

# Innovation Excellence Award 2015

## Executive Summary



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## ORGANISATIONAL PROFILE



Sheng Siong Group Ltd (SSG), with a market capitalisation of U\$875m (as per end of 2015) is one of Singapore’s largest retailers with 37 supermarket/grocery stores located all across the island. Established in 1985 by the Lim brothers (Mr Lim Hock Eng, Mr Lim Hock Chee and Mr Lim Hock Leng) and listed in August 2011, our long history and reputation for quality products at competitive prices has led our “Sheng Siong” brand to become an established household name in Singapore.

Our key milestones and achievements are as follow:

2015	<ul style="list-style-type: none"> <li>• Awarded “The Enterprise Award” at the Singapore Business Awards 2015</li> <li>• 38<sup>th</sup> and 39<sup>th</sup> store opens openings</li> <li>• Inducted into “Hall of Fame” at Retail Asia Top 500 Awards</li> </ul>
2014	<ul style="list-style-type: none"> <li>• Awarded “Singapore Productivity Award” by Singapore Business Federation (SBF)</li> <li>• Awarded “Singapore Quality Class” certification by SPRING Singapore</li> <li>• Offers over 400 products under our 10 house brands</li> <li>• Adoption of Saline Individual Quick Freeze Processing System for Sea foods (IQF)</li> <li>• 29 out of 33 stores operates 24-hours</li> </ul>
2013	<ul style="list-style-type: none"> <li>• Awarded the EDB “Solar Pioneer Awards”</li> <li>• CEO Mr. Lim Hock Chee was awarded “Best CEO” (Category: Companies with \$300 million to less than \$1 billion in market capitalisation) by the Singapore Corporate Awards</li> <li>• Achieved HACCP certification on processing and repackaging</li> <li>• By May 2013, 6 out of 33 stores operates 24-hours</li> </ul>

	<ul style="list-style-type: none"> <li>• Commencement of E-Commerce “allforyou.sg” online grocery shopping platform towards end of 2013</li> </ul>
2012	<ul style="list-style-type: none"> <li>• Awarded Singapore’s “Best of the Best Retailer”, the highest honour conferred to an Asia Pacific company (Asia-Pacific survey by Euromonitor International)</li> <li>• Awarded the “Most Transparent Company Award 2012” under the Retail &amp; Household Goods category at the Securities Investors Association Singapore (“SIAS”) 13th Investors’ Choice Awards</li> <li>• Awarded the Merit Award from the “People’s Association Community Spirit Awards 2012”</li> <li>• Continue to open new stores, reaching 33 stores by end of 2012</li> <li>• Started 24-hours trial operations in a few stores</li> <li>• Pilot of ePAPER v1.0 at selected outlet</li> </ul>
2011	<ul style="list-style-type: none"> <li>• Move into new HQ cum Distribution Centre (DC) at Mandai Link Road</li> <li>• Listed on the mainboard of Singapore Exchange</li> <li>• Adoption of Put-to-Light &amp; Pick-to-Light warehouse management system @ Distribution Centre</li> <li>• Awarded the “Most Transparent Company Award 2011” under the Newly-listed Companies category at the Securities Investors Association Singapore (“SIAS”) 13th Investors’ Choice Awards</li> <li>• Operating total of 25 stores island wide</li> </ul>
2010	<ul style="list-style-type: none"> <li>• Launch of 1<sup>st</sup> themed fair: “Taiwan Food Fair” &amp; “Korea Food Fair”</li> <li>• Implemented Jurong Fishery Port operation system</li> </ul>
2009	<ul style="list-style-type: none"> <li>• Groundbreaking Ceremony of new HQ cum Distribution Centre at Mandai Link Road</li> <li>• Launch of “Sheng Siong – Diners Club Co-brand Credit Card”</li> <li>• The first supermarket to set-up “live” seafood segment across 22 stores</li> </ul>
2008	<ul style="list-style-type: none"> <li>• Lept from 8<sup>th</sup> to 3<sup>rd</sup> largest retailer in Singapore by sales volume (Asia-Pacific survey by Euromonitor International)</li> <li>• Awarded “Superbrand” status by Superbrands Singapore and every year since 2008</li> </ul>
2007	<ul style="list-style-type: none"> <li>• Internal corporate re-structuring</li> <li>• Revamping of corporate logo, signboards</li> <li>• Launch of House brand products – “Royal Golden Grain”, “Happy Family”</li> <li>• Launch of formal advertising and promotions campaigns</li> <li>• Launch of “live” television variety show “The Sheng Siong Show”- a regular-season programme on MediaCorp Channel 8</li> </ul>
2006	<ul style="list-style-type: none"> <li>• The first supermarket chain in Singapore to Implement the Electronic Shelf Labeling process (ESL) or ‘e-price tag’</li> </ul>
1996-2005	<ul style="list-style-type: none"> <li>• Another 14 stores open</li> </ul>
1995	<ul style="list-style-type: none"> <li>• 3<sup>rd</sup> Store opens @ Blk 301 Woodlands St.31</li> </ul>
1988	<ul style="list-style-type: none"> <li>• 2<sup>nd</sup> Store opens @ Blk 539 Bedok North</li> </ul>
1985	<ul style="list-style-type: none"> <li>• Start-up of Flagship Store “Sheng Siong Supermarket Pte Ltd” @ Blk 122 Ang Mo Kio Ave 3</li> </ul>

## A. Mission, Vision and Values

Our customers are our foremost priority. We are steadfast in considering their needs and preferences and motivate them to keep coming back, for our brand name is synonymous with: *trusted quality, competitive pricing, and personalised service.*

We strive to be recognised as a retailer who is trustworthy and sincere, through the values that we uphold.

<b>Our Mission</b>	We strive to offer communities in which we operate <i>quality products at reasonable prices</i> together with <i>good service</i> in order to create value to our customers.
<b>Our Vision</b>	Our Vision is to be the <i>preferred</i> retailer in the market, starting from Singapore and then further ashore.
<b>Our Values</b>	We strive to be reasonable, harmonious, responsive & responsible and dedicated.



## Products & Services

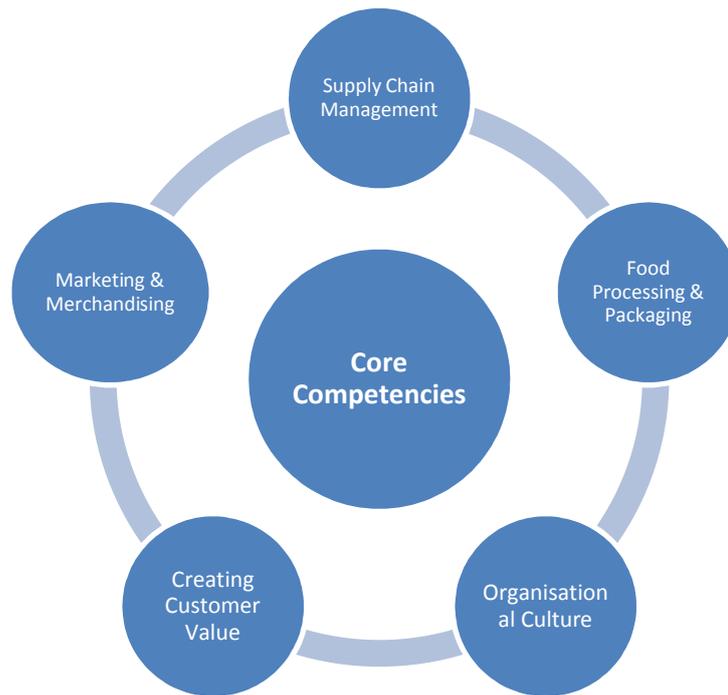


Our chain stores are designed to provide customers with both “wet and dry” shopping options ranging from a wide assortment of live, fresh and chilled produce, such as seafood, meat and vegetables to packaged, processed, frozen and/or preserved food products as well as general merchandise, including toiletries and essential household products. To-date, we have developed over 400 products under our 10 house brands to offer our customers quality alternatives to national and international brands at substantial savings.

Aside to our brick-and-mortar model, we also provide an online grocery shopping platform (E-Commerce) through <http://allforyou.sg> where we provide the fastest turnaround delivery time of 4-hours block. Customers also have access to a wide array of fresh produce as compared to other online grocery shopping platforms.

Our HQ cum Distribution Centre (DC) performs the administrative (finance, accounting, and human resource), marketing and merchandising, centralized purchasing, IT management, warehousing, processing, distribution and logistics functions of the SSG. With our move to the current DC at Mandai Link in 2011, we have been able to increase direct and bulk purchasing, improve our sales mix in favour of higher margin products like fresh produce and house brands, and increase productivity by introducing new technologies and working method. It plays the role of “brain” and “spine” in support of our core retail business.

## A. Core Competencies



Our core competencies are described as below:

**Organisational Culture** – Our organisational culture stems from our senior leadership team with a high focus on teamwork, results, and innovation. Our flat hierarchy organisation structure foster close and direct communication between staff and high-level management personnel who encourages a “family-friendly”, approachable and “open-door” work environment.

**Creating Customer Value** – “顾客是我们的老板” – customers are our bosses. Customers are our top priority and we do whatever it takes to provide the best value and service. Our focus on creating the best value for customers puts heavy emphasis on customer service which strengthens our brand recognition.

**Supply Chain Management** – Our organisation has developed a strong and sophisticated supply chain management system that is highly supported by our integrated retail distribution IT system. Technology integration is one of the primary focuses of our organisation because of its vital role in the company’s success. Technology has helped integrate our entire supply chain so that each stage of the value chain is very effective and efficient, allowing us to lower our cost of operations, and creates value for our customers and shareholders.

**Food Processing & Packaging** – At HQ, we received ISO 22000 certification for our processing facility for fish, seafood, meat and vegetables, and repackaging of dried food, frozen food and fruits which helps us to deliver good quality and safe food to our stores each day.

Marketing & Merchandising – “The Sheng Siong Show”, produced in conjunction with our advertised sales promotions is a live Mandarin variety game show, telecast on MediaCorp’s Channel eight on weekends at prime time that provides the opportunity for customers to participate and win attractive cash prizes. Besides television commercials, we advertise regularly in all languages in the local dailies, and on radio stations to inform consumers of our in-house promotions.

We also established a portfolio of well-recognised house brands of excellent quality of good value for our consumers.



## **B. Employee Profile**

As at end of Financial Year 2014, the group employs about 2400 staffs.

## **C. Facilities, Equipment and Technologies**

Our 37 stores are located island wide, and mainly in residential areas.

Aside to our 37 stores, our purpose-built HQ cum DC is located at No. 6 Mandai Link. The HQ cum DC is built on 2.32 hectares (or 249,722 sq ft) of land awarded by JTC Corporation with a lease of 30 + 30 years. The built up area is about 537,000 sq ft, comprising of a four-storey DC of 10,000 sq m per level and our 5-storey HQ Office block of 1,000 sq m per level. Our DC operates 24-hours every day,

The HQ cum DC houses state-of-the-art equipment for warehousing, food storage and processing.

Technology integration is the backbone of our business. Our IT programmes are designed in-house, and highly adapted to our business needs and requirements.

## **ORGANISATIONAL RELATIONSHIPS**

### **A. Customers**

Sheng Siong Supermarket Pte Ltd primarily operates in the local Singapore market, although we have entered into a conditional Joint Venture Agreement to set up a joint venture to operate supermarkets in Kunming, People's Republic of China.

We cater to the mass-market segment with stores located in residential areas. We are the 3<sup>rd</sup> largest supermarket-operator with approximately 12.6% of market share.

Our customers demand a wide array of products that are of trusted quality, and value-for-money. They value variety, stock availability, convenience and excellent customer service.

### **B. Suppliers and Partners**

Our suppliers are required to comply with our trading terms and agreements, and abide to our procurement, delivery, and food safety policies. We believe in building a win-win relationship with our suppliers, in order to achieve sustainable mutual growth. We communicate closely with our suppliers on problems and issues, and work together on improving sales and marketing. Regular Supplier performance reviews are also tabled at the monthly operational meetings with the Senior Management.

Regular visits are made to overseas suppliers to share information, discuss expectations, and resolve any supply problems and issues.

### **C. Regulatory Environment**

Our organisation complies with the following key regulatory frameworks in ensuring the quality and safety of the food we supply to our customers:

- a. National Environment Agency (NEA) – Food Shop Licence & Food Hygiene Standards
- b. Agri-Food & Veterinary Authority (AVA) – Food Establishment Licence (Food Manufacturing and Storage), Food Safety & Quality Standards, Import of Food, Labelling and Packaging Information
- c. Spring Singapore – Weights & Measures Programme
- d. HACCP Certification (upgraded to ISO 22000:2005 since Jan 2016)
- e. Singapore Standard for Cold Chain Management of Vegetables (SS 585: 2013)
- f. Singapore Standard for Code of Practice for Cold Chain Management of Chilled Pork (SS552 : 2009)
- g. HALAL Certification - Chicken, Beef and Lamb products and most of the dried foods that are packed in CMM Marketing Management Pte Ltd are HALAL Certified

## **ORGANISATIONAL CHALLENGES**

### **A. Competitive Environment**

We are the 3<sup>rd</sup> largest retailer in Singapore with a market share of about 12.6% behind NTUC Fairprice Co-operative Ltd, and Dairy Farm Group. We operate competitively in the mass-market segment.

While we compete on the brick-and-mortar model of Grocery Shopping market, we are also in to gain a share in the Online Grocery Shopping segment estimated to be worth U\$16billion per annum (<http://www.dealstreetasia.com/stories/redmart-raising-100m-series-c-investment-29120/>)

### **B. Strategic Challenges**

- Staying relevant in an uncertain global economy
- Meeting the demands, preferences and needs of changing demographics
- Finding retail space to open new stores
- Gaining loyalty among younger shoppers
- Managing labour costs and other business costs

### **C. Organisational Directions**

As we continue to expand our retail network into areas in Singapore where we do not have a presence, we have also started and will continue to build up on our E-commerce model through <http://allforyou.sg>, providing an alternative grocery shopping format and experience for our customers.

We have also entered into a conditional Joint Venture Agreement 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 currently being made and pending approval, and envisaged to commence operations in 2<sup>nd</sup> half of FY2015. We continue to look for strategic partners in Asia to expand our business overseas.

We will continue with our efforts to reduce our dependency on manpower with our on-going innovation process and adoption of new technologies such as the automated cash handling machines at our cashiers, and packaging and handling technologies to improve shelf-life of fresh produce.

We are also working on diversifying our food supply sources, and looking at ways to obtain more competitive and sustainable supplies (such as expanding our range of house brand products), and provide better product mix for our customers.

As competition toughens, we continue to look at different ways in growing our business not limiting to overseas expansion and E-commerce operations, but also adopting new media platforms and loyalty rewards program to be the “preferred” brand.



## I. LEADERSHIP

### A. Senior Leadership



Our CEO, Mr. Lim Hock Chee has displayed incessant efforts to leverage on innovation to drive progress and organisational excellence in Sheng Siong Group Ltd. Together with the management team; Mr Lim has created a family-friendly culture and strongly advocates fostering cohesive working relationships across all levels in our organization. At Sheng Siong Group, we take pride in continuous innovation and entrepreneurial spirit with the vision of being the preferred retailer in the Singapore market and expanding our retail network further abroad. We are customer-centric and strive to serve the needs of our customers. Mr Lim has a strong belief of challenging himself and his advocates to achieve greater heights for the company. This culture permeates throughout our organisation and is imbued in every employee.

### B. Organisational Culture

Our Organisation Culture stems from our senior leadership team with a high focus on teamwork, results, and innovation. Our flat hierarchy organisation structure foster close and direct communication between employees and management team. Our employees enjoy relatively high degree of autonomy in their job scope. “一个不想当老板的员工, 不是一个好员工” - if you don't think of being your own boss, you are not a good employee. They are highly encouraged to provide inputs and creative ideas to improve business processes and thereby fostering constant innovation.

The management team actively engaged on inculcation of organization visions to the team and be personal role models thereby shaping our organizational culture. Managerial level employees are expected to provide mentorship and guidance but also creating ample freedom for each individual to generate ideas and take on risks. We actively engage our staff in job rotation duties among various departments to create a diverse working experience and perspectives in their job roles.

Supporting this strong organisational culture is the company's generous and comprehensive performance-bonus and profit-sharing schemes. The senior management make deliberate commitments to share a determined percentage of its net profits with its employees every year. In the concept of “多劳多得” – the more you do, the more you get, the philosophy that if the company does well, everybody will benefit, is easily understood by everyone.

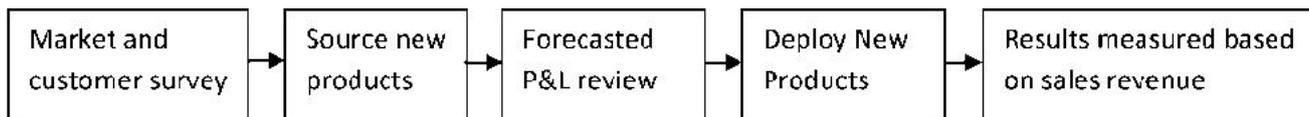
### **C. Corporate Governance and Social Responsibility**

Corporate Governance and Social Responsibility have always been highly regarded by Sheng Siong Ltd. Our Board and Audit Committee ensure the adequacy of our Group risk management and internal control system. They are primarily responsible for establishing our company business strategy and providing our management with a framework to assess, manage risks and ensuring that there are safeguards, suitable processes and internal control to enable protection of our shareholders. Our group has been awarded the Most Transparent Company Award (MTCA) in 2011 and 2012. We have also attained “Enterprise Award” at the Singapore Business Awards 2015, which looks at excellence in innovation, financial performance/productivity, company management and contribution to the community.

We engage ourselves in various community projects and initiatives covering areas of community welfare and environment sustainability. We firmly believe in giving back to the society the benefits that we have derived from it. The emphasis on environment sustainability with the introduction of conservation measures in business conducts has always been part of our long term strategic planning for driving innovative practices.

## **II. CUSTOMERS**

Sheng Siong is a customer centric organisation and we always advocate the old saying of “Customer First” & “Customer is our Boss”. Customers Needs are constantly our utmost priority and we put in conscientious efforts in strategic planning to focus on improving our customers' shopping experience and the quality of our product offerings. Our outlet-centric approach of identifying the customer demographic profile will determine the stock variety and promotion activities catered to individual outlet. Our group is constantly engaged in market surveys to tailor our products and services, maintaining a competitive edge in the retail market.



We duly plan and review our road map to understand the changes we face now and in the future to shape our corporate strategies and the changes in our customers' requirements.

Sheng Siong strives to create an all-rounded Shopping Experience for our customers, where customer service is heavily emphasized. Some key strategies such as our variety show “The Sheng Siong Show”, tailoring product mix in outlet, 24/7 operations across 29 of our 37 outlets island are designed to create a pleasant shopping experience and even exceeding customer's expectations.

Being customer-centric and close to the ground, we provide several communication channels for the public to provide feedback or complaints. Both our operation and management team can be reached out easily by our customers. Our group has developed a systematic approach to resolve disputes and make arrangements to enhance on the current operation process.



### **III. STRATEGY**

Our organisation's strategy is developed based on understanding of our internal and external stakeholder requirements, which guide the development of people and process capabilities to achieve desired results.

SWOT (Strength, weakness, opportunity, threat) analysis is actively adopted to conduct review on up-to-date industry and market trends. Our team of purchasers work closely with partners and suppliers to scan the external and regulatory environment. Our management team works out contingency plans to manage the business risks and develops our strategy implementation plans at department level. In new areas where we lack expertise, consultants are engaged to assist us in developing our strategy and action plans e.g. Engaged A\*Star to develop the near term road map for our E-commerce business. In line with the strategic goals laid out by the senior management, the Heads of Department will work with their team to conceptualize respective annual departmental goals and action plans, which are then discussed with the Board of Directors.

### **IV. PEOPLE**

We strongly believe that human capital is our company's greatest asset. Our human resource (HR) policies and plans are designed to support our organisation's target of expanding our retail network in Singapore and increasing market share.

Our HR team works closely with stakeholders to determine the necessary resources which are aligned to strategic goals and organization values. Our strategic goals on resource utilization involves lower input costs through improving productivity, optimize product mix, improve food safety and quality, provide competitive pricing, build stronger brand recognition and loyalty, and achieve higher customer satisfaction.

#### **A. Human Resource Planning**

We expect that hiring and retaining employees especially those with specific skill sets, and knowledge in fresh food handling will also become a critical challenge, given the increasing labour shortage in the service sector. To derive desired behaviour in-line with our organisation's culture and core values, we design our remuneration package to include attractive performance-sharing and profit-sharing schemes, incentives for good attendance rate and punctuality, recognition and awards for display of excellent customer service and long service to the organisation.

We have designed a "Management Trainee Program" to expand our talent pool. Under this tailored program, the Management Trainee is assigned a mentor within the organisation, usually his immediate superior, to guide and groom him in his/her

work. They undergo classroom and on-the-job training, and participate in cross-functional projects to gain business knowledge and management skills. To-date, we have successfully hired and groomed a number of management trainees who now hold key positions as buyers, department executives, and outlet managers.

## **B. Employee Learning and Development**

Our HR initiatives include learning and development opportunities for employees to drive organisational productivity and personal growth. Orientation programs are organized for new hires to induct them into our organisation to introduce organization's culture and core values as well as getting exposed to various business operations. New employees are also provided on-the-job training through a buddy system.

Structured training program is also in place such as WSQ 'Service Excellence' training program, annual internal training on "Food Hygiene" to provide regular strategic training for our employees in areas that compliance with regulatory standards like customer service, fresh food handling, and food hygiene. We also have a "re-location" program where we would organize for employees to get trained in other outlets to get exposure in serving a different community. In time of needs, this allows us to address manpower shortage issues in the shortest response time possible.

## **C. Employee Engagement and Well-Being**

Our management believes that by looking after the welfare of our employees and fostering a cohesive, familial working culture, our employees will be harmonious, cooperative, and united for a common purpose, such that they are comfortable in sharing ideas to improve work productivity. We organize recreational programs to promote a work-conducive and healthy lifestyle. Our company provides a free meal per day to employees as a form of welfare. We have initiated collaboration with Health Promotion Board to implement a healthy lifestyle plan to promote healthy living among our employees. A more nutrition balanced meal plan, conducting health seminars and screening have been achieved since the collaboration. An annual 'Family Day' event gives the family members of our employees a glimpse of our working environment. Education Grant for Employee's children is awarded annually to the children of employees. The utmost intention for setting up this grant is to acknowledge our employees for the hard work they put in to provide the best for their children.

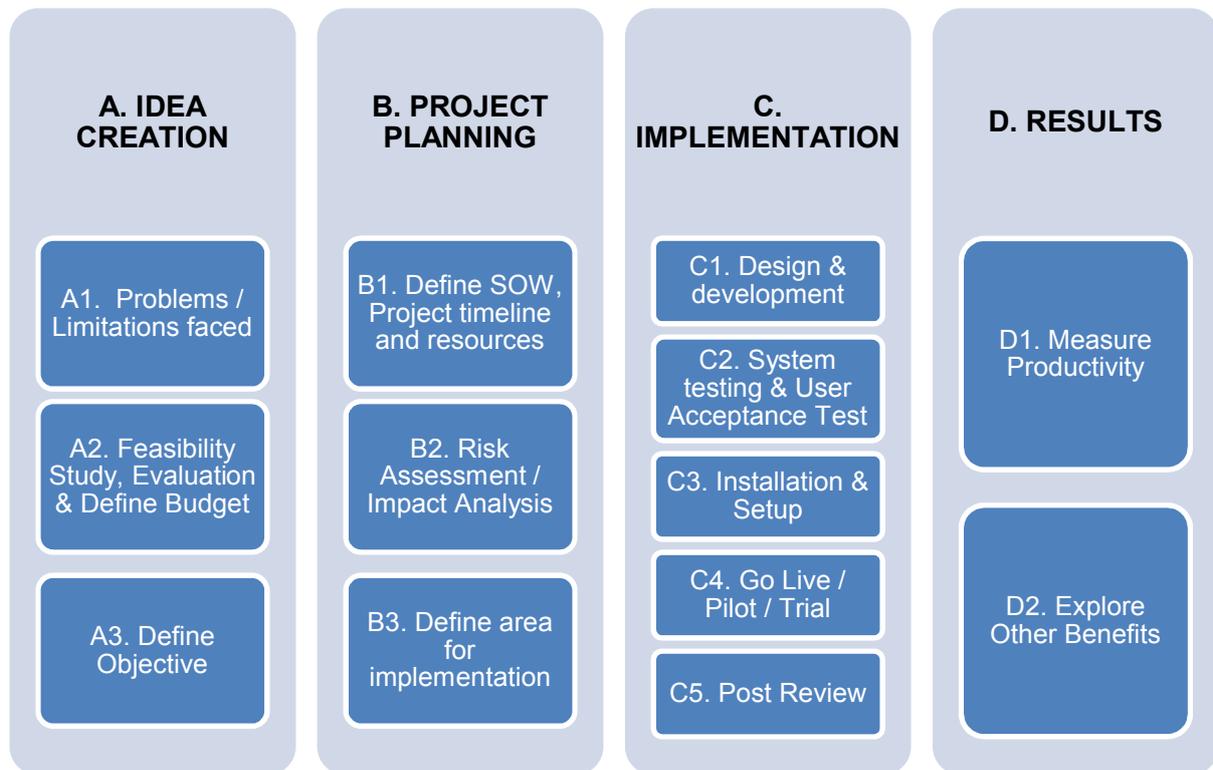
## **D. Employee Performance and Recognition**

Our company performance review framework provides a comprehensive performance-bonus and profit-sharing schemes; recognition and awards that motivates employees to achieve outstanding performance in support Sheng Siong business initiatives. We value employees who have displayed commitment and exceptional performance with awards such as 'Long Service Award'. We actively

engage in career planning for our staff to achieve their career aspirations to maximise their potential to the fullest.

## V. PROCESSES

The innovation process at Sheng Siong is guided by 4 Step principles:



Novel ideas created from any information sources are escalated to our management team to study concept feasibility, as well as ensuring they are aligned with our strategic objectives. Accepted ideas will be assigned to the innovation team for project initiation. Our innovation team will brainstorm by drawing out Scope-of-Work (SOW), project timeline and assigned resources, within the project budget. The team will conduct risk assessment and impact analysis. Any risks are mitigated and projects are constantly refined to achieve our deliverables.

Guided by these principles, we have completed a series of innovation projects has significantly benefitted our business operations. Many of these innovations have tremendously improved frontline and backend productivity as well as enhancing customer experience.

- Hybrid Self Checkout Counter system with cash management system
- Put-to-Light & Pick-to-Light warehouse management system
- Seafood division computerised project @ Jurong Fishery Port (JFP)
- Electronics Shelf Label (ESL) process
- House Brand

## VI. KNOWLEDGE

We have developed various internal and external channels to collect data, analyse, use and share the information to support innovation and organisational learning, as well as benchmarking against our key competitors.

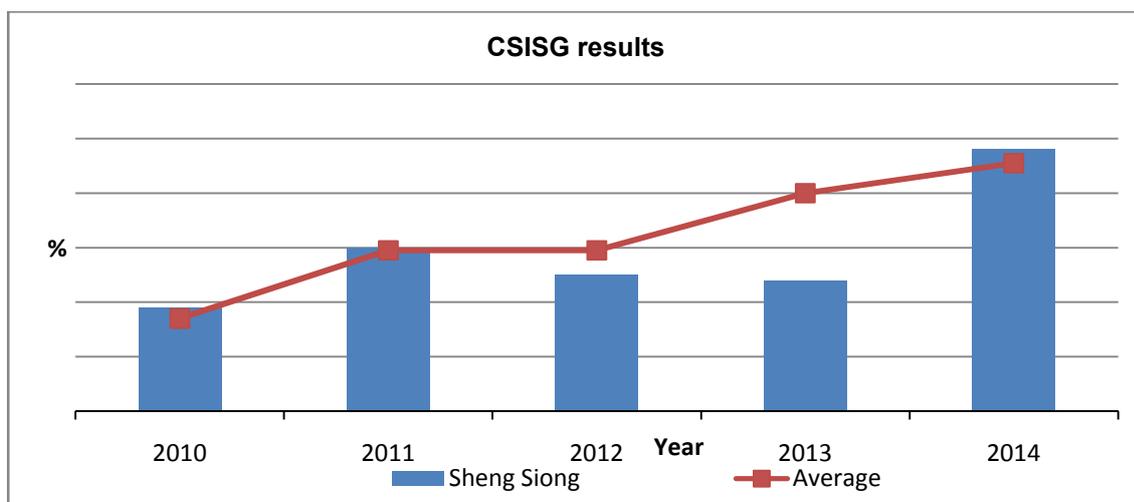
With an in-house IT team, and a centralized and highly integrated IT system, our management can conveniently extract related data for strategic decision making and deployment. Our business information provides an extensive coverage of business operations ranging from human resource to inventory management.

Sheng Siong is actively seeking out for new channels and exploring market trends to increase business performance. Significant results on our innovation project include “Hybrid Self Check Out system” which separates our payment from the scan and pack processes. This system is created base on the fact that payment processing time takes up bulk of the entire checkout process. With this system in place, shorter processing time can be achieved without compromising customer interaction with our staff.

## VII. RESULTS

### A. Customers Results

Sheng Siong has achieved remarkable results in providing better customer satisfaction and shopping experience. According to CSISG survey, our organization has ranked the second in 2015 with a slight margin percentage difference behind the first ranked supermarket conducted for the supermarket sector. More house brand products and ecommerce services are a few of contributing factors that has shaped this phenomenon.

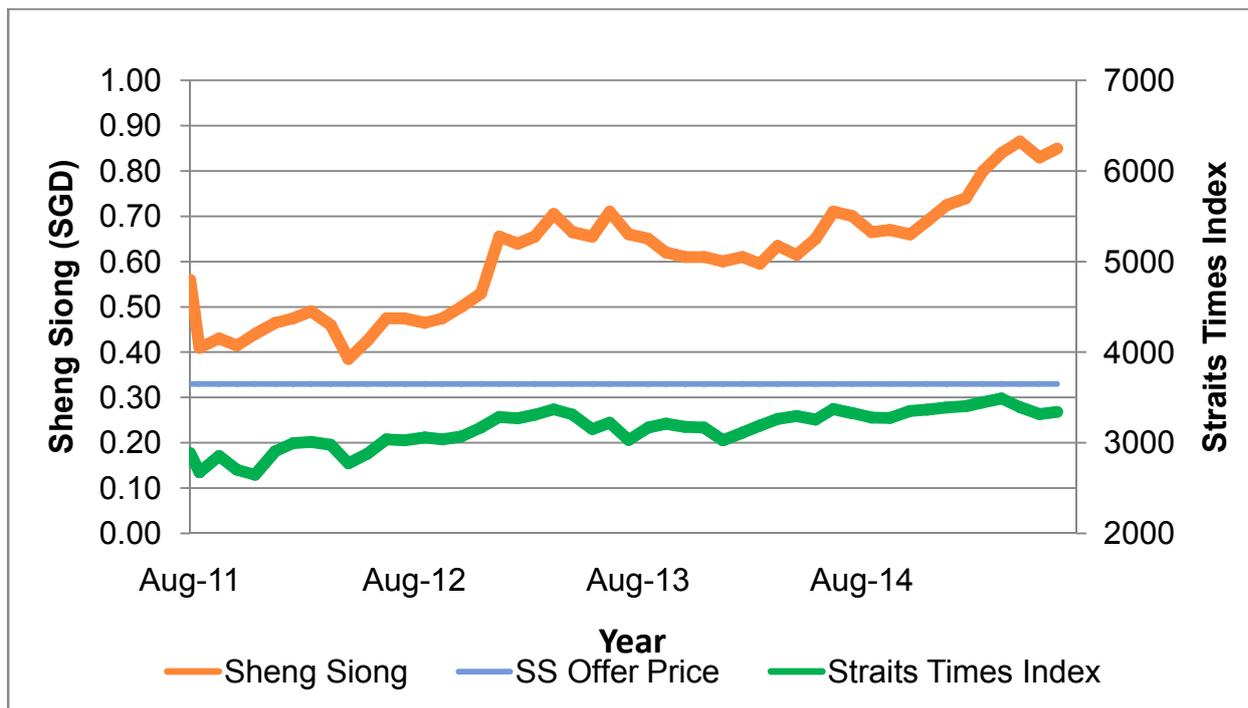


Source of information: <http://ises.smu.edu.sg/csiscg-scores-rankings>

## B. Financial & Market Results

With our strong belief in practising constant innovation to improve our business efficiency, Sheng Siong has captured a significant market share in this competitive retail sector. We are able to control our expenses effectively despite the rapid expansion of presence with new opening outlets. Being able to fully maximise our resources, Sheng Siong has achieved an upward trend for our gross profit margin since 2010.

Our shares performance has also been exceptional:



## C. People Results

Sheng Siong believes that human talent is the source to drive innovation to achieve breakthroughs for the business. In Sheng Siong, every staff is appreciated for their hard work and innovation efforts. Talent retention and attraction has formed an integral part of HR development. Long Service Award, training programs and corporate events are some of the strategies to reward our staff. Sheng Siong has consistently attained low employee turnover rate well below the national average.

## D. Operational Results

Sheng Siong has been recognised with accolades and awards in many areas:

2015	The Enterprise Award at 30 <sup>th</sup> Singapore Business Awards
2014	Retail Asia Top 500 Awards 2014: Bronze Winner Singapore Productivity Award Singapore Quality Class
2013	EDB Solar Pioneer Awards Retail Asia Top 500 Awards 2013 - Bronze Winner Best of the Best Retailer in Singapore (Sheng Siong Supermarket)
2012	Retail Asia Top 500 Awards 2012 - Bronze Winner Best of the Best Retailer in Singapore (Sheng Siong Supermarket) Securities Investors Association Singapore Investors' Choice Awards Most Transparent Company Award (Retail & Household Goods category) Merit Award from the "People's Association Community Spirit Awards"
2011	Securities Investors Association Singapore Investors' Choice Awards: Most Transparent Company Award (Newly-listed Companies)

