

# A Part of Our Lives



# Financial Highlights



	2008	2009	2010	2011
Revenue (S\$m)	610.2	625.3	628.4	578.4
Gross Profit (S\$m)	114.1	128.4	137.8	127.9
Gross Profit Margin	18.7%	20.5%	21.8%	22.1%
Other Income (S\$m)	5.6	12.9	15.9	3.3
Net Profit (S\$m)	20.6	33.6	42.6	27.3
Earnings per share (cents)	1.80	2.95	3.74	2.21

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# About Sheng Siong Group

Sheng Siong Group Ltd is one of Singapore's largest grocery retailers with 25 outlets located all across the island. Our outlets are designed to provide customers with both "wet and dry" shopping options ranging from a wide assortment of live, fresh and chilled produce, such as seafood, meat and vegetables to packaged, processed food products and general merchandises. Over the last 3 years, we have begun developing a selection of housebrands to offer our customers quality alternatives to national brands at substantial savings. To date, we have over 300 products under our 10 housebrands.

Established in 1985 and listed in August 2011, our long history and reputation for quality products at competitive prices has led our "Sheng Siong" brand to become an established household name in Singapore. Widely recognised by consumers, we were awarded the "Superbrand" status by Superbrands Singapore for 4 consecutive years, from 2008 to 2011.

To support our retail operations, we moved into our new corporate headquarters and purpose-built warehousing and distribution centre at Mandai Link in July 2011.

With our distinguished brand name, portfolio of well-recognised housebrands, global sourcing network, excellent food-processing, warehousing and distribution capabilities, experienced management team and dynamic key executives, we have in place a strong foundation for further expansion.



# Chairman's Message 主席献词



Dear Shareholders,

2011 marked a significant milestone for the Group as we grew and transformed from a modest, family-run retail store in Ang Mo Kio in 1985 to a public listed grocery retailer with a market capitalisation of over S\$600 million. We are proud that the knowledge about the market acquired over the years has enabled us to grow our network of retail outlets to 25, and position us for the future as the Sheng Siong brand name is well known in Singapore.

## Financial Performance

In 2011, the overall economy remained subdued, slowing down towards the second half of the year. Retail sales growth at supermarkets was stagnant in 2011 compared with 2010. Amidst the fragile global recovery and the uncertainties in Europe, we continued to focus on establishing the foundations of growth, and extracting more value from our business.

Revenue came in at S\$578.4 million, against S\$628.4 million in FY2010 impacted by the lower retail space caused by the closing of the Ten Mile Junction and Tanjong Katong supermarkets. However, it was encouraging to see gross profit margins improving to 22.1% from 21.8% because of the margin enhancing initiatives which we have embarked on.

There were large one-off items in other income in 2010 and its absence caused a noticeable fall

各位股东

2011年对集团而言，是一个显著的里程碑，因为我们从一家设于宏茂桥的小零售店(1985年起)发展成为市值超过6亿新元的挂牌超市零售商。我们多年来累积的市场知识，使得我们的分布网络扩大到25个零售点——它们多位于新加坡的组屋区。昇菘在新加坡建立起的品牌，可以为我们的未来铺路。

## 财务表现

2011年，整体经济缓和，到了下半年更逐渐放缓。与2010年相比，超市2011年的零售销售额增长持平。尽管全球的复苏脆弱、欧洲市场不明朗，我们继续专注于建立增长的基础，从业务中获取更多的价值。

受到十哩广场和丹戎加东超市相继于2010年和2011年下半年关闭的冲击，2012年的营业额报5亿7840万新元。相比之下，2010财政年的营业额为6亿2840万新元。不过，由于我们落实了一些提高盈利率的计划，我们的毛利率从2010年的21.8%提高到2011年的22.1%，表现令人鼓舞。

2010年，我们的其他收入账项有非常可观的一次性收益，而到2011年，这样的收益



in other income from S\$15.9m in 2010 to S\$3.3m in 2011.

Operating expenses were well controlled, but we had to bear a one-off expense relating to our IPO amounting to S\$1.8m. Stripping off the one-off other income items and the IPO expenses, operating margin remained healthy at 6.2%.

Net profits came in at S\$27.3m, compared with S\$42.6m previously mainly because of the lower turnover, other income and IPO expenses.

Our balance sheet remained debt free and strong. We generated S\$28.1m of cash from operating activities, but this was lower than the S\$34.0m generated in 2010 because of the lower profit.

#### Dividend

As committed at the IPO, we have declared a first and final dividend of 1.77 cents a share, representing 90% of our net profit after tax. This dividend will be paid on 25th May 2012 if approved by the shareholders at the Annual General Meeting to be convened on 24th April 2012.

#### Foundation for growth

In July 2011, we moved into our new centralised warehouse cum distribution centre at Mandai Link with a floor area of approximately 543,000 sq. ft. With the constraint in space now removed, we will be pushing ahead with our plans to increase revenue as well as further implement margin enhancing initiatives. We are confident that these measures will improve our operating margin.

#### Reaching Out

To reach out to more consumers from all walks of life, we have been actively looking for suitable premises, particularly in areas where we do not have a presence. During the year, Sheng Siong launched 3 stalls at Elias Mall market and 3 supermarket outlets located at Teck Whye, Woodlands Industrial Park and Thomson Imperial Court.

We will be opening 2 outlets soon, one in Jalan Berseh and another in Toa Payoh.

On the marketing front, we organised a series of activities during the year to engage our customers such as “The Royal Golden Grain Singing

没有再出现，导致其他收入从2010年的1590万新元明显减少至2011年的330万新元。

我们的营运开支控制得很好，但必须承担一笔同我们的首次公开售股计划有关的开支，即180万新元的一次性费用。如果不考虑一次性的其他收入账项和首次公开售股开支，营运开支率持稳，计6.2%。

2011年的净利报2730万新元，比2010年的4260万新元来得少。这主要因为2011年的营业额和其他收入减少，而且还须承担首次公开售股的开支。

我们的资产与负债表依旧是零债务且稳健的。营运活动为我们带来了2810万新元的现金，但由于盈利退低，所以比2010年获取的3400万新元现金来得少。

#### 股息

正如我们在首次公开售股时所承诺的，我们宣布以每股1.77分派发一次过年终股息，股息额为税后净利的90%。如果在2012年4月24日召开的常年股东大会获得股东们的批准，此股息将于2012年5月25日分发。

#### 增长的基础

2011年7月，我们迁到位于万礼连路的新中央货仓兼分销中心，总楼面大约54万3000平方英尺。由于不再受到地方不够用的局限，我们将能积极推行各项计划，增加营业额及提高盈利。我们有信心这些措施将改善我们的营运盈利率。

#### 接触顾客

为了接触更多各类型顾客，我们积极地在全岛各地物色适当的经营场地。2011年，我们开设了Elias Mall 3个巴刹摊位和3家超市——它们位于德惠巷、兀兰工业园和汤申路上段的Thomson Imperial Court。

我们将在不久的将来，增设两家新店，一家位于惹兰勿刹地带，另一家坐落在大巴窑。

行销方面，我们在2011年主办了一系列活动，与顾客保持联系，如“金禾歌唱比赛”和“开斋节促销活动”等等。我们现场直播



# Chairman's Message 主席献词

Competition" and "Hari Raya Promotion". Our live TV entertainment-cum-game shows continue to draw good viewership, thereby reinforcing the Sheng Siong brand name with the consumers. Through different fairs, we brought in new product varieties and held promotions to excite customers.

Our customers are our foremost priority. We will consider their needs and preferences and motivate them to keep coming back, for our brand name is synonymous with: trusted quality, competitive pricing and personalised service.

## Extracting more value

Capitalising on excellent infrastructure at the new Mandai Link Distribution Centre, we will continue to improve our sales mix, increase direct and bulk purchasing and increase productivity by introducing new technologies and working methods. We are expanding the variety of our existing range of housebrands to sharpen our competitive edge in grocery retail.

## Recognised for Excellence

As a Group, we are delighted and thankful for the recognition conferred to us by various reputable associations in 2011. We were accorded the Bronze Winner of the Retail Asia Top 500 Awards (surveyed by Euromonitor International), Superbrand Status by Superbrands Singapore, Best Small-Cap Equity Deal of FinanceAsia Achievement Awards 2011 and Winner of Most Transparent New Issue of Securities Investors Association (Singapore) Investors' Choice. These accreditations have inspired and reinforced our commitment to enhance our products variety and services as we drive the business forward.

## Staying Ahead with Passion, Commitment and Innovation

The economic outlook in 2012 is uncertain, there could be pressure on costs because of oil prices, but we believe that the Group is well positioned to manage the challenges ahead.

的综艺节目结合娱乐与游戏，持续吸引人们收看，从而加强我们在消费者心目中的品牌地位。通过不同的展销会，我们引进新产品种类及举办促销活动，刺激顾客的购买欲。

我们以顾客为先，因为是他们塑造了明日的超市。我们将考虑他们的需要和喜好，从而保持在前头，鼓励顾客不断地光顾我们的分店，享受我们可以信赖的品质、价格具竞争力的产品及个人化的服务。

## 获取更多的价值

我们将善加利用万礼连新分销中心卓越的基础建设，继续改良销售品类、增加直接与大量的采购，以及通过新科技和工作方式提高生产力。我们正在扩展现有的自家品牌商品种类，加强我们在零售业的竞争优势。

## 因卓越而获得认可

作为一家集团，我们很高兴也感激各个有名望的协会、组织在2011年颁予我们的种种荣耀。我们在亚洲零售500强颁奖礼获得铜牌(此排名由调研机构Euromonitor国际展开)；是新加坡超级品牌之一；也是2011年度亚洲金融大奖的最佳小市值股票交易。此外，我们还获得新加坡证券投资协会主办的“投资者的选择”颁发“最透明新股”奖项。这些认可启发了我们，也加强了我們提高产品多样性、提升服务的信念。

## 以热忱、承诺和创新走在前端

2012年的经济展望不明朗，油价攀高可能加重成本的压力，但我们相信集团已做好准备，应付眼前的挑战。

Besides organic growth, we will concurrently work towards establishing our first overseas footprint into Malaysia and launch our pilot e-business project.

#### **Your Partnership is Paramount**

We value our customers greatly. I would like to thank them for their strong support and constructive suggestions as to how we could improve to serve them better.

I would like to thank our fellow Board members for their invaluable advice, counsel and support. I would also like to acknowledge and commend our staff and management for their passion, teamwork and contribution to the Group's achievements over these years. It is our people who moulded Sheng Siong into what it is today- a preferred retailer of choice. Our success would not be possible without the collaboration and cooperation from business partners and suppliers.

To our shareholders, thank you for your continued support and confidence in Sheng Siong. We will be relentless in our efforts to create and deliver long term sustainable value for all our shareholders, customers and stakeholders, and march towards our next milestone. We strive to be a part in everyone's lives.

Sheng Siong... *all for you!*

除了自然的增长，我们将同时放眼海外，希望在马来西亚设立我们第一个越洋足迹，以及部署我们第一个电子商务计划。

#### **您的合作是重要的**

我们很重视我们的顾客。我想借此机会感谢他们的鼎力支持和富有建设性的提议，好让我们更加进步、更好地为他们服务。

我想感谢我们的董事会成员给予的宝贵意见、咨询与支持。我也想肯定及表扬我们的员工和管理层这么多年来以热情和团队精神，为集团的成就作出贡献。今日的昇菘 - 人们首选的零售商 - 是由我们的人员培育起来的。没有商业伙伴和供应商的合作，我们不可能取得成功。

致我们的股东和忠诚的顾客，谢谢你们持续的支持和对昇菘的信心。我们将努力不懈地为我们所有的股东、顾客和利益共享者创造和带来长期持久的价值，并朝我们下一个里程碑迈进。我们致力于成为每个人生活中的一部分。

昇菘……全是为了你！



# CEO's Statement & Operations Review

## 总裁献词及业务回顾



### Market Overview

The economy was not particularly strong with GDP growth at 4.9% in 2011 compared with 14.8% in 2010. Retail sales at supermarkets were stagnant in 2011 compared with 2010. The market uncertainties lingering in Europe could have caused some anxiety to consumers, thereby restraining spending.

### Turnover fell 8% to S\$578.4m

The supermarket industry remained competitive. Our competitors increased their store count in 2011, and correspondingly, we opened four new outlets at Elias Mall, Teck Whye, Woodlands Industrial Park and Thomson Imperial Court. In terms of retail space, these four locations were not enough to compensate for the closure of our Ten Mile Junction and Tanjong Katong Supermarkets in November 2010 and September 2011 respectively. Furthermore, as the supermarkets at Woodlands Industrial Park and Thomson Imperial Court were opened only in November 2011, their contribution to 2011's turnover was minimal.

Comparable same store sales, excluding the supermarket at the Verge, were flattish in 2011, compared with a 1.0% fall in 2010. Sales in the older stores in matured housing estates eased lower but growth in sales in newer stores were encouraging.

### 市场概观

2011年的经济不是特别强劲，国内生产总值增长为4.9%。相比之下，2010年的国内生产总值增长率达14.8%。2011年的超市销售表现平平。欧洲市场挥之不去的不明朗情况可能给消费者带来困扰，因而在开销方面变得较为谨慎。

### 营业额跌8%至5亿7840万新元

超市行业的竞争依旧激烈。我们的竞争者在2011年增加店数，而我们也开设了4家新分店 – Elias Mall、德惠巷、兀兰工业园和汤申路上段的Thomson Imperial Court。以店铺面积来说，这四个地点不足以抵消我们关闭十哩广场和丹戎加东超市所失去的营运面积(十哩广场和丹戎加东超市分别于2010年11月和2011年9月结束营业)。此外，由于兀兰工业园和Thomson Imperial Court的超市只有到2011年11月才开业，在2011年为集团作出的营业额贡献不大。

如果不包括我们设于 The Verge 购物商场的超市，同一家店的销售额表现在2011年持平。相比之下，2010年的同一家店销售额下跌了1.0%。在成熟组屋区店龄较高的超市，销量趋缓。不过，在较新的分店，销售增长令人鼓舞。然而，



However, as we were consolidating in the years 2008 to 2010 – we opened only one store each in 2008 and 2009, and did not open any in 2010, the uplift to comparable same store sales from new stores was considerably less.

### Margins Improved

2011's gross profit margin ended at 22.1%, an improvement over 2010's margin of 21.8%. The margin improvements came from lower purchase cost derived from increased volume of direct and bulk purchasing. This was made possible by the additional capacity and excellent infrastructure of our new distribution centre.

### Operations – Logistics

We moved to our new distribution centre at Mandai in July 2011. Following the move, space constraint was removed as the new distribution centre with an area of approximately 543,000 sq feet is four-and-a-half times larger than the old warehouse. Now, we can increase our direct and bulk purchasing as well as improve our sales mix in favour of higher margin products like fresh produce and housebrands. These initiatives will enhance our gross margins. In addition, we have implemented a computer aided warehouse management and picking system, which has not only improved productivity but also paved the way for us to be less reliant on labour as we continue to build up our volume.

### Expenses

Staff cost, which is the largest expense item in our operating expenses, was lower in 2011 because of the lower provision for bonus which varies with profits. Offsetting this saving were higher utility and IPO expenses. Rental of the supermarket outlets remained at about 2.5% of sales. Operating expenses were well controlled.

### Other Income

There was an absence of one-time income like the gain in sale of investments, rental derived from subletting excess space at the Ten Mile Junction Supermarket and government grants in 2011. In preparation for our IPO, we sold off our investments in listed equities in 2010 and will not be investing in such instruments again.

由于我们在2008年至2010年进行巩固、整合，我们2008年和2009年只各开一家店，在2010年则没有开设任何新店，所以来自新店的同一家店面销售增长便显得微小。

### 毛利率改善

2011年的毛利率报22.1%，比2010年的21.8%来得高。毛利率改善，是因为我们新的分销中心为我们提供额外的容量和卓越的基建，而直接采购和量购降低了采购成本。

### 营运—物流

我们在2011年7月搬到万礼的新分销中心。搬迁之后，我们不再受到空间的局限，因为新分销中心的总楼面约达54万3000平方英尺，是旧货仓的4.5倍。如今，我们可以增加直接和大批的采购量，以及通过引进获利较高的产品如新鲜物产和自家产品来改良我们的销售品类。这些计划将提高我们的毛利率。此外，我们也推行了电脑化的货仓管理与拣货系统。这不仅提高了生产力，也为我们日后在继续增加货品处理量的同时减少对劳工的依赖铺路。

### 开支

我们营运成本当中耗费最高的员工开支在2011年有所降低。这是因为与盈利挂钩的分红准备金较少。另一方面，我们面对水电费增加和首次公开售股的开支。超市租金稳定，持续占销售额的大约2.5%。营运开支控制得很好。

### 其他收入

2011年，我们少了一些一次性的收入，如出售投资取得的收益、分租十哩广场超市的额外店面而收取的租金及政府给予的津贴。为了准备上市，我们在2010年卖掉挂牌证券，并且不打算再投资于这类工具。



# CEO's Statement & Operations Review

## 总裁献词及业务回顾

### Taxes

The effective tax rate for 2011 was higher than the statutory rate of 17% because IPO expenses are not tax deductible and there was a charge of approximately S\$0.5m relating to prior year's tax not provided for. IRAS has assessed tax on our gains in the sale of investments of S\$3.1m in 2009, for which no provisions were made as we are of the view that the gain is capital in nature. We have objected to the assessment. Similarly, the gain in 2010 of S\$9.6m could be assessed to tax by IRAS. They have not made any assessment on our 2010 income yet.

As a result of the lower operating profit because of the lower turnover and the absence of one-time gains, net profit for 2011 fell to S\$27.3m from S\$42.6m in 2010.

### Assets and working capital

The business continues to be cash generative. We ended the year with S\$122.1m worth of cash, the bulk of which were placed in S\$ fixed deposits with banks or financial institutions in Singapore. The term loan to finance the new distribution centre has been fully re-paid and the Group is debt free.

### Looking ahead

After our expansionary years up to 2007, we took a step back to consolidate the operations as our back-end support and infrastructure could not cope with the increased volume. The measures taken included a

### 税务

2011年的有效税率比法定的17%高，因为首次公开售股的开支不能扣税，而且上年没有为一笔为数50万新元的税款拨出准备金。国内税务局为我们2009年脱售投资取得的310万新元收益估税。我们早前没有为此拨出税务准备金，因为在我们看来，有关的收益属于资本收益性质。我们已对这方面的税务评估表示不苟同。同样地，我们于2010年获取的960万新元收益可能会被国内税务局考虑为可估税项目。该局目前还未为我们2010年的盈利进行任何税务评估。

由于营业额减少导致营运盈利退低，加上没有一次性的收益，净利从2010年的4260万新元下跌到2011年的2730万新元。

### 资产与营运资本

我们的业务持续让我们现金充裕。截至2011年底，集团持有的现金总额达1亿2210万新元，其中大部分放入新加坡各家银行或金融机构作新元定存。用来作为新分销中心融资的有期贷款已经全数还清，因此集团目前是零债务。

### 展望

集团快速扩展至2007年之后，暂缓脚步为营运进行整顿，因为我们的后勤支援与基建无法应付生意量的激增。业务巩固期采取的措施包括改革资讯科技系统，让采购功能中央化以及兴





revamp of our IT systems, centralization of purchasing function and building the new office and distribution centre. In anticipation of the improved back-end support coming on stream, we launched housebrands, initiated bulk and direct purchasing and emphasized on the sale of fresh produce, all with the aim of enhancing gross margins.

Now that we have moved to our new distribution centre and the back-end support is in place, we will be concentrating on organic growth and further extracting value by enhancing margins. We are looking to open new outlets in housing estates where we do not have a presence.

Competition is likely to remain keen and we expect our competitors to open new outlets.

Our e-commerce project is proceeding on schedule and we are really excited about this new development. At the same time, we are also doing groundwork to prepare for our expansion into Malaysia.

The Government has announced a reduction in the dependency ratios for foreign workers. While this policy change would affect the whole industry, we are to a certain extent prepared, as we have been introducing productivity enhancing technologies and work methods since we moved to the new distribution centre.

### Corporate Social Responsibility

The Group emphasizes on sustaining and keeping our environment green and have introduced conservation measures in the way business is conducted. Recycling and the use of environmentally friendly products are encouraged.

### Conclusion

2011 was a tough but operationally satisfying year as it signified a new milestone for the Group. We look forward to the challenges in the years ahead, with confidence and prudence.



建新的办公楼兼分销中心。由于后勤支援预期会改善，我们推出自家品牌，展开直接与大批的采购，并把重点放在新鲜物产的销售，目的全都是为了提高毛利率。

如今我们已经搬到新的分销中心，而后勤支援也逐渐成形，我们将专注于争取自然增长及提高盈利，从现有的业务进一步获取价值。我们考虑在没有零售点的组屋区开设新店。

市场竞争料持续激烈，我们预计竞争同行将开设新店。

我们的电子商务计划正如期进行，我们对这项新发展兴致勃勃。与此同时，我们也在为进军马来西亚作好准备。

政府日前宣布降低外劳比率。这项政策改变虽将影响整个行业，但我们在一定程度上已作好准备，因为集团自从搬到新分销中心以来，就一直在采用可提高生产力的技术和作业方式。

### 企业社会责任

集团重视环境保护和可持续性，使环境绿化，并在商务上推出环保措施。我们鼓励再循环以及使用环保产品。

### 总结

尽管2011年过得不容易，但在业务上却是充实及有满足感的，因为集团在这一年创下新的里程碑。我们以审慎的作风和十足的信心，迎接未来的挑战。

# Board of Directors



## LIM HOCK ENG

### Executive Chairman

Appointed: 10 November 2010

(Retiring and standing for re-election at the forthcoming Annual General Meeting)

Mr Lim Hock Eng is our Executive Chairman and his areas of responsibility include business strategy and planning and business administration. Mr Lim also manages our day-to-day operations, including overseeing the setting-up process for our new stores,

including supervising the preparation and submission of our bids and tenders for new premises, as well as the renovation works and equipment purchases and installations required to outfit such premises. Mr Lim was one of the founding shareholders of C M M Marketing Management Pte Ltd and Sheng Siong Supermarket Pte Ltd. He has been a director since Sheng Siong Supermarket Pte Ltd was incorporated in 1983, and has been instrumental in our Group's growth. Mr Lim has more than 28 years of experience in grocery retailing. Prior to founding our Group, Mr Lim was employed in his family's hog rearing business. Our Executive Directors, Mr Lim Hock Eng, Mr Lim Hock Chee, and Mr Lim Hock Leng are brothers.



## LIM HOCK CHEE PBM

### Chief Executive Officer

Appointed: 10 November 2010

(Retiring and standing for re-election at the forthcoming Annual General Meeting)

Mr Lim Hock Chee PBM is our Chief Executive Officer and is responsible for overseeing our operations, setting directions for new growth areas and developing business strategies. Mr Lim was one of the founding shareholders of C M M Marketing Management Pte Ltd

and Sheng Siong Supermarket Pte Ltd, and has been a director of our Group since Sheng Siong Supermarket Pte Ltd was incorporated in 1983. He has been instrumental in our Group's growth and has been leading the expansion of our business and operations since inception. Mr Lim also manages our day-to-day operations, including overseeing aspects of the meat-related business of our grocery retailing operations, such as selection, supply, processing, storage and quality control. Mr Lim has more than 28 years of experience in grocery retailing. Prior to founding our Group, Mr Lim was employed in his family's hog rearing business. Mr Lim was awarded the Pingat Bakti Masyarakat, or the Public Service Medal, by the Singapore Prime Minister's Office in 2006 and the Long Service Award by the Singapore Prime Minister's Office in 2007. He was appointed to the council of the Singapore Chinese Chamber of Commerce and Industry (SCCCI) in 2010. Mr. Lim also serves on the Marsiling Community Club Management Committee as chairman, on the Marsiling Citizen's Consultative Committee as treasurer, and on the advisory committee of Qihua Primary School in Woodlands, Singapore.





### LIM HOCK LENG

#### Managing Director

Appointed: 10 November 2010

Mr Lim Hock Leng is our Managing Director and is responsible for overseeing our operations and developing our business in alignment with consumer preferences and consumption patterns. Mr. Lim also manages our day-to-day operations, including overseeing various aspects of the seafood business of our grocery retailing business, such as selection,

supply, storage and quality control. Mr Lim was one of the founding shareholders of C M M Marketing Management Pte Ltd. He has been a director since 1994, and has been instrumental in our Group's growth. Mr Lim has more than 17 years of experience in grocery retailing. Prior to founding our Group, Mr Lim was employed in his family's hog rearing business.



### TAN LING SAN

#### Executive Director

Appointed: 22 June 2011

Mr Tan Ling San is our Executive Director and is responsible for administration and implementation of our Group's policies and strategies, and evaluating new growth areas for our business. Mr Tan spearheaded the restructuring of our Group and oversaw the expansion of our store network. Prior to joining our

Group in 2006, he founded and served as the executive chairman of PSC Corporation (formerly known as Provisions Suppliers Corporation Limited), a company currently listed on the SGX-ST and engaged in, inter alia, the supply of consumer essentials through its chain of Econ Minimart stores (as they were then known) ("PSC Corporation"). Mr Tan has more than 41 years of experience in grocery retailing.

Between 1984 and 1988, Mr Tan was a director of Fu Ye Chemicals Pte Ltd ("Fu Ye"), and between 1982 and 1984, Mr Tan was a director of Top Commerce (Asia) Trading Pte Ltd ("Top Commerce"). Fu Ye was engaged in the manufacture of soap, detergents, washing and other cleaning preparations, and Top Commerce was engaged in general wholesale trade. Both of these companies were suppliers to PSC Corporation.



# Board of Directors



## GOH YEOW TIN

### Lead Independent Director

Appointed: 22 June 2011

(Retiring and standing for re-election at the forthcoming Annual General Meeting)

Mr Goh Yeow Tin is our Lead Independent Director. He is currently the chief executive officer of Seacare Education Pte Ltd which specialises in providing educational services and consultancy in Singapore, Malaysia and China. Mr Goh began his career with

the Economic Development Board (“**EDB**”) where he headed the Local Industries Unit and was subsequently appointed a director of EDB’s Automation Applications Centre between 1984 and 1988. He served as deputy executive director of the Singapore Manufacturers’ Association (now known as the Singapore Manufacturers’ Federation) from 1983 to 1984. In 1988, Mr Goh joined Tonhow Industries Ltd, the first plastic injection moulding company to be listed on SESDAQ (now known as Catalist), and served as the deputy managing director until 1990. Mr Goh was also a founding member of the Association of Small and Medium Enterprises (ASME) in 1986, and in 1989, Mr. Goh founded, and served as general manager of, International Franchise Pte Ltd, a pioneer in the franchising business in Singapore, until 1991. Between 1990 and 2000, Mr Goh served as the vice-president of Times Publishing Ltd., and was responsible for retail and distribution businesses in Singapore, Hong Kong and various parts of South-east Asia. He currently also serves as an independent director of Juken Technology Ltd (appointed in 2005), a non-executive director of Oakwell Engineering Ltd (appointed in 2006), and an independent director of Lereno Bio-Chem Ltd (appointed in 2007), and an independent director of Vicom Ltd (appointed in 2010), all of which are companies listed on the SGX-ST.

Mr Goh was awarded the Public Service Medal in 1998 and the Public Service Star in 2006 by the President of the Republic of Singapore. Mr Goh is also a member of the Singapore Institute of Directors. He holds a Bachelor’s degree in Mechanical Engineering (Hons) from the University of Singapore (now known as the National University of Singapore) and a Masters’ degree in Industrial Engineering and Management from the Asian Institute of Technology.



## JONG VOON HOO

### Independent Director

Appointed: 22 June 2011

Mr Jong Voon Hoo is our Independent Director. Mr Jong currently serves as chief financial officer of Youcan Foods International Ltd, a company listed on the SGX-ST, where he is responsible for overseeing accounting and finance matters. Mr Jong began his career in 1996 in Arthur Andersen where he was involved in assurance, business advisory, and

transaction advisory services. During his tenure in Arthur Andersen, Mr Jong was responsible for, inter alia, performing operational and financial audits of publicly listed companies and multinational corporations operating in different industries, and developing and implementing plans to enhance the efficiency and efficacy of business

and financial processes. Mr Jong joined Deloitte & Touche in 2002 as a manager and led audit engagements in various companies, assisting companies with, inter alia, initial public offerings and due diligence reviews in connection with proposed mergers and acquisitions. Mr Jong graduated from Nanyang Technological University in 1996 with a Bachelor's degree in Accountancy (Hons) and is a Certified Public Accountant and non-practising member of the Institute of Certified Public Accountants of Singapore (ICPAS).



#### FRANCIS LEE FOOK WAH

Independent Director

Appointed: 22 June 2011

Mr Francis Lee Fook Wah is our Independent Director. Mr Lee is currently the director of Wise Alliance Investments Ltd, where he manages and oversees investment portfolios. Previously, between 2005 and 2011, Mr Lee served as an executive director, finance director and chief financial officer of Man Wah Holdings Ltd, a company listed on the Hong Kong

Stock Exchange, where he was responsible for the overall accounting functions of the company and matters relating to its corporate regulatory compliance and reporting. Mr Lee began his career in 1990 in the Commercial Crime Division of the Criminal Investigation Department, where he served as a senior investigation officer. In 1993, he joined OCBC Bank as an assistant manager conducting credit analyses. Between 1994 and 2001, he worked at Deutsche Morgan Grenfell Securities as a dealer's representative managing clients' investment portfolios. Mr Lee served at the Singapore branch of the Bank of China between 2001 and 2004 as an assistant manager overseeing a team of credit officers. Between 2004 and 2005, he worked at AP Oil International Ltd as an investment and project manager, where he was involved in mergers and acquisitions and was also tasked with overseeing its overall credit policy. Mr Lee graduated from The National University of Singapore with a Bachelor's degree in Accountancy in 1990 and obtained a Master's degree in Business Administration (Investment and Finance) from The University of Hull in 1993. Mr Lee is a Certified Public Accountant and a non-practising member of the Institute of Certified Public Accountants of Singapore (ICPAS). He is also a member of the Singapore Institute of Directors.



#### LEE TECK LENG, ROBSON

Non-executive Director

Appointed: 22 June 2011

Mr Lee Teck Leng, Robson is our Non-executive Director. Mr Lee is currently a partner in Shook Lin & Bok LLP's corporate finance and international finance practice and has been with the firm since 1994. Mr. Lee is also a partner in the firm's China practice, focusing on cross-border corporate transactions in the PRC. In addition, Mr Lee currently serves as an

independent director on the boards of Best World International Ltd (appointed in 2004), Matex International Ltd (appointed in 2006), Serial System Ltd (appointed in 2002), Sim Lian Group Ltd (appointed in 2002), Qian Hu Corporation Ltd (appointed in 2000) and Youcan Foods International Ltd (appointed in 2004), all of which are companies listed on the SGX-ST. He is also an independent director on the board of Man Wah Holdings Ltd, a company listed on the Hong Kong Stock Exchange. Mr Lee is a member of the Board of Governors of Hwa Chong Institution, a director and secretary to the board of directors of Singapore Chinese High School, as well as legal adviser to the Hwa Chong Alumni Association and the Singapore Plastic Industry Association. He was conferred the Service to Education Award by the Ministry of Education in 2004 and 2010, and was appointed a member of the Feedback Supervisory panel for 2005/2006 by the Prime Minister of Singapore. Mr Lee graduated from the National University of Singapore in 1993 with a Bachelor's degree in Law (Hons), and was admitted as a solicitor in England and Wales in 2008. He is a member of the Singapore Academy of Law, and the Law Society of Singapore.

# Key Executives

## Wong Soong Kit

### Finance Director

Mr Wong Soong Kit is responsible for overseeing our Group's finance and accounting functions, treasury management, strategic planning and budgets, tax management, corporate governance and internal controls.

Prior to joining our Group in 2011, Mr Wong was a financial consultant working on initial public offerings, mergers and acquisitions, and financial reporting. Between 1989 and 2009, Mr Wong served as the group finance director of BRC Asia Ltd ("**BRC**"), a company listed on the SGX-ST, where his areas of responsibility included financial, strategic, and risk management, as well as leading BRC's initial public offering exercise in Singapore in 2000, assisting with the initial public offering of BRC's then-majority shareholder, Acertec PLC, on the London Stock Exchange AIM Market in around 2006, and managing BRC's joint venture in China. Between 1978 and 1989, Mr Wong served as chief financial officer of Guthrie GTS Ltd, a company listed on the SGX-ST, where he assisted with the group's restructuring and merger and acquisition exercises. Between 1977 and 1978, Mr Wong worked with Comex Far East Pte Ltd as an accountant. He served as an audit clerk with PriceWaterhouse (as it was then known) between 1974 and 1977. He is a Chartered Accountant and Fellow of the Association of Chartered Certified Accountants (ACCA)(UK), as well as a Fellow of the Institute of Certified Public Accountants of Singapore.

## Lim Chee Wee Ryan

### Chief Financial Officer

Mr Lim Chee Wee Ryan is in charge of our Group's financial statements, cash management, corporate governance, and internal controls.

Prior to joining us in early 2009, Mr Lim served as an internal audit executive and personal secretary to the executive chairman of San Teh Ltd, a company listed on the SGX-ST, between 1998 and 2000. Between 2000 and 2001, Mr Lim worked as an internal auditor with Asia Pulp & Paper Ltd, one of the largest paper and pulp companies in the world. He then joined Overseas Union Enterprise Ltd, a company listed on the SGX-ST, as an internal audit executive, serving between 2001 and 2003, before becoming a senior consultant at KPMG (as it was then known), where he worked till 2004. Between 2004 and 2007, Mr Lim worked as an associate principal at LTC & Associates (as it was then known), an independent member of BKR International, a global association of accountancy firms. During 2007, Mr Lim served as an assistant director at Informatics Education Ltd, a company listed on the SGX-ST. In late 2007, Mr. Lim became a director of JF Virtus Pte Ltd, an assurance services consultancy firm serving publicly-listed companies. Between 2008 and 2009, Mr Lim served as regional controller to Alantac Technology Ltd (as it was then known), a company listed on the SGX-ST. Mr Lim graduated with a Bachelor of Accountancy degree from Nanyang Technological University of Singapore in 1998. He is a Certified Public Accountant (non-practising) and a member of the Institute of Certified Public Accountants of Singapore (ICPAS) as well as a Certified Internal Auditor and member of the Institute of Internal Auditors.



### Tan Bee Loo

Head

Fruits and Vegetables

Mdm Tan Bee Loo oversees the purchasing, pricing and quality control aspects of the fruit and vegetables retailed in our stores, as well as the direct importation of fruits and vegetables by our Group from our international suppliers located in various parts of the world.

Mdm Tan has worked with our Group since its inception in 1985. During her career with us, she has held several positions in our Group and her responsibilities have included overseeing the procurement, negotiations, direct importation of, and retail sales of our fruits and vegetables, as well as our general store operations, including sales, product displays and customer service. In 2007 and 2008, Mdm Tan was appointed a director of our subsidiaries, Sheng Siong Supermarket Pte Ltd and C M M Marketing Management Pte Ltd, respectively. Prior to joining us, Mdm Tan worked as a craftsman in Toppan Forms (S) Pte Ltd between 1978 and 1981. Mdm Tan has over 27 years of relevant experience in grocery retailing and related industries. Mdm Tan is the spouse of our Executive Director, Mr Lim Hock Eng.

### Lee Moi Hong

Head

Dry Goods

Mdm Lee Moi Hong oversees our Group's packing and distribution of dry goods such as biscuits, spices, flour, dried shrimp, Chinese herbs and other similar products.

Mdm Lee has worked with our Group since its inception in 1985. During her career with us, she has held several positions in our Group and her responsibilities have included overseeing the cutting, processing, storing and repacking of meat products, the selection and packing of dried foods, general store operations, and the inspection of our stores on a regular basis. In 2007 and 2008, Mdm Lee was appointed a director of our subsidiaries, Sheng Siong Supermarket Pte Ltd and C M M Marketing Management Pte Ltd, respectively. Prior to joining our Group, Mdm Lee was

employed in her family's poultry rearing and processing business. She has approximately 27 years of relevant experience in grocery retailing and related industries. Mdm Lee is the spouse of our Executive Director, Mr Lim Hock Chee.

### Law Ah Yi

General Manager

Business Development and Promotions

Mr Law Ah Yi is in charge of developing and promoting our housebrand products, as well as our nationwide advertising & promotion campaigns, such as promotional activities on live television.

Prior to joining us in 2007, Mr Law worked in PSC Corporation (formerly known as Provisions Suppliers Corporation Ltd), a company currently listed on the SGX-ST. Between 1974 and 2007, Mr Law held various positions in PSC Corporation, and served as general sales manager in PSC Corporation for over 10 years, where his responsibilities included the franchising of chain stores and mini-marts, as well as the distribution of housebrand products. Having worked in the industry since 1974, he has over 37 years of relevant experience in grocery retailing.

### Lee Lay Chin

General Manager

Purchasing and Promotions

Mdm Lee Lay Chin heads the purchasing team and leads negotiations with our suppliers on trading terms, and negotiations with major corporate partners on joint promotions. Mdm Lee is also responsible for our promotional activities, including "The Sheng Siong Show", the "Sheng Siong Live!" show and various other festive promotions.

Mdm Lee joined us as an assistant general manager of our purchasing and promotions department in 2007 and was promoted to general manager in 2009. In her current role, Mdm Lee oversaw the launch of our Sheng Siong co-branded credit cards in 2009 and our collaboration with VISA in relation to promotional activities for the World Cup and the Singapore Youth



# Key Executives

Olympic Games in 2010, and led negotiations with payment providers such as Visa, Mastercard and China Unionpay for our stores. Prior to joining us, Mdm Lee worked in PSC Corporation between 1976 and 2007, beginning as a sales clerk and rising through a series of promotions to merchandising manager, a senior managerial position. She graduated from the Singapore Institute of Management in 1984 with a Diploma in Business Studies.

## Wong Heng San

Assistant General Manager  
International Business Development

Mr Wong Heng San's responsibilities include overseeing our Group's international sourcing operations, as well as identifying, planning and executing our international trading operations and investments.

Prior to joining us in 2007, Mr Wong began his career at Golden Hope Commodity Pte Ltd, where he was engaged in commodity futures trading between 1980 and 1981. Between 1981 and 1989, Mr Wong worked at the Singapore Trade Development Board ("STDB"), where his responsibilities included serving at STDB's China Desk to assist Singaporean and Chinese companies in their trading and investment operations in the PRC and Singapore, respectively. In 1989, Mr Wong was appointed Centre Director of the Beijing-Singapore Trade Office by STDB, as well as Assistant Commercial Representative for Beijing, PRC by the Singapore Ministry of Foreign Affairs. In 1991, Mr Wong served as a Commercial Attaché in the Singapore Embassy in Beijing, PRC. From 1992 to 2007, Mr Wong worked in PSC Corporation where he served as general manager of a joint venture company involving PSC Corporation in Shanghai, PRC. Mr Wong graduated from Nanyang University (which subsequently merged with the University of Singapore to form the National University of Singapore) in 1980, with a Bachelor's degree in Government and Public Administration.

## Tan Yone Shin

Assistant General Manager  
Supermarket Operations

Mr Tan Yone Shin (also known as Mr Khin Maung Lwin) oversees the business and operations of our stores located in the northern and western part of Singapore.

Mr Tan joined us in 1995 as an accountant, and during his career with us, held various positions in our Group. In 2004, Mr Tan served as an area manager overseeing our stores' operations, before being promoted to Assistant General Manager, Supermarket Operations in 2007. He graduated from the Institute of Economics in Yangon, Myanmar in 1983 with a Bachelor of Commerce degree. He has also attended various training courses, including a course at the Singapore Environment Institute in 2004, and courses at the Singapore Institute of Retail Studies and SSA Consulting Group Pte Ltd in 2008 and 2009 under the Singapore Workforce Skills Qualification Scheme, which is administered by the Singapore Workforce Development Agency

## Ho Chee Haw

Assistant General Manager  
Supermarket Operations

Mr Ho Chee Haw oversees the business and operations of our stores and stalls located in the eastern and central part of Singapore.

Mr Ho joined us in 1999 and during his career with us, held various positions in our Group, beginning as a cashier and rising through a series of promotions to a senior managerial position. In 2001, Mr Ho served as a supervisor overseeing our grocery department functions, before being promoted to executive within the same department and then to assistant manager of one of our stores in 2003. In 2005, he became manager of a store. In 2007, he rose to become an assistant area manager, and then to area manager's

position a year later, overseeing our stores' operations. He was promoted to Assistant General Manager in January 2012. Mr Ho graduated from Sekolah Menengah Bakri Muar in Johor, Malaysia in 1999, with a Form 5 certificate. He has also attended various training courses, including courses at the Singapore Institute of Retail Studies, the Singapore National Employers Federation, Arise Services Pte Ltd, SSA Consulting Group Pte Ltd and PS Consulting Group in 2006, 2008, 2009, 2010 and 2011 under the Singapore Workforce Skills Qualification Scheme, which is administered by the Singapore Workforce Development Agency.

#### Tan Siok Tin

Senior Manager

Information Technology

Ms Tan Siok Tin oversees the implementation and maintenance of the various computer systems required for our operations, including our Management Information System, as well as designing and implementing information technology solutions, such as data recovery plans and back-up schemes. She is also responsible for reviewing our infrastructure technology and liaising with external technology vendors.

Prior to joining us in 2007, Ms Tan worked in PSC Corporation between 1982 and 2007. She served as the senior executive in charge of PSC Corporation's management information systems, overseeing the implementation and maintenance of enterprise resource planning (ERP) systems for companies in Singapore and Malaysia, and conducting operations and business reviews and analyses. Ms Tan has approximately 29 years of relevant experience in information technology-related work.

Ms Tan graduated in 1997 with an International Diploma in Computer Studies from NCC Education, a global education provider based in the United Kingdom.

#### Sng Yiam Choon

Senior Manager

Warehouse and Logistics Operations

Mr Sng Yiam Choon oversees and controls our inventory movements, delivery records, and other aspects of our day-to-day warehouse and logistics operations.

Prior to joining us in 2007, Mr Sng began his career as an executive in the materials department of Shell Eastern Petroleum (Pte) Ltd in 1976 where he assisted with logistics and materials purchasing. Between 1984 and 1992, Mr Sng worked in PSC Corporation as an operations and production manager, being responsible for inventory management and product manufacturing. Between 1992 and 1994, Mr Sng was engaged by Cheah Huat Food Industrial Pte Ltd as a marketing manager. Between 1994 and 1997, he worked in Provision Management Supplier Pte Ltd as a marketing and warehousing manager overseeing marketing activities and inventory levels. Mr Sng then worked in Chia Khim Lee Food Industries Pte Ltd between 1997 and 2007 as a senior development manager in charge of general business development and client management. Mr Sng has over 27 years of relevant experience in grocery retailing and related food industries.



# Corporate Information

## Board of Directors

Mr Lim Hock Eng	<i>Executive Chairman</i>
Mr Lim Hock Chee	<i>Chief Executive Officer</i>
Mr Lim Hock Leng	<i>Managing Director</i>
Mr Tan Ling San	<i>Executive Director</i>
Mr Goh Yeow Tin	<i>Lead Independent Director</i>
Mr Jong Voon Hoo	<i>Independent Director</i>
Mr Francis Lee Fook Wah	<i>Independent Director</i>
Mr Lee Teck Leng, Robson	<i>Non-executive Director</i>

## Audit Committee

Mr Jong Voon Hoo	<i>Committee Chairman</i>
Mr Goh Yeow Tin	
Mr Francis Lee Fook Wah	
Mr Lee Teck Leng, Robson	

## Nominating Committee

Mr Francis Lee Fook Wah	<i>Committee Chairman</i>
Mr Goh Yeow Tin	
Mr Lee Teck Leng, Robson	

## Remuneration Committee

Mr Goh Yeow Tin	<i>Committee Chairman</i>
Mr Jong Voon Hoo	
Mr Lee Teck Leng, Robson	

## Company Secretary

Mr Lim Chong Hwee (LLB (Hons))

## Independent Auditor

KPMG LLP  
16 Raffles Quay  
#22-00 Hong Leong Building  
Singapore 048581

Partner-in-charge of the audit: Mr Gerald Low  
Year appointed: 2006

## Share Registrar

Boardroom Corporate & Advisory Services Pte Ltd  
50 Raffles Place  
#32-01 Singapore Land Tower  
Singapore 048623  
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Fax: 6536 1360

## Registered Office

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Singapore 728652  
Tel: 6895 1888  
Fax: 6269 8265  
Website: [www.shengsiong.com.sg](http://www.shengsiong.com.sg)



# Corporate Governance

## INTRODUCTION

The Board of Directors (the “**Board**”) is committed to ensuring that the highest standards of corporate governance are practised throughout Sheng Siong Group Ltd. (the “**Company**”) and its subsidiaries (the “**Group**”), as a fundamental part of its responsibilities to protect and enhance shareholder value and the financial performance of the Company. In this respect, the Company adopts the practices based on the principles and guidelines as set out in the Code of Corporate Governance 2005 (the “**Code**”).

This report describes the Group’s corporate governance practices and structures that were in place during the financial year ended 31 December 2011 (“**FY2011**”).

## (A) BOARD MATTERS

### Board’s Conduct of its Affairs

*Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.*

The Board is primarily responsible for overseeing and supervising the management of the business affairs of the Group and Board members are expected to act in good faith and exercise independent and objective judgement in the best interests of the Group.

The functions of the Board include:

- (i) providing entrepreneurial leadership, setting the corporate strategy and directions, and ensuring that the necessary financial and human resources are in place for the Group to achieve its objectives;
- (ii) establishing a framework of prudent and effective controls which enable risks to be assessed and managed;
- (iii) reviewing the performance of Management; and
- (iv) setting the Group’s values and standards, and ensuring that obligations to shareholders and others are met.

Matters requiring the Board’s decision and approval include:

- (i) the financial plans of the Group;
- (ii) major funding proposals, investments, acquisitions and divestments including the Group’s commitment in terms of capital and other resources; and
- (iii) the appointment and the remuneration packages of the Directors and Management.

The Group has in place financial authorisation limits for matters such as operating and capital expenditure, credit lines and acquisition and disposal of assets and investments, which require the approval of the Board.

# Corporate Governance

Our Board recognises the importance of corporate governance and the maintenance of high standards of accountability to shareholders. The Board has delegated specific responsibilities to three (3) Board committees: (a) the Nominating Committee (“**NC**”); (b) the Remuneration Committee (“**RC**”); and (c) the Audit Committee (“**AC**”) to facilitate effective management. While each Board committee has the power to examine particular issues and will make recommendations to the Board, the ultimate responsibility for the final decision on all matters lies with the Board. Where a potential conflict of interest arises, the Director concerned does not participate in discussions and refrains from exercising any influence over other members of the Board.

Our Board meets regularly and as warranted by particular circumstances, as deemed appropriate by the Board members. Fixed meetings are scheduled on a quarterly basis and additional meetings are convened as and when there are matters requiring the Board’s consideration and decision at any particular point in time. Our Articles of Association allow each Director to participate in a Board Meeting by means of teleconference, video conference, audio visual or other similar communications equipment.

The number of Board and committee meetings held in FY2011 since the Company was listed on 17 August, and the attendance of our Directors at these meetings are as follows:

	<b>Board</b>			<b>NC</b>		<b>RC</b>		<b>AC</b>		
	<b>Number of meetings</b>			<b>Number of meetings</b>		<b>Number of meetings</b>		<b>Number of meetings</b>		
	Position	Held	Attended	Position	Held	Position	Held	Position	Held	Attended
<b><u>Executive Directors</u></b>										
Lim Hock Chee	M	1	1	–	–	–	–	–	1	*1
Lim Hock Eng	C	1	1	–	–	–	–	–	1	*1
Lim Hock Leng	M	1	1	–	–	–	–	–	1	*1
Tan Ling San	M	1	1	–	–	–	–	–	1	*1
<b><u>Non-executive Directors</u></b>										
Goh Yeow Tin	M	1	1	M	–	C	–	M	1	1
Jong Voon Hoo	M	1	1	–	–	M	–	C	1	1
Francis Lee Fook Wah	M	1	1	C	–	–	–	M	1	1
Lee Teck Leng, Robson	M	1	1	M	–	M	–	M	1	1

\* By invitation

Newly appointed Directors will receive a formal appointment letter setting out their duties and obligations, and undergo an orientation that includes a briefing by Management on the Group’s structure, businesses, operations, policies and governance practices. Directors who are not familiar with the duties and obligations required of a listed company in Singapore have undergone the necessary training and briefing. As an ongoing exercise, the Directors receive updates and the necessary training on new laws and regulations which have an important bearing on the Company and the Directors’ obligations to the Company, from time to time.

# Corporate Governance

## Board Composition and Balance

*Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.*

Our Board comprises eight (8) Directors, four (4) of whom are non-executive and three (3) of whom are independent. The list of Directors is as follows:

Name	Date of Appointment	Designation
Mr. Lim Hock Chee	10 November 2010	Chief Executive Officer
Mr. Lim Hock Eng	10 November 2010	Executive Chairman
Mr. Lim Hock Leng	10 November 2010	Managing Director
Mr. Tan Ling San	22 June 2011	Executive Director
Mr. Goh Yeow Tin	22 June 2011	Non-executive, Lead Independent Director
Mr. Jong Voon Hoo	22 June 2011	Non-executive Director, Independent
Mr. Francis Lee Fook Wah	22 June 2011	Non-executive Director, Independent
Mr. Lee Teck Leng, Robson	22 June 2011	Non-executive Director

As a group, the Directors bring with them a broad range of relevant industry knowledge, expertise and experience in areas such as accounting, finance, business, legal and management. The size and composition of the Board are reviewed by the NC on an annual basis to ensure that the Board has the appropriate mix of expertise and experience and collectively possesses the necessary skills sets and core competencies for effective decision making.

The Board is of the opinion that its current size of eight (8) Directors is appropriate, taking into account the nature and scope of the Group's operations. As independent and/or non-executive Directors make up half of the Board, no individual or group of individuals is able to dominate the Board's decision-making process. The current Board composition represents a well-balanced mix of experience and expertise to facilitate effective decision-making.

Each Director has an equal responsibility towards the Group's operations. Our independent and/or non-executive Directors play an important role in ensuring that the strategies proposed by Management are constructively challenged, fully discussed and examined, and take into account the long-term interests of not only the shareholders, but also of other stakeholders such as the employees, customers and suppliers of the Group. Where appropriate and requested to do so by the Board, our independent and/or non-executive Directors will also review Management's performance in meeting prescribed goals and objectives, and monitor the reporting of performance.

## Executive Chairman and Chief Executive Officer ("CEO")

*Principle 3: There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.*

Mr. Lim Hock Eng is our Executive Chairman. He bears primary responsibility for the workings of the Board, by ensuring its effective function and oversight of the Group's conduct and corporate governance structure. Together with the other executive Directors, our Executive Chairman also provides overall leadership and strategic vision for the Group.

# Corporate Governance

Mr. Lim Hock Eng, Mr. Lim Hock Chee, our CEO, and Mr. Lim Hock Leng, our Managing Director are siblings and their roles are not clearly separated. Taking into account the current corporate structure, size, nature and the scope of the Group's operations, as well as the high commitment demonstrated by the non-executive Directors, the NC is of the view that it is not necessary to separate the roles of the Executive Chairman and the CEO.

In accordance with the Code, the Group has appointed Mr. Goh Yeow Tin as Lead Independent Director, who avails himself to shareholders when they have concerns which contact through the normal channels fail to resolve or for which such contact is inappropriate.

## **Nominating Committee**

*Principle 4: There should be a formal and transparent process for the appointment of new Directors to the Board.*

The NC comprises the following non-executive Directors, the majority of whom, including the Chairman, are independent:

- Mr. Francis Lee Fook Wah (Chairman)
- Mr. Goh Yeow Tin
- Mr. Lee Teck Leng, Robson

The Chairman of the NC is neither a substantial shareholder of the Company, nor directly associated with a substantial shareholder of the Company.

The NC has a charter, which is endorsed by the Board, which sets out its duties and responsibilities. The principal functions of the NC includes:

- (i) reviewing the Board and its committees' structure, size and composition and make recommendations to the Board, where appropriate;
- (ii) determining the process for search, nomination, selection and appointment of new Board members and assessing nominees or candidates for appointment to the Board;
- (iii) determining on an annual basis, if a Director is independent;
- (iv) recommending the nomination of Directors who are retiring by rotation to be put forward for re-election;
- (v) deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly when he has multiple board representations; and
- (vi) assessing the effectiveness of the Board as a whole and the contribution of each of the Directors to the effectiveness of the Board.

# Corporate Governance

In the event that a vacancy on the Board arises, the NC may identify suitable candidates for appointment as new Directors through the business network of the Board members or engage independent professional advisers to assist in the search for suitable candidates. The NC will generally identify suitable candidates skilled in core competencies such as accounting or finance, business or management expertise, or industry knowledge. If the NC decides that the candidate is suitable, the NC then recommends its choice to the Board. Meetings with such candidates may be arranged to facilitate open discussion. Upon appointment, arrangements will be made for the new Director to attend various briefings with the Management.

Board renewal must be an ongoing process to ensure good governance and to maintain relevance to the changing needs of the Group. As such, no Director stays in office for more than three (3) years unless re-elected by shareholders.

Following its annual review, the NC is satisfied with the independent status of the non-executive and independent Directors (namely Mr. Goh Yeow Tin, Mr. Jong Voon Hoo and Mr. Francis Lee Fook Wah). Mr. Lee Teck Leng, Robson, our non-executive Director, is considered non-independent under the Code.

Mr. Lee is a partner at Shook Lin & Bok LLP ("**SLB**"). SLB are the legal advisers to the Company in respect of our initial public offering, and provides legal advisory and corporate secretarial services to the Group. SLB has received professional fees of approximately S\$540,000 for legal advisory and corporate secretarial services rendered to the Group in FY2011. Mr. Lee was however not the partner in charge of the relevant matters nor had he in any way acted in a professional capacity in relation to the legal advisory services that had been provided by SLB to the Group.

The NC is also satisfied that sufficient time and attention is being given by each of the Directors to the affairs of the Group, notwithstanding that some of the Directors have multiple Board representations.

In recommending a Director for re-election to the Board, the NC considers, amongst other things, his performance and contributions to the Board (including attendance and participation at meetings, and time and effort accorded to the Group's business and affairs). The NC has recommended the nomination of Mr. Lim Hock Chee, Mr. Lim Hock Eng and Mr. Goh Yeow Tin for re-election at the forthcoming annual general meeting ("**AGM**"). The Board has accepted the NC's recommendation and being eligible, Mr. Lim Hock Chee, Mr. Lim Hock Eng and Mr. Goh Yeow Tin will be offering themselves for re-election at the AGM.

## **Board Performance**

*Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board.*

The Board has implemented a process to be carried out by the NC to assess its effectiveness as a whole; and the contribution by each Director to the effectiveness of the Board.

The assessment of the Board utilises a confidential questionnaire, covering areas such as the effectiveness of the Board in its monitoring role, and is completed by each Director individually. Such performance criteria are approved by the Board and they address, inter alia, how the Board has enhanced long-term shareholders' value. The performance criteria do not change unless circumstances deem it necessary and a decision to change them would be justified by the Board.

# Corporate Governance

The assessment of individual Directors is done through self-assessment, in each case through a confidential questionnaire completed by Directors individually. The assessment parameters for such individual evaluation include both qualitative and quantitative factors such as attendance records, contributions during Board meetings, as well as individual performance of principal functions and fiduciary duties.

The completed questionnaires are collated for the NC's deliberation. The NC then presents the results, conclusions and its recommendations to the Board. Mr. Lim Hock Eng, our Executive Chairman, acts on the results of the performance evaluation, and where appropriate and in consultation with the NC, proposes new members to be appointed to the Board or seek the resignation of Directors.

The assessment of the Board and each individual Director is carried out once every year. Each member of the NC shall not participate in any decision-making in respect of the assessment of his performance or re-nomination as a Director.

## **Access to information**

*Principle 6: In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.*

All Directors receive a set of Board papers prior to Board meetings. This is generally issued to them at least three (3) days prior to the meeting in order for the Directors to be adequately prepared for, and make further enquiries (where necessary) at the meeting.

As part of good corporate governance, key matters requiring decision are reserved for resolution at Board meetings rather than by circulation to facilitate discussion. Key analysts' reports on the Company are forwarded to the Directors on an on-going basis. Financial information, reports and assessments are provided in order to facilitate the Board's decision-making. The quarterly financial results of the Group are presented to the Board for approval.

The Directors have separate and independent access to Management, including our CEO, Mr. Lim Hock Chee, our Finance Director, Mr. Wong Soong Kit, our Chief Financial Officer, Mr. Lim Chee Wee Ryan and other executive officers, as well as the Company's internal and external auditors. Queries by individual Directors on circulated reports are directed to Management, who will respond accordingly. Where relevant, Directors' queries and Management's responses are circulated to all Board members for their information.

The Board also has separate and independent access to the advice and services of the Company Secretary. The Company Secretary or his/her representative(s) attends all meetings of the Board and, together with Management, ensures that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary also attends all meetings of the AC, RC and NC. Under the direction of our Executive Chairman, the Company Secretary is responsible for ensuring good information flows within the Board and its committees and between Management and non-executive Directors, as well as facilitating orientation and assisting with professional development as required. Under the Articles of Association of the Company, the decision to appoint or remove the Company Secretary can only be taken by the Board as a whole.

The Board or an individual Board member may seek independent legal and other professional advice, if necessary, at the Company's expense, concerning any aspect of the Company's operations or undertakings in order to fulfil his/her duties and responsibilities as a Director.

# Corporate Governance

## (B) REMUNERATION MATTERS

### Procedures for developing remuneration policies

*Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.*

### Remuneration Committee

The RC comprises the following non-executive Directors, the majority of whom, including the Chairman, are independent:

- Mr. Goh Yeow Tin (Chairman)
- Mr. Jong Voon Hoo
- Mr. Lee Teck Leng, Robson

The principal responsibilities of the RC include:

- (i) recommending to the Board for endorsement, a framework of remuneration for our Directors and key Management in respect of all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits in kind; and
- (ii) recommending specific remuneration packages for each of our executive Directors.

In developing the Group's framework of remuneration, the RC may from time to time refer to market reports or seek expert advice on average remuneration. No Director is involved in deciding his own remuneration.

The RC also reviews the total remuneration of employees who are related to Directors annually, to ensure that their remuneration packages are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Any member of the RC who is related to the employee under review abstains from such review.

### Level and Mix of Remuneration

*Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the Directors needed to run the company successfully but companies should avoid paying more than necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.*

### Directors' remuneration

Pursuant to service agreements entered into between the Company and each of Mr. Lim Hock Chee, Mr. Lim Hock Eng, Mr. Lim Hock Leng and Mr. Tan Ling San (collectively, the "**Executive Directors**"), the remuneration packages of the Executive Directors include a variable bonus element, which is based on the Company's and individual performance so as to align the interests of the Executive Directors with those of shareholders.

# Corporate Governance

These service agreements are for an initial term of three (3) years commencing from the date of the Company's listing on the SGX-ST, 17 August 2011, and are subject to an automatic renewal for a three (3) year term on the same terms and conditions upon the expiry thereof. Each party to the service agreement may terminate the agreement by giving the other contracting party not less than six (6) months notice in writing.

Under the terms of their service agreements, each of the Executive Directors is entitled to receive a fixed bonus of two (2) months salary per annum. Each of them is also entitled to an annual incentive bonus calculated based on the audited consolidated profit before income tax of the Group, and a car, health benefits, and accident and life insurance coverage. More information on these service agreements is set out in the prospectus of the Company dated 4 August 2011.

The non-executive Directors do not have service agreements with the Company. They are paid fixed Directors' fees, which are determined by the Board, taking into account factors such as the level of their contribution, the effort and time spent and their respective responsibilities. The Directors' fees are subject to approval by shareholders at each AGM.

## **Management's remuneration**

The remuneration package of Management comprises the following components:

(a) *Fixed Component*

The fixed component comprises basic salary, statutory employer's contributions to the Central Provident Fund, and fixed allowances. In setting remuneration packages, the RC may take into account industry conditions, prevailing market practices, and the remuneration policies of comparable companies.

(b) *Variable Component*

This component comprises a variable bonus based on the Group's and individual performance, as well as a monthly variable component of the basic salary. To link rewards to performance, the more senior the executive is in the Company, the higher the percentage of the variable component against total compensation. A comprehensive and structured assessment of the performance of each executive officer, against selected key performance indicators, is undertaken each year. The RC reviews bonus for distribution to staff based on individual performance.

(c) *Benefits*

Benefits provided are consistent with market practice and include medical benefits and travel allowances.

## **Disclosure on Remuneration**

*Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and executive officers, and performance.*

# Corporate Governance

A breakdown of the remuneration of Directors and Management is set out below. The disclosure is provided to enable investors to understand the link between the remuneration paid to Directors and Management, and corporate and individual performance.

	Salary <sup>(1)</sup> (%)	Variable Bonus (%)	Director's Fees (%)	Benefits In Kind (%)	Total (%)
<b>Executive Directors</b>					
<i>Above S\$1,500,000 but below S\$1,750,000</i>					
Lim Hock Eng	17.7	79.5	1.2*	1.6	100
Lim Hock Chee	21.2	76.6	1.2*	1.0	100
Lim Hock Leng	19.6	76.9	1.2*	2.3	100
Tan Ling San	17.6	80.1	1.2*	1.1	100
<b>Non-executive Directors</b>					
<i>Below S\$250,000</i>					
Goh Yeow Tin	–	–	100**	–	100
Jong Voon Hoo	–	–	100**	–	100
Francis Lee Fook Wah	–	–	100**	–	100
Lee Teck Leng, Robson	–	–	100**	–	100
<b>Executive Officers</b>					
<i>Below S\$250,000</i>					
Lee Moi Hong <sup>(2)</sup>	91.6	–	8.4*	–	100
Tan Bee Loo <sup>(3)</sup>	91.6	–	8.4*	–	100
Wong Soong Kit <sup>(4)</sup>	71.3	28.7	–	–	100
Lim Chee Wee Ryan	73.0	27.0	–	–	100
Lee Lay Chin	72.4	27.6	–	–	100

\* Directors' fees paid by subsidiaries of the Company.

\*\* The Directors' fees payable to non-executive Directors are subject to the approval of shareholders at the forthcoming AGM.

(1) Includes the annual wage supplement, fixed bonus and employers' CPF.

(2) Mdm. Lee Moi Hong is the wife of our CEO, Mr. Lim Hock Chee.

(3) Mdm. Tan Bee Loo is the wife of our Executive Chairman, Mr. Lim Hock Eng.

(4) Mr. Wong Soong Kit joined the Group as our Finance Director on 5 June 2011.

Other than Mdm. Lee Moi Hong and Mdm. Tan Bee Loo (see notes 2 and 3 above), there are no other employees who are immediate family members of a Director, and whose remuneration exceeds S\$150,000.

To date, there are no options granted, or outstanding, under the Sheng Siong ESOS (the "Scheme"). Further information on the Scheme is set out in the Directors' report section, and the Company's prospectus dated 4 August 2011.

The Scheme was approved by our shareholders at an Extraordinary General Meeting held on 1 July 2011, and is administered by the RC.

# Corporate Governance

## (C) ACCOUNTABILITY AND AUDIT

### Accountability

*Principle 10: The Board should present a balanced and understand assessment of the company's performance position and prospects.*

Management provides all members of the Board with management accounts of the Company's performance, with explanatory details on its operations on a quarterly basis.

Quarterly and annual financial results are released via SGXNET to shareholders within 45 days after the end of the quarter, and 60 days after the relevant financial period respectively. The financial results of the Group have been prepared in accordance with the Singapore Financial Reporting Standards ("SFRS") and approved by the Board prior to release to the SGX-ST and shareholders.

### Audit Committee

*Principle 11: The Board should establish an Audit Committee with written terms of reference, which clearly set out its authority and duties.*

The AC comprises the following non-executive Directors, the majority of whom, including the Chairman, are independent:

- Mr. Jong Voon Hoo (Chairman)
- Mr. Goh Yeow Tin
- Mr. Francis Lee Fook Wah
- Mr. Lee Teck Leng, Robson

The Board is of the view that the members of the AC have sufficient accounting, financial management or legal experience to discharge the AC's responsibilities, given their experience as directors, partners and/or management in their respective fields.

The AC performs the functions as set out in the Code. The AC has conducted a review of the scope and results of the audit and its cost effectiveness, and the independence and objectivity, of the external auditors.

Quarterly and annual financial statements and the accompanying announcements are presented to the AC for approval, before endorsement by the Board, to ensure the integrity of information to be released.

The AC also reviews the interested person transactions of the Group on a quarterly basis to ensure that such transactions are carried out on normal commercial terms and are not prejudicial to the interests of the Group and its minority shareholders.

# Corporate Governance

## Internal Controls

*Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investment and the company's assets.*

The Board ensures that Management maintains a sound system of internal controls (comprising internal financial controls, operational and compliance controls, and risk management policies and systems) (collectively, "**internal controls**") to safeguard shareholders' investment and the Group's assets.

The Group has engaged PricewaterhouseCoopers LLP ("**PwC**") to conduct an internal controls review of our retail, cash, inventory and procurement management processes, including our cash management controls. The AC receives progress reports on the Group's implementation of PwC's recommendations and reviews the effectiveness of the Group's system of internal controls on an annual basis.

Our Board, after making all reasonable enquiries and with the concurrence of the AC, is of the opinion that, to the best of its knowledge and belief, the Group's internal controls are adequate to address operational, financial and compliance risks.

## Internal Audit

*Principle 13: The company should establish an internal audit function that is independent of the activities it audits.*

The Group has appointed PwC to carry out its internal audit function. PwC reports directly to the Chairman of the AC on audit matters and to the CEO on administrative matters. The AC reviews PwC's reports on an annual basis. The AC also reviews the annual internal audit plans to ensure that PwC is adequately resourced and has appropriate standing within the Group.

## Risk Management

Management is responsible for identifying risks inherent in the Group's business and devising procedures to manage such risks. Management seeks the Executive Directors' approval for changes in risk management procedures when the Group's risk profile changes.

The AC has also approved the appointment of an external consultant who will conduct training sessions for Management and assist the Group to further improve its assessment and documentation of risks. A "Risks Comfort Matrix", which will encapsulate all the relevant risks, assurance mechanisms and counter measures, will be developed and updated periodically. This will further strengthen the Group's risks assessment framework and promote a "risks aware" culture within the Group.

## Auditors' Independence

The AC meets with the external and internal auditors, without the presence of Management, annually.

The AC is satisfied that the Group's external auditor, KPMG LLP ("**KPMG**"), is independent and objective and recommends the re-appointment of KPMG. The audit partner of KPMG is rotated every five (5) years, in accordance with the requirements of the Listing Manual.

The AC conducts an annual review of all non-audit services provided by KPMG and is satisfied that the nature and extent of such services do not affect the independence of the external auditors.

# Corporate Governance

## Interested Person Transactions

The Company has established procedures to ensure that all interested persons transactions are carried out on normal commercial terms and do not prejudice the interests of the Company and its minority shareholders. Details of the interested person transactions entered into by the Group during FY2011 are set out in the tables below:

Name of Interested Person(s) and Nature of Transactions	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) (S\$'000)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
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<b>F M Food Court Pte. Ltd.</b> <sup>(1)</sup> Provision of goods/rental of space	1979	–
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<b>E Land Properties Pte. Ltd.</b> <sup>(2)</sup> Lease and license of operations space	1,021	–
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The following interested person transactions were discontinued after the Company was listed on the SGX-ST on 17 August 2011:

<b>F M Food Court Pte. Ltd.</b> <sup>(1)</sup> Lease of operations space/ provision of services	489	–
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<b>E Land Properties Pte. Ltd.</b> <sup>(2)</sup> Provision of property management services	19	–
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<b>ECL Money Changer Pte. Ltd.</b> <sup>(3)</sup> Provision of money teller services	25	–
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Notes:

- (1) Our CEO, Mr. Lim Hock Chee, our Executive Chairman, Mr. Lim Hock Eng, and our Managing Director, Mr. Lim Hock Leng, (each a "**Lim Director**") each holds approximately 18.3% of the equity interest in F M Food Court Pte. Ltd. Accordingly, F M Food Court Pte. Ltd. is an associate of each of the Lim Directors, and an interested person vis-à-vis the Group.
- (2) Each of the Lim Directors holds approximately 33.3% of the equity interest in E Land Properties Pte. Ltd. Accordingly, E Land Properties Pte. Ltd. is an associate of each of the Lim Directors, and an interested person vis-à-vis the Group.
- (3) Each of the Lim Directors holds approximately 33.3% of the equity interest in ECL Money Changer Pte. Ltd. Accordingly, ECL Money Changer Pte. Ltd. is an associate of each of the Lim Directors, and an interested person vis-à-vis the Group.

# Corporate Governance

## **Material Contracts**

Save as disclosed above, no other material contracts, which involve the interests of any Director and/or controlling shareholder, were entered into by the Group during FY2011.

## **(D) COMMUNICATION WITH SHAREHOLDERS**

*Principle 14: Companies should engage in regular, effective and fair communication with shareholders.*

*Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.*

The Company endeavours to maintain regular, timely and effective communication with its shareholders. The Company disseminates all price-sensitive information to its shareholders on a non-selective basis. Quarterly and annual financial results are published through the SGXNET and press releases.

All shareholders receive the Company's annual report and notice of AGM. The notice of AGM is also advertised in the newspaper. The Company welcomes the views of shareholders on matters concerning the Group and encourages shareholders' participation at AGMs. All Directors, including the Chairman of each of the AC, NC and RC, and Management are in attendance at the general meetings to allow shareholders the opportunity to air their views and ask Directors or Management questions regarding the Group. The external auditors are also invited to attend the AGMs to assist the Directors in answering queries relating to the conduct of the audit and the preparation and content of the auditors' report.

## **Dealings in securities**

The Company has adopted an internal policy on dealings in the Company's securities, which is in line with the requirements of the Listing Manual.

The Directors and the Company's officers are prohibited from dealing in securities of the Company during the periods commencing two (2) weeks before the release of the quarterly results and at least one (1) month before the release of full year results and at all times.

The Directors and the Company's officers are also expected to observe insider-trading laws at all times even when dealing in securities within a permitted trading period.

Directors and officers are also prohibited from dealing in the Company's securities on short-term considerations.

## **Statement of Compliance**

The Company has generally complied with the principles and guidelines of the Code.

## **Utilisation of proceeds from IPO**

*Unless otherwise defined, all capitalised terms used in this section shall have the meanings ascribed to them in the prospectus of the Company registered by the Monetary Authority of Singapore on 4 August 2011.*

# Corporate Governance

As at the date of this report, the Group has utilised the net proceeds from the issue of New Shares (“**IPO Proceeds**”) of the Company as follows, in accordance with the stated use and percentage allocated in the Company’s prospectus:

<b>Purpose</b>	<b>Estimated amount (\$ million)</b>	<b>Estimated percentage of gross IPO Proceeds</b>	<b>Amount utilised (\$ million)</b>	<b>Percentage of gross IPO Proceeds</b>
<b>Repayment of the Term Loan</b>	30.0	39.3%	26.3	34.4%
<b>Development and expansion of grocery retailing business and operations in Singapore and overseas</b>	20.0	26.2%	1.6 <sup>(1)</sup>	2.1%
<b>Working capital purposes</b>	22.2	29.0%	–	–
<b>Expenses incurred in connection with the issue of New Shares</b>	4.2	5.5%	4.0	5.2%
<b>Total</b>	76.4 <sup>(2)</sup>	100.0%	31.9	41.7%

Notes:

- (1) Relates to the opening of our Thomson Imperial Court and Woodlands Industrial Park outlets on 13 November 2011 and 19 November 2011 respectively.
- (2) Includes net proceeds from the exercise of the Over-allotment Option of S\$13.5 million.

# Directors' Report

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2011. The consolidated financial statements have been presented on the basis described in Note 2 to the audited financial statements.

## Directors

The directors in office at the date of this report are as follows:

Lim Hock Chee	(Appointed at date of incorporation)
Lim Hock Eng	(Appointed at date of incorporation)
Lim Hock Leng	(Appointed at date of incorporation)
Tan Ling San	(Appointed on 22 June 2011)
Goh Yeow Tin	(Appointed on 22 June 2011)
Jong Voon Hoo	(Appointed on 22 June 2011)
Francis Lee Fook Wah	(Appointed on 22 June 2011)
Lee Teck Leng, Robson	(Appointed on 22 June 2011)

## Change of name

The Company was incorporated on 10 November 2010 as Sheng Siong Group Pte. Ltd. The Company changed its name to Sheng Siong Group Ltd. and was converted into a public company on 4 July 2011. The Company was admitted to the official list of the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 17 August 2011.

## Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company are as follows:

Name of director and corporation in which interests are held	Holdings in the name of the director, spouse or infant children		Other holdings in which the director is deemed to have an interest	
	At incorporation/ Date of appointment	At end of financial year	At incorporation/ Date of appointment	At end of financial year
<b>The Company</b>				
Ordinary shares				
Lim Hock Chee	1	170,400,000	–	819,600,000 <sup>(1)</sup>
Lim Hock Eng	1	170,400,000	–	819,600,000 <sup>(1)</sup>
Lim Hock Leng	1	170,400,000	–	819,600,000 <sup>(1)</sup>
Tan Ling San	–	–	–	–
Goh Yeow Tin	–	–	–	–
Jong Voon Hoo	–	–	–	–
Francis Lee Fook Wah	–	–	–	–
Lee Teck Leng, Robson	–	50,000	–	–

# Directors' Report

## Directors' interests (Continued)

Note:

- (1) Mr. Lim Hock Chee, Mr. Lim Hock Eng and Mr. Lim Hock Leng (each a "Lim Director") are siblings and each of them is a director and shareholder (each holding an equity interest of approximately 33.3%) of Sheng Siong Holdings Pte. Ltd. ("SS Holdings"). Pursuant to Section 7 of the Companies Act (Cap. 50), each of the Lim Directors is deemed to be interested in the shares of the Company held by (i) the other Lim Directors (340,800,000 shares); and (ii) SS Holdings (478,800,000 shares).

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the date of incorporations or date of appointment if later, or at the end of the financial year.

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2012.

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in Note 24 to the financial statements, since the date of incorporation, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

## Share options

Sheng Siong Group Ltd. share option scheme (the "Scheme") was approved by its members at an Extraordinary General Meeting held on 1 July 2011. The Scheme is administered by the Company's Remuneration Committee, comprising three directors, Goh Yeow Tin (Chairman), Jong Voon Hoo and Lee Teck Leng, Robson.

Other information regarding the Scheme is set out below:

- The consideration of each option is S\$1.00 and the exercise price (the "Exercise Price") for each share in respect of which an option is exercisable shall be determined and fixed by the Remuneration Committee and shall be equal to the average of the closing prices of the shares of the Company for the past five market days immediately preceding the relevant date of grant of the option (the "Market Price").
- The Remuneration Committee may grant options on a yearly basis and any such grants shall be made at least 60 days after the end of the financial year of the Company.
- The period for the exercise (the "Exercise Period") of an option granted under the Scheme shall be:
  - a) in the case of an option granted at Market Price (the "Market Price Option"), a period commencing after the first anniversary of the relevant date of the grant and expiring on the fifth anniversary of such grant date, or such other period which may from time to time be prescribed under any relevant law, regulation or rule of the SGX-ST; and

# Directors' Report

## Share options (Continued)

- b) in the case of an option granted at a discount of up to 20% of the Market Price (the "Incentive Option"), a period commencing after the second anniversary of the relevant date of the grant and expiring on the fifth anniversary of such grant date, or such other period which may from time to time be prescribed under any relevant law, regulation or rule of the SGX-ST for such Incentive Options.

During the financial year, there were:

- (i) no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries; and
- (ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiaries.

As at the end of the financial year, there were no unissued shares of the Company or its subsidiaries under option.

## Audit Committee

The members of the Audit Committee during the year and at the date of this report are as follows:

- Jong Voon Hoo (Chairman), independent director
- Goh Yeow Tin, lead independent director
- Francis Lee Fook Wah, independent director
- Lee Teck Leng, Robson, non-executive director

The Audit Committee performs the functions specified in Section 201B of the Companies Act, Chapter 50, the SGX-ST Listing Manual and the Code of Corporate Governance.

The Audit Committee has held a meeting since the incorporation date. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX-ST Listing Manual);
- report from internal auditors on the implementation of the recommendations in the Company's Pre-IPO Internal Audit Report dated 18 May 2011;
- the amount of non-audit fees paid to KPMG, LLP

# Directors' Report

## **Audit Committee (Continued)**

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external and internal auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

## **Auditors**

By a directors' resolution in writing dated 6 December 2010, KPMG LLP were appointed as auditors of the Company until the conclusion of the first Annual General Meeting of the Company.

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

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**Lim Hock Chee**

*Director*

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**Lim Hock Eng**

*Director*

30 March 2012

# Statement by Directors

In our opinion:

- (a) the financial statements set out on pages 40 to 71 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011 and the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors

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**Lim Hock Chee**

*Director*

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**Lim Hock Eng**

*Director*

30 March 2012

# Independent Auditors' Report

Members of the Company

**Sheng Siong Group Ltd.**

## **Report on the financial statements**

We have audited the accompanying financial statements of Sheng Siong Group Ltd. (the Company) and its subsidiaries (the Group), which comprise the statements of financial position of the Group and the Company as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 40 to 71.

### *Management's responsibility for the financial statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

### *Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011 and the results, changes in equity and cash flows of the Group for the year ended on that date.

# Independent Auditors' Report

## **Report on other legal and regulatory requirements**

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

### **KPMG LLP**

*Public Accountants and  
Certified Public Accountants*

### **Singapore**

30 March 2012

# Statements of Financial Position

As at 31 December 2011

	Note	Group		Company
		2011	2010	2011
		\$'000	\$'000	\$'000
<b>Assets</b>				
Property, plant and equipment	5	72,095	58,328	–
Investments in subsidiaries	7	–	–	78,234
<b>Non-current assets</b>		<b>72,095</b>	<b>58,328</b>	<b>78,234</b>
Inventories	8	36,427	26,405	–
Trade and other receivables	9	6,959	4,715	43,728
Cash and cash equivalents	10	122,120	85,885	60,212
Asset classified as held for sale	6	3,584	–	–
<b>Current assets</b>		<b>169,090</b>	<b>117,005</b>	<b>103,940</b>
<b>Total assets</b>		<b>241,185</b>	<b>175,333</b>	<b>182,174</b>
<b>Equity attributable to equity holders of the Company</b>				
Share capital	11	156,349	78,234	156,349
Merger reserve	12	(68,234)	(68,234)	–
Accumulated profits		60,210	33,881	25,595
Foreign currency translation reserve		–*	–*	–
<b>Total equity</b>		<b>148,325</b>	<b>43,881</b>	<b>181,944</b>
<b>Liabilities</b>				
Financial liabilities	15	–	19,091	–
Deferred tax liabilities	13	1,075	608	–
<b>Non-current liabilities</b>		<b>1,075</b>	<b>19,699</b>	<b>–</b>
Trade and other payables	14	83,362	101,462	230
Financial liabilities	15	–	3,201	–
Current tax payable		8,423	7,090	–
<b>Current liabilities</b>		<b>91,785</b>	<b>111,753</b>	<b>230</b>
<b>Total liabilities</b>		<b>92,860</b>	<b>131,452</b>	<b>230</b>
<b>Total equity and liabilities</b>		<b>241,185</b>	<b>175,333</b>	<b>182,174</b>

\* Amount at balance sheet date is \$143, ie. less than \$1,000.

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Comprehensive Income

Year ended 31 December 2011

	Note	2011 \$'000	2010 \$'000
Revenue	16	578,443	628,432
Cost of sales		<u>(450,595)</u>	(491,675)
<b>Gross profit</b>		<b>127,848</b>	136,757
Other income		3,252	15,918
Distribution expenses		(4,122)	(4,372)
Administrative expenses		(91,567)	(98,314)
Other expenses		<u>(1,138)</u>	(1,284)
<b>Results from operating activities</b>		<b>34,273</b>	48,705
Finance income		19	25
Finance costs		<u>(82)</u>	–
<b>Net finance (costs)/income</b>	17	<b>(63)</b>	25
<b>Profit before income tax</b>	18	<b>34,210</b>	48,730
Income tax expense	19	<u>(6,954)</u>	(6,095)
<b>Profit for the year</b>		<b>27,256</b>	42,635
<b>Other comprehensive income</b>		–	–
<b>Profit attributable to owners of the Company</b>		<b>27,256</b>	42,635
<b>Total comprehensive income attributable to owners of the Company</b>		<b>27,256</b>	42,635
<b>Earnings per share</b>			
– Basic and diluted (cents)	21	<b>2.21</b>	3.74

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

Year ended 31 December 2011

	Attributable to equity holders of the Company					Total equity \$'000
	Share capital \$'000	Fair value reserve \$'000	Merger reserve \$'000	Accumulated profits \$'000	Foreign currency translation reserve \$'000	
Group						
At 1 January 2010	16,000	13,437	–	84,431	*	113,868
<b>Contributions by and distribution to owners</b>						
Issuance of share capital by way of capitalisation of accumulated profits	14,000	–	–	(14,000)	–	–
Issuance of shares for acquisition of entities under common control pursuant to restructuring exercise (Note 2)	78,234	–	–	–	–	78,234
Adjustments arising from restructuring exercise	(30,000)	–	(68,234)	–	–	(98,234)
<b>Total transactions with owners</b>	62,234	–	(68,234)	(14,000)	–	(20,000)
Amount adjusted as of 1 January 2010	78,234	13,437	(68,234)	70,431	*	93,868
<b>Total comprehensive income for the year</b>						
Profit for the year	–	–	–	42,635	–	42,635
<b>Other comprehensive income:</b>						
Net change in fair value of other investment transferred to profit or loss	–	(13,437)	–	–	–	(13,437)
Total comprehensive income for the year	–	(13,437)	–	42,635	–	29,198
<b>Transactions with owners, recorded directly in equity:</b>						
<b>Contributions by and distributions to owners</b>						
Issuance of dividend (Note 11)	–	–	–	(79,185)	–	(79,185)
<b>Total transactions with owners</b>	–	–	–	(79,185)	–	(79,185)
At 31 December 2010	78,234	–	(68,234)	33,881	*	43,881

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

Year ended 31 December 2011

	Attributable to equity holders of the Company					
	Share capital \$'000	Fair value reserve \$'000	Merger reserve \$'000	Accumulated profits \$'000	Foreign currency translation reserve \$'000	Total equity \$'000
<b>Group</b>						
As at 1 January 2011	78,234	-	(68,234)	33,881	*	43,881
<b>Total comprehensive income for the year</b>						
Profit for the year	-	-	-	27,256	-	27,256
<b>Transactions with owners recorded directly in equity:</b>						
<b>Contributions by and distribution to owners</b>						
Issuance of shares pursuant to the IPO (Note 11)	80,367	-	-	-	-	80,367
Issuance of dividend (Note 11)	-	-	-	(927)	-	(927)
IPO expenses taken to equity (Note 11)	(2,252)	-	-	-	-	(2,252)
<b>Total transactions with owners</b>	<b>78,115</b>	<b>-</b>	<b>-</b>	<b>(927)</b>	<b>-</b>	<b>77,188</b>
<b>At 31 December 2011</b>	<b>156,349</b>	<b>-</b>	<b>(68,234)</b>	<b>60,210</b>	<b>*</b>	<b>148,325</b>

\* Amount outstanding at balance sheet date is \$143, ie. less than \$1,000.

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Cash Flows

Year ended 31 December 2011

	Note	2011 \$'000	2010 \$'000
<b>Operating activities</b>			
Profit for the year		27,256	42,635
Adjustments for:			
Depreciation of property, plant and equipment		6,155	4,249
Loss on disposal of property, plant and equipment		25	104
Gain on disposal of other investment		-	(9,413)
Gain on deemed disposal of other investment		-	(153)
Unrealised exchange gain		(49)	(10)
Dividend income		-	(287)
Interest income		(19)	(25)
Interest expense		82	-
Income tax expense		6,954	6,095
		<b>40,404</b>	43,195
Changes in working capital:			
Inventories		(10,022)	(1,497)
Trade and other receivables		(2,350)	1,067
Trade and other payables		5,241	(1,409)
Cash generated from operations		<b>33,273</b>	41,356
Income taxes paid		(5,154)	(7,327)
<b>Cash flows from operating activities</b>		<b>28,119</b>	34,029
<b>Investing activities</b>			
Proceeds from disposal of property, plant and equipment		90	71
Proceeds from disposal of other investment		-	35,722
Purchase of property, plant and equipment		(23,621)	(38,391)
Purchase of other investment		-	(5,004)
Dividend received		-	287
Interest received		19	25
Payment of amounts owing to shareholders of entities under common control	2	(20,000)	-
<b>Cash flows from investing activities</b>		<b>(43,512)</b>	(7,290)

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Cash Flows

Year ended 31 December 2011

	Note	2011 \$'000	2010 \$'000
<b>Financing activities</b>			
Proceeds from bank loan		3,765	22,292
Repayment of bank loan		(26,057)	–
Non-trade amounts due from affiliated companies		106	36,676
Non-trade amounts due to affiliated companies		(136)	(136)
Non-trade amounts due to directors		(3,205)	2,461
Dividend paid	11	(927)	(41,239)
Interest paid		(82)	–
Net initial public offering (“IPO”) proceeds	11	78,115	–
<b>Cash flows from financing activities</b>		<b>51,579</b>	<b>20,054</b>
<b>Net increase in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the year		85,885	39,081
Effect of exchange rate changes on balances held in foreign currencies		49	11
<b>Cash and cash equivalents at end of the year</b>		<b>122,120</b>	<b>85,885</b>

## Significant non-cash transaction

During the year ended 31 December 2010, the Group declared and paid a dividend in specie amounting to \$37,946,000 to the owners of the Group. The dividend payment was made using partially its available-for-sale investment securities.

The accompanying notes form an integral part of these financial statements.

# Notes to the Financial Statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 30 March 2012.

## 1 Domicile and activities

Sheng Siong Group Ltd. (the “Company”) was incorporated on 10 November 2010 in the Republic of Singapore and has its registered office at 6 Mandai Link, Singapore 728652.

The Company was formerly known as Sheng Siong Group Pte. Ltd.. On 4 July 2011, the Company converted into a public company limited by shares and changed its name to Sheng Siong Group Ltd.. The Company was listed on the Main Board of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 17 August 2011.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are set out in Note 7 below. The immediate and ultimate holding company during the financial year is Sheng Siong Holdings Pte Ltd, incorporated in the Republic of Singapore.

The financial statements of the Company as at and for the year ended 31 December 2011 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”).

## 2 Restructuring exercise

Pursuant to the listing of the Company, Sheng Siong Group Pte. Ltd. undertook a group restructuring exercise (the “Restructuring Exercise”) with Sheng Siong Supermarket Pte. Ltd. (“SS Supermarket”), CMM Marketing Management Pte. Ltd. (“CMM Marketing”) and Sheng Siong Supermarket (Malaysia) Sdn. Bhd. (“SS Malaysia”) which were entities under common control:

### *i. Acquisition of 100% of the entire equity interest in SS Supermarket and CMM Marketing*

Pursuant to a share swap agreement on 17 March 2011, the Company acquired from Mr. Lim Hock Chee, Mr. Lim Hock Eng, and Mr. Lim Hock Leng the entire 100% of the issued share capital of SS Supermarket and CMM Marketing, comprising 5,000,000 ordinary shares each for an aggregate purchase consideration as listed below which was satisfied by the issuance and allotment of the following number of new shares in the capital of the Company, credited as fully paid:

<b>Subsidiaries</b>	<b>Aggregate purchase consideration (\$'000)</b>	<b>Number of new shares ('000)</b>
SS Supermarket	\$55,842	20,108
CMM Marketing	\$22,392	9,892
	\$78,234	30,000

On 17 March 2011, Mr. Lim Hock Chee, Mr. Lim Hock Eng and Mr. Lim Hock Leng directed that an aggregate of 12,600,000 shares be issued and allotted to Sheng Siong Holdings Pte Ltd.

The purchase consideration was based on the net asset values of SS Supermarket and CMM Marketing as shown in their management accounts as at 30 September 2010 adjusted for (planned) capital reduction of \$10,000,000 in each company.

# Notes to the Financial Statements

## 2 Restructuring exercise (Continued)

### ii. Acquisition of 100% entire equity interest in SS Malaysia

Pursuant to a share swap agreement on 16 March 2011, the Company acquired from Mr. Lim Hock Chee, Mr. Lim Hock Eng, and Mr. Lim Hock Leng the entire 100% of the issued share capital of SS Malaysia, comprising four (4) ordinary shares for an aggregate purchase consideration of approximately S\$1.67. The purchase consideration was satisfied by the issuance and allotment of three (3) new shares in the capital of the Company, credited as fully paid. The purchase consideration was arrived at after taking into consideration the net asset value of SS Malaysia as at 30 September 2010.

Following the completion of the Restructuring Exercise on 17 March 2011, the Company became the parent of SS Supermarket, CMM Marketing and SS Malaysia.

The Restructuring Exercise as described above is considered by management to be a transfer of equity interests under common control and have been accounted for in a manner similar to the pooling-of-interests method. Accordingly, the assets and liabilities of these entities have been included in the financial statements at their historical carrying amounts. Although the restructuring exercise was entered into on 17 March 2011, the financial statements present the financial position, results of operations and cash flows as if the restructuring exercise had occurred as of the beginning of the earliest period presented to reflect the economic substance of the combined enterprise.

## 3 Basis of preparation

### 3.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

### 3.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities which are measured at fair value.

### 3.3 Functional and presentation currency

These financial statements are presented in Singapore dollars, which is the Company's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

### 3.4 Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

# Notes to the Financial Statements

## **3 Basis of preparation (Continued)**

### **3.5 Changes in accounting policy**

From 1 January 2011, the Company has applied the revised FRS 24 Related Party Disclosures (2010) to identify parties that are related to the Company and to determine the disclosures to be made on transactions and outstanding balances, including commitments, between the Company and its related parties. FRS 24 (2010) improved the definition of a related party in order to eliminate inconsistencies and ensure symmetrical identification of relationships between two parties.

The adoption of FRS 24 (2010) does not have a material impact on the disclosures of transactions and outstanding balances, including commitments, with these related parties for the current and comparative years in Note 24 to the financial statements. The adoption of FRS 24 (2010) affects only the disclosures made in the financial statements. There is no financial effect on the results and financial position of the Company for the current and previous financial years.

## **4 Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### **4.1 Basis of consolidation**

#### ***Acquisitions of entities under common control***

Business combinations arising from transfers of interests in entities that are under the control of the shareholders that control the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognised in the combined financial statements at the carrying amounts recognised in the acquired entities' financial statements. The components of equity of the acquired entities are added to the same components within Group equity. Any difference between the cash paid for the acquisition and net assets acquired is recognised in equity.

#### ***Subsidiaries***

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial statements of subsidiaries are included in the financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

#### ***Accounting for subsidiaries***

Investments in subsidiaries are stated in the Company's statement of financial position at cost less accumulated impairment losses.

# Notes to the Financial Statements

## 4 Significant accounting policies (Continued)

### 4.1 Basis of consolidation (Continued)

#### *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the financial statements.

### 4.2 Foreign currency

#### *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

#### *Foreign subsidiary*

The assets and liabilities of a foreign operation are translated to Singapore dollars at exchange rates prevailing at the reporting date. The income and expenses of a foreign operation are translated to Singapore dollars at exchange rates prevailing at the dates of the transactions.

Foreign exchange differences are recognised in the other comprehensive income. When a foreign operation is disposed off, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining controls, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation. These are recognised in other comprehensive income, and are presented in the translation reserve in equity.

# Notes to the Financial Statements

## 4 Significant accounting policies (Continued)

### 4.3 Property, plant and equipment

#### **Recognition and measurement**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss.

#### **Subsequent costs**

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Construction-in-progress is stated at cost. No depreciation is charged on construction-in-progress. Upon completion of the construction-in-progress, the property, plant and equipment are transferred to the respective property, plant and equipment categories and depreciated accordingly.

#### **Depreciation**

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Except for construction in progress, depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives are as follows:

Leasehold properties	– 30 – 80 years
Renovations	– 5 years
Plant and machinery	– 5 years
Office equipment, furniture and fittings	– 5 years
Motor vehicles	– 5 years
Computers	– 3 years
Cold room	– 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted as appropriate.

# Notes to the Financial Statements

## 4 Significant accounting policies (Continued)

### 4.4 Financial instruments

#### ***Non-derivative financial assets***

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: loans and receivables.

#### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

Cash and cash equivalents comprise cash balances and bank deposits.

#### ***Non-derivative financial liabilities***

Financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise trade and other payables and financial liabilities.

# Notes to the Financial Statements

## 4 Significant accounting policies (Continued)

### 4.4 Financial instruments (Continued)

#### *Financial guarantees*

Financial guarantees are financial instruments issued by the Group that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are recognised initially at fair value and are classified as financial liabilities. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. When financial guarantees are terminated before the original expiry date, the carrying amount of the financial guarantee is transferred to profit or loss.

Financial guarantee contracts are classified as financial liabilities unless the Group has previously asserted explicitly that it regards such contracts as insurance contracts and accounted for them as such. Election is made contract by contract, and each election is irrevocable.

#### *Share capital*

##### *Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

##### *Distribution of non-cash assets to owners of the Group*

The Group measures a liability to distribute non-cash assets as a dividend to the owners of the Group at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting date and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability, in profit or loss.

### 4.5 Leases

#### *When the Group is a lessee of a finance lease*

Leased assets in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, property, plant and equipment acquired through finance leases are capitalised at the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Leased assets are depreciated over the shorter of the lease term and their useful lives. Lease payments are apportioned between finance expense and reduction of the lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

# Notes to the Financial Statements

## 4 Significant accounting policies (Continued)

### 4.5 Leases (Continued)

#### *When the Group is a lessee of an operating lease*

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease payments made.

### 4.6 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost formula, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In addition, the Group receives payments from suppliers for various programs, primarily display charges, volume rebates and reimbursements for costs to promote the suppliers' products (cooperative advertising arrangements). Substantially all payments from suppliers are accounted for as a reduction in cost of purchased inventories and recognised in cost of sales when the related inventories are sold. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

### 4.7 Impairment

#### *Non-derivative financial assets*

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, and economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

#### *Loans and receivables*

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

# Notes to the Financial Statements

## 4 Significant accounting policies (Continued)

### 4.7 Impairment (Continued)

#### **Non-derivative financial assets (Continued)**

##### *Loans and receivables (Continued)*

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

#### **Non-financial assets**

The carrying amounts of the Group's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### 4.8 Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale or distribution rather than through continuing use are classified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets are remeasured in accordance with the Group's accounting policies. Thereafter the assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in profit and loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated.

# Notes to the Financial Statements

## 4 Significant accounting policies (Continued)

### 4.9 Employee benefits

#### ***Defined contribution plans***

Contributions to post-employment benefits under defined contribution pension plans are recognised in profit or loss as incurred.

#### ***Short-term benefits***

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term benefits if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### 4.10 Revenue recognition

#### ***Supermarket operations***

Revenue consists of the net value of goods sold to customers. Revenue is recognised at the point of sale when the significant risks and rewards of ownership of the goods have been transferred to customers and is recorded at the net amount received from customers. Revenue excludes goods and services taxes.

#### ***Rental income***

Rental income receivable under operating leases is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

#### ***Government grants – Jobs Credit Scheme***

Cash grants received from the government in relation to the Jobs Credit Scheme are recognised as income upon receipt.

# Notes to the Financial Statements

## 4 Significant accounting policies (Continued)

### 4.11 Finance income and finance costs

Finance income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs and similar charges are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale. The interest component of finance lease payments is recognised in profit or loss using the effective interest rate method.

### 4.12 Income tax expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

# Notes to the Financial Statements

## **4 Significant accounting policies (Continued)**

### **4.13 Earnings per share**

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

### **4.14 Segment reporting**

The Group determines and presents operating segments based on the information that is internally provided to the Executive Directors.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Executive Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Executive Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

### **4.15 New standards and interpretations not yet adopted**

New standards, amendments to standards and interpretations that are not yet effective for the year ended 31 December 2011 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group.

# Notes to the Financial Statements

## 5 Property, plant and equipment – Group

	Leasehold properties \$'000	Renovations \$'000	Plant and machinery \$'000	Office equipment, furniture and fittings \$'000	Motor vehicles \$'000	Computers \$'000	Construction in-progress \$'000	Cold room \$'000	Total \$'000
<b>Cost</b>									
At 1 January 2010	13,783	6,928	16,004	875	6,311	2,710	3,734	1,021	51,366
Additions	-	373	2,074	21	24	242	35,657	-	38,391
Disposals	-	(1,049)	(1,687)	(62)	-	(56)	-	-	(2,854)
At 31 December 2010	13,783	6,252	16,391	834	6,335	2,896	39,391	1,021	86,903
Additions	9,058	3,369	6,480	1,182	593	327	-	2,612	23,621
Transfer	35,578	351	-	193	-	-	(39,391)	3,269	-
Disposals	-	(375)	(653)	(33)	(49)	(309)	-	-	(1,419)
Reclassification to non-current asset held for sale	(5,660)	-	-	-	-	-	-	-	(5,660)
At 31 December 2011	52,759	9,597	22,218	2,176	6,879	2,914	-	6,902	103,445
<b>Accumulated depreciation</b>									
At 1 January 2010	1,744	5,203	11,146	610	5,134	2,147	-	1,021	27,005
Depreciation charge for the year	460	681	1,981	97	661	369	-	-	4,249
Disposals	-	(1,019)	(1,569)	(58)	-	(33)	-	-	(2,679)
At 31 December 2010	2,204	4,865	11,558	649	5,795	2,483	-	1,021	28,575
Depreciation charge for the year	1,400	868	2,431	220	468	278	-	490	6,155
Disposals	-	(355)	(586)	(31)	(49)	(283)	-	-	(1,304)
Reclassification to non-current asset held for sale	(2,076)	-	-	-	-	-	-	-	(2,076)
At 31 December 2011	1,528	5,378	13,403	838	6,214	2,478	-	1,511	31,350
<b>Carrying amount</b>									
At 1 January 2010	12,039	1,725	4,858	265	1,177	563	3,734	-	24,361
At 31 December 2010	11,579	1,387	4,833	185	540	413	39,391	-	58,328
At 31 December 2011	51,231	4,219	8,815	1,338	665	436	-	5,391	72,095

# Notes to the Financial Statements

## 5 Property, plant and equipment – Group (Continued)

The Group's leasehold property as at 31 December 2011 was as follows:

Location	Description	Tenure	Floor area (sq. m.)
6 Mandai Link, Singapore 728652	4 storey warehouse with ancillary offices	30 years lease commencing in 2009, with an option to renew for another 30 years provided certain investment conditions are met	50,455
3000 Marsiling Road, Singapore 739108	Two storey factory	60 years lease commencing on 1974	8,796

## 6 Non-current asset held for sale – Group

The non-current asset held for sale comprises the leasehold property at 3000 Marsiling Road Singapore 739108, for which the Company had entered into a sale and purchase agreement on 16 November 2011 with an external party. The sale was completed as of the date of this report (see Note 26).

	Note	2011 \$'000
<i>Asset classified as held for sale</i>		
Leasehold property	5	<b>3,584</b>

## 7 Subsidiaries

	Note	Company 2011 \$'000
<i>Equity investment at cost</i>		
At incorporation date		-
Acquisition pursuant to Restructuring Exercise	2	<b>78,234</b>
At 31 December 2011		<b>78,234</b>

# Notes to the Financial Statements

## 7 Subsidiaries (Continued)

The subsidiaries of the Group are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Effective equity interest held by the Group	
			2011 %	2010 %
Sheng Siong Supermarket Pte. Ltd. <sup>1</sup>	Supermarket operations	Singapore	100	100
CMM Marketing Management Pte. Ltd. <sup>1</sup>	Trading of general and wholesale importers and exports	Singapore	100	100
Sheng Siong (M) Sdn. Bhd. <sup>2</sup>	Dormant	Malaysia	100	100

<sup>1</sup> Audited by KPMG LLP

<sup>2</sup> Audited by other firm of certified public accountants

## 8 Inventories – Group

	2011 \$'000	2010 \$'000
Goods for resale	<b>36,427</b>	26,405

In 2011, changes in goods for resale recognised in cost of sales amounted to \$437,148,000. (2010: \$480,066,000)

## 9 Trade and other receivables

	Group		Company
	2011 \$'000	2010 \$'000	2011 \$'000
Trade receivables	<b>2,066</b>	1,232	–
Amounts due from affiliated companies:			
– trade	<b>31</b>	89	–
– loans (non-trade)	–	106	<b>16,000</b>
Dividends receivables from subsidiaries	–	–	<b>27,500</b>
Other receivables	<b>881</b>	434	<b>225</b>
Deposits	<b>3,222</b>	2,132	–
Loans and receivables	<b>6,200</b>	3,993	<b>43,725</b>
Prepayments	<b>759</b>	722	<b>3</b>
	<b>6,959</b>	4,715	<b>43,728</b>

Non-trade amounts due from affiliated companies are unsecured, interest-free and repayable on demand. There is no allowance for doubtful debts arising from the outstanding balances.

# Notes to the Financial Statements

## 9 Trade and other receivables (Continued)

The ageing of loans and receivables at the balance sheet date is:

	Group		Company
	2011	2010	2011
	\$'000	\$'000	\$'000
Not past due	5,910	3,529	43,725
Past due 1 – 30 days	179	325	–
Past due 31 – 60 days	11	47	–
Past due more than 60 days	100	92	–
	<b>6,200</b>	<b>3,993</b>	<b>43,725</b>

The Group believes that no impairment allowance is necessary in respect of its loans and receivables, based on historic payment behaviour and analyses of the underlying customers' credit ratings.

## 10 Cash and cash equivalents

	Group		Company
	2011	2010	2011
	\$'000	\$'000	\$'000
Cash in hand	4,769	3,110	–
Cash at banks	47,347	82,706	208
Fixed deposits	70,004	69	60,004
Cash and cash equivalents in the cash flow statements	<b>122,120</b>	<b>85,885</b>	<b>60,212</b>

## 11 Share capital

	Number of shares ('000)	Share capital (\$'000)
At 10 November 2010 (date of incorporation)		
– Issue of subscriber's shares	–*	–*
Restructuring exercise	30,000	78,234
	30,000	78,234
Sub-divided shares	1,140,000	78,234
Pre-invitation share capital	1,140,000	78,234
Issuance of ordinary shares	243,537	80,367
Share issue expenses#	–	(2,252)
Total	<b>1,383,537</b>	<b>156,349</b>

\* As at the date of incorporation on 10 November 2010, the Company issued 3 subscriber's shares at \$1.00 per share.

# Included in the share issue expenses was an amount of \$103,000 paid to auditors of the Company and \$97,000 paid to a firm in which a director is a member (see Note 18).

# Notes to the Financial Statements

## 11 Share capital (Continued)

As described in Note 2, on 17 March 2011, the Company entered into a share swap agreement to acquire the entire issued share capital of its subsidiaries for a total consideration of \$78,234,000 which was satisfied by issuing 30,000,000 shares of the Company to the then shareholders of Sheng Siong Group Pte. Ltd.

At an Extraordinary General Meeting held on 18 March 2011, the shareholders of the Company approved the sub-division of each ordinary share of the Company into thirty-eight ordinary shares.

Pursuant to the listing of the Company on the Mainboard of Singapore Exchange Securities Trading Limited on 17 August 2011, 243,537,000 new ordinary shares (including 42,037,000 over-allotted shares) were issued to the public at \$0.33 per share.

Underwriting commissions, professional fees and other expenses totalling \$4,045,000 were incurred for the IPO and listing of Vendors shares as described in the prospectus. Expenses of \$2,252,000 relating to the offering of the new shares were deducted against the gross proceeds from the shares issued pursuant to the IPO. The remaining amount of \$1,793,000 relating to the listing of the shares was charged to profit or loss.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

### Dividends

The following exempt (one-tier) dividends were declared and paid by the Group:

	Note	2011 \$'000	2010 \$'000
<i>Ordinary dividends paid in respect of the financial year ended 2010</i>			
Interim cash dividend			
3.09 cents per ordinary shares		–	35,239
Interim cash dividend			
0.53 cents per ordinary shares		–	6,000
Dividend in specie			
3.33 cents per ordinary shares	(a)	–	37,946
Final cash dividend			
0.08 cents per ordinary shares		<b>927</b>	–
		<b>927</b>	79,185

Note (a) – On 3 December 2010, this dividend was paid in specie using the Group's available for-sales investment securities.

For the Group's financial year ended 31 December 2011, the directors proposed a final dividend of 1.77 cents per share, which is approximately 90% of the Group's net profit after tax.

# Notes to the Financial Statements

## 11 Share capital (Continued)

### Capital management

The Group defines capital as share capital and accumulated profits.

The Group's objective when managing capital is to maintain an efficient capital structure so as to maximise shareholder value. In order to maintain or achieve an efficient capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce borrowings.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes in the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

## 12 Merger reserve

Merger reserve represents the difference between the purchase consideration of \$78.2 million paid by the Company for the acquisition of the entities under common control which subsequently became subsidiaries of the Company and the aggregated share capital of the combining entities.

## 13 Deferred tax – Group

Movements in deferred tax liabilities of the Group during the years are as follows:

	<b>At 1 January 2010 \$'000</b>	<b>Recognised in profit or loss (note 19) \$'000</b>	<b>At 31 December 2010 \$'000</b>	<b>Recognised in profit or loss (note 19) \$'000</b>	<b>At 31 December 2011 \$'000</b>
Property, plant and equipment	729	(121)	608	467	1,075

# Notes to the Financial Statements

## 14 Trade and other payables

	Note	Group		Company
		2011 \$'000	2010 \$'000	2011 \$'000
Trade payables		52,738	48,354	-
Amounts due to affiliated companies:				
- trade		14	-	-
- non-trade		-	136	-
Amount due to directors		5,495	8,700	200
Amounts payable to shareholders of entities under common control	2	-	20,000	-
Other payables		5,526	2,672	-
Deposits received		116	152	-
Accrued expenses		19,473	21,448	30
		<b>83,362</b>	<b>101,462</b>	<b>230</b>

Non-trade amounts due to affiliated companies, directors and shareholders of entities under common control are unsecured, interest-free and repayable on demand.

Other payables include \$914,000 (2010: \$543,000) payable in connection with the property under construction at Mandai Link Singapore.

## 15 Financial liabilities

	Group		Company
	2011 \$'000	2010 \$'000	2011 \$'000
<b>Non-current liabilities</b>			
Secured bank loan	-	19,091	-
<b>Current liabilities</b>			
Secured bank loan	-	3,201	-
	-	22,292	-

The secured bank loan outstanding as at 31 December 2010 bore interest rates ranging from 1.12% to 1.15% per annum.

This loan was secured by:

- a first legal mortgage of the property at Mandai Link Singapore with a carrying value at \$39,391,000 in 2010 (see Note 5);
- the assignment of the rights, title and interest with respect to the property; and
- a corporate guarantee from SS Supermarket.

The loan was repaid in full in November 2011 and the security had been released.

# Notes to the Financial Statements

## 15 Financial liabilities (Continued)

### Contractual undiscounted cash flow

The following are the expected contractual undiscounted cash outflows (inflows) of financial liabilities, including interest payments and excluding the impact of netting agreements:

	Carrying amount \$'000	Cash flows		
		Expected contractual cashflows \$'000	Within 1 year \$'000	Between 1 to 5 years \$'000
<b>Group</b>				
<b>2011</b>				
<b>Non-derivative financial liabilities</b>				
Trade and other payables	83,362	83,362	83,362	–
<b>2010</b>				
<b>Non-derivative financial liabilities</b>				
Floating rate loans	22,292	22,677	3,430	19,247
Trade and other payables	101,462	101,462	101,462	–
	123,754	124,139	104,892	19,247
<b>Company</b>				
<b>2011</b>				
<b>Non-derivative financial liabilities</b>				
Trade and other payables	230	230	230	–

## 16 Revenue – Group

	2011 \$'000	2010 \$'000
Supermarket operations	578,443	628,432

# Notes to the Financial Statements

## 17 Net finance cost

	2011 \$'000	2010 \$'000
Interest income received and receivable from:		
– financial institutions	19	25
Interest expense on term loan paid and payable to:		
– financial institutions	(82)	–
Net finance income/(costs) recognised in profit or loss	<u>(63)</u>	<u>25</u>

## 18 Profit before income tax

Profit for the year is arrived at after (charging)/crediting the following items:

	Note	Group 2011 \$'000	2010 \$'000
Contributions to defined contribution plans, included in staff costs		(3,304)	(4,533)
Depreciation of property, plant and equipment	5	(6,155)	(4,249)
Dividend income		–	287
Exchange gain/(loss), net		98	(28)
Gain on disposal of other investment		–	9,413
Gain on deemed disposal of other investment through the declaration of dividend in specie		–	153
Government grants		62	816
Loss on disposal of property, plant and equipment		(25)	(104)
Operating lease expense		(14,513)	(14,496)
Operating lease income		916	2,453
Audit fees paid to auditors of the Company		210	170
Non-audit fees paid to auditors of the Company*		482	–
Professional fee paid to a firm in which a director is a member*		443	–
Staff costs		(68,068)	(77,837)
Sales of recyclable items		<u>1,073</u>	<u>1,028</u>

\* These related to professional fees paid to auditors of the Company and a firm in which a director is a member in connection with the initial public offerings of the Company's shares charged to profit and loss. Another amount of \$200,000 (also in connection with the initial public offerings of the Company's shares) was capitalised as share issue expense and deducted from equity (see Note 11).

# Notes to the Financial Statements

## 19 Income tax expenses

	Note	Group 2011 \$'000	Group 2010 \$'000
<b>Current tax expense</b>			
Current year		6,034	6,781
Under/(over) provision in respect of prior years		453	(565)
		6,487	6,216
<b>Deferred tax expense/(credit)</b>			
Origination and reversal of temporary differences		455	(121)
Under provision in respect of prior years' deferred tax		12	–
Total deferred tax expense/(credit) recognised in profit and loss	13	467	(121)
Income tax expense from continuing operations		6,954	6,095
<b>Reconciliation of effective tax rate</b>			
Profit for the year		<b>27,256</b>	42,635
Total income tax expense		<b>6,954</b>	6,095
Profit before income tax		<b>34,210</b>	48,730
Income tax expense using Singapore tax rate of 17%		<b>5,816</b>	8,284
Income not subject to tax		<b>(52)</b>	(1,840)
Expenses not deductible for tax purposes		<b>389</b>	216
Under provision in respect of prior years' deferred tax		<b>12</b>	–
Under/(over) provision in respect of prior years' current tax		<b>453</b>	(565)
Effect of tax benefits arising from the tax losses in respect of SS Group Ltd and SS Malaysia not recognised		<b>336</b>	–
		<b>6,954</b>	6,095

## 20 Share option scheme

Sheng Siong Group Ltd. share option scheme (the "Scheme") was approved by its members at an Extraordinary General Meeting held on 1 July 2011. The Scheme is administered by the Company's Remuneration Committee. Other information regarding the Scheme is set out below:

- The consideration of each option is S\$1.00 and the exercise price (the "Exercise Price") for each share in respect of which an option is exercisable shall be determined and fixed by the Remuneration Committee and shall be equal to the average of the closing prices of the share for the past five market days immediately preceding the relevant date of grant of the option (the "Market Price").

# Notes to the Financial Statements

## 20 Share option scheme (Continued)

- The Remuneration Committee may grant options on a yearly basis and any such grants shall be made at least 60 days after the end of the financial year of the Company.
- The period for the exercise (the "Exercise Period") of an option granted under the Scheme shall be:
  - a) in the case of an option granted at Market Price (the "Market Price Option"), a period commencing after the first anniversary of the relevant date of the grant and expiring on the fifth anniversary of such grant date, or such other period which may from time to time be prescribed under any relevant law, regulation or rule of the SGX-ST; and
  - b) in the case of an option granted at a discount of up to 20% of the Market Price (the "Incentive Option"), a period commencing after the second anniversary of the relevant date of the grant and expiring on the fifth anniversary of such grant date, or such other period which may from time to time be prescribed under any relevant law, regulation or rule of the SGX-ST for such Incentive Options.

During the current financial year, no share options were granted.

## 21 Earnings per share

	2011 \$'000	2010 \$'000
Basic earnings per share is based on:		
Net profit from continuing operations attributable to ordinary shareholders	<b>27,256</b>	42,635
	No. of shares '000	No. of shares '000
Weighted average number of shares during the year	<b>1,231,326</b>	1,140,000

For purposes of preparing the financial statements for the year ended 31 December 2010, the weighted average number of shares as at 31 December 2010 includes the shares issued to effect the acquisition of interests in common control entities pursuant to the Restructuring Exercise, on the basis that the restructuring had occurred as of the beginning of the earliest period presented.

There were no potential dilutive ordinary shares in existence for the financial years ended 31 December 2010 and 2011.

## 22 Segment reporting

The Group operates in one segment which relates to the provision of supermarket supplies and supermarket operations. The Group's operations are located in Singapore. The Malaysian subsidiary was inactive for the financial years ended 31 December 2010 and 2011.

# Notes to the Financial Statements

## 23 Operating lease commitments – Group

The Group leases a number of shop units under operating leases. The leases typically run for an initial period of three to six years, with an option to renew the lease after that date.

The Group has commitments for future minimum lease payments under non-cancellable operating lease as follows:

	2011 \$'000	2010 \$'000
Payable:		
– Within 1 year	11,772	11,217
– After 1 year but within 5 years	9,511	12,646
	<b>21,283</b>	23,863

## 24 Related parties

### *Identity of related parties*

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the parties or exercise significant influence over the parties in making financial and operating decisions, or vice versa, or where the Group and the parties are subject to common control or common significant influence. Related parties may be individuals or other entities.

### *Affiliated company*

An affiliated company is defined as one:

- a) In which a director of the Group has substantial financial interests or is in a position to exercise significant influence; and/or
- b) Which directly or indirectly, through one or more intermediaries, are under the control of a common shareholder.

### *Key management personnel*

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group. The amounts stated below for key management compensation are for all the executive directors.

Compensation payable to key management personnel, included in staff costs, comprises:

	Group	
	2011 \$'000	2010 \$'000
Short-term employee benefits	6,952	10,342
Directors fees	140	140
	<b>7,092</b>	10,482

# Notes to the Financial Statements

## 24 Related parties (Continued)

### *Other related party transactions*

Other than disclosed elsewhere in the financial statements, transactions carried out with related parties in the normal course of business on terms agreed between the parties are as follows:

	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Corporations in which directors of the Company have substantial financial interests		
– Sales	<b>1,143</b>	1,783
– Purchases	<b>(550)</b>	(533)
– Rental expenses	<b>(1,095)</b>	(898)
– Rental income	<b>320</b>	569
– Ration income	<b>19</b>	80
– Sub contract labour income	<b>44</b>	266
– Sub contract labour expenses	<b>(84)</b>	(925)

## 25 Financial risk management

### *Overview*

The Group operates only in Singapore but sources its supplies worldwide and is exposed to a variety of financial risks, comprising market risk like currency and interest rate risk, credit risk and liquidity risk. There are controls in place to ensure an acceptable balance between the cost or return of unhedged risks and the cost of hedging the risks. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

### *Credit risk*

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Group, as and when they fall due.

The Group's exposure to credit risk arises mainly from cash and cash equivalents. The Group sales are done mainly on a cash basis and trade receivables are insignificant. Balances due from affiliated companies accounted for only 0.5% of the total loans and receivables as at 31 December 2011 (2010: 4.9%), and there are controls in place to ensure that they are collected on a timely basis and in accordance within the credit terms (for trade balances). The carrying amount of these financial assets recorded in the balance sheet represents the Group's maximum exposure to credit risk.

Cash and fixed deposits are placed with banks which are regulated under the Singapore Banking Act.

### *Liquidity risk*

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

# Notes to the Financial Statements

## 25 Financial risk management (Continued)

### **Market risk**

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

### **Foreign currency risk**

The Group minimizes foreign exchange exposure by transacting where possible, in Singapore Dollar, the base currency, and at the balance sheet date, the Group is not exposed to any significant foreign currency risk.

### **Interest rate risk**

The Group manages its interest rate exposure by actively reviewing its debt portfolio to achieve a certain level of protection against adverse interest rate movements. As at balance sheet date, the Group is not exposed to any significant interest rate risk.

### **Fair value**

#### *Other financial assets and liabilities*

The notional amounts of financial assets and liabilities with a maturity of less than one year or which reprice frequently (including other receivables, cash and cash equivalents, accrued operating expenses, and other payables) approximate their fair values because of the short period to maturity/repricing.

## 26 Subsequent events

Subsequent to 31 December 2011, the Group disposed off its assets held for sale (see Note 6) for a consideration of \$15,000,000. The sale was completed on 20 January 2012.

## 27 Comparative information

No comparative figures are available for the Company's financial statements as this is the first set of financial statements of the Company prepared since its incorporation. Comparative figures shown in the Group's financial statements were prepared on the basis described in Note 2.

# 财务报表

截至2011年12月31日全年

	集团		公司
	2011 \$'000	2010 \$'000	2011 \$'000
<b>资产</b>			
房地产、厂房与器材	72,095	58,328	-
在子公司的投资	-	-	78,234
<b>非流动资产</b>	<b>72,095</b>	<b>58,328</b>	<b>78,234</b>
库存	36,427	26,405	-
贸易和其他应收账款	6,959	4,715	43,728
现金	122,120	85,885	60,212
被列为持有以待售的资产	3,584	-	-
<b>流动资产</b>	<b>169,090</b>	<b>117,005</b>	<b>103,940</b>
<b>总资产</b>	<b>241,185</b>	<b>175,333</b>	<b>182,174</b>
<b>可归属公司股东的权益</b>			
股本	156,349	78,234	156,349
合并储备	(68,234)	(68,234)	-
累计盈利	60,210	33,881	25,595
外汇兑储备	-*	-*	-
<b>总权益</b>	<b>148,325</b>	<b>43,881</b>	<b>181,944</b>
<b>负债</b>			
财务负债	-	19,091	-
递延税款负债	1,075	608	-
<b>非流动负债</b>	<b>1,075</b>	<b>19,699</b>	<b>-</b>
贸易和其他应付账款	83,362	101,462	230
财务负债	-	3,201	-
当前应付税务	8,423	7,090	-
<b>流动负债</b>	<b>91,785</b>	<b>111,753</b>	<b>230</b>
<b>总负债</b>	<b>92,860</b>	<b>131,452</b>	<b>230</b>
<b>总权益与负债</b>	<b>241,185</b>	<b>175,333</b>	<b>182,174</b>

# 综合全面收益表

截至2011年12月31日全年

	<b>2011</b>	2010
	<b>\$'000</b>	\$'000
营业额	578,443	628,432
销售成本	(450,595)	(491,675)
<b>毛利</b>	<b>127,848</b>	<b>136,757</b>
其他收益	3,252	15,918
分销开支	(4,122)	(4,372)
行政开支	(91,567)	(98,314)
其他开支	(1,138)	(1,284)
<b>营运活动的业绩</b>	<b>34,273</b>	<b>48,705</b>
财务收益	19	25
财务费用	(82)	-
<b>净财务（费用）/收益</b>	<b>(63)</b>	<b>25</b>
税前盈利	34,210	48,730
税务开支	(6,954)	(6,095)
<b>全年盈利</b>	<b>27,256</b>	<b>42,635</b>
其他全面收益	-	-
<b>可归属公司股东的盈利</b>	<b>27,256</b>	<b>42,635</b>
<b>可归属公司股东的全面收益总额</b>	<b>27,256</b>	<b>42,635</b>
<b>每股盈利</b>		
- 基本与摊薄（分）	2.21	3.74

# Statistics of Shareholdings

As at 13 March 2012

Class of shares : Ordinary shares  
Voting rights : One vote per share

The Company does not hold any treasury shares.

## DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF		NO. OF SHARES	
	SHAREHOLDERS	%		%
1 – 999	3	0.04	1,599	0
1,000 – 10,000	4,327	63.21	25,681,000	1.86
10,001 – 1,000,000	2,485	36.30	129,212,000	9.34
1,000,001 AND ABOVE	31	0.45	1,228,642,401	88.8
<b>TOTAL</b>	<b>6,846</b>	<b>100</b>	<b>1,383,537,000</b>	<b>100</b>

## TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	Sheng Siong Holdings Pte Ltd	478,800,000	34.61
2	Lim Hock Chee	170,400,000	12.32
3	Lim Hock Eng	170,400,000	12.32
4	Lim Hock Leng	170,400,000	12.32
5	HSBC (Singapore) Nominees Pte Ltd	52,206,000	3.77
6	DBSN Services Pte Ltd	40,375,000	2.92
7	DBS Nominees Pte Ltd	33,434,401	2.42
8	Citibank Nominees Singapore Pte Ltd	21,368,000	1.54
9	United Overseas Bank Nominees Pte Ltd	16,474,000	1.19
10	Raffles Nominees (Pte) Ltd	14,128,000	1.02
11	Lim Kim Hock	8,400,000	0.61
12	UOB Kay Hian Pte Ltd	5,627,000	0.41
13	Tan Ze Chong	5,000,000	0.36
14	Cai Songhan	4,911,000	0.35
15	Phillip Securities Pte Ltd	4,492,000	0.32
16	Lock Siew Chin	3,699,000	0.27
17	Lim Yew Lye	3,500,000	0.25
18	Chua Bin Leong (Cai Bingliang)	3,327,000	0.24
19	OCBC Securities Pte Ltd	2,946,000	0.21
20	Morgan Stanley Asia (Singapore) Securities Pte Ltd	2,594,000	0.19
<b>TOTAL</b>		<b>1,212,481,401</b>	<b>87.64</b>

# Statistics of Shareholdings

*As at 13 March 2012*

## **SUBSTANTIAL SHAREHOLDERS**

*(As shown in the register of substantial shareholders)*

<b>NAME</b>	<b>DIRECT INTEREST</b>		<b>DEEMED INTEREST</b>	
	<b>No. of Shares</b>	<b>%</b>	<b>No. of shares</b>	<b>%</b>
Lim Hock Eng <sup>(1)</sup>	170,400,000	12.32	819,600,000	59.24
Lim Hock Chee <sup>(1)</sup>	170,400,000	12.32	819,600,000	59.24
Lim Hock Leng <sup>(1)</sup>	170,400,000	12.32	819,600,000	59.24
Sheng Siong Holdings Pte Ltd	478,800,000	34.61	–	–

Note:

- 1 Mr Lim Hock Eng, Mr Lim Hock Chee and Mr Lim Hock Leng (each a "Lim Director") are siblings and each of them is a director and shareholder (each holding an equity interest of approximately 33.3%) of Sheng Siong Holdings Pte Ltd ("SS Holdings"). Pursuant to Section 7 of the Companies Act (Cap. 50), each of the Lim Directors is deemed to be interested in the shares of the Company held by (i) the other Lim Directors (340,800,000 shares); and (ii) SS Holdings (478,800,000 shares).

## **FREE FLOAT**

Based on information available to the Company, approximately 28.43% of the shareholding in the Company was held in the hands of the public.

Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

# Notice of First Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the First Annual General Meeting of SHENG SIONG GROUP LTD. (the “**Company**”) will be held at 6 Mandai Link, Singapore 728652 on Tuesday, 24 April 2012 at 10 a.m. (the “**Annual General Meeting**”) for the following purposes:

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Report and Audited Accounts of the Company for the financial year ended 31 December 2011 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To declare a first and final (one-tier tax exempt) dividend of 1.77 cents per ordinary share for the financial year ended 31 December 2011. **(Resolution 2)**
3. To re-elect the following Directors retiring pursuant to the Company’s Articles of Association (the “**Articles**”):
 

Mr. Lim Hock Chee	(Article 89)	<b>(Resolution 3)</b>
Mr. Lim Hock Eng	(Article 89)	<b>(Resolution 4)</b>
Mr. Goh Yeow Tin	(Article 89)	<b>(Resolution 5)</b>

*[See Explanatory note (i)]*

To re-elect Mr. Tan Ling San as a Director of the Company pursuant to Section 153 of the Companies Act of Singapore (Cap. 50) (the “**Companies Act**”). *[See Explanatory Note (ii)]* **(Resolution 6)**
4. To approve the payment of Directors’ fees of \$200,000 for the financial year ended 31 December 2011. **(Resolution 7)**
5. To re-appoint KPMG LLP as the Company’s Auditors and to authorise the Directors to fix their remuneration. **(Resolution 8)**
6. To transact any other ordinary business which may properly be transacted at an annual general meeting.

## AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. **Authority to allot and issue shares in the capital of the Company (“Shares”) – Share Issue Mandate**

“That, pursuant to Section 161 of the Companies Act and Rule 806 of the Listing Manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Directors of the Company be authorized and empowered to:

- (A) (i) issue Shares whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company shall in their absolute discretion deem fit; and

# Notice of First Annual General Meeting

(B) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

- (1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and convertible securities to be issued pursuant to this Resolution shall not exceed fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares and convertible securities to be issued other than on a pro-rata basis to the shareholders of the Company shall not exceed twenty per cent. (20%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as at the time of passing of this Resolution);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares and convertible securities that may be issued under sub-paragraph (1) above on a pro-rata basis, the total number of issued Shares (excluding treasury shares) in the capital of the Company shall be based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
  - (a) new Shares arising from the conversion or exercise of convertible securities;
  - (b) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the rules of the Listing Manual of the SGX-ST; and
  - (c) any subsequent bonus issue, consolidation or subdivision of Shares.
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST as amended from time to time (unless such compliance has been waived by the SGX-ST) and the Articles; and
- (4) revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting is required by law to be held, whichever is the earlier.”

[See Explanatory Note (iii)]

**(Resolution 9)**

# Notice of First Annual General Meeting

## 8. Authority to grant options and issue Shares under the Sheng Siong ESOS

"That, pursuant to Section 161 of the Companies Act, the Directors be and are hereby empowered to grant options, and to allot and issue from time to time such number of Shares as may be required to be issued pursuant to the exercise of options granted under the Sheng Siong ESOS (the "**Scheme**") provided always that the aggregate number of Shares in respect of which such options may be granted and which may be issued pursuant to the Scheme shall not exceed fifteen per cent. (15%) of the issued share capital of the Company from time to time." [See Explanatory Note (iv)] **(Resolution 10)**

By Order of the Board

Lim Chong Hwee  
Secretary

Singapore, 9 April 2012

### Explanatory Notes:

- (i) Mr. Goh Yeow Tin will, upon re-election as Lead Independent Director of the Company, remain as a member of the Audit Committee. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual.
- (ii) The effect of the Ordinary Resolution 6 proposed in item 3 above, is to re-appoint a Director who is over 70 years of age. Mr. Tan Ling San will, upon re-election as a Director of the Company, hold office until the next annual general meeting of the Company.
- (iii) The Ordinary Resolution 9 proposed in item 7 above, if passed, will empower the Directors of the Company to issue Shares, make or grant instruments convertible into Shares and to issue Shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued Shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of Shares that may be issued on a pro-rata basis, the total number of issued Shares (excluding treasury shares) will be calculated based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Shares. In determining the 20% which may be issued other than on a pro-rata basis, the total number of issued Shares (excluding treasury shares) will be calculated based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time the Ordinary Resolution 9 is passed.

- (iv) The Ordinary Resolution 10 proposed in item 8 above, if passed, will empower the Directors of the Company, to grant options and to allot and issue Shares upon the exercise of such options in accordance with the Scheme.

# Notice of First Annual General Meeting

**Notes:**

1. A Member of the Company entitled to attend and vote at the Annual General Meeting may appoint not more than two proxies to attend and vote instead of him.
2. Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.
3. If the member is a corporation, the instrument appointing the proxy must be under its common seal or the hand of its attorney or a duly authorised officer.
4. The instrument appointing a proxy must be deposited at the registered office of the Company at 6 Mandai Link, Singapore 728652 not less than 48 hours before the time appointed for holding the Annual General Meeting.

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# SHENG SIONG GROUP LTD.

(Company Registration No.: 201023989Z)  
(Incorporated in Singapore with limited liabilities)

## PROXY FORM

(Please see notes overleaf before completing this Form)

### IMPORTANT

1. For investors who have used their CPF monies to buy shares in the capital of Sheng Siong Group Ltd., this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY.
2. This proxy form is not valid for use by CPF investors and shall be ineffective for all intent and purposes if used or purported to be used by them.

I/We, \_\_\_\_\_ (name)

of \_\_\_\_\_ (address)

being a member/members of **SHENG SIONG GROUP LTD.** (the "Company"), hereby appoint:

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings %

and/or (delete as appropriate)

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or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the First Annual General Meeting ("Meeting") of the Company to be held at 6 Mandai Link, Singapore 728652 on Tuesday, 24 April 2012 at 10 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote on the business before the Meeting as indicated below. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the Meeting:

No.	Resolutions relating to:	For	Against
1.	Directors' Report and Audited Accounts for the period ended 31 December 2011		
2.	Approval of payment of the first and final dividend		
3.	Re-election of Mr. Lim Hock Chee as a Director		
4.	Re-election of Mr. Lim Hock Eng as a Director		
5.	Re-election of Mr. Goh Yeow Tin as a Director		
6.	Re-election of Mr. Tan Ling San as a Director		
7.	Approval of Directors' fees amounting to \$200,000 for the financial year ended 31 December 2011		
8.	Re-appointment of KPMG LLP as Auditors		
9.	Authority to allot and issue shares in the capital of the Company – Share Issue Mandate		
10.	Authority to grant options and issue shares under the Sheng Siong ESOS		

(Please indicate with a cross [X] in the space provided whether you wish your vote to be cast for or against the Resolutions as set out in the Notice of the Meeting).

Dated this \_\_\_\_\_ day of \_\_\_\_\_

Total number of Shares in:	No. of Shares Held
(a) CDP Register	
(b) Register of Members	

\_\_\_\_\_  
Signatures of Shareholder(s)  
or, Common Seal

**IMPORTANT: PLEASE READ NOTES OVERLEAF**

**Notes:**

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead.
2. Where a member appoints more than one proxy, the proportion of the shareholding to be represented by each proxy shall be specified in this proxy form. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as an alternate to the first named or at the Company's option to treat this proxy form as invalid.
3. A proxy need not be a member of the Company.
4. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this proxy form will be deemed to relate to all the shares held by you.
5. This proxy form must be deposited at the Company's registered office at 6 Mandai Link, Singapore 728652 not less than 48 hours before the time set for the Meeting.
6. This proxy form must be under the hand of the appointor or of his attorney duly authorised in writing. Where this proxy form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where this proxy form is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with this proxy form, failing which this proxy form shall be treated as invalid.

**General:**

The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of shares entered in the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

# About Sheng Siong Group

Sheng Siong Group Ltd is one of Singapore's largest grocery retailers with 25 outlets located all across the island. Our outlets are designed to provide customers with both "wet and dry" shopping options ranging from a wide assortment of live, fresh and chilled produce, such as seafood, meat and vegetables to packaged, processed food products and general merchandises. Over the last 3 years, we have begun developing a selection of housebrands to offer our customers quality alternatives to national brands at substantial savings. To date, we have over 300 products under our 10 housebrands.

Established in 1985 and listed in August 2011, our long history and reputation for quality products at competitive prices has led our "Sheng Siong" brand to become an established household name in Singapore. Widely recognised by consumers, we were awarded the "Superbrand" status by Superbrands Singapore for 4 consecutive years, from 2008 to 2011.

To support our retail operations, we moved into our new corporate headquarters and purpose-built warehousing and distribution centre at Mandai Link in July 2011.

With our distinguished brand name, portfolio of well-recognised housebrands, global sourcing network, excellent food-processing, warehousing and distribution capabilities, experienced management team and dynamic key executives, we have in place a strong foundation for further expansion.



# Chairman's Message 主席献词



Dear Shareholders,

2011 marked a significant milestone for the Group as we grew and transformed from a modest, family-run retail store in Ang Mo Kio in 1985 to a public listed grocery retailer with a market capitalisation of over S\$600 million. We are proud that the knowledge about the market acquired over the years has enabled us to grow our network of retail outlets to 25, and position us for the future as the Sheng Siong brand name is well known in Singapore.

## Financial Performance

In 2011, the overall economy remained subdued, slowing down towards the second half of the year. Retail sales growth at supermarkets was stagnant in 2011 compared with 2010. Amidst the fragile global recovery and the uncertainties in Europe, we continued to focus on establishing the foundations of growth, and extracting more value from our business.

Revenue came in at S\$578.4 million, against S\$628.4 million in FY2010 impacted by the lower retail space caused by the closing of the Ten Mile Junction and Tanjong Katong supermarkets. However, it was encouraging to see gross profit margins improving to 22.1% from 21.8% because of the margin enhancing initiatives which we have embarked on.

There were large one-off items in other income in 2010 and its absence caused a noticeable fall

各位股东

2011年对集团而言，是一个显著的里程碑，因为我们从一家设于宏茂桥的小零售店(1985年起)发展成为市值超过6亿新元的挂牌超市零售商。我们多年来累积的市场知识，使得我们的分布网络扩大到25个零售点——它们多位于新加坡的组屋区。昇菘在新加坡建立起的品牌，可以为我们的未来铺路。

## 财务表现

2011年，整体经济缓和，到了下半年更逐渐放缓。与2010年相比，超市2011年的零售销售额增长持平。尽管全球的复苏脆弱、欧洲市场不明朗，我们继续专注于建立增长的基础，从业务中获取更多的价值。

受到十哩广场和丹戎加东超市相继于2010年和2011年下半年关闭的冲击，2012年的营业额报5亿7840万新元。相比之下，2010财政年的营业额为6亿2840万新元。不过，由于我们落实了一些提高盈利率的计划，我们的毛利率从2010年的21.8%提高到2011年的22.1%，表现令人鼓舞。

2010年，我们的其他收入账项有非常可观的一次性收益，而到2011年，这样的收益



in other income from S\$15.9m in 2010 to S\$3.3m in 2011.

Operating expenses were well controlled, but we had to bear a one-off expense relating to our IPO amounting to S\$1.8m. Stripping off the one-off other income items and the IPO expenses, operating margin remained healthy at 6.2%.

Net profits came in at S\$27.3m, compared with S\$42.6m previously mainly because of the lower turnover, other income and IPO expenses.

Our balance sheet remained debt free and strong. We generated S\$28.1m of cash from operating activities, but this was lower than the S\$34.0m generated in 2010 because of the lower profit.

#### Dividend

As committed at the IPO, we have declared a first and final dividend of 1.77 cents a share, representing 90% of our net profit after tax. This dividend will be paid on 25th May 2012 if approved by the shareholders at the Annual General Meeting to be convened on 24th April 2012.

#### Foundation for growth

In July 2011, we moved into our new centralised warehouse cum distribution centre at Mandai Link with a floor area of approximately 543,000 sq. ft. With the constraint in space now removed, we will be pushing ahead with our plans to increase revenue as well as further implement margin enhancing initiatives. We are confident that these measures will improve our operating margin.

#### Reaching Out

To reach out to more consumers from all walks of life, we have been actively looking for suitable premises, particularly in areas where we do not have a presence. During the year, Sheng Siong launched 3 stalls at Elias Mall market and 3 supermarket outlets located at Teck Whye, Woodlands Industrial Park and Thomson Imperial Court.

We will be opening 2 outlets soon, one in Jalan Berseh and another in Toa Payoh.

On the marketing front, we organised a series of activities during the year to engage our customers such as “The Royal Golden Grain Singing

没有再出现，导致其他收入从2010年的1590万新元明显减少至2011年的330万新元。

我们的营运开支控制得很好，但必须承担一笔同我们的首次公开售股计划有关的开支，即180万新元的一次性费用。如果不考虑一次性的其他收入账项和首次公开售股开支，营运开支率持稳，计6.2%。

2011年的净利报2730万新元，比2010年的4260万新元来得少。这主要因为2011年的营业额和其他收入减少，而且还须承担首次公开售股的开支。

我们的资产与负债表依旧是零债务且稳健的。营运活动为我们带来了2810万新元的现金，但由于盈利退低，所以比2010年获取的3400万新元现金来得少。

#### 股息

正如我们在首次公开售股时所承诺的，我们宣布以每股1.77分派发一次过年终股息，股息额为税后净利的90%。如果在2012年4月24日召开的常年股东大会获得股东们的批准，此股息将于2012年5月25日分发。

#### 增长的基础

2011年7月，我们迁到位于万礼连路的新中央货仓兼分销中心，总楼面大约54万3000平方英尺。由于不再受到地方不够用的局限，我们将能积极推行各项计划，增加营业额及提高盈利。我们有信心这些措施将改善我们的营运盈利率。

#### 接触顾客

为了接触更多各类型顾客，我们积极地在全岛各地物色适当的经营场地。2011年，我们开设了Elias Mall 3个巴刹摊位和3家超市——它们位于德惠巷、兀兰工业园和汤申路上段的Thomson Imperial Court。

我们将在不久的将来，增设两家新店，一家位于惹兰勿刹地带，另一家坐落在大巴窑。

行销方面，我们在2011年主办了一系列活动，与顾客保持联系，如“金禾歌唱比赛”和“开斋节促销活动”等等。我们现场直播



# Chairman's Message 主席献词

Competition" and "Hari Raya Promotion". Our live TV entertainment-cum-game shows continue to draw good viewership, thereby reinforcing the Sheng Siong brand name with the consumers. Through different fairs, we brought in new product varieties and held promotions to excite customers.

Our customers are our foremost priority. We will consider their needs and preferences and motivate them to keep coming back, for our brand name is synonymous with: trusted quality, competitive pricing and personalised service.

## Extracting more value

Capitalising on excellent infrastructure at the new Mandai Link Distribution Centre, we will continue to improve our sales mix, increase direct and bulk purchasing and increase productivity by introducing new technologies and working methods. We are expanding the variety of our existing range of housebrands to sharpen our competitive edge in grocery retail.

## Recognised for Excellence

As a Group, we are delighted and thankful for the recognition conferred to us by various reputable associations in 2011. We were accorded the Bronze Winner of the Retail Asia Top 500 Awards (surveyed by Euromonitor International), Superbrand Status by Superbrands Singapore, Best Small-Cap Equity Deal of FinanceAsia Achievement Awards 2011 and Winner of Most Transparent New Issue of Securities Investors Association (Singapore) Investors' Choice. These accreditations have inspired and reinforced our commitment to enhance our products variety and services as we drive the business forward.

## Staying Ahead with Passion, Commitment and Innovation

The economic outlook in 2012 is uncertain, there could be pressure on costs because of oil prices, but we believe that the Group is well positioned to manage the challenges ahead.

的综艺节目结合娱乐与游戏，持续吸引人们收看，从而加强我们在消费者心目中的品牌地位。通过不同的展销会，我们引进新产品种类及举办促销活动，刺激顾客的购买欲。

我们以顾客为先，因为是他们塑造了明日的超市。我们将考虑他们的需要和喜好，从而保持在前头，鼓励顾客不断地光顾我们的分店，享受我们可以信赖的品质、价格具竞争力的产品及个性化的服务。

## 获取更多的价值

我们将善加利用万礼连新分销中心卓越的基础建设，继续改良销售品类、增加直接与大量的采购，以及通过新科技和工作方式提高生产力。我们正在扩展现有的自家品牌商品种类，加强我们在零售业的竞争优势。

## 因卓越而获得认可

作为一家集团，我们很高兴也感激各个有名望的协会、组织在2011年颁予我们的种种荣耀。我们在亚洲零售500强颁奖礼获得铜牌(此排名由调研机构Euromonitor国际展开)；是新加坡超级品牌之一；也是2011年度亚洲金融大奖的最佳小市值股票交易。此外，我们还获得新加坡证券投资协会主办的“投资者的选择”颁发“最透明新股”奖项。这些认可启发了我们，也加强了我們提高产品多样性、提升服务的信念。

## 以热忱、承诺和创新走在前端

2012年的经济展望不明朗，油价攀高可能加重成本的压力，但我们相信集团已做好准备，应付眼前的挑战。

Besides organic growth, we will concurrently work towards establishing our first overseas footprint into Malaysia and launch our pilot e-business project.

#### **Your Partnership is Paramount**

We value our customers greatly. I would like to thank them for their strong support and constructive suggestions as to how we could improve to serve them better.

I would like to thank our fellow Board members for their invaluable advice, counsel and support. I would also like to acknowledge and commend our staff and management for their passion, teamwork and contribution to the Group's achievements over these years. It is our people who moulded Sheng Siong into what it is today- a preferred retailer of choice. Our success would not be possible without the collaboration and cooperation from business partners and suppliers.

To our shareholders, thank you for your continued support and confidence in Sheng Siong. We will be relentless in our efforts to create and deliver long term sustainable value for all our shareholders, customers and stakeholders, and march towards our next milestone. We strive to be a part in everyone's lives.

Sheng Siong... *all for you!*

除了自然的增长，我们将同时放眼海外，希望在马来西亚设立我们第一个越洋足迹，以及部署我们第一个电子商务计划。

#### **您的合作是重要的**

我们很重视我们的顾客。我想借此机会感谢他们的鼎力支持和富有建设性的提议，好让我们更加进步、更好地为他们服务。

我想感谢我们的董事会成员给予的宝贵意见、咨询与支持。我也想肯定及表扬我们的员工和管理层这么多年来以热情和团队精神，为集团的成就作出贡献。今日的昇菘 - 人们首选的零售商 - 是由我们的人员培育起来的。没有商业伙伴和供应商的合作，我们不可能取得成功。

致我们的股东和忠诚的顾客，谢谢你们持续的支持和对昇菘的信心。我们将努力不懈地为我们所有的股东、顾客和利益共享者创造和带来长期持久的价值，并朝我们下一个里程碑迈进。我们致力于成为每个人生活中的一部分。

昇菘……全是为了你！



# CEO's Statement & Operations Review

## 总裁献词及业务回顾



### Market Overview

The economy was not particularly strong with GDP growth at 4.9% in 2011 compared with 14.8% in 2010. Retail sales at supermarkets were stagnant in 2011 compared with 2010. The market uncertainties lingering in Europe could have caused some anxiety to consumers, thereby restraining spending.

### Turnover fell 8% to S\$578.4m

The supermarket industry remained competitive. Our competitors increased their store count in 2011, and correspondingly, we opened four new outlets at Elias Mall, Teck Whye, Woodlands Industrial Park and Thomson Imperial Court. In terms of retail space, these four locations were not enough to compensate for the closure of our Ten Mile Junction and Tanjong Katong Supermarkets in November 2010 and September 2011 respectively. Furthermore, as the supermarkets at Woodlands Industrial Park and Thomson Imperial Court were opened only in November 2011, their contribution to 2011's turnover was minimal.

Comparable same store sales, excluding the supermarket at the Verge, were flattish in 2011, compared with a 1.0% fall in 2010. Sales in the older stores in matured housing estates eased lower but growth in sales in newer stores were encouraging.

### 市场概观

2011年的经济不是特别强劲，国内生产总值增长为4.9%。相比之下，2010年的国内生产总值增长率达14.8%。2011年的超市销售表现平平。欧洲市场挥之不去的不明朗情况可能给消费者带来困扰，因而在开销方面变得较为谨慎。

### 营业额跌8%至5亿7840万新元

超市行业的竞争依旧激烈。我们的竞争者在2011年增加店数，而我们也开设了4家新分店 – Elias Mall、德惠巷、兀兰工业园和汤申路上段的Thomson Imperial Court。以店铺面积来说，这四个地点不足以抵消我们关闭十哩广场和丹戎加东超市所失去的营运面积(十哩广场和丹戎加东超市分别于2010年11月和2011年9月结束营业)。此外，由于兀兰工业园和Thomson Imperial Court的超市只有到2011年11月才开业，在2011年为集团作出的营业额贡献不大。

如果不包括我们设于 The Verge 购物商场的超市，同一家店的销售额表现在2011年持平。相比之下，2010年的同一家店销售额下跌了1.0%。在成熟组屋区店龄较高的超市，销量趋缓。不过，在较新的分店，销售增长令人鼓舞。然而，



However, as we were consolidating in the years 2008 to 2010 – we opened only one store each in 2008 and 2009, and did not open any in 2010, the uplift to comparable same store sales from new stores was considerably less.

### Margins Improved

2011's gross profit margin ended at 22.1%, an improvement over 2010's margin of 21.8%. The margin improvements came from lower purchase cost derived from increased volume of direct and bulk purchasing. This was made possible by the additional capacity and excellent infrastructure of our new distribution centre.

### Operations – Logistics

We moved to our new distribution centre at Mandai in July 2011. Following the move, space constraint was removed as the new distribution centre with an area of approximately 543,000 sq feet is four-and-a-half times larger than the old warehouse. Now, we can increase our direct and bulk purchasing as well as improve our sales mix in favour of higher margin products like fresh produce and housebrands. These initiatives will enhance our gross margins. In addition, we have implemented a computer aided warehouse management and picking system, which has not only improved productivity but also paved the way for us to be less reliant on labour as we continue to build up our volume.

### Expenses

Staff cost, which is the largest expense item in our operating expenses, was lower in 2011 because of the lower provision for bonus which varies with profits. Offsetting this saving were higher utility and IPO expenses. Rental of the supermarket outlets remained at about 2.5% of sales. Operating expenses were well controlled.

### Other Income

There was an absence of one-time income like the gain in sale of investments, rental derived from subletting excess space at the Ten Mile Junction Supermarket and government grants in 2011. In preparation for our IPO, we sold off our investments in listed equities in 2010 and will not be investing in such instruments again.

由于我们在2008年至2010年进行巩固、整合，我们2008年和2009年只各开一家店，在2010年则没有开设任何新店，所以来自新店的同一家店面销售增长便显得微小。

### 毛利率改善

2011年的毛利率报22.1%，比2010年的21.8%来得高。毛利率改善，是因为我们新的分销中心为我们提供额外的容量和卓越的基建，而直接采购和量购降低了采购成本。

### 营运—物流

我们在2011年7月搬到万礼的新分销中心。搬迁之后，我们不再受到空间的局限，因为新分销中心的总楼面约达54万3000平方英尺，是旧货仓的4.5倍。如今，我们可以增加直接和大批的采购量，以及通过引进获利较高的产品如新鲜物产和自家产品来改良我们的销售品类。这些计划将提高我们的毛利率。此外，我们也推行了电脑化的货仓管理与拣货系统。这不仅提高了生产力，也为我们日后在继续增加货品处理量的同时减少对劳工的依赖铺路。

### 开支

我们营运成本当中耗费最高的员工开支在2011年有所降低。这是因为与盈利挂钩的分红准备金较少。另一方面，我们面对水电费增加和首次公开售股的开支。超市租金稳定，持续占销售额的大约2.5%。营运开支控制得很好。

### 其他收入

2011年，我们少了一些一次性的收入，如出售投资取得的收益、分租十哩广场超市的额外店面而收取的租金及政府给予的津贴。为了准备上市，我们在2010年卖掉挂牌证券，并且不打算再投资于这类工具。



# CEO's Statement & Operations Review

## 总裁献词及业务回顾

### Taxes

The effective tax rate for 2011 was higher than the statutory rate of 17% because IPO expenses are not tax deductible and there was a charge of approximately S\$0.5m relating to prior year's tax not provided for. IRAS has assessed tax on our gains in the sale of investments of S\$3.1m in 2009, for which no provisions were made as we are of the view that the gain is capital in nature. We have objected to the assessment. Similarly, the gain in 2010 of S\$9.6m could be assessed to tax by IRAS. They have not made any assessment on our 2010 income yet.

As a result of the lower operating profit because of the lower turnover and the absence of one-time gains, net profit for 2011 fell to S\$27.3m from S\$42.6m in 2010.

### Assets and working capital

The business continues to be cash generative. We ended the year with S\$122.1m worth of cash, the bulk of which were placed in S\$ fixed deposits with banks or financial institutions in Singapore. The term loan to finance the new distribution centre has been fully re-paid and the Group is debt free.

### Looking ahead

After our expansionary years up to 2007, we took a step back to consolidate the operations as our back-end support and infrastructure could not cope with the increased volume. The measures taken included a

### 税务

2011年的有效税率比法定的17%高，因为首次公开售股的开支不能扣税，而且上年没有为一笔为数50万新元的税款拨出准备金。国内税务局为我们2009年脱售投资取得的310万新元收益估税。我们早前没有为此拨出税务准备金，因为在我们看来，有关的收益属于资本收益性质。我们已对这方面的税务评估表示不苟同。同样地，我们于2010年获取的960万新元收益可能会被国内税务局考虑为可估税项目。该局目前还未为我们2010年的盈利进行任何税务评估。

由于营业额减少导致营运盈利退低，加上没有一次性的收益，净利从2010年的4260万新元下跌到2011年的2730万新元。

### 资产与营运资本

我们的业务持续让我们现金充裕。截至2011年底，集团持有的现金总额达1亿2210万新元，其中大部分放入新加坡各家银行或金融机构作新元定存。用来作为新分销中心融资的有期贷款已经全数还清，因此集团目前是零债务。

### 展望

集团快速扩展至2007年之后，暂缓脚步为营运进行整顿，因为我们的后勤支援与基建无法应付生意量的激增。业务巩固期采取的措施包括改革资讯科技系统，让采购功能中央化以及兴





revamp of our IT systems, centralization of purchasing function and building the new office and distribution centre. In anticipation of the improved back-end support coming on stream, we launched housebrands, initiated bulk and direct purchasing and emphasized on the sale of fresh produce, all with the aim of enhancing gross margins.

Now that we have moved to our new distribution centre and the back-end support is in place, we will be concentrating on organic growth and further extracting value by enhancing margins. We are looking to open new outlets in housing estates where we do not have a presence.

Competition is likely to remain keen and we expect our competitors to open new outlets.

Our e-commerce project is proceeding on schedule and we are really excited about this new development. At the same time, we are also doing groundwork to prepare for our expansion into Malaysia.

The Government has announced a reduction in the dependency ratios for foreign workers. While this policy change would affect the whole industry, we are to a certain extent prepared, as we have been introducing productivity enhancing technologies and work methods since we moved to the new distribution centre.

### Corporate Social Responsibility

The Group emphasizes on sustaining and keeping our environment green and have introduced conservation measures in the way business is conducted. Recycling and the use of environmentally friendly products are encouraged.

### Conclusion

2011 was a tough but operationally satisfying year as it signified a new milestone for the Group. We look forward to the challenges in the years ahead, with confidence and prudence.



建新的办公楼兼分销中心。由于后勤支援预期会改善，我们推出自家品牌，展开直接与大批的采购，并把重点放在新鲜物产的销售，目的全都是为了提高毛利率。

如今我们已经搬到新的分销中心，而后勤支援也逐渐成形，我们将专注于争取自然增长及提高盈利，从现有的业务进一步获取价值。我们考虑在没有零售点的组屋区开设新店。

市场竞争料持续激烈，我们预计竞争同行将开设新店。

我们的电子商务计划正如期进行，我们对这项新发展兴致勃勃。与此同时，我们也在为进军马来西亚作好准备。

政府日前宣布降低外劳比率。这项政策改变虽将影响整个行业，但我们在一定程度上已作好准备，因为集团自从搬到新分销中心以来，就一直在采用可提高生产力的技术和作业方式。

### 企业社会责任

集团重视环境保护和可持续性，使环境绿化，并在商务上推出环保措施。我们鼓励再循环以及使用环保产品。

### 总结

尽管2011年过得不容易，但在业务上却是充实及有满足感的，因为集团在这一年创下新的里程碑。我们以审慎的作风和十足的信心，迎接未来的挑战。

# Board of Directors



## LIM HOCK ENG

### Executive Chairman

Appointed: 10 November 2010

(Retiring and standing for re-election at the forthcoming Annual General Meeting)

Mr Lim Hock Eng is our Executive Chairman and his areas of responsibility include business strategy and planning and business administration. Mr Lim also manages our day-to-day operations, including overseeing the setting-up process for our new stores,

including supervising the preparation and submission of our bids and tenders for new premises, as well as the renovation works and equipment purchases and installations required to outfit such premises. Mr Lim was one of the founding shareholders of C M M Marketing Management Pte Ltd and Sheng Siong Supermarket Pte Ltd. He has been a director since Sheng Siong Supermarket Pte Ltd was incorporated in 1983, and has been instrumental in our Group's growth. Mr Lim has more than 28 years of experience in grocery retailing. Prior to founding our Group, Mr Lim was employed in his family's hog rearing business. Our Executive Directors, Mr Lim Hock Eng, Mr Lim Hock Chee, and Mr Lim Hock Leng are brothers.



## LIM HOCK CHEE PBM

### Chief Executive Officer

Appointed: 10 November 2010

(Retiring and standing for re-election at the forthcoming Annual General Meeting)

Mr Lim Hock Chee PBM is our Chief Executive Officer and is responsible for overseeing our operations, setting directions for new growth areas and developing business strategies. Mr Lim was one of the founding shareholders of C M M Marketing Management Pte Ltd

and Sheng Siong Supermarket Pte Ltd, and has been a director of our Group since Sheng Siong Supermarket Pte Ltd was incorporated in 1983. He has been instrumental in our Group's growth and has been leading the expansion of our business and operations since inception. Mr Lim also manages our day-to-day operations, including overseeing aspects of the meat-related business of our grocery retailing operations, such as selection, supply, processing, storage and quality control. Mr Lim has more than 28 years of experience in grocery retailing. Prior to founding our Group, Mr Lim was employed in his family's hog rearing business. Mr Lim was awarded the Pingat Bakti Masyarakat, or the Public Service Medal, by the Singapore Prime Minister's Office in 2006 and the Long Service Award by the Singapore Prime Minister's Office in 2007. He was appointed to the council of the Singapore Chinese Chamber of Commerce and Industry (SCCCI) in 2010. Mr. Lim also serves on the Marsiling Community Club Management Committee as chairman, on the Marsiling Citizen's Consultative Committee as treasurer, and on the advisory committee of Qihua Primary School in Woodlands, Singapore.





### LIM HOCK LENG

#### Managing Director

Appointed: 10 November 2010

Mr Lim Hock Leng is our Managing Director and is responsible for overseeing our operations and developing our business in alignment with consumer preferences and consumption patterns. Mr. Lim also manages our day-to-day operations, including overseeing various aspects of the seafood business of our grocery retailing business, such as selection,

supply, storage and quality control. Mr Lim was one of the founding shareholders of C M M Marketing Management Pte Ltd. He has been a director since 1994, and has been instrumental in our Group's growth. Mr Lim has more than 17 years of experience in grocery retailing. Prior to founding our Group, Mr Lim was employed in his family's hog rearing business.



### TAN LING SAN

#### Executive Director

Appointed: 22 June 2011

Mr Tan Ling San is our Executive Director and is responsible for administration and implementation of our Group's policies and strategies, and evaluating new growth areas for our business. Mr Tan spearheaded the restructuring of our Group and oversaw the expansion of our store network. Prior to joining our

Group in 2006, he founded and served as the executive chairman of PSC Corporation (formerly known as Provisions Suppliers Corporation Limited), a company currently listed on the SGX-ST and engaged in, inter alia, the supply of consumer essentials through its chain of Econ Minimart stores (as they were then known) ("PSC Corporation"). Mr Tan has more than 41 years of experience in grocery retailing.

Between 1984 and 1988, Mr Tan was a director of Fu Ye Chemicals Pte Ltd ("Fu Ye"), and between 1982 and 1984, Mr Tan was a director of Top Commerce (Asia) Trading Pte Ltd ("Top Commerce"). Fu Ye was engaged in the manufacture of soap, detergents, washing and other cleaning preparations, and Top Commerce was engaged in general wholesale trade. Both of these companies were suppliers to PSC Corporation.



# Board of Directors



## GOH YEOW TIN

### Lead Independent Director

Appointed: 22 June 2011

(Retiring and standing for re-election at the forthcoming Annual General Meeting)

Mr Goh Yeow Tin is our Lead Independent Director. He is currently the chief executive officer of Seacare Education Pte Ltd which specialises in providing educational services and consultancy in Singapore, Malaysia and China. Mr Goh began his career with

the Economic Development Board (“**EDB**”) where he headed the Local Industries Unit and was subsequently appointed a director of EDB’s Automation Applications Centre between 1984 and 1988. He served as deputy executive director of the Singapore Manufacturers’ Association (now known as the Singapore Manufacturers’ Federation) from 1983 to 1984. In 1988, Mr Goh joined Tonhow Industries Ltd, the first plastic injection moulding company to be listed on SESDAQ (now known as Catalist), and served as the deputy managing director until 1990. Mr Goh was also a founding member of the Association of Small and Medium Enterprises (ASME) in 1986, and in 1989, Mr. Goh founded, and served as general manager of, International Franchise Pte Ltd, a pioneer in the franchising business in Singapore, until 1991. Between 1990 and 2000, Mr Goh served as the vice-president of Times Publishing Ltd., and was responsible for retail and distribution businesses in Singapore, Hong Kong and various parts of South-east Asia. He currently also serves as an independent director of Juken Technology Ltd (appointed in 2005), a non-executive director of Oakwell Engineering Ltd (appointed in 2006), and an independent director of Lereno Bio-Chem Ltd (appointed in 2007), and an independent director of Vicom Ltd (appointed in 2010), all of which are companies listed on the SGX-ST.

Mr Goh was awarded the Public Service Medal in 1998 and the Public Service Star in 2006 by the President of the Republic of Singapore. Mr Goh is also a member of the Singapore Institute of Directors. He holds a Bachelor’s degree in Mechanical Engineering (Hons) from the University of Singapore (now known as the National University of Singapore) and a Masters’ degree in Industrial Engineering and Management from the Asian Institute of Technology.



## JONG VOON HOO

### Independent Director

Appointed: 22 June 2011

Mr Jong Voon Hoo is our Independent Director. Mr Jong currently serves as chief financial officer of Youcan Foods International Ltd, a company listed on the SGX-ST, where he is responsible for overseeing accounting and finance matters. Mr Jong began his career in 1996 in Arthur Andersen where he was involved in assurance, business advisory, and

transaction advisory services. During his tenure in Arthur Andersen, Mr Jong was responsible for, inter alia, performing operational and financial audits of publicly listed companies and multinational corporations operating in different industries, and developing and implementing plans to enhance the efficiency and efficacy of business

and financial processes. Mr Jong joined Deloitte & Touche in 2002 as a manager and led audit engagements in various companies, assisting companies with, inter alia, initial public offerings and due diligence reviews in connection with proposed mergers and acquisitions. Mr Jong graduated from Nanyang Technological University in 1996 with a Bachelor's degree in Accountancy (Hons) and is a Certified Public Accountant and non-practising member of the Institute of Certified Public Accountants of Singapore (ICPAS).



#### FRANCIS LEE FOOK WAH

Independent Director

Appointed: 22 June 2011

Mr Francis Lee Fook Wah is our Independent Director. Mr Lee is currently the director of Wise Alliance Investments Ltd, where he manages and oversees investment portfolios. Previously, between 2005 and 2011, Mr Lee served as an executive director, finance director and chief financial officer of Man Wah Holdings Ltd, a company listed on the Hong Kong

Stock Exchange, where he was responsible for the overall accounting functions of the company and matters relating to its corporate regulatory compliance and reporting. Mr Lee began his career in 1990 in the Commercial Crime Division of the Criminal Investigation Department, where he served as a senior investigation officer. In 1993, he joined OCBC Bank as an assistant manager conducting credit analyses. Between 1994 and 2001, he worked at Deutsche Morgan Grenfell Securities as a dealer's representative managing clients' investment portfolios. Mr Lee served at the Singapore branch of the Bank of China between 2001 and 2004 as an assistant manager overseeing a team of credit officers. Between 2004 and 2005, he worked at AP Oil International Ltd as an investment and project manager, where he was involved in mergers and acquisitions and was also tasked with overseeing its overall credit policy. Mr Lee graduated from The National University of Singapore with a Bachelor's degree in Accountancy in 1990 and obtained a Master's degree in Business Administration (Investment and Finance) from The University of Hull in 1993. Mr Lee is a Certified Public Accountant and a non-practising member of the Institute of Certified Public Accountants of Singapore (ICPAS). He is also a member of the Singapore Institute of Directors.



#### LEE TECK LENG, ROBSON

Non-executive Director

Appointed: 22 June 2011

Mr Lee Teck Leng, Robson is our Non-executive Director. Mr Lee is currently a partner in Shook Lin & Bok LLP's corporate finance and international finance practice and has been with the firm since 1994. Mr. Lee is also a partner in the firm's China practice, focusing on cross-border corporate transactions in the PRC. In addition, Mr Lee currently serves as an

independent director on the boards of Best World International Ltd (appointed in 2004), Matex International Ltd (appointed in 2006), Serial System Ltd (appointed in 2002), Sim Lian Group Ltd (appointed in 2002), Qian Hu Corporation Ltd (appointed in 2000) and Youcan Foods International Ltd (appointed in 2004), all of which are companies listed on the SGX-ST. He is also an independent director on the board of Man Wah Holdings Ltd, a company listed on the Hong Kong Stock Exchange. Mr Lee is a member of the Board of Governors of Hwa Chong Institution, a director and secretary to the board of directors of Singapore Chinese High School, as well as legal adviser to the Hwa Chong Alumni Association and the Singapore Plastic Industry Association. He was conferred the Service to Education Award by the Ministry of Education in 2004 and 2010, and was appointed a member of the Feedback Supervisory panel for 2005/2006 by the Prime Minister of Singapore. Mr Lee graduated from the National University of Singapore in 1993 with a Bachelor's degree in Law (Hons), and was admitted as a solicitor in England and Wales in 2008. He is a member of the Singapore Academy of Law, and the Law Society of Singapore.

# Key Executives

## Wong Soong Kit

### Finance Director

Mr Wong Soong Kit is responsible for overseeing our Group's finance and accounting functions, treasury management, strategic planning and budgets, tax management, corporate governance and internal controls.

Prior to joining our Group in 2011, Mr Wong was a financial consultant working on initial public offerings, mergers and acquisitions, and financial reporting. Between 1989 and 2009, Mr Wong served as the group finance director of BRC Asia Ltd ("**BRC**"), a company listed on the SGX-ST, where his areas of responsibility included financial, strategic, and risk management, as well as leading BRC's initial public offering exercise in Singapore in 2000, assisting with the initial public offering of BRC's then-majority shareholder, Acertec PLC, on the London Stock Exchange AIM Market in around 2006, and managing BRC's joint venture in China. Between 1978 and 1989, Mr Wong served as chief financial officer of Guthrie GTS Ltd, a company listed on the SGX-ST, where he assisted with the group's restructuring and merger and acquisition exercises. Between 1977 and 1978, Mr Wong worked with Comex Far East Pte Ltd as an accountant. He served as an audit clerk with PriceWaterhouse (as it was then known) between 1974 and 1977. He is a Chartered Accountant and Fellow of the Association of Chartered Certified Accountants (ACCA)(UK), as well as a Fellow of the Institute of Certified Public Accountants of Singapore.

## Lim Chee Wee Ryan

### Chief Financial Officer

Mr Lim Chee Wee Ryan is in charge of our Group's financial statements, cash management, corporate governance, and internal controls.

Prior to joining us in early 2009, Mr Lim served as an internal audit executive and personal secretary to the executive chairman of San Teh Ltd, a company listed on the SGX-ST, between 1998 and 2000. Between 2000 and 2001, Mr Lim worked as an internal auditor with Asia Pulp & Paper Ltd, one of the largest paper and pulp companies in the world. He then joined Overseas Union Enterprise Ltd, a company listed on the SGX-ST, as an internal audit executive, serving between 2001 and 2003, before becoming a senior consultant at KPMG (as it was then known), where he worked till 2004. Between 2004 and 2007, Mr Lim worked as an associate principal at LTC & Associates (as it was then known), an independent member of BKR International, a global association of accountancy firms. During 2007, Mr Lim served as an assistant director at Informatics Education Ltd, a company listed on the SGX-ST. In late 2007, Mr. Lim became a director of JF Virtus Pte Ltd, an assurance services consultancy firm serving publicly-listed companies. Between 2008 and 2009, Mr Lim served as regional controller to Alantac Technology Ltd (as it was then known), a company listed on the SGX-ST. Mr Lim graduated with a Bachelor of Accountancy degree from Nanyang Technological University of Singapore in 1998. He is a Certified Public Accountant (non-practising) and a member of the Institute of Certified Public Accountants of Singapore (ICPAS) as well as a Certified Internal Auditor and member of the Institute of Internal Auditors.



### Tan Bee Loo

Head

Fruits and Vegetables

Mdm Tan Bee Loo oversees the purchasing, pricing and quality control aspects of the fruit and vegetables retailed in our stores, as well as the direct importation of fruits and vegetables by our Group from our international suppliers located in various parts of the world.

Mdm Tan has worked with our Group since its inception in 1985. During her career with us, she has held several positions in our Group and her responsibilities have included overseeing the procurement, negotiations, direct importation of, and retail sales of our fruits and vegetables, as well as our general store operations, including sales, product displays and customer service. In 2007 and 2008, Mdm Tan was appointed a director of our subsidiaries, Sheng Siong Supermarket Pte Ltd and C M M Marketing Management Pte Ltd, respectively. Prior to joining us, Mdm Tan worked as a craftsman in Toppan Forms (S) Pte Ltd between 1978 and 1981. Mdm Tan has over 27 years of relevant experience in grocery retailing and related industries. Mdm Tan is the spouse of our Executive Director, Mr Lim Hock Eng.

### Lee Moi Hong

Head

Dry Goods

Mdm Lee Moi Hong oversees our Group's packing and distribution of dry goods such as biscuits, spices, flour, dried shrimp, Chinese herbs and other similar products.

Mdm Lee has worked with our Group since its inception in 1985. During her career with us, she has held several positions in our Group and her responsibilities have included overseeing the cutting, processing, storing and repacking of meat products, the selection and packing of dried foods, general store operations, and the inspection of our stores on a regular basis. In 2007 and 2008, Mdm Lee was appointed a director of our subsidiaries, Sheng Siong Supermarket Pte Ltd and C M M Marketing Management Pte Ltd, respectively. Prior to joining our Group, Mdm Lee was

employed in her family's poultry rearing and processing business. She has approximately 27 years of relevant experience in grocery retailing and related industries. Mdm Lee is the spouse of our Executive Director, Mr Lim Hock Chee.

### Law Ah Yi

General Manager

Business Development and Promotions

Mr Law Ah Yi is in charge of developing and promoting our housebrand products, as well as our nationwide advertising & promotion campaigns, such as promotional activities on live television.

Prior to joining us in 2007, Mr Law worked in PSC Corporation (formerly known as Provisions Suppliers Corporation Ltd), a company currently listed on the SGX-ST. Between 1974 and 2007, Mr Law held various positions in PSC Corporation, and served as general sales manager in PSC Corporation for over 10 years, where his responsibilities included the franchising of chain stores and mini-marts, as well as the distribution of housebrand products. Having worked in the industry since 1974, he has over 37 years of relevant experience in grocery retailing.

### Lee Lay Chin

General Manager

Purchasing and Promotions

Mdm Lee Lay Chin heads the purchasing team and leads negotiations with our suppliers on trading terms, and negotiations with major corporate partners on joint promotions. Mdm Lee is also responsible for our promotional activities, including "The Sheng Siong Show", the "Sheng Siong Live!" show and various other festive promotions.

Mdm Lee joined us as an assistant general manager of our purchasing and promotions department in 2007 and was promoted to general manager in 2009. In her current role, Mdm Lee oversaw the launch of our Sheng Siong co-branded credit cards in 2009 and our collaboration with VISA in relation to promotional activities for the World Cup and the Singapore Youth



# Key Executives

Olympic Games in 2010, and led negotiations with payment providers such as Visa, Mastercard and China Unionpay for our stores. Prior to joining us, Mdm Lee worked in PSC Corporation between 1976 and 2007, beginning as a sales clerk and rising through a series of promotions to merchandising manager, a senior managerial position. She graduated from the Singapore Institute of Management in 1984 with a Diploma in Business Studies.

## Wong Heng San

Assistant General Manager  
International Business Development

Mr Wong Heng San's responsibilities include overseeing our Group's international sourcing operations, as well as identifying, planning and executing our international trading operations and investments.

Prior to joining us in 2007, Mr Wong began his career at Golden Hope Commodity Pte Ltd, where he was engaged in commodity futures trading between 1980 and 1981. Between 1981 and 1989, Mr Wong worked at the Singapore Trade Development Board ("STDB"), where his responsibilities included serving at STDB's China Desk to assist Singaporean and Chinese companies in their trading and investment operations in the PRC and Singapore, respectively. In 1989, Mr Wong was appointed Centre Director of the Beijing-Singapore Trade Office by STDB, as well as Assistant Commercial Representative for Beijing, PRC by the Singapore Ministry of Foreign Affairs. In 1991, Mr Wong served as a Commercial Attaché in the Singapore Embassy in Beijing, PRC. From 1992 to 2007, Mr Wong worked in PSC Corporation where he served as general manager of a joint venture company involving PSC Corporation in Shanghai, PRC. Mr Wong graduated from Nanyang University (which subsequently merged with the University of Singapore to form the National University of Singapore) in 1980, with a Bachelor's degree in Government and Public Administration.

## Tan Yone Shin

Assistant General Manager  
Supermarket Operations

Mr Tan Yone Shin (also known as Mr Khin Maung Lwin) oversees the business and operations of our stores located in the northern and western part of Singapore.

Mr Tan joined us in 1995 as an accountant, and during his career with us, held various positions in our Group. In 2004, Mr Tan served as an area manager overseeing our stores' operations, before being promoted to Assistant General Manager, Supermarket Operations in 2007. He graduated from the Institute of Economics in Yangon, Myanmar in 1983 with a Bachelor of Commerce degree. He has also attended various training courses, including a course at the Singapore Environment Institute in 2004, and courses at the Singapore Institute of Retail Studies and SSA Consulting Group Pte Ltd in 2008 and 2009 under the Singapore Workforce Skills Qualification Scheme, which is administered by the Singapore Workforce Development Agency

## Ho Chee Haw

Assistant General Manager  
Supermarket Operations

Mr Ho Chee Haw oversees the business and operations of our stores and stalls located in the eastern and central part of Singapore.

Mr Ho joined us in 1999 and during his career with us, held various positions in our Group, beginning as a cashier and rising through a series of promotions to a senior managerial position. In 2001, Mr Ho served as a supervisor overseeing our grocery department functions, before being promoted to executive within the same department and then to assistant manager of one of our stores in 2003. In 2005, he became manager of a store. In 2007, he rose to become an assistant area manager, and then to area manager's

position a year later, overseeing our stores' operations. He was promoted to Assistant General Manager in January 2012. Mr Ho graduated from Sekolah Menengah Bakri Muar in Johor, Malaysia in 1999, with a Form 5 certificate. He has also attended various training courses, including courses at the Singapore Institute of Retail Studies, the Singapore National Employers Federation, Arise Services Pte Ltd, SSA Consulting Group Pte Ltd and PS Consulting Group in 2006, 2008, 2009, 2010 and 2011 under the Singapore Workforce Skills Qualification Scheme, which is administered by the Singapore Workforce Development Agency.

#### Tan Siok Tin

Senior Manager

Information Technology

Ms Tan Siok Tin oversees the implementation and maintenance of the various computer systems required for our operations, including our Management Information System, as well as designing and implementing information technology solutions, such as data recovery plans and back-up schemes. She is also responsible for reviewing our infrastructure technology and liaising with external technology vendors.

Prior to joining us in 2007, Ms Tan worked in PSC Corporation between 1982 and 2007. She served as the senior executive in charge of PSC Corporation's management information systems, overseeing the implementation and maintenance of enterprise resource planning (ERP) systems for companies in Singapore and Malaysia, and conducting operations and business reviews and analyses. Ms Tan has approximately 29 years of relevant experience in information technology-related work.

Ms Tan graduated in 1997 with an International Diploma in Computer Studies from NCC Education, a global education provider based in the United Kingdom.

#### Sng Yiam Choon

Senior Manager

Warehouse and Logistics Operations

Mr Sng Yiam Choon oversees and controls our inventory movements, delivery records, and other aspects of our day-to-day warehouse and logistics operations.

Prior to joining us in 2007, Mr Sng began his career as an executive in the materials department of Shell Eastern Petroleum (Pte) Ltd in 1976 where he assisted with logistics and materials purchasing. Between 1984 and 1992, Mr Sng worked in PSC Corporation as an operations and production manager, being responsible for inventory management and product manufacturing. Between 1992 and 1994, Mr Sng was engaged by Cheah Huat Food Industrial Pte Ltd as a marketing manager. Between 1994 and 1997, he worked in Provision Management Supplier Pte Ltd as a marketing and warehousing manager overseeing marketing activities and inventory levels. Mr Sng then worked in Chia Khim Lee Food Industries Pte Ltd between 1997 and 2007 as a senior development manager in charge of general business development and client management. Mr Sng has over 27 years of relevant experience in grocery retailing and related food industries.



# Corporate Information

## Board of Directors

Mr Lim Hock Eng	<i>Executive Chairman</i>
Mr Lim Hock Chee	<i>Chief Executive Officer</i>
Mr Lim Hock Leng	<i>Managing Director</i>
Mr Tan Ling San	<i>Executive Director</i>
Mr Goh Yeow Tin	<i>Lead Independent Director</i>
Mr Jong Voon Hoo	<i>Independent Director</i>
Mr Francis Lee Fook Wah	<i>Independent Director</i>
Mr Lee Teck Leng, Robson	<i>Non-executive Director</i>

## Audit Committee

Mr Jong Voon Hoo	<i>Committee Chairman</i>
Mr Goh Yeow Tin	
Mr Francis Lee Fook Wah	
Mr Lee Teck Leng, Robson	

## Nominating Committee

Mr Francis Lee Fook Wah	<i>Committee Chairman</i>
Mr Goh Yeow Tin	
Mr Lee Teck Leng, Robson	

## Remuneration Committee

Mr Goh Yeow Tin	<i>Committee Chairman</i>
Mr Jong Voon Hoo	
Mr Lee Teck Leng, Robson	

## Company Secretary

Mr Lim Chong Hwee (LLB (Hons))

## Independent Auditor

KPMG LLP  
16 Raffles Quay  
#22-00 Hong Leong Building  
Singapore 048581

Partner-in-charge of the audit: Mr Gerald Low  
Year appointed: 2006

## Share Registrar

Boardroom Corporate & Advisory Services Pte Ltd  
50 Raffles Place  
#32-01 Singapore Land Tower  
Singapore 048623  
Tel: 6536 5355  
Fax: 6536 1360

## Registered Office

6 Mandai Link  
Singapore 728652  
Tel: 6895 1888  
Fax: 6269 8265  
Website: [www.shengsiong.com.sg](http://www.shengsiong.com.sg)



# Corporate Governance

## INTRODUCTION

The Board of Directors (the “**Board**”) is committed to ensuring that the highest standards of corporate governance are practised throughout Sheng Siong Group Ltd. (the “**Company**”) and its subsidiaries (the “**Group**”), as a fundamental part of its responsibilities to protect and enhance shareholder value and the financial performance of the Company. In this respect, the Company adopts the practices based on the principles and guidelines as set out in the Code of Corporate Governance 2005 (the “**Code**”).

This report describes the Group’s corporate governance practices and structures that were in place during the financial year ended 31 December 2011 (“**FY2011**”).

## (A) BOARD MATTERS

### Board’s Conduct of its Affairs

*Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.*

The Board is primarily responsible for overseeing and supervising the management of the business affairs of the Group and Board members are expected to act in good faith and exercise independent and objective judgement in the best interests of the Group.

The functions of the Board include:

- (i) providing entrepreneurial leadership, setting the corporate strategy and directions, and ensuring that the necessary financial and human resources are in place for the Group to achieve its objectives;
- (ii) establishing a framework of prudent and effective controls which enable risks to be assessed and managed;
- (iii) reviewing the performance of Management; and
- (iv) setting the Group’s values and standards, and ensuring that obligations to shareholders and others are met.

Matters requiring the Board’s decision and approval include:

- (i) the financial plans of the Group;
- (ii) major funding proposals, investments, acquisitions and divestments including the Group’s commitment in terms of capital and other resources; and
- (iii) the appointment and the remuneration packages of the Directors and Management.

The Group has in place financial authorisation limits for matters such as operating and capital expenditure, credit lines and acquisition and disposal of assets and investments, which require the approval of the Board.

# Corporate Governance

Our Board recognises the importance of corporate governance and the maintenance of high standards of accountability to shareholders. The Board has delegated specific responsibilities to three (3) Board committees: (a) the Nominating Committee (“**NC**”); (b) the Remuneration Committee (“**RC**”); and (c) the Audit Committee (“**AC**”) to facilitate effective management. While each Board committee has the power to examine particular issues and will make recommendations to the Board, the ultimate responsibility for the final decision on all matters lies with the Board. Where a potential conflict of interest arises, the Director concerned does not participate in discussions and refrains from exercising any influence over other members of the Board.

Our Board meets regularly and as warranted by particular circumstances, as deemed appropriate by the Board members. Fixed meetings are scheduled on a quarterly basis and additional meetings are convened as and when there are matters requiring the Board’s consideration and decision at any particular point in time. Our Articles of Association allow each Director to participate in a Board Meeting by means of teleconference, video conference, audio visual or other similar communications equipment.

The number of Board and committee meetings held in FY2011 since the Company was listed on 17 August, and the attendance of our Directors at these meetings are as follows:

	Board			NC		RC		AC		
	Number of meetings			Number of meetings		Number of meetings		Number of meetings		
	Position	Held	Attended	Position	Held	Position	Held	Position	Held	Attended
<b><u>Executive Directors</u></b>										
Lim Hock Chee	M	1	1	–	–	–	–	–	1	*1
Lim Hock Eng	C	1	1	–	–	–	–	–	1	*1
Lim Hock Leng	M	1	1	–	–	–	–	–	1	*1
Tan Ling San	M	1	1	–	–	–	–	–	1	*1
<b><u>Non-executive Directors</u></b>										
Goh Yeow Tin	M	1	1	M	–	C	–	M	1	1
Jong Voon Hoo	M	1	1	–	–	M	–	C	1	1
Francis Lee Fook Wah	M	1	1	C	–	–	–	M	1	1
Lee Teck Leng, Robson	M	1	1	M	–	M	–	M	1	1

\* By invitation

Newly appointed Directors will receive a formal appointment letter setting out their duties and obligations, and undergo an orientation that includes a briefing by Management on the Group’s structure, businesses, operations, policies and governance practices. Directors who are not familiar with the duties and obligations required of a listed company in Singapore have undergone the necessary training and briefing. As an ongoing exercise, the Directors receive updates and the necessary training on new laws and regulations which have an important bearing on the Company and the Directors’ obligations to the Company, from time to time.

# Corporate Governance

## Board Composition and Balance

*Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.*

Our Board comprises eight (8) Directors, four (4) of whom are non-executive and three (3) of whom are independent. The list of Directors is as follows:

Name	Date of Appointment	Designation
Mr. Lim Hock Chee	10 November 2010	Chief Executive Officer
Mr. Lim Hock Eng	10 November 2010	Executive Chairman
Mr. Lim Hock Leng	10 November 2010	Managing Director
Mr. Tan Ling San	22 June 2011	Executive Director
Mr. Goh Yeow Tin	22 June 2011	Non-executive, Lead Independent Director
Mr. Jong Voon Hoo	22 June 2011	Non-executive Director, Independent
Mr. Francis Lee Fook Wah	22 June 2011	Non-executive Director, Independent
Mr. Lee Teck Leng, Robson	22 June 2011	Non-executive Director

As a group, the Directors bring with them a broad range of relevant industry knowledge, expertise and experience in areas such as accounting, finance, business, legal and management. The size and composition of the Board are reviewed by the NC on an annual basis to ensure that the Board has the appropriate mix of expertise and experience and collectively possesses the necessary skills sets and core competencies for effective decision making.

The Board is of the opinion that its current size of eight (8) Directors is appropriate, taking into account the nature and scope of the Group's operations. As independent and/or non-executive Directors make up half of the Board, no individual or group of individuals is able to dominate the Board's decision-making process. The current Board composition represents a well-balanced mix of experience and expertise to facilitate effective decision-making.

Each Director has an equal responsibility towards the Group's operations. Our independent and/or non-executive Directors play an important role in ensuring that the strategies proposed by Management are constructively challenged, fully discussed and examined, and take into account the long-term interests of not only the shareholders, but also of other stakeholders such as the employees, customers and suppliers of the Group. Where appropriate and requested to do so by the Board, our independent and/or non-executive Directors will also review Management's performance in meeting prescribed goals and objectives, and monitor the reporting of performance.

## Executive Chairman and Chief Executive Officer ("CEO")

*Principle 3: There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.*

Mr. Lim Hock Eng is our Executive Chairman. He bears primary responsibility for the workings of the Board, by ensuring its effective function and oversight of the Group's conduct and corporate governance structure. Together with the other executive Directors, our Executive Chairman also provides overall leadership and strategic vision for the Group.

# Corporate Governance

Mr. Lim Hock Eng, Mr. Lim Hock Chee, our CEO, and Mr. Lim Hock Leng, our Managing Director are siblings and their roles are not clearly separated. Taking into account the current corporate structure, size, nature and the scope of the Group's operations, as well as the high commitment demonstrated by the non-executive Directors, the NC is of the view that it is not necessary to separate the roles of the Executive Chairman and the CEO.

In accordance with the Code, the Group has appointed Mr. Goh Yeow Tin as Lead Independent Director, who avails himself to shareholders when they have concerns which contact through the normal channels fail to resolve or for which such contact is inappropriate.

## **Nominating Committee**

*Principle 4: There should be a formal and transparent process for the appointment of new Directors to the Board.*

The NC comprises the following non-executive Directors, the majority of whom, including the Chairman, are independent:

- Mr. Francis Lee Fook Wah (Chairman)
- Mr. Goh Yeow Tin
- Mr. Lee Teck Leng, Robson

The Chairman of the NC is neither a substantial shareholder of the Company, nor directly associated with a substantial shareholder of the Company.

The NC has a charter, which is endorsed by the Board, which sets out its duties and responsibilities. The principal functions of the NC includes:

- (i) reviewing the Board and its committees' structure, size and composition and make recommendations to the Board, where appropriate;
- (ii) determining the process for search, nomination, selection and appointment of new Board members and assessing nominees or candidates for appointment to the Board;
- (iii) determining on an annual basis, if a Director is independent;
- (iv) recommending the nomination of Directors who are retiring by rotation to be put forward for re-election;
- (v) deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly when he has multiple board representations; and
- (vi) assessing the effectiveness of the Board as a whole and the contribution of each of the Directors to the effectiveness of the Board.

# Corporate Governance

In the event that a vacancy on the Board arises, the NC may identify suitable candidates for appointment as new Directors through the business network of the Board members or engage independent professional advisers to assist in the search for suitable candidates. The NC will generally identify suitable candidates skilled in core competencies such as accounting or finance, business or management expertise, or industry knowledge. If the NC decides that the candidate is suitable, the NC then recommends its choice to the Board. Meetings with such candidates may be arranged to facilitate open discussion. Upon appointment, arrangements will be made for the new Director to attend various briefings with the Management.

Board renewal must be an ongoing process to ensure good governance and to maintain relevance to the changing needs of the Group. As such, no Director stays in office for more than three (3) years unless re-elected by shareholders.

Following its annual review, the NC is satisfied with the independent status of the non-executive and independent Directors (namely Mr. Goh Yeow Tin, Mr. Jong Voon Hoo and Mr. Francis Lee Fook Wah). Mr. Lee Teck Leng, Robson, our non-executive Director, is considered non-independent under the Code.

Mr. Lee is a partner at Shook Lin & Bok LLP ("**SLB**"). SLB are the legal advisers to the Company in respect of our initial public offering, and provides legal advisory and corporate secretarial services to the Group. SLB has received professional fees of approximately S\$540,000 for legal advisory and corporate secretarial services rendered to the Group in FY2011. Mr. Lee was however not the partner in charge of the relevant matters nor had he in any way acted in a professional capacity in relation to the legal advisory services that had been provided by SLB to the Group.

The NC is also satisfied that sufficient time and attention is being given by each of the Directors to the affairs of the Group, notwithstanding that some of the Directors have multiple Board representations.

In recommending a Director for re-election to the Board, the NC considers, amongst other things, his performance and contributions to the Board (including attendance and participation at meetings, and time and effort accorded to the Group's business and affairs). The NC has recommended the nomination of Mr. Lim Hock Chee, Mr. Lim Hock Eng and Mr. Goh Yeow Tin for re-election at the forthcoming annual general meeting ("**AGM**"). The Board has accepted the NC's recommendation and being eligible, Mr. Lim Hock Chee, Mr. Lim Hock Eng and Mr. Goh Yeow Tin will be offering themselves for re-election at the AGM.

## **Board Performance**

*Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board.*

The Board has implemented a process to be carried out by the NC to assess its effectiveness as a whole; and the contribution by each Director to the effectiveness of the Board.

The assessment of the Board utilises a confidential questionnaire, covering areas such as the effectiveness of the Board in its monitoring role, and is completed by each Director individually. Such performance criteria are approved by the Board and they address, inter alia, how the Board has enhanced long-term shareholders' value. The performance criteria do not change unless circumstances deem it necessary and a decision to change them would be justified by the Board.

# Corporate Governance

The assessment of individual Directors is done through self-assessment, in each case through a confidential questionnaire completed by Directors individually. The assessment parameters for such individual evaluation include both qualitative and quantitative factors such as attendance records, contributions during Board meetings, as well as individual performance of principal functions and fiduciary duties.

The completed questionnaires are collated for the NC's deliberation. The NC then presents the results, conclusions and its recommendations to the Board. Mr. Lim Hock Eng, our Executive Chairman, acts on the results of the performance evaluation, and where appropriate and in consultation with the NC, proposes new members to be appointed to the Board or seek the resignation of Directors.

The assessment of the Board and each individual Director is carried out once every year. Each member of the NC shall not participate in any decision-making in respect of the assessment of his performance or re-nomination as a Director.

## **Access to information**

*Principle 6: In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.*

All Directors receive a set of Board papers prior to Board meetings. This is generally issued to them at least three (3) days prior to the meeting in order for the Directors to be adequately prepared for, and make further enquiries (where necessary) at the meeting.

As part of good corporate governance, key matters requiring decision are reserved for resolution at Board meetings rather than by circulation to facilitate discussion. Key analysts' reports on the Company are forwarded to the Directors on an on-going basis. Financial information, reports and assessments are provided in order to facilitate the Board's decision-making. The quarterly financial results of the Group are presented to the Board for approval.

The Directors have separate and independent access to Management, including our CEO, Mr. Lim Hock Chee, our Finance Director, Mr. Wong Soong Kit, our Chief Financial Officer, Mr. Lim Chee Wee Ryan and other executive officers, as well as the Company's internal and external auditors. Queries by individual Directors on circulated reports are directed to Management, who will respond accordingly. Where relevant, Directors' queries and Management's responses are circulated to all Board members for their information.

The Board also has separate and independent access to the advice and services of the Company Secretary. The Company Secretary or his/her representative(s) attends all meetings of the Board and, together with Management, ensures that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary also attends all meetings of the AC, RC and NC. Under the direction of our Executive Chairman, the Company Secretary is responsible for ensuring good information flows within the Board and its committees and between Management and non-executive Directors, as well as facilitating orientation and assisting with professional development as required. Under the Articles of Association of the Company, the decision to appoint or remove the Company Secretary can only be taken by the Board as a whole.

The Board or an individual Board member may seek independent legal and other professional advice, if necessary, at the Company's expense, concerning any aspect of the Company's operations or undertakings in order to fulfil his/her duties and responsibilities as a Director.

# Corporate Governance

## (B) REMUNERATION MATTERS

### Procedures for developing remuneration policies

*Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.*

### Remuneration Committee

The RC comprises the following non-executive Directors, the majority of whom, including the Chairman, are independent:

- Mr. Goh Yeow Tin (Chairman)
- Mr. Jong Voon Hoo
- Mr. Lee Teck Leng, Robson

The principal responsibilities of the RC include:

- (i) recommending to the Board for endorsement, a framework of remuneration for our Directors and key Management in respect of all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits in kind; and
- (ii) recommending specific remuneration packages for each of our executive Directors.

In developing the Group's framework of remuneration, the RC may from time to time refer to market reports or seek expert advice on average remuneration. No Director is involved in deciding his own remuneration.

The RC also reviews the total remuneration of employees who are related to Directors annually, to ensure that their remuneration packages are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Any member of the RC who is related to the employee under review abstains from such review.

### Level and Mix of Remuneration

*Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the Directors needed to run the company successfully but companies should avoid paying more than necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.*

### Directors' remuneration

Pursuant to service agreements entered into between the Company and each of Mr. Lim Hock Chee, Mr. Lim Hock Eng, Mr. Lim Hock Leng and Mr. Tan Ling San (collectively, the "**Executive Directors**"), the remuneration packages of the Executive Directors include a variable bonus element, which is based on the Company's and individual performance so as to align the interests of the Executive Directors with those of shareholders.

# Corporate Governance

These service agreements are for an initial term of three (3) years commencing from the date of the Company's listing on the SGX-ST, 17 August 2011, and are subject to an automatic renewal for a three (3) year term on the same terms and conditions upon the expiry thereof. Each party to the service agreement may terminate the agreement by giving the other contracting party not less than six (6) months notice in writing.

Under the terms of their service agreements, each of the Executive Directors is entitled to receive a fixed bonus of two (2) months salary per annum. Each of them is also entitled to an annual incentive bonus calculated based on the audited consolidated profit before income tax of the Group, and a car, health benefits, and accident and life insurance coverage. More information on these service agreements is set out in the prospectus of the Company dated 4 August 2011.

The non-executive Directors do not have service agreements with the Company. They are paid fixed Directors' fees, which are determined by the Board, taking into account factors such as the level of their contribution, the effort and time spent and their respective responsibilities. The Directors' fees are subject to approval by shareholders at each AGM.

## **Management's remuneration**

The remuneration package of Management comprises the following components:

(a) *Fixed Component*

The fixed component comprises basic salary, statutory employer's contributions to the Central Provident Fund, and fixed allowances. In setting remuneration packages, the RC may take into account industry conditions, prevailing market practices, and the remuneration policies of comparable companies.

(b) *Variable Component*

This component comprises a variable bonus based on the Group's and individual performance, as well as a monthly variable component of the basic salary. To link rewards to performance, the more senior the executive is in the Company, the higher the percentage of the variable component against total compensation. A comprehensive and structured assessment of the performance of each executive officer, against selected key performance indicators, is undertaken each year. The RC reviews bonus for distribution to staff based on individual performance.

(c) *Benefits*

Benefits provided are consistent with market practice and include medical benefits and travel allowances.

## **Disclosure on Remuneration**

*Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and executive officers, and performance.*

# Corporate Governance

A breakdown of the remuneration of Directors and Management is set out below. The disclosure is provided to enable investors to understand the link between the remuneration paid to Directors and Management, and corporate and individual performance.

	Salary <sup>(1)</sup> (%)	Variable Bonus (%)	Director's Fees (%)	Benefits In Kind (%)	Total (%)
<b>Executive Directors</b>					
<i>Above S\$1,500,000 but below S\$1,750,000</i>					
Lim Hock Eng	17.7	79.5	1.2*	1.6	100
Lim Hock Chee	21.2	76.6	1.2*	1.0	100
Lim Hock Leng	19.6	76.9	1.2*	2.3	100
Tan Ling San	17.6	80.1	1.2*	1.1	100
<b>Non-executive Directors</b>					
<i>Below S\$250,000</i>					
Goh Yeow Tin	–	–	100**	–	100
Jong Voon Hoo	–	–	100**	–	100
Francis Lee Fook Wah	–	–	100**	–	100
Lee Teck Leng, Robson	–	–	100**	–	100
<b>Executive Officers</b>					
<i>Below S\$250,000</i>					
Lee Moi Hong <sup>(2)</sup>	91.6	–	8.4*	–	100
Tan Bee Loo <sup>(3)</sup>	91.6	–	8.4*	–	100
Wong Soong Kit <sup>(4)</sup>	71.3	28.7	–	–	100
Lim Chee Wee Ryan	73.0	27.0	–	–	100
Lee Lay Chin	72.4	27.6	–	–	100

\* Directors' fees paid by subsidiaries of the Company.

\*\* The Directors' fees payable to non-executive Directors are subject to the approval of shareholders at the forthcoming AGM.

(1) Includes the annual wage supplement, fixed bonus and employers' CPF.

(2) Mdm. Lee Moi Hong is the wife of our CEO, Mr. Lim Hock Chee.

(3) Mdm. Tan Bee Loo is the wife of our Executive Chairman, Mr. Lim Hock Eng.

(4) Mr. Wong Soong Kit joined the Group as our Finance Director on 5 June 2011.

Other than Mdm. Lee Moi Hong and Mdm. Tan Bee Loo (see notes 2 and 3 above), there are no other employees who are immediate family members of a Director, and whose remuneration exceeds S\$150,000.

To date, there are no options granted, or outstanding, under the Sheng Siong ESOS (the "Scheme"). Further information on the Scheme is set out in the Directors' report section, and the Company's prospectus dated 4 August 2011.

The Scheme was approved by our shareholders at an Extraordinary General Meeting held on 1 July 2011, and is administered by the RC.

# Corporate Governance

## (C) ACCOUNTABILITY AND AUDIT

### Accountability

*Principle 10: The Board should present a balanced and understand assessment of the company's performance position and prospects.*

Management provides all members of the Board with management accounts of the Company's performance, with explanatory details on its operations on a quarterly basis.

Quarterly and annual financial results are released via SGXNET to shareholders within 45 days after the end of the quarter, and 60 days after the relevant financial period respectively. The financial results of the Group have been prepared in accordance with the Singapore Financial Reporting Standards ("SFRS") and approved by the Board prior to release to the SGX-ST and shareholders.

### Audit Committee

*Principle 11: The Board should establish an Audit Committee with written terms of reference, which clearly set out its authority and duties.*

The AC comprises the following non-executive Directors, the majority of whom, including the Chairman, are independent:

- Mr. Jong Voon Hoo (Chairman)
- Mr. Goh Yeow Tin
- Mr. Francis Lee Fook Wah
- Mr. Lee Teck Leng, Robson

The Board is of the view that the members of the AC have sufficient accounting, financial management or legal experience to discharge the AC's responsibilities, given their experience as directors, partners and/or management in their respective fields.

The AC performs the functions as set out in the Code. The AC has conducted a review of the scope and results of the audit and its cost effectiveness, and the independence and objectivity, of the external auditors.

Quarterly and annual financial statements and the accompanying announcements are presented to the AC for approval, before endorsement by the Board, to ensure the integrity of information to be released.

The AC also reviews the interested person transactions of the Group on a quarterly basis to ensure that such transactions are carried out on normal commercial terms and are not prejudicial to the interests of the Group and its minority shareholders.

# Corporate Governance

## Internal Controls

*Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investment and the company's assets.*

The Board ensures that Management maintains a sound system of internal controls (comprising internal financial controls, operational and compliance controls, and risk management policies and systems) (collectively, "**internal controls**") to safeguard shareholders' investment and the Group's assets.

The Group has engaged PricewaterhouseCoopers LLP ("**PwC**") to conduct an internal controls review of our retail, cash, inventory and procurement management processes, including our cash management controls. The AC receives progress reports on the Group's implementation of PwC's recommendations and reviews the effectiveness of the Group's system of internal controls on an annual basis.

Our Board, after making all reasonable enquiries and with the concurrence of the AC, is of the opinion that, to the best of its knowledge and belief, the Group's internal controls are adequate to address operational, financial and compliance risks.

## Internal Audit

*Principle 13: The company should establish an internal audit function that is independent of the activities it audits.*

The Group has appointed PwC to carry out its internal audit function. PwC reports directly to the Chairman of the AC on audit matters and to the CEO on administrative matters. The AC reviews PwC's reports on an annual basis. The AC also reviews the annual internal audit plans to ensure that PwC is adequately resourced and has appropriate standing within the Group.

## Risk Management

Management is responsible for identifying risks inherent in the Group's business and devising procedures to manage such risks. Management seeks the Executive Directors' approval for changes in risk management procedures when the Group's risk profile changes.

The AC has also approved the appointment of an external consultant who will conduct training sessions for Management and assist the Group to further improve its assessment and documentation of risks. A "Risks Comfort Matrix", which will encapsulate all the relevant risks, assurance mechanisms and counter measures, will be developed and updated periodically. This will further strengthen the Group's risks assessment framework and promote a "risks aware" culture within the Group.

## Auditors' Independence

The AC meets with the external and internal auditors, without the presence of Management, annually.

The AC is satisfied that the Group's external auditor, KPMG LLP ("**KPMG**"), is independent and objective and recommends the re-appointment of KPMG. The audit partner of KPMG is rotated every five (5) years, in accordance with the requirements of the Listing Manual.

The AC conducts an annual review of all non-audit services provided by KPMG and is satisfied that the nature and extent of such services do not affect the independence of the external auditors.

# Corporate Governance

## Interested Person Transactions

The Company has established procedures to ensure that all interested persons transactions are carried out on normal commercial terms and do not prejudice the interests of the Company and its minority shareholders. Details of the interested person transactions entered into by the Group during FY2011 are set out in the tables below:

Name of Interested Person(s) and Nature of Transactions	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) (S\$'000)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
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<b>F M Food Court Pte. Ltd.</b> <sup>(1)</sup> Provision of goods/rental of space	1979	–
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<b>E Land Properties Pte. Ltd.</b> <sup>(2)</sup> Lease and license of operations space	1,021	–
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The following interested person transactions were discontinued after the Company was listed on the SGX-ST on 17 August 2011:

<b>F M Food Court Pte. Ltd.</b> <sup>(1)</sup> Lease of operations space/ provision of services	489	–
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<b>E Land Properties Pte. Ltd.</b> <sup>(2)</sup> Provision of property management services	19	–
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<b>ECL Money Changer Pte. Ltd.</b> <sup>(3)</sup> Provision of money teller services	25	–
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Notes:

- (1) Our CEO, Mr. Lim Hock Chee, our Executive Chairman, Mr. Lim Hock Eng, and our Managing Director, Mr. Lim Hock Leng, (each a "**Lim Director**") each holds approximately 18.3% of the equity interest in F M Food Court Pte. Ltd. Accordingly, F M Food Court Pte. Ltd. is an associate of each of the Lim Directors, and an interested person vis-à-vis the Group.
- (2) Each of the Lim Directors holds approximately 33.3% of the equity interest in E Land Properties Pte. Ltd. Accordingly, E Land Properties Pte. Ltd. is an associate of each of the Lim Directors, and an interested person vis-à-vis the Group.
- (3) Each of the Lim Directors holds approximately 33.3% of the equity interest in ECL Money Changer Pte. Ltd. Accordingly, ECL Money Changer Pte. Ltd. is an associate of each of the Lim Directors, and an interested person vis-à-vis the Group.

# Corporate Governance

## Material Contracts

Save as disclosed above, no other material contracts, which involve the interests of any Director and/or controlling shareholder, were entered into by the Group during FY2011.

## (D) COMMUNICATION WITH SHAREHOLDERS

*Principle 14: Companies should engage in regular, effective and fair communication with shareholders.*

*Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.*

The Company endeavours to maintain regular, timely and effective communication with its shareholders. The Company disseminates all price-sensitive information to its shareholders on a non-selective basis. Quarterly and annual financial results are published through the SGXNET and press releases.

All shareholders receive the Company's annual report and notice of AGM. The notice of AGM is also advertised in the newspaper. The Company welcomes the views of shareholders on matters concerning the Group and encourages shareholders' participation at AGMs. All Directors, including the Chairman of each of the AC, NC and RC, and Management are in attendance at the general meetings to allow shareholders the opportunity to air their views and ask Directors or Management questions regarding the Group. The external auditors are also invited to attend the AGMs to assist the Directors in answering queries relating to the conduct of the audit and the preparation and content of the auditors' report.

## Dealings in securities

The Company has adopted an internal policy on dealings in the Company's securities, which is in line with the requirements of the Listing Manual.

The Directors and the Company's officers are prohibited from dealing in securities of the Company during the periods commencing two (2) weeks before the release of the quarterly results and at least one (1) month before the release of full year results and at all times.

The Directors and the Company's officers are also expected to observe insider-trading laws at all times even when dealing in securities within a permitted trading period.

Directors and officers are also prohibited from dealing in the Company's securities on short-term considerations.

## Statement of Compliance

The Company has generally complied with the principles and guidelines of the Code.

## Utilisation of proceeds from IPO

*Unless otherwise defined, all capitalised terms used in this section shall have the meanings ascribed to them in the prospectus of the Company registered by the Monetary Authority of Singapore on 4 August 2011.*

# Corporate Governance

As at the date of this report, the Group has utilised the net proceeds from the issue of New Shares (“**IPO Proceeds**”) of the Company as follows, in accordance with the stated use and percentage allocated in the Company’s prospectus:

Purpose	Estimated amount (\$ million)	Estimated percentage of gross IPO Proceeds	Amount utilised (\$ million)	Percentage of gross IPO Proceeds
<b>Repayment of the Term Loan</b>	30.0	39.3%	26.3	34.4%
<b>Development and expansion of grocery retailing business and operations in Singapore and overseas</b>	20.0	26.2%	1.6 <sup>(1)</sup>	2.1%
<b>Working capital purposes</b>	22.2	29.0%	–	–
<b>Expenses incurred in connection with the issue of New Shares</b>	4.2	5.5%	4.0	5.2%
<b>Total</b>	76.4 <sup>(2)</sup>	100.0%	31.9	41.7%

Notes:

- (1) Relates to the opening of our Thomson Imperial Court and Woodlands Industrial Park outlets on 13 November 2011 and 19 November 2011 respectively.
- (2) Includes net proceeds from the exercise of the Over-allotment Option of S\$13.5 million.

# Directors' Report

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2011. The consolidated financial statements have been presented on the basis described in Note 2 to the audited financial statements.

## Directors

The directors in office at the date of this report are as follows:

Lim Hock Chee	(Appointed at date of incorporation)
Lim Hock Eng	(Appointed at date of incorporation)
Lim Hock Leng	(Appointed at date of incorporation)
Tan Ling San	(Appointed on 22 June 2011)
Goh Yeow Tin	(Appointed on 22 June 2011)
Jong Voon Hoo	(Appointed on 22 June 2011)
Francis Lee Fook Wah	(Appointed on 22 June 2011)
Lee Teck Leng, Robson	(Appointed on 22 June 2011)

## Change of name

The Company was incorporated on 10 November 2010 as Sheng Siong Group Pte. Ltd. The Company changed its name to Sheng Siong Group Ltd. and was converted into a public company on 4 July 2011. The Company was admitted to the official list of the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 17 August 2011.

## Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company are as follows:

Name of director and corporation in which interests are held	Holdings in the name of the director, spouse or infant children		Other holdings in which the director is deemed to have an interest	
	At incorporation/ Date of appointment	At end of financial year	At incorporation/ Date of appointment	At end of financial year
<b>The Company</b>				
Ordinary shares				
Lim Hock Chee	1	170,400,000	–	819,600,000 <sup>(1)</sup>
Lim Hock Eng	1	170,400,000	–	819,600,000 <sup>(1)</sup>
Lim Hock Leng	1	170,400,000	–	819,600,000 <sup>(1)</sup>
Tan Ling San	–	–	–	–
Goh Yeow Tin	–	–	–	–
Jong Voon Hoo	–	–	–	–
Francis Lee Fook Wah	–	–	–	–
Lee Teck Leng, Robson	–	50,000	–	–

# Directors' Report

## Directors' interests (Continued)

Note:

- (1) Mr. Lim Hock Chee, Mr. Lim Hock Eng and Mr. Lim Hock Leng (each a "Lim Director") are siblings and each of them is a director and shareholder (each holding an equity interest of approximately 33.3%) of Sheng Siong Holdings Pte. Ltd. ("SS Holdings"). Pursuant to Section 7 of the Companies Act (Cap. 50), each of the Lim Directors is deemed to be interested in the shares of the Company held by (i) the other Lim Directors (340,800,000 shares); and (ii) SS Holdings (478,800,000 shares).

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the date of incorporations or date of appointment if later, or at the end of the financial year.

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2012.

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in Note 24 to the financial statements, since the date of incorporation, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

## Share options

Sheng Siong Group Ltd. share option scheme (the "Scheme") was approved by its members at an Extraordinary General Meeting held on 1 July 2011. The Scheme is administered by the Company's Remuneration Committee, comprising three directors, Goh Yeow Tin (Chairman), Jong Voon Hoo and Lee Teck Leng, Robson.

Other information regarding the Scheme is set out below:

- The consideration of each option is S\$1.00 and the exercise price (the "Exercise Price") for each share in respect of which an option is exercisable shall be determined and fixed by the Remuneration Committee and shall be equal to the average of the closing prices of the shares of the Company for the past five market days immediately preceding the relevant date of grant of the option (the "Market Price").
- The Remuneration Committee may grant options on a yearly basis and any such grants shall be made at least 60 days after the end of the financial year of the Company.
- The period for the exercise (the "Exercise Period") of an option granted under the Scheme shall be:
  - a) in the case of an option granted at Market Price (the "Market Price Option"), a period commencing after the first anniversary of the relevant date of the grant and expiring on the fifth anniversary of such grant date, or such other period which may from time to time be prescribed under any relevant law, regulation or rule of the SGX-ST; and

# Directors' Report

## Share options (Continued)

- b) in the case of an option granted at a discount of up to 20% of the Market Price (the "Incentive Option"), a period commencing after the second anniversary of the relevant date of the grant and expiring on the fifth anniversary of such grant date, or such other period which may from time to time be prescribed under any relevant law, regulation or rule of the SGX-ST for such Incentive Options.

During the financial year, there were:

- (i) no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries; and
- (ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiaries.

As at the end of the financial year, there were no unissued shares of the Company or its subsidiaries under option.

## Audit Committee

The members of the Audit Committee during the year and at the date of this report are as follows:

- Jong Voon Hoo (Chairman), independent director
- Goh Yeow Tin, lead independent director
- Francis Lee Fook Wah, independent director
- Lee Teck Leng, Robson, non-executive director

The Audit Committee performs the functions specified in Section 201B of the Companies Act, Chapter 50, the SGX-ST Listing Manual and the Code of Corporate Governance.

The Audit Committee has held a meeting since the incorporation date. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX-ST Listing Manual);
- report from internal auditors on the implementation of the recommendations in the Company's Pre-IPO Internal Audit Report dated 18 May 2011;
- the amount of non-audit fees paid to KPMG, LLP

# Directors' Report

## **Audit Committee (Continued)**

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external and internal auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

## **Auditors**

By a directors' resolution in writing dated 6 December 2010, KPMG LLP were appointed as auditors of the Company until the conclusion of the first Annual General Meeting of the Company.

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

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**Lim Hock Chee**

*Director*

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**Lim Hock Eng**

*Director*

30 March 2012

# Statement by Directors

In our opinion:

- (a) the financial statements set out on pages 40 to 71 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011 and the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors

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**Lim Hock Chee**

*Director*

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**Lim Hock Eng**

*Director*

30 March 2012

# Independent Auditors' Report

Members of the Company

**Sheng Siong Group Ltd.**

## **Report on the financial statements**

We have audited the accompanying financial statements of Sheng Siong Group Ltd. (the Company) and its subsidiaries (the Group), which comprise the statements of financial position of the Group and the Company as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 40 to 71.

### *Management's responsibility for the financial statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

### *Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011 and the results, changes in equity and cash flows of the Group for the year ended on that date.

# Independent Auditors' Report

## **Report on other legal and regulatory requirements**

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

### **KPMG LLP**

*Public Accountants and  
Certified Public Accountants*

### **Singapore**

30 March 2012

# Statements of Financial Position

As at 31 December 2011

	Note	Group 2011 \$'000	Group 2010 \$'000	Company 2011 \$'000
<b>Assets</b>				
Property, plant and equipment	5	72,095	58,328	–
Investments in subsidiaries	7	–	–	78,234
<b>Non-current assets</b>		<b>72,095</b>	<b>58,328</b>	<b>78,234</b>
Inventories	8	36,427	26,405	–
Trade and other receivables	9	6,959	4,715	43,728
Cash and cash equivalents	10	122,120	85,885	60,212
Asset classified as held for sale	6	3,584	–	–
<b>Current assets</b>		<b>169,090</b>	<b>117,005</b>	<b>103,940</b>
<b>Total assets</b>		<b>241,185</b>	<b>175,333</b>	<b>182,174</b>
<b>Equity attributable to equity holders of the Company</b>				
Share capital	11	156,349	78,234	156,349
Merger reserve	12	(68,234)	(68,234)	–
Accumulated profits		60,210	33,881	25,595
Foreign currency translation reserve		–*	–*	–
<b>Total equity</b>		<b>148,325</b>	<b>43,881</b>	<b>181,944</b>
<b>Liabilities</b>				
Financial liabilities	15	–	19,091	–
Deferred tax liabilities	13	1,075	608	–
<b>Non-current liabilities</b>		<b>1,075</b>	<b>19,699</b>	<b>–</b>
Trade and other payables	14	83,362	101,462	230
Financial liabilities	15	–	3,201	–
Current tax payable		8,423	7,090	–
<b>Current liabilities</b>		<b>91,785</b>	<b>111,753</b>	<b>230</b>
<b>Total liabilities</b>		<b>92,860</b>	<b>131,452</b>	<b>230</b>
<b>Total equity and liabilities</b>		<b>241,185</b>	<b>175,333</b>	<b>182,174</b>

\* Amount at balance sheet date is \$143, ie. less than \$1,000.

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Comprehensive Income

Year ended 31 December 2011

	Note	2011 \$'000	2010 \$'000
Revenue	16	578,443	628,432
Cost of sales		<u>(450,595)</u>	(491,675)
<b>Gross profit</b>		<b>127,848</b>	136,757
Other income		3,252	15,918
Distribution expenses		(4,122)	(4,372)
Administrative expenses		(91,567)	(98,314)
Other expenses		<u>(1,138)</u>	(1,284)
<b>Results from operating activities</b>		<b>34,273</b>	48,705
Finance income		19	25
Finance costs		<u>(82)</u>	–
<b>Net finance (costs)/income</b>	17	<b>(63)</b>	25
<b>Profit before income tax</b>	18	<b>34,210</b>	48,730
Income tax expense	19	<u>(6,954)</u>	(6,095)
<b>Profit for the year</b>		<b>27,256</b>	42,635
<b>Other comprehensive income</b>		–	–
<b>Profit attributable to owners of the Company</b>		<b>27,256</b>	42,635
<b>Total comprehensive income attributable to owners of the Company</b>		<b>27,256</b>	42,635
<b>Earnings per share</b>			
– Basic and diluted (cents)	21	<b>2.21</b>	3.74

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

Year ended 31 December 2011

	Attributable to equity holders of the Company					Total equity \$'000
	Share capital \$'000	Fair value reserve \$'000	Merger reserve \$'000	Accumulated profits \$'000	Foreign currency translation reserve \$'000	
Group						
At 1 January 2010	16,000	13,437	–	84,431	*	113,868
<b>Contributions by and distribution to owners</b>						
Issuance of share capital by way of capitalisation of accumulated profits	14,000	–	–	(14,000)	–	–
Issuance of shares for acquisition of entities under common control pursuant to restructuring exercise (Note 2)	78,234	–	–	–	–	78,234
Adjustments arising from restructuring exercise	(30,000)	–	(68,234)	–	–	(98,234)
<b>Total transactions with owners</b>	62,234	–	(68,234)	(14,000)	–	(20,000)
Amount adjusted as of 1 January 2010	78,234	13,437	(68,234)	70,431	*	93,868
<b>Total comprehensive income for the year</b>						
Profit for the year	–	–	–	42,635	–	42,635
<b>Other comprehensive income:</b>						
Net change in fair value of other investment transferred to profit or loss	–	(13,437)	–	–	–	(13,437)
Total comprehensive income for the year	–	(13,437)	–	42,635	–	29,198
<b>Transactions with owners, recorded directly in equity:</b>						
<b>Contributions by and distributions to owners</b>						
Issuance of dividend (Note 11)	–	–	–	(79,185)	–	(79,185)
<b>Total transactions with owners</b>	–	–	–	(79,185)	–	(79,185)
At 31 December 2010	78,234	–	(68,234)	33,881	*	43,881

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

Year ended 31 December 2011

	Attributable to equity holders of the Company					
	Share capital \$'000	Fair value reserve \$'000	Merger reserve \$'000	Accumulated profits \$'000	Foreign currency translation reserve \$'000	Total equity \$'000
<b>Group</b>						
As at 1 January 2011	78,234	-	(68,234)	33,881	*	43,881
<b>Total comprehensive income for the year</b>						
Profit for the year	-	-	-	27,256	-	27,256
<b>Transactions with owners recorded directly in equity:</b>						
<b>Contributions by and distribution to owners</b>						
Issuance of shares pursuant to the IPO (Note 11)	80,367	-	-	-	-	80,367
Issuance of dividend (Note 11)	-	-	-	(927)	-	(927)
IPO expenses taken to equity (Note 11)	(2,252)	-	-	-	-	(2,252)
<b>Total transactions with owners</b>	<b>78,115</b>	<b>-</b>	<b>-</b>	<b>(927)</b>	<b>-</b>	<b>77,188</b>
<b>At 31 December 2011</b>	<b>156,349</b>	<b>-</b>	<b>(68,234)</b>	<b>60,210</b>	<b>*</b>	<b>148,325</b>

\* Amount outstanding at balance sheet date is \$143, ie. less than \$1,000.

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Cash Flows

Year ended 31 December 2011

	Note	2011 \$'000	2010 \$'000
<b>Operating activities</b>			
Profit for the year		27,256	42,635
Adjustments for:			
Depreciation of property, plant and equipment		6,155	4,249
Loss on disposal of property, plant and equipment		25	104
Gain on disposal of other investment		–	(9,413)
Gain on deemed disposal of other investment		–	(153)
Unrealised exchange gain		(49)	(10)
Dividend income		–	(287)
Interest income		(19)	(25)
Interest expense		82	–
Income tax expense		6,954	6,095
		<b>40,404</b>	43,195
Changes in working capital:			
Inventories		(10,022)	(1,497)
Trade and other receivables		(2,350)	1,067
Trade and other payables		5,241	(1,409)
Cash generated from operations		<b>33,273</b>	41,356
Income taxes paid		(5,154)	(7,327)
<b>Cash flows from operating activities</b>		<b>28,119</b>	34,029
<b>Investing activities</b>			
Proceeds from disposal of property, plant and equipment		90	71
Proceeds from disposal of other investment		–	35,722
Purchase of property, plant and equipment		(23,621)	(38,391)
Purchase of other investment		–	(5,004)
Dividend received		–	287
Interest received		19	25
Payment of amounts owing to shareholders of entities under common control	2	(20,000)	–
<b>Cash flows from investing activities</b>		<b>(43,512)</b>	(7,290)

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Cash Flows

Year ended 31 December 2011

	Note	2011 \$'000	2010 \$'000
<b>Financing activities</b>			
Proceeds from bank loan		3,765	22,292
Repayment of bank loan		(26,057)	–
Non-trade amounts due from affiliated companies		106	36,676
Non-trade amounts due to affiliated companies		(136)	(136)
Non-trade amounts due to directors		(3,205)	2,461
Dividend paid	11	(927)	(41,239)
Interest paid		(82)	–
Net initial public offering (“IPO”) proceeds	11	78,115	–
<b>Cash flows from financing activities</b>		<b>51,579</b>	<b>20,054</b>
<b>Net increase in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the year		85,885	39,081
Effect of exchange rate changes on balances held in foreign currencies		49	11
<b>Cash and cash equivalents at end of the year</b>		<b>122,120</b>	<b>85,885</b>

## Significant non-cash transaction

During the year ended 31 December 2010, the Group declared and paid a dividend in specie amounting to \$37,946,000 to the owners of the Group. The dividend payment was made using partially its available-for-sale investment securities.

The accompanying notes form an integral part of these financial statements.

# Notes to the Financial Statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 30 March 2012.

## 1 Domicile and activities

Sheng Siong Group Ltd. (the “Company”) was incorporated on 10 November 2010 in the Republic of Singapore and has its registered office at 6 Mandai Link, Singapore 728652.

The Company was formerly known as Sheng Siong Group Pte. Ltd.. On 4 July 2011, the Company converted into a public company limited by shares and changed its name to Sheng Siong Group Ltd.. The Company was listed on the Main Board of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 17 August 2011.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are set out in Note 7 below. The immediate and ultimate holding company during the financial year is Sheng Siong Holdings Pte Ltd, incorporated in the Republic of Singapore.

The financial statements of the Company as at and for the year ended 31 December 2011 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”).

## 2 Restructuring exercise

Pursuant to the listing of the Company, Sheng Siong Group Pte. Ltd. undertook a group restructuring exercise (the “Restructuring Exercise”) with Sheng Siong Supermarket Pte. Ltd. (“SS Supermarket”), CMM Marketing Management Pte. Ltd. (“CMM Marketing”) and Sheng Siong Supermarket (Malaysia) Sdn. Bhd. (“SS Malaysia”) which were entities under common control:

### *i. Acquisition of 100% of the entire equity interest in SS Supermarket and CMM Marketing*

Pursuant to a share swap agreement on 17 March 2011, the Company acquired from Mr. Lim Hock Chee, Mr. Lim Hock Eng, and Mr. Lim Hock Leng the entire 100% of the issued share capital of SS Supermarket and CMM Marketing, comprising 5,000,000 ordinary shares each for an aggregate purchase consideration as listed below which was satisfied by the issuance and allotment of the following number of new shares in the capital of the Company, credited as fully paid:

<b>Subsidiaries</b>	<b>Aggregate purchase consideration (\$'000)</b>	<b>Number of new shares ('000)</b>
SS Supermarket	\$55,842	20,108
CMM Marketing	\$22,392	9,892
	\$78,234	30,000

On 17 March 2011, Mr. Lim Hock Chee, Mr. Lim Hock Eng and Mr. Lim Hock Leng directed that an aggregate of 12,600,000 shares be issued and allotted to Sheng Siong Holdings Pte Ltd.

The purchase consideration was based on the net asset values of SS Supermarket and CMM Marketing as shown in their management accounts as at 30 September 2010 adjusted for (planned) capital reduction of \$10,000,000 in each company.

# Notes to the Financial Statements

## 2 Restructuring exercise (Continued)

### ii. Acquisition of 100% entire equity interest in SS Malaysia

Pursuant to a share swap agreement on 16 March 2011, the Company acquired from Mr. Lim Hock Chee, Mr. Lim Hock Eng, and Mr. Lim Hock Leng the entire 100% of the issued share capital of SS Malaysia, comprising four (4) ordinary shares for an aggregate purchase consideration of approximately S\$1.67. The purchase consideration was satisfied by the issuance and allotment of three (3) new shares in the capital of the Company, credited as fully paid. The purchase consideration was arrived at after taking into consideration the net asset value of SS Malaysia as at 30 September 2010.

Following the completion of the Restructuring Exercise on 17 March 2011, the Company became the parent of SS Supermarket, CMM Marketing and SS Malaysia.

The Restructuring Exercise as described above is considered by management to be a transfer of equity interests under common control and have been accounted for in a manner similar to the pooling-of-interests method. Accordingly, the assets and liabilities of these entities have been included in the financial statements at their historical carrying amounts. Although the restructuring exercise was entered into on 17 March 2011, the financial statements present the financial position, results of operations and cash flows as if the restructuring exercise had occurred as of the beginning of the earliest period presented to reflect the economic substance of the combined enterprise.

## 3 Basis of preparation

### 3.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

### 3.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities which are measured at fair value.

### 3.3 Functional and presentation currency

These financial statements are presented in Singapore dollars, which is the Company's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

### 3.4 Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

# Notes to the Financial Statements

## **3 Basis of preparation (Continued)**

### **3.5 Changes in accounting policy**

From 1 January 2011, the Company has applied the revised FRS 24 Related Party Disclosures (2010) to identify parties that are related to the Company and to determine the disclosures to be made on transactions and outstanding balances, including commitments, between the Company and its related parties. FRS 24 (2010) improved the definition of a related party in order to eliminate inconsistencies and ensure symmetrical identification of relationships between two parties.

The adoption of FRS 24 (2010) does not have a material impact on the disclosures of transactions and outstanding balances, including commitments, with these related parties for the current and comparative years in Note 24 to the financial statements. The adoption of FRS 24 (2010) affects only the disclosures made in the financial statements. There is no financial effect on the results and financial position of the Company for the current and previous financial years.

## **4 Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### **4.1 Basis of consolidation**

#### ***Acquisitions of entities under common control***

Business combinations arising from transfers of interests in entities that are under the control of the shareholders that control the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognised in the combined financial statements at the carrying amounts recognised in the acquired entities' financial statements. The components of equity of the acquired entities are added to the same components within Group equity. Any difference between the cash paid for the acquisition and net assets acquired is recognised in equity.

#### ***Subsidiaries***

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial statements of subsidiaries are included in the financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

#### ***Accounting for subsidiaries***

Investments in subsidiaries are stated in the Company's statement of financial position at cost less accumulated impairment losses.

# Notes to the Financial Statements

## 4 Significant accounting policies (Continued)

### 4.1 Basis of consolidation (Continued)

#### *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the financial statements.

### 4.2 Foreign currency

#### *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

#### *Foreign subsidiary*

The assets and liabilities of a foreign operation are translated to Singapore dollars at exchange rates prevailing at the reporting date. The income and expenses of a foreign operation are translated to Singapore dollars at exchange rates prevailing at the dates of the transactions.

Foreign exchange differences are recognised in the other comprehensive income. When a foreign operation is disposed off, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining controls, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation. These are recognised in other comprehensive income, and are presented in the translation reserve in equity.

# Notes to the Financial Statements

## 4 Significant accounting policies (Continued)

### 4.3 Property, plant and equipment

#### **Recognition and measurement**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss.

#### **Subsequent costs**

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Construction-in-progress is stated at cost. No depreciation is charged on construction-in-progress. Upon completion of the construction-in-progress, the property, plant and equipment are transferred to the respective property, plant and equipment categories and depreciated accordingly.

#### **Depreciation**

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Except for construction in progress, depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives are as follows:

Leasehold properties	– 30 – 80 years
Renovations	– 5 years
Plant and machinery	– 5 years
Office equipment, furniture and fittings	– 5 years
Motor vehicles	– 5 years
Computers	– 3 years
Cold room	– 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted as appropriate.

# Notes to the Financial Statements

## 4 Significant accounting policies (Continued)

### 4.4 Financial instruments

#### ***Non-derivative financial assets***

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: loans and receivables.

#### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

Cash and cash equivalents comprise cash balances and bank deposits.

#### ***Non-derivative financial liabilities***

Financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise trade and other payables and financial liabilities.

# Notes to the Financial Statements

## 4 Significant accounting policies (Continued)

### 4.4 Financial instruments (Continued)

#### *Financial guarantees*

Financial guarantees are financial instruments issued by the Group that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are recognised initially at fair value and are classified as financial liabilities. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. When financial guarantees are terminated before the original expiry date, the carrying amount of the financial guarantee is transferred to profit or loss.

Financial guarantee contracts are classified as financial liabilities unless the Group has previously asserted explicitly that it regards such contracts as insurance contracts and accounted for them as such. Election is made contract by contract, and each election is irrevocable.

#### *Share capital*

##### *Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

##### *Distribution of non-cash assets to owners of the Group*

The Group measures a liability to distribute non-cash assets as a dividend to the owners of the Group at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting date and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability, in profit or loss.

### 4.5 Leases

#### *When the Group is a lessee of a finance lease*

Leased assets in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, property, plant and equipment acquired through finance leases are capitalised at the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Leased assets are depreciated over the shorter of the lease term and their useful lives. Lease payments are apportioned between finance expense and reduction of the lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

# Notes to the Financial Statements

## 4 Significant accounting policies (Continued)

### 4.5 Leases (Continued)

#### *When the Group is a lessee of an operating lease*

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease payments made.

### 4.6 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost formula, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In addition, the Group receives payments from suppliers for various programs, primarily display charges, volume rebates and reimbursements for costs to promote the suppliers' products (cooperative advertising arrangements). Substantially all payments from suppliers are accounted for as a reduction in cost of purchased inventories and recognised in cost of sales when the related inventories are sold. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

### 4.7 Impairment

#### *Non-derivative financial assets*

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, and economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

#### *Loans and receivables*

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

# Notes to the Financial Statements

## 4 Significant accounting policies (Continued)

### 4.7 Impairment (Continued)

#### ***Non-derivative financial assets (Continued)***

##### *Loans and receivables (Continued)*

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

#### ***Non-financial assets***

The carrying amounts of the Group's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### 4.8 Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale or distribution rather than through continuing use are classified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets are remeasured in accordance with the Group's accounting policies. Thereafter the assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in profit and loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated.

# Notes to the Financial Statements

## 4 Significant accounting policies (Continued)

### 4.9 Employee benefits

#### **Defined contribution plans**

Contributions to post-employment benefits under defined contribution pension plans are recognised in profit or loss as incurred.

#### **Short-term benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term benefits if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### 4.10 Revenue recognition

#### **Supermarket operations**

Revenue consists of the net value of goods sold to customers. Revenue is recognised at the point of sale when the significant risks and rewards of ownership of the goods have been transferred to customers and is recorded at the net amount received from customers. Revenue excludes goods and services taxes.

#### **Rental income**

Rental income receivable under operating leases is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

#### **Government grants – Jobs Credit Scheme**

Cash grants received from the government in relation to the Jobs Credit Scheme are recognised as income upon receipt.

# Notes to the Financial Statements

## 4 Significant accounting policies (Continued)

### 4.11 Finance income and finance costs

Finance income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs and similar charges are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale. The interest component of finance lease payments is recognised in profit or loss using the effective interest rate method.

### 4.12 Income tax expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

# Notes to the Financial Statements

## **4 Significant accounting policies (Continued)**

### **4.13 Earnings per share**

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

### **4.14 Segment reporting**

The Group determines and presents operating segments based on the information that is internally provided to the Executive Directors.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Executive Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Executive Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

### **4.15 New standards and interpretations not yet adopted**

New standards, amendments to standards and interpretations that are not yet effective for the year ended 31 December 2011 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group.

# Notes to the Financial Statements

## 5 Property, plant and equipment – Group

	Leasehold properties \$'000	Renovations \$'000	Plant and machinery \$'000	Office equipment, furniture and fittings \$'000	Motor vehicles \$'000	Computers \$'000	Construction in-progress \$'000	Cold room \$'000	Total \$'000
<b>Cost</b>									
At 1 January 2010	13,783	6,928	16,004	875	6,311	2,710	3,734	1,021	51,366
Additions	-	373	2,074	21	24	242	35,657	-	38,391
Disposals	-	(1,049)	(1,687)	(62)	-	(56)	-	-	(2,854)
At 31 December 2010	13,783	6,252	16,391	834	6,335	2,896	39,391	1,021	86,903
Additions	9,058	3,369	6,480	1,182	593	327	-	2,612	23,621
Transfer	35,578	351	-	193	-	-	(39,391)	3,269	-
Disposals	-	(375)	(653)	(33)	(49)	(309)	-	-	(1,419)
Reclassification to non-current asset held for sale	(5,660)	-	-	-	-	-	-	-	(5,660)
At 31 December 2011	52,759	9,597	22,218	2,176	6,879	2,914	-	6,902	103,445
<b>Accumulated depreciation</b>									
At 1 January 2010	1,744	5,203	11,146	610	5,134	2,147	-	1,021	27,005
Depreciation charge for the year	460	681	1,981	97	661	369	-	-	4,249
Disposals	-	(1,019)	(1,569)	(58)	-	(33)	-	-	(2,679)
At 31 December 2010	2,204	4,865	11,558	649	5,795	2,483	-	1,021	28,575
Depreciation charge for the year	1,400	868	2,431	220	468	278	-	490	6,155
Disposals	-	(355)	(586)	(31)	(49)	(283)	-	-	(1,304)
Reclassification to non-current asset held for sale	(2,076)	-	-	-	-	-	-	-	(2,076)
At 31 December 2011	1,528	5,378	13,403	838	6,214	2,478	-	1,511	31,350
<b>Carrying amount</b>									
At 1 January 2010	12,039	1,725	4,858	265	1,177	563	3,734	-	24,361
At 31 December 2010	11,579	1,387	4,833	185	540	413	39,391	-	58,328
At 31 December 2011	51,231	4,219	8,815	1,338	665	436	-	5,391	72,095

# Notes to the Financial Statements

## 5 Property, plant and equipment – Group (Continued)

The Group's leasehold property as at 31 December 2011 was as follows:

Location	Description	Tenure	Floor area (sq. m.)
6 Mandai Link, Singapore 728652	4 storey warehouse with ancillary offices	30 years lease commencing in 2009, with an option to renew for another 30 years provided certain investment conditions are met	50,455
3000 Marsiling Road, Singapore 739108	Two storey factory	60 years lease commencing on 1974	8,796

## 6 Non-current asset held for sale – Group

The non-current asset held for sale comprises the leasehold property at 3000 Marsiling Road Singapore 739108, for which the Company had entered into a sale and purchase agreement on 16 November 2011 with an external party. The sale was completed as of the date of this report (see Note 26).

	Note	2011 \$'000
<i>Asset classified as held for sale</i>		
Leasehold property	5	<b>3,584</b>

## 7 Subsidiaries

	Note	Company 2011 \$'000
<i>Equity investment at cost</i>		
At incorporation date		-
Acquisition pursuant to Restructuring Exercise	2	<b>78,234</b>
At 31 December 2011		<b>78,234</b>

# Notes to the Financial Statements

## 7 Subsidiaries (Continued)

The subsidiaries of the Group are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Effective equity interest held by the Group	
			2011	2010
			%	%
Sheng Siong Supermarket Pte. Ltd. <sup>1</sup>	Supermarket operations	Singapore	100	100
CMM Marketing Management Pte. Ltd. <sup>1</sup>	Trading of general and wholesale importers and exports	Singapore	100	100
Sheng Siong (M) Sdn. Bhd. <sup>2</sup>	Dormant	Malaysia	100	100

<sup>1</sup> Audited by KPMG LLP

<sup>2</sup> Audited by other firm of certified public accountants

## 8 Inventories – Group

	2011 \$'000	2010 \$'000
Goods for resale	<b>36,427</b>	26,405

In 2011, changes in goods for resale recognised in cost of sales amounted to \$437,148,000. (2010: \$480,066,000)

## 9 Trade and other receivables

	Group		Company
	2011 \$'000	2010 \$'000	2011 \$'000
Trade receivables	<b>2,066</b>	1,232	–
Amounts due from affiliated companies:			
– trade	<b>31</b>	89	–
– loans (non-trade)	–	106	<b>16,000</b>
Dividends receivables from subsidiaries	–	–	<b>27,500</b>
Other receivables	<b>881</b>	434	<b>225</b>
Deposits	<b>3,222</b>	2,132	–
Loans and receivables	<b>6,200</b>	3,993	<b>43,725</b>
Prepayments	<b>759</b>	722	<b>3</b>
	<b>6,959</b>	4,715	<b>43,728</b>

Non-trade amounts due from affiliated companies are unsecured, interest-free and repayable on demand. There is no allowance for doubtful debts arising from the outstanding balances.

# Notes to the Financial Statements

## 9 Trade and other receivables (Continued)

The ageing of loans and receivables at the balance sheet date is:

	Group		Company
	2011	2010	2011
	\$'000	\$'000	\$'000
Not past due	5,910	3,529	43,725
Past due 1 – 30 days	179	325	–
Past due 31 – 60 days	11	47	–
Past due more than 60 days	100	92	–
	<b>6,200</b>	<b>3,993</b>	<b>43,725</b>

The Group believes that no impairment allowance is necessary in respect of its loans and receivables, based on historic payment behaviour and analyses of the underlying customers' credit ratings.

## 10 Cash and cash equivalents

	Group		Company
	2011	2010	2011
	\$'000	\$'000	\$'000
Cash in hand	4,769	3,110	–
Cash at banks	47,347	82,706	208
Fixed deposits	70,004	69	60,004
Cash and cash equivalents in the cash flow statements	<b>122,120</b>	<b>85,885</b>	<b>60,212</b>

## 11 Share capital

	Number of shares ('000)	Share capital (\$'000)
At 10 November 2010 (date of incorporation)		
– Issue of subscriber's shares	–*	–*
Restructuring exercise	30,000	78,234
	30,000	78,234
Sub-divided shares	1,140,000	78,234
Pre-invitation share capital	1,140,000	78,234
Issuance of ordinary shares	243,537	80,367
Share issue expenses#	–	(2,252)
Total	<b>1,383,537</b>	<b>156,349</b>

\* As at the date of incorporation on 10 November 2010, the Company issued 3 subscriber's shares at \$1.00 per share.

# Included in the share issue expenses was an amount of \$103,000 paid to auditors of the Company and \$97,000 paid to a firm in which a director is a member (see Note 18).

# Notes to the Financial Statements

## 11 Share capital (Continued)

As described in Note 2, on 17 March 2011, the Company entered into a share swap agreement to acquire the entire issued share capital of its subsidiaries for a total consideration of \$78,234,000 which was satisfied by issuing 30,000,000 shares of the Company to the then shareholders of Sheng Siong Group Pte. Ltd.

At an Extraordinary General Meeting held on 18 March 2011, the shareholders of the Company approved the sub-division of each ordinary share of the Company into thirty-eight ordinary shares.

Pursuant to the listing of the Company on the Mainboard of Singapore Exchange Securities Trading Limited on 17 August 2011, 243,537,000 new ordinary shares (including 42,037,000 over-allotted shares) were issued to the public at \$0.33 per share.

Underwriting commissions, professional fees and other expenses totalling \$4,045,000 were incurred for the IPO and listing of Vendors shares as described in the prospectus. Expenses of \$2,252,000 relating to the offering of the new shares were deducted against the gross proceeds from the shares issued pursuant to the IPO. The remaining amount of \$1,793,000 relating to the listing of the shares was charged to profit or loss.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

### Dividends

The following exempt (one-tier) dividends were declared and paid by the Group:

	Note	2011 \$'000	2010 \$'000
<i>Ordinary dividends paid in respect of the financial year ended 2010</i>			
Interim cash dividend			
3.09 cents per ordinary shares		–	35,239
Interim cash dividend			
0.53 cents per ordinary shares		–	6,000
Dividend in specie			
3.33 cents per ordinary shares	(a)	–	37,946
Final cash dividend			
0.08 cents per ordinary shares		<b>927</b>	–
		<b>927</b>	79,185

Note (a) – On 3 December 2010, this dividend was paid in specie using the Group's available for-sales investment securities.

For the Group's financial year ended 31 December 2011, the directors proposed a final dividend of 1.77 cents per share, which is approximately 90% of the Group's net profit after tax.

# Notes to the Financial Statements

## 11 Share capital (Continued)

### Capital management

The Group defines capital as share capital and accumulated profits.

The Group's objective when managing capital is to maintain an efficient capital structure so as to maximise shareholder value. In order to maintain or achieve an efficient capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce borrowings.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes in the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

## 12 Merger reserve

Merger reserve represents the difference between the purchase consideration of \$78.2 million paid by the Company for the acquisition of the entities under common control which subsequently became subsidiaries of the Company and the aggregated share capital of the combining entities.

## 13 Deferred tax – Group

Movements in deferred tax liabilities of the Group during the years are as follows:

	<b>At 1 January 2010 \$'000</b>	<b>Recognised in profit or loss (note 19) \$'000</b>	<b>At 31 December 2010 \$'000</b>	<b>Recognised in profit or loss (note 19) \$'000</b>	<b>At 31 December 2011 \$'000</b>
Property, plant and equipment	729	(121)	608	467	1,075

# Notes to the Financial Statements

## 14 Trade and other payables

	Note	Group		Company
		2011 \$'000	2010 \$'000	2011 \$'000
Trade payables		52,738	48,354	-
Amounts due to affiliated companies:				
- trade		14	-	-
- non-trade		-	136	-
Amount due to directors		5,495	8,700	200
Amounts payable to shareholders of entities under common control	2	-	20,000	-
Other payables		5,526	2,672	-
Deposits received		116	152	-
Accrued expenses		19,473	21,448	30
		<b>83,362</b>	<b>101,462</b>	<b>230</b>

Non-trade amounts due to affiliated companies, directors and shareholders of entities under common control are unsecured, interest-free and repayable on demand.

Other payables include \$914,000 (2010: \$543,000) payable in connection with the property under construction at Mandai Link Singapore.

## 15 Financial liabilities

	Group		Company
	2011 \$'000	2010 \$'000	2011 \$'000
<b>Non-current liabilities</b>			
Secured bank loan	-	19,091	-
<b>Current liabilities</b>			
Secured bank loan	-	3,201	-
	-	22,292	-

The secured bank loan outstanding as at 31 December 2010 bore interest rates ranging from 1.12% to 1.15% per annum.

This loan was secured by:

- a first legal mortgage of the property at Mandai Link Singapore with a carrying value at \$39,391,000 in 2010 (see Note 5);
- the assignment of the rights, title and interest with respect to the property; and
- a corporate guarantee from SS Supermarket.

The loan was repaid in full in November 2011 and the security had been released.

# Notes to the Financial Statements

## 15 Financial liabilities (Continued)

### Contractual undiscounted cash flow

The following are the expected contractual undiscounted cash outflows (inflows) of financial liabilities, including interest payments and excluding the impact of netting agreements:

	Carrying amount \$'000	Cash flows		
		Expected contractual cashflows \$'000	Within 1 year \$'000	Between 1 to 5 years \$'000
<b>Group</b>				
<b>2011</b>				
<b>Non-derivative financial liabilities</b>				
Trade and other payables	83,362	83,362	83,362	–
<b>2010</b>				
<b>Non-derivative financial liabilities</b>				
Floating rate loans	22,292	22,677	3,430	19,247
Trade and other payables	101,462	101,462	101,462	–
	123,754	124,139	104,892	19,247
<b>Company</b>				
<b>2011</b>				
<b>Non-derivative financial liabilities</b>				
Trade and other payables	230	230	230	–

## 16 Revenue – Group

	2011 \$'000	2010 \$'000
Supermarket operations	578,443	628,432

# Notes to the Financial Statements

## 17 Net finance cost

	2011 \$'000	2010 \$'000
Interest income received and receivable from:		
– financial institutions	19	25
Interest expense on term loan paid and payable to:		
– financial institutions	(82)	–
Net finance income/(costs) recognised in profit or loss	<u>(63)</u>	25

## 18 Profit before income tax

Profit for the year is arrived at after (charging)/crediting the following items:

	Note	Group 2011 \$'000	2010 \$'000
Contributions to defined contribution plans, included in staff costs		(3,304)	(4,533)
Depreciation of property, plant and equipment	5	(6,155)	(4,249)
Dividend income		–	287
Exchange gain/(loss), net		98	(28)
Gain on disposal of other investment		–	9,413
Gain on deemed disposal of other investment through the declaration of dividend in specie		–	153
Government grants		62	816
Loss on disposal of property, plant and equipment		(25)	(104)
Operating lease expense		(14,513)	(14,496)
Operating lease income		916	2,453
Audit fees paid to auditors of the Company		210	170
Non-audit fees paid to auditors of the Company*		482	–
Professional fee paid to a firm in which a director is a member*		443	–
Staff costs		(68,068)	(77,837)
Sales of recyclable items		<u>1,073</u>	<u>1,028</u>

\* These related to professional fees paid to auditors of the Company and a firm in which a director is a member in connection with the initial public offerings of the Company's shares charged to profit and loss. Another amount of \$200,000 (also in connection with the initial public offerings of the Company's shares) was capitalised as share issue expense and deducted from equity (see Note 11).

# Notes to the Financial Statements

## 19 Income tax expenses

	Note	Group 2011 \$'000	Group 2010 \$'000
<b>Current tax expense</b>			
Current year		6,034	6,781
Under/(over) provision in respect of prior years		453	(565)
		<u>6,487</u>	<u>6,216</u>
<b>Deferred tax expense/(credit)</b>			
Origination and reversal of temporary differences		455	(121)
Under provision in respect of prior years' deferred tax		12	–
Total deferred tax expense/(credit) recognised in profit and loss	13	<u>467</u>	<u>(121)</u>
Income tax expense from continuing operations		<u>6,954</u>	<u>6,095</u>
<b>Reconciliation of effective tax rate</b>			
Profit for the year		<b>27,256</b>	42,635
Total income tax expense		<b>6,954</b>	6,095
Profit before income tax		<b>34,210</b>	48,730
Income tax expense using Singapore tax rate of 17%		<b>5,816</b>	8,284
Income not subject to tax		<b>(52)</b>	(1,840)
Expenses not deductible for tax purposes		<b>389</b>	216
Under provision in respect of prior years' deferred tax		<b>12</b>	–
Under/(over) provision in respect of prior years' current tax		<b>453</b>	(565)
Effect of tax benefits arising from the tax losses in respect of SS Group Ltd and SS Malaysia not recognised		<b>336</b>	–
		<u><b>6,954</b></u>	<u>6,095</u>

## 20 Share option scheme

Sheng Siong Group Ltd. share option scheme (the "Scheme") was approved by its members at an Extraordinary General Meeting held on 1 July 2011. The Scheme is administered by the Company's Remuneration Committee. Other information regarding the Scheme is set out below:

- The consideration of each option is S\$1.00 and the exercise price (the "Exercise Price") for each share in respect of which an option is exercisable shall be determined and fixed by the Remuneration Committee and shall be equal to the average of the closing prices of the share for the past five market days immediately preceding the relevant date of grant of the option (the "Market Price").

# Notes to the Financial Statements

## 20 Share option scheme (Continued)

- The Remuneration Committee may grant options on a yearly basis and any such grants shall be made at least 60 days after the end of the financial year of the Company.
- The period for the exercise (the "Exercise Period") of an option granted under the Scheme shall be:
  - a) in the case of an option granted at Market Price (the "Market Price Option"), a period commencing after the first anniversary of the relevant date of the grant and expiring on the fifth anniversary of such grant date, or such other period which may from time to time be prescribed under any relevant law, regulation or rule of the SGX-ST; and
  - b) in the case of an option granted at a discount of up to 20% of the Market Price (the "Incentive Option"), a period commencing after the second anniversary of the relevant date of the grant and expiring on the fifth anniversary of such grant date, or such other period which may from time to time be prescribed under any relevant law, regulation or rule of the SGX-ST for such Incentive Options.

During the current financial year, no share options were granted.

## 21 Earnings per share

	2011 \$'000	2010 \$'000
Basic earnings per share is based on:		
Net profit from continuing operations attributable to ordinary shareholders	27,256	42,635
	<b>No. of shares '000</b>	<b>No. of shares '000</b>
Weighted average number of shares during the year	1,231,326	1,140,000

For purposes of preparing the financial statements for the year ended 31 December 2010, the weighted average number of shares as at 31 December 2010 includes the shares issued to effect the acquisition of interests in common control entities pursuant to the Restructuring Exercise, on the basis that the restructuring had occurred as of the beginning of the earliest period presented.

There were no potential dilutive ordinary shares in existence for the financial years ended 31 December 2010 and 2011.

## 22 Segment reporting

The Group operates in one segment which relates to the provision of supermarket supplies and supermarket operations. The Group's operations are located in Singapore. The Malaysian subsidiary was inactive for the financial years ended 31 December 2010 and 2011.

# Notes to the Financial Statements

## 23 Operating lease commitments – Group

The Group leases a number of shop units under operating leases. The leases typically run for an initial period of three to six years, with an option to renew the lease after that date.

The Group has commitments for future minimum lease payments under non-cancellable operating lease as follows:

	2011 \$'000	2010 \$'000
Payable:		
– Within 1 year	11,772	11,217
– After 1 year but within 5 years	9,511	12,646
	<b>21,283</b>	23,863

## 24 Related parties

### *Identity of related parties*

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the parties or exercise significant influence over the parties in making financial and operating decisions, or vice versa, or where the Group and the parties are subject to common control or common significant influence. Related parties may be individuals or other entities.

### *Affiliated company*

An affiliated company is defined as one:

- a) In which a director of the Group has substantial financial interests or is in a position to exercise significant influence; and/or
- b) Which directly or indirectly, through one or more intermediaries, are under the control of a common shareholder.

### *Key management personnel*

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group. The amounts stated below for key management compensation are for all the executive directors.

Compensation payable to key management personnel, included in staff costs, comprises:

	Group	
	2011 \$'000	2010 \$'000
Short-term employee benefits	6,952	10,342
Directors fees	140	140
	<b>7,092</b>	10,482

# Notes to the Financial Statements

## 24 Related parties (Continued)

### *Other related party transactions*

Other than disclosed elsewhere in the financial statements, transactions carried out with related parties in the normal course of business on terms agreed between the parties are as follows:

	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Corporations in which directors of the Company have substantial financial interests		
– Sales	<b>1,143</b>	1,783
– Purchases	<b>(550)</b>	(533)
– Rental expenses	<b>(1,095)</b>	(898)
– Rental income	<b>320</b>	569
– Ration income	<b>19</b>	80
– Sub contract labour income	<b>44</b>	266
– Sub contract labour expenses	<b>(84)</b>	(925)

## 25 Financial risk management

### *Overview*

The Group operates only in Singapore but sources its supplies worldwide and is exposed to a variety of financial risks, comprising market risk like currency and interest rate risk, credit risk and liquidity risk. There are controls in place to ensure an acceptable balance between the cost or return of unhedged risks and the cost of hedging the risks. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

### *Credit risk*

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Group, as and when they fall due.

The Group's exposure to credit risk arises mainly from cash and cash equivalents. The Group sales are done mainly on a cash basis and trade receivables are insignificant. Balances due from affiliated companies accounted for only 0.5% of the total loans and receivables as at 31 December 2011 (2010: 4.9%), and there are controls in place to ensure that they are collected on a timely basis and in accordance within the credit terms (for trade balances). The carrying amount of these financial assets recorded in the balance sheet represents the Group's maximum exposure to credit risk.

Cash and fixed deposits are placed with banks which are regulated under the Singapore Banking Act.

### *Liquidity risk*

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

# Notes to the Financial Statements

## 25 Financial risk management (Continued)

### **Market risk**

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

### **Foreign currency risk**

The Group minimizes foreign exchange exposure by transacting where possible, in Singapore Dollar, the base currency, and at the balance sheet date, the Group is not exposed to any significant foreign currency risk.

### **Interest rate risk**

The Group manages its interest rate exposure by actively reviewing its debt portfolio to achieve a certain level of protection against adverse interest rate movements. As at balance sheet date, the Group is not exposed to any significant interest rate risk.

### **Fair value**

#### *Other financial assets and liabilities*

The notional amounts of financial assets and liabilities with a maturity of less than one year or which reprice frequently (including other receivables, cash and cash equivalents, accrued operating expenses, and other payables) approximate their fair values because of the short period to maturity/repricing.

## 26 Subsequent events

Subsequent to 31 December 2011, the Group disposed off its assets held for sale (see Note 6) for a consideration of \$15,000,000. The sale was completed on 20 January 2012.

## 27 Comparative information

No comparative figures are available for the Company's financial statements as this is the first set of financial statements of the Company prepared since its incorporation. Comparative figures shown in the Group's financial statements were prepared on the basis described in Note 2.

# 财务报表

截至2011年12月31日全年

	集团		公司
	2011 \$'000	2010 \$'000	2011 \$'000
<b>资产</b>			
房地产、厂房与器材	72,095	58,328	-
在子公司的投资	-	-	78,234
<b>非流动资产</b>	<b>72,095</b>	<b>58,328</b>	<b>78,234</b>
库存	36,427	26,405	-
贸易和其他应收账款	6,959	4,715	43,728
现金	122,120	85,885	60,212
被列为持有以待售的资产	3,584	-	-
<b>流动资产</b>	<b>169,090</b>	<b>117,005</b>	<b>103,940</b>
<b>总资产</b>	<b>241,185</b>	<b>175,333</b>	<b>182,174</b>
<b>可归属公司股东的权益</b>			
股本	156,349	78,234	156,349
合并储备	(68,234)	(68,234)	-
累计盈利	60,210	33,881	25,595
外汇兑储备	-*	-*	-
<b>总权益</b>	<b>148,325</b>	<b>43,881</b>	<b>181,944</b>
<b>负债</b>			
财务负债	-	19,091	-
递延税款负债	1,075	608	-
<b>非流动负债</b>	<b>1,075</b>	<b>19,699</b>	<b>-</b>
贸易和其他应付账款	83,362	101,462	230
财务负债	-	3,201	-
当前应付税务	8,423	7,090	-
<b>流动负债</b>	<b>91,785</b>	<b>111,753</b>	<b>230</b>
<b>总负债</b>	<b>92,860</b>	<b>131,452</b>	<b>230</b>
<b>总权益与负债</b>	<b>241,185</b>	<b>175,333</b>	<b>182,174</b>

# 综合全面收益表

截至2011年12月31日全年

	<b>2011</b>	2010
	<b>\$'000</b>	\$'000
营业额	578,443	628,432
销售成本	(450,595)	(491,675)
<b>毛利</b>	<b>127,848</b>	<b>136,757</b>
其他收益	3,252	15,918
分销开支	(4,122)	(4,372)
行政开支	(91,567)	(98,314)
其他开支	(1,138)	(1,284)
<b>营运活动的业绩</b>	<b>34,273</b>	<b>48,705</b>
财务收益	19	25
财务费用	(82)	-
<b>净财务（费用）/收益</b>	<b>(63)</b>	<b>25</b>
税前盈利	34,210	48,730
税务开支	(6,954)	(6,095)
<b>全年盈利</b>	<b>27,256</b>	<b>42,635</b>
其他全面收益	-	-
<b>可归属公司股东的盈利</b>	<b>27,256</b>	<b>42,635</b>
<b>可归属公司股东的全面收益总额</b>	<b>27,256</b>	<b>42,635</b>
<b>每股盈利</b>		
- 基本与摊薄（分）	2.21	3.74

# Statistics of Shareholdings

As at 13 March 2012

Class of shares : Ordinary shares  
Voting rights : One vote per share

The Company does not hold any treasury shares.

## DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF		NO. OF SHARES	
	SHAREHOLDERS	%		%
1 – 999	3	0.04	1,599	0
1,000 – 10,000	4,327	63.21	25,681,000	1.86
10,001 – 1,000,000	2,485	36.30	129,212,000	9.34
1,000,001 AND ABOVE	31	0.45	1,228,642,401	88.8
<b>TOTAL</b>	<b>6,846</b>	<b>100</b>	<b>1,383,537,000</b>	<b>100</b>

## TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	Sheng Siong Holdings Pte Ltd	478,800,000	34.61
2	Lim Hock Chee	170,400,000	12.32
3	Lim Hock Eng	170,400,000	12.32
4	Lim Hock Leng	170,400,000	12.32
5	HSBC (Singapore) Nominees Pte Ltd	52,206,000	3.77
6	DBSN Services Pte Ltd	40,375,000	2.92
7	DBS Nominees Pte Ltd	33,434,401	2.42
8	Citibank Nominees Singapore Pte Ltd	21,368,000	1.54
9	United Overseas Bank Nominees Pte Ltd	16,474,000	1.19
10	Raffles Nominees (Pte) Ltd	14,128,000	1.02
11	Lim Kim Hock	8,400,000	0.61
12	UOB Kay Hian Pte Ltd	5,627,000	0.41
13	Tan Ze Chong	5,000,000	0.36
14	Cai Songhan	4,911,000	0.35
15	Phillip Securities Pte Ltd	4,492,000	0.32
16	Lock Siew Chin	3,699,000	0.27
17	Lim Yew Lye	3,500,000	0.25
18	Chua Bin Leong (Cai Bingliang)	3,327,000	0.24
19	OCBC Securities Pte Ltd	2,946,000	0.21
20	Morgan Stanley Asia (Singapore) Securities Pte Ltd	2,594,000	0.19
<b>TOTAL</b>		<b>1,212,481,401</b>	<b>87.64</b>

# Statistics of Shareholdings

*As at 13 March 2012*

## **SUBSTANTIAL SHAREHOLDERS**

*(As shown in the register of substantial shareholders)*

NAME	DIRECT INTEREST		DEEMED INTEREST	
	No. of Shares	%	No. of shares	%
Lim Hock Eng <sup>(1)</sup>	170,400,000	12.32	819,600,000	59.24
Lim Hock Chee <sup>(1)</sup>	170,400,000	12.32	819,600,000	59.24
Lim Hock Leng <sup>(1)</sup>	170,400,000	12.32	819,600,000	59.24
Sheng Siong Holdings Pte Ltd	478,800,000	34.61	–	–

Note:

- 1 Mr Lim Hock Eng, Mr Lim Hock Chee and Mr Lim Hock Leng (each a "Lim Director") are siblings and each of them is a director and shareholder (each holding an equity interest of approximately 33.3%) of Sheng Siong Holdings Pte Ltd ("SS Holdings"). Pursuant to Section 7 of the Companies Act (Cap. 50), each of the Lim Directors is deemed to be interested in the shares of the Company held by (i) the other Lim Directors (340,800,000 shares); and (ii) SS Holdings (478,800,000 shares).

## **FREE FLOAT**

Based on information available to the Company, approximately 28.43% of the shareholding in the Company was held in the hands of the public.

Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

# Notice of First Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the First Annual General Meeting of SHENG SIONG GROUP LTD. (the “**Company**”) will be held at 6 Mandai Link, Singapore 728652 on Tuesday, 24 April 2012 at 10 a.m. (the “**Annual General Meeting**”) for the following purposes:

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Report and Audited Accounts of the Company for the financial year ended 31 December 2011 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To declare a first and final (one-tier tax exempt) dividend of 1.77 cents per ordinary share for the financial year ended 31 December 2011. **(Resolution 2)**
3. To re-elect the following Directors retiring pursuant to the Company’s Articles of Association (the “**Articles**”):
 

Mr. Lim Hock Chee	(Article 89)	<b>(Resolution 3)</b>
Mr. Lim Hock Eng	(Article 89)	<b>(Resolution 4)</b>
Mr. Goh Yeow Tin	(Article 89)	<b>(Resolution 5)</b>

*[See Explanatory note (i)]*

To re-elect Mr. Tan Ling San as a Director of the Company pursuant to Section 153 of the Companies Act of Singapore (Cap. 50) (the “**Companies Act**”). *[See Explanatory Note (ii)]* **(Resolution 6)**
4. To approve the payment of Directors’ fees of \$200,000 for the financial year ended 31 December 2011. **(Resolution 7)**
5. To re-appoint KPMG LLP as the Company’s Auditors and to authorise the Directors to fix their remuneration. **(Resolution 8)**
6. To transact any other ordinary business which may properly be transacted at an annual general meeting.

## AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. **Authority to allot and issue shares in the capital of the Company (“Shares”) – Share Issue Mandate**

“That, pursuant to Section 161 of the Companies Act and Rule 806 of the Listing Manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Directors of the Company be authorized and empowered to:

  - (A) (i) issue Shares whether by way of rights, bonus or otherwise; and/or
  - (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company shall in their absolute discretion deem fit; and

# Notice of First Annual General Meeting

- (B) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

- (1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and convertible securities to be issued pursuant to this Resolution shall not exceed fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares and convertible securities to be issued other than on a pro-rata basis to the shareholders of the Company shall not exceed twenty per cent. (20%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as at the time of passing of this Resolution);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares and convertible securities that may be issued under sub-paragraph (1) above on a pro-rata basis, the total number of issued Shares (excluding treasury shares) in the capital of the Company shall be based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
  - (a) new Shares arising from the conversion or exercise of convertible securities;
  - (b) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the rules of the Listing Manual of the SGX-ST; and
  - (c) any subsequent bonus issue, consolidation or subdivision of Shares.
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST as amended from time to time (unless such compliance has been waived by the SGX-ST) and the Articles; and
- (4) revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting is required by law to be held, whichever is the earlier.”

[See Explanatory Note (iii)]

**(Resolution 9)**

# Notice of First Annual General Meeting

## 8. Authority to grant options and issue Shares under the Sheng Siong ESOS

"That, pursuant to Section 161 of the Companies Act, the Directors be and are hereby empowered to grant options, and to allot and issue from time to time such number of Shares as may be required to be issued pursuant to the exercise of options granted under the Sheng Siong ESOS (the "**Scheme**") provided always that the aggregate number of Shares in respect of which such options may be granted and which may be issued pursuant to the Scheme shall not exceed fifteen per cent. (15%) of the issued share capital of the Company from time to time." [See Explanatory Note (iv)] **(Resolution 10)**

By Order of the Board

Lim Chong Hwee  
Secretary

Singapore, 9 April 2012

### Explanatory Notes:

- (i) Mr. Goh Yeow Tin will, upon re-election as Lead Independent Director of the Company, remain as a member of the Audit Committee. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual.
- (ii) The effect of the Ordinary Resolution 6 proposed in item 3 above, is to re-appoint a Director who is over 70 years of age. Mr. Tan Ling San will, upon re-election as a Director of the Company, hold office until the next annual general meeting of the Company.
- (iii) The Ordinary Resolution 9 proposed in item 7 above, if passed, will empower the Directors of the Company to issue Shares, make or grant instruments convertible into Shares and to issue Shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued Shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of Shares that may be issued on a pro-rata basis, the total number of issued Shares (excluding treasury shares) will be calculated based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Shares. In determining the 20% which may be issued other than on a pro-rata basis, the total number of issued Shares (excluding treasury shares) will be calculated based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time the Ordinary Resolution 9 is passed.

- (iv) The Ordinary Resolution 10 proposed in item 8 above, if passed, will empower the Directors of the Company, to grant options and to allot and issue Shares upon the exercise of such options in accordance with the Scheme.

# Notice of First Annual General Meeting

**Notes:**

1. A Member of the Company entitled to attend and vote at the Annual General Meeting may appoint not more than two proxies to attend and vote instead of him.
2. Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.
3. If the member is a corporation, the instrument appointing the proxy must be under its common seal or the hand of its attorney or a duly authorised officer.
4. The instrument appointing a proxy must be deposited at the registered office of the Company at 6 Mandai Link, Singapore 728652 not less than 48 hours before the time appointed for holding the Annual General Meeting.

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# SHENG SIONG GROUP LTD.

(Company Registration No.: 201023989Z)  
(Incorporated in Singapore with limited liabilities)

## PROXY FORM

(Please see notes overleaf before completing this Form)

### IMPORTANT

1. For investors who have used their CPF monies to buy shares in the capital of Sheng Siong Group Ltd., this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY.
2. This proxy form is not valid for use by CPF investors and shall be ineffective for all intent and purposes if used or purported to be used by them.

I/We, \_\_\_\_\_ (name)

of \_\_\_\_\_ (address)

being a member/members of **SHENG SIONG GROUP LTD.** (the "Company"), hereby appoint:

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings %

and/or (delete as appropriate)

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or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the First Annual General Meeting ("Meeting") of the Company to be held at 6 Mandai Link, Singapore 728652 on Tuesday, 24 April 2012 at 10 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote on the business before the Meeting as indicated below. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the Meeting:

No.	Resolutions relating to:	For	Against
1.	Directors' Report and Audited Accounts for the period ended 31 December 2011		
2.	Approval of payment of the first and final dividend		
3.	Re-election of Mr. Lim Hock Chee as a Director		
4.	Re-election of Mr. Lim Hock Eng as a Director		
5.	Re-election of Mr. Goh Yeow Tin as a Director		
6.	Re-election of Mr. Tan Ling San as a Director		
7.	Approval of Directors' fees amounting to \$200,000 for the financial year ended 31 December 2011		
8.	Re-appointment of KPMG LLP as Auditors		
9.	Authority to allot and issue shares in the capital of the Company – Share Issue Mandate		
10.	Authority to grant options and issue shares under the Sheng Siong ESOS		

(Please indicate with a cross [X] in the space provided whether you wish your vote to be cast for or against the Resolutions as set out in the Notice of the Meeting).

Dated this \_\_\_\_\_ day of \_\_\_\_\_

Total number of Shares in:	No. of Shares Held
(a) CDP Register	
(b) Register of Members	

\_\_\_\_\_  
Signatures of Shareholder(s)  
or, Common Seal

**IMPORTANT: PLEASE READ NOTES OVERLEAF**

**Notes:**

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead.
2. Where a member appoints more than one proxy, the proportion of the shareholding to be represented by each proxy shall be specified in this proxy form. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as an alternate to the first named or at the Company's option to treat this proxy form as invalid.
3. A proxy need not be a member of the Company.
4. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this proxy form will be deemed to relate to all the shares held by you.
5. This proxy form must be deposited at the Company's registered office at 6 Mandai Link, Singapore 728652 not less than 48 hours before the time set for the Meeting.
6. This proxy form must be under the hand of the appointor or of his attorney duly authorised in writing. Where this proxy form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where this proxy form is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with this proxy form, failing which this proxy form shall be treated as invalid.

**General:**

The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of shares entered in the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.





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