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Sheng Siong Group's net profit grew 12.2% yoy to S$14.1 million for 1Q2015

- Revenue increased 4.6% yoy to S$198.4 million in 1Q2015 largely due to new stores and comparable same store sales growth.
- Gross profit margin increased from 23.8% in 1Q2014 to 24.4% in 1Q2015 mainly due to reduced input costs derived from the distribution centre.
- The Group continues to make good progress with store expansion plans; two new stores are expected to commence operation in early May 2015.

Singapore, 23 April 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 12.2% year-on-year ("yoy") increase in net profit to S$14.1 million for the 3 months ended 31 March 2015 ("1Q2015"), mainly because of higher turnover and improved gross margin.

Financial Highlights (S$ 'million)	3 months ended 31 March 2015 (1Q2015)	3 months ended 31 March 2014 (1Q2014)	Change
Revenue	198.4	189.7	4.6%
Gross profit	48.5	45.1	7.6%
Gross profit margin	*24.4%*	*23.8%*	*0.6p.p*
Other Income	2.2	1.5	49.0%
Net profit	14.1	12.5	12.2%
Net profit margin	*7.1%*	*6.6%*	*0.5p.p*
EPS (cents) #	0.94	0.91	3.3%

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

Revenue increased by 4.6% yoy in 1Q2015 of which 1.7% was contributed by the two new stores in Penjuru and Block 506 Tampines Central, and 2.9% by comparable same store sales from the old stores. 1Q2015 began with healthy growth in revenue during the Chinese New Year season, but faded in March mainly because of sluggish post festive demand followed probably by the same tepid conditions which had prevailed in the greater part of FY2014. Revenue growth at the Bedok Central store has recovered, but revenue growth remained flat at the Tekka store.

Gross margin increased to 24.4% in 1Q2015 compared with 23.8% in 1Q2014, driven mainly by the reduction in input costs derived from the distribution centre. The reduction in input costs was progressively achieved throughout FY2014, which led to 1Q2015's gross margin being sequentially higher, albeit only marginally compared with 4Q2014. However, this may not be strictly comparable as gross margin tends to be lower in the first quarter of the year because of the Chinese New Year sales.

Administrative expenses increased by S$2.0 million in 1Q2015 compared with 1Q2014, mainly because of the increase in staff costs. The increase in staff costs was due mainly to a higher provision for bonus arising from the better financial performance of the Group in 1Q2015 compared with 1Q2014 as well as higher headcount required to operate the two new stores. Depreciation charges increased mainly because of the purchases of Block 506 Tampines Central, the solar panels and other capital expenditure incurred in FY2014 and 1Q2015. Utility charges were lower mainly because of lower tariffs due to lower oil prices. Rent for the Group's stores remained at 2.6% of sales. Operating costs were tightly controlled and administrative expenses as a percentage of revenue was 16.2% in 1Q2015 similar to FY2014.

The Group continued to generate healthy cash flow from operating activities in 1Q2015, with cash flow generated from operating activities before working capital changes of S$20.0 million, an S$2.3 million increase over 1Q2014. This was consistent with the improvement in operating profit. However, cash used to fund working capital amounted to S$6.5 million in 1Q2015, an increase of S$1.6 million compared with S$4.9 million in 1Q2014, mainly because of a slower rate of inventory consumption post 2015's Chinese New Year, an one-off effect of lower-than-usual trade payables at the end of 1Q2014 and changes to the timing of the payment of bonuses. Cash amounting to S$4.2 million was used to purchase property, plant and equipment, resulting in a free cash flow generation of S$9.0 million in 1Q2015, which was S$3.1 million lower than 1Q2014, as capital expenditure was insignificant in that quarter.

The Group's balance sheet remained strong with cash and cash equivalents of S$139.4 million as at 31 March 2015.

Business Outlook

The industry is expected to remain competitive. Besides competitive pressures, gross margin would be affected if input costs are increased because of food inflation resulting from disruption to the supply chain. The government's restriction on the supply of foreign labour is likely to remain and the upward pressure on manpower cost would continue to persist. The store at McNair was closed starting from 1 April 2015 for a complete makeover and should be re-opened by 1 May 2015.

The Group has secured two new leases with the HDB at Bukit Panjang (5,220 square feet) and Punggol (3,360 square feet) and both of these stores are expected to commence operation in early May 2015. The Group was also the successful bidder for another HDB shop at Pasir Ris (3,200 square feet) and is waiting for HDB to grant the lease. Finding suitable retail space for new stores remains challenging.

The Group has entered into a conditional Joint Venture Agreement with LuChen Group Co. Ltd to set up a joint venture to operate supermarkets in Kunming, People's Republic of China. Applications for licenses and registration of the joint venture with the relevant authorities in China are in progress and it is envisaged that these should be in place by the end of May 2015. Operation will most likely commence in the second half of FY2015. The Group's will hold a 60% stake, amounting to US$6 million, in the joint

venture. The joint venture is not expected to be profitable in FY2015, but the financial impact on the Group is not expected to be significant either.

On the future plans of the Group, **Mr Lim Hock Chee, the Group's Chief Executive Officer**, added, ***"We recently signed leases for two new stores totalling 8,580 sq ft. With the opening of these stores in May 2015, the Group's total retail area will expand by another 2% to 422,400 sq ft. This follows from the opening of our two new stores in Penjuru and Tampines in December 2014 and January 2015 respectively. The key driver of our strategy is to expand our retail space in Singapore, particularly in areas where we do not have a presence, and we are pleased with the progress so far. The Group will nurture the growth of these new stores and seek to enhance same store sales. At the same time, we will continue to drive cost efficiencies via the Mandai Distribution Centre to further reduce our input 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 35 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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