Against this challenging backdrop, SPH reported operating profit held firm at $206.3 million for the year ended 31 August 2018 (FY2018) cushioned by cost savings even as operating revenue declined $50 million or 4.8 per cent to $982.6 million. Net profit attributable to shareholders fell $69 million or 19.7 per cent to $281.1 million, partly due to the absence of the one-off gain on divestment of a joint venture seen in FY2017. Other information on the Group is set out in this report.

The Board has proposed a dividend of 7 cents per share, comprising a Normal Dividend of 3 cents per share and a Special Dividend of 4 cents per share in respect of the financial year ended 31 August 2018. We had earlier declared and paid an interim dividend of 6 cents per share.

**SEEKING NEW PILLARS OF GROWTH**

In the face of challenges and disruptions in the media industry, we intensified our digitalisation of our media business. We continue to invest in our digital media initiatives as well as in training and development of our staff to enhance their digital skills.

At the same time, we are growing our property portfolio and developing new growth pillars in digital and aged care businesses to diversify and maximise shareholder returns.

As part of our transformation, we initiated major changes to our management bench. Mr Ng Yat Chung was named Chief Executive Officer on 1 September 2017. In April 2018, we brought in Mr Chua Hwee Song as our new Chief Financial Officer.

We also appointed Mr Glen Francis as Chief Technology Officer to oversee SPH’s suite of digital products, and Mr Gaurav Sachdeva as Chief Product Officer to work with the Media Group on vision, design, development and monetisation of our digital media content and products. Mr Ignatius Low was made Chief Marketing Officer and put in charge of advertisement solutions across print, digital, radio and outdoor platforms as well as content marketing. Mr Julian Tan is now Chief of Digital Business and his focus is to grow SPH’s portfolio of investments in digital businesses.

They will work with the Board, management team and staff to enhance our existing businesses and seek new pillars of growth.

**PROPERTIES AND REAL ESTATE ASSETS**

Property remains the biggest profit driver for SPH.

Under SPH REIT, we acquired The Rail Mall this year. The acquisition has the potential to create a differentiated positioning which complements our existing portfolio of quality income-producing retail properties, comprising Paragon and The Clementi Mall. SPH also owns The Seletar Mall and Buzz convenience stores. We also increased our stake in Chinatown Point to 30.68 per cent.

We will soon be launching The Woodleigh Residences, which is part of a commercial-cum-residential site we are jointly developing with Kajima Development. We are also building The Woodleigh Mall, a community club as well as a police post as part of the integrated development.

The past financial year witnessed many major events that battered the world’s economy. The trade war, tariff hikes, geopolitical tensions, cybersecurity threats, and United Kingdom’s withdrawal from the European Union were just some of the destabilising factors that impacted the financial market.
We have come a long way with the support of all our stakeholders. I would like to express my heartfelt gratitude to each and every one of you. I hope that you will continue to be part of our transformation and growth for the many more years ahead.

– Lee Boon Yang

The Woodleigh Residences marks SPH’s second residential project after Sky@eleven in Thomson Lane, which was sold out not long after launch and completed in 2010. We aim to build an oasis for homeowners to live close to park-land surroundings yet enjoy the convenience of a well provisioned and vibrant mall.

The Bidadari estate where the Woodleigh development sits is widely referred to as the “future Bishan” due to its central location. Connectivity will be another key attraction, with multiple transport links such as Woodleigh MRT station and direct access to Singapore’s first air-conditioned basement bus interchange. It is also within the 1-2km catchment area of popular primary, secondary and international schools.

Beyond Singapore, we recently acquired the portfolio of Purpose-Built Student Accommodation (PBSA) in the United Kingdom at an acquisition cost of £180.5 million (approximately S$321 million). This acquisition will establish SPH as an overseas owner of PBSA and will provide a platform for us to pursue other growth opportunities in the market. It is part of our ongoing strategy to expand the Group’s asset management business to acquire cash-yielding assets in multiple defensive sectors. We will build upon our initial PBSA acquisition to develop a sizeable platform with strong domain expertise and on-ground capabilities and may also enter other sectors in time. The assets will further strengthen our robust base of recurring income from our property portfolio, which currently represents more than 50 per cent of our Group’s profitability.

MEDIA AND DIGITAL

We are already seeing a tapering decline from traditional print media business towards a new level. We are committing resources to sharpen our digital capabilities through strategic joint ventures and partnerships, investments and restructuring efforts. We are also boosting our data analytics capability for improved ad targeting to better serve our consumers.

Our digital-first strategy is gaining traction with improvements in digital circulation, advertisement revenue and overall outreach, as evidenced by comScore’s report. Total newspaper circulation for print and digital editions ended FY2018 with 964,400 daily average copies, an increase of 4 per cent year-on-year. The total digital circulation copies was 391,200, a strong growth of 37 per cent vis-à-vis FY2017.

The Straits Times premium subscription packages were launched in February 2018 to cater to the reading needs of different subscribers. The results have been very encouraging, with over 10,000 new subscriptions since the launch and most new subscribers opting for the higher-value packages.

In April this year, we worked with Google to allow owners of Google Home devices to listen to the news and podcasts of The Straits Times and The Business Times as well as radio station MONEY FM 89.3. At the same time, subscribers who sign up for The Straits Times All-Digital package or All-Digital + Print package received a free Google Home Mini. There were 5,091 subscribers for the Google Home promotion.
CHAIRMAN’S STATEMENT

We will spearhead the growth of digital readership and digital revenue by offering different entry price points and promotions. This will expand to other digital publications over time. We are also making use of data and analytics to enhance our media operations.

We carried out advanced analytics projects focusing on customer life cycle management. These projects include Customer-Life-Time value estimation for various cohorts from different campaigns, customer churn models using both online and offline features, customer profiling centered around reading behaviour and supplemented with other contact points such as rewards programme participation and free trial sign-up. Findings from these analyses will be used to enhance customer engagement and increase customer values.

The past FY was also a significant year for SPH Radio, as we grew our stable from three to five stations. Besides Kiss92, UFM 100.3 and ONE FM 91.3, we added 96.3 Hao FM and MONEY FM 89.3 to cover a much wider spectrum of audience.

We aim to grow our digital portfolio and build synergies with existing media businesses. At the same time, divestments of our digital assets will provide consistent contribution to our revenue.

Back in 2015, SPH invested in Qoo10, a leading e-commerce site in Singapore. Since then, Qoo10 has built its business across Asia, including Japan. On 27 February 2018, Qoo10 divested its Japanese business to eBay Inc. As part of the transaction, eBay relinquished its stake in Qoo10’s non-Japanese businesses.

SPH recorded a profit of $9.4m from Qoo10’s divestment of the Japanese business. The divestment enables Qoo10 to focus on its core market in Singapore, as well as its other marketplaces in Indonesia, Malaysia, Hong Kong and China.

AGED CARE

SPH is Singapore’s largest private sector player in aged care following our acquisition of Orange Valley (OV) Nursing Homes in 2017, with over 950 beds in five nursing homes in Singapore. OV is a subsidiary of Invest Healthcare Pte Ltd (formerly known as Orange Valley Healthcare Pte Ltd).

In May this year, the Balestier branch was officially opened. It is equipped with comprehensive amenities for short-term convalescent and respite care, step-down care, as well as long-term stay for the elderly, and rehabilitation.

OV started The Living Laboratory concept to trial-test the latest aged care technology and determine their suitability for use in our nursing homes. These innovations will enhance delivery of clinical care to the residents and improve staff productivity through streamlining work processes in a ‘live’ nursing home setting. The Living Laboratory has collaborated with partners such as ST Engineering and StarHub to test-bed some of the solutions applicable to a nursing home.

With OV, we are focused on developing efficient capabilities and rationalising operating costs. We also intend to venture overseas as part of our internationalisation strategy. We believe there are many growth opportunities even as we see the aged market expanding locally and regionally.

FORGING KEY PARTNERSHIPS

SPH forged strategic partnerships to boost our various business offerings. For example, we are working with local machine learning start-up, DC Frontiers, to develop a content recommendation engine driven by artificial intelligence. The engine will use analysis and algorithms to curate articles for SPH’s readers based on individual news consumption habits and other attributes. The project is part of SPH’s ongoing efforts to deepen audience engagement using the latest technologies.

In March 2018, we teamed up with neuroscience technology company NeuroTrend – the Singapore-based entity of JSC NeuroTrend (Russia) – to launch a neuromarketing consumer insights lab in Singapore. Advertisers are seeking better ways to increase the effectiveness of their advertising spends and campaigns. The partnership allows us to offer our advertisers a pre-campaign concept testing facility that measures the neurological response of the audience to advertisements.

We renewed our strategic partnership with StarHub in January 2018 for a second two-year term, following the success of our collaboration in 2016. Under the partnership, StarHub customers can use SPH apps – including ST, BT, ZB and SPH Radio – without incurring data charges, for a two-year period starting August 2018. The two companies also agreed to work closely in advertising sales, content creation and distribution, data analytics and marketing, and to explore tie-ups in healthcare, retail and education.

At the same time, we inked a partnership with Samsung to work on innovative technologies and marketing campaigns that combine our rich content with Samsung’s cutting-edge devices for the benefit of consumers.
Meanwhile, SPH and Google embarked on several collaborations to enhance the use of technology and data in media. In April 2018, we launched four news audio feeds in conjunction with the launch of the voice-enabled Google Home devices in Singapore. Having adopted the G Suite enterprise software in 2017, we also migrated to Google Analytics 360 in 2018. SPH and Google are also working closely under the Google News Initiative, which seeks to support media publishers.

We signed an agreement with A*STAR’s Institute of High Performance Computing (IHPC) to create a system that can optimise news headlines for higher virality, so as to improve audience engagement and media literacy. Building on IHPC’s proprietary technology for sentiment and emotion analysis, the collaboration will first identify elements of news headlines that are correlated with article popularity. SPH and IHPC will then develop a system that conducts affective analysis to predict the virality of an article based on its headline. This system will enable SPH journalists to test different headlines for their articles, before choosing the one that would be most effective in capturing a reader’s interest and attention.

In September 2018, we entered into a partnership with Norway-based firm Cxense ASA to deploy Cxense Conversion Engine, a new machine-learning powered solution for dynamic paywalls and personalised customer journeys, across our media platforms to increase subscriptions. The Conversion Engine uses real-time behavioural, contextual and sociodemographic data to enable publishers to create personalised customer experiences. Through data analytics, a static paywall can be replaced by one that is more flexible, so that content is opened up or locked down automatically and in real-time according to a reader’s likelihood to subscribe. This partnership is in line with our continued focus on increasing reader revenues, especially for our digital products, as a sustainable recurring stream. SPH will also become a strategic partner of Cxense and a member of the Cxense Product Council for Conversion Engine.

**STAFF DEVELOPMENT AND TRAINING**

Our staff are our key asset. We will continue to invest in their training and development to secure our long term growth and success. In the next 3 to 5 years, we will be rolling out future-ready core skills training such as digital awareness and customer-centricity to help our staff stay relevant and competent. Our training programmes also include on-boarding and induction, on-the-job training, soft skills training, functional skills training, managerial and leadership development. Functional skills are designed to address the critical skills needed to drive SPH’s business forward. We also encourage our staff to take up E-Learning courses for their continual education and self-development.

We held our first-ever group-wide SPH Innovation Day on 4 July 2018, the culmination of a 100-day intensive innovation project that marked a renewed drive to foster corporate innovation. Aided by Australian consultancy Venturetec, the project aimed to spur a more entrepreneurial culture across the organisation and encourage innovative and improved ways of working.

**SUSTAINABILITY**

For the seventh consecutive year, we have included a sustainability section in this annual report. This year is the first time we have embarked on full sustainability reporting that aligns with the Singapore Exchange’s requirements, and with reference to the Global Reporting Initiative Standards. We will continue to identify and monitor key material factors that impact our business operations, and improve on our reporting with time.

We continue to champion corporate citizenry, with our active corporate social responsibility efforts garnering awards like the Corporate Platinum Award by the Community Chest, Patron of the Arts Award by the National Arts Council, and Champion of Good Award by the National Volunteer & Philanthropy Centre.

**(T)****RIBUTE AND THANKS**

Next year marks SPH’s 35th anniversary. We have come a long way with the support of all our stakeholders. I would like to express my heartfelt gratitude to each and every one of you. I hope that you will continue to be part of our transformation and growth for the many more years ahead.

Lee Boon Yang
Chairman