

Chairman's Statement



The financial year started robustly, but by March 2001 the economy took a sharp downturn and the Group's performance was adversely affected. Our core business of newspaper publishing, however, performed satisfactorily.

Group turnover for the year dipped marginally by 2.1 per cent to S\$1.03 billion compared to the same period last year, due largely to a five per cent drop in print advertisement revenue and a 5.6 per cent drop in circulation revenue. The Group's profit from operations fell by 22.9 per cent to S\$337.7 million due to start-up losses from our broadcasting ventures, Streats and Project Eyeball. Higher newsprint cost also contributed to the decline. Due to weak market conditions and lower investible funds, investment income declined by 9.7 per cent to S\$77.5 million. As a result, the Group's net profit dropped 18.7 per cent to S\$340.8 million for the financial year.

Newspapers

Due to the economic slowdown and increased competition, total daily newspaper circulation, excluding Streats, fell 2.8 per cent to 1,058,000 copies.

Streats, a free sheet offering bite-sized news for commuters, was launched during the year. The newspaper was well received by both readers and advertisers. It has established itself as a prime time commuter paper. We are confident that Streats will contribute to the Group's profits once the economy turns around.

Both the print and online editions of Project Eyeball were suspended on June 29, 2001. Started in August 2000 to cater to Net-savvy readers, Project Eyeball bore the brunt of the unforeseen rapid reversal of market conditions against Internet ventures. We decided to suspend Project Eyeball to cut further losses.

In line with the worldwide trend, we reduced the width of The Straits Times from 38 centimetres to 35.6 centimetres and similarly the height of The New Paper. Apart from making it easier for readers to read and handle the newspaper, the exercise will conserve newsprint in the long run. Lianhe Wanbao and Shin Min Daily News will soon be in the narrower format. Other SPH newspapers will follow suit when the new presses are ready in two years. The reduction exercise will result in a projected cost saving of S\$8 million for the FY 2002.

To meet advertisers' demand for more colour pages, we invested S\$123 million in four new presses, which can print up to 112 pages of The Straits Times main paper in full colour. The presses are expected to begin operation in 2003.

Multimedia

The Group's share of profit from our associates decreased by 66.1 per cent to S\$4.7 million compared with the same period last year. The increase in MobileOne (Asia) Pte Ltd's contribution to our profits from S\$28.3 million to S\$33.0 million was offset by the Group's share of loss from Singapore Cable Vision Ltd (S\$20.5 million), StarEastWorks Ltd (S\$3.0 million) and FantasticOne (Asia Pacific) Pte Ltd (S\$2.4 million).

M1 has garnered more than 900,000 customers this year while SCV's subscription base rose to 276,000 cable TV subscribers and 67,000 cable modem subscribers this year.

SPH AsiaOne Ltd, the Group's Internet arm, recorded a loss of S\$14.9 million for the year ended August 31, 2001. The proposed privatisation of AsiaOne would give us greater flexibility to streamline AsiaOne's resources and integrate its operations with the Group.

The Group's broadcasting subsidiary, SPH MediaWorks Ltd, launched Channel U and TV Works in May 2001. SPH MediaWorks reported a turnover of S\$16.6 million and a trading loss of S\$42.5 million. The prospects for Channel U look promising as the Chinese channel has attracted more than one-third ratings share of the Chinese TV market and became the second most-watched TV channel in Singapore just five months into its launch.

Property

The Group will amalgamate Paragon and Promenade into a premier retail and office complex along the Orchard Road shopping belt. We took 100 per cent ownership of the two buildings through a property swap of the Group's Swettenham residential properties with Lum Chang Holdings Ltd's stakes in Paragon and Promenade, realising a net gain of S\$27.0 million. The amalgamation will raise our investment yields from 2.9 per cent to 4.2 per cent.

Work on the Group's new headquarters at Toa Payoh North is near completion. All non-printing operations have started moving to the new headquarters from November 2001. By February 2002, the Group's corporate operations, print and TV newsrooms will be brought together in one location to achieve greater synergy and efficiency.

Staff

I would like to extend my appreciation to all staff for their contributions during the year. We have implemented wage cut and wage freeze measures from November 2001 to help the company ride out the economic recession. The wage cut affects some 40 per cent of employees while the wage freeze affects all employees. I appeal to all staff for their understanding and urge them to remain united in the face of the difficult challenges ahead.

We bade farewell in March this year to Denis Tay, who retired from his position as Deputy President of SPH after 37 years of service. I thank Denis for his contributions to the company and wish him a happy retirement.

Community Service

During the year, we continued to support programmes that help to foster community spirit, especially in the Arts, charity, sports and wildlife conservation. This year, SPH was named the Distinguished Patron of the Arts for the eighth consecutive year.

Dividend

The Directors have recommended a total dividend of 70 cents per share, consisting of a final dividend of 50 cents and interim dividend of 20 cents. In addition, the Directors have proposed a capital distribution of 25 cents per share from the share premium account to shareholders. Last year, we paid S\$1.50 in dividend, including a Millennium Dividend of 80 cents.

Prospects

This is going to be a difficult year for us, made worse by the September 11 terrorist attacks on the United States of America. The immediate economic outlook for the year is fraught with uncertainties and the Group's profit is expected to be lower in the current financial year. We are streamlining our operations to strengthen our position in the market.

Given the poor market conditions, we are likely to incur further start-up losses from our broadcasting ventures. Cost containment measures and softer newsprint prices would result in cost savings of around S\$35 million. The proposed privatisation of AsiaOne would yield S\$37 million in net profit, further cushioning the impact of the economic recession on the Group's performance in the current year. We would take all appropriate cost restraint measures to ride out this difficult period.

On the whole, I expect the year ahead to be a challenging one unless the economy takes a turn for the better.

Directorate

Four new Directors joined the Board: Mr Lee Ek Tieng, Mr Ngiam Tong Dow and Dr Yeo Ning Hong on March 15, 2001 and Mr Lim Chin Beng on October 1, 2001. They are highly respected and well-tested personalities. I extend a warm welcome to them. I am certain that the Group will benefit from their invaluable experience.

I had indicated to the Board my desire to step down and not to offer myself for re-election at the forthcoming Annual General Meeting. The Board has, however, unanimously decided that I should continue as the Executive Chairman and CEO until a new CEO is appointed. At the same time, the Board has appointed Mr Lim Chin Beng as non-executive Chairman designate and will be actively looking for a suitable CEO.

I thank my fellow Directors for their constant support and their confidence in me. I would also like to thank readers, advertisers and business associates for their continual support.



Lim Kim San
Executive Chairman
November 30, 2001