FINANCIAL REVIEW AND OUTLOOK

FINANCIAL REVIEW

GROUP	Financial Year ended 31 March 2016 S$'000	2015 S$'000	Change %
Revenue	**1,151,542**	919,582	25.2
Operating profit	**284,259**	186,365	52.5
Share of profit of associated companies and joint ventures	**9,066**	6,660	36.1
Net profit	**248,910**	157,611	57.9
Underlying net profit[1]	**153,568**	160,179	(4.1)
Basic earnings per share (S cents)	**10.86**	6.85	58.6
Underlying earnings per share (S cents)	**7.13**	7.69	(7.3)

Note:

(1) Underlying net profit is defined as profit after tax and non-controlling interest, before one-off items such as gains and losses on sale of investments, property, plant and equipment and M&A related professional fees.

The Group crossed the revenue milestone of S$1 billion for the full year ended 31 March 2016. Full year revenue of S$1.2 billion grew 25.2% while underlying net profit declined slightly by 4.1% to S$153.6 million, due mainly to the impact of loss of rental income arising from Singapore Post Centre ("SPC") retail mall redevelopment.

REVENUE	Financial Year ended 31 March 2016 S$'000	2015 S$'000	Change %
Mail	**499,802**	500,252	(0.1)
Logistics	**625,972**	464,758	34.7
Retail & eCommerce	**160,660**	92,002	74.6
Inter-segment eliminations	**(134,892)**	(137,430)	(1.8)
	1,151,542	919,582	25.2

Revenue grew 25.2% for the full year ended 31 March 2016, with continued growth in eCommerce-related activities and the inclusion of new subsidiaries.

In the Mail segment, revenue declined marginally for full year, as a result of the deconsolidation of subsidiaries divested during the year. Excluding the impact of the divestments, Mail revenue would have grown 6.7% against last year, largely driven by higher International mail revenue as a result of increased cross-border eCommerce-related deliveries.

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For the full year, Logistics revenue rose 34.7% on the back of growing contributions from eCommerce logistics activities as well as the inclusion of new subsidiaries.

In Retail & eCommerce, revenue increase of 74.6% was attributable to growth in eCommerce revenue as well as the consolidation of new US subsidiaries Trade Global from 14 November 2015 and Jagged Peak from 8 March 2016.

Rental and property-related income decreased 10.3% from S$43.9 million to S$39.4 million. This was due to lower retail rental revenue following the commencement of the redevelopment of SPC retail mall, which is due for completion by mid-2017.

Miscellaneous income amounted to S$121.2 million for the full year. This included one-off gains from the disposals of subsidiaries, associates and an available-for-sale investment totalling S$112.1 million.

Total expenses increased 31.0%, in tandem with the inclusion of new subsidiaries and growth in business volumes.

Labour and related expenses were higher with annual salary increments and additional headcount from new subsidiaries and the Group's growth initiatives.

The increase in volume-related expenses was in line with higher international traffic volumes, increased business activities and inclusion of new subsidiaries.

Administrative and other expenses increased as a result of higher property related expenses such as warehouse rental costs, and higher M&A related expenses.

Depreciation and amortisation expenses were lower due to a write-off of intangible asset last year.

Finance expenses increased S$6.0 million due to higher non-trade related foreign exchange translation differences and higher interest expense on higher average borrowings.

	Financial Year ended 31 March		
	2016	**2015**	**Change**
OPERATING PROFIT	**S$'000**	**S$'000**	**%**
Mail	**147,775**	143,989	2.6
Logistics	**37,696**	21,542	75.0
Retail & eCommerce	**2,249**	9,746	(76.9)
Others	**96,539**	11,088	@
Operating profit	**284,259**	186,365	52.5
Add: Fair value (gain)/loss on investment properties	**–**	(5,163)	N.M.
Add: One-off items	**(95,342)**	9,878	N.M.
Underlying operating proft	**188,917**	191,080	(1.1)

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For the full year, operating profit included one-off gains from the divestment of subsidiaries, associates and an available-for-sale investment. Excluding all one-off items, underlying operating profit marginally decreased 1.1% despite the loss of retail rental income.

Mail operating profit increased on the back of higher volumes from eCommerce-related deliveries, as well as continued focus on productivity and efficiency, particularly with investments in mail infrastructure.

In Logistics, operating profit grew strongly by 75.0% for the full year, with contributions from new subsidiaries and increased eCommerce logistics activities, as well as improved operating efficiency with integration of new subsidiaries into the Group's eCommerce logistics network.

Retail & eCommerce operating profit was impacted by lower contributions from agency services and investments in eCommerce capabilities in Asia Pacific and the US to accelerate customer acquisitions.

The Others segment included one-off gains from the divestments made by the Group during the year. Excluding the one-off items, operating profit was mainly impacted by lower retail rental contributions as a result of the redevelopment of SPC retail mall.

Share of profit of associated companies and joint ventures improved against last year, mainly on higher contributions from Efficient E-Solutions and 4PX.

Net profit attributable to equity holders was up 57.9% for the full year, boosted by one-off divestment gains. Excluding one-off items, underlying net profit was lower by 4.1% from S$160.2 million to S$153.6 million due to the impact of loss of rental income arising from the SPC retail mall redevelopment and higher finance expenses.

	Financial Year ended 31 March		
	2016	2015	Change
CASH FLOW	**S$'000**	**S$'000**	**%**
Net cash inflow from operating activities	**131,356**	235,002	(44.1)
Net cash used in investing activities	**(457,010)**	(235,917)	93.7
Net cash (used in) / provided by financing activities	**(131,846)**	180,625	N.M.
Net (decrease) / increase in cash and cash equivalents	**(457,500)**	179,710	N.M.
Cash and cash equivalents at beginning of year	**584,140**	404,430	44.4
Cash and cash equivalents at end of year	**126,640**	584,140	(78.3)
Free cash flow	**(148,386)**	130,588	N.M.
Cash capital expenditure as a percentage of revenue	**24.3%**	11.4%	

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Operating activities

Net cash inflow from operating activities for the full year amounted to S$131.4 million. Working capital for the full year declined S$95.4 million against last year due mainly to higher receivables as a result of increased eCommerce-related volumes (S$29.7 million) and a one-off receipt of S$58.0 million relating to a postassurance collaboration last year.

Investing activities

Net cash outflow for investing activities was S$457.0 million, compared to S$235.9 million last year. Capital expenditure of S$279.7 million for the full year comprised expenditure for the construction of the eCommerce Logistics Hub, acquisition of Toh Guan building and redevelopment of SPC retail mall. In addition to capital expenditure, the Group also invested S$321.8 million to acquire new subsidiaries and associated companies. These were partly offset by receipts of S$145.2 million from the disposals of subsidiaries, associates and an available-for-sale investment.

Financing activities

Net cash outflow from financing activities was S$131.8 million, compared to net cash inflow of S$180.6 million last year, largely due to proceeds from its share issue to Alibaba Investment Limited. During the financial year ended 31 March 2016, the Group mainly paid dividends of S$167.0 million and received net proceeds from bank loans of S$41.1 million.

Free cash flow

For the financial year ended 31 March 2016, the Group's free cash flow (operating cash flow less capital expenditure) was an outflow of S$148.4 million versus an inflow of S$130.6 million in the previous financial year, as a result of the Group's increased capital expenditure.

CAPITAL MANAGEMENT

The Group is committed to an optimal capital structure and constantly reviews its capital structure to balance capital efficiency and financial flexibility.

Use of the proceeds from the share issue and treasury share transfer to Alibaba Investment Limited is in line with the intended use stated in the SGXNET announcement dated 28 May 2014 and the subsequent SGXNET announcement dated 8 October 2015. The proceeds are being deployed for capital expenditure such as the development of the eCommerce Logistics Hub, upgrade of information technology systems, and M&A investments to grow the eCommerce Logistics network.

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Group Debt And Perpetual Securities	Financial Year ended 31 March 2016 S$'000	2015 S$'000	Change %
Total debt	**280,272**	238,327	17.6
Net (cash) / net debt	**153,632**	(345,813)	N.M.
Total debt plus perpetual securities*	**627,098**	585,153	7.2
Net debt plus perpetual securities*	**500,458**	1,013	@
Net debt plus perpetual securities to ordinary shareholders equity (%)*	**41.6%**	0.1%	
EBITDA to interest expense (number of times)	**42.1**	36.4	

* Presented for comparative purposes.

Total debt plus perpetual securities comprised mainly S$200 million 10-year Fixed Rate Notes issued in March 2010, S$350 million senior perpetual cumulative securities issued in March 2012 and short-term borrowings. Net debt plus perpetual securities to ordinary shareholders equity ratio increased to 41.6 per cent as at 31 March 2016 from 0.1 per cent a year ago due to lower cash balances. Interest coverage ratio (EBITDA to interest expense) remained high at 42.1x.

DIVIDEND

Given the Group's steady cash flows, the Board of Directors is recommending a final dividend of 2.5 cents per share for the financial year ended 31 March 2016. Together with the interim dividend payments of 1.5 cents per share for each of the first three quarters, the annual dividend in respect of the current financial year would amount to 7 cents per share.

	cents per share
Interim Q1	1.50 cents
Interim Q2	1.50 cents
Interim Q3	1.50 cents
Proposed final	2.50 cents
Total dividends paid and proposed in relation to FY 2015/16	7.00 cents

Barring unforeseen circumstances, the Company aims to make a total annual dividend payout of 7 cents per share. This will continue to be paid on a quarterly basis.

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OUTLOOK

While the Group continues to face pressures of declining letter mail in the traditional postal business, it is making good progress on its transformation into a global eCommerce logistics player.

The acquisitions of TradeGlobal and Jagged Peak in the US enabled SingPost to expand its eCommerce presence globally. With the expansion of the Group's eCommerce logistics network, eCommerce-related revenues are expected to grow, while the shift in business mix will lead to a decline in margins on a blended basis.

Under SingPost and Alibaba Investment Limited's Joint Strategic Business Development Framework, eCommerce volumes have grown as both parties continue to grow business collaboration.

The Group had entered into a conditional joint venture agreement with Alibaba Investment Limited where the latter will acquire a 34% stake in Quantium Solutions International Pte Ltd. Given business opportunities arising from related investments, both parties are working to finalise the joint venture by 31 October 2016.

The Group had also announced a new share issue of 5% of its existing share capital to Alibaba Investment Limited. A longer time is required to fulfil the conditions precedent, hence, the Group and Alibaba Investment Limited have mutually agreed in writing to extend the long-stop date to 31 October 2016.

The ongoing development of SPC Retail Mall is progressing well and is expected to be completed by mid-2017. The Regional eCommerce Logistics Hub was topped out in March 2016 and is expected to be operational by July 2016.

As the Group progresses with its transformation initiatives, it will continue developing a global eCommerce logistics ecosystem and extracting synergies from the recent acquisitions.