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

FOR IMMEDIATE RELEASE

Sheng Siong Group's net profit grew 10.4% yoy to S$62.7 million for FY2016

- Revenue increased 4.2% yoy to S$796.7 million in FY2016
- Gross profit margin increased to 25.7% in FY2016 from 24.7% in FY2015
- Proposed final dividend of 1.85 cents per share, bringing the total dividend to 3.75 cents per share or equivalent to a payout ratio of around 89.9% for FY2016
- Dedicated to expanding retail network across Singapore

Singapore, 23 February 2017 – 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 10.4% year-on-year ("yoy") increase in net profit to S$62.7 million for the full year ended 31 December 2016 ("FY2016"), mainly because of higher revenue, improved gross margin and higher other income which was partially offset by higher operating expenses.

Financial Highlights (S$ 'million)	3 months ended 31 Dec 2016 (4Q2016)	3 months ended 31 Dec 2015 (4Q2015)	Change	Full year ended 31 Dec 2016 (FY2016)	Full year ended 31 Dec 2015 (FY2015)	Change
Revenue	197.0	187.1	5.3%	796.7	764.4	4.2%
Gross profit	51.8	46.7	10.9%	204.7	188.9	8.3%
Gross profit margin	*26.3%*	*25.0%*	*1.3p.p*	*25.7%*	*24.7%*	*1.0p.p*
Other Income	2.4	2.0	21.5%	10.5	9.3	13.8%
Net profit	15.4	14.6	5.7%	62.7	56.8	10.4%
Net profit margin	*7.8%*	*7.8%*	*0.03pp*	*7.9%*	*7.4%*	*0.5p.p*
EPS (cents)#	1.02	0.97	6.2%	4.17	3.78	10.3%

p.p denotes percentage points

Revenue increased by 4.2% in FY2016 of which 6.2% was contributed by the new stores, 0.2% by comparable same store sales from the old stores, but was offset by a reduction of 2.2% arising from the temporary closure of the Loyang store. Comparable same store sales were affected by the tepid demand caused by the prevailing weak economic conditions.

Gross margin increased to 25.7% in FY2016 compared with 24.7% in FY2015, mainly attributed to lower input prices resulting from higher rebates from suppliers in FY2016. These rebates were given for special promotions, volume, display and bulk handling services.

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Administrative expenses increased by S$7.4 million in FY2016 compared with FY2015, mainly because of an increase in staff costs as more headcounts were needed to operate the new stores and a higher bonus provision as a result of better financial performance in FY2016.

Cash generated from operating activities before working capital changes and payment of tax amounted to $22.3 million and $90.3 million in 4Q2016 and FY2016 respectively, which were in line with the improved operating performance. Free cash flow was negative, amounting to S$62.3 million in FY2016, due mainly to additions to property, plant and equipment in FY2016 amounting to S$89.9 million consisting of progress payments totalling to S$19.2 million for the purchase of Yishun Junction 9, S$55.1 million for the purchase of the Bedok store, S$10.3 million for fitting out new stores, renovating old stores and upgrading supermarket equipment, S$5.2 million for the upgrading of warehouse facilities including replacement of trucks and S$0.1 million for the purchase of software by Sheng Siong (China) Supermarket Co. Ltd.

Business Outlook

Growth in the Singapore economy is expected to be between 1% to 2% in 2017 and retail sales which had been generally weak in the FY2016 are not expected to improve spectacularly. Likewise, sales at supermarkets had not been exciting and going forward the Group anticipates continuing lacklustre demand. Competition in the supermarket industry is expected to remain keen as consumers are expected to be more cost conscious, which may affect the Group's ability to pass on any increases in input cost in full to the customers.

Food inflation was generally benign in FY2016, but prices of vegetables and seafood increased towards the end of FY2016 because of weather. Disruption to the supply chain will raise input prices and may affect the Group's gross margin if these increases cannot be passed on to the customers.

The Group is still looking for suitable retail space particularly in areas where the Group does not have a presence. However, competition for retail space has not abated and looking for suitable retail outlets may be challenging. In addition, some smaller supermarket operators have been aggressively bidding up rent of new HDB shops in the last six months. The Group will remain prudent in bidding for shops.

The Loyang store which was closed in April 2016 re-opened in February 2017 as addition and alteration works to the building had been completed by the HDB.

The Group has commenced improvement works to Block 506, Tampines Central but the supermarket which is located in the building will continue to operate while work is in progress, and will have its retail area expanded by 15,000 sq. ft when work is completed by the end of 2Q2017.

As announced previously, the Verge and Woodlands Checkpoint supermarkets, which were to close on 30 April and 30 June 2017 respectively as the landlords will be re-developing the sites, have been extended to 31 May and 31 August 2017 respectively. These supermarkets contributed 8.6% to FY2016's revenue.

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Some of the old stores in matured housing estates have seen declining same store sales and the Group may be earmarking some of these stores for major re-fitting, which could mean a month or so of lost sales for each of the affected stores. The Group will continue to nurture the growth of the new stores and to enhance gross margin by seeking for more efficiency gains in the supply chain and driving for a high mix of fresh produce.

On the future plans of the Group, **Mr Lim Hock Chee, the Group's Chief Executive Officer**, added, ***"We are delighted to remain on track for our store expansion plans with the opening of four new stores in FY2016. This represents a 4.4% growth in our retail area, compared with a total retail area of 431,000 as at December 31, 2015.***

In tandem with our dedication to reach out to our potential customers in areas where we do not have presence, we will continue to expand our retail space in Singapore. In addition, we will continue to nurture the growth of our new stores. To further enhance our operating margin, we will focus on increasing direct and bulk purchasing, driving for a high mix of fresh produce, increasing the range of house brand products as well as reducing overheads as a percentage of revenue.

To reward shareholders for their unwavering support, we are pleased to propose a final cash dividend of 1.85 cents per share, taking our total dividend for FY2016 to 3.75 cents per share, equivalent to about 89.9% payout on our net profit after tax."

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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 42 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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Issued for and on behalf of Sheng Siong Group Ltd.
by Financial PR Pte Ltd
Yit Sung NGO, yitsung@financialpr.com.sg
Kamal SAMUEL, kamal@financialpr.com.sg
Tel: (65) 6438 2990 Fax: (65) 6438 0064