COVER SHEET

CS200705607

SEC Registration Number

SSI GROUP, INC. AND SUBSIDIARIES

(Company's Full Name)

6/F Midland Buendia Building 403 Senator Gil Puyat Avenue, Makati City

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

Ms. Rossellina J. Escoto

(Contact Person)

8858-9400

(Company Telephone Number)

12 **31**

Month *Day*

(Calendar Year)

Form 17-Q

(Form Type)

June 15

Month *Day*

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

CFD

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/Section

Total Amount of Borrowings

53	**₱1,595 million**	**Not Applicable**
Total No. of Stockholders as of 31 March 2023	Domestic	Foreign

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To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SEC Number CS200705607
File Number ______________

SSI Group, Inc.
(Company's Full Name)

6/F Midland Buendia Building
403 Sen. Gil Puyat Avenue, Makati City
(Company's Address)

(632) 8890-8034
(Telephone Number)

March 31, 2023
(Quarter Ending)

SEC FORM 17-Q
(Form Type)

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, 2023**

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, 2023
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, 203 (with comparative audited figures as of December 31, 2022) and for the three-month periods ended March 31, 2023 and 2022 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, 2023 and 2022

Key Performance Indicators	**For the three months ended March 31**	
PhP MM except where indicated	**2023**	**2022**
Net Sales	6,218	4,485
Gross Profit – merchandise	2,814	1,661
Operating Income	641	181
Net Income (Loss)	456	68
Gross Selling Space (sq.m.)	99,597	103,260
Decrease in Gross Selling Space (%)	3.5%	16.8%

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	**2023**	**2022**
Key Financial Data		
Net Sales	6,218	4,485
Luxury & Bridge	1,902	1,782
Casual	865	620
Fast Fashion	2,285	1,322
Footwear, Accessories & Luggage	458	275
Others	708	487
Gross Profit – merchandise[1]	2,814	1,661
Gross Profit Margin – merchandise (%)	45.3%	37.0%
Operating Income	641	181
Operating Income (Loss) Margin (%)	10.3%	4.0%
Other Income (Charges)	(25)	(65)
Net Income (Loss)	456	68
Net Income (Loss) Margin (%)	7.3%	1.5%
Total Debt[2]	1,595	5,435
Net Debt[3]	(4,484)	(1,540)
Key Operating Data		
Number of Brands	87	94
Number of Stores	516	521
Gross Selling Space (sq.m.)	99,597	103,260
Decrease in Gross Selling Space (%)	3.5%	16.8%

Revenues

Net sales

SSI Group, Inc. (the “Company” or the “Group”) generated sales of ₱6.2 billion during the first three months of 2023, an increase of 38.6% as compared to the same period in 2022.

The Group’s sales during the 1st quarter of 2023 exceeded pre-COVID levels, and was 26.3% higher than sales during 1st quarter of 2019.

The Group’s luxury and bridge and casual wear sales continued to perform strongly, with increases of 6.8% and 39.5%, respectively, as compared to the same period last year. The Group also saw a significant turnaround in the sales of the fast fashion and footwear, accessories, and luggage categories. During the 1st quarter of 2023, fast fashion sales grew by 72.9% y-o-y, while footwear, accessories, and luggage sales grew by 66.4% y-oy. Sales of Others, comprised of personal care, food, and outlet sales also increased by 45.4% y-o-y.

[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

The Group's sales performance during the first three months of the year reflects strong demand for the Group's products as our customers continued to shop at our optimized store locations and the brands in our portfolio remained top of mind for consumers. The Group continues to focus on delivering compelling customer experiences, that are distinct for each of our brands. Also, the Group's e-commerce business generated sales of ₱477.1 million, which accounted for 7.7% of sales during the first three months of the year.

At the end of March 2023, the Group's store network included 516 stores nationwide which cover a total of approximately 99,597 square meters. During the first quarter, the Group opened two (2) stores covering 145 square meters and closed ten (10) stores covering 1,732 square meters.

As of March 31, 2023, the Group had 87 brands in its portfolio.

The following table sets out the Group's number of stores and gross selling space for the periods ended March 31, 2023 and 2022 and for the year ended December 31, 2022.

Store Network	**March 31**		**December 31**
	2023	**2022**	**2021**
Number of Stores*	516	521	524
Luxury & Bridge	147	140	148
Casual	73	75	74
Fast Fashion	46	51	47
Footwear, Accessories & Luggage	117	112	116
Others	133	143	139
Gross Selling Space (sq.m.)	99,597	103,260	101,184
Luxury & Bridge	13,437	12,846	13,450
Casual	11,203	11,471	11,329
Fast Fashion	41,066	43,468	42,429
Footwear, Accessories & Luggage	16,184	16,041	16,120
Others	17,707	19,434	18,035

Rental income
The Group booked rental income of ₱21.1 million, an increase of 164.8% over 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, 2023 amounted to ₱2.8 billion, a 69.3% increase as compared to the same period in 2023. Gross profit margin for merchandise sold during the first quarter of 2023 improved to 45.3% from 37.0% during the first quarter of 2022.

Relatively high gross profit margins reflect the strong demand that the Group experienced for the merchandise in its different categories during the three-month period.

Operating Expenses
Operating expenses during the first quarter of 2023 amounted to ₱2.2 billion, an increase of 46.8% over the same period last year. As a percentage of revenues, total operating expenses were at 34.9% compared to 33.0% during the same period last year. This reflects the Group's cost rationalization effects and focus on cost efficiencies.

Selling and distribution expenses for the first three months of 2023 were at ₱1.8 billion, an increase of 57.3% over the same period last year. As a percentage of revenues, S&D expenses were at 29.1% as compared to 25.7% in 1Q 2022.

The increase primarily reflects the increases in travel and transportation by 995.4%, insurance by 247.7%, and global marketing contribution fee by 439.5%. These increases reflect the expenses in planning and preparing the Group's products and services. Rent and occupancy and personnel costs also increased to ₱598.3 million and ₱247.7 million, respectively. Depreciation, credit card charges, supplies and maintenance, delivery and freight, communication, outside services, and telegraphic transfer also increased by a total of ₱289.3 million. These increases reflect higher costs associated with the Group's increased sales.

General and administrative expenses for the first three months of 2023 were at ₱358.2 million, an increase of 9.7% over the same period last year. As a percentage of revenues, G&A expenses improved to 5.7% as compared to 7.3% during the same period last year.

The increase primarily reflects the increases in travel and transportation by 1,409.4% and professional fees by 117.0%. There were also increases in personnel costs, depreciation, taxes and licenses, repairs and maintenance, utilities, security services, rent, supplies and maintenance, and EAR by a total of ₱20.9 million.

As a result of the foregoing, the Group generated earnings before interests and taxes of ₱640.9 million, an increase of 253.3% from ₱181.4 million during the same period last year. EBITDA of ₱640.9 million is also 109% higher than pre-COVID EBITDA during the same period in 2019.

Other Income (Charges)
Other charges for the first three months of 2023 totaled ₱25.3 million, a decrease of 60.9% as compared to the same period last year. The decrease is largely attributable to the increase in net income of associates to ₱32.4 million, a significant increase of 29,005% over the same period last year. Likewise, net income of joint ventures increased to ₱0.2 million.

Provision for Income Tax
Provision for income tax for the first three months of 2023 amounted to ₱159.6 million as compared to ₱48.8 million during the same period last year. This reflects the new regular and minimum corporate income tax rates under CREATE law.

Net Income (Loss)
As a result of the foregoing, the Group's net income for the first three months of 2023 amounted to ₱456.0 million, a significant increase of 573.4% from ₱67.7 million during the same period last year.

FINANCIAL CONDITION

As of March 31, 2023, the Group had consolidated assets of ₱21.8 billion as compared to ₱21.4 billion as of December 31, 2022.

Current Assets

Cash
As of March 31, 2023, cash amounted to ₱6.1 billion as compared to ₱6.6 billion at the end of 2022. The decrease primarily reflects the Group's payment of loans and lease liabilities, including interests, amounting to ₱741.3 million. The Group generated ₱375.4 million of operating cashflows during the period, and utilized ₱176.6 million for capital expenditures and ₱9.0 million for additional noncurrent assets.

Trade and other receivables
As of March 31, 2023, trade and other receivables amounted to ₱719.7 million as compared to ₱678.3 million at the end of 2022. The decrease is mainly attributable to the decrease in trade receivables to ₱266.4 million, which consists of receivables from credit card companies.

Merchandise Inventories
As of March 31, 2023, merchandise inventories amounted to ₱7.9 billion as compared to ₱6.7 billion at the end of 2022. The increase was a result of strong sales combined with calibrated inventory purchases. The inventory translates into inventory months of 6 months, which is the same as the month' inventory at the end of 2022, and compared to month' inventory of 7 months in 1Q 2022.

Non-Current Assets

Investment in Associates
As of March 31, 2023, investment in associates amounted to ₱266.9 million as compared to ₱234.5 million at the end of 2022.

The increase pertains to the Group's recognized share in the net earnings of Samsonite Philippines, Inc. (SPI) and Luxury Goods Philippines, Inc. (LGPI) amounting to a total of ₱32.4 million.

Investment in Joint Ventures
As of March 31, 2023, investment in joint ventures amounted to ₱542.5 million as compared to ₱542.3 at the end of 2022.

The decrease pertains to the Group's recognized share in the net earnings of Landmark Management Services Ltd. (LMS) and MUJI Philippines Corp. (MPC) amounting to a total of ₱0.2 million.

Property and Equipment
As of March 31, 2023, property and equipment amounted to ₱4.2 billion as compared to ₱4.4 billion at the end of 2022. The net decrease is primarily attributable to additional depreciation expense recognized during the period amounting to ₱360.7 million, which was offset by the Group's capital expenditures amounting to ₱176.6 million during the 1st quarter.

Deferred Tax Assets
As of March 31, 2023, deferred tax assets amounted to ₱391.2 million as compared to ₱376.1 million at the end of 2022. 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.

Security Deposits and Construction Bonds
As of March 31, 2023, security deposits and construction bonds amounted to ₱894.8 million as compared to ₱878.2 million at the end of 2022. Interest income recognize from these deposits totaled ₱0.9 million during the 1st quarter of 2023.

Current Liabilities

Trade and Other Payables
As of March 31, 2023, trade and other payables amounted to ₱4.1 billion as compared to ₱3.7 billion at the end of 2022. The increase is due to the increase in trade payables to ₱3.1 billion, reflecting the terms of merchandise deliveries during the period, and in retention payables to ₱36.3 million.

Short-term Loans Payable
As of March 31, 2023, short-term loans payable amounted to ₱1.6 billion as compared to ₱2.1 billion at the end of 2022. The decrease is attributable to the Group's payment of ₱505.0 million.

The Group reduced debt levels given strong cash flow generation, which resulted in net debt of negative ₱4.48 billion in 1Q 2023, as compared to negative ₱4.53 billion at the end of 2022.

Non- Current Liabilities

Retirement Benefit Obligation
As of March 31, 2023, retirement benefit obligation amounted to ₱786.2 million as compared to ₱778.9 million at the end of 2022. 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.

Lease Liabilities
As of March 31, 2023, lease liabilities amounted to ₱1.7 billion, which was ₱173.8 million lower as compared the balance at the end of 2022. The decrease is mainly attributable to the payment made during the 1st quarter amounting to ₱213.3 million, which was offset by the interest expense of ₱39.5 million incurred during the quarter.

As of March 31, 2023, the current portion of the Group's lease liabilities amounted to ₱633.1 million while the noncurrent portion was at ₱1.1 billion.

Equity

As of March 31, 2023, total equity was at ₱13.0 billion as compared to ₱12.5 billion at the end of 2022. The increase is attributable to the net income recognized by the Group during the first quarter of the year amounting to ₱456.0 million.

CASH FLOWS

The Group generated significant operating cash flows before working capital changes of ₱1.0 billion in 1Q 2023, which was 144.3% increase over ₱409.9 million in 1Q 2022. Operating cash flows was at ₱372.3 million after working capital changes, which is primarily attributable to merchandise inventory purchases. The Group also received interest income of ₱18.2 million and paid income taxes of ₱15.1 million. As a result of the foregoing, the Group's operating activities generated ₱375.4 million.

Cash flows used in investing activities during the 1st quarter of 2023 totaled ₱185.6 million. This reflects capital expenditures of ₱176.6 million and additional noncurrent assets of ₱9.0 million.

The Group's cash flows used in financing activities during the 1st quarter of 2023 totaled ₱741.3 million. This reflects the Group's repayment of its debts, including the related interests, of ₱528.0 million and the payment of lease liabilities, including the interests booked under PFRS 16, of ₱213.3 million.

The Group ended the 1st quarter of 2023 with a net debt position of negative ₱4.5 billion.

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.

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

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 Escoto

ROSSELLINA J. ESCOTO
Authorized Signatory

Vice President – Finance

May 15, 2023

SSI Group, Inc. and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements
As of March 31, 2023 *(With Comparative Audited Figures as of December 31, 2022)*
and For the Three-Month Periods Ended March 31, 2023 and 2022

SSI GROUP, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEETS

As of March 31, 2023
(With Comparative Audited Figures as of December 31, 2022)

	March 31 2023 (Unaudited)	December 31 2022 (Audited)
ASSETS		
Current Assets		
Cash (Note 3)	**₱6,078,640,991**	₱6,630,196,666
Trade and other receivables (Note 4)	**719,703,939**	678,261,375
Merchandise inventories (Note 5)	**7,932,036,826**	6,663,795,540
Prepayments and other current assets (Note 6)	**562,919,917**	861,876,054
Total Current Assets	**15,293,301,673**	14,834,129,635
Noncurrent Assets		
Investment in an associate (Note 7)	**266,855,177**	234,496,348
Interests in joint ventures (Note 8)	**542,472,661**	542,268,045
Property and equipment (Note 9)	**4,209,151,005**	4,397,438,606
Deferred tax assets - net	**391,233,199**	376,125,782
Security deposits and construction bonds (Note 22)	**894,801,294**	878,208,628
Other noncurrent assets (Note 10)	**127,227,829**	136,683,003
Total Noncurrent Assets	**6,431,741,165**	6,565,220,412
TOTAL ASSETS	**₱21,725,042,838**	₱21,399,350,047
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 11)	**₱4,117,314,781**	₱3,695,394,596
Short-term loans payable (Note 12)	**1,595,000,000**	2,100,000,000
Current portion of lease liabilities (Note 22)	**633,093,910**	692,268,057
Deferred revenue	**11,615,803**	52,025,105
Income tax payable	**495,303,019**	335,753,445
Total Current Liabilities	**6,852,327,513**	6,875,441,203
Noncurrent Liabilities		
Retirement benefit obligation	**786,188,593**	778,858,025
Lease liabilities - net of current portion (Note 22)	**1,098,859,349**	1,213,479,360
Tenant deposits (Note 22)	**24,750,461**	24,624,632
Total Noncurrent Liabilities	**1,909,798,403**	2,016,962,017
Total Liabilities	**8,762,125,916**	8,892,403,220
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	**7,328,378,270**	6,872,408,175
Cumulative translation adjustment	**(1,920,808)**	(1,920,808)
Other comprehensive loss	**(164,821,673)**	(164,821,673)
Total Equity	**12,962,916,922**	12,506,946,827
TOTAL LIABILITIES AND EQUITY	**₱21,725,042,838**	₱21,399,350,047

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	
	2023 (Unaudited)	2022 (Unaudited)
REVENUES		
Revenue from contract with customers - net sales	**6,218,098,460**	₱4,485,423,588
Rental income (Note 22)	**21,056,081**	7,951,779
	6,239,154,541	4,493,375,367
COST OF GOODS SOLD AND SERVICES (Note 13)	**3,423,488,221**	2,830,642,753
GROSS PROFIT	**2,815,666,320**	1,662,732,614
OPERATING EXPENSES		
Selling and distribution (Note 14)	**1,816,546,080**	1,154,739,713
General and administrative (Note 15)	**358,247,911**	326,604,860
	2,174,793,991	1,481,344,573
OTHER INCOME (CHARGES)		
Interest expense (Notes 12 and 13)	**(62,524,286)**	(75,128,891)
Loss on disposal of property and equipment (Note 9)	**(4,229,907)**	(2,980,339)
Share in net earnings of an associate (Note 7)	**32,358,829**	111,180
Share in net losses of joint ventures (Note 8)	**204,616**	(4,465,270)
Interest income (Note 3)	**18,154,294**	1,655,744
Foreign exchange gains - net	**(5,583,302)**	(9,438,822)
Interest accretion on security deposits (Note 22)	**943,578**	999,999
Others - net	**(4,657,518)**	24,382,915
	(25,333,696)	(64,863,484)
INCOME BEFORE INCOME TAX	**615,538,633**	116,524,557
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	**171,772,724**	71,661,725
Deferred	**(12,204,186)**	(22,844,395)
	159,568,538	48,817,330
NET INCOME	**455,970,095**	67,707,227
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	**–**	–
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	**–**	–
TOTAL COMPREHENSIVE INCOME	**₱455,970,095**	₱67,707,227
BASIC/DILUTED EARNINGS PER SHARE (Note 20)	**₱0.14**	₱0.02

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, 2023 AND 2022

	Capital Stock	Additional Paid-in Capital	Treasury Shares	Retained Earnings	Cumulative Translation Adjustment	Other Comprehensive Income	Total
Balances at January 1, 2022	₱3,312,864,430	₱2,519,309,713	(₱30,893,010)	₱5,011,670,697	(₱1,968,928)	(₱132,150,729)	₱10,678,832,173
Net income	–	–	–	67,707,227	–	–	67,707,227
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	67,707,227	–	–	67,707,227
Balances at March 31, 2022	**₱3,312,864,430**	**₱2,519,309,713**	**(₱30,893,010)**	**₱5,079,377,924**	**(₱1,968,928)**	**(₱132,150,729)**	**₱10,746,539,400**
Balances at January 1, 2023	₱3,312,864,430	₱2,519,309,713	(₱30,893,010)	₱6,872,408,175	(₱1,920,808)	(₱164,821,673)	₱12,506,946,827
Net income	–	–	–	455,970,095	–	–	455,970,095
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	455,970,095	–	–	455,970,095
Balances at March 31, 2023	**₱3,312,864,430**	**₱2,519,309,713**	**(₱30,893,010)**	**₱7,328,378,270**	**(₱1,968,928)**	**(₱132,150,729)**	**₱12,962,916,922**

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	
	2023	2022
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱615,538,633**	₱116,524,557
Adjustments for:		
Depreciation and amortization (Notes 9, 10 and 17)	**363,460,695**	194,827,864
Interest expense (Note 12)	**62,524,286**	75,128,891
Loss on disposal of property and equipment (Note 9)	**4,229,907**	2,980,339
Share in net earnings of an associate (Note 7)	**(32,358,829)**	(111,180)
Share in net losses (income) of joint ventures (Note 8)	**(204,616)**	4,465,270
Unrealized foreign exchange losses	**–**	252,810
Interest income (Note 3)	**(18,154,294)**	(1,655,744)
Interest accretion on security deposits (Note 22)	**(943,578)**	(999,999)
Movement in retirement benefit obligation	**7,330,567**	18,510,478
Operating income before working capital changes	**1,001,422,771**	409,923,286
Decrease (increase) in:		
Trade and other receivables	**(41,442,564)**	76,751,143
Merchandise inventory	**(1,268,241,286)**	171,010,779
Prepayments and other current assets	**298,956,137**	(29,375,878)
Increase (decrease) in:		
Trade and other payables	**421,920,185**	(5,356,891)
Tenant deposits	**125,829**	2,789,920
Deferred revenue	**(40,409,302)**	9,200,871
Net cash used in operations	**372,331,770**	634,943,230
Interest received	**18,154,294**	1,655,744
Income taxes paid	**(15,126,374)**	(39,865,014)
Net cash flows used in operating activities	**375,359,690**	596,733,960
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment (Note 9)	**(176,630,059)**	(245,260,032)
Additional interests in joint ventures (Note 8)		(25,000,000)
Decrease (increase) in:		
Security deposits and construction bonds	**(15,649,088)**	16,630,732
Other noncurrent assets	**6,682,226**	(4,789,894)
Net cash flows used in investing activities	**(185,596,921)**	(258,419,194)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Short-term loans payable	**(505,000,000)**	(500,000,000)
Long-term debt		
Lease liability	**(173,794,158)**	(41,013,929)
Interest	**(62,524,286)**	(75,128,891)
Net cash flows from (used in) financing activities	**(741,318,444)**	(616,142,820)
NET INCREASE (DECREASE) IN CASH	**(551,555,675)**	(277,828,054)
CASH AT BEGINNING OF PERIOD	**6,630,196,666**	7,252,867,634
CASH AT END OF PERIOD (Note 3)	**₱6,078,640,991**	₱6,975,039,580

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). Under the Revised Corporation Code of the Philippines, the Company shall have a perpetual corporate life. 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 November 7, 2014, SSI Group, Inc. listed its 695,701,530 common shares with the Philippine Stock Exchange (PSE).

   The registered office and principal place of business of the Company is 6th Floor, Midland Buendia Building, 403 Sen. 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, 2023. 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 Preparation</u>
   The unaudited interim condensed consolidated financial statements as of March 31, 2023 and for the three-month periods ended March 31, 2023 and 2022 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, 2022.

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

	Percentage ownership			
	March 31, 2023		December 31, 2022	
	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, 2023 and for the three months ended March 31, 2023 and 2022. 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>New Standards, Interpretations and Amendments</u>
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these pronouncements did not have any significant impact on the Group's financial position or performance.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Property, 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*

Future Changes in Accounting Policies

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

Effective beginning on or after January 1, 2025

- 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*

3. **Cash**

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Cash on hand	**₱15,201,233**	₱36,531,998
Cash in banks	**4,722,678,705**	5,147,738,370
Short-term investments	**1,340,761,053**	1,445,926,298
	₱6,078,640,991	₱6,630,196,666

Cash in banks earn interest at the respective bank deposit rates. Interest earned from cash in banks for the three months ended March 31, 2023 and 2022 amounted to ₱18,154,294 and ₱1,655,744, respectively.

4. **Trade and Other Receivables**

		March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Trade receivables		**₱266,354,478**	₱329,002,636
Nontrade receivables		**320,285,592**	209,909,875
Receivables from related parties (see Note 18)		**104,033,884**	120,543,909
Advances to officers and employees		**67,711,787**	61,243,186
Others		**5,345,043**	1,588,614
		763,730,784	722,288,220
Less:	Allowance for ECL on nontrade receivables	**(855,846)**	(855,846)
	Allowance for ECL on related parties	**(43,170,999)**	(43,170,999)
		₱719,703,939	₱678,261,375

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, 2023 (Unaudited)	December 31, 2022 (Audited)
At cost		
On hand	**₱7,425,662,340**	₱6,140,977,113
In transit	**514,724,870**	531,168,811
Inventory - at cost	**7,940,387,210**	6,672,145,924
Less allowance for inventory obsolescence	**(8,350,384)**	(8,350,384)
	₱7,932,036,826	₱6,663,795,540

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 ₱3,404,276,568 and ₱2,824,880,130, for the three months ended March 31, 2023 and 2022, respectively (see Note 13).

6. Prepayments and Other Current Assets

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Supplies	**₱280,777,676**	₱291,612,437
Input VAT	**93,031,978**	71,551,899
Creditable withholding tax	**47,625,331**	3,442,035
Security deposits (see Note 22)	**42,966,383**	72,519,559
Deferred input VAT	**26,696,866**	15,329,882
Current portion of prepaid rent (see Notes 10 and 22)	**10,743,673**	14,134,362
Prepaid insurance	**6,760,975**	19,638,058
Prepaid guarantee	**4,518,253**	3,919,334
Prepaid advertising	**4,878,953**	3,751,013
Advances to suppliers	**115,076**	343,107,551
Others	**44,804,753**	22,869,924
	₱562,919,917	₱861,876,054

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, 2023 (Unaudited)	December 31, 2022 (Audited)
Acquisition cost	**₱112,140,000**	₱112,140,000
Accumulated equity in net earnings:		
Balance at beginning of year	**122,356,348**	39,444,628
Share in net earnings	**32,358,829**	82,911,720
Balance at end of year	**154,715,177**	122,356,348
	₱266,855,177	₱234,496,348

Investment in SPI
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, 2023 and December 31, 2022, 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.

Investment in LGPI
On May 17, 2022, the Group entered into an agreement with G Distribution B.V. (Gucci) for the formation of a joint venture company, LGPI. The Group invested ₱87.5 million for a 25% stake of LGPI. LGPI began operations on June 1, 2022 and owns and operates Gucci stores in the Philippines. The Group nominates one out of three members of the Board of Directors resulting in a significant influence in LGPI.

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	50:50
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, 2023 (Unaudited)

	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**	**₱1,290,490,837**
Accumulated equity in net earnings (losses):					
Balances at beginning of year	**(71,052,009)**	**150,523,600**	**(407,344,383)**	**(420,350,000)**	**(748,222,792)**
Share in net income	**(9,247,054)**	**9,451,670**	**–**	**–**	**204,616**
Balances at end of year	**(80,299,063)**	**159,975,270**	**(407,344,383)**	**(420,350,000)**	**(748,018,176)**
	₱294,997,391	**₱247,475,270**	**₱–**	**₱–**	**₱542,472,661**

December 31, 2022 (Audited)

	LMS	MPC	SSRI	SCRI	Total
Cost:					
Balances at beginning	₱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	(15,180,699)	97,328,462	(407,344,383)	(420,350,000)	(745,546,620)
Share in net earnings (loss)	(55,871,310)	53,195,138	–	–	(2,676,172)
Balances at end of year	(71,052,009)	150,523,600	(407,344,383)	(420,350,000)	(748,222,792)
	₱304,244,445	₱238,023,600	₱–	₱–	₱542,268,045

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 ₱0.68 million and ₱0.62 for the three months ended March 31, 2023 and 2022, 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.

The joint ventures have no contingent liabilities or capital commitments as of March 31, 2023 and December 31, 2022.

9. **Property and Equipment**

The composition and movements of this account are as follows:

<u>March 31, 2023 (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	7,535,693,869	2,696,491,742	957,208,637	307,247,213	4,705,925,224	50,316,215	**16,252,882,900**
Additions	71,078,423	65,107,162	–	33,086	9,054,883	31,356,500	**176,630,054**
Disposals	(29,559,100)	(4,389,355)	–	–	–	–	**(33,948,455)**
Reclassifications	28,637,744	–	–	–	–	(28,637,744)	**–**
Balances at end of year	7,605,850,936	2,757,209,549	957,208,637	307,280,299	4,714,980,107	53,034,971	**16,395,564,499**
Accumulated depreciation and amortization:							
Balances at beginning of year	6,106,239,988	2,360,855,250	436,289,302	222,618,032	2,729,441,722	–	**11,855,444,294**
Depreciation (see Note 17)	120,720,777	37,867,611	2,451,612	5,372,781	194,274,968	–	**360,687,749**
Disposals	(25,870,245)	(3,848,304)	–	–	–	–	**(29,718,549)**
Balances at end of year	6,201,090,520	2,394,874,557	438,740,914	227,990,813	2,923,716,690	–	**12,186,413,494**
Net book values	**₱1,404,760,416**	**₱362,334,992**	**₱518,467,723**	**₱79,289,486**	**₱1,791,263,417**	**₱53,034,971**	**₱4,209,151,005**

December 31, 2022 (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	7,269,543,053	2,602,896,814	951,854,265	304,290,167	3,910,779,226	184,199,507	15,223,563,032
Additions	594,830,212	209,510,473	5,354,372	2,957,046	1,329,551,568	15,338,252	2,157,541,923
Disposals and retirement	(474,813,994)	(115,915,545)	(364,041,491)	–	(392,274,626)	–	(1,347,045,656)
Remeasurement	–	–	–	–	(142,130,944)	–	(142,130,944)
Reclassifications	146,134,598	–	–	–	–	(146,134,598)	–
Balances at end of year	7,535,693,869	2,696,491,742	593,167,146	307,247,213	4,705,925,224	53,403,161	15,891,928,355
Accumulated Depreciation and Amortization:							
Balances at beginning of year	6,194,785,352	2,264,975,178	383,476,497	200,573,481	2,362,327,145	–	11,406,137,653
Depreciation and amortization (Note 17)	375,835,781	209,605,302	52,812,805	22,044,551	792,765,335	–	1,453,063,774
Disposals and retirement	(464,381,145)	(113,725,230)	–	–	(392,274,626)	–	(970,381,001)
Remeasurement	–	–	–	–	(33,376,132)	–	(33,376,132)
Balances at end of year	6,106,239,988	2,360,855,250	436,289,302	222,618,032	2,729,441,722	–	11,855,444,294
Net book values	₱1,429,453,881	₱335,636,492	₱520,919,335	₱84,629,181	₱1,976,483,502	₱50,316,215	₱4,397,438,606

Additions to leasehold improvements and construction in progress in 2022 and 2021 pertain to improvements and construction of newly opened and renovated stores during the year.

Disposals and retirement for the period ended March 31, 2022 and December 31, 2021 mainly pertain to leasehold improvements, store furniture and fixtures and right-of-use assets derecognized on closed or renovated stores.

No property and equipment were pledged or treated as security to the outstanding liabilities as of March 31, 2023 and December 31, 2022.

The Group has purchase commitments relating to property and equipment amounting to nil and ₱23.54 million as of March 31, 2023 and December 31, 2022, respectively.

10. **Other Noncurrent Assets**

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Franchise fee	**₱48,511,598**	₱49,604,295
Miscellaneous deposits	**65,412,540**	58,804,780
Software costs	**3,185,500**	4,088,424
Others	**10,118,191**	24,185,504
	₱127,227,829	₱136,683,003

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

11. **Trade and Other Payables**

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Trade payables	**₱3,140,859,916**	₱2,393,662,842
Nontrade payables	**650,858,727**	704,467,549
Accrued expenses	**240,209,955**	300,046,018
Output VAT	**32,685,142**	120,681,022
Retention payable	**36,330,711**	32,365,869
Tenant deposit	**7,551,985**	7,551,985
Payable to related parties (see Note 18)	**26,051**	73,136,556
Others	**8,792,294**	63,482,755
	₱4,117,314,781	₱3,695,394,596

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, 2022 (Unaudited)	December 31, 2021 (Audited)
Banks:		
Bank of Philippine Islands (BPI)	**₱895,000,000**	₱1,000,000,000
Security Bank Corporation (SBC)	**500,000,000**	500,000,000
Banco de Oro (BDO)	**200,000,000**	400,000,000
Rizal Commercial Banking Corporation (RCBC)	**–**	100,000,000
China Banking Corporation (CBC)	**–**	100,000,000
	₱1,595,000,000	₱2,100,000,000

The Group's outstanding short-term peso-denominated loans from local commercial banks bear interest at rates ranging from 4.50% to 7.38% and 4.10% to 5.00% for the three months ended 2023 and 2022, respectively.

Interest expense recognized in the consolidated statements of comprehensive income for the three months ended March 31, 2023 and 2022 amounted to ₱23,040,903 and ₱64,073,241, respectively.

13. Cost of Goods Sold

	March 31, 2023 (Unaudited)	**March 31, 2022 (Unaudited)**
Cost of merchandise sold (Note 5)	**₱3,404,276,568**	**₱2,824,880,130**
Depreciation and amortization (Notes 9 and 17)	**1,064,781**	**1,205,427**
Rent (Note 22)	**4,516,166**	**873,778**
Utilities	**3,904,576**	**702,637**
Outside services	**185,416**	**35,616**
Others	**9,540,714**	**2,945,165**
	₱3,423,488,221	**₱2,830,642,753**

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, 2023 (Unaudited)	March 31, 2022 (Unaudited)
Merchandise inventory, beginning	**₱6,663,795,540**	₱6,619,736,173
Net purchases	**4,672,517,854**	2,653,869,352
Cost of merchandise available for sale	**11,336,313,394**	9,273,605,525
Less merchandise inventory, ending	**7,932,036,825**	6,448,725,394
	₱3,404,276,568	₱2,824,880,131

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.

14. Selling and Distribution Expenses

	March 31, 2023 (Unaudited)	March 31, 2022 (Unaudited)
Depreciation and amortization (see Notes 9, 10 and 17)	**₱308,632,251**	₱152,182,358
Rent (see Notes 18 and 22)	**303,452,858**	244,513,895
Personnel costs (see Note 16)	**247,709,991**	194,132,474
Global marketing contribution fee	**189,368,644**	35,103,693
Utilities	**129,062,585**	114,279,645
Supplies and maintenance	**117,717,146**	44,947,062
Taxes and licenses	**113,953,690**	84,428,527
Credit card charges	**112,351,298**	67,239,000
Advertising	**65,772,432**	83,050,280
Delivery and freight charges	**53,572,410**	38,791,461
Security services	**38,244,894**	26,060,669
Insurance	**18,918,581**	5,440,877
Travel and transportation	**18,042,119**	1,647,131
Repairs and maintenance	**13,583,421**	11,037,134
Communication	**7,927,813**	8,153,816
Outside services	**3,189,646**	3,013,284
Entertainment, amusement and recreation (EAR)	**1,133,954**	2,012,424
Telegraphic transfer	**555,703**	362,359
Others	**73,356,644**	38,343,624
	₱1,816,546,080	₱1,154,739,713

15. General and Administrative Expenses

	March 31, 2022 (Unaudited)	March 31, 2022 (Unaudited)
Personnel costs (see Note 16)	**₱158,444,187**	₱141,872,787
Depreciation and amortization (see Notes 9, 10 and 17)	**53,763,663**	41,440,080
Taxes and licenses	**35,813,690**	25,047,962
Travel and transportation	**17,781,983**	1,178,095
Repairs and maintenance	**12,834,105**	10,156,778
Utilities	**12,731,769**	12,528,953
Security services	**10,576,670**	6,571,029
Professional fees	**10,017,696**	4,616,966
Rent (see Notes 18 and 22)	**8,976,814**	36,436,515
Insurance	**7,578,327**	15,806,896
Supplies and maintenance	**7,755,518**	6,324,358
Communication	**4,210,346**	4,615,613
Advertising	**1,644,317**	2,104,916
Outside service	**253,911**	3,115,477
EAR	**802,805**	396,075
Others	**15,062,110**	14,392,360
	₱358,247,911	₱326,604,860

16. Personnel Costs

Personnel costs were charged to operations as follows:

	March 31, 2023 (Unaudited)	March 31, 2022 (Unaudited)
Salaries, wages and bonuses	**₱345,826,955**	₱289,921,354
Retirement benefit expense	**20,664,976**	20,175,977
Other employee benefits	**39,712,227**	25,934,552
	₱406,204,158	₱336,031,882

Personnel costs were distributed as follows:

	March 31, 2023 (Unaudited)	March 31, 2022 (Unaudited)
Cost of services (Note 13)	**₱49,980**	₱26,622
Selling and distribution (see Note 14)	**247,709,991**	194,132,474
General and administrative (see Note 15)	**158,444,187**	141,872,787
	₱406,204,158	₱336,031,882

17. Depreciation and Amortization Expense

	March 31, 2023 (Unaudited)	March 31, 2022 (Unaudited)
Property and equipment (see Note 9)	**₱360,687,747**	₱191,800,153
Franchise fee (see Note 10)	**2,772,948**	2,503,557
Software costs (see Note 10)	**–**	524,155
	₱363,460,695	₱194,827,865

Depreciation and amortization were distributed as follows:

	March 31, 2023 (Unaudited)	March 31, 2022 (Unaudited)
Cost of services (Note 13)	**₱1,064,781**	₱1,205,427
Selling and distribution (see Note 14)	**308,632,251**	152,182,357
General and administrative (see Note 15)	**53,763,663**	41,440,080
	₱194,827,864	₱194,827,864

18. 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 22). Related rent expense amounted to ₱24.1 million and ₱18.7 million, for the three months in the period ended March 31, 2023 and 2022, 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 ₱6.0 million and ₱6.3 million for the three months ended March 31, 2023 and 2022, 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 ₱9.2 million, ₱9.2 million for the three months in the period ended March 31, 2023 and 2022, respectively, and post-employment benefits amounting to ₱1.4 million and ₱1.4 million for the three months in the period ended March 31, 2023 and 2022, respectively.

As of March 31, 2023 and December 31, 2022, transactions with related parties are as follows:

Related Parties	Periods ended	Transactions for the year	Outstanding balances Receivables from related parties (Note 5)	Outstanding balances Payable to related parties (Note 12)
Under common control				
RCC	**March 31, 2023**	**(₱16,932,059)**	**₱23,055,757**	**₱–**
	December 31, 2022	₱89,647,370	₱39,764,956	₱72,982,294
RMK	**March 31, 2023**	**929,307**	**29,197,133**	**12,001**
	December 31, 2022	4,892,768	28,280,126	126,662
Joint venture				
MPC	**March 31, 2023**	**430,512**	**6,139,000**	**14,050**
	December 31, 2022	4,647,691	6,855,307	27,600
Associate				
SPI	**March 31, 2023**	**(1,528)**	**2,470,994**	**–**
	December 31, 2022	49,103	2,472,521	–
	March 31, 2023		**₱60,862,885**	**₱26,051**
	December 31, 2022		₱77,372,910	₱73,136,556

The related party balances as of March 31, 2023 and December 31, 2022 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, 2023 and December 31, 2022, all receivables from related parties are not impaired. All related party balances are settled in cash.

19. Earnings Per Share (EPS)

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

	March 31, 2023 (Unaudited)	March 31, 2022 (Unaudited)
Net income	**₱455,970,095**	₱67,707,227
Divided by weighted average number of common shares	**3,298,408,430**	3,298,408,430
	₱0.14	₱0.02

There were no potential dilutive common shares for the three months ended March 31, 2022 and 2021.

20. 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, 2023 (Unaudited)	December 31, 2022 (Audited)
Cash and cash equivalents	**₱6,063,439,758**	₱6,593,664,668
Trade and other receivables		
Trade receivables	**266,354,478**	329,002,636
Nontrade receivables	**320,285,592**	209,909,875
Receivables from related parties	**104,033,884**	120,543,909
Others	**5,345,043**	1,588,614
Security deposits and construction bonds	**937,767,677**	950,728,187
	₱7,697,226,432	₱8,205,437,889

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, 2023 (Unaudited)

			Past due but not impaired				
	Total	**Neither past due nor impaired**	**<30 days**	**30 - 60 days**	**60 - 90 days**	**> 90 days**	**Impaired**
Cash	**₱6,063,439,758**	₱6,063,439,758	₱–	₱–	₱–	₱–	₱–
Trade and other receivables							
Trade receivables	**266,354,478**	91,490,928	143,856,618	8,108,259	2,536,284	19,506,543	855,846
Nontrade receivables	**320,285,592**	16,641,155	138,747,610	72,338,993	24,096,858	68,460,976	–
Receivables from related parties	**104,033,884**	755,739	25,740,166	12,946,230	3,623,849	17,796,901	43,170,999
Others	**5,345,043**	–	5,345,043	–	–	–	–
Security deposits and construction bonds	**937,767,677**	937,767,677	–	–	–	–	–
Total	**₱7,697,226,432**	**₱7,110,095,257**	**₱313,689,437**	**₱93,393,482**	**₱30,256,991**	**₱105,764,420**	**₱44,026,845**

December 31, 2022

			Past due but not impaired				
	Total	Neither past due nor impaired	<30 days	30 - 60 days	60 - 90 days	> 90 days	Impaired
Cash and cash equivalents	₱6,593,664,668	₱6,593,664,668	₱–	₱–	₱–	₱–	₱–
Trade and other receivables							
Trade receivables	329,002,636	157,678,793	144,951,491	5,975,227	3,634,596	15,903,963	858,566
Nontrade receivables	209,909,875	16,309,060	125,805,492	23,894,134	15,324,278	28,576,911	
Receivables from related parties	120,543,909	488,392	23,930,692	19,443,688	4,347,383	29,162,755	43,170,999
Others	1,588,614	–	1,588,614	–	–	–	–
Security deposits and construction bonds[1]	950,728,187	950,728,187	–	–	–	–	–
Total	₱8,205,437,889	₱7,718,869,100	₱296,276,289	₱49,313,049	₱23,306,257	₱73,643,629	₱44,029,565

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, 2023 and December 31, 2022, 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, 2023 and December 31, 2022.

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, 2023 and December 31, 2022, nontrade receivables from principals amounting to ₱0.86 million, are classified as credit impaired.

<u>Capital Management</u>
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, 2023 and year ended December 31, 2022. 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, 2023.

21. **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, 2023 (Unaudited)		December 31, 2022 (Audited)	
	Carrying Amounts	**Fair Values**	Carrying Amounts	Fair Values
Financial Assets				
Loans and receivables				
Security deposits and construction bonds	**₱937,767,677**	**₱943,483,349**	₱950,728,187	₱956,443,859

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 1.66% to 6.89% were used in calculating the fair value of the Group's refundable deposits as of March 31, 2023 and December 31, 2021.

<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, 2023 and December 31, 2022 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, 2023 and years ended December 31, 2022, 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.

22. **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, 2023 (Unaudited)	December 31, 2022 (Audited)
Balances at beginning of the year	**₱1,976,483,502**	₱1,548,452,081
Additions	**9,054,883**	1,329,551,568
Depreciation expense	**(194,274,968)**	(792,765,335)
Remeasurement/termination	–	(108,754,812)
Balances at end of the year	**₱1,791,263,417**	₱1,976,483,502

The rollforward analysis of lease liabilities follows:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Balances at beginning of the year	**₱1,905,747,417**	₱1,608,373,177
Additions	–	1,328,513,470
Interest expense	**39,483,383**	158,627,379
Remeasurement/termination	–	(144,397,926)
Lease concession	–	(146,979,526)
Payments	**(213,277,541)**	(898,389,157)
Balances at end of the year	**1,731,953,259**	1,905,747,417
Less: current portion	**633,093,910**	692,268,057
Balances at end of the year	**₱1,098,859,349**	₱1,213,479,360

The Group has paid security deposits for the store outlets and office spaces with carrying amounts of ₱937.77 million and ₱950.73 million as of March 31, 2023 and December 31, 2022, 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 ₱0.94 million and ₱1.00 million, for the three months ended March 31, 2023 and 2022, 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. Rental income recognized on these spaces amounted to ₱21.06 million and ₱7.95 million, for the three months ended March 31, 2023 and 2022, respectively. Deposits received from tenants amounted to ₱24.75 million and ₱24.62 million as of March 31, 2023 and December 31, 2022, respectively, pertaining to deposits on the leased space.

23. **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, 2023 and 2022 (amounts in millions):

	March 31, 2022 (Unaudited)	March 31, 2022 (Unaudited)
Net Sales		
Luxury and Bridge	**₱1,902**	₱1,782
Fast Fashion	**2,285**	1,322
Casual	**865**	620
Footwear, Accessories and Luggage	**458**	275
Other	**708**	487
	₱6,218	₱4,485

24. **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, 2023

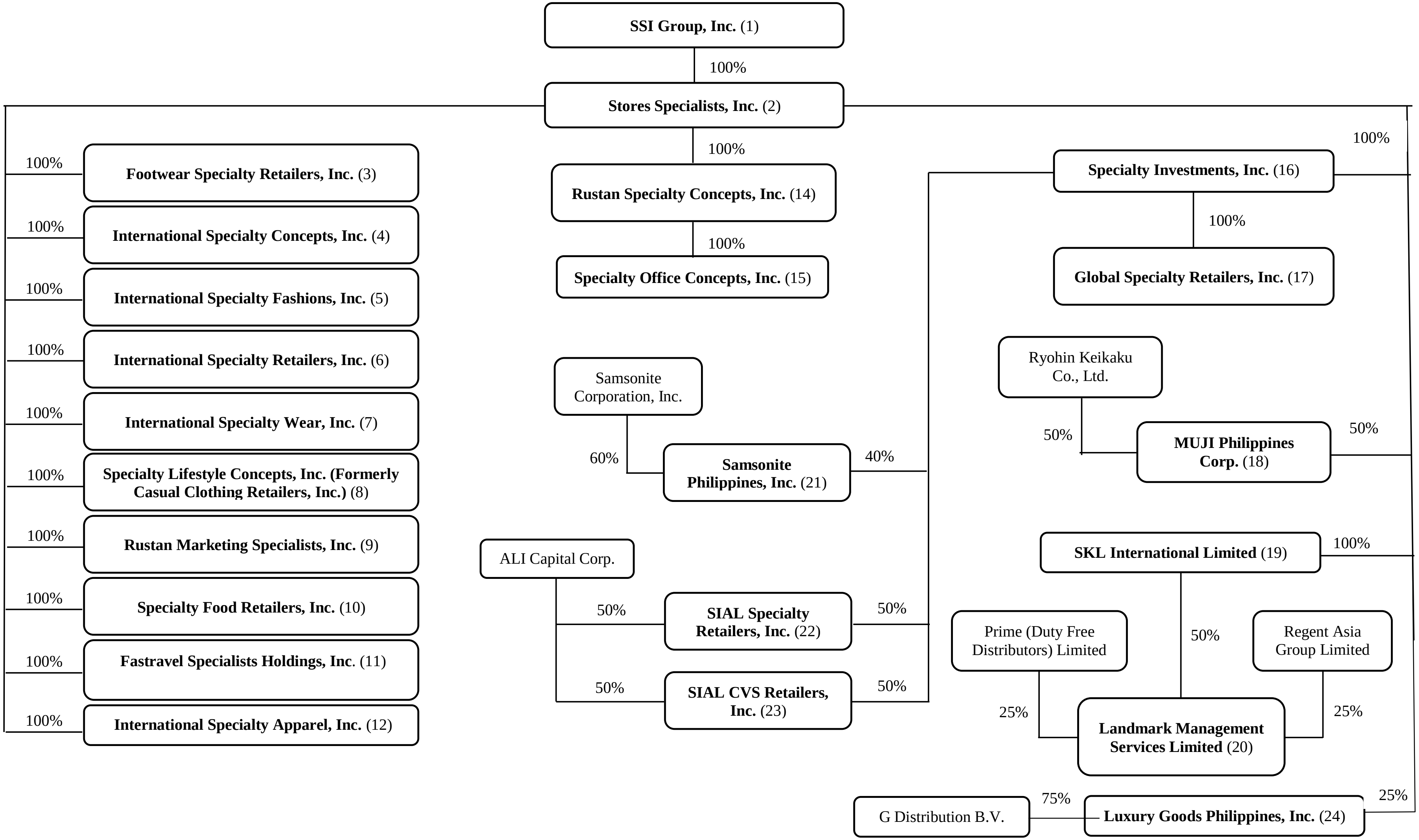

Exhibit II

SSI GROUP, INC.
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
MARCH 31, 2023

Unappropriated retained earnings, as adjusted, beginning		₱1,090,659,016
Cumulative prior year adjustments:		
Interest income from accretion of the discount on security deposits		(5,574,182)
Benefit from deferred tax		(1,102,322)
		1,083,982,512
Net income during the period closed to retained earnings	22,014,834	
Less: Other realized gains related to accretion of income from security deposits	–	
Deferred tax asset recognized during the year	–	
Net income during the period		22,014,834
Retained earnings available for dividend declaration		₱1,105,997,346

Exhibit III

SSI GROUP, INC.
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Ratios	Formula	March 31, 2023	December 31, 2022	March 31, 2022
(i) Current Ratio	Current Assets/Current Liabilities	2.23	2.16	1.80
(ii) Debt/Equity Ratio	Bank Debts/ Total Equity	0.12	0.17	0.51
(iii) Net Debt/Equity Ratio	Bank Debts-Cash & Equivalents/Total Equity	(0.35)	(0.36)	(0.14)
(iii) Asset to Equity Ratio	Total Assets/Total Equity	1.68	1.71	1.96
(iv) Interest Cover Ratio	EBITDA/Interest Expense	16.66	11.69	5.14
(v) Profitability Ratios				
GP Margin	Gross Profit/Revenues	45.13%	43.76%	37.00%
Net Profit (Loss) Margin	Net Income (Loss) /Revenues	7.31%	8.11%	1.51%
EBITDA Margin	EBITDA/Revenues	16.69%	19.17%	8.60%
Return on Assets	Net Income (Loss) /Total Assets	2.10%	9.02%	0.32%
Return on Equity	Net Income (Loss) /Total Equity	3.52%	15.43%	0.63%

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