6 Mandai Link Singapore 728652
Tel: +65 6895 1888 Fax: +65 6269 8265 Web: www.shengsiong.com.sg

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Sheng Siong Group's net profit grew 23.1% yoy to S$13.6 million for 2Q2015

- Revenue increased 4.3% yoy to S$179.0 million in 2Q2015 largely due to sales from new stores.
- Gross profit margin increased to 25.2% in 2Q2015 from 24.7% in 2Q2014 mainly due to lower input costs derived from the Mandai distribution centre.
- Declared interim dividend of 1.75 cent per share.

Singapore, 23 July 2015 – 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 23.1% year-on-year ("yoy") increase in net profit to S$13.6 million for the 3 months ended 30 June 2015 ("2Q2015"), mainly because of higher revenue, improved gross margin and higher level of other income, which was partially offset by higher expenses.

Financial Highlights (S$ 'million)	3 months ended 30 June 2015 (2Q2015)	3 months ended 30 June 2014 (2Q2014)	Change	6 months ended 30 June 2015 (1H2015)	6 months ended 30 June 2014 (1H2014)	Change
Revenue	179.0	171.6	4.3%	377.4	361.3	4.5%
Gross profit	45.0	42.3	6.4%	93.5	87.4	7.0%
Gross profit margin	*25.2%*	*24.7%*	*0.5p.p*	*24.8%*	*24.2%*	*0.6p.p*
Other Income	2.3	1.0	136.2%	4.5	2.5	83.3%
Net profit	13.6	11.1	23.1%	27.7	23.6	17.3%
Net profit margin	*7.6%*	*6.5%*	*1.1p.p*	*7.3%*	*6.5%*	*0.8p.p*
EPS (cents)#	0.91	0.80	13.8%	1.84	1.71	7.6%

p.p denotes percentage points
 # Based on weighted average number of 1,503,537,000 and 1,383,537,000 shares for 2Q2015 and 2Q2014 respectively.

Revenue increased by 4.3% yoy in 2Q2015 of which 4.0% was contributed by the five new stores, and 0.3% by comparable same store sales from the old stores. On a quarter-on-quarter basis, comparable same store sales growth for 2Q2015 was lower than that of 2.9% in 1Q2015 due to tepid post Chinese New Year demand and intensified competition resulting from retailers making offers to celebrate "SG50".

Gross margin increased to 25.2% in 2Q2015 compared to 24.7% in 2Q2014, mainly because of the reduction in input costs arising from better buying prices and efficiency gains derived from the central distribution centre at Mandai. Due to the various initiatives taken by the Group, Sheng Siong's gross margin has been improving steadily over the past quarters.

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Administrative expenses increased by 5.5% to S$30.1 million in 2Q2015, mainly attributable to the increase in staff costs, rental of stores and depreciation expenses. The increase in staff costs was due to increase in headcount required to man the new stores and a higher provision for bonus as a result of higher operating profit. The rental of stores has increased by S$0.2 million in 2Q2015 as compared to 2Q2014, mainly because of the new stores. However, utility expenses were lower by S$0.5 million in 2Q2015 due to lower tariffs arising from lower oil prices. Operating costs were tightly controlled and administrative expenses as a percentage of revenue was 16.8% in 2Q2015.

The Group continued to generate healthy cash flow from operating activities in 2Q2015, with cash flow generated from operating activities of S$16.6 million being higher than 2Q2014's operating cash flow of S$12.1 million. Free cash flow was reduced to S$1.2 million for 1H2015 after the payment of the final dividend amounting to S$22.6 million in May 2015 and the payment for property, plant and equipment of S$6.2 million.

The Group's balance sheet remained strong with cash and cash equivalents of S$131.7 million as at 30 June 2015.

Business Outlook

Competition in the supermarket industry has intensified lately as there were more promotions, with some made in conjunction with "SG50." Demand remains tepid and this is likely to persist so long as the local economic conditions continue to remain lackluster.

As some of our old stores in matured housing estates have seen declining same store sales, the Group will continue with the program to renovate such stores and one of these stores would be renovated in the second half of FY2015. The store at Block 258, Loyang Point with an area of approximately 6,000 square feet will be closed in the second quarter of 2016 as the HDB is renovating the complex. The store is expected to re-open in the second quarter of 2017 when renovation is completed, with a larger area of approximately 8,000 square feet.

The Group is still looking for suitable retail space in areas where they do not have a presence. However, competition for retail space has not abated and looking for suitable retail stores may be challenging.

The Group's Joint Venture in Kunming, China has been registered in May 2015 and the first store could be opened towards the later part of FY2015.

Core inflation, more particularly food inflation is likely to remain subdued, although the risks of unpredictable weather could disrupt the supply chain and distort prices. Cost pressures, particularly, manpower cost is expected to persist as the policy regarding the employment of foreign workers is unlikely to be relaxed by the Authorities in the near term.

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On the future plans of the Group, **Mr Lim Hock Chee, the Group's Chief Executive Officer**, added, ***"We are pleased to open four new stores since the start of the year, bringing our total retail area to 426,000 square feet. This represents a 5.4% growth in our retail area, compared with a retail square footage of 404,000 square feet as at December 31, 2014. We remain committed to our store expansion plans, particularly in locations where we do not have a presence, so as to reach out to our customers. At the same time, we will continue to nurture the growth of both our new and old stores, improve the sales mix and work towards reducing input costs by capitalising on our Mandai distribution centre.***

To reward shareholders for their continued support, we are pleased to declare an interim cash dividend of 1.75 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 38 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 500 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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Issued for and on behalf of Sheng Siong Group Ltd.
by Financial PR Pte Ltd
Mark LIN, marklin@financialpr.com.sg
Kamal SAMUEL, kamal@financialpr.com.sg
Tel: (65) 6438 2990 Fax: (65) 6438 0064