



# 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<br>3 months ended<br>30 June |                 |              | GROUP<br>6 months ended<br>30 June |                 |              |
|--|------------------------------------|-----------------|--------------|------------------------------------|-----------------|--------------|
|  | 2017<br>S\$'000                    | 2016<br>S\$'000 | + / (-)<br>% | 2017<br>S\$'000                    | 2016<br>S\$'000 | + / (-)<br>% |
| Revenue  | 201,516                            | 188,758         | 6.8          | 418,638                            | 397,304         | 5.4          |
| Cost of sales  | (148,009)                          | (139,399)       | 6.2          | (310,811)                          | (296,947)       | 4.7          |
| <b>Gross profit</b>  | 53,507                             | 49,359          | 8.4          | 107,827                            | 100,357         | 7.4          |
| Other income   | 1,800                              | 2,142           | (16.0)       | 4,326                              | 5,960           | (27.4)       |
| Distribution expenses  | (1,341)                            | (1,138)         | 17.8         | (2,769)                            | (2,321)         | 19.3         |
| Administrative expenses  | (33,568)                           | (31,773)        | 5.6          | (67,790)                           | (65,429)        | 3.6          |
| Other expenses   | (675)                              | (414)           | 63.0         | (1,314)                            | (933)           | 40.8         |
| <b>Results from operating activities</b>                           | 19,723                             | 18,176          | 8.5          | 40,280                             | 37,634          | 7.0          |
| Finance income   | 33                                 | 204             | (83.8)       | 57                                 | 548             | (89.6)       |
| <b>Profit before tax</b>   | 19,756                             | 18,380          | 7.5          | 40,337                             | 38,182          | 5.6          |
| Tax expense  | (3,658)                            | (3,207)         | 14.1         | (7,113)                            | (6,586)         | 8.0          |
| <b>Profit for the period</b>                                       | 16,098                             | 15,173          | 6.1          | 33,224                             | 31,596          | 5.2          |
| <b>Other comprehensive income</b>                                  |                                    |                 |              |                                    |                 |              |
| Items that may be re-classified<br>subsequently to profit and loss |                                    |                 |              |                                    |                 |              |
| Foreign currency translation<br>differences for foreign entity     | 139                                | -               | n.m          | (30)                               | -               | n.m          |
| <b>Total comprehensive income</b>                                  | 16,237                             | 15,173          | 7.0          | 33,194                             | 31,596          | 5.1          |



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|   | GROUP          |               |            | GROUP          |               |            |
|---|----------------|---------------|------------|----------------|---------------|------------|
|   | 3 months ended |               |            | 6 months ended |               |            |
|   | 30 June        |               |            | 30 June        |               |            |
|   | 2017           | 2016          | + / (-)    | 2017           | 2016          | + / (-)    |
|   | S\$'000        | S\$'000       | %          | S\$'000        | S\$'000       | %          |
| <b>Profit net of tax for the period attributable to :</b> |                |               |            |                |               |            |
| Owners of the company                                     | 16,131         | 15,173        | 6.3        | 33,270         | 31,596        | 5.3        |
| Non-controlling interest                                  | (33)           | -             | n.m        | (46)           | -             | n.m        |
|   | <b>16,098</b>  | <b>15,173</b> | <b>6.1</b> | <b>33,224</b>  | <b>31,596</b> | <b>5.2</b> |
| <b>Total comprehensive income attributable to :</b>       |                |               |            |                |               |            |
| Owners of the company                                     | 16,214         | 15,173        | 6.9        | 33,252         | 31,596        | 5.2        |
| Non-controlling interest                                  | 23             | -             | n.m        | (58)           | -             | n.m        |
|   | <b>16,237</b>  | <b>15,173</b> | <b>7.0</b> | <b>33,194</b>  | <b>31,596</b> | <b>5.1</b> |

n.m denotes not meaningful

*1(a)(ii) Notes to the statement of comprehensive income*

|   | Note | GROUP                  |              | GROUP                  |              |
|---|------|------------------------|--------------|------------------------|--------------|
|   |      | 3 months ended 30 June |              | 6 months ended 30 June |              |
|   |      | 2017                   | 2016         | 2017                   | 2016         |
|   |      | S\$'000                | S\$'000      | S\$'000                | S\$'000      |
| Depreciation of property, plant and equipment             | (1)  | 3,713                  | 3,927        | 7,457                  | 7,503        |
| Exchange (gain) net                                       |      | (158)                  | (227)        | (107)                  | (164)        |
| Loss /(Gain) on disposal of property, plant and equipment |      | 54                     | 2            | 63                     | (10)         |
| <b>Other income:</b>                                      |      |                        |              |                        |              |
| Rental income   | (2)  | 682                    | 887          | 1,398                  | 1,788        |
| Sale of scrap materials                                   |      | 420                    | 299          | 844                    | 614          |
| Government grants   | (3)  | 443                    | 628          | 1,331                  | 2,880        |
| Miscellaneous income                                      |      | 255                    | 328          | 753                    | 678          |
|   |      | <b>1,800</b>           | <b>2,142</b> | <b>4,326</b>           | <b>5,960</b> |



## Notes

1. The decrease in depreciation for the period was attributable mainly due to property, plant and equipment bought in FY2012 for the central distribution centre which were now fully depreciated, offset by depreciation arising from additions in 2H2016 and 1H2017.
2. Rental income was derived from leasing of excess retail space to external parties and was lower in 1H2017 compared with 1H2016 as most of the tenancies in Block 506 Tampines Central had expired in the latter half of FY2016. The building has been renovated and the supermarket retail area has been expanded to approximately 25,000 square feet.
3. The government grants were from Government agencies under the Wage Credit, Temporary and Special Employment Schemes and were lower in 1H2017 mainly because the rate of subsidy for the Wage Credit scheme has been lowered.



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

|   | GROUP                   |                        | COMPANY                 |                        |
|---|-------------------------|------------------------|-------------------------|------------------------|
|   | 30 June 2017<br>S\$'000 | 31 Dec 2016<br>S\$'000 | 30 June 2017<br>S\$'000 | 31 Dec 2016<br>S\$'000 |
| <b>Non-current assets</b>                           |                         |                        |                         |                        |
| Property, plant and equipment                       | 248,347                 | 252,043                | -                       | -                      |
| Investment in subsidiaries                          | -                       | -                      | 82,261                  | 82,261                 |
|   | <b>248,347</b>          | <b>252,043</b>         | <b>82,261</b>           | <b>82,261</b>          |
| <b>Current assets</b>                               |                         |                        |                         |                        |
| Inventories   | 51,177                  | 61,886                 | -                       | -                      |
| Trade and other receivables                         | 8,077                   | 10,364                 | 183,693                 | 181,852                |
| Cash and cash equivalents                           | 69,587                  | 63,510                 | 224                     | 232                    |
|   | <b>128,841</b>          | <b>135,760</b>         | <b>183,917</b>          | <b>182,084</b>         |
| <b>Total assets</b>                                 | <b>377,188</b>          | <b>387,803</b>         | <b>266,178</b>          | <b>264,345</b>         |
| <b>Equity</b>                                       |                         |                        |                         |                        |
| Share capital                                       | 235,373                 | 235,373                | 235,373                 | 235,373                |
| Merger reserve                                      | (68,234)                | (68,234)               | -                       | -                      |
| Accumulated profits                                 | 90,285                  | 84,830                 | 30,538                  | 28,643                 |
| Foreign currency translation reserve                | 73                      | 91                     | -                       | -                      |
|   | <b>257,497</b>          | <b>252,060</b>         | <b>265,911</b>          | <b>264,016</b>         |
| <b>Equity attributable to owners of the Company</b> |                         |                        |                         |                        |
| Non controlling interest                            | 2,734                   | 2,792                  | -                       | -                      |
| <b>Total equity</b>                                 | <b>260,231</b>          | <b>254,852</b>         | <b>265,911</b>          | <b>264,016</b>         |
| <b>Non-current liabilities</b>                      |                         |                        |                         |                        |
| Deferred tax liabilities                            | 3,054                   | 2,445                  | -                       | -                      |
|   | <b>3,054</b>            | <b>2,445</b>           | <b>-</b>                | <b>-</b>               |
| <b>Current liabilities</b>                          |                         |                        |                         |                        |
| Trade and other payables                            | 100,199                 | 117,514                | 267                     | 329                    |
| Current tax payable                                 | 13,704                  | 12,992                 | -                       | -                      |
|   | <b>113,903</b>          | <b>130,506</b>         | <b>267</b>              | <b>329</b>             |
| <b>Total liabilities</b>                            | <b>116,957</b>          | <b>132,951</b>         | <b>267</b>              | <b>329</b>             |
| <b>Total equity and liabilities</b>                 | <b>377,188</b>          | <b>387,803</b>         | <b>266,178</b>          | <b>264,345</b>         |

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

The Group had no borrowings as at 30 June 2017 and 31 December 2016 respectively.



# SHENG SIONG GROUP LTD

## Half Year Financial Statement

*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         |                 |
|  | 2017            | 2016            | 2017            | 2016            |
|  | SS'000          | SS'000          | SS'000          | SS'000          |
| <b>Operating activities</b>  |                 |                 |                 |                 |
| Profit for the period  | 16,098          | 15,173          | 33,224          | 31,596          |
| Adjustments for:   |                 |                 |                 |                 |
| Depreciation of property, plant and equipment                          | 3,713           | 3,927           | 7,457           | 7,503           |
| Loss/(Gain) on disposal of property, plant and equipment               | 54              | 2               | 63              | (10)            |
| Unrealised exchange loss   | 2               | 28              | 53              | 110             |
| Interest income  | (33)            | (204)           | (57)            | (548)           |
| Tax expense  | 3,658           | 3,207           | 7,113           | 6,586           |
|  | <u>23,492</u>   | <u>22,133</u>   | <u>47,853</u>   | <u>45,237</u>   |
| Changes in inventories   | 46              | (3,348)         | 10,709          | 1,845           |
| Changes in trade and other receivables                                 | (830)           | (1,100)         | 2,287           | 1,798           |
| Changes in trade and other payables                                    | 12,182          | 14,828          | (17,315)        | (10,357)        |
| Cash generated from operations   | <u>34,890</u>   | <u>32,513</u>   | <u>43,534</u>   | <u>38,523</u>   |
| Taxes paid   | (4,762)         | (6,037)         | (5,792)         | (6,724)         |
| <b>Cash flows from operating activities</b>                            | <u>30,128</u>   | <u>26,476</u>   | <u>37,742</u>   | <u>31,799</u>   |
| <b>Investing activities</b>  |                 |                 |                 |                 |
| Proceeds from disposal of property, plant and equipment                | 2               | 256             | 119             | 279             |
| Purchase of property, plant and equipment                              | (1,217)         | (63,733)        | (3,943)         | (81,331)        |
| Interest received  | 33              | 204             | 57              | 548             |
| <b>Cash flows used in investing activities</b>                         | <u>(1,182)</u>  | <u>(63,273)</u> | <u>(3,767)</u>  | <u>(80,504)</u> |
| <b>Financing activity</b>  |                 |                 |                 |                 |
| Dividend paid  | (27,815)        | (26,312)        | (27,815)        | (26,312)        |
| <b>Cash flows used in financing activity</b>                           | <u>(27,815)</u> | <u>(26,312)</u> | <u>(27,815)</u> | <u>(26,312)</u> |
| <b>Net increase/ (decrease) in cash and cash equivalents</b>           | 1,131           | (63,109)        | 6,160           | (75,017)        |
| Cash and cash equivalents at beginning of the period                   | 68,319          | 113,941         | 63,510          | 125,931         |
| Effect of exchange rate changes on balances held in foreign currencies | (137)           | (28)            | (83)            | (110)           |
| <b>Cash and cash equivalents at end of the period</b>                  | <u>69,587</u>   | <u>50,804</u>   | <u>69,587</u>   | <u>50,804</u>   |



# SHENG SIONG GROUP LTD

## Half Year Financial Statement

*I(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.*

| Attributable to owners of the Company                            |               |                   |                            |   |          | Non-<br>Control-<br>ling<br>interest | Total<br>equity |
|--|---------------|-------------------|----------------------------|---|----------|--------------------------------------|-----------------|
| Group  | Share capital | Merger<br>reserve | Accumu-<br>lated<br>profit | Foreign<br>currency<br>translation<br>reserve | Total    |                                      |                 |
|  | S\$'000       | S\$'000           | S\$'000                    | S\$'000                                       | S\$'000  | S\$'000                              | S\$'000         |
| <b>As at 1 January 2016</b>                                      | 235,373       | (68,234)          | 77,057                     | *   | 244,196  | -                                    | 244,196         |
| <b>Total comprehensive income for the period</b>                 |               |                   |                            |   |          |                                      |                 |
| Profit for the period  | -             | -                 | 31,596                     | -   | 31,596   | -                                    | 31,596          |
| <b>Transactions with owners, recorded directly in equity:</b>    |               |                   |                            |   |          |                                      |                 |
| <b>Contribution by and distribution to owners of the Company</b> |               |                   |                            |   |          |                                      |                 |
| Dividend paid  | -             | -                 | (26,312)                   | -   | (26,312) |                                      | (26,312)        |
| <b>Total transactions with owners</b>                            | -             | -                 | (26,312)                   | -   | (26,312) | -                                    | (26,312)        |
| <b>At 30 June 2016</b>   | 235,373       | (68,234)          | 82,341                     | *   | 249,480  | -                                    | 249,480         |
| <b>At 1 January 2017</b>   | 235,373       | (68,234)          | 84,830                     | 91  | 252,060  | 2,792                                | 254,852         |
| <b>Total comprehensive income for the period</b>                 |               |                   |                            |   |          |                                      |                 |
| Profit for the period  | -             | -                 | 33,270                     | -   | 33,270   | (46)                                 | 33,224          |
| <b>Other comprehensive income</b>                                |               |                   |                            |   |          |                                      |                 |
| Foreign currency translation differences for foreign entity      | -             | -                 | -                          | (18)  | (18)     | (12)                                 | (30)            |
| <b>Total comprehensive income for the period</b>                 | -             | -                 | 33,270                     | (18)  | 33,252   | (58)                                 | 33,194          |
| <b>Transactions with owners, recorded directly in equity:</b>    |               |                   |                            |   |          |                                      |                 |
| <b>Contribution by and distribution to owners of the Company</b> |               |                   |                            |   |          |                                      |                 |
| Dividend paid  | -             | -                 | (27,815)                   | -   | (27,815) | -                                    | (27,815)        |
| <b>Total transactions with owners</b>                            | -             | -                 | (27,815)                   | -   | (27,815) | -                                    | (27,815)        |
| <b>As at 30 June 2017</b>  | 235,373       | (68,234)          | 90,285                     | 73  | 257,497  | 2,734                                | 260,231         |

\*Amount is less than \$1,000



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| Company   | Share capital<br>S\$'000 | Accumulated profits<br>S\$'000 | Total Equity<br>S\$'000 |
|---|--------------------------|--------------------------------|-------------------------|
| <b>As at 1 January 2016</b>                                   | 235,373                  | 27,134                         | 262,507                 |
| <b>Total comprehensive income for the period</b>              |                          |                                |                         |
| Profit for the period   | -                        | 28,490                         | 28,490                  |
| <b>Transactions with owners, recorded directly in equity:</b> |                          |                                |                         |
| <b>Distributions to owners</b>                                |                          |                                |                         |
| Dividend paid   | -                        | (26,312)                       | (26,312)                |
| <b>Total transactions with owners</b>                         | -                        | (26,312)                       | (26,312)                |
| <b>At 30 June 2016</b>  | <u>235,373</u>           | <u>29,312</u>                  | <u>264,685</u>          |
| <br>  |                          |                                |                         |
| <b>As at 1 January 2017</b>                                   | 235,373                  | 28,643                         | 264,016                 |
| <b>Total comprehensive income for the period</b>              |                          |                                |                         |
| Profit for the period   | -                        | 29,710                         | 29,710                  |
| <b>Transactions with owners, recorded directly in equity:</b> |                          |                                |                         |
| <b>Distributions to owners</b>                                |                          |                                |                         |
| Dividend paid   | -                        | (27,815)                       | (27,815)                |
| <b>Total transactions with owners</b>                         | -                        | (27,815)                       | (27,815)                |
| <b>As at 30 June 2017</b>                                     | <u>235,373</u>           | <u>30,538</u>                  | <u>265,911</u>          |

*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 capital since the end of the previous period reported on.

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.*

| <b>Company</b>                | <b>As at</b>        |                         |
|-------------------------------|---------------------|-------------------------|
|                               | <b>30 June 2017</b> | <b>31 December 2016</b> |
|                               | <b>No of shares</b> | <b>No of shares</b>     |
| Total number of issued shares | 1,503,537,000       | 1,503,537,000           |

There were no outstanding convertibles instruments for which shares may be issued. There were no treasury shares held.

*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 2016, 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 2017. 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.*

|  | <b>GROUP</b>          |                       | <b>GROUP</b>          |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
|  | <b>3 months ended</b> | <b>3 months ended</b> | <b>6 months ended</b> | <b>6 months ended</b> |
|  | <b>30 June 2017</b>   | <b>30 June 2016</b>   | <b>30 June 2017</b>   | <b>30 June 2016</b>   |
| Earning per ordinary share of the group for the financial period based on net profit attributable to shareholders: |                       |                       |                       |                       |
| - based on number of shares/ weighted average number of shares in issue (cents)                                    | 1.07                  | 1.01                  | 2.21                  | 2.10                  |
| Number of shares as at end of period   | 1,503,537,000         | 1,503,537,000         | 1,503,537,000         | 1,503,537,000         |
| Weighted average number of shares in issue during the period   | <u>1,503,537,000</u>  | <u>1,503,537,000</u>  | <u>1,503,537,000</u>  | <u>1,503,537,000</u>  |

### 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.*

|   | <b>GROUP</b>         |                      | <b>COMPANY</b>       |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | <b>30 June 2017</b>  | <b>31 Dec 2016</b>   | <b>30 June 2017</b>  | <b>31 Dec 2016</b>   |
|   | <b>cents</b>         | <b>cents</b>         | <b>cents</b>         | <b>cents</b>         |
| Net asset value per ordinary share based on issued share capital at the end of the period reported on | 17.13                | 16.76                | 17.69                | 17.56                |
| Number of shares as at end of period/year   | <u>1,503,537,000</u> | <u>1,503,537,000</u> | <u>1,503,537,000</u> | <u>1,503,537,000</u> |

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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## STATEMENT OF COMPREHENSIVE INCOME

### OVERVIEW

Net profit in 1H2017 increased by 5.2% to \$33.2m compared with \$31.6m in 1H2016, mainly because of a higher gross profit arising from growth in revenue and improved gross margin, but was partially offset by a lower other income, finance income and higher operating expenses due to the increased level of operational activities.

### INCOME STATEMENT

|                  | As at 30 June 2017  | As at 30 June 2016  | As at 31 December 2016 |
|------------------|---------------------|---------------------|------------------------|
| Number of stores | 42                  | 41                  | 42                     |
| Retail area      | 427,000 square feet | 434,800 square feet | 450,000 square feet    |

#### Revenue

The store at Loyang Point which was temporarily closed on 15 April 2016 was re-opened at the end of February 2017 after addition and alteration works to the shopping mall was completed by the HDB. The retail area of the store at Block 506 Tampines was expanded by 15,000 square feet to 25,000 square feet, but the additional area was operational only in June 2017. There were no new stores opened in 1H2017 and 'new stores' referred to in this commentary refers to the four stores opened in FY2016.

The store at The Verge, with a retail area of 45,000 square feet was closed in the last week of June 2017 as the new owner will be proceeding with redevelopment.

#### The changes to revenue were:-

|                        | 1H2017 vs 1H2016 | 2Q2017 vs 2Q2016 |
|------------------------|------------------|------------------|
| New stores             | 5.7%             | 5.2%             |
| Comparable same store  | 0.5%             | 0.9%             |
| Loyang Point and Verge | (0.8)%           | 0.7%             |
| Total                  | 5.4%             | 6.8%             |

Year-on-year changes in revenue for Loyang Point and The Verge stores were separately categorized as these stores were not operational for the full duration of the period under review or the comparative prior period.

The growth of the new stores was within expectation. On a year-on-year basis, despite lackluster demand in the earlier part of 2017, comparable same store sale for 2Q2017 which grew by 0.9% was an improvement over 1Q2017's flattish growth. Contributing positively to comparable same store sale growth was an improving consumer's sentiment, but this was offset by decline in footfall of the stores in areas affected by the slowdown in the oil and gas industry, the store at Tampines which was undergoing renovation and the Woodland store. Most of the residents in the affected blocks in the vicinity of the Woodlands store had moved as the original closure date drew near and consequently sale at this store has been affected. If the contraction from the Woodlands store is excluded, comparable same store sale growth would be 1.2% and 1.7 % for 1H2017 and 2Q2017 respectively.



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## Half Year Financial Statement

### GROSS PROFIT

Gross profit grew by 7.4% in 1H2017 and 8.4% in 2Q2017 mainly because of higher revenue and improvement in gross margin by 0.5% in both 1H2017 and 2Q2017 compared on a year on year basis.

### GROSS MARGIN

| 2Q2017 | 2Q2016 | 1H2017 | 1H2016 |
|--------|--------|--------|--------|
| 26.6%  | 26.1%  | 25.8%  | 25.3%  |

Gross margin increased to 26.6% in 2Q2017 compared with 26.1% in 2Q2016 mainly because of input cost which was lowered by efficiency gains derived from the central distribution centre and a higher level of suppliers' rebates; and a better sales mix of higher gross margin fresh versus non-fresh produce. Higher rebates also prevailed in 1Q2017 compared with 1Q2016, resulting in 1H2017 improvement of 0.5% in gross margin compared with 1H2016. Sequentially and consistent with seasonal trend, 2Q2017's gross margin was higher than 1Q2017, as gross margin tends to be lower in the first quarter because of Chinese New Year sales.

### OTHER INCOME

The explanations for the variances in other income are in Page 2 and 3.

### EXPENSES

#### Administrative Expenses

Administrative Expenses as a % of sales:

| 2Q2017 | 2Q2016  | 1H2017  | 1H2016  |
|--------|---------|---------|---------|
| \$33.6 | \$31.8m | \$67.8m | \$65.4m |
| 16.7%  | 16.8 %  | 16.2%   | 16.5%   |

Increases were mainly in the following expenses:-

|  | 2Q2017 vs 2Q2016 | 1H2017 vs 1H2016 |
|--|------------------|------------------|
|  | \$m              | \$m              |
| Staff costs  | 1.2              | 1.2              |
| Rental of outlets  | (0.1)            | (0.5)            |
| Depreciation (excluding property plant and machinery in the central distribution centre) | 0.4              | 1.2              |
| Others   | 0.3              | 0.5              |
| <b>Total increase</b>  | <b>1.8</b>       | <b>2.4</b>       |



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Expenses were tightly controlled. Increases in staff cost were attributable mainly to the additional headcount required to operate the new stores and a higher provision for bonus as a result of the higher operating profit. The bulk of the increase in depreciation was attributable mainly to the purchase of the Bedok store, renovations of the new stores and purchases of IT equipments in the second half of FY2016 and 1H2017. The decrease in rental of outlets was attributable mainly to the rent saved from the Bedok store which is now owned.

### **Distribution expenses**

Higher staff costs, increase in maintenance costs and depreciation charges relating to the fleet of trucks were the main reasons for the increase in distribution expenses of \$0.2m and \$0.4m in 2Q2017 and 1H2016 respectively.

### **Other expenses**

The increase of \$0.4m in 1H2017 was attributable mainly to higher charges relating to credit cards and other forms of electronic payments, set up expenses of the new supermarket in Kunming China and exchange differences.

### **Finance Income**

Interests earned on fixed deposits for 1H2017 were lower mainly because of the lower amount of cash available for placement.

### **Tax**

The effective tax rates for both 1H2017 and 2Q2017 were slightly higher than the statutory rate of 17% mainly because of expenses which were not deductible for tax.

## **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

The reduction in property, plant and equipment was due mainly to depreciation charges of \$7.5m which was partially offset by purchases of property, plant and equipment.

Inventories at 30 June 2017 declined by \$10.7m compared with 31 December 2016 as goods stocked for Chinese New Year were sold in January 2017.

Sales were conducted principally in cash. Balances due from trade and other receivables consist mainly of amounts owing by credit card companies, other receivables, prepayments and rental deposits paid for supermarket outlets. The net reduction of \$2.3m was due mainly to a reduction of trade receivables of \$2.1m because of faster collection.

Trade and other payables as at 30 June 2017 decreased by \$17.3m mainly because of a reduction in accruals of \$9.0m mainly because of bonuses which was accrued as at 31 December 2016 were paid in the 1H2017, as well as a reduction trade and other payables of \$7.8m, consistent with the reduction in inventory.

## **CASH FLOW**



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The increase in cash generated from operating activities before working capital changes in 2Q2017 and 1H2017 was in line with the increased volume of business. There were no significant changes to the terms of trade and the significant swing from being cash negative to positive for 2Q2017 and 1H2017 compared with the corresponding previous periods was because there was no payment for purchase of retail space in 1H2017.

After paying the final dividend for FY 2016 in 2Q2017, cash and cash equivalents increased by \$6.2m to \$69.6m as at 30 June 2017.

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 in the supermarket industry is expected to remain keen. The recovery in demand could be uncertain if local economic conditions continue to remain lackluster.

Core inflation, more particularly food inflation is likely to remain subdued, although the risks of unpredictable weather could disrupt the supply chain and distort prices.

The Group is still looking for suitable retail spaces in areas where it does not have a presence. However, competition for retail spaces has not abated and looking for suitable retail outlets or successfully bidding for new HDB shops may be challenging.

The store at The Verge was closed in the third week of June 2017. HDB has indicated verbally that the closure date of the Woodlands store, with an area of approximately 41,500 square feet will be extended from the end of August 2017 to the end of October 2017. Both these stores accounted for 7.6% of 1H2017's revenue.

The Group has entered into a lease for a new shop of approximately 4,000 square feet at Fajar Road, Bukit Panjang and will be entering into a lease agreement with the HDB after bidding successfully for a new shop of approximately 12,000 square feet in Woodlands Street 12. Both these two new stores are expected to be operational in September 2017 and October 2017 respectively.

Construction of the new extension to the distribution centre has commenced and is estimated to be completed by 3Q2018, adding approximately another 50,000 square feet of storage space.

### China

Renovation of the supermarket, to be operated by the subsidiary in Kunming China is in progress and the new supermarket is expected to be operational in September 2017.

### 11. Dividend

(a) *Current Financial Period Reported On*



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|                  |                       |
|------------------|-----------------------|
| Name of Dividend | Interim               |
| Dividend Type    | Cash                  |
| Dividend Rate    | 1.55 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    | 1.90 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 2017.

*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 15 August 2017 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, #32-00, Singapore 048623 at 5.00 p.m. on 14 August 2017 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 14 August 2017 will be entitled to the interim dividend.

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

Not applicable.

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.*



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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 2017 to 30 June 2017

| 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/<br>Lim Hock Eng<br>Lim Hock Chee<br>Lim Hock Leng    | Sale of goods by Sheng Siong Group Ltd to F M Food Court Pte Ltd <sup>(1)</sup>   | 91  | -   |
|  | Lease of operation space by F.M Food Court Pte Ltd <sup>(1)</sup> from Sheng Siong Group Ltd  | 272   | -   |
| E Land Properties Pte Ltd/<br>Lim Hock Eng<br>Lim Hock Chee<br>Lim Hock Leng | Rent and utilities paid by Sheng Siong Group Ltd. to E Land Properties Pte Ltd <sup>(1)</sup> for lease and license of operations space | 851   | -   |

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.

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

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



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

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

### **BY ORDER OF THE BOARD**

LIM HOCK CHEE  
CEO  
27 July 2017