



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

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		+/- (%)
	1 st Quarter ended 31 Mar		
	2018 S\$'000	2017 S\$'000	
Revenue	228,283	217,122	5.1
Cost of sales	(168,507)	(162,802)	3.5
Gross profit	59,776	54,320	10.0
Other income	2,374	2,526	(6.0)
Distribution expenses	(1,480)	(1,428)	3.6
Administrative expenses	(38,268)	(34,222)	11.8
Other expenses	(595)	(639)	(6.9)
Results from operating activities	21,807	20,557	6.1
Finance income	187	24	n.m
Profit before tax	21,994	20,581	6.9
Tax expense	(3,740)	(3,455)	8.2
Profit for the period	18,254	17,126	6.6
Other comprehensive income			
Items that may be re-classified subsequently to profit or loss			
Foreign currency translation differences for foreign entity	108	(169)	n.m
Total comprehensive income	18,362	16,957	8.3



SHENG SIONG GROUP LTD

First Quarter Financial Statement

	GROUP		
	1st Quarter ended 31 Mar		
	2018	2017	+ / (-)
	S\$'000	S\$'000	%
Profit net of tax for the period attributable to :			
Owners of the company	18,276	17,139	6.6
Non-controlling interest	(22)	(13)	n.m
	18,254	17,126	6.6
Total comprehensive income attributable to :			
Owners of the company	18,341	17,038	7.6
Non-controlling interest	21	(81)	n.m
	18,362	16,957	8.3

n.m denotes not meaningful

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

	Note	GROUP	
		1st Quarter ended 31 Mar	
		2018	2017
		S\$'000	S\$'000
Depreciation of property, plant and equipment	(1)	4,011	3,744
Exchange (gain)/loss net		(120)	51
Loss on disposal of property, plant and equipment		-	9
Other income:			
Rental income	(2)	612	716
Sale of scrap materials		402	424
Government grants	(3)	602	888
Miscellaneous income	(4)	758	498
		2,374	2,526

Notes

1. The increase in depreciation charges for the period was due mainly to additions to property, plant and equipment subsequent to 1Q2017.



SHENG SIONG GROUP LTD

First Quarter Financial Statement

2. Rental income was from leasing of excess retail space to external parties and was lower in 1Q2018 compared with 1Q2017 as in preparation for Block 506 Tampines Central 1 to be renovated and the store located within to be expanded, most of the remaining tenancies were not renewed after 1Q2017.
3. The government grants were from various Government agencies in partial support of productivity improvement programs as well as grants under the Wage Credit, Special Employment Credit and Temporary Employment schemes. The decrease was attributable mainly to a higher grant for Special Employment Credit received in 1Q2017.
4. The increase was attributable mainly to a suppliers' one-off advertising subsidy.

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

	GROUP		COMPANY	
	31 Mar 2018 S\$'000	31 Dec 2017 S\$'000	31 Mar 2018 S\$'000	31 Dec 2017 S\$'000
Non-current assets				
Property, plant and equipment	259,955	254,691	-	-
Investment in subsidiaries	-	-	82,261	82,261
	<u>259,955</u>	<u>254,691</u>	<u>82,261</u>	<u>82,261</u>
Current assets				
Inventories	54,679	60,766	-	-
Trade and other receivables	11,020	14,657	185,759	185,733
Cash and cash equivalents	78,636	73,438	715	769
	<u>144,335</u>	<u>148,861</u>	<u>186,474</u>	<u>186,502</u>
Total assets	<u>404,290</u>	<u>403,552</u>	<u>268,735</u>	<u>268,763</u>
Equity				
Share capital	235,373	235,373	235,373	235,373
Merger reserve	(68,234)	(68,234)	-	-
Accumulated profits	121,776	103,500	32,979	33,075
Foreign currency translation reserves	96	31	-	-
Equity attributable to owners of the Company	<u>289,011</u>	<u>270,670</u>	<u>268,352</u>	<u>268,448</u>
Non-controlling interest	2,516	2,495	-	-
Total equity	<u>291,527</u>	<u>273,165</u>	<u>268,352</u>	<u>268,448</u>
Non-current liabilities				
Deferred tax liabilities	3,933	2,558	-	-
	<u>3,933</u>	<u>2,558</u>	<u>-</u>	<u>-</u>
Current liabilities				
Trade and other payables	90,802	111,322	383	315
Current tax payable	18,028	16,507	-	-
	<u>108,830</u>	<u>127,829</u>	<u>383</u>	<u>315</u>
Total liabilities	<u>112,763</u>	<u>130,387</u>	<u>383</u>	<u>315</u>
Total equity and liabilities	<u>404,290</u>	<u>403,552</u>	<u>268,735</u>	<u>268,763</u>

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



SHENG SIONG GROUP LTD

First Quarter Financial Statement

The Group had no borrowings as at the end of 31 March 2018 and 31 December 2017 respectively.

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

CONSOLIDATED STATEMENT OF CASH FLOW

	Group	
	1st Quarter ended	
	31 Mar	
	2018	2017
	S\$'000	S\$'000
Operating activities		
Profit for the period	18,254	17,126
Adjustments for:		
Depreciation of property, plant and equipment	4,011	3,744
Loss on disposal of property, plant and equipment	-	9
Unrealised exchange loss	28	51
Interest income	(187)	(24)
Tax expense	3,740	3,455
	<u>25,846</u>	<u>24,361</u>
Changes in inventories	6,087	10,663
Changes in trade and other receivables	3,637	3,117
Changes in trade and other payables	(20,520)	(29,497)
Cash generated from operations	<u>15,050</u>	<u>8,644</u>
Taxes paid	(844)	(1,030)
Cash flows from operating activities	<u>14,206</u>	<u>7,614</u>
Investing activities		
Proceeds from disposal of property, plant and equipment	-	117
Purchase of property, plant and equipment	(9,275)	(2,726)
Interest received	187	24
Cash flows used in investing activities	<u>(9,088)</u>	<u>(2,585)</u>
Net increase in cash and cash equivalents	5,118	5,029
Cash and cash equivalents at beginning of the period	73,438	63,510
Effect of exchange rate changes on balances held in foreign currencies	80	(220)
Cash and cash equivalents at end of the period	<u>78,636</u>	<u>68,319</u>



SHENG SIONG GROUP LTD

First Quarter Financial Statement

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

Attributable to owners of the Company						Non-Controlling interest	Total equity
Group	Share capital	Merger reserve	Accumulated profit	Foreign currency translation reserve	Total		
As at 1 January 2017	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Total comprehensive income for the period	235,373	(68,234)	84,830	91	252,060	2,792	254,852
Profit for the period	-	-	17,139	-	17,139	(13)	17,126
Other comprehensive income							
Foreign currency translation differences for foreign entity	-	-	-	(101)	(101)	(68)	(169)
Total comprehensive income for the period	-	-	17,139	(101)	17,038	(81)	16,957
At 31 March 2017	235,373	(68,234)	101,969	(10)	269,098	2,711	271,809
At 1 January 2018	235,373	(68,234)	103,500	31	270,670	2,495	273,165
Total comprehensive income for the period							
Profit for the period	-	-	18,276	-	18,276	(22)	18,254
Other comprehensive income							
Foreign currency translation differences for foreign entity	-	-	-	65	65	43	108
Total comprehensive income for the period	-	-	18,276	65	18,341	21	18,362
As at 31 March 2018	235,373	(68,234)	121,776	96	289,011	2,516	291,527



SHENG SIONG GROUP LTD

First Quarter Financial Statement

Company	Share capital S\$'000	Accumulated profits S\$'000	Total Equity S\$'000
As at 1 January 2017	235,373	28,643	264,016
Total comprehensive income for the period			
Loss for the period	-	(25)	(25)
At 31 March 2017	235,373	28,618	263,991

Company	Share capital S\$'000	Accumulated profits S\$'000	Total Equity S\$'000
As at 1 January 2018	235,373	33,075	268,448
Total comprehensive income for the period			
Loss for the period	-	(96)	(96)
At 31 March 2018	235,373	32,979	268,352

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

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

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

Company	As at	
	31 Mar 2018 No of shares	31 Dec 2017 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.



SHENG SIONG GROUP LTD

First Quarter Financial Statement

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

Not applicable.

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

The Group has applied the same accounting policies and computation methods used in the preparation of the financial statements for the current financial year as compared with the audited combined financial statements as at 31 December 2017, 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 2018. The adoption of these new and revised accounting standards did not give rise to any material impact to the financial statements.

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

Please refer to paragraph 4.

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

GROUP
3 Months ended
31 Mar 2018 31 Mar 2017

Earnings 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)	1.22	1.14
Number of shares as at 31 March	1,503,537,000	1,503,537,000
Weighted average number of shares in issue during the period	1,503,537,000	1,503,537,000

Note:-

There were no potentially dilutive shares.

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

	GROUP		COMPANY	
	31 Mar 2018	31 Dec 2017	31 Mar 2018	31 Dec 2017
	Cents	Cents	Cents	Cents
Net asset value per ordinary share based on issued share capital at the end of the period/year reported on	19.22	18.00	17.85	17.85
No. of shares at the end of the period/year	1,503,537	1,503,537	1,503,537	1,503,537

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

INCOME STATEMENT
OVERVIEW

Net profit for 1Q2018 increased by 6.6% to \$18.3m compared with \$17.1m in 1Q2017 mainly because of a 10% increase in gross profit arising mainly from higher revenue, improvement in gross margin but was offset by higher operating expenses, a consequence of the increased store count. The subsidiary in China which began operations in November 2017, suffered as expected a loss of \$0.1m in 1Q2018.

Revenue

	1Q2017	1Q2018
Number of outlets	43 (Singapore)	48(Singapore) + 1(China)
Retail area at end of period	457,000 square feet	436,000 square feet*
Revenue	\$217.1m	\$228.3m

*Excludes the supermarket in China.

In Singapore, the Group opened four new stores in 1Q2018 and these together with the three stores which were opened in the last five months of FY2017 will be considered as new stores.

Revenue increased by 5.1% but excluding China, revenue from the Singapore operations grew by 4.3%. The seven new stores and comparable same store sales contributed 6.7% and 5.6% respectively to the increase, but the closure of the Verge and Woodlands Block 6A stores in FY2017 caused a 8% reduction. The 5.6% improvement in comparable same store sales came from recovery in consumers' sentiment which began in the second half of FY2017, the expansion of the store at Block 506 Tampines Central 1, pickup in sales in the Loyang store after it re-opened in February 2017 and customers migrating to the Jalan Berseh and Woodlands Block 301 stores after the closure of the Verge and Woodlands Block 6A stores respectively.

Gross Profit and Gross Margin

Gross profit increased by 10% to \$59.8m mainly because of the higher revenue and gross margin improved by 1% to 26.2%.

Gross margin

1Q2017	1Q2018	4Q2017
25.2%*	26.2%	26.5%

*After an adjustment re-classifying from cost of sales to administrative expenses.

Gross margin improved to 26.2% in 1Q2018 compared to 25.2% in 1Q2017 mainly because of a higher sales mix of fresh products which command a higher gross margin versus non-fresh products, and suppliers' rebates. The improvement in the sales mix was the result of marketing efforts. Consistent with seasonal trends, gross margin was lower than 4Q2017's gross margin of 26.5%, as the industry tends to push for volume during the Chinese New Year festive season.



Other Income

Please refer to the notes on page 2-3 explaining the changes in Other Income.

Administrative Expenses

Administrative expenses increased by \$4.0m, or 11.8% but excluding China, the increase attributable to the Singapore operation was \$3.6m. After deducting an adjustment of \$0.5m reclassified from cost of sales in 1Q2017 for like for like comparison, the increase was \$3.1m consisting of:

Category	Increase \$m	Comments
Staff costs	\$2.1m	Net increase in headcount to operate the seven stores after absorbing staff released from the closure of the Verge and Woodlands Block 6A stores and higher provision of bonus because of better financial performance.
Depreciation	\$0.3m	Excludes depreciation of property, plant and equipment in the warehouse which is charged to cost of sales. Increase was mainly due to the fitting out of the new stores and purchase of IT equipments.
Rental	\$0.2m	Increase attributable to the seven new stores opened during the period August 2017 to 31 March 2018.
Others	\$0.5m	
Total	\$3.1m	

The variances in distribution and other expenses were not significant.

Finance Income

Interest income was much higher in 1Q2018 compared with 1Q2017 because more cash were being placed on fixed deposit and increase in S\$ interest rates.

Tax

The effective tax rate for 1Q2018 approximates the statutory tax rate of 17%.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Depreciation charges of \$4.0m, which was offset by capital expenditures of \$9.3m, were the main reasons for the increase in property, plant and equipments by \$5.3m.

Inventories decreased by \$6.1m as goods which were purchased at the end of FY2017 for Chinese New Year sales in February 2018 were sold.

Trade and other receivables decreased by \$3.6m, mainly because of a reduction in trade receivables and other receivables of \$1.4m arising mainly from lower amounts due from financial intermediaries involved in non-cash payments (credit cards and digital) and reduction in prepayments and deposits amounting to \$2.2m. Prepayments and deposits which were mainly for tenancy matters, partial advance payment for imports and for acquisition of property, plant and equipments were reduced as it was either refunded, charged off as expenses or taken to inventory and property, plant and equipment subsequent to 31 December 2017. The amounts were higher as at 31 December 2017 because of the higher level of unfulfilled import orders for

First Quarter Financial Statement

Chinese New Year sales in 2018 and the bunching of bidding, execution of tenancies and renovation of new stores just prior to the end of FY2017.

Trade and other payables decreased by \$20.5m mainly because of a decrease in trade and other payables of \$6.3m, as purchases for Chinese New Year sales were settled and a decrease in accruals of \$13.8m attributable mainly to the payment of bonuses relating to FY2017 and other accrued expenses.

CASH FLOW

Sales are principally made on a cash basis and there were no significant changes to the payment cycle. Consistent with the higher level of activities and a lower level of cash used for trade and other payables, cash generated from operating activities in the 1Q2018 amounted to \$14.2m which was much higher than 1Q2017's cash generation of \$7.6m. Payments for acquisition of property plant and equipments which amounted to \$9.2m, consisted of payments for the construction of the warehouse extension of \$2.0m, renovation to the new outlets and purchase of IT and other equipments for Singapore's supermarket operation totaling \$6.1m, maintenance capital expenditures of \$0.3m for the central distribution centre in Mandai and capital expenditures of \$0.8m relating to the supermarket in Kunming, China.

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 or changes to prices caused by nations imposing trade tariffs.

The Group has successfully bid for two new stores at Bukit Batok Block 440 (5,900 sq. ft) and Yishun Block 675 (5,320 sq. ft). Subject to the grant and execution of the leases with the HDB, these two new stores should be operational in 2Q2018. The Group will continue to look for retail space in areas where their customers reside and will continue to bid, in a rational manner for new HDB shops in re-developed and new neighborhoods, and at the same time look for retail space in existing HDB estates where the Group does not have a presence.

The Group will continue to nurture the growth of the new stores, rejuvenate the old stores and build on the lessons learnt from the e-commerce project.

The Group will promote the "Sheng Siong" brand in Kunming China through the operations of the supermarket and is mindful that brand building requires time.

11. *Dividend*

(a) *Current Financial Period Reported On*

No.

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

No



SHENG SIONG GROUP LTD

First Quarter Financial Statement

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

Not applicable

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

Not applicable

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

Not applicable

Note:

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

The Company has not declared a dividend.

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

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

INTERESTED PERSON TRANSACTIONS

From 1 January 2018 to 31 March 2018

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. <small>See Notes (1), (2)</small>	37	-
F M Food Court Pte. Ltd./ Lim Hock Eng Lim Hock Chee Lim Hock Leng	Lease of operation space by F.M Food Court Pte Ltd from Sheng Siong Group Ltd. <small>See Notes (1), (2)</small>	145	-
E Land Properties Pte. Ltd./	Rent and utilities paid by Sheng Siong Group Ltd. to E		-

First Quarter Financial Statement

Lim Hock Eng Lim Hock Chee Lim Hock Leng	Land Properties Pte. Ltd. ^{See} ^{Note (1)} for lease and license of operations space	548	
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Notes:

- (1) These entities are associates of Messrs Lim Hock Eng, Lim Hock Chee and Lim Hock Leng, the executive directors and controlling shareholders of Sheng Siong Group Ltd.
- (2) F M Food Court Pte. Ltd. was formerly known as Sheng Siong Food Court Pte. Ltd.

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

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

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

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

BY ORDER OF THE BOARD

LIM HOCK CHEE
CEO
27 April 2018