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Sheng Siong Group's core net profit grew 18.6% yoy to S$38.9 million for FY2013

- Revenue increased 7.9% yoy to S$687.4 million in FY2013 largely due to higher new stores sales, which was offset partially by lower comparable same store sales
- Gross profit margin increased from 22.1% in FY2012 to 23.0% in FY2013 mainly due to lower input costs derived from the distribution centre and better sales mix
- Proposed final dividend of 1.4 cents per share, bringing the total dividend to 2.6 cents per share or equivalent to a payout ratio of around 92.5% for FY2013
- Board reiterates commitment to continue distributing up to 90% of net profit after tax for FY2014
- Committed to nurturing the growth of the new stores and expanding store footprint across Singapore

Singapore, 20 February 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 18.6% year-on-year ("yoy") increase in net profit from its core operations to S$38.9 million for the 12 months ended 31 December 2013 ("FY2013"), mainly because of higher revenue and gross margin. However, after taking into consideration 1Q2012's non-core items which were the one-time disposal gain of S$10.5 million arising from the sale of the old warehouse and the under provision of prior year's tax amounting to S$1.6 million, net profit decreased by 6.6% from S$41.7 million in FY2012 to S$38.9 million in FY2013.

Financial Highlights (S$ 'million)	3 months ended 30 Dec 2013 (4Q2013)	3 months ended 30 Dec 2012 (4Q2012)	Change	Full year ended 30 Dec 2013 (FY2013)	Full year ended 30 Dec 2012 (FY2012)	Change
Revenue	170.4	160.9	5.9%	687.4	637.3	7.9%
Gross profit	39.5	36.5	8.2%	158.2	140.9	12.3%
Gross profit margin	*23.2%*	*22.7%*	*0.5p.p*	*23.0%*	*22.1%*	*0.9p.p*
Other Income	1.3	1.4	(7.0%)	4.9	14.9	n.m.
Net profit	9.3	8.0	16.7%	38.9	41.7	(6.6%)
Core net profit*	9.3	8.0	16.7%	38.9	32.8	18.6%
Net profit margin	*5.5%*	*5.0%*	*0.5p.p*	*5.7%*	*6.5%*	*(0.8p.p)*
Core net profit margin*	*5.5%*	*5.0%*	*0.5p.p*	*5.7%*	*5.2%*	*0.5p.p*
EPS (cents)	0.67	0.58	16.7%	2.81	3.01	(6.6%)

n.m. denotes not meaningful
p.p denotes percentage points

* *Excludes 1Q2012 one-off S$10.5 million gain from the sale of the Marsiling warehouse and S$1.6 million provision for 2010's tax*

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Revenue increased 7.9% yoy to S$687.4 million for FY2013, of which 9.9% was contributed by the eleven new stores which were opened in 2011 and 2012, but was partially offset by a 2.0% decline in comparable same store sales. Construction works in the vicinity of the stores at Bedok Central and The Verge was the main reason for the lower comparable same store sales. Excluding the impact of these two stores, comparable same store sales growth was flat. The recovery in comparable same store sales took place gradually throughout FY2013 as a result of new sales and marketing initiatives and renovations at two stores.

The Group registered stable gross margins of 23.2% for the past three quarters, as a result of lower input costs derived from the distribution centre and better sales mix. This was partially offset by the slight easing of selling prices towards the later part of the year because of competitive pressures. On a full year basis, gross margin increased from 22.1% in FY2012 to 23.0% in FY2013.

Administrative expenses increased by 10.5% from S$100.5 million in FY2012 to S$111.0 million in FY2013, as a result of increased staff costs, rental expenses and foreign workers' levy. The increase in staff costs was attributed to salary adjustments as well as a higher provision for bonus arising from the better financial performance of the Group in FY2013 and the increase in foreign workers' levy because of increases in levy rates. Rental expenses remained stable at about 2.8% of turnover, despite an increase in rent for leases renewed in FY2013. Notwithstanding cost pressures, the Group kept a tight control on operating costs. Administrative expenses as a percentage of revenue edged up to 16.1% in FY2013 compared with 15.7% in FY2012. However, this was marginally lower than the ratio of 16.6% in 4Q2013.

In 4Q2013, cash flow generated from operating activities, net of cash used to fund working capital changes and tax payment amounting to S$3.1 million and S$1.4 million respectively, was S$9.3 million. Cash used to acquire property, purchase plant and machinery in 4Q2013 totaling S$17.9 million, was attributable mainly to the purchase of retail shops amounting to S$13.2 million at Junction 9, a shopping complex under construction and due for completion in or around mid-2017. For FY2013, capital expenditure of S$26.3 million included, besides Junction 9, an amount of S$3.5 million relating to the purchase of the Toa Payoh shop where the Group's supermarket is situated, plant and machinery for the supermarket and distribution centre operations of S$7.5 million, and S$2.1 million for the installation of the solar panel at the distribution centre.

The Group's balance sheet remained strong with net cash of S$99.7 million as at 31 December 2013.

The Board proposed a final dividend of 1.4 cents per share, bringing the total dividend for FY2013 to 2.6 cents per share, equivalent to about 92.5% of net profit after tax.

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Business Outlook

The industry is expected to remain competitive in 2014. There were not many new supermarket outlets serving the mass market opened by the competitors in 2013 and the focus of the industry could be improving same store sales in 2014.

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 outlets in FY2013. 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.

In FY2014, all the eleven new stores which were opened in different months in FY2011 and FY2012 should, barring unforeseen circumstances, continue to grow and contribute positively to the Group's financial performance.

To overcome the challenges in the business environment such as increasing inflationary pressures and foreign labour restrictions, the Group remains focused on increasing its retail presence as well as enhancing its product sales mix and improving on its processes to achieve cost savings.

On the future plans of the Group, **Mr Lim Hock Chee, the Group's Chief Executive Officer**, added, ***"We will stay prudent in this uncertain economic environment, and expanding our network across Singapore while nurturing the growth of the new stores remains a priority for the Group. With our distinguished brand name, retailing capabilities, portfolio of well-recognised housebrands, global sourcing network, excellent food-processing skills, warehousing and distribution capabilities, and experienced management team, we have in place a strong foundation to weather any potential challenges in both the local and global economies.***

To reward shareholders for their continued support, we are pleased to declare a final cash dividend of 1.4 cents per share, taking our total dividend payout for FY2013 to 2.6 cents per share, equivalent to about 92.5% payout on our net profit after tax. We also remain committed to distribute up to 90% of our net profit for FY2014."

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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 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 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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