

CHAIRMAN'S STATEMENT



Lee Boon Yang
Chairman

Group Net Profit

\$265.3m

The past financial year witnessed many major events that impacted the world's economy. The United Kingdom's decision to withdraw from the European Union in June, China's economic slowdown and acts of terrorism in several major cities led to weaker market conditions both globally and in Singapore. SPH's performance was inevitably affected.

SPH ended the Financial Year 2015/2016 with a net profit of \$265.3 million. This is \$56.4 million or 17.5 per cent lower compared to FY2015.

At the operating level, Group recurring earnings of \$305.2 million was lower by \$48.3 million or 13.7 per cent. Group operating revenue of \$1,124.3 million was \$52.7 million or 4.5 per cent lower than FY2015.

Revenue from the Group's core Media business slid by \$68.3 million or 7.6 per cent year-on-year. Against FY2015, advertisement revenue was down \$61.5 million or 9.2 per cent, and circulation revenue dipped \$5.3 million or 3.0 per cent.

Other information on the Group is set out in this report.

The Board has proposed a dividend of 11 cents per share, comprising a Normal Dividend of 8 cents per share and a Special Dividend of 3 cents per share in respect of the financial year ended 31 August 2016. We had earlier declared and paid an interim dividend of 7 cents per share.

Planning for the future

As part of our succession planning, we appointed two Deputy CEOs – Mr Patrick Daniel and Mr Anthony Tan – to help CEO Alan Chan manage SPH's complex businesses.

In the face of the challenges facing the media industry, and to enable us to be more nimble to seize opportunities, we will be implementing more measures to keep costs in check and boost efficiencies.

To deliver more effective and integrated solutions to our advertisers and business partners, the Group's sales and marketing functions were revamped with the creation of a new Integrated Marketing Division incorporating print, digital, radio and out-of-home. This consolidation of our marketing team's resources, together with our fully integrated newsroom operations, will boost synergy by leveraging the strengths and experience of our staff from various platforms. This will better position SPH to be the media company of choice for our partners.

Enhancing our Core Media Products

Newspapers

SPH's total newspaper circulation, covering both print and digital editions, averaged 997,300 copies per day, a year-on-year increase of 2.8 per cent. This was achieved by reaching out to more readers on their mobile devices while continuing to excel in print. The total daily average circulation (print and digital) of The Straits Times and The Sunday Times registered year-on-year growth of 3.9 per cent to 393,300. Lianhe Zaobao achieved year-on-year increase of 15.9 per cent to 188,600 total daily average circulation.

The Straits Times embarked on a major revamp across all platforms in July last year. This won many accolades, including 11 awards at the sixth Asian Digital Media Awards in November 2015 in Hong Kong – unprecedented for any publication at this event. The awards included four golds for Best News Website, Best Data Visualisation Project, Best Lifestyle Mobile Service and for Best Use of Online Video for its weekly series, "It Changed My Life".

The Straits Times also marked its 170th anniversary with a three-month long public exhibition of photos and pages from its rich archives at the ArtsScience Museum, which drew more than 135,000 visitors.

In the continual effort to enhance our products, Chinese daily Lianhe Zaobao and the weekend edition of The Business Times (BT Weekend) also underwent major revamps. The digital and print editions of both publications took on a new look with refreshed content that is more visually appealing to our readers and more advertiser-friendly. As The Business Times marked its 40th anniversary, BT Weekend introduced a "Newspaper magazine" concept for quality weekend reading.

FY2016 also saw SPH celebrating 50 years of newsprint creativity. We launched an exhibition at Paragon, showcasing a rich selection of iconic and nostalgic newspaper advertisements spanning across five decades.

Group Operating Revenue

\$1,124.3m

CHAIRMAN'S STATEMENT

WE CONTINUED TO BE THE LEADER IN MAGAZINE PUBLISHING IN ASIA BY PRODUCING STRONG EDITORIAL CONTENT AND AWARD-WINNING DESIGNS.

Magazines

We continued to be the leader in magazine publishing in Asia by producing strong editorial content and award-winning designs. 105 of our magazines launched digital editions to complement our stable of more than 100 titles of print offerings. These included the highest-circulating titles and best reads in their respective lifestyle categories.

SPH Magazines emerged as the preferred choice of advertisers and marketers in the 2016 Media Spend Benchmarking Survey. This reaffirmed our commitment to deliver robust content for all our titles and offer comprehensive marketing solutions to cater to the diverse interests and needs of our readers and advertisers on all our media platforms. We have just launched our latest brand campaign to reinforce our capabilities as an all-in-one media solutions provider, with direct access to 9.7 million women, men and luxury consumers.

Digital operations and Investments

Our Chinese Media Group consolidated its digital resources under a new digital media unit to better meet the needs of readers and advertisers. The new unit created an integrated digital platform for our Chinese language newspapers – Lianhe Zaobao, Lianhe Wanbao and Shin Min Daily News – that focused on content and services for the local readers.

Our Digital Division continued to make strategic investments in the digital space. In March 2016, we made an investment into Brand New Media Singapore (BNMS), a wholly-owned subsidiary of Brand New Media (Australia). This investment combined SPH's network of media assets and customer reach with BNMS's proven ability in video content marketing. By offering advertisers effective video solutions for their integrated marketing campaigns across multiple touch points, they would be able to enjoy a stronger holistic solution for content creation and targeted distribution across print, digital and radio.

In May this year, we invested in GoGoVan, which enables same-day on-demand delivery through a pioneer mobile and web technology. Founded in Hong Kong in 2013, GoGoVan has successfully expanded to 13 cities across Hong Kong, Singapore, Taiwan, China, South Korea and India. With over two million app downloads and a driver network of 150,000, GoGoVan has processed over 20 million orders with an aggregate transaction value in excess of US\$200 million.

To build a stronger investor community, ShareInvestor invested in a social media platform, InvestingNote, to reinforce its effort to reach out to a younger investing community. InvestingNote launched its mobile platforms (both iOS and Android) this year and its subscribers base increased from less than 2000 to 10,000 over the past 12 months.

Radio

In the latest Nielsen survey, which ended in May 2016, Kiss92 and UFM100.3 maintained their positions in overall cumulative listenership standing at fifth and ninth respectively. ONE FM 91.3 moved up one spot from 12th to 11th. It has seen a significant increase in advertisers' interests as compared to its previous format despite having lower ratings currently. The inclusion of Glenn Ong and The Flying Dutchman greatly raised the profile of the station.

Other Businesses

SPH retail properties made good progress. The Seletar Mall, together with SPH REIT – which comprises Paragon and The Clementi Mall – enjoyed 100 per cent tenancy.

Sphere Exhibits, SPH's events and exhibitions arm, organised more than 30 exhibitions and conferences in Singapore, Malaysia, Myanmar and the Philippines in the past year. It also launched the inaugural Singapore Coffee Festival which saw more than 100 exhibitors featuring their products and services.

Sphere Conferences, which was set up to boost its presence in the local and regional MICE business, also made inroads to Vietnam by launching the inaugural Hospitality Investment Conference Vietnam.

SPHMBO, our out-of-home media advertising arm, grew its stable of media inventories and secured marketing rights to new advertising locations in the Central Business District, its fringes, and in major heartland hubs. In all, it operates 14 large format digital screens, a network of about 160 indoor screens in Paragon, POSB and Downtown East and about 100 billboards island wide.

Straits Times Press increased its margins by ramping up its contract publishing, with projects such as Ministry of Home Affairs' "Our Guardians: Keeping Singapore Safe And Secure Since 1950s" and the Singapore government's "SG50: A Celebration" book. It also launched popular books by ST journalists, such as "It Changed My Life" by Wong Kim Hoh, "India Rising" by Ravi Velloor and "Singapore In Transition" by Han Fook Kwang.

Forging New Partnerships

We have forged several new partnerships with strategic partners to leverage each other's strengths.

These included a Memorandum of Understanding with StarHub to start a collaboration in areas of advertising sales, creation and carriage of content, data analytics and marketing.

We also worked with Singtel to offer its postpaid mobile users access to The Straits Times All-Digital subscription package, giving them unlimited access to news articles, 7-day news archive and the e-paper version via an upgraded ST app for smartphone, tablet and online users.

In July this year, we sealed a partnership with the National Trades Union Congress (NTUC) to engage the local working population, including Professionals, Managers and Executives (PMEs). We will organise workshops and events such as the STJobs Career & Development Fair to boost the employability and skills training of PMEs.

Lianhe Zaobao partnered the Singapore Business Federation to develop a portal dedicated to the "One Belt, One Road" (OBOR) strategy in March 2016. It aims to drive a deeper understanding of the initiative among Singapore enterprises as well as promote OBOR-related business activities between Singapore, ASEAN and China.

We signed an MOU with the Industrial and Commercial Bank of China (ICBC) to develop South-east Asia's first bilingual B2B e-commerce platform to enhance cross-border trade between China and South-east Asia. Supported by International Enterprise (IE) Singapore, the e-commerce platform provides one-stop B2B services to business enterprises in China, Singapore and other South-east Asian countries.

Corporate Social Responsibility

As a responsible corporate citizen, we have championed a growing diversity of programmes and initiatives to give back to society. SPH and SPH Foundation were honoured with the Corporate Platinum Award by the Community Chest for the seventh consecutive year. SPH and SPH Foundation also received the Patron of the Arts and Friend of the Arts Awards respectively for our long-standing support of local arts.

In an Image Perception survey done in June 2016, 96 per cent of over 1,000 respondents were aware of SPH's active corporate social responsibility efforts. I am extremely heartened by this. We will continue to ensure long term shareholder value by being a good corporate citizen.

For the fifth consecutive year, we have also included a sustainability section in this annual report. We are constantly addressing material factors that impact our business operations and looking for ways to reduce the negative impact on the environment by lowering our carbon emissions and improving energy efficiency in our daily operations. We are working towards full sustainability reporting in a few years' time.

Tribute and Thanks

On behalf of the SPH Board, I would like to thank Mr Ng Ser Miang, who is retiring from the Board at our Annual General Meeting on 1 December. Mr Ng joined the Board on 1 August 2007 and has served the Board with distinction since his appointment.

I would also like to welcome Mr Ng Yat Chung, who joined the Board on 1 August 2016. I am confident that he will be a valuable member of the team and complement our diverse strengths and expertise.

On behalf of the directors, I would like to thank our management, staff, business associates, unions, investors and all other stakeholders for their continuous belief in, and support to, the Company.

We will remain prudent, adaptable and resilient as we look out for potential opportunities to add value to the Group. I am confident that with the continued support of all our stakeholders, SPH can overcome the challenges as we strive for organisational and business excellence.



Lee Boon Yang
Chairman