



SHENG SIONG GROUP LTD

First Quarter Financial Statement

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

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

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	GROUP		
	1 st Quarter ended		
	31 March		
	2015	2014	
	S\$'000	S\$'000	+/- (-)%
Revenue	198,355	189,704	4.6
Cost of sales	(149,875)	(144,647)	3.6
Gross profit	48,480	45,057	7.6
Other income	2,235	1,500	49.0
Distribution expenses	(1,167)	(991)	17.8
Administrative expenses	(32,058)	(30,011)	6.8
Other expenses	(697)	(500)	39.4
Results from operating activities	16,793	15,055	11.5
Finance income	269	174	54.6
Profit before tax	17,062	15,229	12.0
Tax expense	(3,001)	(2,697)	11.3
Profit for the period	14,061	12,532	12.2
Other comprehensive income	-	-	
Total comprehensive income	14,061	12,532	12.2



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

		GROUP	
		1st Quarter ended	
		31 March	
	Note	2015	2014
		S\$'000	S\$'000
Depreciation of property, plant and equipment	(1)	3,209	2,692
Exchange (gain)/loss net		(152)	2
Loss on disposal of property, plant and equipment		1	-
		<u> </u>	<u> </u>
Other income:			
Rental income	(2)	906	351
Sale of scrap materials		296	256
Government grants	(3)	817	633
Miscellaneous income		216	260
		<u>2,235</u>	<u>1,500</u>
		<u> </u>	<u> </u>
Finance income:			
Interest income	(4)	269	174
		<u> </u>	<u> </u>

Notes

1. The increase in depreciation charges for the year was due mainly to the capital expenditure incurred in FY2014 and 1Q2015.
2. Rental income arose from leasing out of retail space to external parties. It was higher during the period mainly because of rent received from tenants in Block 506 Tampines Central.
3. The government grants were primarily received for the wage credit and special employment 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	
	31 Mar 2015 S\$'000	31 Dec 2014 S\$'000	31 Mar 2015 S\$'000	31 Dec 2014 S\$'000
Non-current assets				
Property, plant and equipment	161,603	160,662	-	-
Investment in subsidiaries	-	-	78,234	78,234
	<u>161,603</u>	<u>160,662</u>	<u>78,234</u>	<u>78,234</u>
Current assets				
Inventories	41,979	43,142	-	-
Trade and other receivables	7,894	10,748	164,912	182,900
Cash and cash equivalents	139,403	130,470	18,363	386
	<u>189,276</u>	<u>184,360</u>	<u>183,275</u>	<u>183,286</u>
Total assets	<u>350,879</u>	<u>345,022</u>	<u>261,509</u>	<u>261,520</u>
Equity attributable to equity holders of the Company				
Share capital	235,373	235,373	235,373	235,373
Merger reserve	(68,234)	(68,234)	-	-
Accumulated profits	83,197	69,136	25,782	25,794
Total equity	<u>250,336</u>	<u>236,275</u>	<u>261,155</u>	<u>261,167</u>
Non-current liabilities				
Deferred tax liabilities	2,762	2,204	-	-
	<u>2,762</u>	<u>2,204</u>	<u>-</u>	<u>-</u>
Current liabilities				
Trade and other payables	85,290	95,845	354	353
Current tax payable	12,491	10,698	-	-
	<u>97,781</u>	<u>106,543</u>	<u>354</u>	<u>353</u>
Total liabilities	<u>100,543</u>	<u>108,747</u>	<u>354</u>	<u>353</u>
Total equity and liabilities	<u>350,879</u>	<u>345,022</u>	<u>261,509</u>	<u>261,520</u>

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

The Group had no borrowings as at the end of 31 March 2015 and 31 December 2014.



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

CONSOLIDATED STATEMENT OF CASH FLOW

	Group	
	1st Quarter ended	
	31 March	
	2015	2014
	S\$'000	S\$'000
Operating activities		
Profit for the period	14,061	12,532
Adjustments for:		
Depreciation of property, plant and equipment	3,209	2,692
Loss on disposal of property, plant and equipment	1	-
Unrealised exchange loss/(gain)	26	(17)
Interest income	(269)	(174)
Tax expense	3,001	2,697
	<u>20,029</u>	<u>17,730</u>
Changes in inventories	1,163	9,790
Changes in trade and other receivables	2,854	4,955
Changes in trade and other payables	(10,555)	(19,685)
Cash generated from operations	<u>13,491</u>	<u>12,790</u>
Taxes paid	(650)	(694)
Cash flows from operating activities	<u>12,841</u>	<u>12,096</u>
Investing activities		
Purchase of property, plant and equipment	(4,151)	(195)
Interest received	269	174
Cash flows used in investing activities	<u>(3,882)</u>	<u>(21)</u>
Net increase in cash and cash equivalents	8,959	12,075
Cash and cash equivalents at beginning of the period	130,470	99,678
Effect of exchange rate changes on balances held in foreign currencies	(26)	17
Cash and cash equivalents at end of the period	<u>139,403</u>	<u>111,770</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 S\$'000	Merger reserve S\$'000	Accumulated profits S\$'000	Total equity S\$'000
As at 1 January 2014	156,349	(68,234)	61,656	149,771
Total comprehensive income for the period				
Profit for the period	-	-	12,532	12,532
At 31 March 2014	156,349	(68,234)	74,188	162,303

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

Company	Share capital S\$'000	Accumulated profits S\$'000	Total equity S\$'000
As at 1 January 2014	156,349	23,381	179,730
Total comprehensive income for the period			
Profit for the period	-	81	81
At 31 March 2014	156,349	23,462	179,811

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



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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 to the Company's share capital since the end of the previous period reported. There were no convertibles or treasury shares held.

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

Company	As at	
	31 Mar 2015	31 Dec 2014
	No of shares	No of shares
Total number of issued shares	1,503,537,000	1,503,537,000

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

Not applicable, as there were no treasury shares held.

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

The figures have not been audited or reviewed.

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

Not applicable.

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

The Group has applied the same accounting policies and computation methods used in the preparation of the financial statements for the reporting period as compared with the audited financial statements as at 31 December 2014, 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 2015. The adoption of these new and revised accounting standards did not give rise to any material impact to the financial statements.



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

Please refer to paragraph 4.

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

GROUP
3 Months ended
31 Mar 2015 31 Mar 2014

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	0.94 cents	0.91 cents
Weighted average number of shares in issue during the period	1,503,537,000	1,383,537,000

Note:-

There were no potentially dilutive shares.

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

	GROUP		COMPANY	
	31 Mar 2015	31 Dec 2014	31 Mar 2015	31 Dec 2014
	cents	cents	cents	cents
Net asset value per ordinary share based on issued share capital at the end of the period reported on	16.65	15.71	17.37	17.37
Number of shares as at:	1,503,537,000	1,503,537,000	1,503,537,000	1,503,537,000

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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INCOME STATEMENT

OVERVIEW

Net profit for 1Q2015 increased by 12.2% to \$14.1m compared with \$12.5m in 1Q2014 mainly because of higher revenue and improvement in gross margin from 23.8% to 24.4%, which were partially offset by higher operating expenses arising from the higher revenue.

	1Q2015	1Q2014
Number of outlets	35	33
Retail area at end of year	413,800 square feet	400,000 square feet
Revenue	\$198.3m	\$189.7m

The Group opened a new store of approximately 4,000 square feet at Penjuru in December 2014 and another store with approximately 9,800 square feet at Block 506 Tampines Central in January 2015. These two stores will be classified as new stores and will not be considered in computing comparable same store sales.

Revenue

Revenue increased by 4.6% of which 1.7% was contributed by the two new stores and 2.9% by comparable same store. 1Q2015 began with healthy growth in revenue during the Chinese New Year season, but faded in March mainly because of sluggish post festive demand followed probably by the same tepid conditions which had prevailed in the greater part of FY2014. Revenue growth at the Bedok Central Store has recovered, but revenue growth remained flat at the Tekka Store.

Cost of sales

Gross margin

1Q2014	1Q2015	4Q2014	FY2014
23.8%	24.4%	24.3%	24.2%

Gross margin improved from 23.8% in 1Q2014 to 24.4% in 1Q2015, underpinned mainly by the reduction in input costs derived from the distribution centre. This reduction was progressively achieved throughout FY2014, which led to 1Q2015's gross margin being sequentially higher, albeit only marginally as compared to 4Q2014, but this may not be strictly comparable as gross margin tends to be lower in the first quarter because of the Chinese New Year sales.

Other Income

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

Administrative Expenses

Administrative expenses increased by \$2.0m as a result of the following:

	1Q2015 vs 1Q2014 \$'m
Staff costs	2.0
Depreciation	0.3
Utilities	(0.5)
Others	0.2
Total increase	2.0



The increase in staff cost was due mainly to a higher provision for bonus arising from the better financial performance of the Group in 1Q2015 compared with 1Q2014 and higher headcount required to operate the two new stores. Depreciation charges increased mainly because of the purchases of Block 506 Tampines Central, the solar panels and other capital expenditure incurred in FY2014 and 1Q2015. Utility charges were lower mainly because of lower electricity tariffs due to lower oil prices. Operating lease expense for the Group's outlets remained at 2.6% of sales. Operating costs were tightly controlled and administrative expenses as a percentage of revenue was 16.2% in 1Q2015, similar to FY2014.

Distribution and other expenses

Exchange differences and higher depreciation charges relating to the new trucks were the main reasons for the net increase of \$0.4m.

Finance Income

Interest income was higher in 1Q2015 mainly because more cash was available to be placed on deposit compared to 1Q2014.

Tax

The effective tax rate for 1Q2015 of 17.6% was close to the statutory tax rate of 17%.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Capital expenditures of \$4.2m included progress payment of \$1.8m for the purchase of retail space at Yishun Junction 9, which is currently under construction, \$1.5m for upgrading and opening new stores and \$0.9m for increasing the processing capabilities of the distribution centre. After offsetting depreciation charges of \$3.2m, the net increase in Property, plant and equipment was \$1.0m.

Inventories decreased by \$1.2m as goods which were purchased at the end of FY2014 for Chinese New Year sales in 2015 were sold.

Trade and other receivables decreased by \$2.9m mainly because of the reduction in trade receivables of \$2.1m. The decrease in Trade and other payables by \$10.6m was attributable mainly to the reduction in accrued expense of \$8.1m resulting from the partial payment of the balance of FY2014's bonus in March 2015.

CASH FLOW

Sales are principally made on cash basis and there were no significant changes to the payment cycle.

Cash flow generated from operating activities before working capital changes in 1Q2015 was \$20.0m, an increase of \$2.3m over 1Q2014, which was consistent with the improvement in operating profit. However, cash used to fund working capital amounted to \$6.5m in 1Q2015, an increase of \$1.6m compared with \$4.9m in 1Q2014; mainly because of a slower rate of inventory consumption post 2015's Chinese New Year, an one-off effect of lower than usual trade payable at the end of 1Q2014 and changes to the timing on payment of bonuses.

Cash amounting to \$4.2m was used to purchase property, plant and equipment, resulting in a free cash flow generation of \$9.0m in 1Q2015, which was \$3.1m lower than 1Q2014, as capital expenditure was insignificant in that quarter. Nonetheless, the Group's cash and cash equivalents was at a healthy position of \$139.4m at the end of March 2015.



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

Not applicable.

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

The industry is expected to remain competitive. Besides competitive pressures, gross margin would be affected if input cost is increased because of food inflation, which could be caused by disruption to the supply chain. The government's restriction on the supply of foreign labor is likely to remain and the upward pressure on manpower cost would continue to persist. The outlet at McNair was closed from 1 April 2015 for a complete makeover and should be re-opened by the 1 May 2015.

The Group has secured two new leases with the HDB at Bukit Panjang (area: 5,220 square feet) and Punggol (area: 3,360 square feet) and both these stores are expected to commence operation in early May 2015. The Group was also the successful bidder for another HDB shop at Pasir Ris (area: 3,200 square feet) and is waiting for HDB to grant the lease. Finding suitable retail space to open outlets still remains challenging.

The Group has entered into a conditional Joint Venture Agreement with LuChen Group Co. Ltd to set up a joint venture to operate supermarkets in Kunming, People's Republic of China. Applications for licenses and registration of the joint venture with the relevant authorities in China are in progress and it is envisaged that these should be in place by the end of May 2015 and operation will most likely commence in the second half of FY2015. The Group's will hold a 60% stake, amounting to US\$6m in the joint venture. The joint venture is not expected to be profitable in FY2015, but the financial impact on the Group is not expected to be significant either.

11. *Dividend*

(a) *Current Financial Period Reported On*

Nil

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

Nil

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

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

Not applicable.



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

Not applicable.

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

No dividend is declared for 1Q2015.

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

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

INTERESTED PERSON TRANSACTIONS

From 1 January 2015 to 31 March 2015

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) (\$'000)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
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 ⁽¹⁾	113	-
	Purchase of goods by Sheng Siong Group Ltd from F M Food Court Pte Ltd ⁽¹⁾	-	-
	Lease of operation space by F M Food Court Pte Ltd ⁽¹⁾ from Sheng Siong Group Ltd	140	-
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 ⁽¹⁾ for lease and license of operations space	407	-

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:-

(i) 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	42.2 ⁽³⁾	55.2%	25.3 ⁽¹⁾	33.1%
Expenses incurred in connection with the issue of New Shares	4.2	5.5%	4.0	5.2%
Total	76.4 ⁽²⁾	100.0%	55.6	72.7%

Notes:

- (1) Relates to the opening of our new stores in Singapore and the purchase of retail space for our supermarket operations.
- (2) Includes net proceeds from the exercise of the Over-allotment Option of \$13.5m.
- (3) Includes an amount of \$22.2m originally designated for working capital now re-allocated. Please refer to the Company's announcement dated 28 October 2014.

**(ii) USE OF PROCEEDS FROM PLACEMENT OF 120M NEW SHARES ON 9 SEP 2014**

Purpose	Estimated amount (S\$ million)	Estimated percentage of gross proceeds raised from the issue of New Shares	Amount utilised (S\$ million)	Percentage of gross proceeds raised from the issue of New Shares
To finance the future expansion plans of the Group in Singapore, including the purchase of retail space to expand the Group's grocery retailing business in Singapore	78.8	98.0%	67.0 ⁽¹⁾	83.3%
To pay the fees and expenses, including professional fees and expenses, incurred or to be incurred by the Group in connection with the Placement	1.6	2.0%	1.4	1.7%
Total	80.4	100.0%	68.4	85.0%

Note:

(1) The aggregate amount paid for Block 506 Tampines Central including stamp duty of \$1.9m.

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 April 2015