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Sheng Siong Group's net profit grew 8.2% yoy to S$15.7 million for 3Q2016

- Revenue increased 1.2% yoy to S$202.4 million in 3Q2016
- Gross profit margin increased to 25.9% in 3Q2016 from 24.3% in 3Q2015 mainly due to suppliers' rebates
- Continues to seek suitable retail spaces where the Group does not have a presence

Singapore, 26 October 2016 – 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 8.2% year-on-year ("yoy") increase in net profit to S$15.7 million for the 3 months ended 30 September 2016 ("3Q2016"), mainly because of higher revenue and improved gross margin which was partially offset by higher operating expenses and lower other income.

Financial Highlights (S$ 'million)	3 months ended 30 Sep 2016 (3Q2016)	3 months ended 30 Sep 2015 (3Q2015)	Change	9 months ended 30 Sep 2016 (9M2016)	9 months ended 30 Sep 2015 (9M2015)	Change
Revenue	202.4	200.0	1.2%	599.7	577.3	3.9%
Gross profit	52.5	48.7	7.8%	152.8	142.2	7.5%
Gross profit margin	*25.9%*	*24.3%*	*1.6p.p*	*25.5%*	*24.6%*	*0.9p.p*
Other Income	2.2	2.8	(20.4%)	8.2	7.3	11.8%
Net profit	15.7	14.5	8.2%	47.3	42.2	12.1%
Net profit margin	*7.7%*	*7.2%*	*0.5p.p*	*7.9%*	*7.3%*	*0.6p.p*
EPS (cents)#	1.04	0.96	8.3%	3.14	2.81	11.7%

p.p denotes percentage points

Consumer's sentiment is still cautious and sales at supermarkets remained sluggish as reported in the retail sales numbers published by the Department of Statistics, Singapore. Coupled with keener competition, revenue increased marginally by 1.2% yoy in 3Q2016 of which 5.3% was contributed by the new stores, but was offset by the temporary closure of the Loyang Point store and a contraction in comparable same store sales of 1.15% caused mainly by poor festive sales during the Chinese Seventh month and sluggish sales in September. Excluding the Loyang Point store, revenue would have grown by 4.15% instead of 1.2%.

Gross margin increased to 25.9% in 3Q2016 compared with 24.3% in 3Q2015, largely contributed by lower input prices resulting mainly from higher rebates in 3Q2016. These rebates were given for volume, display and for providing bulk handling services on behalf of the suppliers.

Administrative expenses increased by S$1.6 million in 3Q2016 compared with 3Q2015, mainly because of higher depreciation charges, an increase in staff costs as more headcounts were needed to operate the new stores and a higher bonus provision as a result of the higher operating profit.

Cash generated from operating activities before working capital changes and payment of tax increased to $22.7 million and $68.0 million in 3Q2016 and 9M2016 respectively, mainly because of the higher level of business activities. Free cash flow was negative, amounting to S$4.6 million and $79.6 million in 3Q2016 and 9M2016 respectively, due mainly to additions to property, plant and equipment in 9M2016 amounting to S$84.8 million consisting of progress payments totalling to S$19.2 million for the purchase of Yishun Junction 9, S$55.1 million for the purchase of the Bedok store, fitting out new stores, renovation and replacement of supermarket equipments of S$6.5 million and S$4.0 million for the upgrading of warehouse facilities including replacement of trucks.

Business Outlook

Competition in the supermarket industry is expected to remain keen and with the uncertain economic conditions both globally and locally consumers would continue to be even more cost conscious. This may dampen the Group's revenue and may affect the Group's ability to pass on increases in input cost in full to the customers.

The store at Block 506 Tampines Central will be closed in March 2017 to facilitate renovation work to the building and this store could be expanded by approximately another 15,000 sq. ft after completion in approximately two months time. The store at Block 258 Loyang Point with an area of approximately 6,000 sq. ft was closed on 15 April 2016 as the HDB is renovating the complex. The store is expected to re-open in the first quarter of 2017 when the renovation is completed, with a larger area of approximately 7,200 sq. ft.

The Group is still looking for suitable retail space particularly in areas where the Group does not have a presence. However, competition for retail space, particularly for new HDB shops is expected to remain keen, which have escalated bidding prices.

The completion of the construction of the mall in Kunming where the Group's subsidiary has leased retail space to operate a supermarket has been delayed. The Group has not been able to obtain a firm handover date from the landlord and envisaged that the opening of the supermarket would be delayed till the second quarter of 2017.

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On the future plans of the Group, **Mr Lim Hock Chee, the Group's Chief Executive Officer**, added, ***"Our new store of 15,500 sq feet in Yishun Junction 9 had completed its renovation works in August and officially commenced operations in September. The addition of the new store expanded our total retail square footage by another 4.4% to 450,000 sq feet, compared with a total retail area of 431,000 sq feet as at December 31, 2015, widening our presence in Singapore.***

Looking ahead, expanding our retail network in Singapore particularly in areas where our potential customers are residing, remains as one of the top priorities of the Group. Besides focusing on nurturing the growth of our new stores, we remain committed to drive cost efficiencies to lower input costs and operating overheads as well as changing the sales mix to a higher proportion of fresh produce."

- 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 42 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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