



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		
	2019 S\$'000	2018 S\$'000	
Revenue	251,437	228,283	10.1%
Cost of sales	(185,908)	(168,507)	10.3%
Gross profit	65,529	59,776	9.6%
Other income	2,390	2,374	0.7%
Distribution expenses	(1,768)	(1,480)	19.5%
Administrative expenses	(42,204)	(38,268)	10.3%
Other expenses	(595)	(595)	-
Results from operating activities	23,352	21,807	7.1%
Finance (charges)/income net	(67)	187	nm
Profit before tax	23,285	21,994	6.0%
Tax expense	(3,928)	(3,740)	5.0%
Profit for the period	19,357	18,254	6.0%
Other comprehensive income			
Items that may be re-classified subsequently to profit or loss			
Foreign currency translation differences for foreign entity	149	108	nm
Total comprehensive income	19,506	18,362	6.2%

nm denotes not meaningful



SHENG SIONG GROUP LTD

First Quarter Financial Statement

	GROUP		
	1 st Quarter ended 31 Mar		
	2019	2018	+ / (-)
	S\$'000	S\$'000	%
Profit net of tax for the period attributable to :			
Owners of the company	19,358	18,276	5.9%
Non-controlling interest	(1)	(22)	nm
	19,357	18,254	6.0%
Total comprehensive income attributable to :			
Owners of the company	19,447	18,341	6.0%
Non-controlling interest	59	21	nm
	19,506	18,362	6.2%

n.m denotes not meaningful

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

	Note	GROUP	
		1 st Quarter ended 31 Mar	
		2019	2018
		S\$'000	S\$'000
Depreciation of property, plant and equipment	(1)	4,240	4,011
Depreciation of right-of-use asset	(2)	5,049	-
Exchange gain		(222)	(120)
Loss on disposal of property, plant and equipment		1	-
Finance charges/ (income)			
Interest income	(3)	(397)	(187)
Interest charges	(4)	464	-
Finance charges/ (income) net		67	(187)
Other income:			
Rental income		896	612
Sale of scrap materials		400	402
Government grants	(5)	308	602
Miscellaneous income		786	758
		2,390	2,374



SHENG SIONG GROUP LTD

First Quarter Financial Statement

Notes

1. The increase in depreciation charges for the period was due mainly to additions to property, plant and equipment subsequent to 1Q2018.
2. Depreciation of right-of-use assets relates to the leases where the Group is a lessee which are capitalised as right-of-use assets following the implementation of SFRS (I)16 *Leases* on 1 January 2019.
3. The increase in interest income was because more cash was available to be placed in fixed deposits.
4. This interest expense relates to interest on lease liabilities which were brought onto the consolidated statements of financial position upon the recognition of the right-of-use assets following the implementation of SFRS (I)16 *Leases* on 1 January 2019.
5. The government grants were from various Government agencies in partial support of productivity improvement programs as well as grants under the Wage Credit and Special Employment Credit schemes. The decrease was attributable mainly to higher grants received in 1Q2018.

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

	GROUP		COMPANY	
	31 Mar 2019 S\$'000	31 Dec 2018 S\$'000	31 Mar 2019 S\$'000	31 Dec 2018 S\$'000
Non-current assets				
Right of use assets	51,977	-	-	-
Property, plant and equipment	261,708	266,219	-	-
Investment in subsidiaries	-	-	82,261	82,261
	<u>313,685</u>	<u>266,219</u>	<u>82,261</u>	<u>82,261</u>
Current assets				
Inventories	60,137	69,897	-	-
Trade and other receivables	15,053	12,989	180,812	180,755
Cash and cash equivalents	86,309	87,234	288	325
	<u>161,499</u>	<u>170,120</u>	<u>181,100</u>	<u>181,080</u>
Total assets	<u>475,184</u>	<u>436,339</u>	<u>263,361</u>	<u>263,341</u>
Equity				
Share capital	235,373	235,373	235,373	235,373
Merger reserve	(68,234)	(68,234)	-	-
Accumulated profits	142,535	123,177	27,494	27,576
Foreign currency translation reserves	(2)	(91)	-	-
Equity attributable to owners of the Company	<u>309,672</u>	<u>290,225</u>	<u>262,867</u>	<u>262,949</u>
Non-controlling interest	2,200	2,141	-	-
Total equity	<u>311,872</u>	<u>292,366</u>	<u>262,867</u>	<u>262,949</u>
Non-current liabilities				
Lease liabilities	26,119	-	-	-
Deferred tax liabilities	3,868	2,919	-	-
	<u>29,987</u>	<u>2,919</u>	<u>-</u>	<u>-</u>



SHENG SIONG GROUP LTD

First Quarter Financial Statement

	GROUP		COMPANY	
	31 Mar 2019	31 Dec 2018	31 Mar 2019	31 Dec 2018
	S\$'000	S\$'000	S\$'000	S\$'000
Current liabilities				
Lease liabilities	19,788	-		
Trade and other payables	95,168	125,663	494	392
Current tax payable	18,369	15,391	-	-
	<u>133,325</u>	<u>141,054</u>	<u>494</u>	<u>392</u>
Total liabilities	<u>163,312</u>	<u>143,973</u>	<u>494</u>	<u>392</u>
Total equity and liabilities	<u>475,184</u>	<u>436,339</u>	<u>263,361</u>	<u>263,341</u>

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

The Group had no borrowings as at the end of 31 March 2019 and 31 December 2018 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	
	1 st Quarter ended	
	31 Mar	
	2019	2018
	S\$'000	S\$'000
Operating activities		
Profit for the period	19,357	18,254
Adjustments for:		
Depreciation of property, plant and equipment	4,240	4,011
Depreciation of Right-of-use assets	5,049	-
Loss on disposal of property, plant and equipment	1	-
Unrealised exchange (gain)/loss	(151)	28
Interest income	(397)	(187)
Interest expense	464	-
Tax expense	3,927	3,740
	<u>32,490</u>	<u>25,846</u>
Changes in inventories	9,760	6,087
Changes in trade and other receivables	(2,064)	3,637
Changes in trade and other payables	(30,495)	(20,520)
Cash generated from operations	<u>9,691</u>	<u>15,050</u>
Taxes paid	-	(844)
Cash flows from operating activities	<u>9,691</u>	<u>14,206</u>
Investing activities		
Proceeds from disposal of property, plant and equipment	32	-
Purchase of property, plant and equipment	(6,118)	(9,275)
Interest received	397	187
Cash flows used in investing activities	<u>(5,689)</u>	<u>(9,088)</u>



SHENG SIONG GROUP LTD

First Quarter Financial Statement

Financing activities

Repayment of lease liabilities	(5,227)	-
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Cash flows used in investing activities	(5,227)	-
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Net (decrease)/ increase in cash and cash equivalents

(1,225)	5,118
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Cash and cash equivalents at beginning of the period	87,234	73,438
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Effect of exchange rate changes on balances held in foreign currencies	300	80
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Cash and cash equivalents at end of the period	86,309	78,636
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SHENG SIONG GROUP LTD

First Quarter 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-Controlling interest	Total equity
Group	Share capital	Merger reserve	Accumulated profit	Foreign currency translation reserve	Total		
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
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
At 1 January 2019	235,373	(68,234)	123,177	(91)	290,225	2,141	292,366
Total comprehensive income for the period							
Profit for the period	-	-	19,358	-	19,358	(1)	19,357
Other comprehensive income							
Foreign currency translation differences for foreign entity	-	-	-	89	89	60	149
Total comprehensive income for the period	-	-	19,358	89	19,447	59	19,506
As at 31 March 2019	235,373	(68,234)	142,535	(2)	309,672	2,200	311,872



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 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

Company	Share capital S\$'000	Accumulated profits S\$'000	Total Equity S\$'000
As at 1 January 2019	235,373	27,576	262,949
Total comprehensive income for the period			
Loss for the period	-	(81)	(81)
At 31 March 2019	235,373	27,494	262,867

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 2019 No of shares	31 Dec 2018 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 2018, except for the adoption of the new SFRS (I) 16 *Leases* which became effective for the financial year beginning on or after 1 January 2019, using the modified retrospective approach.

In compliance with SFRS (I)16, the Group has applied the practical expedient to recognize the amount of right-of-use assets equal to the lease liabilities.

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 2019 31 Mar 2019

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)	1.29	1.22
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 2019	31 Dec 2018	31 Mar 2019	31 Dec 2018
	Cents	Cents	Cents	Cents
Net asset value per ordinary share based on issued share capital at the end of the period reported on	20.60	19.30	17.48	17.49

First Quarter Financial Statement

No. of shares at the end of the period ('000)	1,503,537	1,503,537	1,503,537	1,503,537
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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 1Q2019 increased by 6.0 % to \$19.4m compared with \$18.3m in 1Q2018 mainly because of a 9.6% increase in gross profit arising mainly from higher revenue but was offset by higher operating expenses, a consequence of the six new stores which were opened between April 2018 to December 2018. The Group adopted the new accounting standard, SFRS (I) 16: "Leases" with effect from 1 January 2019 and this had a negative impact of \$0.2m on net profit. The subsidiary in China which began operations in November 2017 broke even in this quarter.

Revenue

	1Q2019	1Q2018
Number of outlets	54 (Singapore)+1 (China)	48(Singapore) + 1(China)
Retail area at end of period	496,000 square feet*	436,000 square feet*
Revenue	\$251.4m	\$228.3m

*Excludes the supermarket in China.

There were no new stores opened in Singapore or China in 1Q2019. The Group opened ten new stores in FY2018 and these will be considered as new stores and will not be included in the calculation of comparable same store sales.

Revenue increase of 10.1% came mainly from Singapore's operation as China's revenue was not significant. The ten new stores contributed 10.6% of the growth but were offset by comparable same store sales which shrank by 1.0% mainly because of cautious consumers' sentiments and the opening of new supermarkets in the vicinity of some of our existing stores. As the Group opened the highest number of new stores in 2018, some of the shrinkages were expected and consistent with the thinking of catching the shifting demographics within new or re-developed HDB estates. Compared with 4Q2018 where comparable same store sales contracted by 2.7%, the contraction of 1.0% in this quarter was a marked improvement.

Gross Profit and Gross Margin

Gross profit increased by 9.6% to \$65.5m mainly because of the higher revenue, while gross margin edged down slightly but remained stable.

Gross margin

1Q2019	1Q2018
26.1%	26.2%

Gross margin was slightly lower at 26.1% in 1Q2019 compared with 26.2% in 1Q2018. Selling prices were largely stable. The sales mix improved again in 1Q2019 with a higher percentage of fresh produce sold compared with 1Q2018 but the positive spinoff was offset by slightly lower supplier's rebates.

First Quarter Financial Statement
Other Income

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

Administrative Expenses

Administrative expenses increased by \$3.9m or 10.3%. The changes were in the following major categories:

Category	Increase \$m	Comments
Staff costs	\$1.0m	Increase in headcount to operate the six new stores opened subsequent to 1 Q2018 and higher provision of bonus because of better financial performance.
Depreciation -property, plant and equipment	\$0.4m	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.
Depreciation -Right-of-use assets (leases)	\$5.0	Relates to the Group's leases (as lessees) which were now capitalised as right-of-use assets.
Rental	(\$3.5m)	Decreased mainly because leases were capitalised as right-of-use assets.
Utilities	\$0.4m	Increase attributable to the higher store count.
Others	\$0.6m	
Total	\$3.9m	

Administrative expense as a % of revenue was 16.8% in 1Q2019, similar to 1Q2018, which was an improvement compared with 17.8% and 17.6% in 4Q2018 and 4Q2017 respectively. As revenue at new stores will require time to grow to its normal level, administrative expenses as a % of revenue tends to be higher if there are a few new stores opened in the period reported on.

Distribution expenses

The increase of \$0.3m in distribution expenses was mainly because of the higher headcount and vehicle running expenses needed to support the higher store count.

Tax

The effective tax rate for 1Q2019 approximates the statutory tax rate of 17%.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Following the adoption of SFRS (I) 16 *Leases* on 1 January 2019, most of the leases where the Group is the lessee was brought onto the statements of financial position as right-of-use assets at its net present value of \$51m. The Group's obligation to pay for these leases amounted to \$45.9m, out of which, \$19.8m has been recorded as a current lease liability (payable from 1 April 2019 to 31 March 2020).

Property, plant and equipment decreased by \$4.5m mainly because of additions which amounted to \$6.1m but was offset by depreciation expenses of \$4.2m and a \$6.3m reclassification to right-of-use asset.

Inventories decreased by \$9.8m as goods which were purchased at the end of FY2018 for Chinese New Year sales in January 2019 were sold.

Trade and other receivables increased by \$2.1m, mainly because of increases in trade receivables and deposits of \$2.1 and \$1.7m respectively, which were offset by lower other receivables and prepayments of \$1.7m. The increase in trade receivables was mainly from financial institutions as the volume of non-cash payment grew.

First Quarter Financial Statement

Advance payment for imports and for acquisition of property, plant and equipments were the main reasons for the increase in deposits.

Trade and other payables decreased by \$30.5m mainly because of a decrease in trade and other payables of \$14.6m, as purchases for Chinese New Year sales were settled and a decrease in accruals and other payables of \$15.9m attributable mainly to the payment of bonuses relating to FY2018 and other accrued expenses.

CASH FLOW

Sales are principally made on a cash basis, but as more customers opt for cashless payment, financial institutions became cash collection intermediaries and the amount due from such institutions are on the rise. There were no significant changes to the payment cycle. Cash generated from operating activities before working capital changes and payment of taxes in the 1Q2019 amounted to \$32.5m which was much higher than 1Q2018 cash generation of \$25.8m mainly because of the higher level of activities and the adoption of SFRS (I) 16 *Leases*, where rent payment which were previously treated as operating expense is now classified as repayment of lease liabilities within financing activities. Compared with 1Q2018, more cash was used to fund receivables relating to cashless payments with financial institutions and for the payment of trade payables mainly because Chinese New Year was earlier in 2019 compared with 2018.

Payments for acquisition of property plant and equipments which amounted to \$6.1m consisted of payments for the construction of the warehouse extension of \$2.5m, renovation to the new outlets and purchase of IT and other equipments for Singapore's supermarket operation totaling \$3.1m, and maintenance capital expenditures of \$0.5m for the central distribution centre in Mandai. The payment of lease liabilities of \$5.2m is now shown as a financing outflow.

Cash and cash equivalent remained at a healthy level of \$86.3m at the end of 1Q2019 compared with \$78.6m at the end of FY2018.

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 could 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 just secured three new HDB shops at Bukit Batok Block 292 (4,850 square feet), Anchorvale Road Block 351 (5,400 square feet) and Sumang Lane Block 231 (5,530 square feet) and these three new stores should be operational before the end of May 2019. These stores were part of the batch of six stores which were released by HDB in a recent re-tendering exercise. The Group will continue to look for retail space in areas to serve unreached and new customers, but will continue to bid, in a rational manner for new HDB shops.

The subsidiary in China will be opening their second supermarket in Kunming in the second half of 2019 and will continue to promote and build the "Sheng Siong" brand in Kunming China.



SHENG SIONG GROUP LTD

First Quarter Financial Statement

11. Dividend

(a) Current Financial Period Reported On

No.

(b) Corresponding Period of the immediately Preceding Financial Year

No

(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

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 2019 to 31 March 2019

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	Sale of goods by Sheng Siong Group Ltd to F M Food Court Pte. Ltd. <small>See Notes (1), (2)</small>	17	-

First Quarter Financial Statement

Lim Hock Chee Lim Hock Leng			
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. ^{See} Notes (1), (2)	112	-
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	571	-

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
26 April 2019