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Sheng Siong Group's net profit grew 15.4% yoy to S$12.2 million for 3Q2014

- Revenue increased 4.8% yoy to S$186.4 million in 3Q2014 largely due to higher new stores sales and comparable same store sales growth
- Gross profit margin increased from 23.2% in 3Q2013 to 24.2% in 3Q2014 mainly due to lower input costs derived from competitive buying, increased direct and bulk purchasing
- Committed to growth plan of leveraging on brand name to expand store footprint in areas with market potential and extracting greater cost efficiencies from Mandai distribution centre

Singapore, 28 October 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 15.4% year-on-year ("yoy") increase in net profit to S$12.2 million for the third quarter ended 30 September 2014 ("3Q2014"), mainly because of higher turnover and improved gross margin.

Financial Highlights (S$ 'million)	3 months ended 30 Sep 2014 (3Q2014)	3 months ended 30 Sep 2013 (3Q2013)	Change	9 months ended 30 Sep 2014 (9M2014)	9 months ended 30 Sep 2013 (9M2013)	Change
Revenue	186.4	177.8	4.8%	547.6	517.0	5.9%
Gross profit	45.1	41.2	9.2%	132.4	118.7	11.6%
Gross profit margin	*24.2%*	*23.2%*	*1.0p.p*	*24.2%*	*23.0%*	*1.2p.p*
Other Income	1.3	1.1	16.8%	3.8	3.6	6.6%
Net profit	12.2	10.6	15.4%	35.8	29.6	21.0%
Net profit margin	*6.5%*	*5.9%*	*0.6p.p*	*6.5%*	*5.7%*	*0.8p.p*
EPS (cents)[#]	0.86	0.76	13.2%	2.56	2.14	19.6%

p.p denotes percentage points
[#] Based on weighted average number of 1,423,537,000 and 1,396,870,000 ordinary shares for 3Q2014 and 9M2014 respectively (1,383,537,000 ordinary shares for 3Q2013 and 9M2013)

Revenue increased 4.8% yoy to S$186.4 million for 3Q2014, of which 1.4% was contributed by the eight new stores opened in 2012, and 3.4% from comparable same store sales. The growth in comparable same store sales in 3Q2014, driven mainly by marketing activities, was a marked improvement over the negative comparable same store sales growth of -2.6% in 3Q2013. However, on a quarter-on-quarter basis, the comparable same store sales growth in 3Q2014 was lower than that of 4.7% in 2Q2014, which was likely a result of tepid demand, as sequential growth in retail sales at supermarkets from June 2014 to August 2014 was negative. Tepid demand and new stores approaching normal rate of growth were the main reasons why new store sales growth of 1.4% in 3Q2014 was lower than 2Q2014's new store sales growth of 2.7%, on a quarter-on-quarter basis.

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Gross margins increased to 24.2% in 3Q2014 compared with 23.2% in 3Q2013, driven mainly by lower input costs derived from competitive buying and more direct and bulk purchasing. Similarly, gross margin improved from 23.0% in 9M2013 to 24.2% in 9M2014, on a yoy basis. This gross margin improvement was achieved, notwithstanding food inflation and pressure on labour costs.

Administrative expenses in 3Q2014 and 9M2014 increased by 6.0% and 7.1% yoy respectively, mainly because of higher manpower costs, arising from higher provision for bonus due to better financial performance. Operating costs were tightly controlled and administrative expenses as a percentage of revenue remained stable at 16.1% in 3Q2014 compared with 15.9% in 3Q2013.

The Group continued to generate healthy cash flow from operating activities, which amounted to S$26.6 million and S$50.8 million in 3Q2014 and 9M2014 respectively. Cash generated in 3Q2014 was high mainly because of trade payables and accruals. Purchase of property, plant and equipment in 9M2014 amounted to S$11.5 million. In 3Q2014, the Group issued 120,000,000 new shares for cash, which brought in a net amount of S$79.0 million. After distributing FY2013's final dividend and the interim dividend for FY 2014, totalling S$40.1 million, there was a net cash generation of S$79.0 million for 9M2014.

The Group's balance sheet remained strong with net cash of S$178.7 million as at 30 September 2014.

Business Outlook

The global economic climate remained weak and economic growth in Singapore is forecasted to be between 2.5%[1] and 3.5% for 2014. The fragile external environment has affected retail spending which remained weak, including spending at supermarkets.

The industry is expected to remain competitive and while the Group aims to open new stores in areas where it does not have a presence, it expects competition for retail space, particularly in new HDB neighbourhoods to be keen. Sourcing for retail space in old HDB estates remains challenging and the Group may purchase suitable retail areas in choice locations if leasing is not available.

The Group is committed to its growth plan to leverage on its brand name to open stores in areas where there is a potential market and for this reason, the Group issued 120 million new shares recently raising S$79.0 million. The Group has signed a new lease for a new store of approximately 4,000 square feet in an amenity centre for foreign workers in the Penjuru area. This store is likely to be operational by mid-November 2014.

[1] http://www.mti.gov.sg/ResearchRoom/SiteAssets/Pages/Economic-Survey-of-Singapore-Second-Quarter-2014/PR_2Q14.pdf

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The completion of the purchase of Tampines Block 506 was delayed, pending regulatory approvals; and it is unlikely that the Group can open a new store in these premises, even if the purchase is completed before the end of FY2014.

Costs pressures, particularly manpower costs, are mounting across the entire economy. Without exception, the supermarket industry is also facing manpower costs arising from a tightening over the availability of foreign workers.

The industry remained competitive and food inflation for the first nine months of 2014 was 2.9% compared with the corresponding period in 2013, with seafood, dairy products, vegetables and fruits exhibiting the highest increase.

On the future plans of the Group, **Mr Lim Hock Chee, the Group's Chief Executive Officer**, added, ***"Our 'Sheng Siong' brand is an established household name in Singapore, built upon our long history and reputation for quality products at competitive prices and good service. To capitalise on our distinguished brand name, we will continue to seek new retail space in areas where we do not have a presence. Also, given the uncertain economic environment, we will maintain our focus on cost efficiency and embrace our culture of cost consciousness. In particular, we will continue to drive our input costs down via competitive buying and more direct and bulk purchasing, while maintaining a tight lid on operating costs."***

- End -

About Sheng Siong Group Ltd.

Sheng Siong Group Ltd. is one of the largest supermarket chains in Singapore. The Group's 33 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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