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 10.9% yoy to S$69.5 million for FY2017

- Revenue increased 4.2% yoy to S$829.9 million in FY2017
- Gross profit margin increased to 26.2% in FY2017 from 25.7% in FY2016
- Proposed final dividend of 1.75 cents per share, bringing the total dividend to 3.30 cents per share or equivalent to a payout ratio of around 71.1% for FY2017
- Remain committed to expanding retail network across Singapore

Singapore, 22 February 2018 – 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 10.9% year-on-year ("yoy") increase in net profit to S$69.5 million for the full year ended 31 December 2017 ("FY2017"), mainly because of higher revenue, higher gross profit, improved gross margin and tax refunds which was partially offset by higher operating expenses. Excluding the tax refunds amounting to $2.2 million, the improvement in net profits for FY2017 was 7.5%.

Financial Highlights (S$ 'million)	3 months ended 31 Dec 2017 (4Q2017)	3 months ended 31 Dec 2016 (4Q2016)	Change	Full year ended 31 Dec 2017 (FY2017)	Full year ended 31 Dec 2016 (FY2016)	Change
Revenue	200.3	197.0	1.7%	829.9	796.7	4.2%
Gross profit	55.1	51.8	6.3%	217.4	204.7	6.2%
Gross profit margin	*26.5%**	*26.3%*	*1.2p.p*	*26.2%*	*25.7%*	*0.5p.p*
Other Income	4.0	2.4	68.5%	10.3	10.5	(1.9%)
Net profit	16.7	15.4	8.1%	69.5	62.7	10.9%
Net profit margin	*8.3%*	*7.8%*	*0.5p.p.*	*8.1%***	*7.9%*	*0.2p.p*
EPS (cents)	1.12	1.02	9.8%	4.64	4.17	11.3%

p.p denotes percentage points
** After an adjustment of re-classifying $1.5 million from cost of sales to administrative expenses*
*** Excludes tax refund of $2.2 million*

Revenue increased by 4.2% in FY2017 of which 4.5% was contributed by the new stores, 2.1% by comparable same store sales from the old stores but was offset by a reduction of 2.4% arising from the temporary closure of the Loyang Point store and the permanent closure of The Verge and Woodlands Block 6A stores. Comparable same store sales improved in the second half of the year as consumers' sentiments improved probably because of Singapore's better economic performance and an increase in retail space.

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Gross margin increased to 26.2% in FY2017 compared with 25.7% in FY2016, mainly attributed to lower input prices resulting from better buying prices and higher rebates from suppliers in FY2017. These rebates were given for special promotions and volume discounts.

Administrative expenses increased by S$5.3 million in FY2017 compared with FY2016, mainly because of an increase in staff costs as more headcounts were needed to operate the new stores, notwithstanding the re-deployment of staff from the closed Verge and Woodlands Block 6A stores, and a higher bonus provision as a result of better financial performance in FY2017.

Cash generated from operating activities before working capital changes and payment of tax amounted to $96.8 million in FY2017 respectively, which was in line with the improved operating performance. Free cash flow of $61.2 million was generated in FY2017, after paying for capital expenditure amounting to $17.7 million consisting mainly of fitting out new stores, renovating old stores, upgrading of equipment at the supermarkets and the warehouse, construction of the warehouse extension and set up of Kunming store in China.

Business Outlook

Singapore

Singapore's economy is expected to grow moderately in 2018 and the recovery of retail sales in the second half of FY2017 is likely to continue in 2018. Competition in the supermarket industry is expected to remain keen among the traditional brick and mortar as well as the new and existing e-commerce players. The Group is of the view that grocery retailing in physical stores will still be relevant, but could be complemented by online offerings, and will continue to source or bid to lease new stores. The pipeline of new HDB shops available for bidding in 2018 for supermarket use is still looking promising[1]. The Group will also continue to look for retail space in existing HDB housing estates, particularly in estates where there is no presence.

The Group had won bids for the following stores which were or will be operational as indicated below:

Location	Area (square feet)	Remarks
Block 417 Fernvale Street	5,600	Opened on 18 January 2018
Block 338 Anchorvale Crescent	5,200	Opened on 18 January 2018
Block 105 Canberra Street	11,300	Opened on 3 February 2018
ITE Ang Mo Kio	10,000	Expected to open in early April 2018

[1] https://www.hbiz.com.sg/web/aa19/fileupload/Viewingschedule/ViewingSchedule_PLG.htm

Food inflation was generally benign in FY2017, but there were occasional bouts of price increases in fresh produce like vegetables and seafood caused by disruptive 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.

Some of the old stores in matured housing estates have seen declining same store sales and the Group will 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 will continue to enhance gross margin by seeking for more efficiency gains in the supply chain and driving for a higher mix of fresh produce.

The expansion to the warehouse is on track and should be completed before the end of 2018, adding approximately another 97,000 square feet of storage area.

China

The new supermarket opened in November 2017 in a limited manner as a number of the shops in the new shopping mall where the supermarket is situated have yet to open.

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 three new stores in Fajar Road, Edgedale Plains and Woodlands Street 12 in FY2017. In addition, we have also opened three new stores in Fernvale Street, Anchorvale Crescent and Canberra Street in the early part of 2018 and we are expecting another new store in ITE Ang Mo Kio to be operational in early April 2018.***

Moving forward, we remain committed to expanding our retail network in Singapore to reach out to our potential customers in areas where we do not have a presence. Besides nurturing the growth of our new stores and improving comparable same store sales, improving cost efficiency remains as one of our priorities. To achieve greater cost efficiency, we will focus on increasing direct and bulk purchasing, driving for a high mix of fresh produce and reducing overheads as a percentage of revenue.

To reward shareholders for their unwavering support, we are pleased to propose a final cash dividend of 1.75 cents per share, taking our total dividend for FY2017 to 3.30 cents per share, equivalent to about 71.1% payout of 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 47 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 900 products under its 17 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
Jing Wen YONG, jingwen@financialpr.com.sg
Tel: (65) 6438 2990 Fax: (65) 6438 0064