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, 2021**

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 March 31, 2021
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, 2021 (with comparative audited figures as of December 31, 2020) and for the three-month periods ended March 31, 2021 and 2020 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, 2021 and 2020

Key Performance Indicators	**For the three months ended March 31**	
PhP MM except where indicated	**2021**	**2020**
Net Sales	3,517	4,283
Gross Profit – merchandise	1,332	1,975
Operating Income	18	155
Net Income (Loss)	(99)	110
Gross Selling Space (sq.m.)	113,234	118,447
Decrease in Gross Selling Space (%)	4.4%	1.1%

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

Net sales	Sales, net of VAT, minus sales returns and allowances and sales discounts
Gross profit – merchandise	Net sales minus cost of merchandise sold
Operating income (loss)	Gross profit minus operating expenses
Net income (loss)	Operating income (loss) minus other charges and provision for income tax
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	**2021**	**2020**
Key Financial Data		
Net Sales	3,517	4,283
Luxury & Bridge	1,494	1,282
Casual	525	570
Fast Fashion	816	1,439
Footwear, Accessories & Luggage	230	378
Others	451	614
Gross Profit – merchandise[1]	1,332	1,975
Gross Profit Margin – merchandise (%)	37.9%	46.1%
Operating Income	18	155
Operating Income (Loss) Margin (%)	0.5%	3.6%
Other Income (Charges)	(104)	(16)
Net Income (Loss)	(99)	110
Net Income (Loss) Margin (%)	(2.8%)	2.6%
Recurring Net Income (Loss)	(95)	120
Recurring Net Income Margin (%)	(2.7%)	2.8%
Total Debt[2]	7,028	4,489
Net Debt[3]	2,435	2,917
Key Operating Data		
Number of Brands	96	95
Number of Stores	555	593
Gross Selling Space (sq.m.)	113,234	118,447
Decrease in Gross Selling Space (%)	4.4%	1.1%

Revenues

Net sales

SSI Group, Inc. (the "Company" or the "Group") generated sales of ₱3.5 billion during the first quarter of 2021, or 82.1% of sales during the same period in 2020. This sales level was achieved despite continuing community quarantines and reduced foot traffic in malls.

Despite the decrease in the Group's total sales during the first quarter of 2021, luxury and bridge sales grew by 16.6% versus 1Q 2020. Casual, home and food brands also performed better than other categories with 1Q 2021 Casual sales at average of 92% of sales during the same period last year, and the Others category at 74% of sales during the same period last year. On average, the Group's total net sales are at 82% of 1Q 2020 sales and 71% of 1Q 2019 sales.

The Group believes that sales performance during the 1st quarter of the year is indicative of resilient demand from the Group's core customer base.

[1] Calculated as Net Sales minus Cost of Merchandise Sold
[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, 2021, the Group's store network included 555 stores nationwide covering approximately 113,234 square meters. During the first quarter, the Group opened 4 stores covering 408 square meters and closed 19 stores covering 2,797 square meters.

The Group had 96 brands in its portfolio as of the period ended March 31, 2021 with no brands added or discontinued during the first quarter of 2021.

The following table sets out the Group's number of stores and gross selling space for the periods ended March 31, 2021 and 2020 and for the year ended December 31, 2020.

Store Network	**March 31**		**December 31**
	2021	**2020**	**2020**
Number of Stores*	555	593	570
Luxury & Bridge	141	148	147
Casual	79	76	75
Fast Fashion	55	58	57
Footwear, Accessories & Luggage	133	158	142
Others	147	153	149
Gross Selling Space (sq.m.)	113,234	118.447	115,622
Luxury & Bridge	13,114	13,852	13,592
Casual	12,264	12,721	11,856
Fast Fashion	48,821	50,862	50,545
Footwear, Accessories & Luggage	19,460	21,100	19,965
Others	19,574	19,913	19,664

Rental income

Rental income for the first quarter of 2021 amounted to ₱7.2 million, a 45.7% decrease as compared to the same period last year. Rental income relates to the leasing out of certain store spaces at Central Square as well as income derived from parking spaces at Central Square.

Gross Profit

Gross profit for the three months ended March 31, 2021 amounted to ₱1.3 billion, a 32.7% decrease as compared to the same period in 2020. Gross profit margin during the first quarter was at 37.9% as compared to 46.2% in 1Q 2020. The lower gross profit margin is in line with the Groups focus on driving sales within a low foot traffic environment.

Operating Expenses

Total operating expenses during the first quarter of 2021 amounted to ₱1.3 billion, a 27.9% decrease as compared to the same period last year. As a percentage of revenues, total operating expenses improved to 37.4% of revenues as compared to 42.6% during the same period last year. This reflects the Group's cost rationalization effects and focus on cost efficiencies given the current operating environment amidst the COVID-19 pandemic.

Selling and distribution expenses for the first three months of 2021 were at ₱980.4 million, a 35.4% decrease as compared to 1Q 2020. The decrease primarily reflects a decrease in rent and depreciation expenses which decreased to a total of ₱308.7 million, and decreases in personnel costs, credit card charges, security services, global marketing contribution, and travel and transportation which decreased by a total of ₱224.4 million. As a percentage of revenues, selling and distribution expenses were at 27.8% during the first quarter of 2021 as compared to 35.3% in 1Q 2020.

General and administrative expenses for the first three months of 2021 were at ₱338.1 million, an 8.7% increase over the same period last year. The increase pertains to an increase in rent and depreciation which increased to a total of ₱80.6 million, and increases in insurance and repairs and maintenance expenses to ₱15.5 million and ₱13.8 million, respectively. This increase was offset by a decrease in personnel costs to ₱156.9 million. As a percentage of revenues, general and administrative expenses were at 9.6% in 1Q 2021 versus 7.2% in 1Q 2020.

As a result of the foregoing, the Group generated an operating income of ₱17.5 million during the first quarter of 2021 as compared to ₱155.3 million during the same period last year. Excluding depreciation, operating income was at ₱241.3 million in 1Q 2021.

Other Income (Charges)

Other charges for the first three months of 2021 totaled ₱104.5 million, an increase over ₱16.0 million during the same period last year. The increase is primarily attributable to an increase in interest expense to ₱108.0 million during the period. The Group also recognized its share in the net losses of its associate and joint ventures totaling ₱7.1 million during the first quarter of 2021 as compared to ₱23.4 million income in 1Q 2020.

Provision for Income Tax

Provision for income tax for the first three months of 2021 amounted to ₱12.5 million as compared to ₱29.4 million during the same period last year. This reflects the new regular and minimum corporate income tax rates under the CREATE law.

Net Income (Loss)

As a result of the foregoing, the Group generated a net loss of ₱99.4 million during the first quarter of 2021.

FINANCIAL CONDITION

As of March 31, 2021, the Group had consolidated assets of ₱21.8 billion as compared to ₱22.7 billion as of December 31, 2020.

Current Assets

As of March 31, 2021, the Group had consolidated current assets of ₱15.1 billion as compared to ₱15.8 billion as of December 31, 2020.

Cash

As of March 31, 2021, cash was at ₱4.6 billion as compared to ₱5.3 billion at the end of 2020. The decrease primarily reflects the Group's cash flows used in its operating activities of ₱376.6 million, capital expenditures of ₱63.9 million, and payment of its loan and lease liabilities, including interest of ₱289.8 million.

Trade and other receivables

As of March 31, 2021, trade and other receivables were at ₱1.2 billion as compared to ₱713.3 million at the end of 2020. The increase pertains to an increase in trade receivables to ₱552.6 million, as a result of an increase in sales of third party marketplaces, and an increase in nontrade receivables to ₱430.2 million.

Merchandise Inventories

As of March 31, 2021, merchandise inventories were at ₱8.7 billion as compared to ₱9.2 billion at the end of 2020. The decrease is in line with the Group's strategy to optimize working capital given the continuing community quarantines during the COVID-19 pandemic.

Non-Current Assets

Investment in an Associate

As of March 31, 2021, investment in an associate was at ₱74.5 million as compared to ₱78.3 million at the end of 2020. The Group's recognized its share in the net loss of SPI amounting to ₱3.8 million during the quarter.

Deferred Tax Assets

As of March 31, 2021, deferred tax assets were at ₱627.8 million as compared to ₱591.2 million at the end of 2020. 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.

Current Liabilities

As of March 31, 2021, the Group's total consolidated current liabilities amounted to ₱9.4 billion as compared to ₱10.1 billion at the end of 2020.

Trade and Other Payables

As of March 31, 2021, trade and other payables were at ₱1.5 billion as compared to ₱2.1 billion at the end of 2020. The decrease is primarily attributable to a decrease in trade payables to ₱873.1 million, in line with payments terms agreed with brand principals, decreases in nontrade payables and accrued expenses to a total of ₱544.7 million as a result of lower expenses (e.g. rent, utilities) incurred during the first quarter of the year, and a decrease in output VAT to ₱27.7 million.

Non- Current Liabilities

Long-term Debt

As of March 31, 2021, long-term debt was at ₱88.2 million as compared to ₱117.6 million at the end of 2020. The decrease is due to the Group's quarterly repayment on its ₱500.0 million long-term loan. Total long-term debt at the end of March 2021 is classified as current as the amount will be paid within the next 12 months.

Retirement Benefit Obligation

As of March 31, 2021, retirement benefit obligation was at ₱793.4 million as compared to ₱748.8 million at the end of 2020. This represents the difference between the present value of the Group's retirement plan obligations and the fair value of the Group's plan assets at the end of the period.

Equity

As of March 31, 2021, total equity was at ₱10.3 billion as compared to ₱10.4 billion at the end of 2020. The decrease reflects the net loss incurred by the Group during the first quarter of the year amounting to ₱99.5 million.

CASH FLOWS

For the quarter ended March 31, 2021, the Group's cash flows from operating activities amounted to negative ₱376.6 million, a 40.9% decrease as compared to negative ₱637.0 million in 1Q 2020. This reflects cash flows from operations before working capital changes of ₱289.1 million, an increase in trade and other receivables of ₱451.3 million, and decreases in merchandise inventories and trade and other payables of ₱462.8 million and ₱647.7 million, respectively. Given strong operating cash flow generation during the 4th quarter of 2020, total cash balance at the end of the period was ₱4.6 billion, as compared to ₱1.6 billion on March 31, 2020.

Cash flows used in investing activities during the first quarter of 2021 totaled ₱44.1 million. This reflects capital expenditures of ₱63.9 million which was offset by a decrease in other noncurrent assets of ₱30.9 million.

The Group's cash flows used in financing activities during the quarter ended March 31, 2021 amounted to ₱289.8 million as compared to ₱124.0 million during the same period last year. This pertains primarily to the Group's repayments of its loans, including the related interest, of ₱192.1 million and the payment of lease liabilities, including interest booked under PFRS 16, of ₱97.7 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 continuing community quarantines imposed by the government in the country may continue to have a material impact on the Group's revenues in 2021.
(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

May 17, 2021

SSI Group, Inc. and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements
As of March 31, 2021 ***(With Comparative Audited Figures as of December 31, 2020)***
and For the Three-Month Periods Ended March 31, 2021 and 2020

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	0	7	0	5	6	0	7

C O M P A N Y   N A M E

S S I   G R O U P ,   I N C .   A N D   S U B S I D I A R I E S

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

6 / F   M I D L A N D   B U E N D I A   B U I L D I N G   4 0 3   S E N A T O R   G I L   P U Y A T   A V E N U E ,   M A K A T I   C I T Y

Form Type	Department requiring the report	Secondary License Type, If Applicable
	C R M D	N / A

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
Not Applicable	(02) 890-8034	Not Applicable

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
47	June 15	12/31

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. Rossellina J. Escoto	RJEscoto@rgoc.com.ph	858-9400	0908 865 0354

CONTACT PERSON's ADDRESS

2/F Midland Buendia Building, 403 Senator Gil Puyat Avenue, Makati 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 of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

SSI GROUP, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEETS

As of March 31, 2021
(With Comparative Audited Figures as of December 31, 2020)

	March 31 2021 (Unaudited)	December 31 2020 (Audited)
ASSETS		
Current Assets		
Cash (Note 3)	**₱4,593,359,807**	₱5,303,876,139
Trade and other receivables (Note 4)	**1,164,626,395**	713,281,488
Merchandise inventories (Note 5)	**8,746,221,817**	9,209,038,936
Prepayments and other current assets (Note 6)	**583,869,078**	557,392,818
Total Current Assets	**15,088,077,097**	15,783,589,381
Noncurrent Assets		
Investment in an associate (Note 7)	**74,473,355**	78,251,625
Interests in joint ventures (Note 8)	**540,319,918**	543,663,728
Property and equipment (Note 9)	**4,373,440,833**	4,537,710,085
Deferred tax assets - net	**627,801,504**	591,167,488
Security deposits and construction bonds (Note 23)	**975,407,621**	963,591,768
Other noncurrent assets (Note 10)	**167,579,510**	198,475,979
Total Noncurrent Assets	**6,759,022,742**	6,912,860,673
TOTAL ASSETS	**₱21,847,099,839**	₱22,696,450,054
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 11)	**₱1,501,025,804**	₱2,148,691,455
Short-term loans payable (Note 12)	**6,940,000,000**	7,010,000,000
Current portion of long-term debt (Note 13)	**88,183,737**	117,593,738
Current portion of lease liabilities (Note 23)	**736,899,789**	738,752,642
Deferred revenue	**20,936,277**	30,928,791
Income tax payable	**74,972,585**	30,383,591
Total Current Liabilities	**9,362,018,192**	10,076,350,217
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 13)	**–**	–
Retirement benefit obligation	**793,439,677**	748,787,027
Lease liabilities - net of current portion (Note 23)	**1,328,183,463**	1,408,703,347
Tenant deposits (Note 23)	**20,555,794**	20,279,738
Total Noncurrent Liabilities	**2,142,178,934**	2,177,770,112
Total Liabilities	**11,504,197,126**	12,254,120,329
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)**	(30,893,010)
Retained earnings		
Appropriated	**–**	–
Unappropriated	**4,761,204,888**	4,860,701,097
Cumulative translation adjustment	**(2,011,406)**	(2,080,603)
Other comprehensive loss	**(217,571,902)**	(217,571,902)
Total Equity	**10,342,902,713**	10,442,329,725
TOTAL LIABILITIES AND EQUITY	**₱21,847,099,839**	₱22,696,450,054

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	
	2021 (Unaudited)	2020 (Unaudited)
REVENUES		
Revenue from contract with customers - net sales	**₱3,516,644,634**	₱4,282,894,697
Rental income (Note 23)	**7,227,460**	13,312,327
	3,523,872,094	4,296,207,024
COST OF GOODS SOLD AND SERVICES (Note 14)	**2,187,808,554**	2,311,609,303
GROSS PROFIT	**1,336,063,540**	1,984,597,721
OPERATING EXPENSES		
Selling and distribution (Note 15)	**980,432,616**	1,518,183,879
General and administrative (Note 16)	**338,109,342**	311,143,183
	1,318,541,958	1,829,327,062
OTHER INCOME (CHARGES)		
Interest expense (Notes 12 and 13)	**(108,024,223)**	(60,342,065)
Loss on disposal of property and equipment (Note 9)	**(6,125,507)**	(15,049,070)
Share in net earnings of an associate (Note 7)	**(3,778,270)**	18,351,171
Share in net losses of joint ventures (Note 8)	**(3,343,811)**	5,075,197
Interest income (Note 3)	**6,201,813**	857,248
Foreign exchange gains - net	**(65,408)**	(6,815,958)
Interest accretion on security deposits (Note 23)	**751,237**	836,068
Others – net	**9,887,675**	41,117,421
	(104,496,494)	(15,969,988)
INCOME BEFORE INCOME TAX	**(86,974,912)**	139,300,671
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	**44,131,146**	76,993,733
Deferred	**(31,609,849)**	(47,587,587)
	12,521,297	29,406,146
NET INCOME	**(99,496,209)**	109,894,525
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	**69,197**	–
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)
TOTAL COMPREHENSIVE INCOME	**(₱99,427,012)**	₱108,284,139
BASIC/DILUTED EARNINGS PER SHARE (Note 20)	**(₱0.03)**	₱0.03

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, 2021 AND 2020

	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, 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**
Balances at January 1, 2021	₱3,312,864,430	₱2,519,309,713	(₱30,893,010)	₱–	₱4,860,701,097	(₱2,080,603)	(₱217,571,902)	₱10,442,329,725
Net income	–	–	–	–	(99,496,209)	–	–	(99,496,209)
Other comprehensive income	–	–	–	–	–	69,197	–	69,197
Total comprehensive income for the period	–	–	–	–	(99,496,209)	69,197	–	(99,427,012)
Balances at March 31, 2021	**₱3,312,864,430**	**₱2,519,309,713**	**(₱30,893,010)**	**₱–**	**₱4,761,204,888**	**(₱2,011,406)**	**(₱217,571,902)**	**₱10,342,902,713**

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	
	2021 (Unaudited)	2020 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**(₱86,974,912)**	₱139,300,671
Adjustments for:		
Depreciation and amortization (Notes 9, 10 and 18)	**222,075,099**	270,376,053
Interest expense (Note 12 and 13)	**108,024,223**	60,342,065
Loss on disposal of property and equipment (Note 9)	**6,125,507**	15,049,070
Share in net earnings of an associate (Note 7)	**3,343,811**	(18,351,171)
Share in net losses (income) of joint ventures (Note 8)	**3,778,270**	(5,075,197)
Unrealized foreign exchange losses	**(4,954,969)**	6,617,563
Interest income (Note 3)	**(6,201,813)**	(857,248)
Interest accretion on security deposits (Note 23)	**(751,237)**	(836,068)
Movement in retirement benefit obligation	**44,652,649**	10,463,756
Operating income before working capital changes	**289,116,628**	477,029,494
Decrease (increase) in:		
Trade and other receivables	**(451,344,907)**	36,116,890
Merchandise inventory	**462,817,119**	(630,720,394)
Prepayments and other current assets	**(26,018,412)**	(83,505,777)
Amounts owed by related parties		–
Increase (decrease) in:		
Trade and other payables	**(647,665,651)**	(440,324,484)
Tenant deposits	**276,056**	17,112,284
Deferred revenue	**(9,992,514)**	–
Net cash used in operations	**(382,811,681)**	(624,291,986)
Interest received	**6,201,813**	857,248
Income taxes paid	**–**	(13,929,948)
Net cash flows used in operating activities	**(376,609,868)**	(637,364,686)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment (Note 9)	**(63,931,356)**	(156,006,317)
Decrease (increase) in:		
Security deposits and construction bonds	**(11,064,616)**	8,509,620
Other noncurrent assets	**30,896,469**	(11,339,050)
Net cash flows used in investing activities	**(44,099,503)**	(158,835,747)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availment of short-term loans payable	**–**	125,000,000
Payments of:		
Short-term loans payable	**(70,000,000)**	–
Long-term debt	**(29,410,001)**	(112,743,333)
Lease liability	**(82,372,737)**	(63,151,050)
Interest	**(108,024,223)**	(60,342,065)
Purchase of treasury shares	**–**	(12,789,110)
Net cash flows from (used in) financing activities	**(289,806,961)**	(124,025,558)
NET INCREASE (DECREASE) IN CASH	**(710,516,332)**	(920,225,991)
CASH AT BEGINNING OF PERIOD	**5,303,876,139**	2,492,459,933
CASH AT END OF PERIOD (Note 3)	**₱4,593,359,807**	₱1,572,233,942

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 May 11, 2021. 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, 2021 and for the three-month periods ended March 31, 2021 and 2021 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, 2020.

Basis of Consolidation

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

	Percentage ownership			
	March 31, 2021		December 31, 2020	
	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, 2021 and for the three months ended March 31, 2021 and 2020 . 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, 2021. 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:

Effective beginning on or after January 1, 2021
- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

Effective beginning on or after January 1, 2022
- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

- Annual Improvements to PFRSs 2018-2020 Cycle
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- 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 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

3. Cash

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Cash on hand	**₱19,097,772**	₱38,550,938
Cash in banks	**3,179,555,471**	4,300,618,637
Short-term investments	**1,394,706,564**	964,706,564
	₱4,593,359,807	₱5,303,876,139

Cash in banks earn interest at the respective bank deposit rates. Interest earned from cash in banks for the three months ended March 31, 2021 and 2020 amounted to ₱6,201,813 and ₱₱857,248, respectively.

4. Trade and Other Receivables

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Trade receivables	**₱552,644,233**	₱254,892,223
Nontrade receivables	**430,246,526**	287,147,180
Receivables from related parties (see Note 19)	**149,253,489**	139,352,584
Advances to officers and employees	**84,283,966**	81,336,458
Others	**1,132,224**	3,487,087
	1,217,560,438	766,215,532
Less: Allowance for ECL on nontrade receivables	**(9,763,045)**	(9,763,045)
Allowance for ECL on related parties	**(43,170,999)**	(43,170,999)
	₱1,164,626,394	₱713,281,488

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

Nontrade receivables mainly include receivables from banks for tie-up sale and promotional activities, and principals for their share in marketing expense.

Nontrade receivables, advances to officers and employees and receivables from related parties are usually settled within one year. SSI's advances to officers and employees are subject to 12% annual interest and are payable within 3-6 months through salary deduction.

5. Merchandise Inventory

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
At cost		
On hand	**₱8,636,225,278**	₱8,660,001,514
In transit	**129,690,696**	568,731,579
Inventory - at cost	**8,765,915,974**	9,228,733,093
Less allowance for inventory obsolescence	**(19,694,157)**	(19,694,157)
	₱8,746,221,817	₱9,209,038,936

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 ₱2,184,744,365 and ₱2,307,885,513, for the three months ended March 31, 2021 and 2020, respectively (see Note 14).

6. Prepayments and Other Current Assets

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Supplies	**₱267,645,510**	₱292,531,047
Input VAT	**92,909,207**	73,092,445
Creditable withholding tax	**47,380,948**	23,107,860
Advances to suppliers	**45,387,389**	43,929,057
Deferred input VAT	**45,278,809**	15,472,635
Security deposits (see Note 23)	**21,717,678**	56,034,171
Prepaid advertising	**10,919,879**	18,784,137
Prepaid insurance	**4,408,674**	7,194,294
Prepaid guarantee	**4,382,447**	4,326,819
Current portion of prepaid rent (see Notes 10 and 23)	**1,088,621**	4,876,020
Others	**42,749,916**	18,044,333
	₱583,869,078	₱557,392,818

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, 2021 (Unaudited)	December 31, 2020 (Audited)
Acquisition cost	**₱24,640,000**	₱24,640,000
Accumulated equity in net earnings:		
Balance at beginning of year	**53,611,625**	62,136,792
Share in net earnings	**(3,778,270)**	10,297,692
Dividends received	–	(18,822,859)
Balance at end of year	**49,833,355**	53,611,625
	₱74,473,355	₱78,251,625

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, 2021 and December 31, 2030, 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, 2021

	LMS	**MPC**	**SSRI**	**SCRI**	**Total**
Cost:					
Balances at beginning and end of period	**₱375,296,454**	**₱87,500,000**	**₱407,344,383**	**₱420,350,000**	**₱1,292,240,837**
Accumulated equity in net earnings (losses):					
Balances at beginning of year	**10,601,453**	**70,265,821**	**(407,344,383)**	**(420,350,000)**	**(746,827,109)**
Share in net income	**(7,195,765)**	**3,851,954**			**(3,343,811)**
Balances at end of year	**3,405,689**	**74,117,775**	**(407,344,383)**	**(420,350,000)**	**(750,170,919)**
	₱378,702,143	**₱161,617,775**	**₱–**	**₱–**	**₱540,319,918**

December 31, 2020 (Audited)

	LMS	MPC	SSRI	SCRI	Total
Cost:					
Balances at beginning	₱375,296,454	₱89,250,000	₱407,344,383	₱420,350,000	₱1,292,240,837
Sale of shares	–	(1,750,000)	–	–	(1,750,000)
Balances at end of year	₱375,296,454	₱87,500,000	₱407,344,383	₱420,350,000	1,290,490,837
Accumulated equity in net earnings (losses) and impairment loss:					
Balances at beginning of year	44,796,080	59,517,308	(407,344,383)	(420,350,000)	(723,380,995)
Share in net earnings (loss)	(34,194,627)	10,748,513	–	–	(23,446,114)
Balances at end of year	10,601,453	70,265,821	(407,344,383)	(420,350,000)	(746,827,109)
	₱385,897,907	₱157,765,821	₱–	₱–	₱543,663,728

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 ₱0.59 million and nil for the three months ended March 31, 2021 and 2020, 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. On November 20, 2020, the Company entered into a Deed of absolute sale of shares with RKJ for the sale of 1% or 1,750,000 common shares of the Company's 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. On December 3, 2020, the Company received cash amounting to ₱5.48 million for the sale of the said shares costing ₱1.75 million and recognized a gain amounting to ₱3.73 million.

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, 2021.

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, 2021 and December 31, 2020.

9. **Property and Equipment**

The composition and movements of this account are as follows:

<u>March 31, 2021 (Unaudited)</u>

	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	7,372,905,326	2,581,333,462	900,598,629	304,662,822	4,081,369,726	58,482,199	**15,299,352,164**
Additions	49,535,248	9,928,739	1,268,395	397,075	–	2,801,900	**63,931,357**
Disposals	(44,316,714)	(19,613,275)	–	–	–	–	**(63,929,989)**
Reclassifications	10,000,702	–	–	–	–	(10,000,702)	**–**
Balances at end of year	7,388,124,562	2,571,648,926	901,867,024	305,059,897	4,081,369,726	51,283,397	**15,299,353,532**
Accumulated depreciation and amortization:							
Balances at beginning of year	6,101,708,342	2,144,782,791	335,623,194	178,246,620	2,001,281,132	–	**10,761,642,079**
Depreciation (see Note 18)	112,713,876	36,023,632	10,680,355	6,233,262	56,423,976	–	**222,075,101**
Disposals	(39,352,579)	(18,451,902)	–	–	–	–	**(57,804,481)**
Balances at end of year	6,175,069,639	2,162,354,521	346,303,549	184,479,882	2,057,705,108	–	**10,925,912,699**
Net book values	**₱1,213,054,923**	**₱409,294,405**	**₱555,563,475**	**₱120,580,015**	**₱2,023,664,618**	**₱51,283,397**	**₱4,373,440,833**

December 31, 2020 (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	₱7,255,634,677	₱2,514,378,268	₱892,989,252	₱304,733,387	₱3,926,426,489	₱87,301,743	₱14,981,463,816
Additions	268,697,770	99,942,586	7,609,377	627,345	506,321,822	59,849,915	943,048,815
Disposals and retirement	(239,328,815)	(33,755,157)	–	(697,910)	–	–	(273,781,882)
Remeasurement	–	–	–	–	(351,378,585)	–	(351,378,585)
Reclassifications	87,901,694	767,765	–	–	–	(88,669,459)	–
Balances at end of year	7,372,905,326	2,581,333,462	900,598,629	304,662,822	4,081,369,726	58,482,199	15,299,352,164
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 and amortization (Note 18)	528,496,910	177,873,146	45,110,125	25,178,359	1,072,905,136	–	1,849,563,676
Disposals and retirement	(200,008,508)	(31,581,856)	–	(697,910)	–	–	(232,288,274)
Remeasurement	–	–	–	–	(244,217,130)	–	(244,217,130)
Balances at end of year	6,101,708,342	2,144,782,791	335,623,194	178,246,620	2,001,281,132	–	10,761,642,079
Net book values	₱1,271,196,984	₱436,550,671	₱564,975,435	₱126,416,202	₱2,080,088,594	₱58,482,199	₱4,537,710,085

Additions to leasehold improvements and construction in progress in 2021 and 2020 pertain to improvements and construction of newly opened and renovated stores during the year.

Disposals and retirement for the period ended March 31, 2021 and December 31, 2020 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, 2021 and December 31, 2020.

The Group has no purchase commitments related to property, plant and equipment as of March 31, 2021 and December 31, 2020, respectively.

10. **Other Noncurrent Assets**

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Franchise fee	**₱89,932,533**	₱83,512,361
Miscellaneous deposits	**74,656,317**	58,588,899
Software costs	**2,782,016**	3,014,491
Deferred Input VAT	**–**	47,511,143
Others	**208,544**	5,849,085
	₱167,579,410	₱198,475,979

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

11. **Trade and Other Payables**

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Trade payables	**₱873,060,599**	₱1,087,954,185
Nontrade payables	**420,132,650**	509,008,365
Accrued expenses	**124,524,539**	206,910,477
Retention payable	**32,604,186**	46,264,484
Output VAT	**27,682,743**	191,815,839
Tenant deposit	**10,101,550**	31,003,853
Payable to related parties (see Note 19)	**26,593**	4,161,624
Others	**12,892,944**	71,572,628
	₱1,501,025,804	₱2,148,691,455

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, 2021 (Unaudited)	December 31, 2020 (Audited)
Banks:		
Bank of Philippine Islands (BPI)	**₱2,710,000,000**	₱2,710,000,000
Rizal Commercial Banking Corporation (RCBC)	**1,440,000,000**	1,440,000,000
Banco de Oro (BDO)	**960,000,000**	960,000,000
Bank of Commerce (BOC)	**630,000,000**	700,000,000
Security Bank Corporation (SBC)	**500,000,000**	500,000,000
Metropolitan Bank & Trust Co. (MBTC)	**400,000,000**	400,000,000
China Banking Corporation (CBC)	**300,000,000**	300,000,000
	₱6,940,000,000	₱7,010,000,000

The Group's outstanding short-term peso-denominated loans from local commercial banks bear interest at rates ranging from 4.50% to 6.50% and 4.50% to 5.00% for the three months ended 2021 and 2020, respectively.

Interest expense recognized in the consolidated statements of comprehensive income for the three months ended March 31, 2021 and 2020 amounted to ₱90,432,905 and ₱55,486,867, 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, 2021 (Unaudited)	December 31, 2020 (Audited)
BPI	**₱88,183,738**	₱117,593,738
SBC	**–**	–
CBC	**–**	–
MBTC	**–**	–
RCBC	**–**	–
Total	**88,183,738**	117,593,738
Less: current portion	**88,183,738**	117,593,738
Noncurrent portion	**₱–**	₱–

Interest expense recognized in the consolidated statements of comprehensive income for the three months ended March 31, 2021 and 2020 amounted to ₱2,245,318 and ₱4,855,198, 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, 2021 and December 31, 2020, the Group is in compliance with the loan covenants of all their respective outstanding debts.

14. Cost of Goods Sold

	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
Cost of merchandise sold (Note 5)	**₱2,184,744,365**	₱2,307,885,512
Depreciation and amortization (Notes 9 and 18)	**978,068**	1,013,487
Rent (Note 23)	**830,803**	964,696
Utilities	**512,489**	849,626
Outside services	**151,711**	240,093
Others	**591,118**	655,889
	₱2,187,808,554	₱2,311,609,303

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, 2021 (Unaudited)	March 31, 2020 (Unaudited)
Merchandise inventory, beginning	**₱9,209,038,936**	₱9,818,880,088
Net purchases	**1,721,927,247**	2,938,605,906
Cost of merchandise available for sale	**10,930,966,183**	12,757,485,994
Less merchandise inventory, ending	**8,746,221,817**	10,449,600,482
	₱2,184,744,365	₱2,307,885,512

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, 2021 (Unaudited)	March 31, 2020 (Unaudited)
Rent (see Notes 19 and 23)	**₱126,591,173**	₱410,503,618
Personnel costs (see Note 17)	**183,043,266**	311,683,374
Depreciation and amortization (see Notes 9, 10 and 18)	**182,118,532**	232,171,844
Utilities	**103,702,811**	102,400,126
Taxes and licenses	**70,547,735**	68,940,796
Advertising	**64,602,766**	62,331,914
Credit card charges	**55,238,376**	81,418,867
Supplies and maintenance	**47,343,055**	44,131,976
Delivery and freight charges	**38,795,586**	14,246,503
Global marketing contribution fee	**26,163,618**	64,720,489
Security services	**25,091,424**	40,099,172
Repairs and maintenance	**8,746,202**	16,369,570
Communication	**7,397,045**	5,945,122
Insurance	**5,575,514**	17,524,884
Outside services	**2,963,744**	4,306,629
Travel and transportation	**1,142,673**	17,109,028
Entertainment, amusement and recreation (EAR)	**350,221**	1,350,444
Telegraphic transfer	**277,899**	547,430
Others	**30,740,976**	22,382,093
	₱980,432,616	₱1,518,183,879

16. General and Administrative Expenses

	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
Personnel costs (see Note 17)	**₱156,946,282**	₱170,717,015
Depreciation and amortization (see Notes 9, 10 and 18)	**40,657,840**	37,364,340
Rent (see Notes 19 and 23)	**39,914,404**	30,295,725
Taxes and licenses	**17,894,740**	16,641,349
Insurance	**15,539,378**	3,035,289
Repairs and maintenance	**13,817,909**	5,720,580
Utilities	**9,780,343**	9,029,050
Security services	**7,401,631**	5,735,387
Supplies and maintenance	**7,252,500**	9,380,331
Communication	**5,035,800**	4,106,219
Professional fees	**3,540,985**	4,052,052
Advertising	**3,256,438**	719,231
Travel and transportation	**2,537,230**	6,531,587
EAR	**1,074,862**	987,934
Outside service	**228,951**	303,770
Others	**13,230,049**	6,523,324
	₱338,109,342	₱311,143,183

17. Personnel Costs

Personnel costs were charged to operations as follows:

	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
Salaries, wages and bonuses	**₱286,574,189**	₱424,238,481
Retirement benefit expense	**17,720,908**	17,286,419
Other employee benefits	**35,694,451**	40,875,489
	₱339,989,548	₱482,400,389

Personnel costs were distributed as follows:

	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
Selling and distribution (see Note 15)	**₱183,043,266**	311,683,374
General and administrative (see Note 16)	**156,946,282**	170,717,015
	₱339,989,548	₱482,400,389

18. Depreciation and Amortization Expense

	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
Property and equipment (see Note 9)	**₱221,046,406**	₱270,376,053
Franchise fee (see Note 10)	**2,079,993**	–
Software costs (see Note 10)	**628,041**	173,618
	₱223,754,440	₱270,549,671

Depreciation and amortization were distributed as follows:

	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
Cost of services (Note 14)	**₱978,068**	₱1,013,487
Selling and distribution (see Note 16)	**182,118,532**	232,171,844
General and administrative (see Note 17)	**40,657,840**	37,364,340
	₱223,754,440	₱270,549,671

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 ₱14.3 million and ₱14.4 million, for the three months in the period ended March 31, 2021 and 2020, 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 ₱4.3 million and ₱6.6 million for the three months ended March 31, 2021 and 2020, 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 ₱9.3 million, ₱9.4 million for the three months in the period ended March 31, 2021 and 2020, respectively, and post-employment benefits amounting to ₱1.5 million and ₱1.4 million for the three months in the period ended March 31, 2021 and 2020, respectively.

As of March 31, 2021 and December 31, 2020, 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, 2021**	**₱12,410,621**	**₱75,099,854**	**₱–**
	December 31, 2020	₱25,216,740	₱59,437,175	₱709,594
RMK	**March 31, 2021**	**27,163,477**	**28,504,844**	**26,593**
	December 31, 2020	(20,280,237)	18,719,189	259,110
Others	**March 31, 2021**	**–**	**–**	**–**
	December 31, 2020	(2,223,066)	862,228	3,078,913
Joint ventures				
PFM	**March 31, 2021**	**–**	**–**	**–**
	December 31, 2020	–	–	–
SCRI	**March 31, 2021**	**–**	**–**	**–**
	December 31, 2020	(90,515)	23,492	114,007
MPC	**March 31, 2021**	**–**	**6,800**	**–**
	December 31, 2020	(2,613,497)	14,671,750	–
Associate				
SPI	**March 31, 2021**	**1,487,897**	**2,470,993**	**–**
	December 31, 2020	50,479	2,467,751	–
	March 31, 2021		**₱106,082,491**	**₱26,593**
	December 31, 2020		₱96,181,585	₱4,161,624

The related party balances as of March 31, 2021 and December 31, 2020 are due and demandable, non-interest bearing and unsecured. The allowance for expected credit losses on amounts owed by related parties amounted to ₱43.17 million as of March 31, 2021 and December 31, 2020, 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, 2021 (Unaudited)	March 31, 2020 (Unaudited)
Net income	**(₱99,496,209)**	₱109,894,525
Divided by weighted average number of common shares	**3,298,408,430**	3,306,761,285
	(₱0.03)	₱0.03

There were no potential dilutive common shares for the three months ended March 31, 2021 and 2020.

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, 2021 (Unaudited)	December 31, 2020 (Audited)
Cash	**₱4,593,359,807**	₱5,303,876,139
Trade and other receivables		
Trade receivables	**552,644,233**	254,892,223
Nontrade receivables	**430,246,526**	287,147,180
Receivables from related parties	**106,082,490**	96,181,584
Others	**1,132,224**	3,487,088
Security deposits and construction bonds	**997,125,299**	1,019,625,939
	₱6,680,590,579	₱6,965,210,913

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, 2021 (Unaudited)

			Past due but not impaired				
	Total	**Neither past due nor impaired**	**<30 days**	**30 - 60 days**	**60 - 90 days**	**> 90 days**	**Impaired**
Cash	**₱4,593,359,807**	₱4,593,359,807	₱–	₱–	₱–	₱–	₱–
Trade and other receivables							
Trade receivables	**552,644,233**	476,520,036	55,275,332	2,842,435	3,197,270	14,809,160	–
Nontrade receivables	**430,246,526**	127,920,609	57,451,507	26,998,820	23,618,574	184,493,971	9,763,045
Receivables from related parties	**106,082,490**	34,763,600	36,310,770	12,169,926	9,955,889	12,882,305	–
Others	**1,132,224**	1,132,224	–	–	–	–	–
Security deposits and construction bonds	**997,125,299**	997,125,299	–	–	–	–	–
Total	**₱6,680,590,579**	**₱6,229,689,351**	**₱150,169,832**	**₱42,011,181**	**₱36,771,734**	**₱212,185,436**	**₱9,763,045**

December 31, 2020

			Past due but not impaired				
	Total	Neither past due nor impaired	<30 days	30 - 60 days	60 - 90 days	> 90 days	Impaired
Cash	₱5,303,876,139	₱5,303,876,139	₱–	₱–	₱–	₱–	₱–
Trade and other receivables							
Trade receivables	254,892,223	142,556,970	75,215,318	11,528,851	2,512,555	23,078,528	–
Nontrade receivables	287,147,180	69,364,617	78,926,091	29,721,290	3,988,003	95,384,133	9,763,045
Receivables from related parties	96,181,584	95,780,363	28,951	372,270	–	–	–
Others	3,487,088	2,595,076	3,423	149,810	244,982	493,797	–
Security deposits and construction bonds[1]	1,019,625,939	1,019,625,939	–	–	–	–	–
Total	₱6,965,210,153	₱6,633,799,105	₱154,173,782	₱41,772,222	₱6,745,540	₱118,956,459	₱9,763,045

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, 2021 and December 31, 2020, 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, 2021 and December 31, 2020.

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, 2021 and December 31, 2020, 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, 2021 and year ended December 31, 2020. 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, 2021.

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, 2021 (Unaudited)		December 31, 2020 (Audited)	
	Carrying Amounts	**Fair Values**	Carrying Amounts	Fair Values
Financial Assets				
Loans and receivables				
Security deposits and construction bonds	**₱997,125,299**	**₱1,014,029,680**	₱1,019,625,939	₱1,036,529,420
Financial Liabilities				
Other financial liabilities				
Long-term debt	**₱88,183,738**	**₱88,260,000**	₱117,593,738	₱120,134,685

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, 2021 and December 31, 2020, 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, 2021 and December 31, 2020, respectively.

<u>Fair Value Hierarchy</u>
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, 2021 and December 31, 2020 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, 2021 and years ended December 31, 2020, 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 follows:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Balances at beginning of the year	**₱2,080,088,594**	₱2,753,833,363
Additions	**–**	506,321,822
Depreciation expense	**(56,423,976)**	(1,072,905,136)
Remeasurement/termination	**–**	(107,161,455)
Balances at end of the year	**₱2,023,664,618**	₱2,080,088,594

The rollforward analysis of lease liabilities follows:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Balances at beginning of the year	**₱2,147,455,989**	₱2,832,462,784
Additions	**–**	460,033,129
Interest expense	**15,346,000**	173,576,791
Remeasurement/termination	**–**	(114,468,613)
Lease concession	**(1,028,696)**	(735,453,471)
Payments	**(96,690,041)**	(468,694,631)
Balances at end of the year	**2,065,083,252**	2,147,455,989
Less: current portion	**736,899,789**	738,752,642
Balances at end of the year	**₱1,328,183,463**	₱1,408,703,347

The Group has paid security deposits for the store outlets and office spaces with carrying amounts of ₱997.12 million and ₱1,019.63 million as of March 31, 2021 and December 31, 2020, 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 ₱0.75 million and ₱0.80 million, for the three months ended March 31, 2021 and 2020, 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 ₱30.66 million and ₱36.98 million as of March 31, 2021 and December 31, 2020, 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 nil and ₱13.3 million, for the three months ended March 31, 2021 and 2020, respectively.

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, 2021 and 2020 (amounts in millions):

	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
Net Sales		
Luxury and Bridge	**₱1,494**	₱1,282
Casual	**525**	570
Fast Fashion	**816**	1,439
Footwear, Accessories and Luggage	**230**	378
Other	**452**	614
	₱3,517	₱4,283

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, 2021 (Unaudited)	March 31, 2020 (Unaudited)
Philippines	**₱3,517**	₱4,273
Guam	**–**	10
	₱3,517	₱4,283

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, 2021

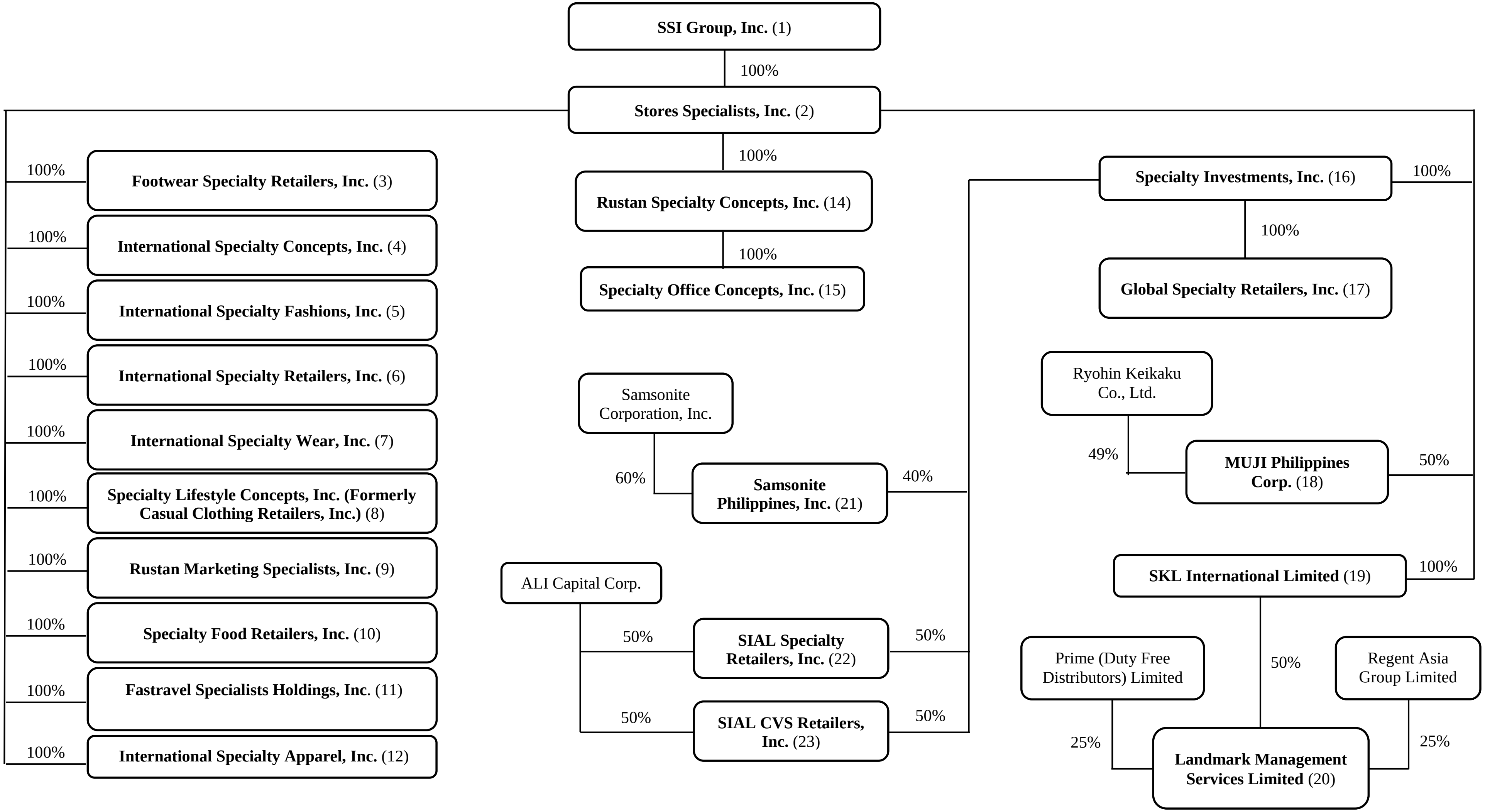

Exhibit II

SSI GROUP, INC.

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

MARCH 31, 2021

Unappropriated retained earnings, as adjusted, beginning		₱1,006,741,214
Cumulative prior year adjustments:		
Interest income from accretion of the discount on security deposits		(5,181,311)
		1,001,559,903
Net income during the period closed to retained earnings	10,685,133	
Less: Other realized gains related to accretion of income from security deposits	–	
Deferred tax asset recognized during the year	(292,153)	
Net income during the period		10,392,980
Retained earnings available for dividend declaration		₱1,011,952,883

Exhibit III

SSI GROUP, INC.
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Ratios	Formula	March 31, 2021	December 31, 2020	March 31, 2020
(i) Current Ratio	Current Assets/Current Liabilities	1.61	1.57	1.81
(ii) Debt/Equity Ratio	Bank Debts/ Total Equity	0.68	0.68	0.39
(iii) Net Debt/Equity Ratio	Bank Debts-Cash & Equivalents/Total Equity	0.24	0.17	0.25
(iii) Asset to Equity Ratio	Total Assets/Total Equity	2.11	2.17	1.89
(iv) Interest Cover Ratio	EBITDA/Interest Expense	2.25	2.59	7.79
(v) Profitability Ratios				
GP Margin	Gross Profit/Revenues	37.91%	40.54%	46.34%
Net Profit (Loss) Margin	Net Income (Loss) /Revenues	-2.82%	-7.39%	2.57%
EBITDA Margin	EBITDA/Revenues	6.90%	11.34%	10.97%
Return on Assets	Net Income (Loss) /Total Assets	-0.46%	-3.98%	0.50%
Return on Equity	Net Income (Loss) /Total Equity	-0.96%	-8.66%	0.95%

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