

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)

June 30, 2022
(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: **June 30, 2022**
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 June 30, 2022
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 June 30, 2022 (with comparative audited figures as of December 31, 2021) and for the three-month and six-month periods ended June 30, 2022 and 2021 are attached to this Report.

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

RESULTS OF OPERATIONS

For the six months ended June 30, 2022 and 2021

Key Performance Indicators	For the six months ended June 30	
	2022	2021
<i>PhP MM except where indicated</i>		
Net Sales	10,029	6,421
Gross Profit – merchandise	4,223	2,586
Operating Income (Loss)	1,043	209
Net Income (Loss)	491	(174)
Gross Selling Space (sq.m.)	102,649	106,615
Increase (Decrease) in Gross Selling Space (%)	(3.7%)	(8.6%)

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 <i>PhP MM except where indicated</i>	For the six months ended June 30	
	2022	2021
Key Financial Data		
Net Sales	10,029	6,421
Luxury & Bridge	3,644	2,735
Casual	1,462	975
Fast Fashion	3,218	1,508
Footwear, Accessories & Luggage	645	393
Others	1,061	810
Gross Profit – merchandise ¹	4,223	2,586
Gross Profit Margin – merchandise (%)	42.1%	40.3%
Operating Income (Loss)	1,043	209
Operating Income Margin (%)	10.4%	3.3%
Other Income (Charges)	(313)	(281)
Net Income (Loss)	491	(174)
Net Income Margin (%)	4.9%	(2.7%)
Total Debt ²	4,655	6,474
Net Debt ³	(2,406)	2,067
Key Operating Data		
Number of Brands	92	96
Number of Stores	518	540
Gross Selling Space (sq.m.)	102,649	106,615
Increase (Decrease) in Gross Selling Space (%)	(3.7%)	(8.6%)

Revenues

Net sales

SSI Group, Inc. (the “Company” or the “Group”) generated sales of ₱10.0 billion during the first half of 2022, an increase of 56.2% over the same period in 2021. For the second quarter alone, sales increased by 90.9% y-o-y to ₱5.5 billion.

The Group’s sales during the 2nd quarter of the year recovered to pre-COVID levels, and were 12.5% higher than sales during 2nd quarter 2019. Total 1H sales of P10.0 billion were 1.8% higher than 1H 2019.

The Group’s luxury and bridge and casual wear categories continued to perform strongly, with increases of 33.2% and 50.0%, 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. Fast fashion grew by 113.4% versus 1H 2021 while footwear, accessories, and luggage sales grew by 64.0% versus 1H 2021. The Group’s 1H 2021 total sales increased by 56.2% as compared to 1H 2021 sales and were 99.7% higher than 1H 2020 sales.

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 1H of the year reflects strong demand for the Group's products given the easing of COVID 19 restrictions and cases and resilience of the Group's core customer base.

At the end of June 2022, the Group's store network included 518 stores nationwide which cover a total of approximately 102,649 square meters. During the second quarter, the Group opened four (4) stores covering 469 square meters and closed seven (7) stores covering 1,079 square meters.

As of June 30, 2022, the Group had 92 brands in its portfolio.

The following table sets out the Group's number of stores and gross selling space for the periods ended June 30, 2022 and 2021 and for the year ended December 31, 2021.

Store Network	June 30		December 31
	2022	2021	2021
Number of Stores	518	540	525
Luxury & Bridge	140	140	139
Casual	76	78	76
Fast Fashion	48	51	51
Footwear, Accessories & Luggage	113	127	116
Others	141	144	143
Gross Selling Space (sq.m.)	102,649	106,615	104,192
Luxury & Bridge	12,909	12,886	12,713
Casual	11,646	11,690	11,567
Fast Fashion	42,923	43,468	43,468
Footwear, Accessories & Luggage	15,959	19,162	17,011
Others	19,212	19,409	19,434

Rental income

The Group booked rental income of ₱22.3 million during the first half of 2022. 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 first six months of the year amounted to ₱4.2 billion, a 63.4% increase as compared to the same period last year. Gross profit margin for merchandise sold during the six-month period was 42.1% as compared to 40.3% during the same period last year. Gross profit margin for merchandise sold during the 2nd quarter alone improved significantly to 46.2% from 37.0% during the 1st quarter.

Relatively high gross profit margins reflect the strong demand that the Group experienced for the merchandise in its different categories, especially during the 2nd quarter of 2022.

Operating Expenses

During the first half of the year, the Group incurred total operating expenses of ₱3.2 billion, a 34.0% increase as compared to the same period last year. As a percentage of revenues, total operating expenses improved to 31.8%, as compared to 37.0% during the same period in 2021. This reflects the cost rationalization efforts and strategies that the Group began to implement in 2020, in response to the COVID pandemic.

Selling and distribution expenses during the first half of 2022 were at ₱2.6 billion, an increase of 46.8% as compared to the same period last year. The increase primarily reflects an increase in rent and occupancy to ₱840.2 million, personnel costs to ₱434.0 million, and advertising costs to ₱116.0 million. There were also increases in supplies, credit card charges, delivery and freight, global marketing contribution fees, insurance, travel and transportation, professional fees, outside services, telegraphic transfer and entertainment, amusement and recreation expenses and other selling expenses, which increased by a total of ₱343.5 million. As a percentage of revenues, selling and distribution expenses were at 25.9% as compared to 27.6% during the same period last year.

General and administrative expenses for the first half of 2022 were at ₱587.9 million, a 3.4% decrease over the same period last year. The decrease pertains to decreases in depreciation to ₱152.6 million and personnel costs to ₱297.3 million. There were also decreases in supplies, repairs and maintenance, security services, professional fees, rent, communication, insurance, and travel and transportation expenses, which decreased by a total of ₱15.0 million. As a percentage of revenues, general and administrative expenses were at 5.8% as compared to 9.5% during the same period last year.

As a result of the foregoing, the Group's earnings before interest and taxes was at ₱1.7 billion during the first half of 2022 as compared to EBITDA of ₱961 million during the same period last year.

Other Income (Charges)

Other charges for the first half of the year totaled ₱312.7 million, an increase of 11.2% as compared to same period last year. The increase is primarily attributable to an increase in foreign exchange loss to ₱9.7 million during the period. The Group also recognized its share in the net losses of joint ventures totaling ₱7.7 million during the first six months of 2022 as compared to ₱2.7 million in June 2021.

Provision for Income Tax

Provision for income tax for the first six months of 2022 amounted to ₱238.5 million as compared to ₱101.9 million income tax expense during the same period last year. This reflects the new regular and minimum corporate income tax rates under the CREATE law.

Net Income

As a result of the foregoing, the Group's net income for the first half of 2022 amounted to ₱491.4 million, an increase of 383.0% from a ₱173.7 million net loss during the same period last year.

For the 2nd quarter alone, the Group's net income amounted to ₱423.7 million, as compared to a ₱74.2 million net loss during the same period last year.

As compared to the Group's performance prior to the COVID pandemic, net income of ₱491.4 million during 1H 2022 is 42.1% higher than the same period in 2019.

FINANCIAL CONDITION

As of June 30, 2022, the Group had consolidated assets of ₱20.9 billion as compared to ₱21.5 billion as of December 31, 2021.

Current Assets

As of June 30, 2022, the Group had consolidated current assets of ₱15.0 billion, as compared to ₱15.4 billion as of December 31, 2021.

Cash

As of June 30, 2022, cash amounted to ₱7.1 billion as compared to ₱7.3 billion at the end of 2021. The decrease primarily reflects the Group's capital expenditures and additional interests in an associate amounting to ₱421.7 million, and payment of its loans and lease liabilities, including interest, amounting to ₱1.8 billion.

Trade and Other Receivables

As of June 30, 2022, trade and other receivables amounted to ₱765.8 million as compared to ₱776.3 million at the end of 2021. The decrease is offset by the increase in trade receivables, which consist primarily of receivables from credit card companies, to ₱282.2 million. Nontrade receivables also increased to ₱368.6 million, which include receivables from banks for tie-up sale and promotional activities, and principals for their share in marketing expense.

Merchandise Inventory

As of June 30, 2022, merchandise inventory amounted to ₱6.4 billion as compared to ₱6.6 billion at the end of 2021. Inventory of ₱6.4 billion translates into inventory months of 7 months. This is as compared to months' inventory of 10 months at the end of 2021.

Non-Current Assets

Investment in an Associate

As of June 30, 2022, investment in an associate amounted to ₱161.2 million as compared to ₱64.1 million at the end of 2021.

On May 17, 2022, Stores Specialists, Inc., a 100% owned subsidiary of SSI Group, Inc., entered into an agreement with G Distribution B.V. (Gucci), for the formation of a joint venture company, Luxury Goods Philippines, Inc. (LGPI), which was initially capitalized at ₱87.5 million. LGPI began operations on June 1, 2022 and owns and operates Gucci stores in the Philippines.

The increase in associate investments reflects the Group's investment in LGPI as well as the Group's share in the net incomes of Samsonite Philippines, Inc. and LGPI amounting to a total of ₱9.6 million.

Investment in Joint Ventures

As of June 30, 2022, investment in joint ventures amounted to ₱537.2 million as compared to ₱544.9 million at the end of 2021.

The decrease in joint ventures primarily reflects the Group's share in the net losses of Landmark Management Services Ltd. (LMS) and MUJI Philippines Corp. (MPC) amounting to a total of ₱7.7 million.

Property and Equipment

As of June 30, 2022, property and equipment amounted to ₱3.6 billion as compared to ₱3.8 billion at the end of 2021. The decrease is primarily attributable to additional depreciation expense recognized during the period amounting to ₱596.8 million. The Group also made capital expenditures amounting to ₱334.2 million during the first half of the year.

Deferred Tax Assets

As of June 30, 2022, deferred tax assets amounted to ₱581.4 million as compared to ₱574.5 million at the end of 2021. These pertain to tax assets recognized for the Group's deductible temporary differences, carryforward benefits of unused minimum corporate income tax (MCIT) and NOLCO, to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and the carryforward benefits of unused MCIT and NOLCO can be utilized.

Other Noncurrent Assets

As of June 30, 2022, other noncurrent assets amounted to ₱168.0 million as compared to ₱148.1 million at the end of 2021. The increase was mainly due to the increase in miscellaneous deposits to ₱94.9 million, which pertain to advance payments to contractors for the construction and renovation of stores.

Current Liabilities

As of June 30, 2022, the Group's total consolidated current liabilities amounted to ₱7.9 billion as compared to ₱8.8 billion at the end of 2021.

Trade and Other Payables

As of June 30, 2022, trade and other payables amounted to ₱2.8 billion as compared to ₱2.3 billion at the end of 2021. The increase is primarily attributable to an increase in trade payables by ₱728.8 million, in line with terms agreed with brand principals. There were also increases in retention payables and payables to non-trade suppliers and advertising agencies, which increased by a total of ₱48.3 million.

Short-term Loans Payable

As of June 30, 2022, short-term loans payable amounted to ₱4.7 billion as compared to ₱5.9 billion at the end of 2021. The decrease is attributable net payments of short term debt of ₱1.3 billion.

Non- Current Liabilities

Retirement Benefit Obligation

As of June 30, 2022, retirement benefit obligation was at ₱739.6 million as compared to ₱706.7 million at the end of 2021. 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 June 30, 2022, lease liabilities amounted to ₱1.3 billion, which was ₱286.0 million lower as compared the balance at the end of 2021. The decrease is mainly attributable to the payment made during the period amounting to ₱347.4 million, which was offset by the interest expense of ₱61.4 million recognized during the period.

Lease payments to be made over the next 12 months, less the related interest expense, are classified as current while those to be paid beyond the next 12 months are classified as noncurrent. As of June 30, 2022, the current portion of the Group's lease liabilities amounted to ₱289.8 million while the noncurrent portion was at ₱1.0 billion.

Equity

As of June 30, 2022, total equity amounted to ₱11.2 billion as compared to ₱10.7 billion at the end of 2021. The increase is largely attributable to the net income earned by the Group amounting to ₱491.4 million.

CASH FLOWS

The Group generated positive operating cash flows before working capital changes of ₱1.5 billion during the first six months of 2022. This was further increased by net decreases of current assets totaling ₱196.9 million and net increases of current liabilities totaling ₱494.0 million. As a result of the foregoing, the Group's operating activities generated a significant amount of ₱2.0 billion.

Cash flows used in investing activities during the first six months of 2022 totaled ₱447.2 million. This reflects capital expenditures of ₱334.2 million and additional investments in an associate, Luxury Goods Philippines, Inc., of ₱87.5 million. These investments were further brought down by a net decrease in security deposits and other noncurrent assets of ₱25.5 million.

The Group's cash flows used in financing activities during the first half of 2022 amounted to ₱1.8 billion, as compared to ₱1.3 billion during the same period last year. This pertains primarily to the Group's repayments of its loans, including related interest, of ₱1.4 billion and the payment of lease liabilities, including interest booked under PFRS 16, of ₱347.4 million.

The Group ended the first six months of 2022 with a net debt position of negative 2.41 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 throughout the year 2022.
- (vi) There were no significant elements of income or loss that did not arise from continuing operations.

PART II – OTHER INFORMATION

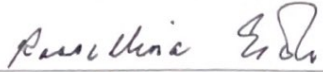
There is no other information not previously reported in SEC Form 17-C that needs to be reported in this section.

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 J. ESCOTO

Authorized Signatory

Vice President – Finance

August 15, 2022

SSI Group, Inc. and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements
As of June 30, 2022 *(With Comparative Audited Figures as of December
31, 2021)*
and For the Six-Month Periods Ended June 30, 2022 and 2021

SSI GROUP, INC. AND SUBSIDIARIES**UNAUDITED INTERIM CONSOLIDATED BALANCE SHEETS**

As of June 30, 2022

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

	June 30 2022 (Unaudited)	December 31 2021 (Audited)
ASSETS		
Current Assets		
Cash (Note 3)	P7,061,237,910	P7,252,867,634
Trade and other receivables (Note 4)	765,831,223	776,320,437
Merchandise inventories (Note 5)	6,400,151,351	6,619,736,173
Prepayments and other current assets (Note 6)	782,281,268	749,115,691
Total Current Assets	15,009,501,752	15,398,039,935
Noncurrent Assets		
Investment in an associate (Note 7)	161,176,945	64,084,628
Interests in joint ventures (Note 8)	537,233,125	544,944,217
Property and equipment (Note 9)	3,550,148,449	3,817,425,379
Deferred tax assets - net	581,384,005	574,459,737
Security deposits and construction bonds (Note 23)	905,681,755	908,406,083
Other noncurrent assets (Note 10)	168,045,404	148,110,654
Total Noncurrent Assets	5,903,669,683	6,057,430,598
TOTAL ASSETS	P20,913,171,435	P21,455,470,533
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 11)	P2,779,209,867	P2,291,910,440
Short-term loans payable (Note 12)	4,655,000,000	5,935,000,000
Current portion of lease liabilities (Note 23)	289,826,544	325,272,911
Deferred revenue	46,527,923	42,773,076
Income tax payable	175,671,208	167,669,809
Total Current Liabilities	7,946,235,542	8,762,626,326
Noncurrent Liabilities		
Retirement benefit obligation	739,598,710	706,704,947
Lease liabilities - net of current portion (Note 23)	1,032,568,147	1,283,100,176
Tenant deposits (Note 23)	27,145,237	24,206,988
Total Noncurrent Liabilities	1,799,312,094	2,014,012,111
Total Liabilities	9,745,547,636	10,776,638,437
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	5,503,115,568	5,011,670,617
Cumulative translation adjustment	(1,968,928)	(1,968,927)
Other comprehensive loss	(134,803,974)	(132,150,727)
Total Equity	11,167,623,799	10,678,832,096
TOTAL LIABILITIES AND EQUITY	P20,913,171,434	P21,455,470,533

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

SSI GROUP, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three-Month Periods Ended June 30		Six-Month Periods Ended June 30	
	2022	2021	2022	2021
REVENUE				
Revenue from contract with customers - net sales	₱5,543,527,708	₱2,904,359,855	₱10,028,951,296	₱6,421,004,489
Rental income (Note 23)	14,331,198	5,709,730	22,282,977	12,937,190
	5,557,858,906	2,910,069,585	10,051,234,273	6,433,941,679
COST OF GOODS SOLD AND SERVICES (Note 14)				
	2,984,306,740	1,653,384,068	5,814,949,493	3,841,192,622
GROSS PROFIT	2,573,552,166	1,256,685,517	4,236,284,780	2,592,749,057
OPERATING EXPENSES				
Selling and distribution (Note 15)	1,450,967,651	794,072,524	2,605,707,364	1,774,505,140
General and administrative (Note 16)	261,275,667	270,737,073	587,880,527	608,846,415
	1,712,243,318	1,064,809,597	3,193,587,891	2,383,351,555
OTHER INCOME (CHARGES)				
Share in net earnings of an associate (Note 7)	9,481,137	(3,937,685)	9,592,317	(7,715,955)
Interest accretion on security deposits (Note 23)	928,471	993,145	1,928,470	1,744,382
Interest income (Note 3)	7,843,989	1,691,060	9,499,733	7,892,873
Interest expense (Notes 12 and 13)	(111,326,981)	(159,571,277)	(186,455,872)	(267,595,500)
Share in net income (losses) of joint ventures (Note 8)	(3,245,824)	617,869	(7,711,094)	(2,725,942)
Loss on disposal of property and equipment (Note 9)	(1,739,350)	(13,996,462)	(4,719,689)	(20,121,970)
Foreign exchange losses - net	(258,343)	(1,847,841)	(9,697,165)	(1,913,249)
Others - net	(149,539,800)	(651,209)	(125,156,885)	9,236,467
	(247,856,701)	(176,702,400)	(312,720,185)	(281,198,894)
INCOME BEFORE INCOME TAX	613,452,147	15,173,520	729,976,704	(71,801,392)
PROVISION FOR (BENEFIT FROM) INCOME TAX				
Current	176,447,641	35,739,323	248,109,366	79,870,469
Deferred	13,266,862	53,590,236	(9,577,533)	21,980,387
	189,714,503	89,329,559	238,531,833	101,850,856
NET INCOME	423,737,644	(74,156,039)	491,444,871	(173,652,248)
OTHER COMPREHENSIVE INCOME				
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>				
Cumulative translation adjustment on foreign operations, net of deferred tax	(69,197)	7,250	–	76,447
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>				
Re-measurement gain (loss) on retirement benefit, net of deferred tax	(2,653,245)	–	(2,653,245)	–
TOTAL COMPREHENSIVE INCOME	₱421,015,202	(₱74,148,789)	₱488,791,626	(₱173,575,801)
BASIC/DILUTED EARNINGS PER SHARE				
(Note 20)	₱0.13	₱(0.02)	₱0.15	(₱0.05)

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

SSI GROUP, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2022 AND 2021

	Capital Stock	Additional Paid-in Capital	Treasury Shares	Retained Earnings	Cumulative Translation Adjustment	Other Comprehensive Income	Total
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 loss	–	–	–	(173,652,248)	–	–	(173,652,248)
Other comprehensive income	–	–	–	–	76,447	–	76,447
Total comprehensive income for the period	–	–	–	(173,652,248)	76,447	–	(173,575,801)
Balances at June 30, 2021	₱3,312,864,430	₱2,519,309,713	(₱30,893,010)	₱4,687,048,849	(₱2,004,156)	(₱217,571,902)	₱10,268,753,924
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	–	–	–	491,444,871	–	–	491,444,871
Other comprehensive income	–	–	–	–	–	(2,653,245)	(2,653,245)
Total comprehensive income for the period	–	–	–	491,444,871	–	(2,653,245)	488,791,626
Balances at June 30, 2022	₱3,312,864,430	₱2,519,309,713	(₱30,893,010)	₱5,503,115,568	(₱1,968,928)	(₱134,803,974)	₱11,167,623,799

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

SSI GROUP, INC. AND SUBSIDIARIES**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For the Six-Month Periods Ended June 30	
	2022 (Unaudited)	2021 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱729,976,704	(₱71,801,392)
Adjustments for:		
Depreciation and amortization (Notes 9, 10 and 18)	606,987,552	755,262,531
Interest expense (Note 12 and 13)	186,455,872	267,595,500
Loss on disposal of property and equipment (Note 9)	4,719,689	20,121,970
Share in net losses (earnings) of associates (Note 7)	(9,592,317)	7,715,955
Share in net losses (earnings) of joint ventures (Note 8)	7,711,094	2,725,942
Unrealized foreign exchange losses	3,537,683	182,937
Interest income (Note 3)	(9,499,733)	(3,616,513)
Interest accretion on security deposits (Note 23)	(1,928,470)	(1,744,382)
Movement in retirement benefit obligation	29,356,103	28,598,067
Operating income before working capital changes	1,547,724,177	1,005,040,614
Decrease (increase) in:		
Trade and other receivables	10,489,215	(376,007,626)
Merchandise inventory	219,584,822	490,796,563
Prepayments and other current assets	(33,165,582)	17,095,393
Increase (decrease) in:		
Trade and other payables	487,299,442	(446,258,492)
Tenant deposits	2,938,249	3,641,932
Deferred revenue	3,754,722	(8,941,603)
Net cash used in operations	2,238,625,045	685,366,781
Interest received	9,499,733	3,616,513
Income taxes paid	(240,107,965)	(42,363,922)
Net cash flows used in operating activities	2,008,016,813	646,619,372
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment (Note 9)	(334,238,035)	(241,859,191)
Additional interests in an associate (Note 8)	(87,500,000)	–
Decrease (increase) in:		
Security deposits and construction bonds	4,652,797	(2,942,428)
Other noncurrent assets	(30,127,031)	15,965,475
Net cash flows used in investing activities	(447,212,269)	(228,836,144)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availment of short-term loans payable	–	300,000,000
Payments of:		
Short-term loans payable	(1,280,000,000)	(895,000,000)
Long-term debt	–	(58,820,000)
Lease liability	(285,978,396)	(393,801,274)
Interest	(186,455,872)	(267,595,500)
Net cash flows from (used in) financing activities	(1,752,434,268)	(1,315,216,774)
NET INCREASE (DECREASE) IN CASH	(191,629,724)	(897,433,546)
CASH AT BEGINNING OF PERIOD	7,252,867,634	5,303,876,139
CASH AT END OF PERIOD (Note 3)	₱7,061,237,910	₱4,406,442,593

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

SSI GROUP, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL 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 August 12, 2022. 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

Basis of Presentation

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 June 30, 2022 and for the six-month periods ended June 30, 2022 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, 2021.

Basis of Consolidation

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

	Percentage ownership			
	June 30, 2022		December 31, 2021	
	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. (<i>former Casual Clothing Retailers, Inc.</i>) (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 June 30, 2022 and for the six months ended June 30, 2022 and 2021. 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.

Common control business combinations and group reorganizations

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.

Changes in Accounting Policies and Disclosures

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2022. 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, 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 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transactions*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

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

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Cash on hand	₱15,034,574	₱14,895,101
Cash in banks	4,980,731,070	5,118,980,407
Short-term investments	2,065,472,266	2,118,992,126
	₱7,061,237,910	₱7,252,867,634

Cash in banks earn interest at the respective bank deposit rates. Interest earned from cash in banks for the six months ended June 30, 2022 and 2021 amounted to ₱9,499,733 and ₱7,892,873, respectively.

4. Trade and Other Receivables

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Trade receivables	₱282,215,363	₱280,509,256
Nontrade receivables	368,632,974	360,674,621
Receivables from related parties (see Note 19)	116,606,373	143,457,307
Advances to officers and employees	56,242,198	49,768,476
Others	1,042,112	818,574
	824,739,020	835,228,234
Less: Allowance for ECL on nontrade receivables	(15,736,798)	(15,736,798)
Allowance for ECL on related parties	(43,170,999)	(43,170,999)
	₱765,831,223	₱776,320,437

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

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
At cost		
On hand	₱6,037,492,548	₱6,153,896,303
In transit	371,009,186	477,396,123
Inventory - at cost	6,408,501,734	6,631,292,426
Less allowance for inventory obsolescence	(8,350,383)	(11,556,253)
	₱6,400,151,351	₱6,619,736,173

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 ₱ 5,805,808,324 and ₱3,835,064,986, for the six months ended June 30, 2022 and 2021, respectively (see Note 14).

6. Prepayments and Other Current Assets

	June 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Supplies	₱274,342,197	₱284,872,392
Advances to suppliers	235,331,662	232,184,690
Input VAT	90,801,368	70,119,526
Security deposits (see Note 23)	46,047,375	46,047,375
Deferred input VAT	37,753,938	45,773,071
Creditable withholding tax	20,442,830	1,841,921
Prepaid insurance	33,441,073	18,959,643
Current portion of prepaid rent (see Notes 10 and 23)	2,298,289	3,964,176
Prepaid guarantee	5,368,758	5,548,408
Prepaid advertising	1,159,249	457,916
Others	35,294,529	39,346,573
	₱782,281,268	₱749,115,691

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

The Group’s interests in associates pertain to the following:

Associate company	Project description	Group ownership	
		June 30, 2022	December 31, 2021
Samsonite Philippines Inc. (SPI)	Operation of retail stores in the Philippines	40%	40%
Luxury Goods Philippines, Inc. (LGPI)	Operation of retail stores in the Philippines	25%	–

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

June 30, 2022 (Unaudited)

	SPI	LGPI	Total
Acquisition cost	₱24,640,000	₱87,500,000	112,140,000
Accumulated equity in net earnings:			
Balance at beginning of year	34,444,628	–	34,444,628
Share in net earnings	6,158,620	3,433,697	9,592,317
Dividends received	–	–	–
Balance at end of year	40,603,248	39,444,628	80,047,876
	₱70,243,248	₱90,933,697	161,176,945

December 31, 2021 (Audited)

	SPI
Acquisition cost	₱24,640,000
Accumulated equity in net earnings:	
Balances at beginning of year	53,611,625
Share in net earnings (losses)	(14,166,997)
Dividends	–
Balances at end of year	39,444,628
	₱64,084,628

On May 17, 2022, Stores Specialists, Inc., a 100% owned subsidiary of SSI Group, Inc., entered into an agreement with G Distribution B.V. (Gucci), for the formation of a joint venture company, Luxury Goods Philippines, Inc. (LGPI). LGPI shall be initially capitalized at ₱350,000,000, with SSI owning 25% of LGPI and Gucci owning the remaining 75%. LGPI started commercial operations on June 1, 2022.

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:

June 30, 2022 (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	(15,180,697)	97,328,462	(407,344,383)	(420,350,000)	(745,546,619)
Share in net income	(23,806,249)	16,095,155	–	–	(7,711,094)
Balances at end of year	(38,986,946)	113,423,617	(407,344,383)	(420,350,000)	(753,257,712)
	₱336,309,507	₱200,923,617	₱–	₱–	₱537,233,125

December 31, 2021 (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	10,601,454	70,265,821	(407,344,383)	(420,350,000)	(746,827,108)
Share in net earnings (loss)	(25,782,153)	27,062,641	–	–	1,280,488
Balances at end of year	(15,180,699)	97,328,462	(407,344,383)	(420,350,000)	(745,546,620)
	₱360,115,755	₱184,828,462	₱–	₱–	₱544,944,217

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 ₱1.31 million and ₱1.23 million for the six months ended June 30, 2022 and 2021, 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 June 30, 2022.

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 June 30, 2022 and December 31, 2021.

9. Property and Equipment

The composition and movements of this account are as follows:

June 30, 2022 (Unaudited)

	Leasehold Improvements	Store, Office, Warehouse Furniture and Fixtures	Building	Transportation Equipment	Right of use Asset	Construction in Progress	Total
Cost:							
Balances at beginning of year	₱7,269,543,051	₱2,602,970,054	₱951,854,265	₱304,290,165	₱3,910,705,986	₱184,199,510	₱15,223,563,031
Additions	189,837,809	41,589,333	–	775,959	109,251	101,925,679	334,238,031
Disposals	(202,987,754)	(7,737,106)	–	–	–	–	(210,724,860)
Reclassifications	30,583,588	–	–	–	–	(30,583,588)	–
Balances at end of year	<u>7,286,976,694</u>	<u>2,636,822,281</u>	<u>951,854,265</u>	<u>305,066,124</u>	<u>3,910,815,237</u>	<u>255,541,601</u>	<u>15,347,076,202</u>
Accumulated depreciation and amortization:							
Balances at beginning of year	6,194,785,352	2,264,883,307	383,476,497	200,573,481	2,362,419,014	–	11,406,137,651
Depreciation (see Note 18)	186,624,019	67,770,462	26,366,902	11,398,339	304,635,550	–	596,795,272
Disposals	(199,175,761)	(6,739,665)	–	–	(89,744)	–	(206,005,170)
Balances at end of year	<u>6,182,233,610</u>	<u>2,325,914,104</u>	<u>409,843,399</u>	<u>211,971,820</u>	<u>2,666,964,820</u>	<u>–</u>	<u>11,796,927,753</u>
Net book values	<u>₱1,104,743,084</u>	<u>₱310,908,177</u>	<u>₱542,010,866</u>	<u>₱93,094,304</u>	<u>₱1,243,850,417</u>	<u>₱255,541,601</u>	<u>₱3,550,148,449</u>

December 31, 2021 (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	₱7,372,905,326	₱2,581,333,462	₱900,598,629	₱304,662,822	₱4,081,369,726	₱58,482,199	₱15,299,352,164
Additions	209,904,647	48,422,734	51,255,636	1,318,704	202,391,201	166,187,635	679,480,557
Disposals and retirement	(353,737,247)	(26,859,382)	–	(1,691,359)	(321,119,625)	–	(703,407,613)
Remeasurement	–	–	–	–	(51,862,076)	–	(51,862,076)
Reclassifications	40,470,327	–	–	–	–	(40,470,327)	–
Balances at end 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
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 and amortization (Note 18)	416,500,278	141,307,972	47,853,303	24,018,220	693,557,798	–	1,323,237,571
Disposals and retirement	(323,423,268)	(21,115,585)	–	(1,691,359)	(321,119,625)	–	(667,349,837)
Remeasurement	–	–	–	–	(11,392,160)	–	(11,392,160)
Balances at end of year	6,194,785,352	2,264,975,178	383,476,497	200,573,481	2,362,327,145	–	11,406,137,653
Net book values	₱1,074,757,701	₱337,921,636	₱568,377,768	₱103,716,686	₱1,548,452,081	₱184,199,507	₱3,817,425,379

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 June 30, 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 June 30, 2022 and December 31, 2021.

The Group has no purchase commitments related to property, plant and equipment as of June 30, 2022 and December 31, 2021, respectively.

10. Other Noncurrent Assets

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Franchise fee	₱73,046,340	₱75,708,914
Miscellaneous deposits	94,918,152	62,003,440
Software costs	–	1,789,147
Others	80,912	8,609,053
	₱168,045,404	₱148,110,554

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

11. Trade and Other Payables

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Trade payables	₱1,840,539,329	₱1,111,763,757
Nontrade payables	606,666,598	733,722,811
Accrued expenses	166,030,181	211,634,969
Output VAT	58,881,300	175,509,007
Retention payable	29,982,095	28,882,628
Tenant deposit	7,551,985	7,551,985
Payable to related parties (see Note 19)	281,277	770,989
Others	69,277,102	22,074,294
	₱2,779,209,867	₱2,291,910,440

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

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Banks:		
Bank of Philippine Islands (BPI)	P 1,855,000,000	P2,365,000,000
Banco de Oro (BDO)	1,200,000,000	1,400,000,000
Rizal Commercial Banking Corporation (RCBC)	1,000,000,000	1,100,000,000
Security Bank Corporation (SBC)	500,000,000	500,000,000
China Banking Corporation (CBC)	100,000,000	300,000,000
Bank of Commerce (BOC)	–	270,000,000
	P4,655,000,000	P5,935,000,000

The Group's outstanding short-term peso-denominated loans from local commercial banks bear interest at rates ranging from 4.35% to 5.00% and 4.10% to 5.25% for the six months ended 2022 and 2021, respectively.

Interest expense recognized in the consolidated statements of comprehensive income for the six months ended June 30, 2022 and 2021 amounted to P125,073,038 and P180,669,124, respectively.

13. Long-term Debt

On October 14, 2016, SSI entered into another long-term loan with BPI amounting to P500.00 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.

Interest expense recognized in the consolidated statements of comprehensive income for the six months ended June 30, 2022 and 2021 amounted to nil and P3,631,412, 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 June 30, 2022 and December 31, 2021, the Group is in compliance with the loan covenants of all their respective outstanding debts.

14. Cost of Goods Sold

	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)
Cost of merchandise sold (Note 5)	P 5,805,808,324	P3,835,064,986
Depreciation and amortization (Notes 9 and 18)	2,410,038	1,956,177
Rent (Note 23)	1,683,190	1,645,857
Utilities	1,216,208	818,710
Outside services	29,096	198,527
Others	3,802,638	1,508,365
	P5,814,949,494	P3,841,192,622

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:

	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)
Merchandise inventory, beginning	₱6,619,736,173	₱9,209,038,936
Net purchases	5,586,223,503	3,344,268,423
Cost of merchandise available for sale	12,205,959,676	12,553,307,359
Less merchandise inventory, ending	6,400,151,351	8,718,242,373
	₱5,805,808,324	₱3,835,064,986

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

	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)
Rent (see Notes 19 and 23)	₱432,844,816	(₱70,556,826)
Personnel costs (see Note 17)	434,041,627	370,616,394
Depreciation and amortization (see Notes 9, 10 and 18)	452,023,060	586,584,344
Utilities	224,559,191	193,184,742
Taxes and licenses	111,381,333	98,021,323
Advertising	116,033,906	102,023,496
Credit card charges	187,808,320	111,235,077
Supplies and maintenance	102,729,037	79,420,494
Delivery and freight charges	103,558,833	68,850,282
Global marketing contribution fee	200,315,845	50,722,644
Security services	49,067,173	47,865,259
Repairs and maintenance	22,379,792	23,819,178
Communication	15,690,052	18,785,724
Insurance	37,095,305	32,058,227
Professional fees	30,885,562	15,743,637
Outside services	6,021,869	3,444,579
Travel and transportation	8,358,792	2,784,443
Entertainment, amusement and recreation (EAR)	646,439	565,479
Telegraphic transfer	702,755	695,555
Others	69,563,657	38,641,089
	₱2,605,707,364	₱1,774,505,140

16. General and Administrative Expenses

	June 30, 2022	June 30, 2021
	(Unaudited)	(Unaudited)
Personnel costs (see Note 17)	₱297,277,482	₱308,544,813
Depreciation and amortization (see Notes 9, 10 and 18)	152,554,454	164,541,022
Taxes and licenses	33,214,137	29,845,242
Utilities	20,662,144	16,429,465
Repairs and maintenance	17,882,391	19,400,312
Supplies and maintenance	13,651,835	15,004,474
Security services	12,444,539	12,768,269
Professional fees	9,111,396	10,985,149
Communication	8,368,434	9,688,897
Insurance	7,966,470	8,443,147
Advertising	6,195,031	4,890,823
Travel and transportation	3,355,424	4,836,851
EAR	1,101,235	770,632
Outside service	861,071	536,398
Rent (see Notes 19 and 23)	(31,494,577)	(24,859,044)
Others	34,729,061	27,019,965
	₱587,880,527	₱608,846,415

17. Personnel Costs

Personnel costs were charged to operations as follows:

	June 30, 2022	June 30, 2021
	(Unaudited)	(Unaudited)
Salaries, wages and bonuses	₱619,234,613	₱572,181,487
Retirement benefit expense	40,678,071	35,574,773
Other employee benefits	71,700,028	71,404,947
	₱731,612,712	₱679,161,207

Personnel costs were distributed as follows:

	June 30, 2022	June 30, 2021
	(Unaudited)	(Unaudited)
Cost of services (Note 14)	₱293,604	₱–
Selling and distribution (see Note 15)	434,041,627	₱370,616,394
General and administrative (see Note 16)	297,277,482	308,544,813
	₱731,612,713	₱679,161,207

18. Depreciation and Amortization Expense

	June 30, 2022	June 30, 2021
	(Unaudited)	(Unaudited)
Property and equipment (see Note 9)	₱596,795,272	₱747,263,287
Franchise fee (see Note 10)	9,370,819	4,160,471
Software costs (see Note 10)	821,461	1,657,785
	₱606,987,552	₱753,081,543

Depreciation and amortization were distributed as follows:

	June 30, 2022	June 30, 2021
	(Unaudited)	(Unaudited)
Cost of services (Note 14)	₱2,410,038	₱1,956,177
Selling and distribution (see Note 16)	452,023,060	586,584,344
General and administrative (see Note 17)	152,554,454	164,541,022
	₱606,987,552	₱753,081,543

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 ₱43.5 million and ₱26.9 million, for the six months in the period ended June 30, 2022 and 2021, 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 ₱12.9 million and ₱7.5 million for the six months ended June 30, 2022 and 2021, 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 ₱18.7 million, ₱18.6 million for the six months in the period ended June 30, 2022 and 2021, respectively, and post-employment benefits amounting to ₱2.9 million and ₱2.8 million for the six months in the period ended June 30, 2022 and 2021, respectively.

As of June 30, 2022 and December 31, 2021, transactions with related parties are as follows:

Related Parties	Periods ended	Transactions for the year	Outstanding balances	
			Receivables from related parties (Note 5)	Payable to related parties (Note 12)
<i>Under common control</i>				
RCC	June 30, 2022	(P12,229,888)	P41,542,334	P-
	December 31, 2021	P129,468,827	P54,667,672	P-
RMK	June 30, 2022	1,810,668	28,650,625	281,277
	December 31, 2021	34,749,793	26,467,277	770,989
<i>Joint ventures</i>				
PFM	June 30, 2022	-	-	-
	December 31, 2021	-	-	-
MPC	June 30, 2022	16,875	16,875	-
	December 31, 2021	11,008,378	15,986,869	-
<i>Associate</i>				
SPI	June 30, 2022	-	3,225,540	-
	December 31, 2021	696,739	3,164,490	-
	June 30, 2022		P73,435,374	P281,277
	December 31, 2021		P100,286,308	P770,989

The related party balances as of June 30, 2022 and December 31, 2021 are due and demandable, non-interest bearing and unsecured. The allowance for expected credit losses on amounts owed by related parties amounted to P43.17 million as of June 30, 2022 and December 31, 2021, 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:

	June 30, 2022	June 30, 2021
	(Unaudited)	(Unaudited)
Net income	P491,444,871	(P173,652,248)
Divided by weighted average number of common shares	3,298,408,430	3,298,408,430
	P0.15	(P0.05)

There were no potential dilutive common shares for the six months ended June 30, 2022 and 2021.

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:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Cash	₱7,061,237,910	₱7,252,867,634
Trade and other receivables		
Trade receivables	282,215,363	280,509,256
Nontrade receivables	368,632,974	360,674,621
Receivables from related parties	116,606,373	143,457,307
Others	1,042,112	818,574
Security deposits and construction bonds	951,729,130	954,453,458
	₱8,781,463,862	₱8,992,780,850

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:

June 30, 2022 (Unaudited)

	Total	Neither past due nor impaired	Past due but not impaired				Impaired
			<30 days	30 - 60 days	60 - 90 days	> 90 days	
Cash	₱7,061,237,910	₱7,061,237,910	₱-	₱-	₱-	₱-	₱-
Trade and other receivables							
Trade receivables	282,215,363	250,106,271	4,274,811	3,827,318	24,006,963	-	-
Nontrade receivables	368,632,974	70,658,482	106,104,811	105,887,053	34,754,977	35,490,853	15,736,798
Receivables from related parties	116,606,373	3,014,991	20,138,212	14,615,766	1,024,796	34,641,609	43,170,999
Others	1,042,112	-	1,042,112	-	-	-	-
Security deposits and construction bonds	951,729,130	951,729,130	-	-	-	-	-
Total	₱8,781,463,862	₱8,336,746,784	₱131,559,946	₱124,330,137	₱59,786,736	₱70,132,462	₱58,907,797

December 31, 2021

	Total	Neither past due nor impaired	Past due but not impaired				Impaired
			<30 days	30 - 60 days	60 - 90 days	> 90 days	
Cash and cash equivalents	₱7,252,867,634	₱7,252,867,634	₱-	₱-	₱-	₱-	₱-
Trade and other receivables							
Trade receivables	280,509,256	250,166,226	17,682,376	53,487	614,501	11,992,666	-
Nontrade receivables	360,674,621	101,602,364	55,298,884	28,505,855	7,173,009	152,357,711	15,736,798
Receivables from related parties	143,457,307	2,102,279	37,389,457	10,850,610	4,341,274	45,602,688	43,170,999
Others	818,574	-	818,574	-	-	-	-
Security deposits and construction bonds ¹	954,453,458	954,453,458	-	-	-	-	-
Total	₱8,992,780,850	₱8,561,191,961	₱111,189,291	₱39,409,952	₱12,128,784	₱209,953,065	₱58,907,797

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 June 30, 2022 and December 31, 2021, 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 June 30, 2022 and December 31, 2021.
- 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 June 30, 2022 and December 31, 2021, nontrade receivables from principals amounting to ₱15.74 million and ₱8.34 million, respectively, 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 six months ended June 30, 2022 and year ended December 31, 2021. 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 June 30, 2022.

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:

	June 30, 2022 (Unaudited)		December 31, 2021 (Audited)	
	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial Assets				
<i>Loans and receivables</i>				
Security deposits and construction bonds	₱951,729,130	₱967,573,058	₱954,453,457	₱970,297,385

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 2.20% were used in calculating the fair value of the Group's refundable deposits as of June 30, 2022 and December 31, 2021.

Fair Value Hierarchy

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

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

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

As at June 30, 2022 and December 31, 2021 the Group does not have financial instruments with fair values determined using inputs that are classified under Level 1 and 3.

For the six months ended June 30, 2022 and years ended December 31, 2021, 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:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Balances at beginning of the year	₱1,548,286,972	₱2,080,088,594
Additions	109,251	202,391,201
Depreciation expense	(304,635,550)	(693,557,798)
Remeasurement/termination	89,744	(40,469,916)
Balances at end of the year	₱1,243,850,417	₱1,548,452,081

The rollforward analysis of lease liabilities follows:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Balances at beginning of the year	₱1,608,373,087	₱2,147,455,989
Additions	–	202,164,134
Interest expense	61,382,834	132,183,930
Remeasurement/termination	–	(45,746,474)
Lease concession	–	(401,436,655)
Payments	(347,361,230)	(426,247,747)
Balances at end of the year	1,322,394,691	1,608,373,177
Less: current portion	289,826,544	325,273,001
Balances at end of the year	₱1,032,568,147	₱1,283,100,176

The Group has paid security deposits for the store outlets and office spaces with carrying amounts of ₱ 951.73 million and ₱954.45 million as of June 30, 2022 and December 31, 2021, 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 ₱1.93 million and ₱1.74 million, for the six months ended June 30, 2022 and 2021, 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 ₱22.28 million and ₱12.94 million, for the six months ended June 30, 2022 and 2021, respectively. Deposits received from tenants amounted to ₱34.70 million and ₱31.76 million as of June 30, 2022 and December 31, 2021, respectively, pertaining to deposits on the leased space.

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 six months ended June 30, 2022 and 2021 (amounts in millions):

	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)
Net Sales		
Luxury and Bridge	₱3,644	₱2,735
Fast Fashion	3,218	1,508
Casual	1,462	975
Footwear, Accessories and Luggage	645	393
Other	1,060	810
	₱10,029	₱6,421

25. Seasonality of operations

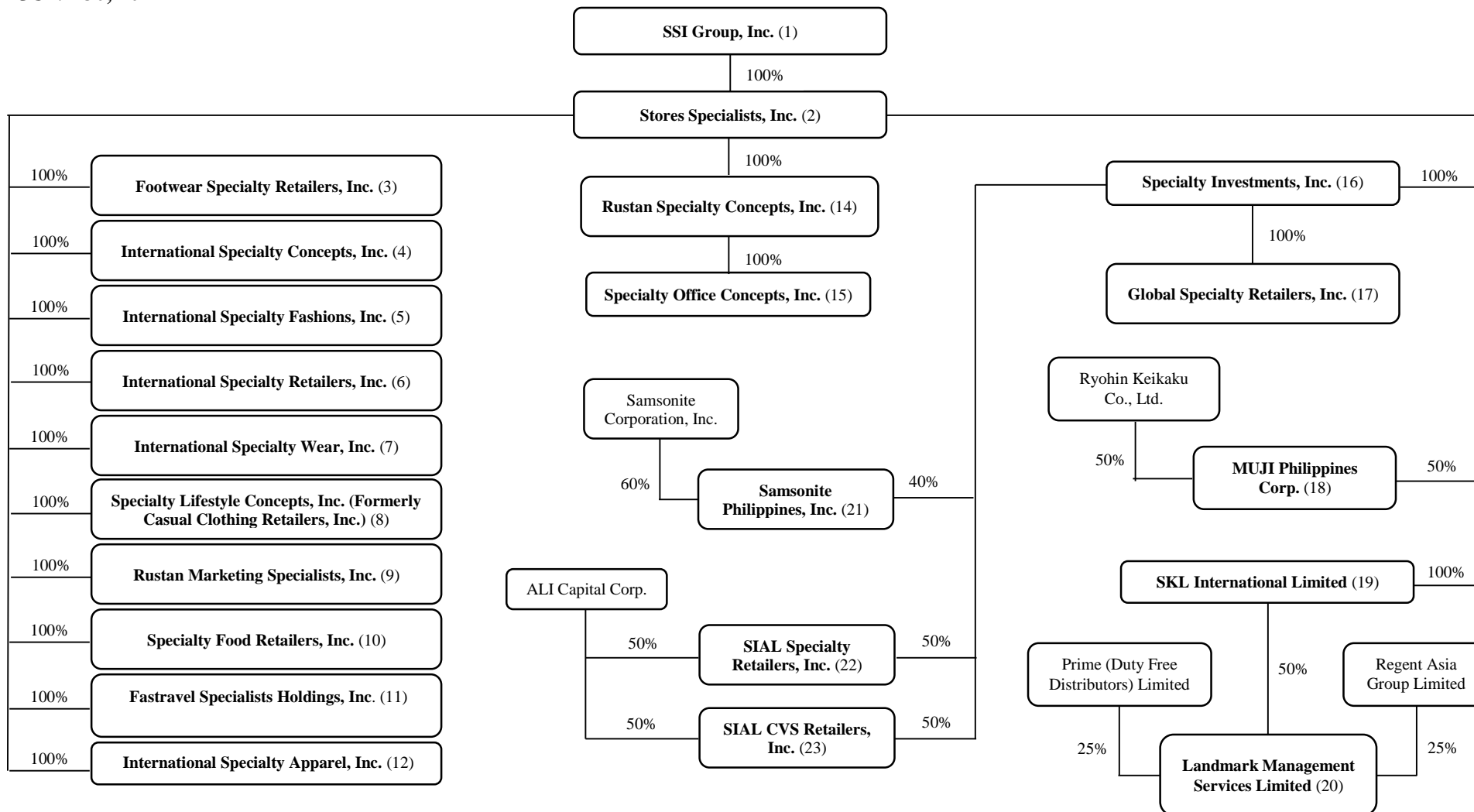
The Group experiences seasonal fluctuations in its operations. The Group's sales typically peak during the fourth quarter of the year due to the increased sales attributable to the Christmas and New Year Holidays.

EXHIBIT I

SSI GROUP, INC.

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

JUNE 30, 2022



SSI GROUP, INC.

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DECLARATION**
JUNE 30, 2022

Unappropriated retained earnings, as adjusted, beginning		₱1,057,680,882
Cumulative prior year adjustments:		
Interest income from accretion of the discount on security deposits		(5,574,182)
Benefit from deferred tax		(255,112)
		<hr/> 1,051,851,588
Net income during the period closed to retained earnings	42,407,757	
Less: Other realized gains related to accretion of income from security deposits		—
Deferred tax asset recognized during the year		—
		<hr/> —
Net income during the period		42,407,757
Retained earnings available for dividend declaration		<hr/> <u>₱1,094,259,345</u>

Exhibit III

SSI GROUP, INC.

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Ratios	Formula	June 30, 2022	December 31, 2021	June 30, 2021
(i) Current Ratio	Current Assets/Current Liabilities	1.89	1.76	1.70
(ii) Debt/Equity Ratio	Bank Debts/ Total Equity	0.42	0.56	0.63
(iii) Net Debt/Equity Ratio	Bank Debts-Cash & Equivalents/Total Equity	(0.22)	(0.12)	0.20
(iii) Asset to Equity Ratio	Total Assets/Total Equity	1.87	2.01	2.05
(iv) Interest Cover Ratio	EBITDA/Interest Expense	8.17	3.88	3.55
(v) Profitability Ratios				
GP Margin	Gross Profit/Revenues	42.15%	39.05%	40.30%
Net Profit (Loss) Margin	Net Income (Loss) /Revenues	4.89%	0.97%	-2.70%
EBITDA Margin	EBITDA/Revenues	15.16%	11.88%	14.78%
Return on Assets	Net Income (Loss) /Total Assets	2.35%	0.70%	-0.82%
Return on Equity	Net Income (Loss) /Total Equity	4.40%	1.41%	-1.69%

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