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FOR IMMEDIATE RELEASE

Sheng Siong Group's net profit grew 11.3% yoy to S$15.2 million for 2Q2016

- Revenue increased 5.5% yoy to S$188.8 million in 2Q2016 mainly contributed by new stores
- Gross profit margin increased to 26.1% in 2Q2016 from 25.2% in 2Q2015 mainly due to suppliers' rebates and reduction in input costs from bulk handling
- Remain committed to expanding retail space in Singapore and nurturing the growth of the new stores
- Declared interim dividend of 1.90 cent per share

Singapore, 26 July 2016 – 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 11.3% year-on-year ("yoy") increase in net profit to S$15.2 million for the 3 months ended 30 June 2016 ("2Q2016"), mainly because of higher revenue and improved gross margin which was partially offset by higher operating expenses.

Financial Highlights (S$ 'million)	3 months ended 30 June 2016 (2Q2016)	3 months ended 30 June 2015 (2Q2015)	Change	6 months ended 30 June 2016 (1H2016)	6 months ended 30 June 2015 (1H2015)	Change
Revenue	188.8	179.0	5.5%	397.3	377.4	5.3%
Gross profit	49.4	45.0	9.6%	100.4	93.5	7.3%
Gross profit margin	*26.1%*	*25.2%*	*0.9p.p*	*25.3%*	*24.8%*	*0.5p.p*
Other Income	2.1	2.3	(6.7%)	6.0	4.5	31.5%
Net profit	15.2	13.6	11.3%	31.6	27.7	14.1%
Net profit margin	*8.0%*	*7.6%*	*0.4p.p*	*8.0%*	*7.3%*	*0.7p.p*
EPS (cents)[#]	1.01	0.91	11.0%	2.10	1.84	14.1%

p.p denotes percentage points

Revenue increased by 5.5% yoy in 2Q2016 of which 6.0% was contributed by the new stores and 2.2% by comparable same store sales from the old stores despite lacklustre demand, but was reduced by 2.7% due to the temporary closure of the Loyang Point store. Comparable same store sales grew mainly because of a general improvement in sales at the older stores and the McNair store which was closed for almost a month in 2Q2015 for total refurbishment. Excluding the McNair store comparable same store sales would have grown by 1.3% instead of 2.2%. In addition, the growth in comparable same store sales compared with 1Q2016's contraction of 0.5% was mainly attributable to the partial recovery of the Woodlands store from the effect of the weaker ringgit, the impact of the restriction on the sale of liquor being no longer relevant as the ban took effect in 2Q2015, and renovation works which affected revenue at some of the stores in 1Q2016 had been completed.

Gross margins increased to 26.1% in 2Q2016 compared with 25.2% in 2Q2015, mainly because of suppliers' rebates and reduction in input cost derived mainly from bulk handling which was facilitated by continuous improvements from the central warehouse at Mandai.

Administrative expenses increased by S$1.7 million in 2Q2016 compared with 2Q2015, mainly because of the increase in staff costs as more headcounts were needed to operate the new stores and a higher bonus provision as a result of the higher operating profit.

Cash generated from operating activities before working capital changes and payment of tax amounted to S$22.1 million and S$45.2 million in 2Q2016 and 1H2016 respectively, mainly because of the increased volume of the business as well as higher depreciation charges. Free cash flow was negative, amounting to S$63.1 million and S$75.0 million in 2Q2016 and 1H2016 respectively, due mainly to additions to property, plant and equipment in 1H2016 of S$81.3 million which included the progress payments totalling to S$19.2 million for the purchase of Yishun Junction 9, S$55.2 million for the purchase of the Bedok store, fitting-out new stores and upgrading or replacement of fittings at the old stores of S$4.4 million and S$2.5 million for the purchase of additional equipment for the warehouse.

The Group's balance sheet remained strong with cash of S$50.8 million as at 30 June 2016.

Business Outlook

Competition in the supermarket industry is expected to remain keen. Demand remains tepid and this is likely to persist so long as the global and local economic conditions continue to remain lacklustre.

Core inflation, more particularly food inflation is likely to remain subdued, although the risks of unpredictable weather could disrupt the supply chain and distort prices.

The Group is still looking for suitable retail spaces in areas where it does not have a presence. However, competition for retail spaces has not abated and the search for suitable retail stores may be challenging.

The store at Block 258 Loyang Point with an area of approximately 6,000 square feet was closed on 15 April of 2016 as the HDB is renovating the complex. The store is expected to re-open in the first quarter of 2017 when renovation is completed, with a larger area of approximately 8,000 square feet.

The Woodlands store, with an area of approximately 41,500 square feet will be closed in the second quarter of 2017 as the HDB is redeveloping the area. This is a key store contributing between 5% to 10% to revenue.

The Group took vacant possession of the retail space at Yishun Junction 9 totalling 18,900 square feet when TOP was granted in February 2016, of which 15,500 square feet will be used for the Group's supermarket operation. The remaining 3,400 square feet would be leased to a food court operator as the Group was not successful in its application for change of use. The supermarket is now undergoing renovation and should open in August 2016.

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Due to some unforeseen circumstances, the alteration works to Block 506 Tampines Central is now postponed to commence on 1 March 2017 instead of 1 October 2016. The supermarket in the mall will be temporarily closed for about two months from 1 March 2017 and should re-open with a new area of approximately 25,000 square feet.

The subsidiary in Kunming China is now working on the renovation as well as the training of its staff. The supermarket is likely to commence operation in the last quarter of 2016.

On the future plans of the Group, **Mr Lim Hock Chee, the Group's Chief Executive Officer**, added, ***"We are pleased to open three new stores this quarter, expanding the Group's total retail area to 434,800 square feet, compared with a retail square footage of 431,000 square feet as at 31 December 2015. With the opening of these three stores, the Group's total number of stores has increased to 41 stores excluding the store at Loyang Point which was temporarily closed on 15 April 2016.***

Moving ahead, we remain committed to expand our network across Singapore to reach out to our potential customers in areas where we do not have a presence while nurturing the growth of our new stores and rejuvenating old stores at the same time. We will also continue to lower input cost by increasing direct purchasing, bulk handling and changing the sales mix to a higher proportion of fresh produce.

To reward shareholders for their unwavering support, we are pleased to declare an interim cash dividend of 1.90 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 41 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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