

●● CHAIRMAN'S STATEMENT



➔ **We will continue on this transformation journey, diversify our business, increase recurring income and deliver sustainable returns to our shareholders.**

.....
LEE BOON YANG
Chairman

SPH celebrates our 35th anniversary this year. While we aim to be the region's leading media company, we have, over the years, also made investments in digital initiatives and diversified into new businesses. We will continue on this transformation journey, diversify our business, increase recurring income and deliver sustainable returns to our shareholders.

Global trade tensions and political instabilities had adversely impacted the global economic prospects and caused volatility in financial markets over the past year. Against this challenging backdrop, SPH reported recurring earnings of S\$186.9 million for the year ended 31 August 2019 (FY 2019). Net profit attributable to shareholders fell S\$65.2 million or 23.4% to S\$213.2 million. Other information on the Group is set out in this report.

The Board has proposed a dividend of 6.5 cents per share, comprising a Normal Dividend of 5.5 cents per share and a Special Dividend of 1 cent per share in respect of the financial year ended 31 August 2019. We had earlier declared and paid an interim dividend of 5.5 cents per share.

PROPERTIES AND ASSET MANAGEMENT

Property remains the Group's largest profit segment.

We continue to adopt a disciplined approach to invest and grow recurring income. This also means that we will look for opportunities to increase geographically diversified revenue streams as we look beyond Singapore for growth.

We have expanded our Purpose-Built Student Accommodation (PBSA) portfolio to 5,059 beds across 20 assets in 10 cities in the United Kingdom (UK), establishing SPH as a leading player in the PBSA sector in the UK.

We expect the British student accommodation sector to continue to grow, with overall investor interest remaining strong, and analysts expecting up to £3.5 billion of investments this year. We will widen our marketing capabilities to capitalise on the growing demand from international students heading to the UK for higher education, and build our Capitol Students brand to be the accommodation of choice in the market.

SPH REIT acquired 85% in Figtree Grove Shopping Centre in December 2018. This mall, which is located 3.7km south-west of central Wollongong, Australia, represents SPH REIT's first foray overseas and is a strategic fit to the SPH Group's portfolio of quality assets.

In July, we invested approximately US\$60 million for a 7.38% stake in the IPO of Prime US REIT, and in August, we exercised our option to acquire a 20% stake in the REIT manager, KBS US Prime Property Management Pte Ltd. Prime US REIT holds a portfolio of Grade A office properties in the US. The investment will add to SPH's stream of recurring income and provide opportunities to build partnerships in the US market.

We will continue to seek international acquisitions in PBSA and other cash-yielding defensive sectors.

As part of our strategy, we constantly review our existing businesses and investments with a view to recycle capital and enhance capital management. In May, we divested our investment in Chinatown Point and recognised a S\$10.4 million gain.

MEDIA

The media sector remains challenging with falling advertising revenue. However, our continuing focus on digital innovations to transform our media business to meet our readers and advertisers' needs and expectations remains unchanged.

Digital advertising revenue and circulation remain on the upswing.

While average daily print circulation copies decline 9.6% year-on-year, average daily digital circulation copies grew 32.3% to 279,500 in FY2019. Print and digital circulation copies grew 1.7% to 797,000 despite the continued challenges faced by the media industry.

Results for The Straits Times premium subscription packages, which were launched to meet the reading needs of different subscribers, have been very encouraging, with over 23,000 new subscriptions this year and most new subscribers opting for the higher-value packages.

We partnered with Samsung to introduce our first Chinese News Tablet app to provide a seamless digital experience on the Samsung Galaxy Tab A Wi-Fi tablet, so our elderly readers who do not read English can also be plugged into our Smart Nation and encourage their children to subscribe to our Chinese publications at the same time.

We are pleased that 10,000 subscribers have signed up for the package as at mid-October 2019. The news tablet was subsequently rolled out for Berita Harian readers.

We will continue to engage our audience by delivering quality, creative products and content across multiple platforms to build loyalty. Our digital media and mobile strategies have been recognised internationally with 13 awards at the

●● CHAIRMAN'S STATEMENT

Asian Digital Media Awards 2018, including a Gold for Best Innovation to Engage Youth Audience for our NewsEd learning portal.

SPH also clinched four accolades at the International News Media Association (INMA) Global Media Awards in May. The Straits Times Asia Report, a magazine which curates some of the best features on the region from the ST Foreign Desk, was named Best New Print Product and Best in Asia/Pacific for Regional/Local Brands and our corporate innovation initiative - "Project Storm: An Innovation Journey" - notched the third place for the Best New Corporate Innovation Initiative.

By leveraging our strong reputation and award-winning journalism, we aim to be a leading media organisation in the region, offering independent and credible news coverage in different languages.

DIGITAL BUSINESS

We aim to grow our digital portfolio and build synergies with our existing media businesses.

In April, SPH partnered Keppel Corp to acquire and privatise M1. M1 will embark on a transformational journey to sharpen its competitiveness and explore new growth areas. We will also leverage M1's mobile platform to improve our digital offerings to customers.

A report by multinational technology company Cisco and consulting firm A.T.Kearney noted that Singapore is best placed among all Southeast Asian countries to capitalise on the new revenue opportunities generated by 5G mobile technology. Revenues of Singapore telcos could, as a result, increase by up to S\$704 million by 2025 as the digital push intensifies. M1 will actively explore opportunities in this new area.

AGED CARE

Orange Valley is one of Singapore's leading nursing home operators. Its Balestier branch has introduced day care services and a multi-sensory room, specially designed for dementia care.

We intend to leverage our skills and expertise in this area and capitalise on opportunities in the aged market globally, in line with our internationalisation strategy.

SUSTAINABILITY

The world is grappling with climate change today. Small island states like Singapore are vulnerable to rising sea levels, and we need to address this critical issue individually and as an organisation, through conviction and practical action.

This year, we have published our Sustainability Report in accordance with the regulatory requirements by the Singapore Exchange and the Global Reporting Initiative Standards: Core option for the first time.

➔ **By leveraging our strong reputation and award-winning journalism, we aim to be a leading media organisation in the region, offering independent and credible news coverage in different languages.**

The report highlights SPH's role in promoting sustainability issues and agendas, and engaging our audience to effect change, across our various media platforms.

We are also embarking on a go-green journey here in News Centre. Our staff are excited to introduce more green initiatives and activities to do our part to build a sustainable workplace for all.

We continue to champion corporate citizenry, with our active corporate social responsibility efforts garnering awards including the Corporate Platinum Award by the Community Chest, Patron of the Arts Award by the National Arts Council, Patron of Heritage Awards 2018 (Supporter Category) by the National Heritage Board and Champion of Good Award by the National Volunteer & Philanthropy Centre.

TRIBUTE AND THANKS

I would like to thank Ms Chong Siak Ching, who is retiring from the Board, for her contributions over the past nine years. She has been a valuable and dedicated member of our team.

I would also like to welcome our new director Mr Lim Ming Yan, who joined the Board on 3 June 2019. He brings a wealth of experience in real estate and business digitalisation to complement our diverse strengths and expertise.

We have come a long way with the support of all our stakeholders during the past 35 years. 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