

# Chairman's Statement

**Lee Boon Yang**  
Chairman



## SPH managed to turn in a creditable performance in Financial Year 2014/2015 with a net profit of \$321.7 million.

The past financial year witnessed considerable global market uncertainty and currency volatility. The Greek crisis, coupled with China's economic slowdown, impacted the world economy and Singapore too. SPH's performance was affected by these wider economic conditions.

Despite these unfavourable conditions, SPH managed to turn in a creditable performance in Financial Year 2014/2015 with a net profit of \$321.7 million. This represents a 20.4 per cent decrease compared to the last financial year. But this was mainly due to a lower fair value gain on investment properties and the one-off gain in the previous year from a partial divestment.

At the operating level, the Group performed respectably. Group recurring earnings of \$353.5 million was higher by \$4.5 million.

Revenue from the Media business was \$902.5 million, a \$60.9 million or 6.3 per cent decline from last year. This was attributable to declines in both advertising revenue (\$53.7 million or 7.4 per cent) and circulation revenue (\$10.1 million or 5.4 per cent).

The lower contribution from its Media business was cushioned by higher property revenue. The consistent efforts we have made over the years to diversify the Group's operations have paid dividends. We intend to continue to identify and evaluate growth opportunities and to pursue those that show good potential.

To reward our loyal shareholders, the Board has proposed a dividend of 13 cents per share, comprising a Normal Dividend of 8 cents per share and a Special Dividend of 5 cents per share in respect of the financial year ended 31 August 2015. We had earlier declared and paid an interim dividend of 7 cents per share.

FY2015 was also a special year as SPH celebrated Singapore's golden jubilee with a variety of events to engage the public. These included the Sing50 concert by The Straits Times and The Business Times, as well as the SG50 Sing-Along organised by our Chinese Media group. The Straits Times and Zaobao.com also celebrated their 170<sup>th</sup> and 20<sup>th</sup> anniversaries respectively.

### Enhancing our Core Media Products

We reorganised our newspaper divisions and transformed them into integrated operations, producing both print and digital content across all platforms and encompassing adjacent businesses. The renamed English/Malay/Tamil Media group, comprises not only the print and digital operations of The Straits Times, The Business Times, The New Paper, Berita Harian, Tamil Murasu and My Paper (English section), but also several media-related subsidiaries. These include book subsidiary The Straits Times Press, the two English stations of SPH Radio (Kiss92 and ONE FM 91.3), financial data company ShareInvestor, and SPH Data Services which commercialises the Straits Times Index.

### Group Net Profit

\$321.7m

### Group Operating Revenue

\$1,177m

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The Chinese Media group now incorporates Focus Publishing, which publishes a range of books and magazines, and SPH Radio's Chinese station UFM100.3.

This is in addition to its three Chinese newspapers - Lianhe Zaobao, Lianhe Wanbao and Shin Min Daily News, together with four student weeklies, ZbBz Newgazette and My Paper (Chinese section).

The consolidation of our core media products and media-related subsidiaries promotes synergy and facilitates growth of our media adjacencies. All our newsrooms are now on the lookout for new lines of business without impacting negatively on their core business. This is particularly important in today's dynamic and evolving media landscape so that we remain relevant to all our stakeholders.

## Newspapers

SPH's total newspaper circulation, covering both print and digital editions, averaged 1,113,879 copies per day, a year-on-year increase of 4.3 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 4.9 per cent to 481,700. Lianhe Zaobao achieved year-on-year increase of 2.5 per cent to 187,900 total daily average circulation.

As part of our continuous efforts to enhance our products and engage our readers, The Straits Times and The Business Times underwent major revamps. The digital apps and websites of both publications were refreshed to provide a faster, sharper and more stable user experience. More advertising opportunities are also available for advertisers across platforms. A new metered-paywall was introduced to

extend The Straits Times' reach to non-subscribers by giving them the opportunity to read a limited number of articles each month.

## Magazines

SPH Magazines has established itself as the Publisher of Choice with its sterling editorial content and award-winning designs over the years. Ninety of our magazines have launched digital editions, and this will continue to complement our stable of more than 100 titles of print offerings spanning a wide range of interests and genres. We continue to hold a leading position in magazine publishing in Asia with presence in Malaysia, Hong Kong, China, India, Indonesia, Thailand, the Philippines and Vietnam.

Focus Publishing, which publishes U-Weekly and Health No. 1, is also expanding with new special interest Chinese magazine titles such as UW Travel & Leisure magazine and Fabulous U.

## Digital Operations and Investments

The Group continued to make headway in the digital space. Our Digital Division achieved good growth in digital revenues from both advertising and content marketing as well as digital subscriptions. In May 2015, we signed a multi-year partnership with the world's largest content discovery platform Outbrain. By capitalising on Outbrain's data analytics, automation and personalisation technology, we are able to increase user engagement and revenue optimisation.

The Straits Times, Lianhe Zaobao, Lianhe Wanbao, together with news aggregator website AsiaOne and bilingual interactive web portal omy.sg, developed and launched Apple Watch applications. These apps put us at the forefront of the latest innovations and help our readers access the latest news on the go.

SPH invested in property analytics company, StreetSine, in November 2014. By merging its operations with STProperty, we offer consumers and real estate professionals a one-stop shop for all information around property-related transactions, empowering them to make better decisions.

We also invested in Qoo10, the number one ranked e-commerce website in Singapore. This will enhance our portfolio of digital assets and open up opportunities for future marketing collaborations. With the region's e-commerce market poised to grow, this investment puts us in a good position to tap on the industry's growth and be an active player in this e-commerce space.

As part of SPH's long term strategy to invest in innovative digital media companies which have synergies with our existing businesses, SPH Media Fund collaborated with Plug and Play and Infocomm Investments, a wholly-owned subsidiary of the Infocomm Development Authority (IDA) of Singapore, to launch an accelerator programme in April 2015. Called SPH Plug and Play, the programme will identify young companies with potential and nurture them into strong and sustainable businesses across media sectors ranging from advertising, e-commerce, marketplaces, mobile, news and content distribution to public relations.

Beyond Singapore, we continued to strengthen our regional presence in online marketplaces. In November 2014, 701Search, which operates the online classifieds companies Mudah.my (Malaysia) and Chotot.vn (Vietnam), partnered Naspers Limited, a broad-based multinational internet and media group specialising in e-commerce, pay-television and print media, to develop the online

classifieds platforms in Indonesia and Thailand. This is in addition to our earlier investments with Schibsted and Telenor, resulting in a four-way partnership that will bring substantial benefits to all parties.

### Radio

SPH Radio continued to grow from strength to strength. Kiss92, Singapore's only radio station targeting female listeners, achieved the highest growth in cumulative listenership among English radio stations in the latest Nielsen ratings. ONE FM 91.3 was also revamped focusing on male listeners over 30 years of age. Besides the latest songs, the station also offers up-to-date Sports and Men's lifestyle news. Our Chinese language station, UFM100.3, remains a popular choice for working professionals aged between 35 and 49 years.

### Diversifying our Businesses

Our efforts to diversify our businesses have made good progress. On the property front, our third property offering, The Seletar Mall, opened its doors to the public in November last year. SPH REIT, which comprises Paragon, our premier upscale retail mall and medical suite/office property located in the heart of Orchard Road, and The Clementi Mall, a suburban mall in Clementi, continued to perform well with 100 per cent occupied 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. Sphere Conferences, which was set up to boost its presence in the local and regional MICE business, also made its foray into Sri Lanka and Indonesia by launching the Hospitality Investment Conference Indian Ocean and Hospitality Investment Conference Indonesia respectively.

Our Out-of-Home media advertising has continued to grow its product line and secured marketing rights to new advertising locations in the Central Business District and its fringes.

### Awards and Accolades

As the leading media organisation in Asia, SPH maintained its record of winning multiple accolades in various fields. The Straits Times, Lianhe Zaobao, The New Paper and "See The Big Picture" campaign, won a total of seven awards at the Asian Media Awards in April 2015. The Awards honour recipients with the highest publishing standards in the fields of newspaper and magazine design, infographics, printing, editorial content, marketing, community service and photojournalism.

Among them, the "See the Big Picture" campaign, which was organised in conjunction with SPH's 30<sup>th</sup> anniversary celebrations last year and featured autistic savant Stephen Wiltshire's "live" drawing at Paragon, garnered 14 regional and international awards, including for Best Brand Awareness, Best Consumer Event and Best in Community Service.

SPH Magazines also won a total of 16 awards at the Media Publishers Association Singapore (MPAS) Awards. Of these, eight titles received top honours in their respective categories.

### 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 sixth consecutive year. SPH also received the Patron of the Arts and a special SG50 Arts Patron Award from the National Arts Council for our long-standing support of local arts.

We are heartened that according to an Image Perception survey done by our research team at the end of 2014, 91 per cent of over 1,000 respondents were aware of SPH's active corporate social responsibility efforts. We will continue to ensure long term shareholder value by being a good corporate citizen.

For the fourth consecutive year, we have also included sustainability reporting into this annual report. We are constantly looking for ways to reduce the negative impact on the environment by lowering our carbon emissions and improving energy efficiency in our daily operations.

### A Special Word of Thanks

Our team of dedicated staff have worked tirelessly to achieve excellence. I want to thank them for their commitment and dedication. We continue to make every effort to recruit and develop our talents to their fullest potential as human capital remains our greatest asset.

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 continue to demonstrate adaptability and resilience, and pursue opportunities that position the Group for sustainable growth and value creation. I am confident that with the continued support of all our stakeholders, SPH can overcome obstacles that come our way as we continue to strive for organisational and business excellence.



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Chairman