



SHENG SIONG GROUP LTD.

1Q FY 2022 Business Update

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

	The Group		
	1st Quarter ended		+ / (-)%
	31 Mar 2022	31 Mar 2021	
	S\$'000	S\$'000	
Revenue	357,955	337,547	6.0%
Cost of sales	(255,215)	(243,998)	4.6%
Gross profit	102,740	93,549	9.8%
Other income	3,321	4,009	(17.2%)
Distribution expenses	(2,105)	(1,853)	13.6%
Administrative expenses	(59,375)	(56,370)	5.3%
Other expenses	(1,337)	(1,443)	(7.3%)
Results from operating activities	43,244	37,892	14.1%
Finance income	388	239	62.3%
Finance expenses	(788)	(485)	62.5%
Profit before tax	42,844	37,646	13.8%
Tax expense	(7,655)	(6,740)	13.6%
Profit for the period	35,189	30,906	13.9%
Other comprehensive income			
Item that is or may be reclassified subsequently to profit or loss			
Foreign currency translation differences – foreign operations	(94)	(382)	n.m
Total comprehensive income for the period	35,095	30,524	15.0%

n.m denotes not meaningful



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	The Group		
	1 st Quarter ended		+ / (-)%
	31 Mar 2022	31 Mar 2021	
	S\$'000	S\$'000	
Profit net of tax for the period attributable to:			
Owners of the company	35,115	30,841	13.9%
Non-controlling interest	74	65	13.8%
	35,189	30,906	
Total comprehensive income attributable to:			
Owners of the company	35,058	30,612	14.5%
Non-controlling interest	37	(88)	n.m
	35,095	30,524	



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B. Statements of Financial Position

	The Group	
	31 Mar 2022	31 Dec 2021
	S\$'000	S\$'000
Assets		
Property, plant and equipment	299,420	302,883
Right-of-use assets	81,521	79,505
Investment in subsidiaries	-	-
Non-current assets	380,941	382,388
Inventories	86,861	98,383
Trade and other receivables	9,819	11,604
Cash and cash equivalents	253,962	246,642
Current assets	350,642	356,629
Total assets	731,583	739,017
Equity		
Share capital	235,373	235,373
Merger reserve	(68,234)	(68,234)
Foreign currency translation reserve	(155)	(98)
Accumulated profits	281,480	246,365
Equity attributable to owners of the Company	448,464	413,406
Non-controlling interest	2,953	2,916
Total equity	451,417	416,322
Liabilities		
Deferred tax liabilities	3,229	3,229
Lease liabilities	49,581	48,945
Non-current liabilities	52,810	52,174
Trade and other payables	169,611	212,391
Current tax payable	28,094	25,381
Term loan	-	5,000
Lease liabilities	29,651	27,749
Current liabilities	227,356	270,521
Total liabilities	280,166	322,695
Total equity and liabilities	731,583	739,017



C. Consolidated Statement of Cash Flows

	The Group	
	1st Quarter ended	
	31 Mar 2022	31 Mar 2021
	S\$'000	S\$'000
Operating activities		
Profit for the period	35,189	30,906
Adjustments for:		
Depreciation of:		
- property, plant and equipment	5,020	5,060
- right-of-use assets	8,134	7,181
Gain on disposal of property, plant and equipment	(2)	(9)
Unrealised exchange (gain)/loss	(271)	26
Interest income	(388)	(239)
Interest expense	788	485
Tax expense	7,655	6,740
	56,125	50,150
Changes in:		
- inventories	11,522	4,542
- trade and other receivables	1,785	8,658
- trade and other payables	(42,780)	(29,538)
Cash generated from operations	26,652	33,812
Taxes paid	(4,942)	(4,948)
Cash flows from operating activities	21,710	28,864
Investing activities		
Proceeds from disposal of property, plant and equipment	84	37
Purchase of property, plant and equipment	(1,608)	(3,626)
Interest received	388	239
Cash flows used in investing activities	(1,136)	(3,350)
Financing activities		
Repayment of term loan	(5,000)	-
Interest paid	(737)	(485)
Payment of lease liabilities	(7,667)	(7,034)
Cash flows used in financing activities	(13,404)	(7,519)
Net increase in cash and cash equivalents	7,170	17,995
Cash and cash equivalents at beginning of the period	246,642	253,901
Effect of exchange rate changes on balances held in foreign currencies	150	(408)
Cash and cash equivalents at end of the period	253,962	271,488

**D. Notes to Consolidated Financial Statements****1. Significant items**

	Note	The Group	
		1 st Quarter ended	
		31 Mar 2022	31 Mar 2021
		S\$'000	S\$'000
Depreciation of property, plant and equipment		5,020	5,060
Depreciation of right-of-use assets	1	8,134	7,181
Exchange (gain)/loss, net		(321)	60
Gain on disposal of property, plant and equipment		(2)	(9)
Staff costs	2	49,734	46,688
Contribution to defined contribution plans, included in staff costs		2,055	1,794
Interest income		(388)	(239)
Interest expense	1	788	485
Finance expense, net		400	246
Other income:			
Rental income		626	724
Sale of scrap materials		908	573
Government grants		1,019	1,861
Miscellaneous income		768	851
		3,321	4,009

Notes

- 5 rental contracts for retail outlets were signed and /or renewed in Year 2022. Under FRS 116, we have to account the leases “on-balance-sheet” by recognizing a right-to-use asset and a lease liability. Right-to-use assets are amortised over the period of the lease on a straight-line basis. This resulted in the increase in depreciation of right-to-use asset.
The implicit interest component of operating lease payments is presented as part of finance cost. Interest expense is typically front loaded as the combined effect of amortisation of lease asset and interest on lease liability is higher in the earlier years of the lease than in the later years.
- Owing to tight labour market, we increased the base salary of certain category of workforce.



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E. Performance Review of the Group

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

Overview

	The Group		
	1 st Quarter ended		
	31 Mar 2022	31 Mar 2021	Increase
	S\$'000	S\$'000	%
Sales reported for the first Quarter of the year	357,955	337,547	6.0%
Operating profit after tax for the first Quarter of the year	35,189	30,906	13.9%

Revenue increased by 6.0% or S\$20.4 million to S\$358.0 million in 1Q FY 2022.

	31 Mar 2022	31 Mar 2021
Number of stores	64 (Singapore) 4 (China)	63 (Singapore) 2 (China)
Retail area (sq ft) *	576,640	571,150
Revenue for the period (S\$'000)	S\$357,955	S\$337,547

* Singapore's operations only.

Revenue	No. of stores	Revenue 1Q FY 2022 vs 1Q FY 2021
New store	1	0.3%
Comparable same store – Singapore	63	4.7%
China	4	1.0%
Total	68	6.0%

Comparable stores operating in Singapore contributed 4.7% increase in revenue. Revenue per square foot increased by 4.0% to S\$2,408 per annum.

Gross Margin

1Q FY 2022	1Q FY 2021
S\$102.7 million	S\$93.1 million
28.7%	27.7%

Gross profit grew S\$9.6 million from S\$93.1 million to S\$102.7 million in 1Q FY 2022 on account of 6.0% increase in revenue and higher gross margin arising from the change in product sales mix.



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Other Income

Other income declined from S\$4.0 million in 1Q FY 2021 to S\$3.3 million in 1Q FY 2022, mainly on account of reduced government support.

Administrative expenses

	1Q FY 2022 vs 1Q FY 2021	Remarks
	S\$'million	
Staff cost	2.1	Increased the base salary of certain category of workforce in view of the tight labour market
Depreciation of right-of-use assets	0.9	5 new leases are entered and /or renewed in Year 2022. The value of right-to-use assets are depreciated over the period of the lease on a straight-line basis – refer to Note 1 on page 5
Total	3.0	

Tax

The effective tax rate of 1Q FY 2022 is 17.8%. It is higher than the corporate tax rate of 17.0% as the corporate tax rate of China is 25.0%.

China

China operations accounted 2.8% of the total revenue in 1Q FY 2022. 2 stores that were opened in 2H FY 2021 contributed about 50.2% increase in revenue of China operations over 1Q FY 2021. It continues to be profitable.

Consolidated Statement of Financial Position

As at 31 March 2022, current assets declined by S\$6.0 million to S\$350.6 million. It was mainly due to S\$11.5 million decline in inventory holding that was offset partially by an increase in cash and cash equivalents resulting in S\$254.0 million as at end March 2022.

Current liabilities reduced to S\$227.4 million as at end March 2022, from S\$270.5 million reported a year ago. The decrease was mainly due to the just in-time management of inventory and timely repayment to the vendors for its purchases of goods and services coupled with the repayment of S\$5.0 million unsecured term loan.



Consolidated Statement of Cash Flow

Cash generated from operations was S\$21.7 million in 1Q FY 2022, down from S\$28.9 million registered a year ago. This was mainly due to higher cash outlay towards paying to the suppliers.

Cash and cash equivalents being utilized to finance its operating, investing and financing activities during the current period under review, were much higher leaving a net balance of S\$7.2 million compared to S\$18.0 million balance last year.

As at 31 March 2022, cash and cash equivalents stand at S\$254.0 million, up by S\$7.3 million from S\$246.6 million as at end December 2021.

Looking Forward

It was announced on 22 April 2022 that Singapore will further cease COVID-19 measures. From 26 April 2022, all workers can return to the workplace, up from the current limit of 75%, group sizes are no longer capped, no safe distancing with masks on and the Disease Outbreak Response System Condition (DORSCON) level is lowered from Orange to Yellow since its increase more than 2 years ago. As a result, the elevated demand may further taper in Year 2022. Besides, when the borders open, more people may continue their travel plans over the remaining course of this year.

There are also risks of supply chain disruptions arising from COVID-19, climate and geo-political events, resulting in higher input costs. In addition, with the rising inflation, it will further exacerbate our input cost. However, on the back of inflationary pressures, consumers are also concerned with higher cost of living, and may choose to dine-in more at home, and look at ways to stretch their dollar. This may continue to support sales at the supermarkets. We will reinforce our efforts in diversifying our sources of supply, and work closely with our suppliers to minimize the disruptions. We also remain committed to ensure stability in the supply of essential products, and to deliver value to our customers by being competitive and offer more affordable alternatives to our customers.

In Singapore, the supply of new HDB shops has been affected in the last two years but is expected to improve gradually. During the year 2021, we were successful in our bid to secure the leases of three stores. The Group will continue to look out for retail spaces in new and existing HDB housing estates, particularly in estates where the Group has no presence, and targets to open 3 to 5 stores per year in the next three to five years. We will also continue to build on our e-commerce capability to extend our reach to customers in areas where we do not have physical presence.

We will continue to monitor the performance of existing and new outlets closely by working on core competencies to improve our operational efficiencies and productivity.

Lim Hock Chee
Chief Executive Officer

26 April 2022