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Sheng Siong Group's net profit grew 150.7% yoy to S\$46.2 million for 2Q2020

- Revenue surged by 75.8% to S\$418.7 million mainly driven by elevated demand arising from COVID-19
- Gross profit margin improved to 28.1% in 2Q2020 from 27.4% in 2Q2019
- Declare interim dividend of 3.5 cent per share
- Continue to seek for suitable retail spaces where the Group does not have a presence

Singapore, 29 July 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 150.7% year-on-year (“yoy”) increase in net profit to S\$46.2 million for the 3 months ended 30 June 2020 (“2Q2020”), mainly due to increase in gross profit arising from the significant growth in revenue, improved gross margin, higher other income but was partially offset by higher operating and net interest expense.

Financial Highlights (S\$ 'million)	3 months ended 30 June 2020 (2Q2020)	3 months ended 30 June 2019 (2Q2019)	Change	6 months ended 30 June 2020 (1H2020)	6 months ended 30 June 2019 (1H2019)	Change
Revenue	418.7	238.2	75.8%	747.4	489.6	52.7%
Gross profit	117.6	65.2	80.2%	206.3	130.8	57.8%
Gross profit margin	28.1%	27.4%	0.7p.p	27.6%	26.7%	0.9p.p
Other Income	6.9	1.9	264.1%	10.6	4.3	148.5%
Net profit	46.2	18.4	150.7%	75.2	37.8	99.1%
Net profit margin	11.0%	7.7%	3.3p.p	10.1%	7.7%	2.4p.p
EPS (cents)#	3.07	1.23	149.6%	4.98	2.51	98.4%

p.p denotes percentage points

Based on weighted average number of 1,503,537,000 shares for 2Q2020, 2Q2019, 1H2020 and 1H2019

Revenue grew significantly by 75.8% in 2Q2020 of which 61.2 percentage points was contributed by comparable same store sales, 13.3 percentage points by new stores and 1.3 percentage points by the stores in China. This was mainly driven by the elevated demand arising from COVID-19, as consumers stocked up to hedge against the risks of disruption to the supply chain and the

implementation of the “Circuit Breaker” restricting people’s movements and forbidding eating out; thereby benefitting retailers of fresh and uncooked food.

Gross margin improved from 27.4% in 2Q2019 to 28.1% in 2Q2020. This was largely due to selling prices being underpinned by the strong demand, the improvement in sales mix to a higher proportion of fresh and generally stable input prices arising from diversification in sourcing and particularly in 1Q2020, the increase in the volume of house-brands which command a higher gross margin.

Administrative expenses increased by S\$23.2 million in 2Q2020 compared with 2Q2019 mainly due to higher staff costs as additional headcount was required to cope with the increase in volume, implement the safe distancing and tracing measures relating to COVID-19, operate new stores, higher provision for bonuses as a result of higher operating profit and increase in depreciation which was partially offset by decrease in rental and property tax.

There were no significant changes to the terms of trade. The increases in cash generated from operating activities in 2Q2020 and 1H2020 of S\$98.6 million and \$170.1 million was mainly due to the increased volume of business, the increase in trade and other payables brought about by the higher level of purchases as well as the increase in accruals, the deferment of tax payments (a concession from IRAS because of COVID-19), but was offset by higher inventory.

Cash used for capital expenditures in 2Q2020 amounted to S\$9.8 million consisting mainly of fitting out new stores and IT equipment for the supermarket operations totalling \$4.6 million, equipping the new warehouse extension and maintenance CAPEX relating to the distribution centre for S\$5.1 million and S\$0.1 million incurred by the supermarkets in China.

The Group’s balance sheet remained healthy with cash of S\$252.2 million as at 30 June 2020.

Business Outlook

With the gradual easing of restrictions on movements of people, elevated demand caused by COVID-19 will ease and although the timing is uncertain, it should probably be gradual unless the Government relaxes restrictions aggressively. Competition in the supermarket industry is expected to remain keen and challenging among the traditional brick and mortar operators and e-commerce platforms which seem to have gained better visibility because of the Circuit Breaker. Demand may be affected if post COVID-19, economic recovery is slow or remain depressed.

Supply chain could be disrupted because of COVID-19 and other natural disasters which may lead to higher input prices and may affect the Group’s gross margin.

The Group opened a new supermarket at Block 455 Sengkang West (9,040 square feet) on 8 July 2020 and will be taking vacant possession of another at Potong Pasir Ave 2 (4,600 square feet) in

August 2020. The Group was the successful bidder for another new outlet at Block 872C Tampines Street 86 (5,300 square feet) and is awaiting the execution of the tenancy agreement and taking vacant possession. These two new outlets should be operational by 3Q2020. The Group is still looking for suitable retail spaces in areas where it does not have a presence. However, competition for new HDB shops is still keen but bidding has become more rational.

On the future plans of the Group, **Mr Lim Hock Chee, the Group's Chief Executive Officer**, added, ***"We have successfully opened a new store recently at Block 455 Sengkang West with a retail area of 9,040 sq ft and we are expecting two new stores at Block 872C Tampines Street 86 and Potong Pasir Ave 2 to be operational by 3Q2020.***

Going forward, 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. Our key focus remains unchanged where we will continue to drive the growth of the new stores and further enhance same store sales in Singapore and China while we remain committed to drive cost efficiency and enhance gross margin by working towards a 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 declare an interim cash dividend of 3.5 cent per share."

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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