6 Mandai Link Singapore 728652
Tel: +65 6895 1888 Fax: +65 6269 8265 Web: http://corporate.shengsiong.com.sg

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Sheng Siong Group delivers a Net Profit of S$33.4 million for 1Q FY2023 as sales continue to normalise

- Revenue is down by 0.4% yoy but gross profit margin remained relatively stable at 28.8% for 1Q FY2023.
- The Group's operating costs increased due to a S$2.1 million increase in utility expenses from the higher-priced electricity supply agreement signed at the end of FY2022.
- The Group continues to be on the lookout for viable retail space in new and existing housing estates aided by a ramp up in public housing projects in Singapore.

Singapore, 28 April 2023 – 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 net profit of S$33.4 million for the 3 months ended 31 March 2023 ("1Q FY2023"), a 5.2% decrease year-on-year ("yoy"). Net profit margin remained relatively stable at 9.4% in 1Q FY 2023 compared to 9.8% in the corresponding period last year.

Financial Highlights

Financial Highlights	1Q FY2023 (S$ 'million)	1Q FY2022 (S$ 'million)	Change (%)
Revenue	356.5	358.0	(0.4)
Gross profit	102.8	102.7	0.1
Gross profit margin	*28.8%*	*28.7%*	*0.1ppts**
Other Income	2.4	3.3	(26.7)
Net profit	33.4	35.2	(5.2)
Net profit margin	*9.4%*	*9.8%*	*(0.4)*
EPS (S$ cents)	2.21	2.34	(5.5)

**ppts denote percentage points*

Revenue for 1Q FY2023 stood at S$356.5 million as it continued to normalise post the easing of all COVID-19 restrictions this quarter. This was a slight decrease of 0.4% yoy compared to S$358.0 million in 1Q FY2022. However, gross profit remained stable at S$102.8 million, compared to S$102.7 million in 1Q FY2022. Gross margin improved by a marginal 0.1 percentage points to 28.8% in 1Q FY2023, mainly due to an improved sales mix of products with higher margins.

Other income declined to S$2.4 million in 1Q FY 2023 from S$3.3 million in 1Q FY 2022, mainly due to reduced government grants and scrap material sales.

There was an increase in operating expenses of S$3.6 million yoy in 1Q FY2023, the bulk of which came from an increase in administrative expenses during the quarter, partially offset by lower distribution expenses. Administrative expenses increased by 6.5% yoy due to an increase in utility expenses, as the Group renewed its electricity supply agreement at prevailing market rate at the end of FY2022 which is higher than the previous agreement, and also higher staff costs due to a tighter labour market.

In 1Q FY2023, cash flow from operating activities decreased to S$15.9 million compared to S$21.7 million in the same period last year mainly due to higher tax payments. Despite this, the Group's cash position continues to remain strong – cash and cash equivalents stood at S$283.1 million as at 31 March 2023, a significant quarterly increase.

Looking Forward

The first quarter of FY2023 was rather challenging, with the spectre of a systemic banking crisis in the United States and Europe, coupled with the ongoing Russia-Ukraine war and US-China tensions. In addition to this, the high and persistent inflation continues to further dampen the economic outlook. While supply chain disruptions have eased, they are also expected to continue further in 2023.

Competition in the supermarket industry is expected to remain keen. The high inflationary environment continues to affect Singapore consumers, particularly those with lower household incomes, as they face elevated price pressures from utility, accommodation, and food costs. Consequently, consumers may choose the relatively cheaper alternative of buying groceries and dining at home as compared to eating at restaurants. This may drive house brand sales going forward and improve margins as consumer preferences lean towards more value offerings. Operationally, inflation and the energy crises caused the cost of utilities to climb, and are expected to remain at comparatively elevated levels for the rest of the year. Higher input costs such as energy expenses and excessive promotions by competitors could result in lower margins.

The labour market remains tight and is likely to ease in FY 2023 but will be uneven across the sectors[1]. The Group will explore implementing potential technologies to reduce reliance on labour and improve productivity. The Ministry of Trade and Industry and the Monetary Authority of Singapore sit on a cautious outlook for FY2023. The expected GDP for 2023 was downgraded by private-sector economists owing to the substantial risk that Singapore may enter into a technical recession in the 1H 2023[2].

Mr Lim Hock Chee, the Group's Chief Executive Officer, said, **"In the midst of such economic uncertainty, the Group remains focused on building on its core competencies and value-for-money offerings. The Group continues to manage risks by diversifying its sources of supply and strengthening business ties with existing suppliers.**

[1] https://content.mycareersfuture.gov.sg/singapore-job-market-2023-which-industries-have-better-hiring-outlook/

[2] https://www.businesstimes.com.sg/singapore/economists-downgrade-singapores-2023-growth-forecast-warn-technical-recession

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In terms of our strategic focus towards store expansion, the Group has been closely following the development of new HDB projects. As Singapore ramps up its public housing to meet strong demand, there will be 150 concurrent BTO projects by around 2025[3]. The Group aims to remain agile and tap into new opportunities as and when they arise.”

– 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 68 outlets all across the island, the Group’s outlets are primarily located 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 house brands to offer customers quality alternatives to national brands at substantial savings. Sheng Siong offers over 1,600 products under its 23 house brands, ranging from food products to paper goods.

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

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Issued for and on behalf of Sheng Siong Group Ltd.
by Financial PR
Kamal SAMUEL / Urvija DIWAN
Email: kamal@financialpr.com.sg / urvija@financialpr.com.sg
Tel: (65) 6438 2990 / Fax: (65) 6438 0064

[3] https://www.straitstimes.com/singapore/politics/hdb-to-ramp-up-bto-projects-with-150-to-be-built-at-same-time-by-2025-up-from-100-now