SHENG SIONG GROUP LTD.
(Company Registration Number: 201023989Z)
(Incorporated in the Republic of Singapore)
(the “Company”)

RESPONSE TO QUESTIONS RECEIVED FROM SHAREHOLDERS FOR THE ANNUAL GENERAL MEETING

The Board of Directors of Sheng Siong Group Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the announcement dated 6 April 2021 on the alternative arrangements for its Annual General Meeting to be held on 26 April 2021 (“**AGM**”), in particular, the invitation to shareholders to submit questions in advance of the AGM. The Company would like to thank the shareholders for the questions submitted.

The Appendix sets out the Company’s response to the questions received from the shareholders that are relevant to the AGM resolutions and the business of the Company.

By Order of the Board

Lim Hock Chee
Chief Executive Officer

23 April 2021

APPENDIX

Q1. Please advise if there will be live webcast on the day of the AGM, as some companies do have this option. And if not, are there plans to have this option to facilitate communication with the management in the future.

A: The AGM will be a live non-interactive webcast. Thank you for your suggestions and we may consider a live interactive webcast next year.

Q2. Will Sheng Siong reward shareholders with a similar dividend as in FY2020 or a higher rate, going forward? Without the elevated demand in FY2020, will the dividend of 6.5 cents for FY2020 be reduced according to net profit earned?

A: We have since FY2017 distributed roughly 70% of our net profit after tax as dividends. We will continue with the practice unless there is a need for cash for some operational reasons or some major capital expenditures. Under such circumstances, the Company's primary objective will be to optimize shareholder's value when deciding how to deploy the cash.

Q3. Is there a dividend policy for the payout ratio?

A: No, there is no formal policy but we have been very consistent with the practice.

Q4. What is the supermarket outlook in Singapore and China? How does this determine whether Sheng Siong can remain competitive, especially in the post-pandemic era?

A: We mentioned in our announcement of our FY2020 results on 24 Feb 2021 that elevated demand arising from COVID-19 may taper in 2021 which will affect our revenue. Our operating profits have grown at a CAGR of 19% from 2013 to 2020. We grew because we were able to adapt to the rigors of competition in a changing market environment. Post pandemic, the market environment will change which will impact demand. Whether it is pandemic or post pandemic, our people, leadership, corporate culture and innovativeness will continue to be drivers of our competitiveness, relevance and growth.

Q5. Congratulations on being in the news and social media for doing the right things, ie. rewarding staff during good times. Could Chairman or Director(s) outline whether are there any business expansion plans currently or in future? Thank you.

A: Thank you for the kind words. We have mentioned in our quarterly announcements and our Annual Report that we will continue to look for new retail spaces, particularly in areas where we have no presence to open new supermarkets. We will continue with this strategy in the medium term. We have also said that we will be actively seeking new technologies and processes to improve our operational efficiencies and productivity. For example, we are now working on growing sales in the e-commerce channel while exploring ways to leverage on technology to improve our efficiency and last-mile delivery.

Q6. FY2020 revenue and net profit margin (close to 10%), is largely driven by the COVID-19 lockdown pent up demand, largely during the first half of 2020. Going forward, will such net profit margin be sustainable?

A: Yes, your observation on the impact of COVID-19 on our financial performance is correct. Going forward, we expect net profit margin to be around pre-COVID-19 level when elevated demand tapers, assuming no major changes to the business environment.

Q7. It appears the dividend payout ratio has been decreasing since 2022, from 90% down to 70%. Please explain the reasons behind. What is the business strategy behind the increasing cash flow conservation?

A: The change was from FY2017 where it was reduced from 90% to 70%. You have rightly pointed out that cash flow conservation was the reason behind the change. The Board felt that we needed to have a "war-chest" on hand and preferred to conserve cash rather than gear up when the need arises.

Q8. Please explain if there is any increase in the directors' fees compared to the previous years. For all future AR, kindly state the previous year directors' fees.

A: There is no increase in directors' fees. For FY2019, it was also $300,000.

Q9. How significant would the gradual re-opening of restriction benefit Sheng Siong business growth in FY2021?

A: The gradual relaxation of restrictions will reduce elevated demand which will not benefit the supermarket industry. However, everyone is now trying to figure out how our way of life will change post COVID-19. With changes come opportunities and we will leverage on these for growth.

Q10. To maintain a net profit margin of 10% (just like in FY2020), how many new shops have to be opened per year?

A: The net profit margin of 10% in 2020 was exceptional, driven by COVID-19 induced demand. The net profit margin is not dependent just on new shops. Net profit margin was close to 8% during the period 2016 to 2019, where the new shops opened per year was between 5 to 10 shops.