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Sheng Siong Group's net profit grew 7.4% yoy to S\$75.8 million for FY2019

- Revenue improved by 11.3% to S\$991.3 million mainly contributed by new stores
- Like for like comparison, without SFRS(I) 16, net profit grew by 9.7% yoy to S\$77.4 million
- Proposed final dividend of 1.80 cents per share, bringing the total dividend to 3.55 cents per share or equivalent to a payout ratio of around 70.4% for FY2019
- Remains committed to store expansion plan across Singapore

Singapore, 20 February 2020 – 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 7.4% year-on-year (“yoy”) increase in net profit to S\$75.8 million for the full year ended 31 December 2019 (“FY2019”), mainly due to increase in gross profit arising from the growth in revenue, higher other income, but was partially offset by higher operating expenses and the adoption of SFRS (I) 16 Leases which lowered the Group’s net profit by S\$1.6 million. Without this adjustment, the Group’s FY2019’s net profit would have been S\$77.4 million or 9.7% higher compared with FY2018.

Financial Highlights (S\$ 'million)	3 months ended 30 Dec 2019 (4Q2019)	3 months ended 30 Dec 2018 (4Q2018)	Change	Full year ended 30 Dec 2019 (FY2019)	Full year ended 30 Dec 2018 (FY2018)	Change
Revenue	247.9	221.8	11.8%	991.3	890.9	11.3%
Gross profit	67.4	60.2	11.8%	266.9	238.4	11.9%
Gross profit margin	27.2%	27.1%	0.1p.p	26.9%	26.8%	0.1p.p
Other Income	1.7	1.8	(3.5%)	8.9	7.6	17.4%
Net profit	17.4	17.5	(0.4%)	75.8	70.5	7.4%
Net profit margin	7.0%	7.9%	(0.9pp)	7.6%	7.9%	(0.3pp)
EPS (cents)[#]	1.16	1.17	(0.9%)	5.04	4.71	7.0%

p.p denotes percentage points

Based on weighted average number of 1,503,537,000 shares for 4Q2019, 4Q2018, FY2019 and FY2018

New stores continued to be an important source of revenue growth. Revenue grew by 11.3% in FY2019 of which 10.2 percentage points was contributed by new stores, 1.0 percentage points by the stores in China and 0.1 percentage points by comparable same store sales on the back of unexciting, but slowly improving consumer’s sentiment in FY2019 as reflected in the sales at supermarkets reported in the retail sales statistics published by the Department of Statistics, Singapore and competition arising from the opening of new stores in HDB estates.

Gross margin improved slightly to 26.9% in FY2019 compared with 26.8% in FY2018, mainly because of higher suppliers' rebates and improvement in sales mix but this was offset by higher input prices of pork brought about by the swine flu.

Administrative expenses increased by S\$18.7 million in FY2019 compared with FY2018. The increase was mainly due to higher staff costs as additional headcount was required to operate the new stores, higher provision for bonuses because of the better financial performance, higher utility expenses arising from the increase in store count and higher business volume, increase in depreciation which was partially offset by decrease in rental upon the adoption of SFRS (I) 16 Leases.

Cash generated from operating activities amounted to S\$117.3 million in FY2019, mainly because of the higher volume of business and the adding back of depreciation charges of right-of-use assets, a non-cash item.

Cash used for capital expenditures in FY2019 amounted to S\$53.6 million consisting mainly of purchase of Block 118 Aljunied of \$30.4 million, fitting out new stores, renovating old stores, purchase of electronic equipment and upgrading of supermarkets' equipment totalling \$13.6 million, construction of new warehouse for S\$5.1 million, upgrading equipment at the central distribution centre and purchase of commercial vehicles for S\$3.0 million and S\$1.5 million incurred by the supermarkets in China.

The Group's balance sheet remained healthy with cash of S\$76.4 million as at 31 December 2019.

Business Outlook

Singapore 2020's economic growth is forecasted to be between -0.5% to 1.5% because of the impact of the coronavirus. Retail sales, in particular sales at supermarkets have not been exciting in FY2019 and could be negatively affected in FY2020. Competition in the supermarket industry is expected to remain keen. The Group will also continue to look for retail space in new and existing HDB housing estates, particularly in estates where the Group has no presence.

A store on the first floor of Block 118 Aljunied Avenue 2, with an area of approximately 18,000 square feet was opened on 1 January 2020 and another store at Block 202 Marsiling Drive (5,540 square feet) on 11 January 2020. The total store count is now 61 in Singapore and 2 in China. Since the beginning of 2020 another four HDB shops were released by HDB for tender.

Food inflation has been generally benign in FY2019 except for pork prices and occasional spikes in vegetable, fish and fruit prices caused by inclement weather. There appears to be some disruptions to the supply chain, because of the outbreak of coronavirus and this will raise input prices and may affect the Group's gross margin if these increases cannot be passed on to the customers. However, the stabilisation and support package in the 2020 Budget will provide some relief. The Group is increasing its level of inventory in view of the uncertainties in the supply chain.

The Group will continue to nurture the growth of the new stores and will continue to enhance gross margin by seeking for more efficiency gains in the supply chain and driving for a higher mix of fresh produce.

On the future plans of the Group, **Mr Lim Hock Chee, the Group's Chief Executive Officer**, added, *"Our store expansion plan in Singapore is progressing well where we have opened 5 new stores in 2019 and 2 new stores recently with a total additional retail area of 56,820 sq ft, bringing our total stores to 61.*

Moving ahead, we will stay focused on looking for new retail spaces especially in areas where our potential customers reside with an aim in mind to to expand our retail network in Singapore. Our key priorities are nurturing the growth of our new stores in Singapore and China while enhancing the gross margin and lowering input cost remain as one of the core areas that we will be working on. To achieve greater cost efficiency, we will improve the sales mix with a higher proportion of fresh produce and deriving more efficiency gains in the supply chain."

To reward shareholders for their unwavering support, we are pleased to propose a final dividend of 1.80 cents per share subject to shareholders' approval at the forthcoming AGM, taking our total dividend for FY2019 to 3.55 cents per share, equivalent to about 70.4% payout of our net profit after tax."

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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 61 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 1200 products under its 18 housebrands, ranging from food products to paper goods.

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

**Issued for and on behalf of Sheng Siong Group Ltd.
by Financial PR**

Yit Sung NGO, yitsung@financialpr.com.sg

Jing Wen YONG, jingwen@financialpr.com.sg

Tel: (65) 6438 2990 Fax: (65) 6438 0064