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Sheng Siong Group's net profit grew 6.0% yoy to S$19.4 million for 1Q2019

- Revenue increased by 10.1% to S$251.4 million in 1Q2019 mainly because of new stores
- Gross margin remained stable
- Remain committed to expand the Group's retail network in Singapore, especially in areas where the Group's potential customers reside

Singapore, 26 April 2019 – 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 6.0% year-on-year ("yoy") increase in net profit to S$19.4 million for the 3 months ended 31 March 2019 ("1Q2018") mainly due to increase in gross profit arising from higher revenue which was partially offset by higher operating expenses. The adoption of the new accounting standard, SFRS (I) 16: "Leases" with effect from 1 January 2019 had a negative impact of S$0.2 million on net profit, while the subsidiary in China which began operations in November 2017 broke even in 1Q2019.

Financial Highlights (S$ 'million)	3 months ended 31 March 2019 (1Q2019)	3 months ended 31 March 2018 (1Q2018)	Change
Revenue	251.4	228.3	10.1%
Gross profit	65.5	59.8	9.6%
Gross profit margin	*26.1%*	*26.2%*	*(0.1p.p)*
Other Income	2.4	2.4	0.7%
Net profit	19.4	18.3	6.0%
Net profit margin	*7.7%*	*8.0%*	*(0.3p.p)*
EPS (cents)#	1.29	1.22	4.9%

p.p denotes percentage points
 # Based on weighted average number of 1,503,537,000 shares for 1Q2018 and 1Q2019

Revenue increased by 10.1% in 1Q2019 of which 10.6 percentage points was contributed by the ten new stores but was offset by comparable same store sales which shrank by 1.0 percentage points mainly due to cautious consumers' sentiments and the opening of new supermarkets in the vicinity of some of our existing stores. As the Group opened the highest number of new stores in 2018, some of the shrinkages were expected and consistent with the thinking of catching the shifting demographics within new or re-developed HDB estates. Compared with 4Q2018 where comparable same store sales contracted by 2.7 percentage points, the contraction of 1.0 percentage points in this quarter was a marked improvement.

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Gross margin was slightly lower at 26.1% in 1Q2019 compared with 26.2% in 1Q2018. Selling prices were largely stable. The sales mix improved further in 1Q2019 with a higher percentage of fresh produce sold as compared with 1Q2018 but the positive spin-off was offset by slightly lower supplier's rebates.

Administrative expenses increased by S$3.9 million in 1Q2019 compared with 1Q2018. The increase was mainly due to higher staff costs, depreciation of property, plant and equipment and utilities arising from the opening of new stores, a higher provision for bonus because of the better financial performance and the net effect of depreciation of right-of-use assets which was partially offset by decrease in rental upon the adoption of the new Accounting Standard, SFRS (I) 16: "Leases". Administrative expenses as a % of sales was 16.8% in 1Q2019, which was similar to 1Q2018. As revenue at new stores will require time to grow to its normal level, administrative expenses as a % of revenue tends to be higher if there are a few new stores opened in the few months prior to the period reported on.

Cash generated from operating activities before working capital changes and payment of tax amounted to S$32.5 million in 1Q2019, mainly because of the higher level of activities and the adoption of SFRS(I) 16: "Leases", where rent which were previously treated as an operating expense is now classified as repayment of lease liabilities within financing activities.

Cash used for capital expenditures amounted to S$6.1 million consisting mainly of payments for the construction of the warehouse extension of $2.5 million, renovation to the new outlets and purchase of IT and other equipment for Singapore's supermarket operation totalling $3.1 million, and maintenance capital expenditures of $0.5 million for the central distribution centre in Mandai.

The Group's balance sheet remained healthy with cash of S$86.3 million as at 31 March 2019.

Business Outlook

The industry is expected to remain competitive. Besides competitive pressures, gross margin could 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 just secured three new HDB shops at Bukit Batok Block 292 (4,850 square feet), Anchorvale Road Block 351 (5,400 square feet) and Sumang Lane Block 231 (5,530 square feet) and these three new stores should be operational before the end of May 2019. These stores were part of the batch of six stores which were released by HDB in a recent re-tendering exercise. The Group will continue to look for retail space in areas to serve unreached and new customers, but will continue to bid, in a rational manner for new HDB shops.

The subsidiary in China will be opening their second supermarket in Kunming in the second half of 2019 and will continue to promote and build the "Sheng Siong" brand in Kunming China.

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On the future plans of the Group, **Mr Lim Hock Chee, the Group's Chief Executive Officer**, added, ***"We have successfully bid for three new HDB shops at Bukit Batok Block 292, Anchorvale Road Block 351 and Sumang Lane Block 231 which are expected to be operational by end of June 2019.***

Moving ahead, we remain committed to expand our retail network in Singapore, especially in areas where our potential customers reside. While nurturing the growth of our new stores in Singapore and China remains as one of our priorities, we will also continue with our efforts to enhance our gross margin and improve cost efficiency by changing to a higher sales mix of fresh produce and deriving more efficiency gains in the supply chain."

- 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 54 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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