SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended: **March 31, 2020**
2. SEC Identification Number: **CS200705607**
3. BIR Tax Identification No.: **006-710-876**
4. Exact name of issuer as specified in its charter: **SSI Group, Inc.**
5. Province, country or other jurisdiction of incorporation or organization: **Makati City, Philippines**
6. Industry Classification Code: [ ] (SEC Use Only)
7. Address of principal office:
   6/F Midland Buendia Building, 403 Sen. Gil Puyat Avenue, Makati City

   Postal Code: **1200**
8. Issuer's telephone number, including area code: **(632) 8890 8034**
9. Former name, former address, and former fiscal year, if changed since last report: **N/A**
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding as of September 30, 2019
Common Shares	**3,298,408,430**

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

    Yes [√]   No [ ]

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

    Philippine Stock Exchange - Common Shares

12. Indicate by check mark whether the registrant:

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

    Yes [√]   No [ ]

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

    Yes [√]   No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The Company's unaudited interim condensed consolidated financial statements as of March 31, 2020 (with comparative audited figures as of December 31, 2019) and for the three-month periods ended March 31, 2020 and 2019 are attached to this Report.

Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS

For the three months ended March 31, 2020 and 2019

Key Performance Indicators	**For the three months ended March 31**	
PhP MM except where indicated	**2020**	**2019**
Net Sales	4,283	4,921
Gross Profit – merchandise	1,975	2,228
Operating Income	155	306
Net Income	110	171
Gross Selling Space (sq.m.)	118,922	119,754
Decrease in Gross Selling Space (%)	1.1%	5.4%

The manner by which the Company calculates the key performance indicators above is as follows:

Net sales	Sales, net of VAT, less sales returns and allowances and sales discounts
Gross profit	Net sales less cost of sales
Operating income	Gross profit less operating expenses
Net income	Operating income less other charges
Gross selling space	Sum of floor area of all stores of the Group

Key Financial and Operating Data	**For the three months ended March 31**	
PhP MM except where indicated	**2020**	**2019**
Key Financial Data		
Net Sales	4,283	4,921
Luxury & Bridge	1,282	1,376
Casual	570	637
Fast Fashion	1,439	1,622
Footwear, Accessories & Luggage	378	558
Others	614	729
Gross Profit	1,975	2,228
Gross Profit Margin (%)	46.1%	45.3%
Operating Income	155	306
Operating Income Margin (%)	3.6%	6.2%
Other Income (Charges)	(16)	(58)
Net Income	110	171
Net Income Margin (%)	2.6%	3.5%
Recurring Net Income[1]	120	184
Recurring Income Margin (%)	2.8%	3.7%
Total Debt[2]	4,489	4,831
Net Debt[3]	2,917	2,954
Key Operating Data		
Number of Stores	593	594
Gross Selling Space (sq.m.)	118,922	119,754
Decrease in Gross Selling Space (%)	1.1%	5.4%

Revenues

Net sales

SSI Group, Inc. ("SSI," the "Company" or the "Group") generated sales of ₱4.3 billion, a decrease of 13.0% as compared to the same period last year. During the first quarter, the Group's operations were impacted by the COVID-19 pandemic and the declaration of an Enhanced Community Quarantine (ECQ) which resulted in the temporary closure of all stores beginning March 17, 2020. As a consequence, the Company saw a steep decline in March 2020 sales.

However, sales in January and February remained healthy with growth of 11.0% as compared to the same period last year. Sales growth of 11.0% during the first two (2) months of the year was achieved despite low mall foot traffic during the period of the Taal volcano eruption in January, and the general public's concerns regarding COVID-19, with awareness of COVID-19 becoming widespread at the end of January.

In compliance with government regulations, the Group reopened its two (2) Shake Shack restaurants on April 16, 2020. The balance of the Group's stores reopened on June 1, 2020.

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[1] Recurring Net Income is derived by excluding the effect of non-recurring write-offs related to store closures and write-offs of expiring NOLCO from the Group's net income

[2] Calculated as the sum of Short-term loans payable, Current portion of long-term debt and Long-term debt

[3] Calculated as Total Debt minus Cash

As of March 31, 2020, the Group's store network included 593 stores nationwide covering approximately 118,447 square meters. During the first three months of 2019, the Group opened six (6) stores covering 454 square meters and permanently closed six (6) stores covering 929 square meters.

As of March 31, 2020, the Group had 95 brands in its brand portfolio, with no brands added or discontinued during the first quarter of 2019.

The following table sets out the Group's number of stores and gross selling space for the periods ended March 31, 2020 and 2019 and for the year ended December 31, 2019.

Store Network	**March 31**		**December 31**
	2020	**2019**	**2019**
Number of Stores*	593	594	593
Luxury & Bridge	148	134	147
Casual	76	75	76
Fast Fashion	58	65	58
Footwear, Accessories & Luggage	158	166	158
Others	153	154	154
Gross Selling Space (sq.m.)	118,447	119,754	118,922
Luxury & Bridge	13,852	12,959	13,705
Casual	12,721	13,110	12,721
Fast Fashion	50,862	50,656	50,862
Footwear, Accessories & Luggage	21,100	22,429	21,529
Others	19,913	20,601	20,107

*Number of stores for the period excludes the store located in Guam.
As of March 31, 2020, the Group operated one (1) store in Guam which contributed de minimis sales to the Group's net sales for the period.

Rental income
The Group booked rental income of ₱13.3 million during the first quarter of 2020. Rental income relates to the leasing out of certain store spaces at Central Square, the sub-lease of store spaces at NAIA Terminal 3 as well as income derived from parking spaces at Central Square.

Gross Profit

Gross profit for the first three months of the year amounted to ₱2.0 billion, a decrease of 11.6% over the same period in 2019. The decrease was mainly a function of the decrease in sales due to the temporary closure of stores nationwide during the last two weeks of the quarter.

Gross profit margin for merchandise sold during the three-month period was 46.1% as compared to 45.3% during the same period last year.

Operating Expenses

During the first three months of 2020, the Group incurred total operating expenses of ₱1.8 billion, a 5.6% decrease over ₱1.9 billion incurred in 2019. As a percentage of net sales, however, total operating expenses increased to 42.7% of net sales as compared to 39.4% during the same period last year. The increase in the opex to net sales ratio reflects the impact of the temporary closure of the Group's stores beginning March 17, 2020.

Selling and distribution expenses during the first quarter of 2019 were at ₱1.5 billion which is a decrease of 6.8% over ₱1.6 billion during the same period in 2019. The decrease was primarily due to decreases in rent expense to ₱410.5 million, utilities to ₱102.4 million, and credit card charges to ₱81.4 million. As a percentage of net sales, selling and distribution expenses were at 35.5% during the period ended March 31, 2020 as compared to 33.1% during the same period last year. The decrease in rental expense, utilities expense and credit card charges are all attributable to the temporary closure of the Group's stores beginning March 17.

General and administrative expenses during the period were at ₱311.1 million as compared ₱309.5 million during the same quarter last year. The 0.5% increase was primarily attributable to an increase in personnel costs to ₱170.7 million.

As a result of the foregoing, operating income for the first three months of 2020 amounted to ₱155.3 million as compared to ₱306.0 million during the same period last year.

Other Income (Charges)

The Group incurred other charges of ₱16.0 million during the first quarter of 2020 as compared to ₱58.2 million during the same period last year. The decrease was mainly due to lower interest expense incurred reflecting lower average debt levels and lower average interest rates during the period.

Provision for Income Tax

Provision for income tax for the three months March 31, 2020 amounted to ₱29.4 million, which translates to an effective tax rate of 21.1%.

Net Income

As a result of the foregoing, net income for the first quarter of 2019 amounted to ₱109.9 million, a decrease of 35.6% as compared to the same period last year.

FINANCIAL CONDITION

As of March 31, 2020, the Group had consolidated assets of ₱21.8 billion as of March 31, 2019, a 1.4% decrease as compared to ₱22.1 billion as of December 31, 2019.

Current Assets

As of March 31, 2020, the Group had consolidated current assets of ₱14.0 billion, as compared to ₱14.3 billion as of December 31, 2019.

Cash

As of March 31, 2020, cash amounted to ₱1.6 billion as compared to ₱2.5 billion at the end of 2019. The decrease was primarily due to cash flows used in operating activities amounting to ₱637.4 million. payment of capital expenditures amounting to ₱156.0 million, and the Group's payment of its loans and related interest, net of availments, amounting to ₱111.2 million.

Merchandise Inventory

As of March 31, 2020, merchandise inventory amounted to ₱10.4 billion as compared to ₱9.8 billion at the end of 2019. Higher inventory levels are a result of reduced sales due to temporary store closures.

Prepayments and other Current Assets

As of March 31, 2020, prepayments and other current assets amounted to ₱1.3 billion as compared to ₱1.2 billion at the end of 2019. The increase was mainly because of increases in prepaid tax to ₱96.8 million, advances to suppliers to ₱437.3 million, and deferred input VAT to ₱40.3 million.

Non-Current Assets

Investment in an Associate

As of March 31, 2020, investment in an associate amounted to ₱105.1 million as compared to ₱86.8 million at the end of 2019. The increase reflects the Group's share in the net earnings of SPI during the period amounting to ₱18.4 million.

Deferred Tax Assets

As of March 31, 2020, deferred tax assets amounted to ₱376.0 million as compared to ₱334.3 million at the end of 2019. These pertain to tax assets recognized for the Group's deductible temporary differences, carryforward benefits of unused minimum corporate income tax (MCIT) and NOLCO, to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and the carryforward benefits of unused MCIT and NOLCO can be utilized.

Other Noncurrent Assets

As of March 31, 2020, other noncurrent assets amounted to ₱193.8 million as compared to ₱182.4 million at the end of 2019. The 6.2% increase was mainly due to an increase in miscellaneous deposits to ₱88.9 million, which include advance payments to contractors for the construction and renovation of stores.

Current Liabilities

As of March 31, 2020, the Group's total consolidated current liabilities amounted to ₱7.8 billion as compared to ₱8.1 billion at the end of 2019.

Trade and Other Payables

As of March 31, 2020, trade and other payables amounted to ₱2.1 billion as compared to ₱2.5 billion at the end of 2019. The 17.4% decrease primarily reflects decreases in nontrade payables, accrued expenses and output VAT, which decreased by a total of ₱361.0 million. Trade payables increased to ₱1.5 billion during the first quarter of 2020, from ₱1.3 billion, reflecting payment terms during the period.

Non- Current Liabilities

Long-term Debt

As of March 31, 2020, the Group's total long-term debt amounted to ₱288.8 million as compared to ₱401.5 million at the end of 2019. The decrease reflects the Group's quarterly repayments on the ₱2.0 billion and ₱500.0 million term loan facilities. Principal repayments due within the next 12 months are classified as current while those due beyond 12 months are classified as noncurrent. As of March 31, 2020, current portion amounted to ₱284.0 million while noncurrent was at ₱4.8 million.

Equity

As of March 31, 2020, equity amounted to ₱11.5 billion as compared to ₱11.4 billion at the end of 2019. The increase reflects the Group's net income for the first quarter of 2019 amounting to ₱109.9 million. SSI also bought additional treasury shares out of it unrestricted retained earnings during the period amounting to ₱12.8 million.

CASH FLOWS

The Group generated operating cash flows before working capital changes of ₱477.0 million during the first quarter of 2020. However, an increase in merchandise inventories and a decrease in trade and other payables totaling ₱1.1 billion contributed to the net decrease, bringing the cash from operating activities to the amount of ₱637.4 million.

Cash flows used in investing activities amounted to ₱158.8 million reflecting the Group's payments for capital expenditures during the period.

During the first three months of 2020, the Group made repayments of its loans and the related interest, net of availments, amounting to ₱111.2 million and purchased treasury shares worth ₱12.8 million.

Other Disclosures

(i) There are no known trends, events or uncertainties that will result in the Company's liquidity increasing or decreasing in a material way.

(ii) There were no events that will trigger direct or contingent financial obligations that are material to the Company, including and default or acceleration of an obligation.

(iii) Likewise there were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

(iv) There are no material commitments for capital expenditures aside from those performed in the ordinary course of business.

(v) The closure of substantially all of the Group's stores from March 17, 2020 to May 31, 2020 are expected to have a material impact on the Group's revenues in the second quarter of 2020.

(vi) There were no significant elements of income or loss that did not arise from continuing operations.

(vii) The Group usually experiences the fourth quarter of the year as the peak season relating to increased sales resulting from the Christmas and New Year holidays.

PART II – OTHER INFORMATION

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

SIGNATURES

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

SSI GROUP, INC.

By:

ROSSELLINA J. ESCOTO
Authorized Signatory
Vice President - Finance

June 30, 2020

SSI Group, Inc. and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements
As of March 31, 2020 *(With Comparative Audited Figures as of December 31, 2019)*
and For the Three-Month Periods Ended March 31, 2020 and 2019

SSI GROUP, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEETS

As of March 31, 2020
(With Comparative Audited Figures as of December 31, 2019)

	March 31 2020 (Unaudited)	December 31 2019 (Audited)
ASSETS		
Current Assets		
Cash (Note 3)	**₱1,572,233,942**	₱2,492,459,933
Trade and other receivables (Note 4)	**749,626,290**	785,743,181
Merchandise inventories (Note 5)	**10,449,600,482**	9,818,880,088
Prepayments and other current assets (Note 6)	**1,251,385,922**	1,167,736,212
Total Current Assets	**14,022,846,636**	14,264,819,414
Noncurrent Assets		
Investment in an associate (Note 7)	**105,127,963**	86,776,792
Interests in joint ventures (Note 8)	**573,935,040**	568,859,842
Property and equipment (Note 9)	**5,463,461,205**	5,592,880,009
Deferred tax assets - net	**375,952,652**	334,276,084
Security deposits and construction bonds (Note 23)	**1,027,596,877**	1,035,414,362
Other noncurrent assets (Note 10)	**193,774,437**	182,435,276
Total Noncurrent Assets	**7,739,848,174**	7,800,642,365
TOTAL ASSETS	**₱21,762,694,810**	₱22,065,461,779

	March 31 2020 (Unaudited)	December 31 2019 (Audited)
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 11)	**₱2,091,315,639**	₱2,531,640,071
Short-term loans payable (Note 12)	**4,200,000,000**	4,075,000,000
Current portion of long-term debt (Note 13)	**283,986,981**	283,986,981
Current portion of lease liabilities (Note 23)	**941,164,285**	980,470,908
Deferred revenue	**20,991,291**	20,991,291
Income tax payable	**225,065,198**	162,001,413
Total Current Liabilities	**7,762,523,394**	8,054,090,664
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 13)	**4,811,071**	117,554,404
Retirement benefit obligation	**613,456,415**	600,692,107
Lease liabilities - net of current portion (Note 23)	**1,828,147,449**	1,851,991,876
Tenant deposits (Note 23)	**36,976,735**	19,864,451
Total Noncurrent Liabilities	**2,483,391,670**	2,590,102,838
Total Liabilities	**10,245,915,064**	10,644,193,502
Equity		
Capital stock	**3,312,864,430**	3,312,864,430
Additional paid-in capital	**2,519,309,713**	2,519,309,713
Treasury shares	**(30,893,010)**	(18,103,900)
Retained earnings		
Appropriated	**1,100,000,000**	1,100,000,000
Unappropriated	**4,774,416,276**	4,664,505,311
Cumulative translation adjustment	**(2,169,584)**	(2,169,584)
Other comprehensive loss	**(156,748,079)**	(155,137,693)
Total Equity	**11,516,779,746**	11,421,268,277
TOTAL LIABILITIES AND EQUITY	**₱21,762,694,810**	₱22,065,461,779

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

SSI GROUP, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Three-Month Periods Ended March 31	
	2020 (Unaudited)	2019 (Unaudited)
REVENUES		
Revenue from contract with customers - net sales	**₱4,282,894,697**	₱4,921,393,289
Rental income (Note 23)	**13,312,327**	19,592,247
	4,296,207,024	4,940,985,536
COST OF GOODS SOLD AND SERVICES (Note 14)	**2,311,609,303**	2,697,008,901
GROSS PROFIT	**1,984,597,721**	2,243,976,635
OPERATING EXPENSES		
Selling and distribution (Note 15)	**1,518,183,879**	1,628,428,862
General and administrative (Note 16)	**311,143,183**	309,514,765
	1,829,327,062	1,937,943,627
OTHER INCOME (CHARGES)		
Interest expense (Notes 12 and 13)	**(60,342,065)**	(77,365,110)
Loss on disposal of property and equipment (Note 9)	**(15,049,070)**	(16,491,551)
Share in net earnings of an associate (Note 7)	**18,351,171**	12,616,450
Share in net losses of joint ventures (Note 8)	**5,075,197**	9,424,812
Interest income (Note 3)	**857,248**	1,853,114
Foreign exchange gains - net	**(6,815,958)**	(962,612)
Interest accretion on security deposits (Note 23)	**836,068**	638,987
Others – net	**41,117,421**	12,045,856
	(15,969,988)	(58,240,054)
INCOME BEFORE INCOME TAX	**139,300,671**	247,792,954
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	**76,993,733**	90,838,710
Deferred	**(47,587,587)**	(13,663,698)
	29,406,146	77,175,012
NET INCOME	**109,894,525**	170,617,942
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Cumulative translation adjustment on foreign operations, net of deferred tax	**–**	16,210
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Re-measurement gain (loss) on retirement benefit, net of deferred tax	**(1,610,386)**	(11,409,202)
TOTAL COMPREHENSIVE INCOME	**₱108,284,139**	₱159,224,950
BASIC/DILUTED EARNINGS PER SHARE (Note 20)	**₱0.03**	₱0.05

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

SSI GROUP, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2020 AND 2019

	Capital Stock	Additional Paid-in Capital	Treasury Shares	Retained Earnings: Appropriated	Retained Earnings: Unappropriated	Cumulative Translation Adjustment	Other Comprehensive Income	Total
Balances at January 1, 2019	₱3,312,864,430	₱2,519,309,713	(₱7,558,440)	₱1,100,000,000	₱3,901,797,763	(₱2,123,272)	(₱6,554,441)	₱10,817,735,753
Net income	–	–	–	–	170,617,942	–	–	170,617,942
Other comprehensive income							(11,409,202)	(11,409,202)
Exchange differences on translation	–	–	–	–	–	16,210	–	16,210
Total comprehensive income for the period	–	–	–	–	170,617,942	16,210	(11,409,202)	159,224,950
Treasury shares	–	–	(2,644,280)	–	–	–	–	(2,644,280)
Balances at March 31, 2019	**₱3,312,864,430**	**₱2,519,309,713**	**(₱10,202,720)**	**₱1,100,000,000**	**₱4,072,415,705**	**(₱2,107,062)**	**(₱17,963,643)**	**₱10,974,316,423**
Balances at January 1, 2020	₱3,312,864,430	₱2,519,309,713	(₱18,103,900)	₱1,100,000,000	₱4,664,521,751	(₱2,169,584)	(₱155,137,693)	₱11,421,284,717
Net income	–	–	–	–	109,894,525	–	–	109,894,525
Other comprehensive income	–	–	–	–	–	–	(1,610,386)	(1,610,386)
Total comprehensive income for the period	–	–	–	–	109,894,525	–	(1,610,386)	108,284,139
Treasury shares	–	–	(12,789,110)	–	–	–	–	(12,789,110)
Balances at March 31, 2020	**₱3,312,864,430**	**₱2,519,309,713**	**(₱30,893,010)**	**₱1,100,000,000**	**₱4,774,416,276**	**(₱2,169,584)**	**(₱156,748,079)**	**₱11,516,779,746**

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

SSI GROUP, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Three-Month Periods Ended March 31	
	2020	2019
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱139,300,671**	₱247,792,954
Adjustments for:		
Depreciation and amortization (Notes 9, 10 and 18)	**270,376,053**	202,356,072
Interest expense (Note 12 and 13)	**60,342,065**	77,365,110
Loss on disposal of property and equipment (Note 9)	**15,049,070**	16,491,551
Share in net earnings of an associate (Note 7)	**(18,351,171)**	(12,616,450)
Share in net losses (income) of joint ventures (Note 8)	**(5,075,197)**	(9,424,812)
Unrealized foreign exchange losses	**6,617,563**	2,702,486
Interest income (Note 3)	**(857,248)**	(1,853,114)
Interest accretion on security deposits (Note 23)	**(836,068)**	(638,987)
Movement in retirement benefit obligation	**10,463,756**	1,339,787
Operating income before working capital changes	**477,029,494**	523,514,596
Decrease (increase) in:		
Trade and other receivables	**36,116,890**	41,825,986
Merchandise inventory	**(630,720,394)**	(379,816,262)
Prepayments and other current assets	**(83,505,777)**	(75,922,440)
Amounts owed by related parties	**–**	(6,905,464)
Increase (decrease) in:		
Trade and other payables	**(440,324,484)**	315,444,433
Tenant deposits	**17,112,284**	(136,875)
Deferred revenue	**–**	935,350
Amounts owed to related parties	**–**	173,893
Net cash used in operations	**(624,291,986)**	419,113,218
Interest received	**857,248**	1,853,114
Income taxes paid	**(13,929,948)**	(25,668,105)
Net cash flows used in operating activities	**(637,364,686)**	395,298,227
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment (Note 9)	**(156,006,317)**	(84,855,524)
Decrease (increase) in:		
Security deposits and construction bonds	**8,509,620**	(32,832,001)
Other noncurrent assets	**(11,339,050)**	(93,619,635)
Net cash flows used in investing activities	**(158,835,747)**	(211,307,160)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availment of short-term loans payable	**125,000,000**	–
Payments of:		
Short-term loans payable	**–**	(475,000,000)
Long-term debt	**(112,743,333)**	(112,743,333)
Lease liability	**(63,151,050)**	–
Interest	**(60,342,065)**	(77,365,110)
Purchase of treasury shares	**(12,789,110)**	(2,644,280)
Net cash flows from (used in) financing activities	**(124,025,558)**	(667,752,723)
NET INCREASE (DECREASE) IN CASH	**(920,225,991)**	(483,761,656)
CASH AT BEGINNING OF PERIOD	**2,492,459,933**	2,360,460,924
CASH AT END OF PERIOD (Note 3)	**₱1,572,233,942**	₱1,876,699,268

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

SSI GROUP, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANC0IAL STATEMENTS

1. Corporate Information

SSI Group, Inc. was registered with the Philippine Securities and Exchange Commission (SEC) on April 16, 2007 as Casual Clothing Specialists, Inc. (the Company). Its primary purpose was to carry on a general mercantile and commercial business of importing, buying, acquiring, holding, selling or otherwise disposing of and dealing in any goods, wares, merchandise and commodities of all kinds, and products, natural or artificial, of the Philippines or other countries, which are or may become articles of commerce, without, however, engaging in the manufacture of foods, drugs, and cosmetics. The Company was formerly one of the subsidiaries of Stores Specialists, Inc. (SSI).

On June 18, 2014, certain resolutions were approved by the Board and shareholders of the Company, including, among others: (1) change in its corporate name from “Casual Clothing Specialists, Inc.” to “SSI Group, Inc.”; (2) change in its primary purpose as a retail company to that of a holding company; (3) increase in its authorized capital stock from ₱3.0 billion to ₱5.0 billion; (4) reduction of par value of its shares from ₱100.00 per share to ₱1.00 per share; and (5) increase in the number of members of its board of directors from five to nine. These changes, including the appropriate amendments to its articles of incorporation, were submitted to the Philippine SEC on July 30, 2014 and were subsequently approved on August 29, 2014. Upon approval, the Company has an authorized capital stock of ₱5.00 billion divided into 5,000,000,000 shares with a par value of
₱1.00 per share.

On November 7, 2014, SSI Group, Inc. completed its initial public offering of 695,701,530 common shares with the Philippine Stock Exchange (PSE) (see Note 29).

The registered office and principal place of business of the Company is 6/F Midland Buendia Building, 403 Senator Gil Puyat Avenue, Makati City.

The interim condensed consolidated financial statements were reviewed and recommended for approval by the Audit Committee to the Board of Directors (BOD) on June 26, 2020. The same interim condensed consolidated financial statements were approved and authorized by the BOD on the same date.

2. Basis of Presentation, Preparation and Consolidation and Summary of Significant Accounting Policies

<u>Basis of Presentation</u>
As discussed in Note 1, the Company entered into a sale and purchase of shares transactions with SSI and the members of the Tantoco Family resulting in the Company becoming the holding company of the Group. The Company and its subsidiaries, now comprising “the Group”, are under common control of the Tantoco Family before and after the sale and purchase transactions in April 2014. The said transactions were treated as a reorganization of entities under common control and were accounted for similar to pooling-of-interests method. Accordingly, the interim condensed consolidated financial statements of the Company have been prepared as a continuation of the consolidated financial statements of SSI, the former holding company of the Group.

Basis of Preparation
The unaudited interim condensed consolidated financial statements as of March 31, 2020 and for the three-month periods ended March 31, 2020 and 2019 have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. The unaudited interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Company's annual consolidated financial statements as at December 31, 2019.

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Company and the following wholly owned subsidiaries:

	Percentage ownership			
	March 31, 2020		December 31, 2019	
	Direct	**Indirect**	Direct	Indirect
Stores Specialists, Inc. (SSI)	**100**	**–**	100	–
Rustan Marketing Specialists, Inc. (RMSI)	**–**	**100**	–	100
International Specialty Concepts, Inc. (ISCI)	**–**	**100**	–	100
Rustan Specialty Concepts, Inc. (RSCI)	**–**	**100**	–	100
Specialty Office Concepts, Inc. (SOCI)	**–**	**100**	–	100
Specialty Investments, Inc. (SII)	**–**	**100**	–	100
International Specialty Fashions, Inc. (ISFI)	**–**	**100**	–	100
Footwear Specialty Retailers, Inc. (FSRI)	**–**	**100**	–	100
Global Specialty Retailers, Inc. (GSRI)	**–**	**100**	–	100
Specialty Food Retailers, Inc. (SFRI)	**–**	**100**	–	100
International Specialty Retailers, Inc. (ISRI)	**–**	**100**	–	100
International Specialty Wears, Inc. (ISWI)	**–**	**100**	–	100
Fastravel Specialists Holdings, Inc. (FSHI)	**–**	**100**	–	100
International Specialty Apparels, Inc. (ISAI)	**–**	**100**	–	100
Specialty Lifestyle Concepts, Inc. *(former Casual Clothing Retailers, Inc.)* (SLCI)	**–**	**100**	–	100
SKL International, Ltd. (SKL)	**–**	**100**	–	100

All subsidiaries, except for FSHI, SII and SKL, are in the retail business and hold exclusive distributorship of certain brands.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as of March 31, 2020 and for the three months ended March 31, 2020 and 2019. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:
- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Company and to the non-controlling interests (NCI), even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Company's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

<u>Common control business combinations and group reorganizations</u>
Where there are group reorganizations and business combinations in which all the combining entities within the Group are ultimately controlled by the same ultimate parent (i.e., controlling shareholders) before and after the business combination and the control is not transitory (business combinations under common control), the Group accounts for such group reorganizations and business combinations similar to a pooling-of-interests method. The assets and liabilities of the acquired entities and that of the Company are reflected at their carrying values at the stand-alone financial statements of the investee companies. The difference in the amount recognized and the fair value of the consideration given is accounted for as an equity transaction, i.e., as either a contribution or distribution of equity. Further, when a subsidiary is disposed in a common control transaction without loss of control, the difference in the amount recognized and the fair value of consideration received, is also accounted for as an equity transaction.

The Group records the difference as "Equity reserve" and is presented as a separate component of equity in the consolidated balance sheet. Comparatives shall be restated to include balances and transactions as if the entities have been acquired at the beginning of the earliest period presented in the consolidated financial statements, regardless of the actual date of the combination.

<u>Changes in Accounting Policies and Disclosures</u>
The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2019. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards to have a significant impact on the Group's financial statements.

The nature and impact of each new standard and amendment is described below:

- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

Effective beginning on or after June 1, 2020:
- Amendments to PFRS 16, *Covid -19 Related Rent Concessions*

Effective beginning on or after January 1, 2021
- PFRS 17, *Insurance Contracts*

Deferred effectivity
- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- *Amendments to PFRS 3, Business Combination - Reference to the Conceptual Framework*

3. Cash

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Cash on hand	**₱41,185,700**	₱61,720,680
Cash in banks	**1,531,048,242**	2,372,029,222
Short-term investments	**–**	58,710,031
	₱1,572,233,942	₱2,492,459,933

Cash in banks earn interest at the respective bank deposit rates. Interest earned from cash in banks for the three months ended March 31, 2020 and 2019 amounted to ₱857,248 and ₱1,853,114, respectively.

4. Trade and Other Receivables

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Trade receivables	**₱318,323,633**	₱366,360,017
Nontrade receivables	**260,896,110**	215,673,361
Receivables from related parties (see Note 19)	**104,302,737**	111,794,889
Advances to officers and employees	**66,645,041**	67,961,679
Dividend receivable	**–**	25,200,000
Others	**7,785,585**	7,080,051
	757,953,106	794,069,997
Less allowance for ECL on nontrade receivables	**8,326,816**	8,326,816
	₱749,626,290	₱785,743,181

Trade receivables primarily pertains to receivables from credit card companies which are normally settled on three days' terms.

Nontrade receivables mainly include statutory claims, receivables charged to customers for the repair of damaged merchandise and advances to suppliers and banks for tie-up sale and promotional activities.

Nontrade receivables, advances to officers and employees and receivables from related parties are usually settled within one year.

“Others” generally include receivables from third parties that are not trade related and are generally due within one year.

5. Merchandise Inventory

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
At cost		
On hand	**₱10,332,355,516**	₱9,040,507,891
In transit	**117,244,966**	778,372,197
	₱10,449,600,482	₱9,818,880,088

Inventories in transit include items not yet received but ownership or title to the goods has already passed to the Group.

There are no merchandise inventories pledged as security for liabilities. All inventories are presented at cost.

The cost of inventories recognized as expense and presented in “Cost of goods sold” amounted to ₱2,307,885,513 and ₱2,692,918,116, for the three months ended March 31, 2020 and 2019, respectively (see Note 14).

6. Prepayments and Other Current Assets

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Advances to suppliers	**₱437,290,873**	₱383,811,622
Supplies	**366,048,230**	476,229,580
Input VAT	**126,174,556**	106,951,795
Prepaid advertising	**47,380,055**	9,386,640
Creditable withholding tax	**15,275,185**	46,721,136
Prepaid tax	**96,776,418**	–
Deferred input VAT	**40,309,034**	8,778,465
Current portion of prepaid rent (see Notes 10 and 23)	**32,359,950**	35,563,482
Prepaid insurance	**11,114,470**	23,844,210
Current portion of security deposits (see Note 23)	**21,231,049**	24,144,925
Prepaid guarantee	**5,584,881**	5,090,418
Others	**51,841,221**	47,213,939
	₱1,251,385,922	₱1,167,736,212

Supplies inventory are composed of packaging materials, office and store supplies, and employees uniform inventory.

Advances to suppliers pertain to advance payments to principals and suppliers for inventory purchases.

Input VAT will be applied against output VAT.

“Others” include advances payments for non-merchandise purchases arising from transactions made by the Group with its foreign suppliers.

7. Investment in an Associate

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Acquisition cost	**₱24,640,000**	₱24,640,000
Accumulated equity in net earnings:		
Balance at beginning of year	**62,136,792**	29,954,522
Share in net earnings	**18,351,171**	57,382,270
Dividends received	**–**	(25,200,000)
Balance at end of year	**80,487,963**	62,136,792
	₱105,127,963	₱86,776,792

Samsonite Philippines, Inc. (SPI), a company incorporated in the Philippines on September 9, 2008, was established primarily to engage in the importation, distribution, marketing and sale, both wholesale and retail, of all types of luggage and bags, including but not limited to suitcases, garment bags, brief cases, computer bags, backpacks, casual bags, hand bags, travel accessories and such other products of similar nature.

As of March 31, 2020 and December 31, 2019, SPI is 40% owned by the Group and 60% owned by Samsonite Corporation, its ultimate parent and an entity incorporated under the laws of the United States of America.

8. Interests in Joint Ventures

The Group’s interests in joint ventures pertain to the following:

Joint venture	Project description	Income sharing arrangement
MPC	Operation of retail stores in the Philippines	51:49
SCRI	Open and operate convenience stores directly owned and/or franchised in the Philippines	50:50
SSRI	Investment in and operation of mid-market department stores	50:50
LMS	Investment in and operation of travel retail stores in the Philippines	50:50

The movements in the carrying values of interest in joint ventures are as follows:

March 31, 2020

	LMS	**MPC**	**SSRI**	**SCRI**	**Total**
Cost:					
Balances at beginning and end of period	**₱375,296,454**	**₱89,250,000**	**₱407,344,383**	**₱420,350,000**	**₱1,292,240,837**
Accumulated equity in net earnings (losses):					
Balances at beginning of year	**44,796,081**	**59,517,308**	**(407,344,383)**	**(420,350,000)**	**(723,380,994)**
Share in net income		**5,075,197**	**–**	**–**	**5,075,197**
Balances at end of year	**44,796,081**	**64,592,504**	**(407,344,383)**	**(420,350,000)**	**(718,305,797)**
	₱420,092,535	**₱153,842,504**	**₱–**	**₱–**	**₱573,935,040**

December 31, 2019 (Audited)

	LMS	MPC	SSRI	SCRI	Total
Cost:					
Balances at beginning and end of year	₱375,296,454	₱89,250,000	₱407,344,383	₱420,350,000	₱1,292,240,837
Accumulated equity in net earnings (losses) and impairment loss:					
Balances at beginning of year	32,527,710	22,775,002	(407,344,383)	(420,350,000)	(772,391,671)
Share in net earnings	12,268,370	36,742,306	–	–	49,010,676
Balances at end of year	44,796,080	59,517,308	(407,344,383)	(420,350,000)	(723,380,995)
	₱420,092,534	₱148,767,308	₱–	₱–	₱568,859,842

Investment in LMS
On August 12, 2015, SKL, a wholly owned subsidiary of SSI, executed agreements to effect the acquisition of a 50% equity stake in LMS from its two existing shareholders Regent and Prime. Regent and Prime will continue to own 50% ownership in LMS following the entry of SKL. LMS is a company specializing in travel retail concepts and has existing supply and management agreements with travel retail stores in the Philippines.

The acquisition cost includes the consideration for goodwill amounting to ₱121.75 million and intangible asset amounting to ₱29.90 million. The intangible asset pertains to the concession agreement with Duty Free and is being amortized over 10.7 years. Amortization expense, which is included in the share in net income of LMS, amounted to ₱nil million and ₱0.62 million for the three months ended March 31, 2020 and 2019, respectively.

Investment in MPC
On January 20, 2017, SSI and Ryohin Keikaku Co., Ltd. entered into a Joint Venture Agreement wherein the parties agreed to form MPC. SSI contributed ₱89.25 million for the 51% ownership interest in MPC. The Joint Venture Agreement provides for unanimous votes of both parties in so far as most key and relevant operating activities are concerned.

Investment in SSRI
The Group (through SII) has 50% ownership interest in SSRI which is engaged in the operation of mid-market department stores. In March 2016, SSRI sold the fixed assets in the department stores. The proceeds from the sale are distributed to the joint venturers. The remaining carrying value of the investment, after the share in net losses, amounting to ₱27.16 million is fully provided with impairment loss. SSRI has no commercial operations as at March 31, 2020.

Investment in SCRI
The Group (through SII) has 50% ownership interest in SCRI which has an investment in Philippine FamilyMart CVS, Inc. (PFM) that is engaged in the operation of convenience stores. On October 30, 2017, SCRI entered into a Memorandum of Agreement for the sale of its shares in PFM. The sale was concluded on January 11, 2018.

The joint ventures have no contingent liabilities or capital commitments as of March 31, 2020 and December 31, 2019.

9. Property and Equipment

The composition and movements of this account are as follows:

March 31, 2020 (Unaudited)

	Leasehold Improvements	Store, Office, Warehouse Furniture and Fixtures	Building	Transportation Equipment	Right of use Asset	Construction in Progress	**Total**
Cost:							
Balances at beginning of year	7,255,634,677	2,514,378,268	892,989,252	304,733,387	3,926,426,489	87,301,743	**14,981,463,816**
Additions	100,868,787	25,486,531	–	–	–	29,651,001	**156,006,320**
Disposals	(40,288,736)	–	–	–	–	–	**(40,288,736)**
Reclassifications	19,941,487	–	–	–	–	(19,941,487)	**–**
Balances at end of year	7,336,156,216	2,539,864,799	892,989,252	304,733,387	3,926,426,489	97,011,257	**15,097,181,400**
Accumulated depreciation and amortization:							
Balances at beginning of year	5,773,219,940	1,998,491,501	290,513,069	153,766,171	1,172,593,126	–	**9,388,583,807**
Depreciation (see Note 18)	142,066,755	44,850,849	11,079,229	6,184,973	66,194,247	–	**270,376,053**
Disposals	(25,239,665)	–	–	–	–	–	**(25,239,665)**
Balances at end of year	5,890,047,030	2,043,342,350	301,592,298	159,951,144	1,238,787,373		**9,633,720,195**
Net book values	**₱1,446,109,186**	**₱496,522,449**	**₱591,396,954**	**₱144,782,243**	**₱2,687,639,116**	**₱97,011,257**	**₱5,463,461,205**

December 31, 2019 (Audited)

	Leasehold Improvements	Store, Office, Warehouse Furniture and Fixtures	Building	Transportation Equipment	Right-of-Use Asset	Construction in Progress	Total
Cost:							
Balances at beginning of year	₱7,256,246,129	₱2,211,690,435	₱898,080,680	₱279,203,655	₱–	₱68,097,610	₱10,713,318,509
Effect of adoption of PFRS 16 (Note 2)	–	–	–	–	3,340,147,107	–	3,340,148,16
Additions	520,665,564	320,817,625	549,290	28,572,032	464,456,848	90,358,565	1,425,419,924
Disposals and retirement	(589,402,062)	(26,799,896)	–	(3,042,300)	–	–	(619,244,258)
Remeasurement	–	–	–	–	121,821,534	–	121,821,534
Reclassifications	68,125,046	8,670,104	(5,640,718)	–	–	(71,154,432)	–
Balances at end of year	7,255,634,677	2,514,378,268	892,989,252	304,733,387	3,926,426,489	87,301,743	14,981,463,816
Accumulated Depreciation and Amortization:							
Balances at beginning of year	5,704,592,695	1,822,463,913	249,056,739	131,199,814	–	–	7,907,313,161
Depreciation and amortization (Note 19)	597,569,611	199,964,018	44,734,442	25,250,343	1,172,593,126	–	2,040,111,540
Disposals and retirement	(528,942,366)	(27,214,542)	–	(2,683,986)	–	–	(558,840,894)
Reclassifications	–	3,278,112	(3,278,112)	–	–	–	–
Balances at end of year	5,773,219,940	1,998,491,501	290,513,069	153,766,171	1,172,593,126	–	9,388,583,807
Net book values	₱1,482,414,737	₱515,886,767	₱602,476,183	₱150,967,216	₱2,753,833,363	₱87,301,743	₱5,592,880,009

Additions to leasehold improvements and construction in progress in 2020 and 2019 pertain to improvements and construction of newly opened and renovated stores during the year.

Disposals and retirement for the period ended March 31, 2020 and December 31, 2019 mainly pertain to leasehold improvements and store furniture and fixtures derecognized on closed or renovated stores.

No property and equipment were pledged or treated as security to the outstanding liabilities as of March 31, 2020 and December 31, 2019.

The Group has no purchase commitments related to property, plant and equipment as of March 31, 2020 and December 31, 2019, respectively.

10. **Other Noncurrent Assets**

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Franchise fee	**₱100,481,165**	₱94,484,273
Miscellaneous deposits	**88,913,694**	42,534,120
Software costs	**3,454,405**	3,278,569
Deferred Input VAT	**–**	42,135,332
Others	**925,073**	2,982
	₱193,774,337	₱182,435,276

Miscellaneous deposits pertain to advance payments to contractors for the construction and renovation of stores.

11. **Trade and Other Payables**

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Trade payables	**₱1,543,215,086**	₱1,312,044,432
Nontrade payables	**358,403,190**	713,833,266
Accrued expenses	**138,079,479**	274,736,642
Retention payable	**43,370,061**	56,514,419
Payable to related parties (see Note 19)	**1,877,935**	1,354,050
Output VAT	**–**	100,067,225
Tenant deposit	**–**	39,956,757
Others	**6,369,888**	33,133,280
	₱2,091,315,639	₱2,531,640,071

Trade payables are noninterest-bearing and are normally settled on 30 to 90 days' terms.

Nontrade payables represent statutory payables such as withholding taxes, SSS premiums and other liabilities to government agencies, rent payable, payable to contractors and suppliers of services, among others.

Accrued expenses pertain to accrued salaries, leaves and bonuses, security and safety, interest, utilities and repairs and maintenance and accruals of royalties to be paid to foreign principals, among others.

Other payables mainly pertain to payables to non-trade suppliers and payable to advertising agencies.

Trade and other payables are generally paid within 12 months from balance sheet date.

12. **Short-term Loans Payable**

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Banks:		
Bank of Philippine Islands (BPI)	**₱2,400,000,000**	2,325,000,000
Bank of Commerce (BOC)	**600,000,000**	600,000,000
Metropolitan Bank & Trust Co. (MBTC)	**500,000,000**	500,000,000
Banco de Oro (BDO)	**350,000,000**	350,000,000
China Banking Corporation (CBC)	**300,000,000**	300,000,000
Rizal Commercial Banking Corporation (RCBC)	**50,000,000**	
	₱4,200,000,000	4,075,000,000

The Group's outstanding short-term peso-denominated loans from local commercial banks bear interest at rates ranging from 4.50% to 5.00% and 5.50% to 6.25% for the three months ended 2020 and 2019, respectively.

Interest expense recognized in the consolidated statements of comprehensive income for the three months ended March 31, 2020 and 2019 amounted to ₱55,486,867 and ₱66,489,682, respectively.

13. **Long-term Debt**

On May 8, 2013, SSI entered into a credit facility for the ₱2.00 billion syndicated term loan facility with BPI, SBC, CBC, MBTC and RCBC. The purpose of the loan is to finance the Group's capital expenditures related to the construction of the Central Square and other corporate purposes. Principal repayments are due quarterly starting August 20, 2014. The loan carries an interest of a fixed base rate plus an interest spread of 150 basis points per annum or a 5.50% per annum floor rate. Principal repayments are due quarterly starting August 20, 2014. The syndicated term loan will mature on February 20, 2020.

On September 14, 2015, SSI entered into a long-term loan agreement with BPI amounting to ₱1.00 billion. Principal repayments are due quarterly starting September 14, 2016. The loan carries a fixed interest rate of 3.85%. The loan will mature on September 15, 2018. Also on October 15, 2015, SSI entered into another long-term loan agreement with BPI amounting to ₱400.00 million that carries a fixed interest rate of 3.85%. Principal repayments are due quarterly starting October 15, 2016 until October 15, 2018.

On October 14, 2016, SSI entered into another long-term loan with BPI amounting to ₱500.00 million that carries a fixed interest rate of 4.00%. Principal repayments are due quarterly starting October 14, 2017 until October 14, 2021.

The purpose of these loans is to solely refinance its existing short term loans.

The details of the Group's long term debt (net of unamortized transaction costs) are as follows:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
BPI	**₱227,950,882**	₱279,280,156
SBC	**22,050,882**	44,304,426
CBC	**15,211,793**	30,563,391
MBTC	**15,211,793**	30,563,391
RCBC	**8,372,703**	16,830,021
Total	**288,798,053**	401,541,385
Less: current portion	**283,986,982**	283,986,981
Noncurrent portion	**₱4,811,071**	₱117,554,404

Interest expense recognized in the consolidated statements of comprehensive income for the three months ended March 31, 2020 and 2019 amounted to ₱4,855,198 and ₱10,875,428, respectively.

Loan Covenants

The loan covenants covering the Group's outstanding debts include, among others, maintenance of certain level of current, debt-to-equity and debt-service coverage ratios. As of March 31, 2020 and December 31, 2019, the Group is in compliance with the loan covenants of all their respective outstanding debts.

14. **Cost of Goods Sold**

	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
Cost of merchandise sold (Note 5)	**₱2,307,885,512**	₱2,692,918,116
Depreciation and amortization (Notes 9 and 18)	**1,013,487**	1,020,951
Utilities	**849,626**	1,019,144
Rent (Note 23)	**964,696**	729,169
Outside services	**240,093**	322,230
Others	**655,889**	999,291
	₱2,311,609,303	₱2,697,008,901

Depreciation and amortization pertains to depreciation of leasehold improvements and furniture and fixtures of the leased spaces. Utilities, rent, security and safety expenses pertain to cost incurred in the operation of leased spaces.

Cost of merchandise sold:

	March 31, 20 (Unaudited)	March 31, 2019 (Unaudited)
Merchandise inventory, beginning	**₱9,818,880,088**	₱9,245,189,954
Net purchases	**2,938,605,906**	3,072,734,378
Cost of merchandise available for sale	**12,757,485,994**	12,317,924,332
Less merchandise inventory, ending	**10,449,600,482**	9,625,006,216
	₱2,307,885,512	₱2,692,918,116

Net purchases include cost of inventory, freight charges, insurance and customs duties.

Cost of merchandise sold represents cost of merchandise inventory sold and the cost that are directly attributable to bringing the goods to its intended location.

15. Selling and Distribution Expenses

	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
Rent (see Notes 19 and 23)	**₱410,503,618**	₱532,064,594
Personnel costs (see Note 17)	**311,683,374**	286,327,900
Depreciation and amortization (see Notes 9, 10 and 18)	**232,171,844**	171,963,102
Utilities	**102,400,126**	144,259,572
Credit card charges	**81,418,867**	93,592,253
Taxes and licenses	**68,940,796**	89,885,394
Supplies and maintenance	**44,131,976**	43,402,667
Global marketing contribution fee	**64,720,489**	72,720,356
Security services	**40,099,172**	40,066,731
Delivery and freight charges	**14,246,503**	23,168,856
Advertising	**62,331,914**	47,597,076
Repairs and maintenance	**16,369,570**	17,997,863
Travel and transportation	**17,109,028**	23,243,854
Insurance	**17,524,884**	9,069,266
Communication	**5,945,122**	6,471,896
Outside services	**4,306,629**	7,012,952
Entertainment, amusement and recreation (EAR)	**1,350,444**	697,865
Telegraphic transfer	**547,430**	398,674
Others	**22,382,093**	18,487,991
	₱1,521,907,669	₱1,632,519,647

16. General and Administrative Expenses

	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
Personnel costs (see Note 17)	**₱170,717,015**	₱147,084,093
Rent (see Notes 19 and 23)	**30,295,725**	33,027,889
Depreciation and amortization (see Notes 9, 10 and 18)	**37,364,340**	29,372,019
Taxes and licenses	**16,641,349**	18,050,270
Utilities	**9,029,050**	16,483,055
Travel and transportation	**6,531,587**	15,571,271
Repairs and maintenance	**5,720,580**	8,804,627
Supplies and maintenance	**9,380,331**	6,214,082
Security services	**5,735,387**	6,874,804
Communication	**4,106,219**	4,699,527
Professional fees	**4,052,052**	3,163,626
Advertising	**719,231**	2,653,122
Insurance	**3,035,289**	2,619,036
EAR	**987,934**	1,606,158
Outside service	**303,770**	143,943
Others	**6,523,324**	13,147,243
	₱311,143,183	₱309,514,765

17. Personnel Costs

Personnel costs were charged to operations as follows:

	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
Salaries, wages and bonuses	**₱424,238,481**	₱371,337,886
Retirement benefit expense	**17,286,419**	13,087,174
Other employee benefits	**40,875,489**	48,986,935
	₱482,400,389	₱433,411,995

Personnel costs were distributed as follows:

	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
Selling and distribution (see Note 15)	**311,683,374**	286,327,900
General and administrative (see Note 16)	**170,717,015**	147,084,093
	₱482,400,389	₱433,411,994

18. Depreciation and Amortization Expense

	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
Property and equipment (see Note 9)	**₱270,376,053**	₱201,666,615
Franchise fee (see Note 10)	**–**	494,510
Software costs (see Note 10)	**173,618**	194,947
	₱270,549,671	₱202,356,072

Depreciation and amortization were distributed as follows:

	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
Cost of services (Note 14)	**₱1,013,487**	₱1,020,951
Selling and distribution (see Note 16)	**232,171,844**	171,963,102
General and administrative (see Note 17)	**37,364,340**	29,372,019
	₱270,549,671	₱202,356,072

19. **Related Party Disclosures**

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. Key management personnel are considered related parties.

The Group, in the normal course of business, entered into the following transactions with related parties:

a. Lease of the Group's store outlet spaces from a related party (see Note 23). Related rent expense amounted to ₱14.4 million and ₱18.5 million, for the three months in the period ended March 31, 2020 and 2019, respectively;

b. The Group reimburses related parties for its expenses paid by the related parties in behalf of the Group;

c. Sales through the use of related parties' gift certificates. Total value of the related parties' gift certificates used amounted to ₱6.6 million and ₱8.0 million for the three months ended March 31, 2020 and 2019, respectively;

d. Short-term noninterest-bearing cash advances to/from related parties; and

e. Compensation of the Company's key management personnel comprised of short-term employee benefits amounting to ₱9.4 million, ₱9.5 million for the three months in the period ended March 31, 2020 and 2019, respectively, and post-employment benefits amounting to ₱1.4 million and ₱1.3 million for the three months in the period ended March 31, 2020 and 2019, respectively.

As of March 31, 2020 and December 31, 2019, transactions with related parties are as follows:

			Outstanding balances	
Related Parties	Periods ended	Transactions for the year	Receivables from related parties (Note 5)	Payable to related parties (Note 12)
Under common control				
RCC	**March 31, 2020**	**(₱6,711,273)**	**₱26,272,304**	**₱709,594**
	December 31, 2019	₱15,317,660	₱34,220,435	₱709,594
RMK	**March 31, 2020**	**847,133**	**40,263,255**	**1,168,341**
	December 31, 2019	11,087,521	39,384,773	644,456
Others	**March 31, 2020**	**–**	**–**	**–**
	December 31, 2019	–	6,380	–
Joint ventures				
PFM	**March 31, 2020**	**–**	**18,481,052**	**–**
	December 31, 2019	7,838	18,481,052	–
MPC	**March 31, 2020**	**(413,213)**	**16,864,185**	**–**
	December 31, 2019	6,247,633	17,285,247	–
Associate				
SPI	**March 31, 2020**	**4,939**	**2,421,941**	**–**
	December 31, 2019	223,034	2,417,002	–
	March 31, 2020		**₱104,302,737**	**₱1,877,935**
	December 31, 2019		₱111,794,889	₱1,354,050

The related party balances as of March 31, 2020 and December 31, 2019 are due and demandable, non-interest bearing and unsecured. Except for receivables from SCRI which was provided with allowance amounting ₱23.63 million, all receivables from related parties are not impaired. All related party balances are settled in cash.

20. Earnings Per Share (EPS)

The following tables reflect the net income and share data used in the basic/dilutive EPS computations:

	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
Net income	**₱109,894,525**	₱170,617,942
Divided by weighted average number of common shares	**3,306,761,285**	3,310,841,731
	₱0.03	₱0.05

There were no potential dilutive common shares for the three months ended March 31, 2020 and 2019.

21. Risk Management Objectives and Policies

The principal financial instruments of the Group are cash and short-term and long-term loans. The main purpose of these financial instruments is to anticipate future fund requirements of the Group. The Group has various other financial assets and liabilities such as trade and other receivables, trade and other payables, short-term loan payable and long-term debt, amounts owed to/by related parties, tenants' deposits and security deposits and construction bonds which arise directly from its operations.

The main risks arising from the financial instruments of the Group are credit risk, foreign currency risk and liquidity risk. The Group's management reviews and approves policies for managing each of these risks and they are summarized below. The Group also monitors the market price risk arising from all financial instruments.

The magnitudes of these risks that have arisen over the year are discussed below.

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group trades only with recognized, creditworthy third parties, mostly with credit card companies. Trade receivables from third parties are monitored on an on-going basis with the result that the exposure of the Group to bad debts is not significant. There is no allowance for impairment of trade receivables since the Group expects to fully realize its receivables from debtors.

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

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Cash	**₱1,531,048,242**	₱2,430,739,253
Trade and other receivables		
Trade receivables	**318,323,633**	366,360,017
Nontrade receivables	**260,896,110**	215,673,361
Receivables from related parties	**104,302,737**	111,794,889
Dividend receivable	**–**	25,200,000
Others	**7,785,589**	7,080,051
Security deposits and construction bonds	**1,048,827,926**	1,059,559,287
	₱3,271,184,237	₱4,216,406,858

There is no significant concentration of credit risk in the Group.

The aging analyses of financial assets that are past due but not impaired are as follows:

March 31, 2020 (Unaudited)

			Past due but not impaired				
	Total	**Neither past due nor impaired**	**<30 days**	**30 - 60 days**	**60 - 90 days**	**> 90 days**	**Impaired**
Cash	**₱1,531,048,242**	₱1,531,048,242	₱–	₱–	₱–	₱–	₱–
Trade and other receivables							
Trade receivables	**318,323,633**	277,168,367	28,295,370	5,091,588	735,791	7,032,516	–
Nontrade receivables	**260,896,110**	107,273,075	35,813,914	24,852,544	14,661,040	69,968,720	8,326,816
Receivables from related parties	**104,302,737**	1,077,519	36,460,944	12,739,011	5,639,989	48,385,274	–
Dividend receivable	–	–	–	–	–	–	–
Others	**7,785,589**	7,372,666	205,539	–	207,384	–	–
Security deposits and construction bonds	**1,048,827,926**	1,048,827,926	–	–	–	–	–
Total	**₱3,271,184,237**	**₱2,972,767,795**	**₱100,775,768**	**₱42,683,143**	**₱21,244,204**	**₱125,386,510**	**₱8,326,816**

December 31, 2019

			Past due but not impaired				
	Total	Neither past due nor impaired	<30 days	30 - 60 days	60 - 90 days	> 90 days	Impaired
Cash in banks	₱2,430,739,253	₱2,430,739,253	₱–	₱–	₱–	₱–	₱–
Trade and other receivables							
Trade receivables	366,360,017	258,508,168	66,900,115	16,939,126	11,727,087	12,285,521	–
Nontrade receivables	215,673,361	154,493,724	42,324,674	10,528,147	–	–	8,326,816
Receivables from related parties	111,794,889	26,703,381	61,466,508	–	–	–	23,625,000
Dividend receivable	25,200,000	25,200,000	–	–	–	–	–
Others	7,080,051	7,080,051	–	–	–	–	–
Security deposits and construction bonds[1]	1,059,559,287	1,059,446,820	–	–	–	–	112,467
Total	₱4,216,406,858	₱3,962,171,397	₱170,691,297	₱27,467,273	₱11,727,087	₱12,285,521	₱32,064,283

Impairment of financial assets
The following financial assets are subject to expected credit loss model effective January 1, 2018:

a. Cash, nontrade receivables (except those related to principals), amounts owed by related parties and security deposits and construction bonds. The Group uses general approach in assessing impairment of these financial assets. The credit risk of these financial asset is presumed to increase when the contractual payments are more than 30 days past due. As of March 31, 2020 and December 31, 2019, there has been no increase in credit risk of these financial assets since initial recognition except for amounts owed by related parties amounting to ₱23.63 million which are classified as credit impaired as of March 31, 2020 and December 31, 2019.

b. Trade receivables. For these financial assets, the Group uses simplified approach. An impairment analysis is performed at each reporting date to measure expected credit losses. 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. The identified impairment losses on these financial assets were immaterial.

c. Nontrade receivables pertain to receivables from principals. The credit risk of these financial assets is presumed to increase when the contractual payments are more than 90 days past due. As of March 31, 2020 and December 31, 2019, nontrade receivables from principals amounting to ₱8.34 million are classified as credit impaired.

Capital Management

The primary objective of the Group is to maintain a strong credit rating and healthy capital ratios to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it based on changes in economic and business conditions. To maintain or adjust the capital structure, the Group may consider paying dividends to stockholders, returning capital to stockholders, or issuing new shares of stocks. No major changes were made on the objectives, policies, or processes during the three months ended March 31, 2020 and year ended December 31, 2019. Capital includes equity as shown in the consolidated balance sheet.

As disclosed in Note 14, the Group is required by their creditors to maintain a debt-to-equity ratio and debt-service coverage ratio. The Group, thus, monitors capital on the basis of debt-to-equity ratio which is calculated as total liabilities divided by total equity. The Company includes within debt all interest-bearing short-term and long-term liabilities. These externally imposed capital requirements have been complied with as of March 31, 2020.

22. Fair Value of Financial Instruments

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments:

	March 31, 2020 (Unaudited)		December 31, 2019 (Audited)	
	Carrying Amounts	**Fair Values**	Carrying Amounts	Fair Values
Financial Assets				
Loans and receivables				
Security deposits and construction bonds	**₱1,048,827,926**	**₱1,044,588,180**	₱1,018,278,699	₱1,050,086,063
Financial Liabilities				
Other financial liabilities				
Long-term debt	**₱288,798,052**	**₱288,798,052**	₱851,266,123	₱975,414,968

The following method and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, trade and other receivables, amounts owed by/to related parties, current portion of security deposits (presented under prepayments and other current assets), tenants' deposits, trade and other payables and short-term loans

The carrying values of these financial instruments approximate their fair values due to the short-term maturity, ranging from one to twelve months.

Security deposits and construction bonds
The fair values of security deposits are based on the discounted value of future cash flows using the applicable market interest rates. Discount rates ranging from 5.80% to 6.10% and 5.50% to 7.56% were used in calculating the fair value of the Group's refundable deposits as of March 31, 2020 and December 31, 2019, respectively.

Long-term debt
The fair value of long-term debt is based on the discounted value of future cash flows using the applicable market interest rates. Discount rates ranging from 5.59% to 5.82% and 5.23% to 7.03% were used in calculating the fair value of the Group's long-term debt as of March 31, 2020 and December 31, 2019, respectively.

Fair Value Hierarchy
The Group uses the following hierarchy in determining and disclosing the fair value of financial instruments by valuation technique:

- 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;
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Group's security deposits and construction bonds and long-term debt are classified as Level 3.

As at March 31, 2020 and December 31, 2019 the Group does not have financial instruments with fair values determined using inputs that are classified under Level 1 and 3.

For the three months ended March 31, 2020 and years ended December 31, 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

23. Contracts and Commitments

Group as a Lessee
The Group has various leases of its warehouse and office space and certain store outlets used in its operations for lease terms ranging from three to ten years. Rental payments on certain outlets are based on a fixed basic monthly rate plus a certain percentage of gross sales, while other store outlets and office spaces are based on fixed monthly rates. The Group also has certain leases of stores, office and warehouse space with lease terms of 12 months or less and leases of office equipment with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

The rollforward analysis of right-of-use assets and lease liabilities follows:

	Right-of-use assets	Lease liabilities
Balances at beginning of the year	₱–	₱–
Effect of adoption of PFRS 16	3,340,148,107	3,343,221,838
Balances at beginning of the year, as restated	3,340,148,107	3,343,221,838
Additions	464,456,848	455,974,025
Interest expense	–	222,544,637
Depreciation expense	(1,172,593,126)	–
Remeasurement	121,821,534	121,575,090
Payments	–	(1,310,852,806)
Balances at end of the year	2,753,833,363	2,832,462,784
Less current portion	–	980,470,908
Balances at end of the year	₱2,753,833,363	₱1,851,991,876

The Group has paid security deposits for the store outlets and office spaces with carrying amounts of ₱1,048.83 million and ₱1,059.56 million as of March 31, 2020 and December 31, 2019, respectively, which are refundable upon complete turnover of the leased area. The present value of these deposits was computed using the discount rates prevailing at the inception date of the lease, ranging from 3.56% to 6.89%. Interest income recognized from these security deposits amounted to ₱0.8 million and ₱0.6 million, for the three months ended March 31, 2020 and 2019, respectively.

Group as lessor
In 2014, the Group leased out portions of the store spaces and parking space in Central Square for a lease term ranging from one to three years. Rental income on these spaces is based on a fixed basic monthly rate plus a certain percentage of gross sales. Deposits received from tenants amounted to ₱36.98 million and ₱59.82 million as of March 31, 2020 and December 31, 2019, respectively, pertaining to deposits on the leased space.

In 2015, The Group subleased its leased space in NAIA Terminal 3 for a lease term of one year to five years. Rental income on these spaces is based on a fixed basic monthly rate plus a certain percentage of gross sales. Rental income recognized on these spaces amounted to ₱13.3 million and ₱19.6 million, for the three months ended March 31, 2020 and 2019, respectively.

Upon the adoption of PFRS 16, the Group reassessed the classification of the ongoing subleases that were classified as operating leases under PAS 17 and determined that the subleases qualify as finance lease under the new standard. The assessment was made on the basis of the remaining contractual terms and conditions of the head lease and sublease. The Group accounted for the subleases as new finance leases entered into at the date of initial application. As a result, the Group recognized lease receivables amounting to ₱26.15 million on January 1, 2019.

The following table shows the movements in the lease receivables for the year ended December 31, 2019:

	2019
Balances at beginning of the year	₱–
Effect of adoption of PFRS 16 (Note 2)	26,154,302
Balances at beginning of the year, as restated	26,154,302
Interest income	2,613,963
Collection of lease receivables	(21,760,782)
Balances at end of the year	₱7,007,483

24. **Segment Reporting**

The Group has determined that it is operating as one operating segment. Based on management's assessment, no part or component of the business of the Group meets the qualifications of an operating segment as defined by PFRS 8.

The Company's store operations is its only income generating activity and such is the measure used by the chief operating decision maker in allocating resources.

The Company derives its primary income from the sales of merchandise to external customers and is the only basis for segment reporting purposes. Sales are reported on an entity-wide basis. This information is measured using the same accounting policies and estimates as the Group's consolidated financial statements.

The table below sets out revenue from external customers by category for the three months ended March 31, 2020 and 2019 (amounts in millions):

	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
Net Sales		
Luxury and Bridge	**₱1,282**	₱1,376
Casual	**570**	637
Fast Fashion	**1,439**	1,622
Footwear, Accessories and Luggage	**378**	558
Other	**614**	729
	₱4,283	₱4,922

The Group's customers are located in the Philippines and Guam, with bulk of the revenues being contributed by local customers. Following shows the revenue contribution by geographical areas (amounts in millions).

	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
Philippines	**₱4,273**	₱4,905
Guam	**10**	17
	₱4,283	₱4,922

25. **Seasonality of operations**

The Group experiences seasonal fluctuations in its operations. The Group's sales typically peak during the fourth quarter of the year due to the increased sales attributable to the Christmas and New Year Holidays.

EXHIBIT I

SSI GROUP, INC.

MAP SHOWING RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND ITS SUBSIDIARIES

MARCH 31, 2020

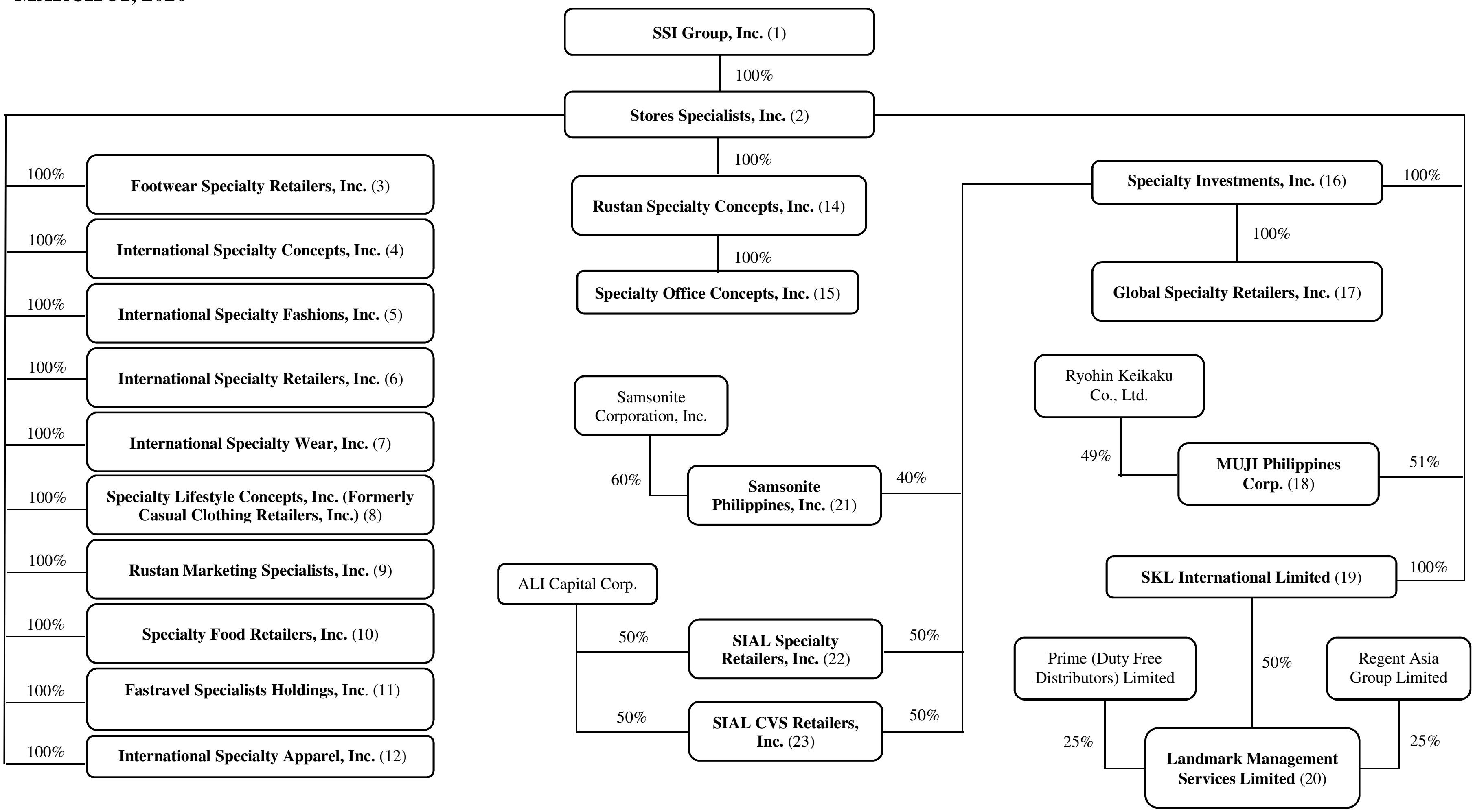

Exhibit II

SSI GROUP, INC.

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

March 31, 2020

Unappropriated retained earnings, as adjusted, beginning		₱1,037,886,136
Net loss during the period closed to retained earnings	(2,812,055)	
Less: Other realized gains related to accretion of income from security deposits	261,562	
Deferred tax asset recognized during the year	–	
Net loss during the period		(2,550,492)
Retained earnings available for dividend declaration		₱1,035,335,644

Exhibit III

SSI GROUP, INC.
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Ratios	Formula	March 31, 2020	December 31, 2019	March 31, 2019
(i) Current Ratio	Current Assets/Current Liabilities	1.81	1.77	2.02
(ii) Debt/Equity Ratio	Bank Debts/ Total Equity	0.39	0.39	0.44
(iii) Net Debt/Equity Ratio	Bank Debts-Cash & Equivalents/Total Equity	0.25	0.17	0.27
(iii) Asset to Equity Ratio	Total Assets/Total Equity	1.89	1.93	1.66
(iv) Interest Cover Ratio	EBITDA/Interest Expense	7.79	6.97	6.82
(v) Profitability Ratios				
GP Margin	Gross Profit/Revenues	46.34%	44.99%	45.60%
Net Profit Margin	Net Income/Revenues	2.57%	3.63%	3.47%
EBITDA Margin	EBITDA/Revenues	10.97%	17.08%	10.72%
Return on Assets	Net Income /Total Assets	0.50%	3.70%	0.94%
Return on Equity	Net Income /Total Equity	0.95%	7.14%	1.55%

*EBITDA = Earnings before interest, taxes and depreciation and amortization