APPENDIX

Q1. I have noticed that Sheng Siong's core strategy has still been to target heartland stores, rather than bigger malls. Could you explain more about how you differentiate from other similar offerings such as Prime or U Stars?

A: The Group competes in service, price and quality. We take pride in exceptional customer service, having been recognized as Singapore's Best Customer Service Company (Supermarket category) by the Straits Times for two years running (2022 & 2023). We endeavour to do our best to cater to the needs of our customers, offering a one-stop shopping experience for essential groceries and fresh produce. Being in the heartland brings us closer to our customers, making it more convenient. We also ensure that the products that we supply are safe and value-for-money. The Group works restlessly on supply chain diversification, adopting new technology, and streamlining operations. These efforts translate into greater efficiency and cost savings, which we pass on to our customers and shareholders. Our strong people-centric culture fosters a friendly and helpful atmosphere for both our employees and customers. This allows us to deliver on our vision of being a trusted neighbourhood grocer.

Q2. I have noticed a growing profit margin. Can you share more about why this has been the case (beyond the usual change in grocery checkouts to more live produce), and whether this can be sustained? And if the aforementioned is really the case, can you explain more about how you have been executing this strategy?

A: The Group achieves a higher gross profit margin by continuously improving the sales mix and driving supply chain efficiency. The higher gross profit margin is also due to the Group's having to address the rising staff costs and utility expenses in the high inflationary environment. While the Group remains committed to driving efficiency gains, we will continue to ensure that our products are competitively priced and affordable.

Q3. For Annual Report 2023, I noticed that there has been a reclassification for Selling and Distribution Expenses and Administrative Expenses. Going forward, how will the Selling and Distribution Expenses and Administrative Expenses be defined?

A: Selling and Distribution Expenses are costs incurred when the Group sells its goods to customers. They include retail and distribution staff costs, utility expenses, rental, depreciation, etc. incurred by supermarket stores. Administrative expenses include administrative staff salaries, office expenses, professional fees, printing and stationery expenses, etc.

Q4. I have noticed that Sheng Siong has been quite quiet in terms of acquisitions and mergers. What is the management's view on M&A activity, and why has it not actively pursued these, given that there are smaller supermarkets like Prime, U Stars, mini-marts etc. that could contribute significant floor area to improve your revenues?

A: While Sheng Siong remains open to potential opportunities for M&A to drive growth, the decision to pursue depends on careful analysis of potential benefits and risks such as growth potential, cultural differences, and acquisition costs. It takes time to nurture these opportunities, and we think it is more strategic that Sheng Siong focuses more on organic growth – expanding our network of stores, improving customer service, and exploring ways to attract new customers.

Q5. What are your main capital allocation priorities moving forward in the next 5 years? Would we be exploring new geographies, renovations, more aggressive bids for heartland spaces, etc.? I'm concerned that you've significant cash on hand that we might not be using as efficiently as we can. Maybe you could also share the thinking behind holding almost $324m in cash, given that your working capital needs seem to be much less.

A: The Group is reserving cash as its war chest for various opportunities, such as the potential acquisition of new stores, warehouse space, and investments in technology to drive operational efficiency. By allocating these funds strategically, the Group can position itself to take advantage of emerging opportunities and further expand its operations.

As of 31 December 2023, the Group had about $324m in cash, while trade and other payables made up about $200m.