



# 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

The Group consists of three wholly owned subsidiaries and was formed through a restructuring exercise. Please refer to the notes on page 7 for the details of the restructuring exercise. As the restructuring exercise involved the transfer of equity interests under common control, the pooling-of-interests method is used in the preparation of the consolidated financial statements. Pursuant to the restructuring exercise, the consolidated financial statements of the Group for the comparative period have been prepared as if the Company has been in existence throughout the reported periods.

*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		+/- (%)
	1st Quarter ended 31 March		
	2012 S\$'000	2011 S\$'000	
Revenue	159,796	153,724	4.0
Cost of sales	(126,507)	(118,515)	6.7
<b>Gross profit</b>	<b>33,289</b>	<b>35,209</b>	(5.5)
Other income	11,243	849	n.m
Distribution expenses	(931)	(1,051)	(11.4)
Administrative expenses	(23,266)	(23,001)	1.2
Other expenses	(409)	(268)	52.6
<b>Results from operating activities</b>	<b>19,926</b>	<b>11,738</b>	69.8
Net finance income	214	1	n.m
<b>Profit before income tax</b>	<b>20,140</b>	<b>11,739</b>	71.6
Income tax expense	(3,302)	(2,044)	61.5
<b>Profit for the period</b>	<b>16,838</b>	<b>9,695</b>	73.7



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	GROUP		+/(-)%
	2012	2011	
	S\$'000	S\$'000	
<b>Other comprehensive income</b>			
Net change in fair value of other investments	-	-	
Net change in fair value of other investment transferred to profit or loss	-	-	
<b>Total comprehensive income</b>	<b>16,838</b>	<b>9,695</b>	73.7

n.m denotes not meaningful.

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

	Note	GROUP	
		2012	2011
		S\$'000	S\$'000
Depreciation of property, plant and equipment	1	1,882	973
Exchange loss/ (gain) net		37	(51)
Loss on disposal of property, plant and equipment		5	n.m
<b>Other income:</b>			
Rental received		263	225
Sale of scrap materials		244	268
Government grants		54	29
Gain on disposal of Leasehold Property	2	10,465	-
Miscellaneous income		217	327
		<b>11,243</b>	<b>849</b>
Net finance income	3	214	1
<b>Tax:</b>			
Under provision in respect of prior years	4	1,626	-

## Notes

1. The new warehouse and distribution centre at Mandai Link was completed in May 2011. The increase in depreciation was attributable mainly to this new centre.
2. The gain relates to the sale of our old warehouse at 3000 Marsiling Road, ("Leasehold Property") which was no longer needed after we moved to the new distribution centre in July 2011.
3. The interest income came from surplus cash placed in Singapore Dollar denominated fixed deposits with banks in Singapore.
4. This relates to the tax on the gain on disposal of available for sale investment in FY2010, which was previously deemed as capital in nature.



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

	GROUP		COMPANY	
	31 Mar 2012 S\$'000	31 Dec 2011 S\$'000	31 Mar 2012 S\$'000	31 Dec 2011 S\$'000
<b>Non-current assets</b>				
Property, plant and equipment	70,995	72,095	-	-
Investment in subsidiaries	-	-	78,234	78,234
	<b>70,995</b>	<b>72,095</b>	<b>78,234</b>	<b>78,234</b>
<b>Current assets</b>				
Inventories	30,823	36,427	-	-
Trade and other receivables	6,457	6,959	43,508	43,728
Cash and cash equivalents	149,087	122,120	60,673	60,212
Asset classified as held for sale	-	3,584	-	-
	<b>186,367</b>	<b>169,090</b>	<b>104,181</b>	<b>103,940</b>
<b>Total assets</b>	<b>257,362</b>	<b>241,185</b>	<b>182,415</b>	<b>182,174</b>
<b>Equity attributable to equity holders of the Company</b>				
Share capital	156,349	156,349	156,349	156,349
Merger reserve	(68,234)	(68,234)	-	-
Accumulated profits	77,048	60,210	25,770	25,595
<b>Total equity</b>	<b>165,163</b>	<b>148,325</b>	<b>182,119</b>	<b>181,944</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	1,322	1,075	-	-
	<b>1,322</b>	<b>1,075</b>	-	-
<b>Current liabilities</b>				
Trade and other payables	81,402	83,362	260	230
Current tax payable	9,475	8,423	36	-
	<b>90,877</b>	<b>91,785</b>	<b>296</b>	<b>230</b>
<b>Total liabilities</b>	<b>92,199</b>	<b>92,860</b>	<b>296</b>	<b>230</b>
<b>Total equity and liabilities</b>	<b>257,362</b>	<b>241,185</b>	<b>182,415</b>	<b>182,174</b>

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

The Group has no borrowing as at 31 March 2012 and 31 December 2011 respectively.



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

## CONSOLIDATED STATEMENT OF CASH FLOW

	<b>GROUP</b>	
	<b>1<sup>st</sup> Quarter Ended 31 March</b>	
	<b>2012</b>	<b>2011</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Operating activities</b>		
Profit for the period	16,838	9,695
<b>Adjustments for:</b>		
Depreciation of property, plant and equipment	1,882	973
Loss on disposal of property, plant and equipment	5	-
Gain on disposal of Leasehold Property	(10,465)	-
Unrealised exchange loss/(gain)	26	(37)
Interest income	(214)	(1)
Income tax expense	3,302	2,044
	<b>11,374</b>	<b>12,674</b>
<b>Changes in working capital:</b>		
Inventories	5,604	(978)
Trade and other receivables	501	(1,052)
Trade and other payables	(3,392)	(8,102)
Cash generated from operations	14,087	2,542
Income taxes paid	(2,003)	3
<b>Cash flows from operating activities</b>	<b>12,084</b>	<b>2,545</b>
<b>Investing activities</b>		
Proceeds from disposal of Leasehold Property and property, plant and equipment	14,054	14
Purchase of property, plant and equipment	(792)	(6,496)
Interest received	214	1
<b>Cash flows from/(used in) investing activities</b>	<b>13,476</b>	<b>(6,481)</b>
<b>Financing activities</b>		
Proceeds from bank loan	-	2,077
Non-trade amounts due from affiliated companies	-	106
Non-trade amounts due to affiliated companies	-	(136)
Non-trade amounts due to directors	1,433	(7,161)
<b>Cash flows from/(used in) financing activities</b>	<b>1,433</b>	<b>(5,114)</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>26,993</b>	<b>(9,050)</b>
Cash and cash equivalents at beginning of the year	122,120	85,885
Effect of exchange rate changes on balances held in foreign currencies	(26)	37
<b>Cash and cash equivalents at end of the period</b>	<b>149,087</b>	<b>76,872</b>



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## 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.*

Group	Share capital S\$'000	Fair value reserve S\$'000	Merger reserve S\$'000	Accumulated profits S\$'000	Total equity S\$'000
As at 1 January 2011	78,234	-	(68,234)	33,881	43,881
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	-	9,695	9,695
<b>Transactions with owners recorded directly in equity: Contributions by and distribution to owners</b>	-	-	-	-	-
<b>As at 31 March 2011</b>	<b>78,234</b>	<b>-</b>	<b>(68,234)</b>	<b>43,576</b>	<b>53,576</b>
As at 1 January 2012	156,349	-	(68,234)	60,210	148,325
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	-	16,838	16,838
<b>Transactions with owners recorded directly in equity: Contributions by and distribution to owners</b>	-	-	-	-	-
<b>As at 31 March 2012</b>	<b>156,349</b>	<b>-</b>	<b>(68,234)</b>	<b>77,048</b>	<b>165,163</b>



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Company	Share capital S\$'000	Accumulated profits S\$'000	Total equity S\$'000
As at 1 January 2011	78,234	-	78,234
<b>Total comprehensive income for the period</b>			
Profit for the period	-	-	-
<b>Transactions with owners recorded directly in equity:</b>			
<b>Contributions by and distribution to owners</b>	-	-	-
<b>As at 31 March 2011</b>	<b>78,234</b>	<b>-</b>	<b>78,234</b>
As at 1 January 2012	156,349	25,595	181,944
<b>Total comprehensive income for the period</b>			
Profit for the period	-	175	175
<b>Transactions with owners recorded directly in equity:</b>			
<b>Contributions by and distribution to owners</b>	-	-	-
<b>As at 31 March 2012</b>	<b>156,349</b>	<b>25,770</b>	<b>182,119</b>

## Restructuring exercise

The Group was formed through a restructuring exercise which involved the acquisition by the Company of 100% of the issued capital of Sheng Siong Supermarket Pte. Ltd. and CMM Marketing Management Pte. Ltd. on 17 March 2011, and Sheng Siong Supermarket Sdn. Bhd. on 16 March 2011. Total purchase considerations of \$78.2m were based on the aggregate net tangible assets of the three companies as shown in their management accounts as at 30 September 2010 adjusted for capital reduction of \$20m. The purchase considerations were satisfied by way of 29,999,997 new shares issued to the existing shareholders of the three companies.

Pursuant to the restructuring exercise, the consolidated statement of changes in equity of the Group as of 1 January 2011 has been prepared as if the holding company, Sheng Siong Group Ltd had been in existence throughout the reporting periods.

At an Extraordinary General Meeting held on 18 March 2011, the shareholders of the Company approved the sub-division of each ordinary share of the Company into thirty-eight ordinary shares.



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

Nil.

There were no outstanding convertibles which may be converted to 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 March 2012 No of shares	31 Dec 2011 No of shares
Total number of issued shares	1,383,537,000	1,383,537,000

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

Not applicable

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

The figures have not been audited or reviewed.

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

Not applicable.

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

The Group has applied the same accounting policies and computation methods used in the preparation of the financial statements for the current reporting period as compared with the audited combined financial statements as at 31 December 2011.



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New standards, amendments to standards and interpretations that have become effective during the year are not expected to have a significant effect on the current year financials statements of the Group.

**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.**

	<b>GROUP</b>	
	<b>3 months ended</b>	
	<b>31 Mar 2012</b>	<b>31 Mar 2011</b>
Earning per ordinary share of the group for the financial period based on net profit attributable to shareholders:		
- based on weighted average number of shares in issue (cents)	1.22	0.85
Number of shares as at 31 March	1,383,537,000	1,140,000,000
Weighted average number of shares in issue during the period	<u>1,383,537,000</u>	<u>1,140,000,000</u>

**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.**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>31 Mar 2012</b>	<b>31 Dec 2011</b>	<b>31 Mar 2012</b>	<b>31 Dec 2011</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	11.94	10.72	13.16	13.15
Number of shares as at	<u>1,383,537,000</u>	<u>1,383,537,000</u>	<u>1,383,537,000</u>	<u>1,383,537,000</u>





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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

#### Sales Revenue

	Quarter ended 31 Mar 2012	Quarter ended 31 Dec 2011	Quarter ended 31 Mar 2011
Number of outlets	25	25	23
Retail area	348,000 square feet	348,000 square feet	336,000 square feet
Revenue	\$159.8m	\$138.9m	\$153.7m

Revenue increased by 15% to \$159.8m in 1Q12 from \$138.9m in 4Q11 because of Chinese New Year festive sales and to a lesser extent, contribution from the Woodlands Industrial Park and Thomson outlets which opened in November 2011.

Comparing quarter on quarter, 1Q12, revenue was higher than 1Q11 by 4% mainly because of comparable same store sales which increased by 2%, contribution from the Woodlands Industrial Park and Thomson outlets, offset by the loss of sales from the Katong outlet which was closed in August 2011.

#### Cost of sales

	1Q12 vs 4Q 11	4Q11 vs 3Q11	1Q12 vs 1Q11
Revenue change %	+15.0%	-5.0%	+4.0%
Cost of sales change %	+14.6%*	+1.8%*	+6.7%

#### Gross margin

1Q12	4Q11	3Q11	1Q11
20.8%	20.5%*	23.1%	22.9%

\*After adjusting for stock count write-off.

Comparing on a quarter on quarter basis, 1Q12 revenue growth outperformed growth in cost of sales, despite competition remaining keen in 1Q12. This was a reversal of the situation in 4Q11, where adverse changes in selling prices outstripped benefits derived from margin enhancing initiatives like bulk purchasing such that margin declined from 23.1% in 3Q11 to 20.5% in 4Q11. Consequently, gross margins improved slightly to 20.8% in 1Q12 from 20.5% in 4Q11. Nevertheless, gross margins for 1Q12 of 20.8% was still lower than gross margin of 22.9% in 1Q11 because of greater competitive pressures.



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## Other income

The old warehouse at 3000 Marsiling Road (“Leasehold Property”) was sold for \$15m, after the Group moved to the new distribution centre in Mandai, which resulted in a net gain of \$10.5m. This sale was completed in January 2012.

## Distribution expenses

Distribution expenses decreased by 11.4% or \$0.12m mainly because of lower depreciation charges as some of the trucks were fully depreciated.

## Administrative expenses

Quarter ended 31 Mar 2012	Quarter ended 31 Dec 2011	Quarter ended 31 Mar 2011
\$23.3m	\$21.1m	\$23.0m

Administrative expenses were well controlled. The sequential increase in 1Q12 compared with 4Q11 was mainly because of higher provision for bonuses arising from an improved operating profit. Compared with 1Q11, administrative expenses remained unchanged as savings in bonus provision were offset by higher rental and utility expenses resulting from the larger retail area.

## Other expenses

Other expenses increased by \$0.1m in 1Q12 compared with 4Q11, mainly because of exchange differences.

## Interest income

The interest income of \$0.2m came from Singapore dollar denominated fixed deposits placed with banks in Singapore.

## Tax

The gain of \$10.5m from the sale of the leasehold property is not taxable as it is deemed to be capital in nature. However, the Group had made a provision in respect of prior year’s tax of \$1.6m relating to gain on the disposal of available for sale investments in FY2010. After adjusting for these items, the effective tax rate is close to the statutory tax rate of 17%.

## Net profit

Net profit increased by 73.7% in 1Q12 compared with 1Q11 mainly because of the \$10.5m gain from the sale of the Leasehold Property, off-set by the under provision in respective prior year’s tax. Excluding these items, net profit of \$8.0m from core operation was lower than the net profit of \$9.7m in 1Q11 mainly because of lower gross margin and lower contributions from the new outlets at Woodlands Industrial Park and Thomson.



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Property plant and equipment was lowered by \$1.1m mainly because of depreciation. The run-down of inventory, stocked up in December 2011 for Chinese New Year sale in January 2012 was the main reason for the reduction in inventory of \$5.6m.

The reduction in trade and other payables of \$6.2m, resulting from lower inventory purchases, was offset by higher accrued expenses and amount due to directors of \$4.2m. These were the main reasons for the net reduction in payables by \$2.0m.

## CASH FLOW

Cash and cash equivalents increased by \$27.0m mainly because of cash flows generated from operating activities and the proceeds from the sale of the leasehold property at 3000 Marsiling Road. This was a marked improvement compared with 1Q11 where changes in working capital, payment for purchases of plant and equipment and a reduction of amount due to directors resulted in a net reduction of cash and cash equivalent by \$9.1m.

**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 likely to remain keen. We have announced that we have signed leases for two new outlets totaling 19,000 square feet and are looking for suitable premises at locations where we do not have a presence to open new outlets. We believe our competitors are also looking out for premises to open new supermarkets.

With oil prices at elevated levels, there is a threat of inflation, which may affect our margins if we cannot pass on the price increases to our customers.

## 11. Dividend

(a) *Current Financial Period Reported On*

No

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

Not applicable



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(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.

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

Not applicable

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

No dividend has been declared.

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 general mandate from shareholders for IPT pursuant to Rule 920.

### INTERESTED PERSON TRANSACTIONS

From 1 January 2012 to 31 March 2012

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 \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
		(\$'000)	(\$'000)
F M Food Court Pte. Ltd. / Lim Hock Eng Lim Hock Chee Lim Hock Leng	Sale of goods by F M Food Court Pte. Ltd. <sup>See Notes (1), (2)</sup> to Sheng Siong Group Ltd.	69.5	-
	Purchase of goods by F M Food Court Pte. Ltd. <sup>See Notes (1), (2)</sup> from Sheng Siong Group Ltd.	92.2	-
	Lease of operation space by F.M Food Court Pte Ltd from	70.9	--



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Sheng Siong Group Ltd			
Name of Interested Person(s)	Description of Interested Person Transactions	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
		(\$'000)	(\$'000)
<b>E Land Properties Pte. Ltd. /</b> Lim Hock Eng Lim Hock Chee Lim Hock Leng	Rent and utilities paid by Sheng Siong Group Ltd. to E Land Properties Pte. Ltd. <sup>See Note (1)</sup> for lease and license of operations space	265.8	-

**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.

**BY ORDER OF THE BOARD**

LIM HOCK CHEE  
CEO  
25 April 2012

*The initial public offering of Sheng Siong Group Ltd. was sponsored by Oversea-Chinese Banking Corporation Limited ("OCBC").*

*OCBC assumes no responsibility for the contents of this announcement.*