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FOR IMMEDIATE RELEASE

Sheng Siong Group's revenue grew 8.0% yoy to S$227.9 million for 3Q2018

- New stores were the main driver of revenue growth
- Gross profit margin increased to 26.5% in 3Q2018 from 26.1% in 3Q2017 mainly due to lower input costs and improvement in efficiency of the central distribution centre
- Committed to the Group's store expansion plans in Singapore

Singapore, 30 October 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 9.9% year-on-year ("yoy") decrease in net profit to S$17.7 million for the 3 months ended 30 September 2018 ("3Q2018"). Excluding the tax refund amounting to S$2.2 million in 3Q2017 and 9M2017, net profit increased by 1.5% and 4.8% in 3Q2018 and 9M2018 respectively. Revenue, gross profit and gross margin improved in both 3Q2018 and 9M2018 but the increase in administrative expenses was higher than the growth in revenue in % term because of the ten new stores opened in 2017 and 2018.

Financial Highlights (S$ 'million)	3 months ended 30 September 2018 (3Q2018)	3 months ended 30 September 2017 (3Q2017)	Change	9 months ended 30 September 2018 (9M2018)	9 months ended 30 September 2017 (9M2017)	Change
Revenue	227.9	210.9	8.0%	669.1	629.6	6.3%
Gross profit	60.3	54.5	10.7%	178.2	162.3	9.8%
Gross profit margin	*26.5%*	*26.1%**	*0.4p.p*	*26.6%*	*26.0%**	*0.6p.p*
Other Income	1.8	2.0	(10.1%)	5.8	6.4	(8.1%)
Net profit	17.7	19.6**	(9.9%)	53.1	52.9**	0.4%
Net profit margin	*7.8%*	*9.3%*	*(1.5pp)*	*7.9%*	*8.4%*	*(0.5p.p)*
EPS (cents)[#]	1.19	1.31	(9.2%)	3.54	3.52	0.6%

p.p denotes percentage points
**After an adjustment re-classifying from cost of sales to administrative expenses*
*** Included tax refund of S$2.2 mil*
 # Based on weighted average number of 1,503,537,000 shares for 3Q2018, 3Q2017, 9M2018 and 9M2017

Consumer's sentiment seems to have deteriorated in the last few months. Sales at supermarkets dipped in the last few months as reported in the retail sales numbers published by the Department of

Statistics, Singapore. Competition was keener as more new stores were added into the market by the competition. Despite keener competition, revenue grew by 8.0% in 3Q2018 of which 10.6 percentage points was contributed by new stores, 0.2 percentage points by comparable same store sales and 1.2 percentage points by the store in China but was offset by a reduction of 4.0 percentage points arising from the permanent closure of The Verge and Woodlands Block 6A stores. New stores were the major source of revenue growth. Excluding the growth in the Block 506 Tampines store where the retail area was expanded by 15,000 square feet to 25,000 square feet in 2Q2017, comparable same store sales would have decreased by 0.6 percentage points in 3Q2018. The store in China recorded a loss of S$0.4 million in 3Q2018 and S$0.5 million in 9M2018, but its EBITDA is positive. Revenue from the store in China is growing steadily since its commencement of operation in November 2017.

Gross margin increased to 26.5% in 3Q2018 compared with 26.1% in 3Q2017, mainly because of input cost which was lowered by a higher level of suppliers' rebates; a better sales mix of higher gross margin fresh versus non-fresh produce as well as improvement in efficiency in the central distribution centre.

Administrative expenses increased by S$5.0 million in 3Q2018 compared with 3Q2017. The increase was mainly due to higher staff costs as additional headcount was required to operate the new stores, increase in depreciation as well as increase in rental because of the new stores. Administrative expenses as a % of sales was higher at 17.1% in 3Q2018 compared with 16.1% in 3Q2017 (after the adjustment from cost of sales) mainly due to the opening of three new stores in 2017 and seven in 2018. Revenue at the new stores require time to grow to its normal levels, but certain expenses like rent and basic staff crewing are fixed, regardless of revenue.

Cash generated from operating activities before working capital changes and payment of tax amounted to S$25.0 million and S$75.6 million in 3Q2018 and 9M2018 respectively, mainly because of the higher volume of business. Cash used for capital expenditures in 9M2018 amounted to S$19.6 million consisting mainly of payments for fitting out the new stores and replacement capital expenditures for the supermarket operations of S$10.8 million, maintenance capital expenditures at the central distribution centre of S$0.7 million, construction of the warehouse extension of S$6.9 million and the purchases by the subsidiary in China of S$1.2 million.

Free cash flow generated in 9M2018 was S$45.1 million and after paying dividends of S$51.1 million, the Group's balance sheet remained healthy with cash of S$67.2 million as at 30 September 2018.

Business Outlook

Competition in the supermarket industry is expected to remain keen, particularly with the increase in the number of new HDB shops and large online retailers.

Weather conditions or other disruptions in the supply chain may affect supplies and may drive up the Group's input costs which will impact gross margin if the increase cannot be passed on to the customers. Input prices may also be affected by the adverse developments in the current threat to free trade.

The Group's new stores at Block 573 Woodlands and Junction 10, 1 Woodlands Road commenced operations in October 2018. The space at Block 451 Bukit Batok, which was secured in a HDB online bidding recently, would be operational in November 2018, bringing the total store count in Singapore to 54. The Group will nurture the growth of these stores despite the different and challenging market dynamics.

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 but the Group will be careful and rational in bidding.

On the future plans of the Group, **Mr Lim Hock Chee, the Group's Chief Executive Officer**, added, ***"We are pleased that subsequent to 3Q2018, we have opened two more new stores at Junction 10, 1 Woodlands Road and Block 573 Woodlands with retail areas of 20,370 sq ft and 10,370 sq ft respectively. Another store at Block 451 Bukit Batok with an area of 6,880 sq ft will open in November 2018, bringing our total store count to 54, excluding the store in China.***

Going ahead, we remain committed to our store expansion plans in Singapore, especially in areas where we do not have a presence. In addition, we will be nurturing the growth of our new stores in Singapore and China. We will focus on improving the gross margin and cost efficiency, thereby lowering operating expenses as a percentage revenue."

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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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