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Sheng Siong Group's net profit grew 19.3% yoy to S$12.5 million for 1Q2014

- Revenue increased 5.7% yoy to S$189.7 million in 1Q2014 largely due to higher new stores sales and comparable same store sales growth
- Gross profit margin increased from 23.2% in 1Q2013 to 23.8% in 1Q2014 mainly due to lower input costs derived from its Mandai Distribution Centre and higher selling prices
- Committed to nurturing and growing new stores, expanding store footprint across Singapore and deriving further cost savings from Mandai Distribution Centre

Singapore, 24 April 2014 – 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 19.3% year-on-year ("yoy") increase in net profit to S$12.5 million for the 3 months ended 31 March 2014 ("1Q2014"), mainly because of higher turnover and improved gross margin. This was partially offset by higher operating expenses arising mainly from higher provision for bonus resulting from the better financial performance.

Financial Highlights (S$ 'million)	3 months ended 31 March 2014 (1Q2014)	3 months ended 31 March 2013 (1Q2013)	Change
Revenue	189.7	179.4	5.7%
Gross profit	45.1	40.4	11.5%
Gross profit margin	*23.8%*	*22.5%*	*1.3p.p*
Other Income	1.5	1.6	(4.3%)
Net profit	12.5	10.5	19.3%
Net profit margin	*6.6%*	*5.9%*	*0.7p.p*
EPS (cents)	0.91	0.76	19.7%

p.p denotes percentage points

Revenue increased 5.7% yoy to S$189.7 million for 1Q2014, of which 2.7% was contributed by the eight new stores which were opened in 2012, and 3.0% by comparable same store sales. Comparable same store sales would have increased by 3.9% if the stores at Bedok Central and The Verge, which were affected by construction work in the vicinity, were excluded. The increase in comparable same store sales was the result of longer operating hours for most of the stores and marketing initiatives.

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The Group's gross margins increased to 23.8% in 1Q2014 compared with 22.5% in 1Q2013, due to lower input costs derived from the distribution centre and higher selling prices. Sequentially, on a quarter on quarter basis, gross margin improved from 23.2% partially because of the adjustment to supplier rebates.

Administrative expenses increased by 7.1% from S$28.0 million in 1Q2013 to S$30.0 million in 1Q2014, largely as a result of increased staff costs. The increase in staff cost was mainly due to higher provision for bonus arising from the better financial performance of the Group in 1Q2014 compared with 1Q2013. Operating costs were tightly controlled and administrative expenses as a percentage of revenue was 15.8% in 1Q2014 compared with 15.6% in 1Q2013 and 16.1% for FY2013.

Cash flow generated from operating activities before working capital changes for the 1Q2014 was S$17.7 million compared with S$14.8 million in 1Q2013, which was in line with the higher operating profits. The net cash used in funding working capital changes in 1Q2014 of S$4.9 million, was lower than the S$8.8 million in 1Q2013 as in the previous quarter, trade and other payables were affected by the change in the timing of bonus payment. There were no significant movements in investing cash flows during the quarter.

The Group's balance sheet remained strong with net cash of S$111.8 million as at 30 March 2014.

Business Outlook

The industry is expected to remain competitive. Besides competitive pressures, gross margin would be affected if input cost is increased because of food inflation, which could be caused by disruption to the supply chain. The Government's restriction on the supply of foreign labour, and the impending increase in foreign workers' levy would put upward pressure on manpower cost and increase operating expenses.

The Group did not find suitable retail space to open stores in 1Q2014 and finding new retail space continues to be challenging. Our plan to open new stores in areas where we do not have a presence could be hampered if we cannot find suitable retail space.

All the eight new stores which were opened in FY2012 should, barring unforeseen circumstances, continue to grow and contribute positively to the Group's financial performance. The Group will continue to seek improvement in comparable same store sales.

On the future plans of the Group, **Mr Lim Hock Chee, the Group's Chief Executive Officer**, added, ***"We will continue to look for new retail space, especially in areas where we do not have a presence and nurture the growth of both our new and old stores. We are also encouraged by the improvements in efficiency from our ongoing efforts to derive cost savings from our Mandai Distribution Centre. The facilities in our Mandai Distribution Centre have and will continue to facilitate the reduction in input costs as we increase direct purchasing and bulk handling. Costs have been well controlled and this culture of cost consciousness will continue to be embraced within the Group.***

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To overcome the challenges in the business environment such as increasing inflationary pressures and foreign labour restrictions, we will continue to work at innovating and streamlining our operations. We will also leverage on technology to reduce the need for labour, improve productivity and to reduce business costs."

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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 33 stores all across the island, the Group's stores are primarily located in retail locations in the heartlands of Singapore. The stores 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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