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Sheng Siong Group's net profit grew 30.3% yoy to S$11.1 million for 2Q2014

- Revenue increased 7.4% yoy to S$171.6 million in 2Q2014 largely due to higher new stores sales and comparable same store sales growth
- Gross profit margin increased from 23.2% in 2Q2013 to 24.7% in 2Q2014 mainly due to lower input costs derived from the distribution centre
- Declared interim dividend of 1.5 cent per share

Singapore, 23 July 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 30.3% year-on-year ("yoy") increase in net profit to S$11.1 million for the second quarter ended 30 June 2014 ("2Q2014"), mainly because of higher turnover and improved gross margin.

Financial Highlights (S$ 'million)	3 months ended 30 June 2014 (2Q2014)	3 months ended 30 June 2013 (2Q2013)	Change	6 months ended 30 June 2014 (1H2014)	6 months ended 30 June 2013 (1H2013)	Change
Revenue	171.6	159.8	7.4%	361.3	339.2	6.5%
Gross profit	42.3	37.0	14.3%	87.4	77.4	12.8%
Gross profit margin	*24.7%*	*23.2%*	*1.5p.p*	*24.2%*	*22.8%*	*1.4p.p*
Other Income	1.0	0.9	13.0%	2.5	2.4	1.9%
Net profit	11.1	8.5	30.3%	23.6	19.0	24.2%
Net profit margin	6.5%	*5.3%*	*1.2p.p*	*6.5%*	*5.6%*	*0.9p.p*
EPS (cents)	0.80	0.61	31.1%	1.71	1.37	24.8%

p.p denotes percentage points

Revenue increased 7.4% yoy to S$171.6 million for 2Q2014, of which 2.7% was contributed by the eight new stores which were opened in 2012, and 4.7% by comparable same store sales. This was achieved notwithstanding the closure of the Chin Swee store for almost a month during the second quarter for a total makeover. If the decline in sales from the Bedok Central and The Verge stores, which were affected by ongoing construction works in the vicinity, were excluded, comparable same store sales would be 5.0%. Refurbishment work done to some stores, longer operating hours as well as marketing initiatives were the main reasons for the improvement in comparable same store sales.

Gross margins increased to 24.7% in 2Q2014 compared with 23.2% in 2Q2013, due mainly to lower input costs derived from the Mandai Distribution Centre. Although competition remained keen, selling prices were stable, but with a slight downward bias.

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Administrative expenses increased by 8.4% from S$26.3 million in 2Q2013 to S$28.5 million in 2Q2014, largely as a result of increased staff costs. The increase in staff cost was mainly due to a higher provision for bonus as a result of the higher operating profit. Operating costs were tightly controlled and administrative expenses as a percentage of revenue remained stable at 16.6% in 2Q2014 compared with 16.5% in 2Q2013.

Cash generated from operation before working capital changes and payment of tax in the first half of 2014 ("1H2014") of S$33.8 million compared with S$27.5 million in 1H2013 was in line with the higher operating profit. Cash amounting to S$5.7 million was used to fund working capital in 1H2014 compared with a cash generation of S$2.3 million in 1H2013, mainly because of the deposit paid for the intended purchase of Block 506 in Tampines Central and the reduction in trade payables. Purchases of property, plant and equipment amounting to S$9.2 million, consisted mainly of the progress payment of S$6.1 million for Junction 9 and S$1.0 million for the solar panel. After the final payment of FY2013's final dividend of S$19.4 million, cash and cash equivalents decreased by S$4.0 million.

The Group's balance sheet remained strong with net cash of S$95.6 million as at 30 June 2014.

Business Outlook

Competition is expected to be keen in the supermarket industry. The Group will continue to look for suitable retail space in areas where they do not have a presence to open new stores to leverage on the brand name.

As it has been challenging finding suitable retail space, the Group has in FY2013 purchased approximately 19,000 square feet of retail space in Junction 9, a HDB commercial complex under construction in Yishun, which is expected to be ready by the middle of 2017.

In addition, the Group has in June 2014 exercised an option to purchase Block 506 in Tampines Central. If completed, this would provide approximately 36,000 square feet of retail space, of which approximately 9,800 square feet could be available for the Group to open a new store in early 2015. This intended purchase is pending completion, subject to regulatory approval and fulfillment of certain conditions.

The purchase of the retail space for both Junction 9 and Block 506 in Tampines Central will be funded internally and/or by borrowings and there should not be any material impact on financial performance of the Group for FY2014.

Costs pressures, particularly manpower costs, are mounting across the entire economy. Without exception, the supermarket industry is also facing a tightening over the availability of foreign workers and the need to adjust the basic salaries of lower salaried staff.

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Food inflation was 2.8% in the first five months of 2014, compared with the same period in the previous year, with the increases more pronounced in seafood, vegetable and fruits. The Group would suffer a decline in gross margin if it cannot pass on the price increases in full to the customers.

On the future plans of the Group, **Mr Lim Hock Chee, the Group's Chief Executive Officer**, added, ***"We remain on the lookout for new retail space opportunities, so as to reach out to our potential customers in areas where we do not have a presence. The new stores opened in FY2012 have also performed up to our expectations, continuing to contribute to our revenue growth. Leveraging on the infrastructure at the Mandai Distribution Centre, we will also remain focused on driving cost efficiency, in line with increased direct purchasing and bulk handling. Notwithstanding cost pressures with respect to manpower and food, we will maintain a tight lid on costs going forward.***

To reward shareholders for their continued support, we are pleased to declare an interim cash dividend of 1.5 cent per share."

- End -

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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