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Sheng Siong Group's net profit grew 4.3% yoy to S$17.1 million for 1Q2017

- Revenue increased 4.1% yoy to S$217.1 million in 1Q2017 mainly contributed by sales from new stores
- Gross profit margin improved to 25.0% in 1Q2017 from 24.5% in 1Q2016
- Remain committed to the retail network expansion plan across Singapore

Singapore, 28 April 2017 – 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 4.3% year-on-year ("yoy") increase in net profit to S$17.1 million for the 3 months ended 31 March 2017 ("1Q2017"), mainly because of increase in gross profit arising from higher revenue, improvement in gross margin, which was partially offset by lower other income and higher operating expenses.

Financial Highlights (S$ 'million)	3 months ended 31 March 2017 (1Q2017)	3 months ended 31 March 2016 (1Q2016)	Change
Revenue	217.1	208.5	4.1%
Gross profit	54.3	51.0	6.5%
Gross profit margin	*25.0%*	*24.5%*	*0.5 p.p*
Other Income	2.5	3.8	(33.8%)
Net profit	17.1	16.4	4.3%
Net profit margin	*7.9%*	*7.9%*	*n.m*
EPS (cents)#	1.14	1.09	4.6%

p.p denotes percentage points
 # Based on weighted average number of 1,503,537,000 for 1Q2017 and 1Q2016

Revenue increased by 4.1% yoy in 1Q2017 of which 6.2% was contributed by the new stores but the Loyang store and flattish comparable same store sales lowered revenue growth by 2.1%. Comparable same store sale was affected by lackluster demand and contraction in footfall in stores located in areas affected by the slowdown in the oil and gas industry, the ongoing renovation to Block 506 Tampines and the Woodlands store as residents moved out with the date of closure drawing near.

Gross margin improved to 25.0% in 1Q2017 compared with 24.5% in 1Q2016, mainly because of higher rebates for bulk handling and promotions. Consistent with seasonal trends, gross margin was lower than 4Q2016's gross margin of 26.3%, as the industry tends to push for volume during festive seasons. The sequential drop in gross margin from the fourth quarter to the first quarter was sharper in FY2017 mainly because of a lower level of net advertising and promotion rebates in FY2017.

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Administrative expenses increased by S$0.6 million in 1Q2017 compared with 1Q2016, mainly because of the increase in depreciation as in FY2016, the Group obtained TOP for the Yishun Junction 9 store and purchased the Bedok store, which was partially offset by lower rental for the supermarkets of S$0.4 million. There were no significant changes to staff costs as the increase in headcount needed to operate the new outlets opened in FY2016 was offset by reduction in bonus provision.

Cash generated from operating activities before working capital changes and payment of tax amounted to $7.6 million in 1Q2017, which is in line with the higher level of activities. Free cash flow was S$5.0 million, after paying for the acquisition of property plant and equipment amounting to S$2.7 million, which was markedly lower than 1Q2016's payment of $17.6m as there were no purchases of retail outlets.

The Group's balance sheet remained healthy with cash and cash equivalents of S$68.3 million as at 31 March 2017.

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 adopting protectionist measures.

Renovation to Block 506 Tampines Central is in progress and the supermarket on the second floor should be moving to the first floor in May 2017. When renovation to the second floor is completed by June 2017, the supermarket will occupy the greater part of the first and second floor with a total retail area of approximately 25,000 sq. ft.

The Group will continue to look for retail space in areas where their customers reside and will continue to bid, in a rational manner for new HDB shops in re-developed and new neighborhoods.

The closing date of the store at the Verge is now extended from 31 May 2017 to 30 June 2017 and the store in Woodlands will as previously announced be closed in August 2017.

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 pilot project.

The subsidiary in Kunming China, has finally taken vacant possession of the leased retail space in the shopping mall and work is now underway to prepare for the opening of the supermarket, which is expected by the end of 3Q2017.

On the future plans of the Group, **Mr Lim Hock Chee, the Group's Chief Executive Officer**, added, ***"We have re-opened our Loyang store with an area of approximately 7,200 sq ft in late February 2017 while our Block 506 Tampines Central store is still undergoing renovation and it is expected to be completed by June 2017.***

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We will remain focused on our retail network expansion plan across Singapore, especially in areas where we do not have a presence. Besides that, one of our key strategies includes nurturing the growth of the new stores. Capitalising on the infrastructure at our Mandai Distribution Centre, we will continue to increase direct and bulk purchasing and change the sales mix to a higher proportion of fresh produce to enhance gross margin."

- 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 43 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 400 products under its 10 housebrands, ranging from food products to paper goods.

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

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