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UEN No: S99SS0111B
GST Reg No: M90367530Y0Y

Issuer: Sheng Siong Group Ltd

Stock code: OV8

Meeting details:

Date: 28 April 2023

Time: 10.00 a.m.

Venue: <<live webcast>>

Q1. For the financial year ended 31 December 2022, the group's revenue moderated by 2.2% in FY2022 to \$1.34 billion. With the DORSCON alert level returning to green, management cautions that sales may continue to taper to more normalised levels as people return to dining out and travelling.

Notably, with inflationary pressures increasing, the group expects consumers to develop more budget-conscious habits, potentially leading to increased traffic at its outlets in search of value-for-money products.

During FY2022, the group's gross profit margin improved from 28.7% to 29.4%, while the net profit margin increased by 0.3% to 10.0%.

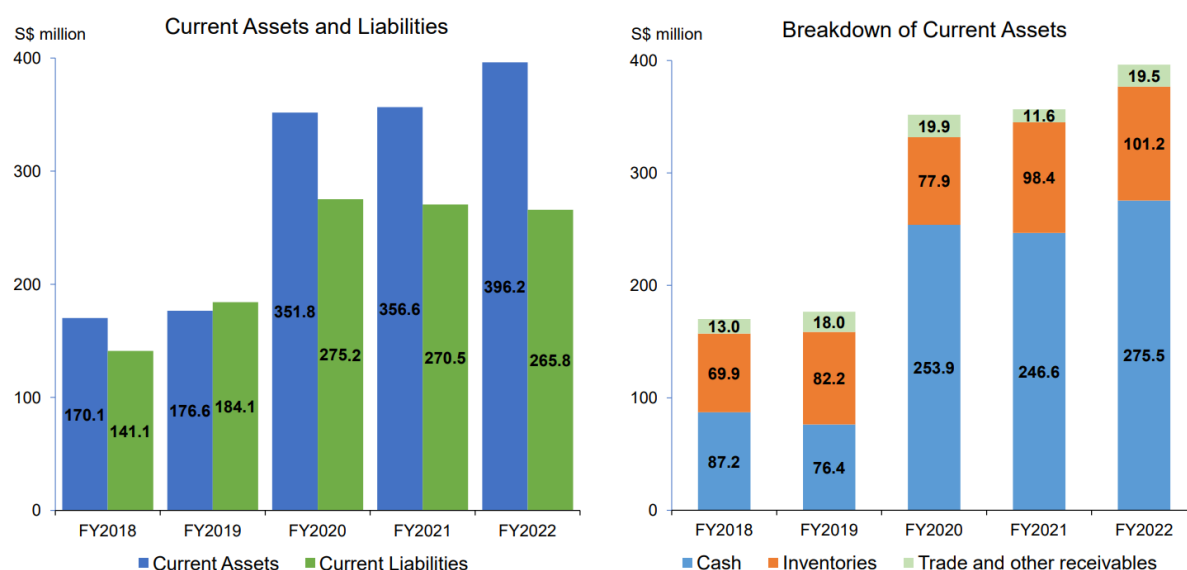
- (i) **Based on the group's sales data, has management observed significant changes in consumer behavior and trends over the past three years of living with the pandemic?**
- (ii) **What proportion of the group's sales are derived from its house brands? Could management comment on its plans to further grow this category?**
- (iii) **What guidance has the board provided to management regarding striking the right balance between offering value to customers in a high-inflation environment and the need to expand gross and net profit margins?**
- (iv) **In the board's view, to what extent have the group's profitability gains in recent years been driven by operational efficiency, such as through supply chain optimisation, reduction of stockouts and waste, better sourcing, and leveraging technology?**

Q2. For FY2022, the group opened four new stores and closed one outlet, bringing the total retail network to 67 stores and increasing the retail area to 607,800 sq ft. The chairman and CEO have reiterated the group's commitment to its growth strategy in Singapore, aiming to open at least three stores each year. To achieve this, the group proactively bids for new stores in residential areas, primarily Housing Development Board (HDB) estates, and is actively seeking untapped regions for retail space. With the expected pipeline of HDB flats to be built in the coming years, the group expects a stable growth trajectory.

- (i) **Can management provide insights on any differences in store sales per retail area between stores located in mature estates, such as Toa Payoh, and stores located in younger HDB estates, such as Punggol/Sengkang where there may be a higher proportion of younger families?**
- (ii) **How long does the group anticipate continuing its growth in Singapore before the impact of the market cannibalisation becomes significant?**
- (iii) **Has the board reviewed the group's online strategy and progress made with online grocery shopping? What percentage of sales is generated from Sheng Siong Online?**
- (iv) **The group is planning to open a fifth store in Kunming. Are there plans to speed up the growth in the subsidiary in Kunming to become a major contributor of revenue and profit for the group?**
- (v) **Has management reviewed the reasons why one of the four stores in Kunming is loss-making? Is the Kunming business managed by a local team in China, or are key decisions made by the management team in Singapore?**

Q3. The group's cash and cash equivalents stood at \$275.5 million as at 31 December 2022, compared to \$246.6 million in the previous year. In fact, the group's cash holdings have remained high in the past 3 years.

Balance Sheet Highlights



(Source: company announcement titled "Business update FY 2022" dated 27 February 2023)

The group's cash balance averaged \$259 million in the past three years.

- (i) **Could the board provide information on whether it anticipates any significant use of the group's cash in the near future, such as for large capital expenditures or acquisitions?**

As shown in Note 8 (Cash and cash equivalents), the group has placed \$239.7 million in fixed deposits which earned interest rates of 0.48% to 4.87% as at 31 December 2022.

- (ii) **Given the group's significant cash balance, has the board considered any capital reduction or special dividend to return excess capital to shareholders?**

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](https://www.sias.org.sg)



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