

SHENG SIONG GROUP LTD

Interim Financial Statements as At and For the Half Year ended 30 June 2021

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Interim Financial Statements as At and For the Half Year ended 30 June 2021

A. Consolidated Statement of Profit or Loss and Other Comprehensive Income

		The Group		
		6 months ended 30 June		
		2021	2020	
	Note	S\$'000	S\$'000	+/- (-) %
Revenue	5	681,675	747,400	(8.8%)
Cost of sales		(489,159)	(541,061)	(9.6%)
Gross profit		192,516	206,339	(6.7%)
Other income	6	7,546	19,945	(62.2%)
Distribution expenses		(3,560)	(4,771)	(25.4%)
Administrative expenses		(113,354)	(129,220)	(12.3%)
Other expenses		(2,722)	(2,151)	26.5%
Results from operating activities		80,426	90,142	(10.8%)
Finance income		484	568	(14.8%)
Finance expense		(1,078)	(1,058)	1.9%
Profit before tax	6	79,832	89,652	(11.0%)
Tax expense	7	(13,741)	(14,428)	(4.8%)
Profit for the period		66,091	75,224	(12.1%)
 Other comprehensive income				
Item that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences arising on consolidation of foreign entity				
		(191)	95	n.m
Total comprehensive income for the period		65,900	75,319	(12.5%)

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Profit net of tax for the period attributable to:

Owners of the company	65,934	74,816	(11.9%)
Non-controlling interest	157	408	(61.5%)
	<u>66,091</u>	<u>75,224</u>	<u>(12.1%)</u>

Total comprehensive income attributable to:

Owners of the company	65,819	74,873	(12.1%)
Non-controlling interest	81	446	(81.8%)
	<u>65,900</u>	<u>75,319</u>	<u>(12.5%)</u>

Earnings per share

Basic and diluted (cents)	8	<u>4.39</u>	<u>4.98</u>
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n.m denotes not meaningful

B. Statements of Financial Position

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	Note	The Group		The Company	
		30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
		S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets					
Property, plant and equipment	11	340,923	340,299	-	-
Investment in subsidiaries		-	-	82,261	82,261
		340,923	340,299	82,261	82,261
Current assets					
Inventories		74,972	77,911	-	-
Trade and other receivables		9,516	19,949	200,719	199,300
Cash and cash equivalents		247,980	253,901	153	274
		332,468	351,761	200,872	199,574
Total assets		673,391	692,060	283,133	281,835
Equity					
Share capital	13	235,373	235,373	235,373	235,373
Merger reserve		(68,234)	(68,234)	-	-
Foreign currency translation reserve		(112)	3	-	-
Accumulated profits		226,076	205,248	47,551	46,083
Equity attributable to owners of the Company		393,103	372,390	282,924	281,456
Non-controlling interest		2,790	2,709	-	-
Total equity		395,893	375,099	282,924	281,456
Non-current liabilities					
Lease liabilities		28,657	23,129	-	-

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Term loan	12	7,500	15,000	-	-
Deferred tax liabilities		4,161	3,615	-	-
		40,318	41,744	-	-

Current liabilities

Trade and other payables		178,283	208,089	192	379
Current tax payable		24,084	29,754	17	-
Term loan	12	12,500	15,000	-	-
Lease liabilities		22,313	22,374	-	-
		237,180	275,217	209	379
Total liabilities		277,498	316,961	209	379
Total equity and liabilities		673,391	692,060	283,133	281,835

C. Statements of Changes in Equity

	Attributable to owners of the Company							
	Share capital	Merger reserve	Accumulated profits	Foreign currency translation reserve	Total			
The Group	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1 January 2021	235,373	(68,234)	205,248	3	372,390	2,709	375,099	
Total comprehensive income for the period								
Profit for the period	-	-	65,934	-	65,934	157	66,091	
Other comprehensive income								
Foreign currency translation differences for foreign entity	-	-	-	(115)	(115)	(76)	(191)	
Total comprehensive income for the period	-	-	65,934	(115)	65,819	81	65,900	
Transactions with owners, recorded directly in equity:								

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Distributions to owners of the Company							
Dividend paid	-	-	(45,106)	-	(45,106)	-	(45,106)
Total transactions with owners	-	-	(45,106)	-	(45,106)	-	(45,106)
As at 30 June 2021	235,373	(68,234)	226,076	(112)	393,103	2,790	395,893
At 1 January 2020	235,373	(68,234)	146,285	(173)	313,251	2,109	315,360
Total comprehensive income for the period							
Profit for the period	-	-	74,816	-	74,816	408	75,224
Other comprehensive income							
Foreign currency translation differences for foreign entity	-	-	-	57	57	38	95
Total comprehensive income for the period	-	-	74,816	57	74,873	446	75,319
As at 30 June 2020	235,373	(68,234)	221,101	(116)	388,124	2,555	390,679

The Company	Share capital	Accumulated profits	Total Equity
	S\$'000	S\$'000	S\$'000
As at 1 January 2021	235,373	46,083	281,456
Total comprehensive income for the period			

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Profit for the period	-	46,574	46,574
Transactions with owners, recorded directly in equity:			
Distributions to owners			
Dividend paid	-	(45,106)	(45,106)
Total transactions with owners	-	(45,106)	(45,106)
As at 30 June 2021	235,373	47,551	282,924
As at 1 January 2020	235,373	28,094	263,467
Total comprehensive income for the period			
Profit for the period	-	52,596	52,596
As at 30 June 2020	235,373	80,690	316,063

D. Consolidated Statement of Cash Flows

The Group

6 months ended 30 June

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	Note	2021	2020
		\$'000	\$'000
Operating activities			
Profit for the period		66,091	75,224
Adjustments for:			
Depreciation of:			
– property, plant and equipment	6	10,089	10,014
– right-of-use assets	6	15,223	14,723
(Gain)/loss on disposal of property, plant and equipment	6	(72)	3
Unrealised exchange loss/(gain)		32	(87)
Interest income	6	(484)	(568)
Interest expense	6	1,078	1,058
Tax expense	7	13,741	14,428
		105,698	114,795
Changes in:			
– inventories		2,939	(11,809)
– trade and other receivables		10,433	4,032
– trade and other payables		(29,806)	63,607
Cash generated from operations		89,264	170,625
Taxes paid		(18,866)	(496)
Cash flows from operating activities		70,398	170,129
Investing activities			
Proceeds from disposal of property, plant and equipment		103	23
Purchase of property, plant and equipment	11	(5,414)	(9,818)
Interest received		484	568
Cash flows used in investing activities		(4,827)	(9,227)
Financing activities			
Dividends paid	9	(45,106)	-
(Repayment)/drawdown of term loan		(10,000)	30,000

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Payment of lease liabilities	(16,163)	(15,318)
Cash flows (used in)/from financing activities	(71,269)	14,682
Net (decrease)/increase in cash and cash equivalents	(5,698)	175,584
Cash and cash equivalents at beginning of the period	253,901	76,419
Effect of exchange rate changes on balances held in foreign currency	(223)	182
Cash and cash equivalents at end of the period	247,980	252,185

E. Notes to the Consolidated Financial Statements

1. Corporate information

Sheng Siong Group Limited (the Company) is incorporated and domiciled in Singapore and whose shares are publicly traded on the Mainboard of the Singapore Exchange. These consolidated financial statements as at and for the six months ended 30 June 2021 comprise the Company and its subsidiaries (collectively, the Group).

The primary activity of the Company is that of investment holding. The principal activities of the subsidiaries are trading and wholesale importers of consumer goods and the operations of supermarket retail stores selling consumer products.

2. Basis of preparation

2.1 The financial statements for the six months ended 30 June 2021 have been prepared in accordance with SFRS(I) 1-34 *Interim Financial Reporting* issued by the Accounting Standard Council Singapore. The financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2020.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended Standards as set out in note 2.2.

The financial statements are presented in Singapore dollar which is the Company's functional currency.

2.2 New and amended standards adopted by the Group

A number of amendments to Standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

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Interim Financial Statements as At and For the Half Year ended 30 June 2021

3. Use of estimates and judgements

In preparing the financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2020.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Management is of the opinion that there are no critical judgements made in applying the Group's accounting policies and no assumptions and estimation of uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. Segmental reporting

The Group operates in one segment which relates to the supermarket operations selling consumer goods. The Group's operations are mainly located in Singapore. The overseas subsidiaries' operations are not significant for the period ended 30 June 2021 and 2020.

5. Revenue

The Group operates a chain of supermarket retail stores selling consumer products. Revenue is recognized when the control of the goods has been transferred, being at the point the customer purchases the goods at the retail store.

6. Profit before taxation

6.1 Significant items

Note	The Group	
	6 months ended 30 June	
	2021	2020
	S\$'000	S\$'000

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Depreciation of property, plant and equipment	10,089	10,014
Depreciation of right-of-use assets	15,223	14,723
Exchange gain, net	(269)	(849)
(Gain)/Loss on disposal of property, plant and equipment	(72)	3
Interest income	(484)	(568)
Interest expense	1,078	1,058
Finance expense, net	594	490

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6.1 Significant items (Cont'd)

	Note	The Group	
		6 months ended 30 June	
		2021	2020
		S\$'000	S\$'000
Other income:			
Rental income		1,488	1,232
Sale of scrap materials		1,163	621
Government grants	(a)	3,656	16,530
Miscellaneous income		1,239	1,562
		<u>7,546</u>	<u>19,945</u>

Notes

- (a) The Government support in the form of three COVID-19 Budget Supplementary Packages, Wage Credit, and Special Employment Schemes was higher in the first six months ended 30 June 2020 as compared to the current corresponding period under review.

6.2 Related party transactions

Other than disclosed elsewhere in the financial statements, transactions carried out with related parties in the normal course of business on terms agreed between the parties are as follows:

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	The Group	
	6 months ended 30 June	
	2021	2020
	\$'000	\$'000
Corporations in which directors of the Group have substantial financial interests		
Sales	11	19
Rental expenses	(1,026)	(869)
Rental income	230	213
Subsidiaries		
Management fee	240	240
Sales	11	11

7. Taxation

The Group calculates the income tax expense using the statutory tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the interim consolidated statement of profit or loss are:

	6 months ended	
	30 June 2021	30 June 2020
	\$'000	\$'000
Current tax expense		
Current period	13,196	13,561
Deferred tax expense		
Origination and reversal of temporary differences	545	867

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Interim Financial Statements as At and For the Half Year ended 30 June 2021

Total tax expense	13,741	14,428
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8. Earnings per share

Earnings per share for profit for the period attributable to the owners of the Company during the period:

	The Group	
	6 months ended 30 June	
	2021	2020
Based on number of shares in issue at the end of period/weighted average number of shares in issue during the period (SGD in cents)	4.39	4.98

	No. of shares	
	'000	'000
Total number of shares as at 30 June 2021 and 30 June 2020	1,503,537	1,503,537
Weighted average number of shares during the period	1,503,537	1,503,537

There were no potentially dilutive shares during the period reported on.

9. Dividends

The Group
6 months ended 30 June

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	2021	2020
	\$'000	\$'000
Ordinary dividends paid:		
Final exempt 2020 dividend of 3.0 cents per share	45,106	-

As the Annual General Meeting for FY2019 was deferred because of COVID-19, the final dividend of \$27,063,000 (1.80 cents per share) in respect of FY2019 which was usually paid in May was delayed and paid on 7 July 2020.

10. Net Asset Value

	The Group		The Company	
	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
	S\$	S\$	S\$	S\$
Net asset value per ordinary share	0.26	0.25	0.19	0.19
Number of shares as at end of period/year ('000)	1,503,537	1,503,537	1,503,537	1,503,537

11. Property, plant and equipment

During the six months ended 30 June 2021, the Group acquired assets amounting to \$5,414,000 (30 June 2020: \$9,818,000) and disposed of assets amounting to \$679,000 (30 June 2020: \$196,000)

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12. Borrowings

	The Group	
	30-Jun-21	31-Dec-20
	S\$'000	S\$'000
	Unsecured	Unsecured
Amount repayable in one year or less		
Term loan	12,500	15,000
 Amount repayable after one year		
Term loan	7,500	15,000

This unsecured term loan of \$30 million was granted from a government agency in June 2020 of which \$10 million was repaid in June 2021.

13. Share capital

	Number of shares	Amount	Number of shares	Amount
	30 Jun 2021		31 Dec 2020	
	'000	\$'000	'000	\$'000
The Group and The Company				
Ordinary shares in issue	1,503,537	235,373	1,503,537	235,373

The Company did not hold any treasury shares as at 30 June 2021.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to claims on Company's residual assets.

All issued ordinary shares are fully paid, with no par value.

14. Subsequent events

There are no known material subsequent events which have resulted in adjustments to this set of interim financial statements.

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Interim Financial Statements as At and For the Half Year ended 30 June 2021

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Other Information Required by Listing Rule Appendix 7.2

1. Review

The consolidated statement of financial position of Sheng Siong Group Ltd and its subsidiaries as at 30 June 2021 and the related consolidated profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

2. Review of performance of the Group

Consolidated Statement of Profit or Loss

Overview

Revenue was down 8.8 per cent to \$681.7 million, from \$747.4 million in 1H FY 2020. This was partly due to high base of elevated demand arising from measures taken amid Covid-19 pandemic in 1H FY 2020.

Net profit before tax declined by 11.0 per cent from \$89.7 million to \$79.8 million in 1H FY 2021 mainly on account of reduced revenue and other income.

Revenue

	1H FY 2021	1H FY 2020
Number of stores	63(Singapore)+2(China)	61(Singapore)+2(China)
Retail area	571,150 sq. ft*	552,980 sq. ft*
Revenue for period	\$681.7m	747.4m

*Singapore's operations only.

There was no new store open in 1H FY 2021.

Gross profit

Gross profit decreased by 6.7 per cent in 1H FY 2021 mainly because of the decrease in revenue but the gross margin edged up slightly to 28.2 per cent.

Gross margin

1H FY 2021	1H FY 2020
28.2%	27.6%

The increase in the gross margin was mainly due to the change in sales mix.

Other income

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The explanations for the variances in Other Income were on page 9 Note 6.1(a).

Administrative expenses

Decreases in administrative expenses were mainly in the following areas: -

	1H FY 2021 vs 1H FY 2020
	\$m
Staff costs	(15.23)
Rental of outlets	0.20
Depreciation (excluding property plant and equipment in the central distribution center and in distribution expenses)	(0.25)
Utilities	0.20
Property tax	0.56
Others	(1.85)
Depreciation of right-of-use assets	0.50
Total decrease	(15.87)

The administrative expenses declined by \$15.9 million to record \$113.3 million in 1H FY 2021. Staff cost contributed to the bulk of the decline. In 1H FY 2020, the staff were rewarded with (1) higher bonus on increased operating profit arose from sterling sales performance and (2) the additional one-month salary which was paid in 2Q FY 2020 to all staff except directors. Savings in property tax in 1H FY 2020 because of rebates granted from the Budget 2020 package but it was not available to the Group for first six months of FY 2021.

Other expenses

Other expenses were \$0.57m higher mainly because of lower exchange gain as compared to same period last year.

Tax

The effective tax rate for 1H FY 2021 of 17.2 per cent was higher than the statutory rate of 17.0 per cent mainly because of certain grants income and expenses that are not taxable nor deductible.

China

The subsidiary in China continued to be profitable.

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Consolidated Statement of Financial Position

The slight increase in property, plant and equipment of \$0.6 million was mainly due to:

	Increase / (Decrease) \$' million
New/renewal of leases brought into right-of-use assets	20.5
Purchases of other property, plant and equipment	5.4
Depreciation of right-of-use assets	(15.2)
Depreciation of other property, plant and equipment	(10.1)
Total	0.6

Inventory decreased by \$2.9 million to \$75.0 million as at June 2021.

Compared to 1H FY 2020, trade and other receivables fell by \$10.4 million to register \$9.5 million in 1H FY 2021. Included in 1H FY 2020, trade and other receivables was an outstanding Budget Supplementary Grocery vouchers issued by Government agencies and amount due from credit cards and financial institutions on higher sales recorded in December 2020.

Trade and other payables decreased by \$29.8 million mainly on account of reduced purchasing volume.

Consolidated Statement of Cash Flows

Sales were mostly made on a cash basis. There were no major changes to the payment cycle.

Cash generated from operating activities for 1H FY 2021 decreased to \$70.4 million from \$170.6 million reported a year ago. This was mainly due to lower business volume and changes in working capital requirements. Changes in the various component of working capital in 1H FY 2021 have been explained in the above paragraphs when we commented on the changes in the consolidated statement of financial position.

As at 30 June 2021, cash and cash equivalent was \$248.0 million, down by \$4.2 million from \$252.2 million reported a year ago. The cash position of 1H FY 2021 was arrived at

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after taking into account FY 2020 final dividend of \$45.1 million, \$5.4m for the acquisition of properties, plant and equipment and \$10.0 million for the partial repayment of term loan.

3. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable.

4. 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 operating period and the next 12 months

With the gradual easing of restrictions on movements of people and increasing percentage of the population being vaccinated, the demand would likely to taper down in 2H FY 2021. However, in view of the emergence of several clusters and growing number of community cases, Singapore reverts to Phase 2 (Heightened Alert) from 22 July 2021 to 18 August 2021 that may probably result in higher demand compared to corresponding period last year.

Tight measures taken last year to curb the spread of Covid-19 virus greatly affect the supply of new HDB shops in the market. During the year 2021, there are two tenders of HDB shops for use as supermarkets to which the outcome has not been announced. The Group will continue to look for retail space in new and existing HDB housing estates, particularly in estates where the Group has no presence.

As the Covid-19 situation is improving in Year 2021, the Government's support to the business community reduces as compared to last year.

Competition in the supermarket industry is expected to remain keen among the brick and mortar and on-line market place.

Although there were no major disruptions to the food supply chain last year because of COVID-19, there are still risks of disruption possibly from the global impact of COVID-19, weather or geo-political events that may affect input prices.

The Group will continue to monitor the performance of existing and new stores closely by working on our core competencies thereby improving the gross margin arising from changes in sales mix.

5. Dividend information

5a. Current Financial Period Reported On

Name of Dividend	Interim
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Dividend Type	Cash
Dividend Rate	\$0.031 per share
Tax rate	Tax exempt (one-tier)

5b. Corresponding Period of the immediately Preceding Financial Year

Name of Dividend	Interim
Dividend Type	Cash
Dividend Rate	\$0.035 per share
Tax rate	Tax exempt (one-tier)

5c. The date the dividend is payable

30 August 2021

5d. Book closure date

Notice is hereby given that the Share Transfer Books and Register of Members of the Company will be closed at 5.00 p.m. on 18 August 2021 for the purpose of determining the entitlements to the interim dividend. Duly completed transfers in respect of ordinary shares in the capital of the Company (“Shares”) received by the Company’s Registrar, Boardroom Corporate & Advisory Services Pte Ltd at 50 Raffles Place, #32-00, Singapore 048623 up to 5.00 p.m. on 18 August 2021 will be registered to determine shareholders’ entitlement to the interim dividend. Shareholders whose securities accounts with The Central Depository (Pte) Limited (“CDP”) are credited with Shares at 5.00 pm on 18 August 2021 will be entitled to the interim dividend.

6. Interested person transactions

The Group did not obtain a mandate under Rule 920(1)(a)(ii). The interested person transactions during the period were: -

INTERESTED PERSON TRANSACTIONS

From 1 January 2021 to 30 June 2021

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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/ 1 Lim Hock Eng Lim Hock Chee Lim Hock Leng	Sale of goods and services by Sheng Siong Group Ltd to F M Food Court Pte Ltd ⁽¹⁾	10	-
	Lease of operation space by FM Food Court Pte Ltd ⁽¹⁾ from Sheng Siong Group Ltd	223	-
E Land Properties Pte Ltd/ ¹ Lim Hock Eng Lim Hock Chee Lim Hock Leng	Rent paid by Sheng Siong Group Ltd. to E Land Properties Pte Ltd ⁽¹⁾ for lease and license of operations space	1,026	-

Note:

(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.

7. Confirmation that the issuer has procured undertaking from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Company has received undertaking from all its directors and executive officers in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual of the SGX-ST.

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8. Negative Assurance Confirmation On Interim Financial Results Pursuant To Rule 705(5) Of The Listing Manual

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirmed that, to the best of our knowledge, nothing has come to the attention of the Board of Directors which may render these interim financial results to be false or misleading in any material aspect.

On behalf of the Board of Directors

Lim Hock Eng

Executive Chairman

Lim Hock Chee

Chief Executive Officer