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Sheng Siong Group's net profit grew 6.6% yoy to S$18.3 million for 1Q2018

- Revenue increased 5.1% yoy to S$228.3 million in 1Q2018 mainly contributed by new stores and comparable same store sales
- Gross profit margin improved to 26.2% in 1Q2018 from 25.2% in 1Q2017
- Continue with our efforts in expanding the network of outlets in Singapore especially in areas where our potential customers reside

Singapore, 27 April 2018 – Sheng Siong Group Ltd. ("Sheng Siong", together with its subsidiaries, the "Group" or "昇菘集团"), one of the largest supermarket chains in Singapore, reported a 6.6% year-on-year ("yoy") increase in net profit to S$18.3 million for the 3 months ended 31 March 2018 ("1Q2018"), mainly because of increase in gross profit arising from higher revenue, improvement in gross margin, which was partially offset by higher operating expenses.

Financial Highlights (S$ 'million)	3 months ended 31 March 2018 (1Q2018)	3 months ended 31 March 2017 (1Q2017)	Change
Revenue	228.3	217.1	5.1%
Gross profit	59.8	54.3	10.0%
Gross profit margin	*26.2%*	*25.2%**	*1.0 p.p*
Other Income	2.4	2.5	(6.0%)
Net profit	18.3	17.1	6.6%
Net profit margin	*8.0%*	*7.9%*	*1.0 p.p*
EPS (cents)#	1.22	1.14	6.1%

p.p denotes percentage points
** After an adjustment re-classifying from cost of sales to administrative expenses*
 # Based on weighted average number of 1,503,537,000 shares for 1Q2018 and 1Q2017

Revenue increased by 5.1% yoy in 1Q2018 but excluding China, revenue from the Singapore operations grew by 4.3%. The seven new stores and comparable same store sales contributed 6.7% and 5.6% respectively to the increase in revenue, but the closure of the Verge and Woodlands Block 6A stores in FY2017 lowered revenue growth by 8.0%. The 5.6% improvement in comparable same store sales came from the recovery in consumers' sentiment which began in the second half of FY2017, the expansion of the store at Block 506 Tampines Central 1, pickup in sales in the Loyang store after it re-opened in February 2017 and customers migrating to the Jalan Berseh and Woodlands Block 301 stores after the closure of the Verge and Woodlands Block 6A stores respectively.

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Gross margin improved to 26.2% in 1Q2018 compared with 25.2% in 1Q2017, mainly because of a higher sales mix of fresh products which command a higher gross margin versus non-fresh products, and suppliers' rebates as a result of marketing efforts. Consistent with seasonal trends, gross margin was lower than 4Q2017's gross margin of 26.5%, as the industry tends to push for volume during the Chinese New Year festive season.

Administrative expenses increased by S$4.0 million in 1Q2018 compared with 1Q2017 but excluding China, the increase attributable to Singapore operation was S$3.6 million. After deducting an adjustment of S$0.5 million reclassified from cost of sales in 1Q2017, the increase was S$3.1 million. The increase was mainly because of the increase in staff cost due to more headcount needed to operate the new outlets, higher provision for bonus because of better financial performance, increase in depreciation as well as increase in rental because of the seven new stores opened during August 2017 to 31 March 2018.

Cash generated from operating activities before working capital changes and payment of tax amounted to S$25.8 million in 1Q2018, which is in line with the higher level of activities. Free cash flow of S$5.1 million was generated in 1Q2018, after paying for capital expenditures amounting to S$9.2 million consisting mainly of payments for the construction of the warehouse extension of S$2.0 million, renovation to the new outlets and purchase of IT and other equipment for Singapore's supermarket operation totalling S$6.1 million, maintenance capital expenditures of S$0.3 million for the distribution centre in Mandai and capital expenditures of S$0.8 million relating to the supermarket in Kunming, China.

The Group's balance sheet remained healthy with cash of S$78.6 million as at 31 March 2018.

Business Outlook

The industry is expected to remain competitive. Besides competitive pressures, gross margin would be affected if input cost is increased because of food inflation which could be caused by disruption to the supply chain or changes to prices caused by nations imposing trade tariffs.

The Group has successfully bid for two new stores at Bukit Batok Block 440 (5,900 sq. ft) and Yishun Block 675 (5,320 sq. ft). Subject to the grant and execution of the leases with the HDB, these two new stores should be operational in 2Q2018. The Group will continue to look for retail space in areas where our customers reside and will continue to bid, in a rational manner for new HDB shops in re-developed and new neighbourhoods, and at the same time look for retail space in existing HDB estates where the Group does not have a presence.

The Group will continue to nurture the growth of the new stores, rejuvenate the old stores and build on the lessons learnt from the e-commerce project.

The Group will promote the “Sheng Siong” brand in Kunming China through the operations of the supermarket and is mindful that brand building requires time.

On the future plans of the Group, **Mr Lim Hock Chee, the Group's Chief Executive Officer**, added, ***"We are pleased to open four new stores in Singapore in this quarter, further expanding the total retail area in Singapore to 436,000 square feet. With the opening of the four stores at Fernvale Street, Anchorvale Crescent, Canberra Street and ITE Ang Mo Kio, the Group's total number of stores has increased to 48 stores excluding the supermarket in China. Besides that, we have also successfully bid for two new stores at Bukit Batok Block 440 and Yishun Block 675 which are expected to be operational in 2Q2018.***

Moving ahead, we will continue with our efforts in expanding the network of outlets in Singapore, especially in areas where our potential customers reside and build our brand in China. In addition, we remain focused on nurturing the growth of our new stores as well as rejuvenating the old stores to attract and retain our customers. In line with our gross margin enhancement initiatives, we remain committed to work towards a sales mix with a higher proportion of fresh produce and reducing the input costs by increasing direct purchasing and bulk handling."

- End –

About Sheng Siong Group Ltd.

Sheng Siong Group Ltd. is one of the largest supermarket chains in Singapore. Principally engaged in operating the Sheng Siong Groceries Chain, consisting of 48 outlets all across the island, the Group's outlets are primarily located in retail locations in the heartlands of Singapore. The outlets are designed to provide its customers with both "wet and dry" shopping options, including a wide assortment of live, fresh and chilled produce, such as seafood, meat and vegetables, in addition to processed, packaged and/or preserved food products as well as general merchandise such as toiletries and essential household products.

Sheng Siong has developed a selection of housebrands to offer customers quality alternatives to national brands at substantial savings. Sheng Siong offers over 900 products under its 17 housebrands, ranging from food products to paper goods.

For more information, please refer to: http://www.shengsiong.com.sg

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