

CEO's Overview of Group Operations



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SPH achieved strong growth in net profit of 18.1 percent to \$506.2 million – compared to the previous year's \$428.5 million which included an exceptional gain of \$66.8 million. Operating profit rose by 20.2 percent to \$434.2 million. This included a maiden profit of \$47.8 million from the sale of the Sky@eleven condominium, recognised on a percentage-of-completion basis.

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Print advertisement revenue totalled \$725.1 million, exceeding the past financial year's level by 7.2 percent. This was due in part to growth in the retail and other sectors of the economy that contributed to the bulk of domestic advertising expenditure. Classified advertisement revenue also grew strongly. This is contrary to the trend in other developed economies where online advertising has hurt the print classified business. Indeed our newspapers have more than held their ground in the fast-changing media landscape.

The average daily circulation of SPH newspapers was 1.03 million in FY 2007. While this was 1.4 percent lower than the previous year, it was a creditable performance given the special events in the previous year that boosted circulation, such as the General Elections and the World Cup. Several of our papers, in fact, managed to buck the trend. Tamil Murasu, for instance, turned in an excellent performance with 9.5 percent circulation growth. The Business Times registered 7.4 percent daily circulation growth amid the bullish property and stock markets. Berita Harian saw its circulation rise by 5.0 percent, following a successful product revamp.

Our magazines subsidiary, SPH Magazines, continued to build up its position as a leading publisher of choice in the region. Its latest acquisition of HardwareZone, a regional IT media firm which has won numerous awards for online performance, further widened its offerings and enhanced its stable of titles which now numbers more than 90. Titles it has exported overseas have also seen significant growth and have gained acknowledgement from the local markets.

In addition to the good financial results, SPH print dailies won several prestigious international awards for editorial and printing excellence, attesting to the quality of SPH's newspapers. SPH Magazines' titles also continued to shine with scores of publishers' awards, in categories like sales volume, creativity and design layout.

SPH remains committed to constantly improving the quality, diversity and strengths of our newspaper and magazine brands. During the year, we revamped our Chinese-language evening daily, Lianhe Wanbao. Shin Min Daily News will also undergo some changes in due course. Concurrently, the newsrooms are also being progressively integrated to leverage on organisational synergies. SPH also celebrated the first anniversary of My Paper, our Chinese-language free newspaper launched in June 2006 that has seen its readership grow to 279,000 with a circulation of 180,000 copies a day.

As part of continuous efforts to serve readers and advertisers, as well as our third-party printing customers, SPH is investing \$48 million in new printing presses at its Media Centre. The new presses are expected to be commissioned in the first quarter of 2008 and, when operational, will provide high quality printing and colour reproduction at a faster speed, enabling our newspapers to reach readers earlier.

SPH also enhanced its print distribution network by launching a new generation of newsstands called Buzz Pods. Situated at high pedestrian traffic areas, these pods are equipped with digital displays and are Wi-Fi enabled, allowing tech-savvy users to access news and location-based information while on the go.

Cognizant that our longer term future lies in digital and interactive media, SPH will continue to deploy resources to develop new digital platforms to connect with our audiences.

We also expect online revenues to grow steadily – it grew 40 percent last year – and the Group will be well-positioned when online advertising takes off in a big way, as has happened in developed country markets.



New Media

While growing our dominance in the print business, SPH forged ahead to develop our new media businesses. This year marked the beginning of new developments on several fronts.

One highlight was the launch of omy, an interactive bilingual website that not only offers timely news and other compelling content presented in a variety of formats, but also a space for users to interact and exchange viewpoints and information.

SPH also boosted its presence in Internet classifieds. ST701, launched in March 2006 initially as a recruitment portal, is now Singapore's leading e-marketplace with listings spanning jobs, motoring, property and general merchandise. The website, which had already garnered 100,000 registered users and more than 5,000 listings daily for its recruitment vertical, is now well-positioned to offer consumers a full range of classified products and services through its newly launched verticals.

Separately, SPH is also set to make further inroads into the online search business. A focused online search and directory service for the Singapore market is expected to roll out in 2008, as will our regional online classifieds. Both are part of the joint venture formed last year with Norwegian media group Schibsted ASA, a world leader in the online business.

Our existing websites also made further progress. Stomp saw healthy growth in visitor numbers and its monthly pageviews crossed the 10 millionth mark in July for the first time, turning it into the number one social networking and citizen journalism website in Singapore.

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Other Activities

Outdoor Advertising

Apart from strengthening our presence in print and digital media, SPH also enhanced our position in the outdoor advertising business by increasing our stake in SPH MediaBoxOffice (SPHMBO) to 100 percent in March 2007, effectively turning it into a wholly-owned subsidiary. SPHMBO is actively investing in projects, including a tie-up with 11 CapitaLand malls to provide over 100 plasma display screens. This is aimed at raising our share of the outdoor advertising market to at least a quarter, if not a third, within five years. In September 2007, SPHMBO won the Best New Outdoor Media Award at the Singapore Outdoor Advertising Awards event for Reactrix, an innovative light projection media which allows people to interact with the advertisement.

Property

Another highlight of the financial year was the January 2007 launch of Sky@eleven, a luxury condominium project developed by SPH at the site of the former Times Industrial Building. The response was overwhelming and all 273 units were sold out within hours of the soft launch. SPH will enjoy a significant boost to its profits in the next two financial years from contributions from Sky@eleven.

SPH's main property asset, Paragon, continued to enjoy 100 percent occupancy in its retail, office and medical space at healthy rental rates, while attracting the trendiest international names in design and retail.

Radio

Our radio subsidiary SPH UnionWorks, an 80:20 joint venture between SPH and NTUC Media that operates two radio stations, was relocated to News Centre to capitalise on synergies between print content and radio programming. The Chinese language station, Radio 100.3FM, continued to do well with its interactive infotainment format while the English language Radio 91.3FM has successfully transformed itself into a mainstream contemporary music format targeting those in their 20s to 40s. Radio 91.3FM's line-up of radio personalities has received positive affirmation from listeners and seen a significant increase in its audience numbers.

Investment Income

SPH's investment income grew 79 percent to \$146.2 million, driven mainly by stronger performance from internally managed portfolio investments, and gains from capital reduction exercises by investee companies. Despite the market crisis in July and August 2007, SPH's investments delivered a double digit return for the full year in FY 2007, better than the average 7 to 8 percent returns achieved in the preceding 5 years. However, with global and regional stock markets hitting record highs at the time of writing, we expect greater volatility going forward and are adopting a more cautious stance to preserve capital while achieving a long term return commensurate with risks within the global and regional financial markets.

Outlook

The outlook for SPH's print advertisement revenue is positive given the generally healthy economic environment. As noted earlier, our property segment will be boosted by profits recognised for Sky@eleven. SPH remains committed to sustaining our core newspaper margins and will continue to invest in new media platforms as part of our growth strategy.

Acknowledgements

SPH has been able to turn in a creditable performance in the last year because of strong commitment and dedication from management and staff at every level, as well as unwavering support from our customers, business partners, vendors and unions. I would also like to register my appreciation to the Board for their strategic guidance, especially at a time when SPH is embarking on new directions, initiatives and geographies.

By working together as a cohesive team, I am confident that we can continue to create value for all stakeholders and take SPH to greater heights, both in Singapore as well as the region.



Chan Heng Loon Alan
Chief Executive Officer