SINGAPORE POST LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 199201623M)

30TH ANNUAL GENERAL MEETING TO BE HELD ON THURSDAY, 21 JULY 2022 RESPONSES TO QUESTIONS RECEIVED FROM SHAREHOLDERS AND SIAS PRIOR TO THE COMPANY'S ANNUAL GENERAL MEETING

The board of directors of Singapore Post Limited (the "**Company**" or "**SingPost**") wishes to address questions received from shareholders of the Company and the Securities Investors Association (Singapore) ("**SIAS**") prior to the upcoming 30th Annual General Meeting ("**AGM**") to be held at The SingPost Auditorium, Singapore Post Centre, 10 Eunos Road 8 #05-30, Singapore 408600 and by way of electronic means on Thursday, 21 July 2022 at 2.30 p.m..

The Appendices annexed herein sets out the Company's responses to the substantial questions received from shareholders and SIAS.

Issued by Singapore Post Limited on [20] July 2022.

Appendix 1

RESPONSES TO QUESTIONS FROM SHAREHOLDERS

Category	No.	Question	Response
Business & Operations	1.	It is stated that the lease for Tampines delivery base expires in 2022. There is an option to renew the lease for 30 years. Did the company renew the lease for Tampines delivery base for another 30 years? Are the new lease terms comparable to existing lease terms? What is the difference between the existing lease terms and the new lease terms? How much money did the company have to fork out to extend the lease?	The land lease for the Tampines Delivery Base has been renewed for 30 years at similar terms and conditions.
Business & Operations	2.	The Baltic Dry Index has fallen by more than half from its peak. What is the impact of the decline in Baltic Dry Index on the company's business, in particular our freight business? Positively? Negatively? Extent of impact? Please elaborate. How would lower sea freight rates impact the company's business, in particular our freight business? Positively? Negatively? Extent of impact? Please elaborate. How would lower air freight rates impact the company's business, in particular our freight business? Positively? Negatively? Extent of impact? Please elaborate.	The Group's freight forwarding business has benefitted from the increase in sea freight rates and volumes over the last few years due to supply chain logistics disruptions. For FY2021/22, freight forwarding revenue grew by 69.6% from S$281.9 million to S$478.2 million. Sea freight rates remained at elevated levels due to a shortage of vessel space and equipment. Conversely, the increase in air freight rates over the last few years has resulted in higher conveyance costs for the International Post and Parcel business. For FY2021/22, International Post and Parcel revenue declined by 24.4% from S$496.5 million to S$375.3 million, with the business operating at minimal margin. While air freight capacity through Changi Airport has improved incrementally in the first quarter of FY2022/23, this has yet to fully recover to pre-pandemic levels and air conveyance costs remained elevated.
Business & Operations	3.	With the reopening of the economy, there seems to be a diversion of consumer spending from spending on goods to spending on services. People are going out and travelling more, rather than spending on items and e-commerce. Do you agree?	Post pandemic, the pace of eCommerce growth has moderated in the short term, and this has an impact on eCommerce delivery volumes. However, the long-term eCommerce market outlook remains positive.

Category	No.	Question	Response
		What is the impact of the reopening of the economy on the company's business? Positively? Negatively? Extent of impact? Please elaborate. *Besides the property division which would likely benefit*, would the reopening of the economy negatively impact the company's (other) business divisions? Please elaborate.	Occupancy at SingPost Centre remained high at 96.6% as at 31 March 2022. Footfall and tenant sales at SingPost Centre have improved with the relaxation of safe management measures.
Financial	4.	I note that the company has moved from a net cash to a net debt position. This is counterintuitive given that interest rates are rising. Please elaborate on the rationale for the "counterintuitive strategy" of taking more debt when interest rates are rising. Please elaborate on the rationale for the shift in capital structure from net cash to net debt when interest rates are rising. What is the company's view of what its optimal capital structure should look like? What is the company's target gearing ratio and target capital structure? What is the company's capital management strategy in the rising interest rate environment?	As at 31 March 2022, the Group's and the Company's current liabilities exceeded their current assets by S$267.18 million and S$168.25 million respectively. This was largely due to the timing difference between the full redemption of the Company's perpetual securities with accrued distributions totalling S$360.48 million during the year and the issuance of S$250 million SGD Subordinated Perpetual Securities in April 2022, which brought the Group back into a net cash position. Management is of the view that the Group and the Company are able to pay their debts when they fall due. The Group also maintains access to undrawn credit facilities and debt capital markets. The restructuring of the Group's debt and equity profile was undertaken to manage overall financing costs and optimise the balance sheet to support future growth and investment. We aim to maintain an optimal capital structure that enables financial flexibility while sustaining an investment grade credit profile.
Business & Operations	5.	I note that the company has disposed of its property at 6 Ayer Rajah Crescent. What is the amount of the sale proceeds from the sale of its property at 6 Ayer Rajah Crescent? What was the valuation of its property at 6 Ayer Rajah Crescent? Did we sell the property at 6 Ayer Rajah Crescent above or below market value? If below market value, why did we sell it at below market value? Who is the buyer of the property at 6 Ayer	In respect of the property at 6 Ayer Rajah Crescent, this was part of the portfolio of assets that was held by our self-storage business, General Storage Company Pte Ltd ("GSC"). We had divested our interests in GSC during FY2021/22.

Category	No.	Question	Response
		Rajah Crescent? Was an open bidding process conducted for the sale of the property at 6 Ayer Rajah Crescent? Please elaborate on the company's rationale for disposing of its property at 6 Ayer Rajah Crescent?	
Business & Operations	6.	Please provide updates on the arbitration case between Singpost and Mr Tan Ho Sung.	Mr Tan Ho Sung @ Taufiq Tan, the non-controlling shareholder (the "Claimant") of Famous Holdings Pte Ltd ("FHPL"), a subsidiary of the Company, had exercised his put option in respect of his remaining 37.5% shares in FHPL in September 2016. As there were differences between the parties on the final valuation of the put option, the Claimant commenced arbitration proceedings against the Company in 2017 (the "1^{st} Arbitration"). On 3 June 2020, the arbitral tribunal issued its partial award with respect to the 1^{st} Arbitration (the "1^{st} Partial Award for the 1^{st} Arbitration") and dismissed the Claimant's various claims against the Company for damages for breach of a shareholders' agreement (the "SHA"), conspiracy and inducement of breach of contract. The tribunal also ruled in the Company's favour on material accounting and computational issues under the SHA, which are the most significant determinants of what sums, if any, are due to be paid either by the Company to the Claimant, or by the Claimant to the Company, for the transfer of the Claimant's remaining 37.5% shares in FHPL to the Company. Based on its findings, the tribunal directed the parties to see if they can agree on the final amount payable for the transfer of the Claimant's 37.5% shares in FHPL to the Company, failing which the tribunal will make a final determination. As there was divergence between the Company and the Claimant on the precise computation for the final amount payable, on 19 January 2022, the tribunal issued a further partial award in respect of the 1^{st} Arbitration that, amongst others, applies one out of several computation methodologies that were submitted by the parties within the parameters of the 1^{st} Partial Award for the 1^{st} Arbitration. The tribunal has not ruled on the final amount, but the tribunal's determination on the computation methodology, which remains

Category	No.	Question	Response
			subject to tax and minority interest adjustments, would entail the Company paying the Claimant for his 37.5% shares in FHPL at a fair value that would not have a material impact on the Group's net tangible assets or earnings per share for the financial year ended 31 March 2022. In addition to the 1st Arbitration, a second arbitration was commenced by the Claimant against FHPL and SingPost Logistics Investments Pte Ltd ("SPLI"), the Group's investment holding company of FHPL, on 15 and 16 September 2021 (the "2nd Arbitration"), in which the Claimant alleged breaches of the SHA, the existence of a conspiracy, and his purported entitlement to dividends. A third arbitration was separately commenced by the Claimant against SPLI on 22 February 2022 (the "3rd Arbitration"), in which the Claimant alleged breaches of the SHA which impacted the final amount payable by the Company for the Claimant's remaining 37.5% shares in FHPL which are the subject of the 1st Arbitration. The potential financial impact of the claims of the Claimant in the 2nd Arbitration and 3rd Arbitration cannot yet be quantified as the claims were lacking in particulars and no quantification of the claims was provided in any of the notices of the new arbitrations. Apart from the above, the Group has an outstanding loan to the Claimant amounting to S$4.81 million (2021: S$4.81 million) as at 31 March 2022 (the "Claimant Loan"). Management is of the view that the Claimant Loan is recoverable. The Company will, in consultation with its advisors, continue to evaluate the various courses of action available to the Group.
Board and Management	7.	With Mr Chen Jun stepping down from Alibaba as SVP, why is he still serving in the Board of Singpost? Does this mean that Alibaba will not have a nominee director on SingPost's Board going forward?	Given Mr Chen Jun's experience in eCommerce and global business, the Board has invited Mr Chen Jun to continue to serve on the board in his personal capacity.

Category	No.	Question	Response
		Or will Alibaba nominate a replacement for Mr Chen Jun?	As part of the Investment Agreement between the Company and Alibaba Investment Ltd ("ALI"), ALI is entitled to propose one director for appointment to the board.
Business & Operations	8.	I note that petrol, oil, or fuel costs in general, are rising. Surely, it would cost more to operate our postal vans and postal vehicles. What is the company's strategy for coping with increasing fuel costs?	Costs of delivering the mail service have been increasing over the years, particularly in the current inflationary environment, and through the pandemic. Despite rising costs, domestic postage rates have remained unchanged since these were last adjusted in 2014. We remain committed to the national obligation of the postal service and the duty to ensure a high quality postal service for the country. We continue to optimise our operations to ensure prudence in cost management and driving operational efficiency and productivity, while keeping to our regulatory obligations. Our investments in sustainability will also help in this regard. For instance, the replacement of our delivery fleet with electric-powered vehicles will improve operational efficiency and lower maintenance cost.
Financials	9.	Fees paid to Auditors increased by 50% from S$1.2 million to S$1.8 million. Why did fees paid to auditors increase by 50%, a rather significant increase? Audit Fees paid to other auditors increased from 99k to S$443,000. Non-audit fees paid to other auditors increased from S$4,000 to S$126,000. Who are these "other auditors"? Please provide their identities. Why does the company need to hire "other auditors"? Is the existing auditor Deloitte not able to do the job well? Please explain the purpose and rationale for hiring "other auditors"? Please detail the work that these "other auditors" performed (that Deloitte was unable to do)?	The increase in audit fees from S$1.25 million to S$1.86 million was mainly due to the following: a) The inclusion of audit fees for Freight Management Holdings Pty Ltd ("FMH") for the first time and as the existing auditor for FMH was Ernst & Young, hence also the higher audit fees paid to other auditors; and b) Increase in scope of work due to higher transaction volume in Famous Holdings Group. As for non-audit fees, these were largely for tax filing compliance services paid to Ernst & Young.
Business & Operations	10.	Some of SingPost's digital businesses like vPost, samplestore, etc. are very good business concepts, they can also complement SingPost's e-commerce logistics business. Questions: is SingPost going to	We continually review our asset and business portfolios, and their strategic fit to the Group's strategy and business, to determine if there are opportunities to divest non-strategic assets and redeploy capital towards strategic initiatives that support long term growth.

Category	No.	Question	Response
		grow those businesses, or may consider divest them to pure-play e-business companies?	
Business & Operations	11.	Please elaborate how the Company mitigates the risk of losing a major customer that can potentially topple the business or even incurring operating losses on the ground of volume related reasons. Were the mitigation actions effective in preventing major happenings before they even happen? Whilst I quote & understand from the Corporate Governance Report "The Board notes that the internal controls and risk management systems provide reasonable but not absolute assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives”?	To manage customer concentration risk, we have a diverse and wide customer base across both industry and geography, and we continue to expand our customer base. We remain disciplined on cost efficiency and service levels, so as to continue providing customers with a last-mile delivery service that is cost effective and at a high service quality. We are also investing in infrastructure to ensure a delivery service offering that is most carbon efficient and digitally connected.
Business & Operations	12.	1) Net Assets Per Share plummeted from 72.2 to 58.1 cts as per page 44. This occurs even though the shareholders' equity has increased, since there's a 3.09 cts of earnings per share in 2022. How this came about? Is it due to consolidating the Freight Mgt sub or some other technicalities? Would like more info. 2) Goodwill on acquisition of Freight Mgt, a hefty sum of $189m, a 51% share would be $96m, still big, what is the justification of paying so much and bearing a big risk of impairment. Impairments have been on the cards for prior years and were very	1) According to prevailing accounting treatment, net assets include perpetual securities. The lower net assets per share was largely due to the redemption of the Company’s perpetual securities with accrued distributions totalling S$360.48 million in March 2022. These resulted in lower Net Assets, which declined from S$1,671 million to S$1,142 million. As the total number of shares outstanding remains unchanged at 2,275 million shares, accordingly Net Assets per shares has therefore declined. Net assets per share has increased subsequent to year end following the issuance of S$250 million perpetual securities in April 2022. 2) The investments into FMH were made at different times over a period. Given that FMH is a high growth company, as it grew, the later tranches were based on achieved financial targets and a predetermined earnings multiple, which resulted in higher valuation and therefore higher per share price. Based on the actual

Category	No.	Question	Response
		painful for shareholders to shoulder. So many acquisitions & disposals then write-offs had happened. What evaluations & risk assessments were done & if so were they very in-depth?	considerations paid, the acquisition represented an implied forward valuation multiple of 6.4x EV/EBITDA, which compares favourably to the average 8x of global logistics companies and 10.5x of logistics companies in Asia Pacific. As seen from the Group's FY2021/22 results, FMH has performed well and contributed S$178.7m to Group revenue and S$4.8m to profit in the period of consolidation. Prior to the Tranche One investment in December 2020, we had, together with independent professional advisors performed rigorous due diligence on FMH, covering all material aspects of the business including Financial, Legal, Commercial, Technology and Tax. We had also engaged professional advisors to assess the valuation of FMH. Since FMH became an associate company of the Group in December 2020, SingPost's nominee directors have attended FMH board meetings where the management and directors deliberated on performance and strategy. This has enabled SingPost to further assess FMH's performance and governance, and has allowed SingPost to develop a strong relationship with the FMH management team.
		3) Reduction in Free cash flows from $193m to $65m. Has this improved after the issuance of Notes in Apr 22 (post balance sheet event refers). What are the impacts of this drastic decrease & what are some of the future plans if any (like rights issue etc)?	3) The reduction in free cash flows was largely due to lower operating cash flows resulting from working capital changes. There was a net cash inflow of S$89.5 million from operating activities for FY2021/22 compared to S$215.4 million in the prior year. This was due to higher cash receipts from the settlement of outstanding trade receivables in the prior period. While cash and cash equivalent increased after the issuance of the perpetual securities in April 2022, the issuance did not impact free cash flow, which refers to net cash inflow from operating activities less cash capital expenditure.

Appendix 2

RESPONSES TO QUESTIONS RECEIVED FROM SIAS

Q1. As noted in the letter to shareholders, there was a leadership transition with Mr Vincent Phang Heng Wee appointed the Group chief executive officer on 1 September 2021. Mr Vincent Phang was previously CEO Postal and Singapore Operations. Separately, Mr Yik Yen Shan, Vincent was appointed the Group chief financial officer on 11 February 2022.

(i) How has the Group CEO's view of the business, including the prospects, the challenges and the opportunities, evolved since taking over the role more than 9 months ago?

The appointments followed the cessations of the former Group CEO and Group CFO in May 2021 and February 2022 respectively. The two former executives were in their roles for approximately 4 and 3.5 years respectively.

In addition, Ms Neo Su Yin and Mr Tang Cheng How, Ryan were appointed as CEO, Singapore and CEO, International, respectively on 1 November 2021.

The group also had the following cessations:
- Ms Linda Hoon Siew Kin ceased to be the Group Company Secretary on 23 March 2022 and left SingPost as Chief Legal Officer on 1 April 2022.
- Mr Puar Huan Kiap ceased to be the Group Chief Information Officer and left SingPost on 31 January 2022.
- Mr Lim Jui-I, Chief Executive Officer of Quantium Solutions, a key management personnel, also left the group during the financial year ended 31 March 2022.

(ii) Given the numerous cessations of key senior executives in the group, does the group have the necessary human capital and the stability at the senior management level to execute on its strategic growth plans?

(iii) Are the group's operations disrupted by the high turnover of senior executives?

In the last annual report, the company listed 6 key executive roles, namely (a) Chief Executive Officer, Postal Services, (b) Chief Executive Officer, Singapore, (c) Group Chief Financial Officer, (d) Chief Executive Officer, Quantium Solutions, (e) Group Chief Information Officer and (f) Chief Legal Officer & Group Company Secretary. All of them, with the exception of Mr Vincent Phang, have left the group.
In the latest annual report (FY21/22), the company listed just two key executive roles (Group Chief Financial Officer and Chief Executive Officer, Singapore).

Clarification: The roles stated in (a) and (b) were previously a single role.

(iv) What are management's plans to fill these vacant senior positions?

(v) Has the Nominations and Corporate Governance Committee reviewed if the attrition rate is in line with or better than the industry average?

(vi) Given the group's focus on growing the Australia business, is there sufficient experience at the senior management and the board levels with regard to doing business in Australia to effectively support the group's growth in Australia?

SingPost's Response:

As part of the Group's succession planning, Mr Vincent Phang who was CEO, Postal Services and Singapore, was appointed as Group CEO on 1 September 2021. The Group's businesses and supporting units were re-organised to align with the Group's strategic push in the three key pillars of Singapore, Australia and International businesses. As part of the re-organisation, we have a mix of internal promotions as part of succession planning as well as external hires to ensure that the Management Committee has the right competencies and experience to lead and execute the transformation initiatives. Key executives from the Australia businesses have also been included into the Management Committee.

The Group has an experienced management team in Australia with deep industry expertise who are responsible for the day-to-day operations. Several of the Management Committee members also have extensive experience in the market, having worked and lived in Australia. In addition, the Board comprises several members with significant experience operating businesses in Australia.

The GCEO's Review on pages 12-13 of the Annual Report provides Mr Vincent Phang's view of the business, prospects and challenges of the Group. Mr Vincent Phang will discuss these topics in greater detail through his presentation at the AGM. The presentation slides will be made publicly available on SGXNet and SingPost's website at www.singpost.com.

(vii) Can the company confirm that it made the necessary announcements, in accordance with Rule 704(7) of the SGX listing rules and in the required format using Appendix 7.4.1 and Appendix 7.4.2, for the appointments/cessations of key persons?

SingPost's Response:

We confirm compliance with the SGX disclosure requirements as stated in the question.

Q2. For the financial year ended 31 March 2022 (FY21/22), the group reported an increase in revenue of 18.6% to $1.67 billion. This was partly due to the contributions of Freight Management Holdings (FMH) which was consolidated following the increase in interest to 51% in November 2021.

(i) What is the impact on the group's operations and financial performance from rising inflation numbers? How is management positioning the group in an inflationary environment?

From the financial review and outlook (page 45), it can be seen that revenue from the Post and Parcel segment had declined by 16.3% to $622.3 million. Operating profit had declined at a faster rate of 42.9% to $24.9 million in FY21/22 mainly due to the absence of $24.5 million in Jobs Support Scheme ("JSS") reliefs received in the previous financial year.

The Post and Parcel segment comprises the core postal and parcel delivery business of the group. This includes domestic post and parcels, international post and parcels, as well as products and services transacted at the post offices.

	Financial Year ended 31 March		
	2022	2021	Change
REVENUE	**S$'000**	S$'000	%
Post and Parcel	**622,334**	743,882	(16.3)
Logistics	**998,530**	618,075	61.6
Property	**114,906**	115,428	(0.5)
Inter-segment eliminations	**(70,191)**	(72,704)	3.5
	1,665,579	1,404,681	18.6

	Financial Year ended 31 March		
	2022	2021	Change
OPERATING PROFIT	**S$'000**	S$'000	%
Post and Parcel	**24,851**	43,502	(42.9)
Logistics	**44,295**	11,256	293.5
Property	**52,867**	50,013	5.7
Others #	**(9,939)**	(25,439)	60.9
Operating profit	**112,074**	79,332	41.3

Others refer to unallocated corporate overhead items

(Source: company annual report; emphasis added)

The changes in revenue and operating profit for the Post and Parcel segment in the past 5 years are as follow:

	Post and Parcel segment			
	Revenue ($'000)	Change in revenue (%)	Operating profit ($'000)	operating profit (%)
FY17/18	734,846		164,255	
FY18/19	764,751	4.1%	165,864	1.0%
FY19/20	763,079	-0.2%	127,450	-23.2%
FY20/21	743,882	-2.5%	43,502	-65.9%
FY21/22	622,334	-16.3%	24,851	-42.9%

(Source: company annual reports)

The decline in revenue from the Post and Parcel segment was attributed to "COVID-19 impact on airfreight capacity which resulted in lower International Post and Parcel volumes." (page 10).

(ii) Does management see any improvement in airfreight capacity and thus Post and Parcel segment revenue as COVID-19 measures are progressively relaxed in most countries?

Without the JSS relief in FY21/22, the segment operating profit was $24.9 million, or just 15% of the level of operating profit in FY17/18 and FY18/19.

(iii) What are the levers available to management to improve the performance of the Post and Parcel segment?

(iv) In the board's/management's scenario planning, is this the new normal (in terms of revenue and profitability) for the Post and Parcel segment?

(v) What is management's projection of the trends in the volumes of (domestic) letters and printed papers? Is there evidence that the pandemic had significantly exacerbated the decline in the volumes of letters and printed papers?

(vi) Going forward, does management see eCommerce logistics volume growing at rates that will offset the continued decline in volumes of letters and printed papers?

SingPost's Response:
Please refer to the SGX announcement dated 15 July 2022 on Operational Update for First Quarter ended 30 June 2022.

The Domestic Post and Parcel segment continued to trade in challenging conditions. Traditional letter mail volumes declined further, while costs rose significantly, particularly in fuel, labour and utilities.

The International Post and Parcel business continued to face significant headwinds from further supply chain disruptions, and there was also a knock-on impact from the ongoing lockdowns in cities in China due to the COVID-19 situation. These have adversely impacted conveyance costs for our supply chains originating from China. Additionally, despite the incremental air capacity improvement through Changi, this has yet to fully recover to pre-pandemic levels and air conveyance costs remained elevated through this period.

The above have negatively impacted the quarter's performance and will result in an operating loss for the Post and Parcel segments for the quarter.

We remain positive on the long-term potential of eCommerce and continue to invest in transformation initiatives to develop a smart and environmentally sustainable urban logistics ecosystem that allows us to achieve cost efficiency, competitive pricing and better service quality and experience for customers.

Q3. The group made a strategic investment in Freight Management Holdings (FMH) in Australia to capitalise on the growing eCommerce logistics market. Along with CouriersPlease, Quantum Solutions (Australia) and Famous Holdings (Australia), the Australia market accounted for 28% of the group's revenue in FY21/22.

(i) For shareholders' benefit, can the board/management (re)state the attractiveness of the Australia market? Does the group have a competitive advantage in Australia?

(ii) What is the sentiment on the ground in Australia in view of the re-opening of the economy, the omicron wave, the change in government, high inflation numbers, etc?

(iii) Is management satisfied with the performance of FMH since its initial investment in 2020?

(iv) What is the geographical reach of FMH in Australia?

(v) Can management elaborate further on the proprietary technology of FMH, including its core 4PL technology platform (OneFlo)?

SingPost's Response:

Australia has a large, developed and growing logistics market with a market size of about $118.9 billion *(source: Ibisworld).* The industry is structurally profitable, invests and acts rationally, and businesses trade at reasonable multiples which offer investors attractive returns.

According to the Reserve Bank of Australia, a strong expansion in the Australian economy is underway. GDP is forecast to grow by 4¼ per cent over 2022, and by 2 per cent over 2023. Unemployment is low at 3.5% amid strong labour demand. Inflation has picked up markedly since mid-2021 and is expected to reach 6% in the second half.

The Group has had a presence in Australia for nearly 10 years, building up its presence with subsidiaries Quantium Solutions, CouriersPlease and Famous Holdings. With the increased stake in FMH, the Group is well-positioned to derive synergistic benefits among the businesses and expand its network in the Australian market.

FMH is a technology driven 4PL logistics service operator focused on the B2B logistics market. The company has about 800 employees, operates 17 facilities across the country and has over 150 partner carriers in its network. Its proprietary technology platform gives FMH the competitive advantage to manage and execute customers' supply chain and distribution needs. It employs analytics to enable supply chain efficiency – matching customers' freight profile with the optimal carrier, increasing efficiency, utilisation and profitability for both parties. Together with CouriersPlease, a B2C last-mile service provider serving 90% of the population, we expect our reach in the logistics market to extend further.

Since the initial investment in 2020, FMH has delivered a strong performance and we are confident that the management will continue to execute their growth strategy.

The acquisition of FMH was structured in tranches, starting from December 2020, although the group exercised its call option early, in November 2021. The original exercise period was between 31 December 2022 and 31 December 2023.

A brief overview of the FMH acquisition is as follows:

Tranche/Option shares	Implied valuation (100% of FMH)
Tranche 1 (28%) that was completed on 30 December 2020 for A$58.9 million	A$210.4 million
Tranche 2 (10%) that was completed on 30 November 2021 for A$29.6 million	A$296 million
Option shares acquisition (13%) that was concurrently completed on 30 November 2021 for A$81.5 million	A$626.9 million

The group has also granted put options to the remaining 49% non-controlling interests which are exercisable from 30 June 2022 to 30 December 2026, subject to the terms of the shareholders agreement.
Following a purchase price allocation exercise, the group recognised goodwill of $181.8 million arising from the acquisition of FMH (Note 40(a) Acquisition of subsidiaries; pages 217 to 219).

(vi) Can the board/management help shareholders understand if it was prudent to exercise the option early in November 2021 in view of the slow recovery and the uncertainties in the global economy?

(vii) Given that the deal was deliberately staggered at the initial stage, what was the commercial reason to exercise the options early and to pay a significant premium for the option shares?

SingPost's Response:

Matters relating to the acquisition of the additional stake in FMH have been addressed during the Extraordinary General Meeting held on 26 November 2021.

The acceleration of the investment into FMH is in line with the Group's strategy to transform into a leading eCommerce logistics solutions provider, focusing on opportunities in the fast-growing Asia-Pacific region. FMH being a subsidiary enables us to better derive synergies and build scale to further capitalise on the logistics market in Australia.

Since the initial investment in 2020, we have seen a strong performance by FMH. This has given SingPost the confidence in taking the step towards acquiring control of FMH and positioning the business as the cornerstone of our strategy for Australia.

A valuation by PricewaterhouseCoopers Securities Limited, Australia, valued FMH at between A$182 million and A$217 million or a midpoint valuation of A$198 million.

The group has paid A$170 million for 51% of FMH, valuing FMH at A$333 million or 68% above the midpoint valuation of A$198 million by the valuer.

(viii) Can the board/management help shareholders better understand the rationale for paying a 68% premium to the midpoint valuation of A$198 million?

(ix) For the benefit of shareholders, can management provide more information on the negotiation process with the vendors, e.g. who led the negotiations with the vendors?

(x) Was the transaction (including the price, and the early exercise of the option) executed with the approval of the board?

(xi) In particular, can management help shareholders better understand the justification, if any, to pay A$81.5 million for the 13% stake in the early acquisition of the Option shares which was carried out at an implied valuation of A$626.9 million, or 3.2 times the midpoint valuation?

SingPost's Response:

Matters relating to the acquisition of the additional stake in FMH have been addressed during the Extraordinary General Meeting held on 26 November 2021.

The deal construct gives us a measured and calculated pathway to full ownership of FMH in time, as well as full integration with our Australian assets.

The investments into FMH were made at different times over a period. The midpoint valuation of A$198 million was as at July 2020 which was during the initial first tranche of the investment.

Given that FMH is a high growth company, as it grew, the later tranches were based on achieved financial targets and a predetermined earnings multiple, which resulted in higher valuation and therefore higher per share price. Based on the actual considerations paid, the acquisition represented an implied forward valuation multiple of 6.4x EV/EBITDA, which compares favourably to the average 8x of global logistics companies and 10.5x of logistics companies in Asia Pacific.

As seen from the Group's FY2021/22 results, FMH has performed well and contributed S$178.7m to Group revenue and S$4.8m to profit in the period of consolidation.

The Board has exercised full oversight over the transaction which is governed by SingPost's M&A policy, supported by robust processes and the use of professional advisors.

For the EGM held in November 2021, some shareholders have asked if there is a risk that the acquisition of FMH may turn out like previous acquisitions, such as Jagged Peak and Trade Global.

(xii) Would the board/management disclose the return on investment of all the group's foreign investments to date?

(xiii) Can management help shareholders better understand the reason for the discount rate for the value-in-use calculations for goodwill for FMH to be significantly lower at 6.0% when the group used discount rates of 7.1%-7.7% for Couriers Please and Famous Holdings (page 171)?

SingPost's Response:

The difference in discount rates is mainly due to the different capital structures of the companies.

Other than the financial performance of the investments, we also regularly review the asset portfolio for strategic fit to our business as well as key operational metrics. Besides considering financial returns, the Group evaluates investments based on capability development and alignment with our transformation.