National Telecommunications Commission	Dealer’s Permit	12 September 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer’s Permit	12 September 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	10 April 2022	Pending release of permit
		Optical Media Board	License to Operate – Retailer	10 April 2022	Pending release of permit

			(Optical Disc Writer, Recordable Disc, Storage Device)		
150.	Micro Valley SM Southmall	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	21 May 2018	Valid
		National Telecommunications Commission	Dealer's Permit	21 October 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	21 October 2022	Valid
		Optical Media Board	License to Operate – (Retailer of Business Software)	20 April 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	20 April 2022	Valid
NORTH LUZON					
151.	Micro Valley SM Cabanatuan	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	21 September 2010	Valid
		National Telecommunications Commission	Dealer's Permit	17 May 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	19 July 2022	Valid
		Optical Media Board	Certificate of Accreditation (Retailer of Business Software)	11 June 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer,	11 June 2022	Valid

			Recordable Disc, Storage Device)		
SOUTH LUZON					
152.	Micro Valley SM Dasmariñas	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	12 December 2011	Valid
		National Telecommunications Commission	Dealer's Permit	29 August 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	25 August 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	19 July 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	19 July 2022 (Optical Disc Writer, Recordable Disc) 11 July 2022 (Storage Device)	Valid
153.	Micro Valley SM Batangas	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	7 December 2016	Valid
		National Telecommunications Commission	Dealer's Permit	16 February 2023	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	17 March 2023	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	26 July 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer,	26 July 2022	Valid

			Recordable Disc, Storage Device)		
154.	Micro Valley Pacific Mall Lucena	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	2 May 2006	Valid
		National Telecommunications Commission	Dealer's Permit	17 December 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	22 August 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	19 July 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	19 July 2022 (Optical Disc Writer) 12 July 2022 (Recordable Disc) 11 July 2022 (Storage Device)	Valid
155.	Micro Valley SM Molino	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	16 May 2018	Valid
		National Telecommunications Commission	Dealer's Permit	28 October 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	29 October 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	22 July 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	22 July 2022	Valid

156.	Micro Valley SM Lucena	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	13 October 2010	Valid
		National Telecommunications Commission	Dealer's Permit	2 October 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	3 July 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	19 July 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	19 July 2022 (Optical Disc Writer, Recordable Disc) 11 July 2022 (Storage Device)	Valid
157.	Micro Valley SM Sta. Rosa	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	29 December 2015	Valid
		National Telecommunications Commission	Dealer's Permit	3 December 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	14 March 2023	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	19 July 2019	Pending release of permit
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	19 July 2019	Pending release of permit
VISAYAS					
158.	Micro Valley SM Iloilo	Local City Government	Business Permit	31 December 2022	Valid

		Bureau of Internal Revenue	BIR Certificate of Registration	21 January 2016	Valid
		National Telecommunications Commission	Dealer's Permit	25 May 2022	Valid
		National Telecommunications Commission	Mobile Phone Retailer/Reseller's Permit	23 May 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	22 September 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	22 September 2022	Valid
159.	Micro Valley SM Bacolod	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	2 February 2004	Valid
		National Telecommunications Commission	Dealer's Permit	25 Sept. 2022	Valid
		National Telecommunications Commission	Mobile Phone Retailer/Reseller's Permit	10 January 2023	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	5 September 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	5 September 2022	Valid
160.	Micro Valley Dumaguete	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	13 February 2010	Valid
		National Telecommunications Commission	Dealer's Permit	25 September 2022	Valid

		National Telecommunications Commission	Mobile Phone Retailer/Reseller's Permit	25 September 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	5 September 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	5 September, 2022	Valid
SOUTH MINDANAO					
161.	Micro Valley Davao Ecoland	Local City Government	Business Permit	31 December 2021	Pending release of permit
		Bureau of Internal Revenue	BIR Certificate of Registration	12 April 2013	Valid
		National Telecommunications Commission	Radio Communications Equipment Dealer's Permit	2 December 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	12 September 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	9 October 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	9 October 2022	Valid
162.	Micro Valley KCC Mall General Santos	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	12 May 2015	Valid
		National Telecommunications Commission	Dealer's Permit	22 Sept 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	12 July 2022	Valid

		Optical Media Board	License to Operate – (Retailer of Business Software)	9 October 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	9 October 2022	Valid
163.	Micro Valley Davao Ilustre	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	August 17, 2007	Valid
		National Telecommunications Commission	Radio Communications Equipment Dealer's Permit	20 Sept 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	20 Sept 2022	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	9 October 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	9 October 2022	Valid

Gadget King

National Capital Region					
164.	Gadget King Sta Lucia	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	23 October 2016	Valid
		National Telecommunications Commission	Dealer's Permit	1 February 2023	Valid

		National Telecommunications Commission	Mobile Phone Dealer's Permit	19 January 2023	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	3 July 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	3 July 2022 (Optical Disc Writer, Recordable Disc) 4 July 2022 (Storage Device)	Valid
165.	Gadget King SM Fairview	Local City Government	Business Permit	8 February 2023	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	20 January 2020	Valid
		National Telecommunications Commission	Dealer's Permit	17 July 2023	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	17 July 2023	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	27 February 2023	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	27 February 2023	Valid
166.	Gadget King SM Novaliches	Local City Government	Business Permit	7 February 2023	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	September 11, 2019	Valid
		National Telecommunications Commission	Dealer's Permit	9 November 2023	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	07 September 2023	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	15 February 2022	Pending release of permit

		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	15 February 2022	Pending release of permit
167.	Gadget King SM Southmall	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	5 October 2020	Valid
		National Telecommunications Commission	Dealer's Permit	17 July 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	9 March 2023	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	03 April 2022	Pending release of permit
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	03 April 2022 (Optical Disc Writer, Recordable Disc) 27 April 2022 (Storage Device)	Pending release of permit
168.	Gadget King SM Sta Mesa	Local City Government	Business Permit	7 February 2023	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	18 February 2020	Valid
		National Telecommunications Commission	Dealer's Permit	17 July 2023	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	17 July 2023	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	27 February 2023	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	27 February 2023	Valid
169.		Local City Government	Business Permit	31 December 2022	Valid

	Gadget King Vmall Greenhills	Bureau of Internal Revenue	BIR Certificate of Registration	23 January 2020	Valid
		National Telecommunications Commission	Dealer's Permit	17 July 2023	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	17 July 2023	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	27 March 2023	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	27 March 2023	Valid
170.	Gadget King SM Marikina	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	23 October 2019	Valid
		National Telecommunications Commission	Dealer's Permit	19 February 2023	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	9 March 2023	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	06 April 2022	Pending release of permit
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	06 April 2022	Pending release of permit
171.	Gadget King SM Valenzuela	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	18 November 2019	Valid
		National Telecommunications Commission	Dealer's Permit	1 October 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	17 July 2022	Valid

		Optical Media Board	License to Operate (Retailer of Business Software)	03 May 2022	
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	03 May 2022 (Optical Disc Writer, Recordable Disc) 04 May 2022 (Storage Device)	Valid
172.	Gadget King San Mateo	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	Bureau of Internal Revenue	1 September 2021	Valid
		National Telecommunications Commission	Dealer's Permit	15 February 2023	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	15 February 2023	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	17 July 2022	Valid
		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	17 July 2022	Valid
NORTH LUZON					
173.	Gadget King SM San Jose	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	11 August 2019	Valid
		National Telecommunications Commission	Dealer's Permit	9 February 2023	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	9 February 2023	Valid
		Optical Media Board	Certificate of Accreditation (Retailer of Business Software)	3 June 2022	Valid

		Optical Media Board	License to Operate – Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	3 June 2022	
SOUTH LUZON					
174.	Gadget King SM Palawan	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	8 August 2022	Valid
		National Telecommunications Commission	Dealer's Permit	25 August 2022	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	15 March 2023	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	13 July 2022	Valid
		Optical Media Board	License to Operate - Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	13 July 2022	Valid
VISAYAS					
175.	Gadget King SM Iloilo	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	20 August 2019	Valid
		National Telecommunications Commission	Radio Communications Equipment Dealer's Permit	14 February 2023	Valid
		National Telecommunications Commission	Mobile Phone Dealer's Permit	14 February 2023	Valid
		Optical Media Board	License to Operate (Retailer of Business Software)	4 September 2022	Valid
		Optical Media Board	License to Operate - Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	4 September 2022	Valid
SOUTH MINDANAO					
176.	Gadget King	Local City Government	Business Permit	31 December 2022	Valid

	Gaisano Davao	Bureau of Internal Revenue	BIR Certificate of Registration	18 November 2019	Valid
		National Telecommunications Commission	Radio Communications Equipment Dealer's Permit		Pending release of permit
		National Telecommunications Commission	Mobile Phone Dealer's Permit	12 February 2022	Pending release of permit
		Optical Media Board	License to Operate - Retailer of Business Software	3 October 2022	Valid
		Optical Media Board	License to Operate - Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	3 October 2022	Valid
177.	Gadget King Gaisano Tagum	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	11 September 2019	Valid
		National Telecommunications Commission	Radio Communications Equipment Dealer's Permit	12 February 2021	Pending release of permit
		National Telecommunications Commission	Mobile Phone Dealer's Permit	12 February 2022	Pending release of permit
		Optical Media Board	License to Operate – Retailer of Business Software	3 October 2022	
		Optical Media Board	License to Operate - Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	3 October 2022	

Concept Stores

178.	ACER (Gaisano Mall of Davao)	Local City Government	Business Permit	31 December 2022	
		Bureau of Internal Revenue	BIR Certificate of Registration		For application

		National Telecommunications Commission	Dealer's Permit	20 September 2022	
		National Telecommunications Commission	Mobile Phone Dealer's Permit	12 September 2022	Valid
		Optical Media Board	License to Operate – Retailer of Business Software	9 October 2022	Valid
		Optical Media Board	License to Operate - Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	9 October 2022	Valid
179.	HP (Glorietta 2, Makati)	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	6 October 2021	Valid
		National Telecommunications Commission	Dealer's Permit		For application
		National Telecommunications Commission	Mobile Phone Dealer's Permit		For application
		Optical Media Board	License to Operate - Retailer (Optical Disc Writer, Recordable Disc, Storage Device)		For application
180.	Brother (SM North EDSA)	Local City Government	Business Permit	11 February 2023	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	9 October 2021	Valid
		National Telecommunications Commission	Dealer's Permit		For application
181.	Silvertec (SM North EDSA)	Local City Government	Business Permit	14 February 2023	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	17 August 2021	Valid

		National Telecommunications Commission	Dealer's Permit		For application
		Optical Media Board	License to Operate – Retailer of Business Software	5 February 2023	Valid
		Optical Media Board	License to Operate - Retailer (Optical Disc Writer, Recordable Disc, Storage Device)	5 February 2023	Valid

Mobile Store

182.	Octagon Mobile SM Sta. Mesa	Local City Government	Business Permit	11 February 2023	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	7 September 2021	Valid
		National Telecommunications Commission	Dealer's Permit		For application
		National Telecommunications Commission	Mobile Phone Dealer's Permit		For application
		Optical Media Board	License to Operate – Retailer of Business Software		For application
		Optical Media Board	License to Operate - Retailer (Optical Disc Writer, Recordable Disc, Storage Device)		For application
183.	Octagon Mobile Dipolog	Local City Government	Business Permit	31 December 2022	Valid
		Bureau of Internal Revenue	BIR Certificate of Registration	6 March 2007	Valid
		National Telecommunications Commission	Dealer's Permit	1 June 2022	Valid

		National Telecommunications Commission	Mobile Phone Dealer's Permit	1 December 2022	Valid
		Optical Media Board	License to Operate – Retailer of Business Software	9 October 2022	Valid
		Optical Media Board	License to Operate – Retailer for Optical Disc Writer	9 October 2022	Valid
		Optical Media Board	License to Operate – Retailer for Recordable Disc	9 October 2022	Valid
		Optical Media Board	License to Operate – Retailer for Storage Device	9 October 2022	Valid

II. LIST OF TRADEMARKS USED BY UPSON INTERNATIONAL CORP.

Trademark	Issuing Agency	Date of Filing of the Application / Renewal	Issuance/Validity / Expiry Date	Status/Remarks
Octagon	Intellectual Property Office	17 January 2022	12 April 2021	For application
Microvalley Computer Superstore	Intellectual Property Office	17 January 2022		For application
Gadget King	Intellectual Property Office	29 October 2021	29 October 2031	Valid
Gadget World	Intellectual Property Office			For application
Octagon Mobile	Intellectual Property Office			For application
Uniso	Intellectual Property Office			For application