LETTER TO SHAREHOLDERS

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Dear Shareholders,

This has been a very challenging year for SingPost. While we made significant progress in the transformation of our business, issues in the US with TradeGlobal which resulted in impairment were a major setback.

As shareholders, you rightly want to understand why the impairment came in such a short space of time since acquiring the business in 2015. The Board has formed an independent committee to thoroughly review the circumstances surrounding SingPost's consideration and approval of the TradeGlobal acquisition, including the adequacy of the financial and commercial due diligence performed for the transaction. We will update you on the outcome of the review, and will seek legal advice on appropriate actions, if any, to be taken arising from the findings of the committee. The review is expected to be completed and the findings released before our Annual General Meeting in July.

Given the structural decline of our domestic letter mail business, it is vital we advance our transformation into an eCommerce logistics enabler, leveraging on our strategic location and core assets to serve the region's growing eCommerce markets.

During the year, we saw the official opening of our S$182 million Regional eCommerce Logistics Hub and the strengthening of our partnership with Alibaba. Our joint venture with Alibaba in Quantium Solutions International (QSI) to build out our regional eCommerce logistics platform was formed, while Alibaba increased its shareholding in SingPost to 14.4 per cent. Our partnership with Alibaba is important to our transformation and we are well funded to build out and grow our eCommerce logistics business.

Transformation is a journey and it will take a number of years and further investment to achieve scale and profitability in eCommerce logistics. You should be mindful of this when forming a view of our future prospects.

Our financial results reflect transitional challenges. Revenue grew 17.1 per cent last year to S$1.35 billion with the inclusion of our US acquisitions, TradeGlobal and Jagged Peak. But net profit fell to S$33.4 million as underlying net profit declined to S$115.6 million and several exceptional items were recorded, including the impairment of our investment in TradeGlobal.

ADDRESSING POSTAL HEADWINDS

The structural decline of our postal business is something that we are managing actively, and we are relatively successful in this, given global trends. While letter mail volumes continue to fall, strong domestic eCommerce and international mail volumes are helping cushion the impact, albeit with lower margins, as our Singapore base offers transhipment opportunities for the region's growing eCommerce trade.

We are harnessing technology to address these evolving trends, as well as improve the quality of our service. We owe this to our customers – and the nation, as Singapore's Public Postal Licensee. We are developing digital versions of the mail and post office to serve the evolving trusted communication needs of consumers, businesses, and the government. We are also at an advanced stage in testing our SmartPost suite of solutions that uses mobile, near-field communication and radio frequency identification technologies to raise service quality and operational efficiency. Dovetailing with the country's Smart City drive, we are exploring how drone technology may be employed in a commercially viable way to meet rising demand for faster and more flexible deliveries, and address resource constraints.

BUILDING OUT OUR LOGISTICS BUSINESS

Building our eCommerce logistics business is a key pillar of SingPost's transformation. Today, our network spans 19 markets across Asia, Europe and the US.

Our Regional eCommerce Logistics Hub is the centrepiece of our eCommerce logistics network in the region. Fully automated and with integrated warehousing and parcel sorting operations, the facility enables faster and more efficient order fulfilment. It leverages Singapore's regional connectivity and has been designed to be scalable to meet the needs of the future. Within the first year of operations, the facility has secured several important contracts with customers, including Southeast Asian online marketplace operator Lazada.

Our relationship with Alibaba has been deepening over the past three years so that we are today a strategic logistics partner for Alibaba. In the years ahead, we will be working closely with Alibaba to develop QSI as a common platform to grow and enhance eCommerce logistics capabilities in Southeast Asia and Oceania. We can expect the collaboration to strengthen QSI's end-to-end solutions and increase volumes on its network, positioning us well for the rapid growth of the region's eCommerce markets.

Nevertheless, we are at an early stage and it will be some time before this partnership delivers profits.

LETTER TO SHAREHOLDERS

ENABLING GLOBAL ECOMMERCE TO DRIVE VOLUMES

Our eCommerce business has acquired technologies, customers, and market knowhow that put us in a good place to pioneer omni-channel retail solutions that drive volumes on our logistics network.

Our US subsidiary Jagged Peak recorded an outstanding performance in the first year we consolidated its financials. The company posted strong revenue and earnings growth that considerably exceeded the business plan. With its unique business model and proprietary software, the company scored several major customer wins from among the world's most recognisable names in the fast moving consumer goods sector. SP eCommerce also experienced good revenue growth, with its monobrand strategy enabling leading international brands such as Calvin Klein, MUJI, Timberland and Triumph to establish eCommerce operations in Asia.

TradeGlobal, however, missed its financial targets significantly, incurring a S$25.8 million loss instead of a planned S$9.4 million profit. The company saw several operational challenges, including a surge in labour costs during the peak season, delays in warehouse automation initiatives, and management changes.

More fundamentally, TradeGlobal faces structural difficulties that will impact the business moving forward. US fashion apparel retailers, a major segment of TradeGlobal's customer base, are grappling with dramatic shifts in consumer patterns and web-driven business models that undercut traditional brick-and-mortar setups. The loss of two large customers that made up 30 per cent to 40 per cent of revenue will not be easily or quickly replaced and has required the company to be restructured. Labour cost pressures in the Cincinnati area are likely to resurface at the next peak season, and will be hard to mitigate until our automation efforts are in place.

We have appointed Mr Paul Demirdjian Interim CEO of our US businesses to oversee the turnaround of TradeGlobal and lead the overall strategy and operations of our investments in the US. Changes to the business model, cost management measures and pricing initiatives are being implemented to improve TradeGlobal's operational performance.

TradeGlobal's significant underperformance against the business case that supported the investment has led to impairment. The decision for impairment was reached after the annual review of the Group's investments and assets, which is conducted to ensure the carrying values recorded present an accurate picture of the business to shareholders and other stakeholders.

REALISING THE VALUE POTENTIAL OF OUR PROPERTY

The opening of our new retail mall at SingPost Centre later this year will establish new revenue streams that will help realise the full potential of the property. CapitaLand has been appointed to manage the mall, which will also be a test bed for new retail concepts that combine the best aspects of online and offline shopping.

RESETTING THE CORPORATE GOVERNANCE AND POLICY FRAMEWORK

Among the many events in the past year, important steps were taken to strengthen SingPost's governance and policy framework, establishing a firm foundation on which to continue our transformation for the long term future of SingPost.

We completed a Corporate Governance Review, and have put in place a new governance framework. The Board was renewed, with eight Directors stepping down, and four new appointments during the financial year. Three more Directors were appointed after 31 March 2017. Board Committees were reorganised, with the Executive Committee reconstituted into a Finance and Investment Committee with a narrowed scope, and an expanded Nominations and Corporate Governance Committee. A structured process was put in place to ensure Board renewal, and that the composition of the Board and its Committees fits strength and skill requirements.

We have put in place a new dividend policy linking our payout to a percentage range of underlying net profit to ensure our dividends are sustainable in the long term. Dividends totalling three cents per share have been paid out for the first three quarters of the year. The Board is recommending a final dividend of 0.5 cent per share for your approval at the AGM.

We appointed our Group Chief Executive Officer (GCEO), Mr Paul Coutts, who provides critical leadership as we embark on the new financial year. Paul, who will also be a non-independent Director, brings with him seniority and experience from an extensive logistics and postal career that includes global leadership roles. The Board expects Paul to accelerate the ongoing transformation of SingPost and improve the Group's performance. Please join me in welcoming Paul. The Board looks forward to working closely with him and expresses its thanks to Mr Mervyn Lim for covering the GCEO role since December 2015, in addition to carrying out the roles of Deputy GCEO (Corporate Services) and Group Chief Financial Officer.

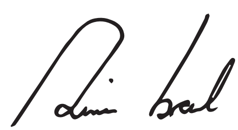
APPRECIATION AND WELCOME

The Board would like to thank Mr Bill Chang, Professor Low Teck Seng and Mr Soo Nam Chow, who retire from the SingPost Board, for their contributions. The Board thanks Mr Soo for the considerable additional work he undertook through the Special Audit and Corporate Governance Review.

We welcome our new non-executive Directors – Mrs Fang Ai Lian, Ms Elizabeth Kong, Mr Steven Leonard, Ms Lim Cheng Cheng, and Mr Bob Tan – and the leadership they provide in their new roles, with Mrs Fang as Lead Independent Director and Audit Committee Chairman, and Mr Tan as Compensation Committee Chairman.

Finally, we thank Management and Staff for their commitment to SingPost during this year of transition, and also the union, our partners and customers for their continued support.

Yours sincerely,



SIMON ISRAEL
Chairman