



# SHENG SIONG GROUP LTD

First Quarter Financial Statement

## PART 1- INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2, Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

*I(a)(i) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.*

### UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	GROUP		
	1 <sup>st</sup> Quarter ended		
	31 Mar		
	2016	2015	
	S\$'000	S\$'000	+ / (-)%
Revenue	208,546	198,355	5.1
Cost of sales	(157,548)	(149,875)	5.1
Gross profit	50,998	48,480	5.2
Other income	3,818	2,235	70.8
Distribution expenses	(1,183)	(1,167)	1.4
Administrative expenses	(33,656)	(32,058)	5.0
Other expenses	(519)	(697)	-25.4
<b>Results from operating activities</b>	<b>19,458</b>	<b>16,793</b>	<b>15.9</b>
Finance income	344	269	27.9
<b>Profit before tax</b>	<b>19,802</b>	<b>17,062</b>	<b>16.1</b>
Tax expense	(3,379)	(3,001)	12.6
<b>Profit for the period</b>	<b>16,423</b>	<b>14,061</b>	<b>16.8</b>
Other comprehensive income	-	-	
<b>Total comprehensive income</b>	<b>16,423</b>	<b>14,061</b>	<b>16.8</b>



# SHENG SIONG GROUP LTD

## First Quarter Financial Statement

### 1(a)(ii) Notes to the income statement

		<b>GROUP</b>	
		<b>1<sup>st</sup> Quarter ended</b>	
		<b>31 Mar</b>	
	<b>Note</b>	<b>2016</b>	<b>2015</b>
		<b>S\$'000</b>	<b>S\$'000</b>
Depreciation of property, plant and equipment	(1)	3,576	3,209
Exchange loss/(gain) net		63	(152)
(Gain)/loss on disposal of property, plant and equipment		(12)	1
		<u>          </u>	<u>          </u>
<b>Other income:</b>			
Rental income	(2)	901	906
Sale of scrap materials		315	296
Government grants	(3)	2,252	817
Miscellaneous income		350	216
		<u>          </u>	<u>          </u>
		<u>3,818</u>	<u>2,235</u>

### Notes

- (1) The increase in depreciation charges for the period was due mainly to the capital expenditure incurred in FY2015 and 1Q2016.
- (2) Rental income was from leasing of retail space to external parties.
- (3) The government grants were primarily received for the wage credit and special employment credit schemes. The increase was attributable mainly to higher grant for wage credit received in 1Q2016.

## 1(b)(i) CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	GROUP		COMPANY	
	31 Mar 2016 S\$'000	31 Dec 2015 S\$'000	31 Mar 2016 S\$'000	31 Dec 2015 S\$'000
<b>Non-current assets</b>				
Property, plant and equipment	191,660	177,649	-	-
Investment in subsidiaries	-	-	78,234	78,234
	<u>191,660</u>	<u>177,649</u>	<u>78,234</u>	<u>78,234</u>
<b>Current assets</b>				
Inventories	47,266	52,459	-	-
Trade and other receivables	8,864	11,762	177,883	172,880
Cash and cash equivalents	113,941	125,931	6,811	11,754
	<u>170,071</u>	<u>190,152</u>	<u>184,694</u>	<u>184,634</u>
<b>Total assets</b>	<u>361,731</u>	<u>367,801</u>	<u>262,928</u>	<u>262,868</u>
<b>Equity attributable to equity holders of the Company</b>				
Share capital	235,373	235,373	235,373	235,373
Merger reserve	(68,234)	(68,234)	-	-
Accumulated profits	93,480	77,057	27,167	27,134
<b>Total equity</b>	<u>260,619</u>	<u>244,196</u>	<u>262,540</u>	<u>262,507</u>
<b>Non-current liabilities</b>				
Deferred tax liabilities	3,071	2,241	-	-
	<u>3,071</u>	<u>2,241</u>	<u>-</u>	<u>-</u>
<b>Current liabilities</b>				
Trade and other payables	83,530	108,715	388	361
Current tax payable	14,511	12,649	-	-
	<u>98,041</u>	<u>121,364</u>	<u>388</u>	<u>361</u>
<b>Total liabilities</b>	<u>101,112</u>	<u>123,605</u>	<u>388</u>	<u>361</u>
<b>Total equity and liabilities</b>	<u>361,731</u>	<u>367,801</u>	<u>262,928</u>	<u>262,868</u>

## 1(b)(ii) Aggregate amount of Group's borrowings and debt securities

The Group had no borrowings as at the end of 31 March 2016 and 31 December 2015 respectively.

I(c) A cash flow statement (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

**CONSOLIDATED STATEMENT OF CASH FLOW**

	<b>Group</b>	
	<b>1<sup>st</sup> Quarter ended</b>	
	<b>31 Mar</b>	
	<b>2016</b>	<b>2015</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Operating activities</b>		
Profit for the period	16,423	14,061
Adjustments for:		
Depreciation of property, plant and equipment	3,576	3,209
(Gain)/loss on disposal of property, plant and equipment	(12)	1
Unrealised exchange loss	82	26
Interest income	(344)	(269)
Tax expense	3,379	3,001
	<u>23,104</u>	<u>20,029</u>
Changes in inventories	5,193	1,163
Changes in trade and other receivables	2,898	2,854
Changes in trade and other payables	(25,185)	(10,555)
Cash generated from operations	<u>6,010</u>	<u>13,491</u>
Taxes (paid)	(687)	(650)
<b>Cash flows from operating activities</b>	<u>5,323</u>	<u>12,841</u>
<b>Investing activities</b>		
Proceeds from disposal of property, plant and equipment	23	-
Purchase of property, plant and equipment	(17,598)	(4,151)
Interest received	344	269
<b>Cash flows used in investing activities</b>	<u>(17,231)</u>	<u>(3,882)</u>
<hr/>		
<b>Net (decrease)/increase in cash and cash equivalents</b>	(11,908)	8,959
Cash and cash equivalents at beginning of the period	125,931	130,470
Effect of exchange rate changes on balances held in foreign currencies	(82)	(26)
<b>Cash and cash equivalents at end of the period</b>	<u>113,941</u>	<u>139,403</u>

**First Quarter Financial Statement**

*1(d)(i) A statement (for the issuer and group) showing (i) all change in equity or (ii) change in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial period.*

<b>Group</b>	<b>Share capital S\$'000</b>	<b>Merger reserve S\$'000</b>	<b>Accumulated profits S\$'000</b>	<b>Foreign currency translation Reserve S\$'000</b>	<b>Total equity S\$'000</b>
<b>As at 1 January 2015</b>	235,373	(68,234)	69,136	*	236,275
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	14,061	-	14,061
<b>At 31 March 2015</b>	<u>235,373</u>	<u>(68,234)</u>	<u>83,197</u>	<u>*</u>	<u>250,336</u>

<b>Group</b>	<b>Share capital S\$'000</b>	<b>Merger reserve S\$'000</b>	<b>Accumulated profits S\$'000</b>	<b>Foreign currency translation reserve S\$'000</b>	<b>Total Equity S\$'000</b>
<b>As at 1 January 2016</b>	235,373	(68,234)	77,057	*	244,196
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	16,423	-	16,423
<b>As at 31 March 2016</b>	<u>235,373</u>	<u>(68,234)</u>	<u>93,480</u>	<u>*</u>	<u>260,619</u>

\*Amount is less than \$1,000

Company	Share capital S\$'000	Accumulated profits S\$'000	Total Equity S\$'000
As at 1 January 2015	235,373	25,794	261,167
Total comprehensive income for the period			
Loss for the period	-	(12)	(12)
At 31 March 2015	235,373	25,782	261,155

Company	Share capital S\$'000	Accumulated profits S\$'000	Total Equity S\$'000
As at 1 January 2016	235,373	27,134	262,507
Total comprehensive income for the period			
Profit for the period	-	33	33
At 31 March 2016	235,373	27,167	262,540

*1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share option or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.*

There were no changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share option or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. There were no outstanding convertibles which may be converted into ordinary shares. There were no treasury shares held.

*1(d)(iii) To show the total number of issued shares as at the end of the current financial period and as at the end of the immediately preceding year.*

Company	As at	
	31 Mar 2016 No. of shares	31 Dec 2015 No. of shares
Total number of issued shares	1,503,537,000	1,503,537,000

*1(d)(iv) A statement showing all sales, transfer, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.*

Not applicable as there were no treasury shares held.

2. *Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.*

The figures have not been audited or reviewed.

3. *Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).*

Not applicable.

4. *Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.*

The Group has applied the same accounting policies and computation methods used in the preparation of the financial statements for the current financial year as compared with the audited combined financial statements as at 31 December 2015, except for the adoption of the new and revised Financial Reporting Standards (FRS) which become effective for the financial year beginning on or after 1 January 2016. The adoption of these new and revised accounting standards did not give rise to any material impact to the financial statements.

5. *If there any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.*

Please refer to paragraph 4.

6. *Earning per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.*

**GROUP**  
**3 Months ended**  
**31 Mar 2016    31 Mar 2015**

Earning per ordinary share of the group for the financial period based on net profit attributable to shareholders:

- based on weighted average number of shares in issue (cents) 1.09                      0.94

Weighted average number of shares in issue during the period 1,503,537,000    1,503,537,000

**Note:-**

There were no potentially dilutive shares.

7. *Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year.*

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>31 Mar 2016</b>	<b>31 Dec 2015</b>	<b>31 Mar 2015</b>	<b>31 Dec 2015</b>
	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>
Net asset value per ordinary share based on issued share capital at the end of the period reported on	17.33	16.24	17.46	17.46
<u>No. of shares at the end of the period ('000)</u>	1,503,537	1,503,537	1,503,537	1,503,537



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8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

## INCOME STATEMENT

### OVERVIEW

Net profit for 1Q2016 increased by 16.8% to \$16.4m compared with \$14.1m in 1Q2015 mainly because of higher revenue resulting in a higher gross profit, higher other income, which was partially offset by higher operating expenses. Gross margin remained unchanged and the increase in operating expenses was in line with the increase in volume.

### Revenue

	1Q2016	1Q2015
Number of outlets	39	35
Retail area at end of period	431,000 square feet	413,800 square feet
Revenue	\$208.5m	\$198.4m

The Group did not open any new stores in 1Q2016. The five new stores which were opened in FY2015 will be classified as new stores and will not be considered in computing comparable same store sales. Sales at supermarkets were still lackluster, probably due to the dull economic conditions.

Revenue increased by 5.1% of which 5.6% was contributed by the new stores but was reduced by 0.5% as comparable same store sales contracted mainly because of tepid Chinese New Year demand, ongoing renovation in the vicinity of our Loyang store, the fall in liquor sales in our Geylang store and the Woodlands store which was affected by the weaker ringgit. If the Woodlands store is excluded, comparable same store sales would be a flattish growth of 0.1%. Sequentially the contraction in comparable same store sales was lower than 4Q2015's 1.7%.

### Gross Profit and Gross Margin

Gross profit increased by 5.2% to \$51.0m mainly because of the higher revenue as gross margin remained stable.

Gross Margin		
1Q2016	1Q2015	4Q2015
24.5%	24.4%	25.0%

Gross margin improved marginally to 24.5%, despite tepid Chinese New Year demand. Although lower than the gross margin of 25% in 4Q2015, this may not be strictly comparable as gross margin tends to be lower in the first quarter because of the Chinese New Year sales.

### Other Income

Please refer to the notes on page 2 explaining the changes in Other Income.



**Administrative Expenses**

Administrative expenses increased by \$1.6m as a result of the following:

	<b>1Q2016 vs 1Q2015</b> <b>\$'m</b>
Staff costs	0.5
Depreciation	0.4
Utilities	(0.1)
Rent	0.6
Others	0.2
<b>Total increase</b>	<b>1.6</b>

The increase in staff costs was \$1.2m, but was reduced by a write back of bonus provision of \$0.7m relating to FY2015, resulting in a net increase of \$0.5m. This was due mainly to a higher provision for bonus arising from the better financial performance of the Group in 1Q2016 compared with 1Q2015 and higher headcount required to operate the five new stores opened in FY2015, which also led to an increase of \$0.6m in rents. Depreciation charges increased mainly because of capital expenditure incurred in FY2015 and 1Q2016. Utility charges were slightly lower because of lower electricity tariffs due to lower oil prices. Rental expenses for the Group's outlets remained at 2.8% of sales.

**Other Expenses**

Exchange differences and higher charges relating to credit cards because of the higher volume were the main reasons for the net decrease of \$0.2m.

**Finance Income**

Interest income was higher in 1Q2016 mainly because more cash was available to be placed on deposit compared to 1Q2015.

**Tax**

The effective tax rate for 1Q2016 of 17.1% was close to the statutory tax rate of 17%.

**Net profit**

Despite challenging demand conditions net profit increased by \$2.4m, or 16.8% compared to 1Q2015.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

Capital expenditures of \$17.6m included progress payments of \$13.7m for the purchase of retail space at Yishun Junction 9, \$2.2m for upgrading and replacement of equipment in the supermarkets and \$1.7m for increasing the processing capabilities of the distribution centre. After offsetting depreciation charges of \$3.6m, the net increase in property, plant and equipment was \$14.0m.

Inventories decreased by \$5.2m as goods which were purchased at the end of FY2015 for Chinese New Year sales in 2016 were sold.

Trade and other receivables decreased by \$2.9m, attributable mainly to a lower amount due from a credit card company, reduction in prepayment and other receivables.

Trade and other payables decreased by \$25.2m because of a decrease in trade payables of \$10.2m as purchases for Chinese New Year were settled, reduction in accruals of \$12.5m as bonuses for FY2015 were paid and a decrease in other payables of \$2.5m.

## CASH FLOW

Sales are principally made on a cash basis and there were no significant changes to the payment cycle. Payments for purchase of retail space had impacted cash flow.

### Operating

Cash flow generated from operating activities in the 1Q2016 of \$5.3m was lower than 1Q2015's generation of \$12.8m mainly because a higher level of cash was used to fund working capital change, caused mainly by the changes to the timing of the payment of bonuses and a larger reduction in inventory, post Chinese New Year. Cash used to acquire property, purchase plant and machinery in 1Q2016 was \$17.6m, of which the progress payment of \$13.7m for Yishun Junction 9 was the most significant.

Consequently, the Group had a cash outflow amounting to \$11.9m for 1Q2016, compared with a positive generation of \$9.0m for 1Q2015. Nonetheless, the Group's cash and cash equivalents was a healthy, \$113.9m as at 31 March 2016.

9. *Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.*

Not applicable.

10. *A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.*

The industry is expected to remain competitive. Besides competitive pressures, gross margin would be affected if input cost is increased because of food inflation, which could be caused by disruption, like the effect of El Nino to the supply chain. The government has not relaxed the restriction on the employment of foreign labor and the upward pressure on manpower cost would continue to persist.

The new stores opened/to be opened in 2Q2016 are:-

Location	Area	Remarks
Yishun Junction 9	15,000 sq. ft	Approval obtained for use of 15,000 sq. ft as a supermarket. Still waiting for the approval for the remaining 4,000 sq. ft
Circuit Road	3,500 sq. ft	Opened on 17 April 2016
Upper Boon Keng Road	3,000 sq. ft	Under renovation
Fernvale Street, Sengkang	3,300 sq. ft	Waiting to sign lease with HDB

The store at Loyang Point was closed on 15 April 2016 as the building where the store is situated would be renovated. The store should re-open in 1Q2017 in a new location within the renovated building.

Most of our tenancies on the first and second floor of Block 506 Tampines Central will expire in 3Q2016. The supermarket which is presently on the second floor will be closed in 4Q2016 to facilitate A&E works to the building and should re-open in January 2017 with a new area of approximately 25,000 sq. ft. The Group will



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continue to look for retail space in areas where their customers reside and will nurture the growth of the new stores opened in FY2015 and 2016, which is expected to underpin growth.

Sheng Siong Supermarket Pte Ltd had on 8 April 2016 exercised the option to purchase the commercial premises situated at Block 209 New Upper Changi Road #01-631 Singapore 460209, where the Group has a store located therein, for an aggregate consideration of \$53m. Please refer to the Company's announcement made on 8 April 2016 for more details.

The subsidiary in Kunming China, has signed a lease for their first store which is approximately 54,000 sq. ft and the supermarket should open in 4Q2016.

### 11. Dividend

#### (a) Current Financial Period Reported On

No.

#### (b) Corresponding Period of the immediately Preceding Financial Year

No

#### (c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable

#### (d) The date the dividend is payable.

Not applicable

#### (e) The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.

Not applicable

### 12. If no dividend has been declared (recommended), a statement to that effect.

The Company has not declared a dividend.

### 13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under [Rule 920\(1\)\(a\)\(ii\)](#). If no IPT mandate has been obtained, a statement to that effect.

The Group did not obtain a mandate under Rule 920(1). The interested party transactions during the period were:-

**INTERESTED PERSON TRANSACTIONS**

From 1 January 2016 to 31 March 2016

<b>Name of Interested Person(s)</b>	<b>Description of Interested Person Transactions</b>	<b>Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) (\$'000)</b>	<b>Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)</b>
<b>F M Food Court Pte Ltd/</b> Lim Hock Eng Lim Hock Chee Lim Hock Leng	Sale of goods by Sheng Siong Group Ltd to F M Food Court Pte Ltd <sup>See Notes (1), (2)</sup>	52	-
	Purchase of goods by Sheng Siong Group Ltd from F M Food Court Pte Ltd <sup>See Notes (1), (2)</sup>	-	-
	Lease of operation space by F M Food Court Pte Ltd from Sheng Siong Group Ltd	144	-
<b>E Land Properties Pte Ltd/</b> Lim Hock Eng Lim Hock Chee Lim Hock Leng	Rent and utilities paid by Sheng Siong Group Ltd. to E Land Properties Pte Ltd <sup>See Note (1)</sup> for lease and license of operations space	404	-

Notes:

(1) These entities are associates of Messrs Lim Hock Eng, Lim Hock Chee and Lim Hock Leng, the executive directors and controlling shareholders of Sheng Siong Group Ltd.

(2) F M Food Court Pte Ltd was formerly known as Sheng Siong Food Court Pte Ltd.

**NEGATIVE ASSURANCE CONFIRMATION ON INTERIM FINANCIAL RESULTS PURSUANT TO RULE 705(5) OF THE LISTING MANUAL**

The Board of Directors has confirmed that, to the best of their knowledge, nothing has come to their attention which may render these interim financial results to be false or misleading in any material aspect.

**CONFIRMATION OF DIRECTORS AND EXECUTIVE OFFICERS' UNDERTAKINGS PURSUANT TO LISTING RULE 720(1)**

The Company has procured undertakings from all its directors and executive officers in compliance with Listing Rule 720(1).

**BY ORDER OF THE BOARD**

LIM HOCK CHEE  
CEO  
27 April 2016