



SHENG SIONG GROUP LTD

Half Year Financial Statement

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

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

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	GROUP 3 months ended 30 June			GROUP 6 months ended 30 June		
	2014 S\$'000	2013 S\$'000	+ / (-) %	2014 S\$'000	2013 S\$'000	+ / (-) %
Revenue	171,556	159,783	7.4	361,260	339,173	6.5
Cost of sales	(129,239)	(122,748)	5.3	(273,886)	(261,729)	4.6
Gross profit	42,317	37,035	14.3	87,374	77,444	12.8
Other income	972	860	13.0	2,472	2,427	1.9
Distribution expenses	(932)	(1,040)	(10.4)	(1,923)	(2,099)	(8.4)
Administrative expenses	(28,514)	(26,308)	8.4	(58,525)	(54,341)	7.7
Other expenses	(446)	(337)	32.3	(946)	(805)	17.5
Results from operating activities	13,397	10,210	31.2	28,452	22,626	25.7
Finance income	178	135	31.9	352	337	4.5
Profit before tax	13,575	10,345	31.2	28,804	22,963	25.4
Tax expense	(2,501)	(1,843)	35.7	(5,198)	(3,958)	31.3
Profit for the period	11,074	8,502	30.3	23,606	19,005	24.2
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	11,074	8,502	30.3	23,606	19,005	24.2



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

Note	GROUP 3 months ended 30 June		GROUP 6 months ended 30 June		
	2014 S\$'000	2013 S\$'000	2014 S\$'000	2013 S\$'000	
Depreciation of property, plant and equipment	(1)	2,659	2,468	5,351	4,851
Exchange loss/(gain) net		8	(18)	10	7
Loss/(Gain) on disposal of property, plant and equipment		4	(16)	4	(14)
Other income:					
Rental received	(2)	333	299	684	599
Sale of scrap materials		254	235	510	478
Government grants	(3)	66	32	699	756
Miscellaneous income		319	294	579	594
		972	860	2,472	2,427
Finance income					
Interest income	(4)	178	135	352	337

Notes

1. The increase in depreciation expense was attributable mainly to the capital expenditure incurred in refurbishment of certain stores and purchase of additional plant and machinery and computers subsequent to July 2013.
2. Rental received is derived from leasing of excess space at some of the retail stores.
3. These were grants under the Special Employment and Wage Credit schemes.
4. The interest income was derived from fixed deposits denominated in S\$ placed with banks in Singapore.



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

	GROUP		COMPANY	
	30 June 2014	31 Dec 2013	30 June 2014	31 Dec 2013
	S\$'000	S\$'000	S\$'000	S\$'000
Assets				
Non-current assets				
Property, plant and equipment	94,621	90,756	-	-
Investment in subsidiaries	-	-	78,234	78,234
	94,621	90,756	78,234	78,234
Current assets				
Inventories	38,514	45,566	-	-
Trade and other receivables	15,768	12,247	103,104	67,888
Cash and cash equivalents	95,643	99,678	276	33,973
	149,925	157,491	103,380	101,861
Total assets	244,546	248,247	181,614	180,095
Equity attributable to equity holders of the Company				
Share capital	156,349	156,349	156,349	156,349
Merger reserve	(68,234)	(68,234)	-	-
Accumulated profits	65,892	61,656	25,012	23,381
Total equity	154,007	149,771	181,361	179,730
Liabilities				
Non-current liabilities				
Deferred tax liabilities	2,645	2,292	-	-
	2,645	2,292	-	-
Current liabilities				
Trade and other payables	79,047	88,243	244	336
Current tax payable	8,847	7,941	9	29
	87,894	96,184	253	365
Total liabilities	90,539	98,476	253	365
Total equity and liabilities	244,546	248,247	181,614	180,095

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

The Group had no borrowings as at 30 June 2014 and 31 December 2013 respectively.



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

CONSOLIDATED STATEMENT OF CASH FLOW

	Group		Group	
	3 months ended		6 months ended	
	30 June		30 June	
	2014	2013	2014	2013
	SS'000	SS'000	SS'000	SS'000
Operating activities				
Profit for the period	11,074	8,502	23,606	19,005
Adjustments for:				
Depreciation of property, plant and equipment	2,659	2,468	5,351	4,851
Loss/(Gain) on disposal of property, plant and equipment	4	(16)	4	(14)
Unrealised exchange loss/(gain)	27	(18)	10	7
Interest income	(178)	(135)	(352)	(337)
Tax expense	2,501	1,843	5,198	3,958
	<u>16,087</u>	<u>12,644</u>	<u>33,817</u>	<u>27,470</u>
Changes in inventories	(2,738)	520	7,052	6,363
Changes in trade and other receivables	(8,476)	889	(3,521)	(782)
Changes in trade and other payables	10,489	9,715	(9,196)	(3,244)
Cash generated from operations	<u>15,362</u>	<u>23,768</u>	<u>28,152</u>	<u>29,807</u>
Taxes paid	(3,245)	(2,815)	(3,939)	(4,987)
Cash flows from operating activities	<u>12,117</u>	<u>20,953</u>	<u>24,213</u>	<u>24,820</u>
Investing activities				
Proceeds from disposal of property, plant and equipment	7	56	7	56
Purchase of property, plant and equipment	(9,032)	(2,424)	(9,227)	(3,747)
Interest received	178	135	352	337
Cash flows used in investing activities	<u>(8,847)</u>	<u>(2,233)</u>	<u>(8,868)</u>	<u>(3,354)</u>
Financing activity				
Dividend paid	(19,370)	(24,212)	(19,370)	(24,212)
Cash flows used in financing activity	<u>(19,370)</u>	<u>(24,212)</u>	<u>(19,370)</u>	<u>(24,212)</u>
Net decrease in cash and cash equivalents	<u>(16,100)</u>	<u>(5,492)</u>	<u>(4,025)</u>	<u>(2,746)</u>
Cash and cash equivalents at beginning of the period	111,770	123,120	99,678	120,399
Effect of exchange rate changes on balances held in foreign currencies	(27)	18	(10)	(7)
Cash and cash equivalents at end of the period	<u>95,643</u>	<u>117,646</u>	<u>95,643</u>	<u>117,646</u>



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

Group	Share capital SS'000	Merger reserve SS'000	Accumu- lated profits SS'000	Foreign currency translation reserve SS'000	Total equity SS'000
As at 1 January 2013	156,349	(68,234)	63,563	*	151,678
Total comprehensive income for the period					
Profit for the period	-	-	19,005	-	19,005
Transactions with owners, recorded directly in equity:					
Distributions to owners					
Dividend paid	-	-	(24,212)	-	(24,212)
Total transactions with owners	-	-	(24,212)	-	(24,212)
At 30 June 2013	156,349	(68,234)	58,356	*	146,471
At 1 January 2014	156,349	(68,234)	61,656	*	149,771
Total comprehensive income for the period					
Profit for the period	-	-	23,606	-	23,606
Transactions with owners, recorded directly in equity:					
Distributions to owners					
Dividend paid	-	-	(19,370)	-	(19,370)
Total transactions with owners	-	-	(19,370)	-	(19,370)
As at 30 June 2014	156,349	(68,234)	65,892	*	154,007

* Amount is less than \$1,000.



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Company	Share capital S\$'000	Accumulated profits S\$'000	Total Equity S\$'000
As at 1 January 2013	156,349	26,323	182,672
Total comprehensive income for the period			
Profit for the period	-	16,731	16,731
Transactions with owners, recorded directly in equity:			
Distributions to owners			
Dividend paid	-	(24,212)	(24,212)
Total transactions with owners	-	(24,212)	(24,212)
At 30 June 2013	156,349	18,842	175,191
As at 1 January 2014	156,349	23,381	179,730
Total comprehensive income for the period			
Profit for the period	-	21,001	21,001
Transactions with owners, recorded directly in equity:			
Distributions to owners			
Dividend paid	-	(19,370)	(19,370)
Total transactions with owners	-	(19,370)	(19,370)
As at 30 June 2014	156,349	25,012	181,361

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

There were no changes in the Company's share capital arising from rights issue, bonus issue, share-buybacks, exercise of share option or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purposes since the end of the previous period reported on.

There were no outstanding convertibles instruments which may be converted to shares. There were no treasury shares held.



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

Company	As at	
	30 June 2014	31 December 2013
	No of shares	No of shares
Total number of issued shares	1,383,537,000	1,383,537,000

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

Not applicable.

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

The figures have not been audited or reviewed.

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

Not applicable.

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

The Group has applied the same accounting policies and computation methods used in the preparation of the financial statements for the current reporting period as compared with the audited financial statements as at 31 December 2013, except for the adoption of the new and revised Financial Reporting Standards (FRS) which become effective for the financial year beginning on or after 1 January 2014.

The adoption of these new and revised accounting standards did not give rise to any significant changes to the financial statements.

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

Please refer to paragraph 4.



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

	GROUP 3 months ended		GROUP 6 months ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
Earning per ordinary share of the group for the financial period based on net profit attributable to shareholders:				
- based on weighted average number of shares in issue (cents)	0.80	0.61	1.71	1.37
Number of shares as at end of period ('000)	1,383,537	1,383,537	1,383,537	1,383,537
Weighted average number of shares in issue during the period ('000)	1,383,537	1,383,537	1,383,537	1,383,537

Note:-

There were no potentially dilutive shares during the periods reported on.

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

	GROUP		COMPANY	
	30 June 2014 cents	31 Dec 2013 cents	30 June 2014 cents	31 Dec 2013 cents
Net asset value per ordinary share based on issued share capital at the end of the period reported on	11.13	10.83	13.11	12.99

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



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OVERVIEW

Retail sales at supermarkets decreased by 2.6% in the 1Q2014 compared with 1Q2013. Growth which continued to be sluggish in the ensuing months of April and May 2014 (compared on a year-on-year basis), was estimated to be in the region of 0.6% to 1.1%. Competition remained keen. In 1H2014, there were no aggressive openings of new supermarket stores by the competitors.

Against this backdrop, the Group's net profit for 2Q2014 improved by 30.3% to \$11.1m compared with 2Q2013. The improvement came from higher revenue, leading to a higher gross profit which was enhanced by improvement in gross margin but partially offset by higher administrative expenses. Likewise in 1H2014, the Group achieved a net profit of \$23.6m, an improvement of 24.2% over 1H2013.

INCOME STATEMENT

REVENUE

	As at 30 June 2014	As at 30 June 2013
Number of stores	33	33
Retail area	400,000 square feet	400,000 square feet

There were no new stores opened in the first half of 2014 and in FY2013. For the purpose of computing comparable same store sales, the eight new stores opened in 2012 were considered as new stores and were excluded.

Revenue increased by \$22.1m or 6.5% in 1H2014 compared with 1H2013, consisting of increases in sales from new stores amounting to \$9.3m (2.7%) and comparable same store sales of \$12.8m (3.8%), which was achieved notwithstanding the closure of the Chin Swee store for almost a month during the second quarter for a total makeover. If the decline in sales from the Bedok Central and The Verge stores, which were affected by ongoing construction works in the vicinity, were excluded, comparable same store sales would be 4.3%. Refurbishment work done to some stores, longer operating hours as well as marketing initiatives were the main reasons for the improvement in comparable same store sales.

Revenue increased by \$11.8m or 7.4% in 2Q2014 compared with 2Q2013 because of the same reasons mentioned above. The contributions from new and comparable same store sales were 2.7% and 4.7% respectively. The improvement in comparable same store sales would be 5.0% if the stores at Bedok Central and The Verge were excluded.



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GROSS MARGIN

2Q2014	1Q2014	1H2014	1H2013
24.7%	23.8%	24.2%	22.8%

Although competition remained keen, selling prices were stable, but with a slight downward bias. Input prices continue to improve mainly because of savings derived from the Mandai Distribution Centre. Consequently, gross margins improved to 24.2% in 1H2014 from 22.8% in 1H2013. The savings derived from the Mandai Distribution Centre continues to be the main driver in improving gross margins over the quarters as shown in the table below.

2Q2014	1Q2014	4Q2013	3Q2013
24.7%	23.8%	23.2%	23.2%

EXPENSES

Distribution expenses

Distribution expenses in 2Q2014 and the 1H2014 decreased slightly compared with the corresponding periods on a year-on-year basis mainly because of lower depreciation as some of the trucks became fully depreciated and lower labor cost arising from higher productivity.

Administrative Expenses

Administrative Expenses as a % of sales:

2Q2014	2Q2013	1H2014	1H2013
\$28.5m	\$26.3m	\$58.5m	54.3m
16.6%	16.5%	16.2%	16.0%

Increases were mainly in the following expenses:-

	2Q2014 vs 2Q2013	1H2014 vs 1H2013
	\$'000	\$'000
Staff costs	1,730	3,311
Rental of stores	283	328
Depreciation	82	269
Others	111	276
Total increase	2,206	4,184

Cost continued to be tightly controlled and administrative expenses as a % of sales has been stable. Increases in staff cost were attributable mainly to a higher provision for bonus as a result of the higher operating profit. Rental of retail stores increased mainly because of the increases in rental rates on renewal of leases but as a % of sales, rental remained at 2.8%. The increase in depreciation was mainly because of capital expenditure incurred in refurbishing some of the stores as well as replacement of plant and machinery and computers.



Tax

The effective tax rate for both 2Q2014 and 1H2014 approximates the statutory rate of 17%.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Inventory at 30 June 2014 was lower by \$7.0m compared with 31 December 2013 because a higher level of inventory was carried at 31 December 2013 to cater for Chinese New Year sales in January 2014.

Sales were conducted principally in cash and balances due from trade and other receivables as at 30 June 2014 was \$3.5m higher compared with 31 December 2013 mainly because of the increase in other deposits, offset by a reduction in trade receivables. Other deposit increased mainly because of the payment of the deposit and stamp duty amounting to \$8.5m upon exercising the option to buy a building at Tampines Central. Trade receivables declined as amounts owing by a credit card company was collected. The decrease in trade and other payables as at 30 June 2014 by \$9.2m was attributable mainly to trade payables declining by \$8.3m as a result of lower level of purchases.

CASH FLOW

Sales are made mostly on a cash basis. There were no major changes to the payment cycle.

1H2014

Cash generated from operation before working capital changes and payment of tax in 1H2014 of \$33.8m compared with \$27.5m in 1H2013 was in line with the higher operating profit. Cash amounting to \$5.7m was used to fund working capital in 1H2014 compared with a cash generation of \$2.3m in 1H2013, mainly because of the deposit paid for the intended purchase of Block 506 Tampines Central and the reduction in trade payables. Purchases of property, plant and equipment amounting to \$9.2m, consisted mainly of the progress payment of \$6.1m for Junction 9 and \$1.0m for the solar panel. After the final payment of FY2013's final dividend of \$19.4m, cash and cash equivalent decreased by \$4.0m. Cash and cash equivalent, which represented 39.1% of the Group's total assets, remained at a healthy level of \$95.6m as at 30 June 2014.

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

Not applicable.

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

Competition is expected to be keen in the supermarket industry. The Group will continue to look for suitable retail space in areas where they do not have a presence to open new stores to leverage on the brand name. It has been challenging finding suitable retail space and for this reason the Group has in



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FY2013 purchased approximately 19,000 square feet of retail space in Junction 9, a HDB commercial complex under construction in Yishun, which is expected to be ready by the middle of 2017. The Group has in June 2014 exercised an option to purchase a HDB Shopping Complex in Tampines Central, and if completed, would provide approximately 36,000 square feet of retail space of which approximately 9,800 square feet could be available for the Group to open a new store in early 2015. This intended purchase is pending completion subject to regulatory approval and fulfillment of certain conditions.

The purchase of Junction 9 and Block 506 Tampines Central will be funded internally and/or by borrowings and there should not be any material impact on financial performance of the Group for FY2014.

Cost pressures, particularly manpower costs, are mounting across the entire economy. Without exception, the supermarket industry is also facing a tightening over the availability of foreign workers and the need to adjust the basic salary of lower salaried staff.

Food inflation was 2.8% in the first five months of 2014, compared with the same period in the previous year, with the increases more pronounced in seafood, vegetable and fruits. The Group would suffer erosion in gross margin if they cannot pass on the increases in prices in full to the customers.

11. Dividend

(a) Current Financial Period Reported On

Yes

Name of Dividend	Interim
Dividend Type	Cash
Dividend Rate	1.5 cent per share
Tax rate	Tax exempt (one-tier)

Corresponding Period of the immediately Preceding Financial Year

Name of Dividend	Interim
Dividend Type	Cash
Dividend Rate	1.2 cent per share
Tax rate	Tax exempt (one-tier)

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

This is a tax exempt (one tier) dividend.

(c) The date the dividend is payable.

The dividend will be paid on 29 August 2014.



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

Notice is hereby given that the Share Transfer Books and Register of Members of the Company will be closed on 13 August 2014 for the preparation of dividend warrants. Duly completed transfers in respect of ordinary shares in the capital of the Company ("Shares") received by the Company's Registrar, Boardroom Corporate & Advisory Services Pte Ltd at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623, at 5.00 p.m. on 12 August 2014 will be registered to determine shareholders' entitlement to the interim dividend. Shareholders whose securities accounts with The Central Depository (Pte) Limited (CDP) are credited with Shares at 5.00 pm on 12 August 2014 will be entitled to the interim dividend.

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

Not applicable.



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

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

INTERESTED PERSON TRANSACTIONS

From 1 January 2014 to 30 June 2014

Name of Interested Person(s)	Description of Interested Person 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)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
		(\$'000)	(\$'000)
F M Food Court Pte Ltd Lim Hock Eng Lim Hock Chee Lim Hock Leng	Sale of goods by Sheng Siong Group Ltd to F M Food Court Pte Ltd ^{See Note (1)}	196	-
	Lease of operations space by F M Food Court Pte Ltd ^{See Note (1)} from Sheng Siong Group Ltd	269	-
E Land Properties Pte Ltd Lim Hock Eng Lim Hock Chee Lim Hock Leng	Rent and utilities paid by Sheng Siong Group Ltd to E Land Properties Pte Ltd ^{See Note (1)} for lease and license of operations space	825	-

Note:

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



14. An update on the use of net proceeds from the issue of new shares for the IPO.

USE OF PROCEEDS FROM IPO

Purpose	Estimated amount (\$ m)	Estimated percentage of gross proceeds raised from the issue of New Shares	Amount utilised (\$ m)	Percentage of gross proceeds raised from the issue of New Shares
Repayment of the Term Loan	30.0	39.3%	26.3	34.4%
Development and expansion of grocery retailing business and operations in Singapore and overseas	20.0	26.2%	20.0 ⁽¹⁾	26.2%
Working capital purposes	22.2	29.0%	-	-
Expenses incurred in connection with the issue of New Shares	4.2	5.5%	4.0	5.2%
Total	76.4 ⁽²⁾	100.0%	50.3	65.8%

Notes:

- (1) Relates to the opening of our new stores in Singapore and major renovation of existing stores.
- (2) Includes net proceeds from the exercise of the Over-allotment Option of \$13.5m.

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

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

BY ORDER OF THE BOARD

LIM HOCK CHEE
CEO
23 July 2014