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Chartered  
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SINGAPORE

## Singapore CA Qualification Examination

### INTEGRATIVE BUSINESS SOLUTIONS

# ADVANCE INFORMATION

Friday, 15 November 2019

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### WARNING

Candidates **must not under any circumstances** contact any similar company or its agents to obtain research data, and they must use **ONLY PUBLICLY AVAILABLE INFORMATION**. Under no circumstances should they seek to use unpublished or private information.

Dear Candidate,

This information package contains the **Advance Information** for the Integrative Business Solutions (IB) module final examination to be held on **Friday, 6 December 2019**. A checklist of the documents (Exhibits) contained in this information package is provided on the following page. It is your responsibility to ensure that you have received every document listed.

Your task now is to familiarise yourself with this information including analysing the data provided. In addition, you are encouraged to undertake further research to form a holistic picture of the industry and markets in which the case study company is operating, and the general economic and business environment. Diligent preparation is essential for success in the IB Examination. **Guidance on preparing for the IB Examination is covered in your IB Toolkit.**

**The IB examination will be conducted using Exemplify.** Please ensure that Exemplify software is pre-installed in your laptop. Although you will have full access to the hard drive on your laptop during the examination, you are strongly advised to have this Advance Information, together with your notes and other preparatory workings in **hard copy format**, as well as a standalone calculator that complies with the SAC's regulations during your exam.

You will also receive additional information (**Examination Day Documents**) on the case study company on the day of the IB Examination. The Examination Day Documents complete the case study scenario and set out the requirements for the report that you are required to write. The IB Examination will be open-book of **4 hours 30 minutes** duration. Your formal report will cover four specified areas, one of which will be to write an Executive Summary. Please note that **only your report commentary (including the assumptions made), appendices, and workings entered in the Exemplify software programme on the day of the examination will be marked.**

## MultiMart Now Singapore (MMNS) Pte Ltd

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**Links to download Appendix which contains extracts from Exhibits will be provided in the Examination Day Document (EDD)**

**MultiMart Now Singapore (MMNS) Pte Ltd origins and company background**

MultiMart is a leading, multi-national e-commerce company, based in the United States of America (US) with its head office in Atlanta, Georgia, due to its excellent US and international airport links.

MultiMart's website is accessible to the general public, and offers standard shipping on millions of products. By contrast, MultiMart Now is a service that is exclusively available to MultiMart Now members, and is only available in selected cities, primarily in the US and Europe, but also including Singapore. It offers a smaller inventory for two-hour, express delivery by local couriers.

Although MultiMart is one of the leaders in the US e-commerce market, market growth in the US is slowing, so MultiMart has been looking for opportunities to expand into new markets. It has identified the Asia-Pacific region as a potential source of growth.

With this in mind, MultiMart launched MultiMart Now Singapore (MMNS) in June 2016. MMNS was MultiMart's first venture into the South East Asian market, and MultiMart believed Singapore had the right infrastructure and business environment to act as a gateway into the South East Asian market.

MultiMart incorporated its Singapore business as a private limited company. However, the US parent company is committed to financing MMNS in the early stage of its lifecycle as it seeks to establish itself and gain market share. MultiMart's initial target was for MMNS to capture 5% market share of the e-commerce market in Singapore in its first five years of operating.

**Business model**

As well as acting as an online retailer itself, MultiMart also acts as a platform through which third-party merchants can also sell their products. This increases the numbers of products MMNS can offer to customers – and in some cases, it means a customer will have a choice between buying the same product from MMNS or from a third-party merchant selling it through MMNS.

Where MMNS acts as a platform for third-party merchants, it receives a commission of 5% on the value of their sales.

MMNS's store front is accessed through its mobile app. Unlike its competitors, MMNS does not currently support web-based browsers, as its strategy has been to focus on providing the best possible smartphone consumer experience.

### **Brands and categories**

MMNS sells a range of products, but its most popular categories of product are: grocery and gourmet food; health, household and baby care; beauty and personal care; kitchen and dining; electronics; clothes, shoes and jewellery; toys and games; and office products. The products within these categories are mainly trusted brands that are recognised globally. They are largely the same products sold by MultiMart in its other retail markets, such as the US, the UK and Australia. However, MMNS also offers local and regional brands, particularly within the food and beverage category. In addition, MMNS also sells some of its own MultiMart-branded goods.

### **Online grocer**

Unsurprisingly, given MultiMart Now's commitment to express delivery, the most popular product category is grocery and gourmet food. In addition to non-perishable items like canned food and rice, MMNS offers fresh groceries such as meat (chilled and frozen), vegetables, ice cream and more. From a customer's point of view, one of the key advantages of a two-hour delivery window is being able to eat fresh every day, without having to make a daily detour to a 'bricks-and-mortar' grocery store after work. For many working parents and last-minute shoppers, this saves time. It also means not having to carry heavy groceries in hot and humid weather conditions. They can simply place their order in the afternoon and receive their delivery when they return home from work.

Nicholas Tan, MMNS's CEO, summarised its business model when he said: 'We have looked at what Singapore consumers want, and then worked with hundreds of local vendors and delivery service partners to make these products available to consumers in a fast and convenient way.'

**International selection**

Aside from items available for local delivery, MMNS also offers access to millions of products on the MultiMart US site. The majority of these items are shipped directly from the United States. International shipping is free for orders over S\$60.

**Membership**

The fact that MultiMart Now is restricted to its members only, means that shopping on MultiMart is not the same as shopping on MultiMart Now. Although there is no MultiMart Singapore, customers in Singapore can shop from most of MultiMart’s other region-specific websites, such as MultiMart US and MultiMart UK, and pay extra for overseas shipping.

**Benefits of membership**

Members can shop from MMNS via the mobile app and enjoy several express delivery options.

Local orders greater than S\$40	Free two-hour delivery
Local orders less than S\$40	Two-hour delivery for S\$5.99 per order
All local orders	One-hour delivery for S\$9.99 per order

For international orders from the MultiMart US site, there is free standard delivery (seven to nine business days) on orders over S\$60; paid standard delivery on orders under S\$60; and paid priority delivery (two to five business days).

There are other valuable benefits to becoming an MMNS member. Members can access MultiMart’s online video streaming service. This offers instant access to many popular movies and TV shows, as well as exclusive award-winning titles that are not available through any other channel. Membership also includes a subscription to a hugely popular video game live-streaming platform run by a MultiMart subsidiary. Members who live-stream their gaming sessions may be eligible to earn commission on the sales of games that they play as well as a cut of the advertising revenue.

## **Monthly fee**

In order to be eligible to shop from MMNS, customers are required to become a member of MMNS and pay a monthly membership fee, which is collected at the beginning of each month. The membership fee is currently S\$2.99 per month, and cancellation is free at any time. Non-members cannot shop from MMNS, although they are free to browse the storefront. This membership model provides a recurring revenue stream for MMNS, helping to offset its delivery costs. However, the membership fee could also be a barrier for new customers, since none of its major competitors in Singapore charge an upfront membership fee.

Nonetheless, MultiMart believes its brand's global reputation is strong enough to overcome this barrier, particularly since a large number of customers in Singapore already shopped from MultiMart US on a regular basis. These customers are accustomed to paying extra for shipping from the United States, so paying a low monthly fee in return for free shipping from the United States through MMNS is an attractive proposition.

## **Fee pricing**

When MMNS first launched, membership was free to encourage new customers to join. A membership fee was later introduced for new and existing members, though the first month of membership currently remains free to try. The current membership fee of S\$2.99 per month is a discounted fee. This is expected to increase to the regular fee of S\$8.99 per month for new and existing members once revenues stabilise. This regular fee is still significantly lower than the corresponding fee paid by members of MultiMart Now in North America.

The lower membership fee for the Singapore market takes into account the much smaller inventory available to its customers compared with the North American markets. Logistical costs for the Singapore market are also significantly lower, firstly because Singapore is much smaller than the North American markets, and secondly because Singapore is also closer to MultiMart's Asian suppliers.

The additional cost of offering video streaming and user live-streaming to audiences in Singapore is almost negligible, so it did not factor into membership pricing.

**END OF EXHIBIT 1**



**Summary management accounts (2016 – 2018)****MultiMart Now Singapore****Income statement**

	<i>Year ended 30 September 2018 S\$</i>	<i>Year ended 30 September 2017 S\$</i>	<i>For period June to 30 September 2016 S\$</i>
Gross merchandise value ( <i>Note 1</i> )	28,537,600	17,649,408	3,300,000
Less: Sales by third-party merchants ( <i>Note 1</i> )	8,561,280	4,412,352	759,000
<b>Revenue (<i>Note 2</i>)</b>	<b>19,976,320</b>	<b>13,237,056</b>	<b>2,541,000</b>
Cost of sales ( <i>Note 2</i> )	(16,979,872)	(11,066,179)	(2,134,440)
<b>Gross profit</b>	<b>2,996,448</b>	<b>2,170,877</b>	<b>406,560</b>
<b>Other income</b>			
Delivery fees charged to customers ( <i>Note 3</i> )	567,522	388,287	74,250
Subscription income: members' monthly fees	754,820	483,741	49,335
Commission income ( <i>Note 4</i> )	428,064	220,618	37,950
	<b>4,746,854</b>	<b>3,263,523</b>	<b>568,095</b>
<b>Expenses</b>			
Fulfilment and distribution costs ( <i>Note 5</i> )	(941,741)	(600,080)	(115,500)
Marketing	(913,203)	(554,191)	(132,000)
Technology and content ( <i>Note 6</i> )	(399,526)	(264,741)	(66,000)
Administration costs ( <i>Note 7</i> )	(2,727,520)	(2,162,586)	(458,815)
Movement in allowance for expected credit losses ( <i>Note 8</i> )	(24,360)	(29,885)	(36,185)
Operating expenses	(5,006,350)	(3,611,483)	(808,500)
<b>Operating (loss) before interest and taxation</b>	<b>(259,496)</b>	<b>(347,960)</b>	<b>(240,405)</b>
Interest expenses ( <i>Note 9</i> )	(500,000)	(525,000)	(183,333)
<b>(Loss) before taxation</b>	<b>(759,496)</b>	<b>(872,960)</b>	<b>(423,738)</b>
Taxation charge	-	-	-
<b>(Loss) after taxation</b>	<b>(759,496)</b>	<b>(872,960)</b>	<b>(423,738)</b>

**Key performance indicators**

Average monthly number of members	21,952	14,708	8,250
Number of orders	473,724	291,725	56,896

### Notes to the management accounts:

- 1 MMNS sells products from third-party vendors as well as its own products. Gross merchandise value is the total value of all products sold through MMNS. The value of third-party products sold has to be deducted from gross merchandise value to calculate MMNS's revenue from its own products sold.

Customers who buy products from third-party vendors make their payments to MMNS in the first instance. MMNS then settles with the third-party vendors.

- 2 Revenue and cost of sales relate to MMNS's own products only.

They are managed in two overall business areas: food and beverages; non-food products. The split for 2018 is below, which is indicative for prior year trading also.

<b>2018</b>	<b><i>Food &amp; beverages</i></b>	<b><i>Non-food products</i></b>	<b><i>Total</i></b>
	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>
Revenue	7,990,528	11,985,792	19,976,320
Cost of sales	(6,951,759)	(10,028,113)	(16,979,872)
<b>Gross profit</b>	<b>1,038,769</b>	<b>1,957,679</b>	<b>2,996,448</b>

- 3 Members making local orders greater than S\$40 benefit from free two-hour delivery. Local orders less than S\$40 are charged at S\$5.99 per order for two-hour delivery. Any customers wanting one-hour delivery on local orders are charged S\$9.99 per order.
- 4 Commission income relates to the commission MMNS earns from sales made by third-party vendors through the MultiMart platform. Commission is charged at 5% of the sale price.
- 5 Fulfilment and distribution costs consist of costs incurred in operating and staffing the warehouse: receiving goods from suppliers; storing them; preparing customer orders for shipment; and delivering orders to customers.

6 Technology and content costs relate to the design and maintenance of the IT infrastructure and systems, including payroll and related expenses for employees involved in designing and maintaining the apps and store front.

7 Administration costs:

	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>
Depreciation of warehouse	1,000,000	1,000,000	250,000
Other depreciation	325,000	310,000	80,000
Staff costs and other administration	1,402,520	852,586	128,815
	<b>2,727,520</b>	<b>2,162,586</b>	<b>458,815</b>

The warehouse, and all other items of property, plant and equipment are held at historical costs.

Depreciation is calculated using the straight-line method to allocate depreciable amounts over the estimated useful lives of assets.

Other administration costs relate primarily to corporate functions, including accounting, tax, legal and human resources, as well as insurance costs.

8 Trade receivables are shown net of an allowance for expected credit losses. The movement in this allowance for each year is shown as an expense in the income statement.

9 Interest expenses relate to group loans from MultiMart in the US.

In 2016, MultiMart provided MMNS a loan of S\$22million, including S\$20 million to purchase the warehouse in Singapore. The terms of this loan require MMNS to pay the market rate of interest and to make a capital repayment of S\$1 million each year.

**Summary management accounts**

**MultiMart Now Singapore**

**Statement of financial position as at 30 September**

	2018 S\$	2017 S\$	2016 S\$
<b><i>Non-current assets</i></b>			
Warehouse (net book value)	17,750,000	18,750,000	19,750,000
Plant and equipment (net book value)	1,625,000	1,550,000	1,600,000
<b>Total non-current assets</b>	<b>19,375,000</b>	<b>20,300,000</b>	<b>21,350,000</b>
<b><i>Current assets</i></b>			
Inventory ( <i>Note 10</i> )	1,535,166	1,152,095	711,480
Trade receivables ( <i>Note 11</i> )	1,720,075	1,257,218	687,500
Cash	197,560	318,762	545,392
<b>Total current assets</b>	<b>3,452,801</b>	<b>2,728,075</b>	<b>1,944,372</b>
<b>Total assets</b>	<b>22,827,801</b>	<b>23,028,075</b>	<b>23,294,372</b>
<b><i>Equity and liabilities</i></b>			
Share capital	1,000,000	1,000,000	1,000,000
Retained losses (Accumulated deficit)	(2,056,194)	(1,296,698)	(423,738)
<b>Total equity</b>	<b>(1,056,194)</b>	<b>(296,698)</b>	<b>576,262</b>
<b><i>Long-term liabilities</i></b>			
Loan from MultiMart group	19,000,000	20,000,000	21,000,000
<b><i>Current liabilities</i></b>			
Loan from MultiMart group	1,000,000	1,000,000	1,000,000
Trade payables	3,535,535	2,061,644	533,610
Accruals	348,460	263,129	184,500
<b>Total liabilities</b>	<b>23,883,995</b>	<b>23,324,773</b>	<b>22,718,110</b>
<b>Total equity and liabilities</b>	<b>22,827,801</b>	<b>23,028,075</b>	<b>23,294,372</b>

**Notes to the management accounts:**

- 10 Inventory relates to MMNS's own products only, and excludes any products MMNS handles on behalf of third-party merchants.
- 11 MMNS accepts a variety of payment methods, including credit card, debit cards, direct debit from customer's bank account, consumer invoicing and payment on delivery. Trade receivables relate to customers who have purchased goods from third party vendors, as well as customers who have purchased MMNS's own products.

Trade receivables are stated net of an allowance for expected credit losses of S\$90,430 in 2018, S\$66,070 in 2017 and S\$36,185 in 2016.

**END OF EXHIBIT 2**

**MMNS Pte Ltd's logistics and warehousing operations**

MMNS benefits from the infrastructure and technology of its parent company's global fulfilment network, which is one of the most advanced in the world. This enables it to offer two-hour local deliveries by courier, which is a key value proposition that differentiates MMNS from many of its competitors within Singapore's e-commerce market <sup>[1]</sup>.

**Centralised warehouse**

Local orders are handled at a 100,000-square-foot urban fulfilment centre in Singapore's Central Region, which is currently the largest MultiMart fulfilment centre globally. A single centralised fulfilment location allows for easier sorting, packing and delivery, eliminating the need to track and sort items across multiple fulfilment locations. This reduces costs, enhances efficiencies and limits the margin for error.

Pinpointing the best location for the fulfilment centre proved to be a challenge, since the site needed to be large enough to accommodate a single fulfilment centre that could service the entire city-state. There were also zoning considerations to take into account, since only business zoning allows for warehouses.

Because MMNS is purely an online business, footfall considerations did not factor strongly in the choice of location. More important were logistical factors such as proximity to urban areas and access to the expressway, which would determine whether MMNS could fulfil its two-hour delivery promise. The site that was finally chosen is located alongside the Pan Island Expressway, which extends along the length of Singapore, connecting Tuas in the west to Singapore Changi Airport in the east. This provides ready access to the city-state advanced expressway network, allowing couriers to travel quickly from one urban area to the next.

## **Fulfilment technology**

Inside the fulfilment centre, MMNS staff pack orders within 15 minutes of receiving them to allow as much time as possible for delivery. To help staff assemble orders quickly across the massive space, the fulfilment centre uses random stow systems, artificial intelligence and machine learning technology to drive greater efficiencies.

The random stow system means that item placement is determined not by category, but by order frequency, so books might share space with sporting equipment. Products that are ordered most frequently are placed in the most prominent locations, or the ones from which products can be most easily picked up.

Spatial design and algorithms are used to determine the most efficient route for staff to pick up items from more than one location. Once items are picked up, they are quickly bagged and processed for delivery.

## **Delivery network**

MMNS saves on the cost of maintaining and managing its own delivery fleet by outsourcing deliveries to a network of couriers that can meet its two-hour delivery promise. Nonetheless, it remains open to building its own delivery network in the future, like its US counterpart. It is currently partnered with several logistics firms for local deliveries, as well as local taxi operators (provided that a paying passenger is also on board, in accordance with the Land Transport Authority's regulations).

Deliveries are also open to freelance drivers, operating under an arrangement similar to other popular online delivery services like Grab and Foodpanda. The S\$25 hourly pay is more than double that of the competition on average, so driving for MultiMart is an attractive proposition. Freelance drivers who wish to become a delivery partner are invited to join the MultiMart Flex programme. Deliveries are arranged through a special MultiMart Flex app, which allows drivers to manage schedules, delivery routes and earnings through one handy mobile platform. Through advanced algorithms, deliveries are

optimised into clusters, allowing drivers to make multiple deliveries within the same area. Small courier vehicles are more agile than large trucks, allowing for more flexible delivery scheduling over a larger area.

### **Suppliers**

Thanks to the success of the MultiMart brand, MMNS was able to use its parent company's networks to quickly leverage well-established supplier partnerships across the globe, ensuring sufficient inventory at launch. MMNS is an appealing proposition to suppliers because it saves them the time, effort and money to develop their own e-commerce platforms. MMNS handles orders, fulfilment and customer service, while helping brands gain greater exposure.

**END OF EXHIBIT 3**



**MMNS Pte Ltd's company structure and organisation****Human resources**

MMNS employs a large number of people to manage its everyday operations, as well as to map out MultiMart's Asian expansion strategy. Some of the major functions are described below, though in practice there is always substantial overlap between the teams.

**Planning and strategy**

The management team is in charge of managing day-to-day operations, setting targets, measuring operating performance and establishing policies to ensure continued growth. It is also in charge of driving MultiMart's expansion strategy in the Asia-Pacific region.

Market analysts are in charge of monitoring the e-commerce and online grocery market in Singapore and across the Asia-Pacific, as well as tracking competitor pricing and performance. This team is also in charge of maintaining product diversity and setting product strategy to ensure the right mix of stock and pricing.<sup>[2]</sup>

The sales and marketing team is in charge of developing MultiMart's brand presence across Singapore and the Asia-Pacific. This team also determines which potential customers to target and how to reach them. In conjunction with the market analysts, it establishes which products should lead on the digital storefront as well as how to promote them.

**Asset management**

The technology team is in charge of developing, maintaining and troubleshooting the back-end systems, database, online storefront, order processing systems, secure payment gateway and more. It also manages the company's data centres, logistics systems and warehousing technology.

The design team is in charge of designing the digital storefront and creating marketing assets. It is also in charge of monitoring and analysing user behaviour, as well as managing the user experience.

### **Stakeholder engagement**

The MMNS's communications team is in charge of managing MultiMart's media presence and driving direct traffic to the storefront, primarily through online channels.

The customer service team helps manage the user experience on the front lines, addressing queries and ensuring that customer needs are addressed according to MultiMart's policies. Much of these operations are outsourced.

### **Fulfilment**

The supplier management team is in charge of nurturing supplier partnerships, managing and developing supplier networks, managing inventory levels and ensuring a reliable supply. The fulfilment, logistics and warehousing teams run frontline operations, managing inventory levels, managing sorting, storage and retrieval, and ensuring that orders are fulfilled and shipped according to schedule.

### **Administration**

The bookkeeping, finance, human resource and administration teams ensure the smooth running of the company. The administration teams in each all of MultiMart's subsidiary companies work with MultiMart group's legal and compliance teams to help keep MultiMart subsidiary companies compliant across all of its regional markets.

## Directors

The profiles of MMNS's directors are shown below.

<b>Director</b>	<b>Background and responsibilities</b>
Mr Nicholas Tan	<b>Chief Executive Officer (CEO)</b> Born and educated in Singapore, Nicholas has worked for MultiMart in the US since 2010, managing its operations there. He now has overall responsibility for managing MMNS's business.
Mr Henry Fernandez	<b>Operations Director</b> A native Singaporean, he was managing MultiMart's operations in the UK, but has now relocated back Singapore. He oversees MMNS's supply chain operations, including procurement, warehousing, inventory management and fulfilment.
Mrs Saleha Ahmed	<b>Sales &amp; Marketing Director</b> Joined MMNS in 2017; having previously worked as senior marketing manager at a competitor. Oversees the communications team and customer service teams, and has overall responsibility for customer acquisition and retention.
Mrs Jessica Chau	<b>Finance Director</b> Qualified accountant, with a background in retail. Oversees the finance, HR and compliance teams.
Mr Leong Kum Choy	<b>IT Director</b> In charge of the mobile app design team and the technology implementation and support teams.
Mrs Alicia Ning	<b>Non-executive Director</b> Joined MMNS as a non-executive director in 2017. Alicia has extensive experience in retail procurement, having previously worked for a number of high-profile e-commerce businesses in South East Asia.
Mr Felix Lin	<b>Non-executive Director</b> Felix Lin was appointed as a non-executive director in late 2016. Felix is a recently retired company auditor.

<b>Director</b>	<b>Background and responsibilities</b>
Mr Gary Bradley	<b>Representative from MultiMart US</b> Gary represents the interests of MMNS's US parent, MultiMart. He is predominantly based at MultiMart's head office in Atlanta, US but attends board meetings at MMNS on a quarterly basis.

**END OF EXHIBIT 4**

**An extract from a market report (4 June 2019) about MMNS Pte Ltd's entry into Singapore by retail analyst Jasmine Lee**

**Industry overview**

Singapore's relative affluence, growing middle class population, fast internet speeds, and its good infrastructure have all made it a prime target for multinational e-commerce companies, so it came as no surprise that MultiMart selected Singapore as its first market in South East Asia, when it launched MultiMart Now Singapore (MMNS) in 2016.

**Market outlook**

E-commerce has been growing rapidly in Singapore, but online commerce still only comprises a small percentage of overall retail and the market is still in the relatively early stages of its development, so there are continued opportunities for growth. Online ordering of groceries only accounted for about 2% of retail sales in Singapore in 2018.

Total retail e-commerce sales in Singapore (shown in S\$ billion) are:

<b>2019 (forecast)</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
4.15	3.74	3.33	2.13

However, MultiMart's entry into the e-commerce market also brings it into competition with other e-commerce giants who already have ventures in Singapore. In particular, MultiMart's foray into Singapore sets the stage for a potential showdown with its Chinese rival, Shangzu, which controls the regional e-commerce company, Heyda.

**Market position**

MMNS main competitors in the B2C general goods, personal care and fashion categories (and the number of visits to their websites as of early 2018) are:

- Buynow Singapore, a joint venture with another US e-commerce giant, with an estimated 11.4 million monthly visits;

- Heyda Singapore, which is controlled by Shangzu and has an estimated 9.65 million monthly visits;
- SendNow, with an estimated 1.55 million monthly visits; and
- DelSafe Singapore, which is backed by a Chinese conglomerate, and has an estimated 1.3 million monthly visits.

In the online grocery category, MMNS’s main competitors are:

- GoodBuy, which is owned by Heyda and is Singapore’s leading online grocer, with an estimated 1.25 million monthly visits;
- GrocerHub Online, the e-commerce portal of one of Singapore’s leading grocery retailers, with an estimated 760,000 monthly visits; and
- Deal4me, a start-up company, with an estimated 240,000 monthly visits.

Heyda acquired RedBuy in 2016. RedBuy provides online grocery shopping to customers in Singapore – from fresh produce to frozen foods – with two-hour delivery windows, so it provides direct competition to MMNS. In 2017, the competitor that dominated Singapore’s online retail sales was Buynow Singapore, with MMNS’s parent company, MultiMart, coming in second place. Its parent company’s strong market position and brand presence gives MMNS a valuable advantage from launch.

Revenues for MMNS’s two largest competitors in Singapore (in S\$ billion) are:

	<b>2019 (forecast)</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Buynow	1.20	1.10	1.00	0.65
Heyda	0.84	0.75	0.68	0.43

### **Competition with Heyda**

Heyda’s online retail sales market advantages include on-the-ground knowledge about the regional markets in which it operates, an extensive logistics network, and financial backing from Shangzu.

MMNS's advantages include the strength of its products/brands and how it localises to meet the needs of customers in Singapore.

South East Asia is seen as a lucrative market for e-commerce as millions of first-generation internet users are starting to embrace online shopping. However, the region's proximity to China potentially make it Shangzu's 'backyard' so this may mean that MultiMart doesn't invest as aggressively in South East Asia as it has in some other countries (eg India, where it has invested more than US \$2 billion in operations).

Instead, MultiMart is more likely to 'test the waters' in one or two markets in South East Asia, to grow the business and gain customers. Singapore's transport and delivery network make it an ideal location for MultiMart to establish a regional footprint, and its robust logistics network is necessary in order to achieve MMNS's delivery rate of two hours.

**END OF EXHIBIT 5a**

**MMNS Pte Ltd's strategy and approach – Overview prepared by Mrs Jessica Chau,  
MMNS Finance Director**

**Key value propositions**

To outperform the competition, MultiMart Now Singapore (MMNS) needed to launch with strong value propositions in place. These mainly revolve around its large range of products, high-quality goods, reliable service, a well-designed mobile app user experience and free express delivery.

MMNS is also backed by the strong presence of its parent company in Singapore, whose customer-friendly policies have earned it a strong reputation and substantial goodwill over the years. (Prior to the launch of MMNS, a large number of Singaporean customers already bought products from MultiMart's US website). Unlike its main competitors, MMNS does not depend on bargain prices to draw customers, but instead relies on its reputation for quality, reliability and enjoyable mobile app enabled shopping experience.

**Target customers**

MMNS's key value propositions are especially attractive to middle-class families with one or two working parents, who are short on time but can afford to pay a small premium for the added convenience of having fresh, high-quality groceries delivered at short notice. These customers tend to be well educated and lead fast-paced lives. They are concerned about eating healthy, staying fit and avoiding products that may be unsafe or contain harmful substances. They also tend to be more aware of environmental protection, animal testing and ethical sourcing issues. These customers are willing to pay more for higher quality but are nonetheless pleased to be offered bargains.

**Pricing**

MMNS determines its local inventory and pricing based on a large volume of market data and cost comparisons. These are derived partly from its parent company, MultiMart, and



partly from market research conducted by MultiMart's local pricing team in Singapore as well as third-party consultants.

Since MMNS does not rely on bargain prices to draw customers, its base prices are set at a middle range that its customers are comfortable with, knowing they are paying for the brand's inherent quality guarantee.

### **Discounts and special offers**

Even though base prices are in the middle range, MMNS offers frequent discounts that bring prices into the low range, giving shoppers the impression that they get getting premium goods for bargain prices.

These include a revolving range of regular discounts and special offers that apply to specific brands or product categories. Special seasonal discounts are also offered during local holidays like Deepavali and Chinese New Year, when the average household spending is typically higher. MMNS also offers attractive discounts for first-time customers, in addition to free membership for the first month. The type of discount depends on what credit card they use and how much they spend. These can be claimed using special discount codes at checkout.

These discounts are part of MMNS's sales strategy for attracting customers away from its competitors and building brand loyalty. The discounts are constantly changing, drawing customers back repeatedly with the promise of new offers on different brands and product categories.

MMNS is partnered with Rafbank, one of the oldest banks in continuous operation in Singapore. Customers with special Rafbank credit cards can enjoy exclusive offers and discounts. This arrangement is mutually beneficial for Rafbank and MMNS, encouraging customers to use the bank's card, and to make their purchases from MMNS.

## **Marketing**

MultiMart does not invest in offline advertising in Singapore. Instead, it relies heavily on its existing online channels and word of mouth to convert its substantial customer base in Singapore to MMNS. Following the launch of MMNS, the MultiMart US site began delivering targeted advertisements to visitors from Singapore, informing them of the launch and offering to redirect them to the MMNS microsite. Soon, visitors were downloading the MMNS app in large numbers.

MultiMart's marketing strategy also relies on social media channels to generate interest. For its launch, it recruited leading local social media influencers, who teased their followers with photos of delivery bags stamped with MultiMart's unmistakable logo. Thanks to MultiMart's strong presence in Singapore, these posts quickly went viral. The launch of MMNS became one of the year's most highly anticipated events. Given that MMNS exclusively targets smartphone users, as well as the high degree of digital penetration in Singapore, this online strategy remains an effective way to reach its target audience at minimal cost.

## **Virtual storefront**

MMNS is a purely online business. This has allowed it to avoid many of the expensive overheads associated with bricks-and-mortar retail outlets, while investing more heavily in logistics to support attractive value propositions like express delivery.

## **Mobile app**

Unlike its competitors, MMNS currently does not support web-based browsers. The storefront can only be accessed through its mobile app for iOS and Android mobile devices. These can be downloaded free of charge from the App Store and Google Play Store respectively. The app features a clean and immersive design that is easy to browse, in line with MultiMart's browser-based storefronts. Using the app, customers can browse by category or search for specific products. Non-members may still install and browse the MMNS app free of charge.

A variety of secure payment options are offered. Once payment is confirmed, the app offers live order tracking – something which MMNS’s major competitors do not offer.

The lack of browser support was not considered a significant hindrance to shoppers in Singapore, since smartphone penetration was estimated to be over 80% in 2018, and mobile devices were the most popular way to browse the internet. [3]

Rather, this smaller digital footprint makes the storefront easier to manage while MMNS gains traction and overcomes challenges in this new regional market. Like its American counterpart, MMNS may well introduce a browser-based storefront once revenues stabilise.

### **Website**

Even though MMNS currently does not support web-based browsers, the multimart.com.sg domain name was purchased more than ten years ago to ensure that it would remain available when the time was right to expand MultiMart’s online presence in Singapore. The domain name currently points to a microsite advertising the benefits of a MMNS membership. It contains repeated calls to action and links to download the app and sign up for a membership. The microsite is optimised to rank highly on search engines, particularly for searches made from Singapore for ‘MultiMart’.

### **IT support**

Because MultiMart is a huge global player with a significant market share already existing in Singapore, MMNS anticipated a high volume of traffic from launch. Rather than relying on its parent company’s servers across the world, it chose to establish data centres closer to home in the Asia-Pacific region.

MultiMart Web Services is a separate subsidiary of MultiMart that offers on-demand cloud computing platforms for hire. It launched in Singapore more than five years ago and has since established a robust IT infrastructure in the region. MMNS was able to leverage this

to provide local customers with the same engaging, quick and well-designed mobile app browsing experience that people have come to expect from the MultiMart brand.

MMNS uses the same proprietary payment gateway perfected by MultiMart over the years. It also uses the same advanced cybersecurity measures to encrypt customer data. Beyond relatively low localisation and implementation costs, little additional investment was required.

**END OF EXHIBIT 5b**

**The regulatory environment in Singapore**

As with all its regional markets, Singapore presented MultiMart with a unique set of regulatory challenges. Fortunately, the city-state has a well-established e-commerce market, with a regulatory regime that is relatively straightforward to navigate. Indeed, this was one of the primary reasons that MultiMart chose Singapore for its first foray in South East Asia.

**Incorporation and tax liability**

MultiMart incorporated its Singapore business as a private limited company. Advantages of this structure include limited liability, legal entity status and tax incentives. Registering a private limited company in Singapore is a fast and straightforward process that can normally be completed in 24 hours<sup>[4]</sup>.

Two principal taxes apply to e-commerce in Singapore: income tax, and goods and services tax (GST). MMNS meets the definition of tax resident in the country, and is therefore liable to pay income tax. This is because the company's e-transactions with Singapore customers rely on a 'permanent establishment' – a fixed place where business is wholly or partly carried on <sup>[5]</sup> – in the form of the urban fulfilment centre.

GST registration was also compulsory for MMNS since its annual turnover was expected to exceed S\$1 million.

While GST is passed on to consumers, its existence can prompt retailers to lower their prices, since consumers make purchasing decisions based on the total price they will need to pay. This is nothing new for MultiMart, however, with sales tax the norm in its biggest market of North America. And at 7%, Singapore's current rate of GST is lower than the average rate of sales tax in the United States.

## **Finance and Treasury Centre**

A division or department of a company which provides treasury, investment or financial services, in Singapore, for associated companies outside Singapore could qualify as a Finance and Treasury Centre (FTC), and benefit from associated tax benefits. However, MMNS does not currently qualify as a FTC.

MultiMart's head office finance team currently oversees treasury and investment services for all its subsidiary companies.

## **Compliance with local regulations**

For the purposes of regulation, Singapore considers internet content to be broadcast media content, meaning that it falls within the scope of the Singapore Broadcasting Authority (SBA). Under the SBA Act, all licensable broadcasting services – including online services offered by internet service providers and internet content providers – must be licensed. However, as an e-commerce website owner, MultiMart qualifies as a 'class licensee', meaning that the company is automatically licensed.<sup>[6]</sup>

Since the MMNS service runs on local servers, the company is also legally bound to comply with the country's Internet Code of Practice. The code prohibits the broadcast of materials considered objectionable on grounds of public morality, public order, public interest or public security, as well as materials otherwise prohibited under Singapore law. MultiMart's compliance team is aware of the stipulations and does not anticipate any issues with products offered on the MMNS app.

As MultiMart had not previously had a base of operations in Singapore, the company also sought the advice of local authorities, including the Economic Development Board, in anticipation of the launch of its MMNS service. Through its partnerships with on-the-ground specialists, MultiMart was able to ensure compliance with the country's Land Transport Authority, from a traffic and signalling perspective, as well as the Agri-Food & Veterinary Authority of Singapore, in terms of classifying food safety.

In addition, the compliance team works on an ongoing basis to ensure that:

- MultiMart's online ads in Singapore comply with the country's Code of Advertising Practice as well as the SBA's advertising guidelines;
- Product descriptions on the MMNS app adhere to the requirements of the country's Consumer Protection (Trade Descriptions and Safety Requirements) Act;
- Promotional activities are in line with the provisions set out in Singapore's Common Gaming Housing Act and Public Entertainment Act; and
- Any online promises or implied contracts are made with reference to the country's Electronic Transactions Act.

### **Protection of customer data**

Singapore's Personal Data Protection Act provides rules for how businesses can collect, use and disclose their customers' personal information. MMNS's compliance team ensures that the company meets all its data protection obligations in Singapore, as stipulated by the Personal Data Protection Commission, which is the national authority responsible for monitoring and enforcing data protection. Wherever the company does business, MultiMart informs its customers of how their data will be collected and used in its Privacy Notice. The MMNS Singapore sign-up page includes the wording, under the 'Create your account' button: 'By creating an account, you agree to MultiMart's Conditions of Use and Privacy Notice'. Hyperlinks from 'Conditions of Use' and 'Privacy Notice' take potential customers to the relevant documents.

The compliance team is also familiar with Singapore's Computers Misuse Act, which is designed to protect internet users' privacy and personal information, and ensure credit card payment security. Fortunately, as a multinational corporation with a successful cloud computing subsidiary in its stable, MultiMart boasted top-notch cybersecurity credentials long before it entered the Singapore market.

In all the markets where it operates, MultiMart safeguards its customers' information during online transmission using transport layer security software, which encrypts the information customers input. Credit card details are protected during transmission using

encryption technology that encodes the information before releasing it to the internet. During order confirmation, the MultiMart interface reveals only the last four digits of the customer's credit card number. The risk of fraud is low since the rest of the credit card details are never known by the third party merchant, but rather remain within a secured, encrypted environment.

**END OF EXHIBIT 6**



**Extract from an article titled '*MultiMart Now Singapore looks to the future*' – taken from the *Retailing Matters* website**

[Article date: 25 June 2019]

Although Singapore was MultiMart's first venture into South East Asia, industry experts predicted that MultiMart would use it as a launchpad for further expansion into the region.

Six months after the launch of MMNS, MultiMart announced a partnership with the Vietnam E-Commerce Association (VECOM), the country's largest consortium of local online sellers. The move is linked to a programme designed to enable Vietnamese SMEs to get their merchandise on MultiMart's extensive global distribution network. To industry watchers, these developments are a clear signal of the MultiMart's intentions in South East Asia.

A respected local journalist, covering the technology industry noted: 'MultiMart's scale and reach helps companies to sell to wider markets. The partnership with MultiMart will give VECOM's members a platform for increasing exports of Vietnamese-made goods. But MultiMart's bigger target here is Vietnam's 100 million strong market.' The partnership with VECOM is likely to represent only the first stage of MultiMart's entry into Vietnam: 'After building ties with VECOM members, MultiMart's next step could be to penetrate Vietnam's own e-commerce market, with its marketplace service.'

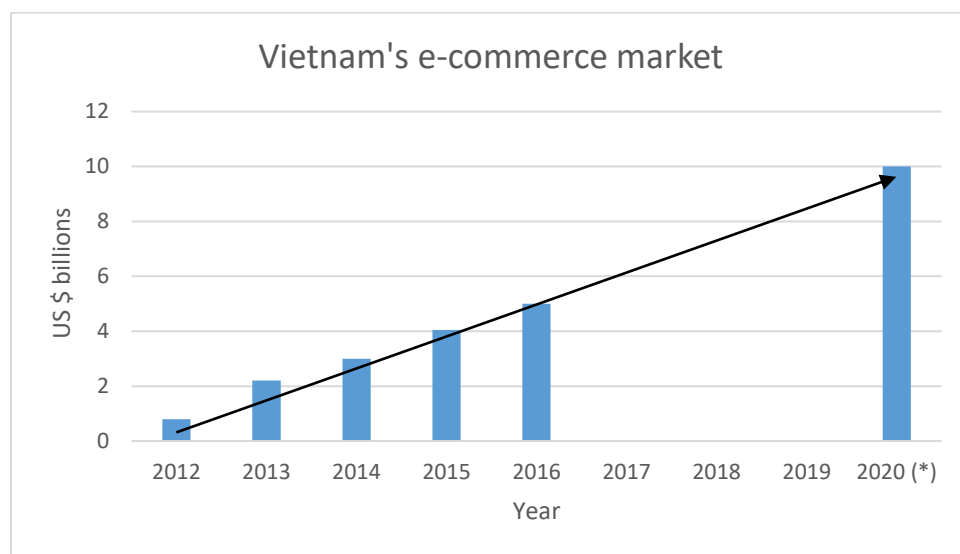
Similarly, MultiMart tested the market through third-party-seller collaborations ahead of recent big launches in Australia and Brazil. By partnering with local brands, it is believed, the company can gain a foothold in Vietnam and build brand awareness among consumers, in advance of attempting to enter the Vietnamese market directly. The VECOM alliance will also support MultiMart's product localisation strategy in this new market.

## Opportunities

Vietnam has the most important ingredients for a thriving e-commerce economy: a young population, rising incomes, and growing internet and mobile (smartphone) adoption.

According to VECOM data, the country's e-commerce market is among the fastest-growing globally, having expanded by 25% in 2017. This growth rate is expected to continue to rise through 2020. In 2017, online retailers enjoyed a growth in revenue of 35%, while delivery services saw impressive growth rates of 62–200%. [7]

The same year, the National Payment Corporation of Vietnam reported a nearly 50% rise in online transaction volumes from Vietnamese customers as well as a 75% increase in value year on year. Vietnam's annual e-commerce revenue is projected to climb to US\$10 billion, and account for 5% of total retail revenue, by 2020.



\* 2020 is a projection. Actual data is not available between 2017 - 2020.

Source: Vietnam Ministry of Trade and Industry [8]

In South East Asia as a whole, e-commerce sales are projected to reach US\$88 billion by 2025, up from an estimated US\$11 billion in 2017. The region is especially valuable to MultiMart because the growth of its 'Now' subscriber base is reportedly slowing in the US and other developed nations.

## Challenges

Arguably MultiMart's biggest challenge, in both Vietnam and the region as a whole, will be to compete against its well-established Chinese rivals. An industry report highlighted that major Chinese internet companies invested more than US\$8 billion in 2017 in South East Asia's e-commerce, logistics and payments markets.

Shangzu owns 83% of Heyda, one of the largest e-commerce sites in Vietnam in 2017, with 41.25 million visits. The technology giant invested a staggering US\$4 billion in the platform in less than two years, between 2016 and 2018. (Heyda operates e-commerce marketplaces in six South East Asian countries: Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam).

A Japanese conglomerate invested US\$50 million in the Vietnamese e-commerce company BTB in 2018, while DelSafe's platform in Vietnam benefitted from an investment of US\$500 million from its Chinese backers in 2017 (and DelSafe is now winning new customers by offering free shipping).

Vietnam's e-commerce landscape presents some additional challenges of the kind not faced by MultiMart in Singapore:

- Poor logistics – mainly due to insufficient infrastructure development – is a challenge in South East Asia in general, and Vietnam in particular. Narrow roads and severe congestion make driving difficult for cars, and even more difficult for delivery trucks.
- Unreliability of deliveries – in addition, there are few 'commercial' delivery companies in Vietnam. The home delivery sector still consists mainly of sole proprietors, carrying packages on their motorbikes.
- Cash-on-delivery rates are high in the country. There is an underlying distrust of online vendors in Vietnam (particularly in relation to buying expensive items) because people worry whether they will actually get the products they order. Also, only around 10% of the population has credit cards, so paying for online purchases often involves cash on delivery.

- Consumer price sensitivity is also a major factor. The average monthly salary in Ho Chi Minh City is slightly over US\$450, and this is almost 40% above the national average. High shipping fees could be a deal breaker in this market, and a US\$35 threshold for free deliveries – the current norm for the MultiMart Now two-hour service – would generally be considered too high for this market.

**END OF EXHIBIT 7a**

**Country profile: Vietnam**

Vietnam is located in South East Asia, situated to the northeast of Singapore. Vietnam shares a border with China to the north, and Laos and Cambodia to the West. Hanoi is Vietnam's capital. Ho Chi Minh City in the south of the country is the largest commercial city in Vietnam. The air travel distance between Singapore and Hanoi is approximately 1,370 miles, and the air travel distance from Singapore to Ho Chi Minh City is 686 miles.

Vietnam has a population of nearly 100 million people (95.6 million). The national currency is the Vietnamese Dong. Vietnam maintains a stable exchange rate. Tourism, food processing, mining, steel production and cement production are major industries in Vietnam. Vietnam is endowed with a many natural resources including coal, offshore oil and gas deposits, timber and arable land. Foreign ownership in certain industries in Vietnam is restricted with industries such as financial services, logistics, telecommunications, mining and utilities having foreign ownership restrictions.

Vietnam has a growing middle class and an educated population. Over 60% of the population in Vietnam are under the age of 35. Vietnam is experiencing growth in internet and smartphone usage among the general population. Smart phone penetration among the population reached 26% in 2017, a development which has attracted digital businesses to set up operations in the country.

Since 1975, Vietnam has been governed as a single-party state by the Vietnamese Communist Party. Since the 1980s successive governments have gradually transformed Vietnam's economy from a centrally planned economy to a market-oriented economy. Today Vietnam is one of the fastest-growing economies in South East Asia. In 2018, the Vietnamese government stated its intention to transform Vietnam into a developed nation by 2020.

Central to achieving this is the Vietnamese government's commitment to restoring its reputation which had suffered under previous administrations amid accusations of

corruption and growing budget deficits. Many of the current administration's policies are directed towards enhancing the integrity of the various government agencies and departments that it oversees. In 2017 the Vietnamese government launched a programme to improve the business environment, with the intention of making it easier to do business in Vietnam. As part of this programme the Vietnamese government tasked a number of governmental agencies and departments to review the conditions and regulations that had hindered attracting external investment. According to one report, by August 2018, 15.2% of these conditions had been eliminated, and a further 40% were in the process of being amended. Vietnam is expected to maintain GDP growth at a rate of 6.5% to 7% up to 2020. Since its peak at 18% in 2011, inflation in Vietnam has fallen dramatically, and had reached 2.7% in early 2019.

In 1995 Vietnam was admitted as a member state of the Association of South East Asian Nations (ASEAN), a regional inter-governmental organisation. ASEAN consists of: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam. ASEAN aims to promote collaboration and co-operation in South East Asia by accelerating economic growth, social progress and cultural development in the region. Since its founding ASEAN has negotiated a free trade agreement among member states and other countries including China, and has reduced the bureaucracy that citizens from member states encounter when travelling in the region.

Although recognised as a country of outstanding natural beauty, industrialisation and increasing car and motorcycle usage throughout Vietnam have resulted in increasingly dangerous levels of air pollution particularly in the Red River Delta, Ho Chi Minh City and Mekong Delta. This has resulted in rising levels of tuberculosis, heart disease and various types of cancer. The Vietnamese government's launch in 2016 of a national action plan to address poor air quality has to date had little effect on improving the situation.

Vietnam's legal system has gradually transformed having originally been modelled on French and Soviet systems until the late 1980s, and today shares many of the features that would be found in most legal systems in the West. In 2013 Vietnam introduced a

labour code which sets out the rights and obligations of employers and employees in respect of a number of employment issues including the termination of employment, working hours and minimum rates of pay.

**END OF EXHIBIT 7b**

**Email from Saleha Ahmed, MMNS Pte Ltd's Sales and Marketing Director to Leong Kum Choy, MMNS Pte Ltd's IT Director**

**Saleha Ahmed**

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**From:** Saleha Ahmed <AhmedS@MMNS.sg>  
**Sent:** 2 July 2019 6:01 pm  
**To:** Leong Kum Choy <LeongKC@MMNS.sg>  
**Subject:** Customer acquisition and marketing statistics

Following our conversation the other day, these are the metrics I would like to include in our reporting pack:

- Monthly active users
- Churn rate
- Customer lifetime value
- Member acquisition cost
- Gross merchandise value (Already included in the management accounts)

**Monthly active users**

Revenue growth depends not simply on attracting customers, but also ensuring that they use MMNS regularly to make purchases. The number of monthly active users measures the number of unique users (ie different people) who use the app during a 30 day period.

**Churn rate**

Churn rate measures the number of customers who cancel their membership during a month, as a proportion of total customers at the beginning of the month.

It is important to try to keep churn rate as low as possible, so that new customers acquired grow the business rather than simply replacing customers who have left.

Average customer lifespan can be calculated as  $1/\text{Churn rate}$ .



## Customer lifetime value

Customer lifetime value (CLV) is the amount of profit MMNS can expect a customer to generate over the course of their business relationship.

There are three key factors which influence CLV:

- Average purchase value (ie the revenue earned from a customer, less the cost of serving them);
- Average purchase frequency;
- Average customer lifespan (ie how long customers remain before churning).

Increasing any of these will help increase CLV. At MMNS, the monthly membership fee, also contributes to CLV.

CLV can be calculated as follows:

$$\text{CLV} = ((\text{Average purchase value} \times \text{average purchase frequency}) + \text{Membership fee}) \times \text{lifespan}$$

For example, if a customer's average purchase value is S\$25, the customer makes four purchases per month, and customers have an average lifespan of 18 months, the customer's CLV = S\$1,853.82 [S\$((25 × 4) + \$2.99) × 18]

However, the real importance of CLV comes from comparing it to the cost of acquiring a customer.

Unless CLV is greater than the cost of acquiring customers (advertising, marketing, offers etc), then there is no overall benefit to the company in acquiring the new customers.

As such, we also need to measure member acquisition costs.

## Member acquisition cost

**Member acquisition cost** is the total cost (including marketing costs and any initial discounts/offers) for acquiring a new member.

The cost to acquire a typical customer in any period can be calculated as:

Sales and marketing expenses\* / Number of new customers added

\* Not all sales and marketing costs relate to new customers (eg some could relate to retaining existing customers). As far as possible, only expenses related to customer acquisition should be included here.

### **Gross merchandise value**

MMNS sells products from third party sellers as well as MMNS own goods. Measuring the gross value of all sales through the MMNS platform provides useful and valuable insight into the platform's performance.

As well as selling our own products, MMNS also provides an important mechanism for connecting third party buyers and sellers.

Measuring gross merchandise value will help us monitor how effectively we are doing this.

Conventional measures of 'sales revenue' will measure only MMNS's sales of its own products (excluding those made by third-party sellers through the platform).

Please let me know a suitable time to discuss this matter further.

Kindest regards,

***Saleha Ahmed***

Sales and Marketing Director, MultiMart Now Singapore Pte Ltd

**END OF EXHIBIT 8**

**Email from Leong Kum Choy, MMNS Pte Ltd's IT Director to the MMNS Pte Ltd's board of directors**

**Leong Kum Choy**

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**From:** Leong Kum Choy <LeongKC@MMNS.sg>  
**Sent:** 25 July 2019 14:23 pm  
**To:** All directors <directors@MMNS.sg>  
**Subject:** Data protection and cybersecurity

As you know, I was attending a cybersecurity conference yesterday, and I was amazed by the number of security incidents which other firms has experienced.

In the light of this, I think we need to review our cybersecurity policies and procedures as a matter of urgency.

I also think we need to consider how we would respond if MMNS was affected by a cybersecurity incident – both in terms of investigating the incident, but also how we respond to it.

I'm going to speak to internal audit about what work they have already done in this area, but I would like us as a board to consider the following five key areas:

- 1. Identification** – Identify the key systems, devices and facilities that enable MMNS to achieve its purposes, and understand the potential cybersecurity risks to business operations, and to our strategy, image and reputation.
- 2. Protection** – Has the business developed and implemented appropriate safeguards to ensure we can continue to develop our key business services, and to limit or contain the impact of a potential cybersecurity event.
- 3. Detection** – Are appropriate activities and procedures in place to identify the occurrence of a cybersecurity breach?
- 4. Response** – Do we have an appropriate plan in place to allow us to take action if a cybersecurity incident is detected?

**5. Recovery** – Do we have appropriate systems in place to enable us to restore any capabilities and services that may be impaired in a cybersecurity incident?

I would like to suggest that these matters be included as agenda items at the next board meeting.

Regards,

***LEONG Kum Choy***

IT Director, MultiMart Now Singapore Pte Ltd

**END OF EXHIBIT 9**

**Extracts from Board Minutes – August 2019**

Saleha Ahmed raised concerns that customer numbers are not growing as fast as had been hoped. Churn rate remains quite low, but the problem is in the number of new customers being acquired.

Henry Fernandez questioned MultiMart's expectations for MMNS had been too bullish. He pointed out that Singapore's online grocery market is potentially smaller than other markets, as there is little need for people to order online for convenience. Most residents live within walking distance of a grocery store and a mall, reducing the appeal of the MMNS delivery service.

Henry also questioned whether MMNS purely online base might be a problem in this respect. He argued that some customers prefer a shopping experience that combines the best of traditional retail ('bricks-and-mortar') and e-commerce; what has sometimes been called 'click-and-mortar.' He pointed out that some of MMNS's competitors offer 'click-and-collect' lounges in a number of shopping malls, and questioned whether MMNS could do something similar (eg offering pick-up points at transport hubs)?

Jessica highlighted the implications this has for the monthly membership fee. It is currently still held at the discounted rate of S\$2.99 per month, but the board had originally hoped that MMNS would be able to increase the rate in 2019, to help cover delivery costs. However, Jessica has suggested that this will not be the case now.

**END OF EXHIBIT 10**

**Email from Jessica Chau, MMNS Pte Ltd's Finance Director, to Nicholas Tan, MMNS Pte Ltd's CEO**

**Jessica Chau**

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**From:** Jessica Chau <Chau@MMNS.sg>  
**Sent:** 15 August 2019 19:41 pm  
**To:** Nicholas Tan <Tan@MMNS.sg>  
**Subject:** Funding

I've just been speaking to MultiMart Group finance, and one of the issues we discussed was MMNS's cash flow and future funding requirements.

As you are aware, MultiMart Group wants to expand the MultiMart business further into South East Asia, and they see MMNS as the vehicle to help them achieve that. Mindful of this, I have been working with Henry Fernandez (Operations Director) on a proposal for MMNS to enter the e-commerce market in Vietnam. We are currently working on determining the cash flows associated with two potential options. However, I thought you would appreciate advanced sight of our work before we present our full findings to the MMNS board later in the year. I have included these as an attachment to this email.

MultiMart Group accepts the fact that MMNS itself doesn't generate sufficient cash to fund such expansion without support from Group finance.

With this in mind, they have agreed to provide us with additional intra-group loans as necessary, to support our growth plans in the region. They have stipulated that any loans will need to be treated as formal lending agreements with a fixed term; interest rates will be set on a case-by-case basis.

The usual financial criterion will apply, ie any projects funded by intercompany loans will need to generate a pre-tax internal rate of return of at least 10% to be considered.

MultiMart Group policy is that subsidiary companies have to obtain their loans from MultiMart US, rather than negotiating external funding themselves. MultiMart Group has made this policy very clear – so if we need additional funding we have to get it from them.

I am available this week to discuss any of the matters raised further.

***Jessica Chau***

Finance Director, MultiMart Now Singapore Pte Ltd

**END OF EXHIBIT 11a**

**Attachment to email from Jessica Chau, MMNS Pte Ltd's Finance Director outlining the options for expanding into Vietnam**

We are considering two potential options for MMNS to expand into Vietnam. Both options involve MMNS serving the e-commerce market based in and around Ho Chi Minh City in the South East region of Vietnam. MMNS would develop a Vietnamese version of its smartphone app which would only accept orders for delivery from customers which provide an address in the region of Ho Chi Minh City. Initially, the expansion would only be available to customers in and around Ho Chi Minh City, not to the whole of Vietnam.

Ho Chi Minh City was selected because it is Vietnam's largest commercial city. In the longer term if the app proves successful, MMNS intends to make it available for use throughout the whole country. As in Singapore, Vietnamese users of the MMNS app would be required to pay a membership fee which would be payable in Vietnamese Dong.

Effective supply chain management will be central to ensuring the success of the two options set out below.

***Option 1: Serve the e-commerce market in and around Ho Chi Minh City from MMNS's Singapore fulfilment centre***

Under this option, MMNS would deliver orders to Ho Chi Minh City and the surrounding region using its existing infrastructures based in Singapore.

MMNS's decision to purchase such a large warehouse and fulfilment centre in Singapore was driven in part by a desire to use it as a base to exploit opportunities to serve new markets. As such the existing Singapore-based warehouse and fulfilment centre would have sufficient capacity to handle the anticipated number of orders placed by customers in Vietnam. There are no plans to invest in additional warehousing in Singapore under Option 1 at the current time.



Staff employed in MMNS existing operations would arrange goods for distribution to customers based in Vietnam. All other activities including sales and marketing would continue to operate from MMNS in Singapore.

Unlike MMNS current Singapore operations where customers can select various delivery options, goods supplied under Option 1 would be shipped directly to the end customer in Ho Chi Minh City. Option 1 is consistent with the approach taken by the MultiMart US site which permits customers to purchase goods and have them shipped internationally.

Shipping from MMNS's operations to customers in Vietnam would be handled by a single international shipping firm. The shipping firm would collect items for delivery from the MMNS fulfilment centre in Singapore and deliver them to the end customer in Vietnam. Delivery lead times are estimated to take between two to four days. MMNS would recharge the costs of each delivery to the end customer.

Under Option 1, MMNS will aim to attract a number of new third-party merchants with experience of selling goods that appeal to customers in Vietnam. As with MMNS own suppliers, the third-party merchants selling through the app will be required to deliver goods to be delivered to Vietnam to MMNS's fulfilment centre in Singapore. The process of getting these goods to Vietnam would be handled by the international shipping firm.

### ***Option 2: Establish a fulfilment centre in the Nha Be District of Ho Chi Minh City***

Under this option, MMNS would set up an 80,000-square-foot fulfilment centre in the Nha Be District of Ho Chi Minh City. Under Option 2, and unlike Option 1, customers would be able to select express delivery of their items.

Under Option 2, MMNS would lease a warehouse for a fixed period of five years. Before the fulfilment centre could become operational, MMNS would need to invest in the necessary hardware and software to operate it. Hardware costs would relate to the purchase and setting up of a new stow system to store and manage the inventory held onsite. The software costs would cover the purchase and installation costs of the Artificial Intelligence and Machine Learning software that would be needed to operate the

fulfilment centre efficiently. The hardware and software selected for purchase will be the same as that used in MultiMart's (US) other global operations.

To help ensure the smooth running of the stow system used in the fulfilment centre, MMNS would use a local Vietnamese contractor to conduct routine checks and physical maintenance inspections of the equipment used.

The Vietnamese fulfilment centre would be staffed by workers located in and around Ho Chi Minh City. General costs associated with Option 2 would include lighting and air conditioning costs.

MMNS estimates that fewer deliveries would be made to customers in Vietnam under Option 1 than under Option 2. This is due to the need to pass on the higher costs of delivery to customers in Vietnam who are known to be extremely price sensitive to delivery charges, coupled with limiting the range of fresh products which can be sold due to their perishability. To limit the effects of this, MMNS would purchase a range of non-perishable goods from its existing global suppliers which it believes will appeal to customers in Vietnam. MMNS's suppliers will be required to deliver goods to its Singapore based fulfilment centre so that they can be prepared for delivery to Vietnam.

Unlike Option 1, there would be no restrictions on the types of products sold under Option 2. Under Option 2 a significant proportion of the items purchased for resale in Vietnam would be supplied by Vietnamese suppliers new to MMNS. The Vietnamese suppliers to be used would be expected to uphold MMNS's ethical standards. These standards require suppliers to conduct business in a sustainable manner by committing to reduce the 'carbon footprint' associated with their activities and to refrain from exploitative practices such as the unfair treatment of employees and the use of child labour.

In addition to this, MMNS will purchase goods for resale from its existing trusted suppliers of well-known global brands. All suppliers will be required to deliver goods to MMNS's Vietnamese fulfilment centre. All suppliers under Option 2 would be paid in Vietnamese Dong. As with Option 1 MMNS would aim to attract new third-party merchants to sell goods to customers in Vietnam. The third-party merchants would be required to deliver their goods to MMNS's Vietnamese fulfilment centre. MMNS would then arrange to deliver the goods sold by third-party merchants to the end customer.

To get MMNS's goods and those sold by third-party merchants from the fulfilment centre to customers in and around Ho Chi Minh City, MMNS would use freelance motorcycle couriers to make deliveries. As with Option 1, MMNS would recharge the costs of each delivery to the end customer.

It is estimated that the number of orders under Option 2 will be substantially higher than under Option 1 due to the wider range of products which could be sold.

Under both options, MMNS will generate cash inflows from the goods that it sells through the app. Income will also be generated from the membership subscriptions that customers pay to use the app. Commission income will be earned from the third-party merchants that MMNS permits to sell through its app.

**END OF EXHIBIT 11b**

**Extract from a memo issued by the MultiMart group head office to all subsidiary companies regarding corporate governance and compliance requirements**

*5 September 2019*

**Internal controls**

**Financial reporting** – The subsidiary company’s management team is responsible for ensuring adequate controls over financial reporting are in place. Management should evaluate, annually, whether internal controls over financial reporting are effective. Management is responsible for maintaining sufficient evidence and documentation to provide reasonable support for their assessment of the adequacy of the controls over financial reporting.

**Information systems** – Information systems are a vital part of MultiMart’s infrastructure. Management should ensure that adequate controls are in place to safeguard the security of their company’s IT assets and information systems, and to prevent unauthorised users from viewing sensitive information.

**Risk register**

MultiMart Group needs to understand, and be informed about, risks relating to its subsidiary companies.

Each subsidiary company’s board is responsible for reviewing major risks as a regular part of its agenda, and is responsible for risk management within the subsidiary company, enabling the subsidiary company to respond appropriately to business, operational, financial, compliance and other risks.

A risk register should be maintained and updated on at least a quarterly basis, taking account of the potential impact of risks and the likelihood of occurrence.

The register should also identify the key steps which the subsidiary company has taken to mitigate the risks.

### **Suppliers and procurement**

The cost of poor quality – in relation to products supplied, or to customer experience – can be considerable.

Management should ensure that procedures are in place to ensure that commitments for goods and services are made through authorised systems and in accordance with established levels of authority.

Wherever possible, purchases should be made from suppliers with whom the subsidiary company has an existing supply arrangement (ie approved suppliers).

If this is not possible, purchases should not be made before an appropriate form of commercial agreement is authorised between the company and the supplier.

All purchases or contracts with a value greater than S\$50,000 should be subject to a competitive tender process before any commercial agreement is entered into.

### **Reporting information**

Management is responsible for ensuring the quality of internal and external reporting information. This requires the maintenance of proper records, and appropriate processes to be in place to enable timely, relevant and reliable performance information to be produced.

The company should report on key areas of non-financial performance as well as financial performance, to help MultiMart group understand the factors which are shaping the subsidiary company's performance.

**END OF EXHIBIT 12**

**Email from Saleha Ahmed, MMNS Pte Ltd's Sales and Marketing Director to the Sales and Marketing team**

**Saleha Ahmed**

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**From:** Saleha Ahmed <AhmedS@MMNS.sg>  
**Sent:** 15 September 2019 8:01 pm  
**To:** Sales and Marketing Team <sm@MMNS.sg>  
**Subject:** Chinese competitors and market share

All,

I have been looking at recent market share data and it seems that our competitors, particularly Heyda and DelSafe, which are backed by Chinese conglomerates, are gaining market share more quickly than MMNS.

They use carefully targeted discounts and offers to attract – and retain customers – and MMNS needs to investigate if there are ways we can identify target customers more precisely, and then reach them more effectively.

One particular area to investigate is data analytics software. I've asked our marketing manager, Eddie, to look into possible analytics packages, and if any of you have recommendations in this area, I'd be very grateful if you would let me know.

As I've mentioned several times before, Singapore is becoming an increasingly tough marketplace for e-commerce, with global and regional websites battling fiercely for market share. In this environment, our ability to acquire customers effectively, through targeted marketing, is going to be very important to MMNS's success.

Kind regards,

***Saleha Ahmed***

Sales & Marketing Director, MultiMart Now Singapore Pte Ltd

**END OF EXHIBIT 13**

## Suggestions for further research and reference list

### Further research

The following resources may be useful when you begin your research into the case study company. As always, the caveat is to read everything with a healthy dose of scepticism and apply professional judgment. Just because an article is on this list, does not give it legitimacy or relevance. All links were active as at 1 August 2019.

### Articles and information:

#### **The Business Times**

*Views on Vietnam: Opportunities, misconceptions and challenges*

<https://www.businesstimes.com.sg/asean-business/guides/views-on-vietnam-opportunities-misconceptions-and-challenges>

#### **Construct Digital**

*8 Popular e-commerce sites in Singapore*

<https://www.constructdigital.com/insight/8-popular-ecommerce-sites-singapore>

#### **Index of Economic Freedom: Singapore**

<https://www.heritage.org/index/country/singapore>

#### **Singapore Economic Development Board**

*Last Mile developments in Singapore*

<https://www.edb.gov.sg/en/news-and-events/insights/innovation/last-mile-developments-in-singapore.html>

#### **Tech in Asia**

*Vietnamese C2C portal Sendo nets \$51m from SoftBank, SBI, and others*

<https://www.techinasia.com/sendo-series-b>

## **The Japan Times**

*Japanese firms pick Vietnam as Asia's top investment spot, with India a distant second*

<https://www.japantimes.co.jp/news/2019/01/10/business/japanese-firms-pick-vietnam-asias-top-investment-spot/#.XK4HbUUrKvE>

## **Company websites:**

The following are a selection of the leading e-commerce companies operating in Singapore:

### **Alibaba Singapore**

<https://www.alibaba.com/showroom/online-shopping-singapore.html>

### **Amazon**

[https://www.amazon.com/ref=nav\\_logo](https://www.amazon.com/ref=nav_logo)

### **Baidu**

<http://ir.baidu.com/phoenix.zhtml?c=188488&p=irol-irhome>

### **ezbuy Singapore**

<https://ezbuy.sg/>

### **FairPrice Singapore**

<https://www.fairprice.com.sg/>

### **FoodPanda Singapore**

<https://www.foodpanda.sg/>

### **GrabFood Singapore**

<https://www.grab.com/sg/food/>

### **Honestbee Singapore**

<https://www.honestbee.sg/en/>

### **JD**

<https://corporate.jd.com/ourBusiness>

### **Lazada Singapore**

<https://www.lazada.sg/>



## **Qoo10 Singapore**

<https://www.qoo10.sg/>

## **RedMart**

<https://redmart.com/>

## **Shopee**

<https://shopee.com/>

## **Tencent**

<https://www.tencent.com/en-us/>

## **CNBC**

*Amazon launches Prime Now services in Singapore*

<https://www.cnbc.com/2017/07/26/amazon-launches-prime-now-services-in-singapore.html>

## **eMarketer.com**

*Total Retail and Retail Ecommerce Sales in Singapore*

<https://www.emarketer.com/Chart/Total-Retail-Retail-Ecommerce-Sales-Singapore-2015-2020-billions-change-of-total-retail-sales/194288>

## **ASEAN UP**

*Top 10 e-commerce sites Singapore 2018*

<https://aseanup.com/top-e-commerce-sites-singapore/>

## **Nikkei Asian Review**

*Amazon to enter Vietnam in challenge to Alibaba*

<https://asia.nikkei.com/Asia300/Amazon-to-enter-Vietnam-to-take-on-Alibaba>

## **Business Insider**

*Amazon is entering Vietnam*

<https://www.businessinsider.com/amazon-to-enter-vietnam-2018-3>

## **Vietnam Investment Review**

*Vietnamese e-commerce market a tough nut to crack*

<https://www.vir.com.vn/vietnamese-e-commerce-market-a-tough-nut-to-crack-56791.html>

## **ZDnet**

*China tech giants to fight for \$53b SEA e-commerce market*

<https://www.zdnet.com/article/china-tech-giants-to-fight-for-53b-sea-e-commerce-market/>

## **Vietnam News**

*Youngsters lead VN's start-up scene*

<https://vietnamnews.vn/economy/483264/youngsters-lead-vns-start-up-scene.html#IX5TJFMG2KzuwhZk.97>

## **EcomEye**

*Top 10 ecommerce sites Vietnam 2017*

<http://ecomeye.com/top-ecommerce-sites-vietnam-online-shopping/>

## **VN Express**

*Vietnam's e-commerce companies face logistics and price perception challenges*

<https://e.vnexpress.net/news/business/vietnam-s-e-commerce-companies-face-logistics-and-price-perception-challenges-3742510.html>

## **Thomson Reuters Practical Law**

*Doing business in Vietnam: overview*

<https://uk.practicallaw.thomsonreuters.com/Document/I2ef129031ed511e38578f7ccc38dcbee/View/FullText.html>

## **BBC**

*Vietnam country profile*

<https://www.bbc.co.uk/news/world-asia-pacific-16567315>

## **ASEAN.**

*About ASEAN*

<https://asean.org/asean/about-asean/>

## **Vietnam Investment Review**

*Air pollution is Vietnam's silent killer*

<https://www.vir.com.vn/air-pollution-is-vietnams-silent-killer-56542.html>

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<https://www.guidemesingapore.com/business-guides/industry-guides/ecommerce-industry/starting-an-online-business-in-singapore-part-2-industry-overview>
- [2] **Guide Me Singapore.** *Starting an Online Business in Singapore Part 1: Introduction.* Accessed 1 August 2019 from:  
<https://www.guidemesingapore.com/business-guides/industry-guides/ecommerce-industry/starting-an-online-business-in-singapore-part-1-introduction>
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<https://sbr.com.sg/information-technology/news/483-million-singaporeans-are-now-online>
- [4] **3ecpa.** *Guide to starting an online ecommerce business in Singapore.* Accessed 1 August 2019 from:  
<https://www.3ecpa.com.sg/resources/industry-guide/guide-to-starting-an-online-ecommerce-business-in-singapore/>
- [5] **Guide Me Singapore.** *Starting an Online Business in Singapore Part 4: Taxation.* Accessed 1 August 2019 from:  
<https://www.guidemesingapore.com/business-guides/industry-guides/ecommerce-industry/starting-an-online-business-in-singapore-part-4-taxation>
- [6] **Guide Me Singapore.** *Starting an Online Business in Singapore Part 3: Regulatory regime.* Accessed 1 August 2019 from:  
<https://www.guidemesingapore.com/business-guides/industry-guides/ecommerce-industry/starting-an-online-business-in-singapore-part-3-regulatory-regime>
- [7] **Saigoneer (7 March 2018).** *It's official Amazon will be in Vietnam this year.* Accessed 1 August 2019 from:  
<https://saigoneer.com/vietnam-news/12749-it-s-official-amazon-will-be-in-vietnam-this-year>
- [8] **Nikkei Asian Review (15 March 2018).** *Vietnam is next target for Amazon, a newcomer in Southeast Asia.* Accessed 1 August 2019 from:  
<https://asia.nikkei.com/Business/Business-trends/Vietnam-is-next-target-for-Amazon-a-newcomer-in-Southeast-Asia>

**END OF EXHIBIT 14**  
**END OF ADVANCE INFORMATION**