Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Sheng Siong Group Ltd.

Stock code: OV8

Meeting details:
Date: 22 June 2020
Time: 2.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. Following the announcement of the full-year results for the financial year ending 31 December 2019, the company has provided shareholders with a business update for the 1st quarter ended 31 March 2020. Revenue increased by 30.7%, due to COVID-19 driven demand from consumers. With the group benefitting from higher operating leverage, profit for the quarter increased by 50% to $29.0 million for 1Q2020.

With 5 new shops to be opened in 2020, the total store count will increase to 64 and the retail area will increase by 45,680 square feet to approximately 575,160 square feet.

(i) **Other than higher level of inventories, what other operational changes has the group made to meet the elevated demand? What is the impact on the group's operating costs?**

(ii) **How does the group ensure that its staff do not suffer from burn-out over a prolonged hectic period?**

(iii) The group has already secured 5 new shops to be opened in 2020. **What is the optimal pace of new store opening each year going forward?**

(iv) **How did management secure its food and other supplies during this critical period where there is elevated demand globally, coupled with disruption to the supply chain?**

(v) **Were there instances of suppliers engaging in price gorging? How does the group balance its gross margin and affordability for its consumers?**

Q2. The group started its online shopping platform, allforyou.sg, in 2014. As noted in the chairman's message, the group's strategy for the medium term is to leverage its brick-and-mortar supermarkets and to complement it with online grocery shopping in a dual-channel environment.

(i) **Can management help shareholders understand the share of revenue generated by its e-commerce platform? What are some of the key metrics used to measure the performance of the platform?**

(ii) **Would the target audience of the e-commerce platform be substantially different from the average customer of its brick-and-mortar supermarkets?**

(iii) **What are the risks that the group would find it having to catch up with other online grocery operators in the future?**

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Q3. At the annual general meeting scheduled to be held on 22 June 2020, Mr. Goh Yeow Tin and Mr. Jong Voon Hoo are retiring pursuant to Regulation 89 of the company's constitution and would be seeking their re-election.

Three of the independent directors, including Mr. Goh and Mr. Jong, were appointed on 22 June 2011. Therefore, the tenure of the three directors would have reached 9 years at the annual general meeting.

Ms Tan Poh Hong was appointed as an independent director on 5 January 2018.

Under the revised Listing Rules, the term of an independent director will be limited to nine years after which the long tenured directors will be subject to a two-tier vote by shareholders. This and the requirement for independent directors to comprise one-third of the board which come into effect on 1 January 2022.

(i) **Has the company evaluated the impact of the 2018 CG Code and the amendments to the Listing Rules on the board?**

In addition, given that the chairman is part of the management team and a sibling of the CEO, Provision 2.2 of the Code of Corporate Governance 2018 requires independent directors to make up a majority of the board.

The board has stated its opinion that, based on the group's current size and operations, it is not necessary to have independent directors and non-executive directors make up a majority of the board at present.

Pursuant to Rule 710 of the SGX Listing Manual, where there are variations from the Provisions of the CG Code, the issuer must explicitly state the provision from which it has varied, explain the reasons for variation, and explain how the practices it had adopted are consistent with the intent of the relevant principle.

The board has just stated that it is "not necessary" due to the group's current size and operations.

(ii) **To comply with the Code and Rule 710, would the board further justify and help shareholders understand how the current practices are consistent with the intent of Principle 2, which requires the board to have an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.**

(iii) **Would the board be reviewing its composition to see how it could better comply with the Code of Corporate Governance?**

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^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)