
3Q2020 and 9M2020 Business Update

Dear Shareholders,

The Board after careful consideration is of the view that the announcement of results on a half yearly basis together with enhanced disclosures would be sufficient to keep shareholders and stakeholders informed of the state of affair of the Group. In place of the first and third quarterly announcements, I will be presenting business updates. Let me present an update of our business for 3Q2020 and 9M2020.

OVERVIEW

I am pleased to report that the Group has performed exceptionally well, and net profit increased by 54.4% and 83.3% in 3Q2020 and 9M2020 respectively. The increase was driven mainly by strong growth in revenue resulting in higher gross profit which was augmented by better gross margin for 9M2020, higher other income but was offset by a less than proportional increase in operating expenses, relative to the increase in revenue.

THE FINANCIALS
UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	GROUP			GROUP		
	3 months ended			9 months ended		
	30 Sep			30 Sep		
	2020	2019	+/- (-)	2020	2019	+/- (-)
	S\$'000	S\$'000		S\$'000	S\$'000	
Revenue	327,308	253,833	28.9	1,074,708	743,425	44.6
Cost of sales	(238,903)	(185,118)	29.1	(779,964)	(543,948)	43.4
Gross profit	88,405	68,715	28.7	294,744	199,477	47.8
Other income	5,574	2,943	89.4	16,219	7,226	124.5
Distribution expenses	(947)	(1,767)	(46.4)	(5,718)	(5,014)	14.0
Administrative expenses	(53,540)	(43,937)	21.9	(173,460)	(128,744)	34.7
Other expenses	(1,193)	(740)	61.2	(3,344)	(2,063)	62.1
Results from operating activities	38,299	25,214	51.9	128,441	70,882	81.2
Finance income	189	316	(40.2)	757	1,058	(28.4)
Finance expense	(498)	(491)	1.4	(1,556)	(1,454)	7.0
Profit before tax	37,990	25,039	51.7	127,642	70,486	81.1

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Tax expense	(6,206)	(4,450)	39.5	(20,634)	(12,106)	70.4
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Profit for the period	31,784	20,589	54.4	107,008	58,380	83.3
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Other comprehensive income

Items that may be re-classified
subsequently to profit or loss

Foreign currency translation differences arising on consolidation of foreign entities	139	(100)	n.m.	234	(129)	n.m.
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Total comprehensive income	31,923	20,489	55.8	107,242	58,251	84.1
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n.m denotes not meaningful

	GROUP 3 months ended 30 Sep			GROUP 9 months ended 30 Sep		
	2020 S\$'000	2019 S\$'000	+/- (-) %	2020 S\$'000	2019 S\$'000	+/- (-) %
Profit net of tax for the period attributable to :						
Owners of the Company	31,756	20,570	54.4	106,572	58,349	82.6
Non-controlling interest	28	19	47.4	436	31	n.m.
	31,784	20,589	54.4	107,008	58,380	83.3
Total comprehensive income attributable to:						
Owners of the Company	31,839	20,511	55.2	106,712	58,272	83.1
Non-controlling interest	84	(22)	n.m.	530	(21)	n.m.
	31,923	20,489	55.8	107,242	58,251	84.1

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Notes to the income statement

	Note	GROUP 3 months ended 30 Sep		GROUP 9 months ended 30 Sep	
		2020 S\$'000	2019 S\$'000	2020 S\$'000	2019 S\$'000
Depreciation of property, plant and equipment	(1)	5,136	4,605	15,151	13,386
Depreciation of right-of-use assets	(2)	7,592	5,980	22,315	16,632
Exchange (gain) net		(200)	(119)	(1,049)	(355)
Loss on disposal of property, plant and equipment		-	8	3	42
Interest income		(189)	(316)	(757)	(1,058)
Interest expense	(3)	498	491	1,556	1,454
Finance expense/(income) net		309	175	799	396
Other income:					
Rental income	(4)	552	814	1,784	2,540
Sale of scrap materials		462	225	1,083	1,027
Government grants	(5)	4,171	1,432	11,401	1,901
Miscellaneous income		389	472	1,951	1,758
		<u>5,574</u>	<u>2,943</u>	<u>16,219</u>	<u>7,226</u>

Notes

- The increase in depreciation for the period was attributable mainly to property, plant and equipment bought subsequent to 3Q2019.
- Depreciation of right-of-use assets relates to leases where the Group is a lessee and is capitalized as right-of-use assets following the adoption of SFRS (I) 16 Leases.
- This finance expense relates to interest on lease liabilities which were brought onto the consolidated statements of financial position upon the recognition of the right-of-use assets following the adoption of SFRS (I) 16 Leases on 1 January 2019.
- Rental income was derived from leasing of excess retail space to external parties and was lower compared with the corresponding prior periods mainly because of COVID-19 rebates given to tenants.
- The government grants were from Government agencies for the three COVID-19 Budget Supplementary Packages, Wage Credit, and Special Employment Schemes and were higher in 3Q2020 and 9M2020 mainly because of rental rebates from the COVID-19 Budget Supplementary Packages.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	GROUP		COMPANY	
	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Property, plant and equipment	345,718	356,189	-	-
Investment in subsidiaries	-	-	82,261	82,261
	345,718	356,189	82,261	82,261
Current assets				
Inventories	82,105	82,166	-	-
Trade and other receivables	9,789	17,981	154,127	181,354
Cash and cash equivalents	209,777	76,419	192	299
	301,671	176,566	154,319	181,653
Total assets	647,389	532,755	236,580	263,914
Equity				
Share capital	235,373	235,373	235,373	235,373
Merger reserve	(68,234)	(68,234)	-	-
Accumulated profits	173,170	146,285	883	28,094
Foreign currency translation reserve	(33)	(173)	-	-
Equity attributable to owners of the Company	340,276	313,251	236,256	263,467
Non controlling interest	2,639	2,109	-	-
Total equity	342,915	315,360	236,256	263,467
Non-current liabilities				
Lease liabilities	24,794	30,239	-	-
Term Loan	22,500	-	-	-
Deferred tax liabilities	3,459	3,042	-	-
	50,753	33,281	-	-
Current liabilities				
Lease liabilities	24,529	26,743	-	-
Trade and other payables	191,245	140,766	324	447
Term Loan	7,500	-	-	-
Current tax payable	30,447	16,605	-	-
	253,721	184,114	324	447
Total liabilities	304,474	217,395	324	447
Total equity and liabilities	647,389	532,755	236,580	263,914



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Aggregate amount of Group's borrowings and debt securities

	GROUP		GROUP	
	30 Sep 2020	30 Sep 2020	31 Dec 2019	31 Dec 2019
	S\$'000	S\$'000	S\$'000	S\$'000
	Secured	Unsecured	Secured	Unsecured
Amount repayable in one year or less				
Term loan	Nil	7,500	Nil	Nil
Amount repayable after one year				
Term loan	Nil	22,500	Nil	Nil
Total	Nil	30,000	Nil	Nil

CONSOLIDATED STATEMENT OF CASH FLOW

	Group		Group	
	3 months ended		9 months ended	
	30 Sep		30 Sep	
	2020	2019	2020	2019
	S\$'000	S\$'000	S\$'000	S\$'000
Operating activities				
Profit for the period	31,784	20,589	107,008	58,380
Adjustments for:				
Depreciation of right-of-use assets	7,592	5,980	22,315	16,632
Depreciation of property, plant and equipment	5,136	4,605	15,151	13,386
Loss on disposal of property, plant and equipment	-	8	3	42
Unrealised exchange loss/(gain)	70	22	(17)	(66)
Interest income	(189)	(316)	(757)	(1,058)
Interest expense	498	491	1,556	1,454
Tax expense	6,206	4,450	20,634	12,106
	<u>51,097</u>	<u>35,829</u>	<u>165,893</u>	<u>100,876</u>
Changes in inventories	11,870	524	61	6,053
Changes in trade and other receivables	4,160	4,991	8,192	(4,891)
Changes in trade and other payables	(13,129)	2,164	50,479	(7,650)
Cash generated from operations	<u>53,998</u>	<u>43,508</u>	<u>224,625</u>	<u>94,388</u>
Taxes paid	(5,880)	(7,394)	(6,375)	(14,790)
Cash flows from operating activities	<u>48,118</u>	<u>36,114</u>	<u>218,250</u>	<u>79,598</u>
Investing activities				
Proceed from disposal of property, plant and equipment	7	3	30	88
Purchase of property, plant and equipment	(3,143)	(4,221)	(12,963)	(16,375)
Interest received	189	316	757	1,058
Cash flows used in investing activities	<u>(2,947)</u>	<u>(3,902)</u>	<u>(12,176)</u>	<u>(15,229)</u>



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Financing activities

Repayment of lease liabilities	(7,962)	(6,014)	(23,280)	(16,278)
Term loan drawdown	-	-	30,000	
Dividend paid	(79,687)	(26,312)	(79,687)	(52,624)
Cash flows used in financing activities	(87,649)	(32,326)	(72,967)	(68,902)

Net (decrease)/increase in cash and cash equivalents	(42,478)	(114)	133,107	(4,533)
Cash and cash equivalents at beginning of the period	252,186	82,875	76,419	87,234
Effect of exchange rate changes on balances held in foreign currencies	69	(123)	251	(63)
Cash and cash equivalents at end of the period	209,777	82,638	209,777	82,638

EARNINGS PER SHARE

	GROUP 3 months ended		GROUP 9 months ended	
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
Earnings per ordinary share of the group for the financial period based on net profit attributable to shareholders: -based on number of shares /weighted average number of shares in issue (cents)	2.11	1.37	7.09	3.88
Number of shares ('000) as at end of period	1,503,537	1,503,537	1,503,537	1,503,537
Weighted average number of shares ('000) in issue during the period	1,503,537	1,503,537	1,503,537	1,503,537

Note:-

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

NET ASSET VALUE PER SHARE

	GROUP		COMPANY	
	30 Sep 2020 cents	31 Dec 2019 cents	30 Sep 2020 cents	31 Dec 2019 cents
Net asset value per ordinary share based on issued share capital at the end of the period reported on	22.63	20.83	15.71	17.52

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BUSINESS REVIEW
INCOME STATEMENT
Revenue

	30 Sep 2020	31 Dec 2019	30 Sep 2019
Number of stores	64(Singapore)+2 (China)	59(Singapore)+2(China)	57(Singapore)+2(China)
Retail area	575,150 sq ft*	529,480 sq ft*	512,000 sq ft*
Revenue for period/year (\$'m)	\$1,074.7m	\$991.3m	\$743.4m

*Singapore's retail area only.

The Group opened five new stores in Singapore in 9M2020 and these together with the five stores which were opened in the FY2019 will be considered as new stores.

The new stores opened in 9M2020 in Singapore were:

Store #		Opened on		Retail area (sq. ft)
	As at 1 Jan 2020			529,480
60	Aljunied Ave 2 Block 118	January 2020		18,000
61	Marsiling Drive Block 202	January 2020		5,500
62	Sengkang West Block 455	July 2020		9,070
63	6 Potong Pasir Ave 2	September 2020		4,600
64	Tampines Street 86 Block 872C	September 2020		8,500
	As at 30 September 2020			575,150

The changes to revenue were attributable to:-

	# of stores	3Q2020 vs 3Q2019	9M2020 vs 9M2019
New stores	10	9.5%	10.6%
Comparable same store	54	19.1%	32.8%
China	2	0.3%	1.2%
Total	66	28.9%	44.6%

Compared with the corresponding prior periods, revenue increased strongly by 28.9% and 44.6% in 3Q2020 and 9M2020 respectively mainly because of elevated demand arising from COVID-19. For the first half of 2020, consumers loading up their pantries and the Circuit Breaker restricting movements, thereby compelling working and cooking at home were the main reasons for the elevated demand. In 3Q2020, demand was still strong even though the Circuit Breaker was lifted as consumers' behavior were still cautious and working from home continued to be encouraged.

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GROSS PROFIT

Gross profit grew by 28.7% in 3Q2020 which was close to revenue growth of 28.9% as gross margin was flattish. For 9M2020, gross profit growth outperformed revenue growth because of improvement in gross margin in 1H2020.

GROSS MARGIN

3Q2020	3Q2019	9M2020	9M2019
27.0%	27.1%	27.4%	26.8%

Gross margin improved on a year-on-year basis to 27.4% from 26.8% in 9M2020 mainly because of the improvement in gross margin in 1H2020 as selling prices were underpinned by the strong demand, sales mix improved to a higher proportion of fresh which commands a higher gross margin and also to a higher volume of house brands. Adding to that, input prices were stable in 1H2020 brought about by diversified sourcing.

Gross margin was flattish in 3Q2020 compared with 3Q2019 as sales promotions in the industry returned gradually to pre-COVID-19 levels after the lifting of the circuit breaker.

OTHER INCOME

The explanations for the variances in other income are in Page 3.

EXPENSES
Administrative Expenses

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

	3Q2020 vs 3Q2019	9M2020 vs 9M2019
	\$m	\$m
Staff costs	8.5	41.0
Rental of outlets	(1.0)	(3.7)
Depreciation (excluding property plant and machinery in the central distribution centre and in distribution expenses)	0.3	1.3
Utilities	(0.4)	0.4
Property tax	(0.1)	(0.5)
Others	0.6	0.5
Depreciation of right-of-use assets	1.7	5.7
Total increase	9.6	44.7

Increases in staff cost were attributable mainly to the additional headcount required to cope with the increased volume, implement the safe distancing and tracing measures relating to COVID-19, operate the new stores opened subsequent to 3Q2019, as well as a higher provision for bonus as a result of the higher operating profit offset by Job Support Scheme grants from the Government. Rental decreased mainly because of the leases which were renewed in 2020 were now capitalized as right-of-use assets. Property tax rebates from the Budget 2020 package were the reasons for the savings in property taxes. Administrative expenses as a % of sales decreased to 16.14% in 9M2020 compared with 17.3 % in 9M2019 because of better operating leverage brought about by the higher revenue.

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Distribution Expenses

There was a re-classification of \$0.9m from Distribution to Administrative Expenses in 3Q2020 resulting in a reduction of \$0.8m in Distribution expenses compared with 3Q2019. Excluding this adjustment, Distribution expenses increased by about \$0.1m with 3Q2019.

Other Expenses

Other expenses were higher by \$1.3m in 9M2020 mainly because of higher finance charges relating to credit cards, and other non-cash payments of \$1.8m, brought about by the higher volume which was offset mainly by exchange gains.

Tax

The effective tax rate for both 3Q2020 and 9M2020 was around 16.2% which was lower than the statutory rate of 17% mainly because of income, partially offset by expenses which were not taxable.

China

The subsidiary in China continued to be profitable.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The reduction in property, plant and equipment of \$10.5m was due mainly to:

	\$m
Depreciation of right-of-use assets	(22.3)
Depreciation of other property, plant and equipment	(15.2)
	(37.5)
New/renewal of leases brought into right-of-use assets	13.8
Purchases of other property, plant and equipment	13.0
Other adjustments	0.2
Total	(10.5)

Inventories amounting to \$82m at 30 Sep 2020 was similar to 31 December 2019. It was lower than the \$94m held as at 30 June 2020 as we have commenced reducing our inventory which was built up in the second quarter 2020 as a hedge against probable supply chain disruptions arising from COVID-19.

Sales were conducted principally in cash. The decrease of \$8.2m in trade and other receivables was mainly due to a reduction of \$1.8m in trade receivables because of timing of receipt of non-cash payments from the processing company/banks; and another \$6.4m reduction in other receivables due to reduction of deposits paid of \$4.2m which was re-classified to property, plant and equipment upon commissioning, and other miscellaneous decrease in non-trade receivables.

Trade payables and other payables increased by \$50.5m of which \$16.0m was from trade payable which increased mainly because of the higher level of purchases. Other payables increased by \$34.5m mainly because of the increase in accruals for bonuses arising from the improved financial performance.



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A \$50m three year term loan from a Government Agency in support of a national program was extended to the Group, of which \$30m was drawn down in June 2020.

CASH FLOW

There were no significant changes to the terms of trade. The increase in cash generated from operating activities in 9M2020 of \$218.2m was due mainly to the increased volume of business, the decrease in trade receivables and the increase in trade and other payables.

Payment of \$13.0m in 9M2020 for acquisition of property, plant and equipment consists of \$6.7m for fitting out the new stores and IT equipment for the supermarket operations, \$6.1m for equipping the new warehouse extension and maintenance capex relating to the distribution center and \$0.2m incurred by the supermarkets in China.

The payment of the final dividends for FY2019 and the interim dividend for FY2020 totaling \$79.7m in 3Q2020 was the main reason for the cash deficit of \$42.5m in the quarter, but for 9M2020, cash and cash equivalents increased by \$133.1m. The net cash balance stood at \$179.8m at 30 September 2020.

LOOKING FORWARD

The Government has announced that there will be more relaxation of COVID-19 restrictions but at the same time has urged that caution should prevail and for example, working from home should continue. This may affect demand which has been elevated since February 2020, peaked in April/May 2020 and eased following the lifting of the Circuit Breaker in June 2020. Nonetheless, demand appeared to have stabilized in 3Q2020, albeit higher than pre-COVID-19 levels. Competition in the supermarket industry is expected to remain keen and challenging among the traditional brick and mortar operators and e-commerce platforms, which have gained a larger share since the onset of COVID-19.

The risks to supply chain disruption because of COVID-19 and other natural disasters are still there and may lead to higher input prices.

There were no announcements from the HDB regarding release of new shops as construction has been affected because of COVID-19. When construction resumes, I expect a slew of new shops to be released for tender as the backlog is cleared. We will continue to look for new shops, particularly in areas where we do not have a presence.

The supermarkets in China continue to grow steadily.

I thank you all for your support and meanwhile, stay healthy and safe.

BY ORDER OF THE BOARD

LIM HOCK CHEE

CEO

29 October 2020