

Chairman's Statement

This is the 15th time I am writing to you as Executive Chairman. It will be my last. It is useful, therefore, to take stock. The world has changed dramatically since I joined the Board on July 16, 1988. In the process, SPH has also been reshaped. Today, the Singapore economy, upon which SPH's well-being is so dependent, is being restructured. This is the result of rapid globalisation, driven in large part by information technology, and the rise of China. Economic conditions are also clouded by transnational terrorism and problems over Iraq. Business cycles have become shorter, and prospects are harder to forecast.

FINANCIAL PERFORMANCE

Our performance last year is recorded in greater detail elsewhere in this report. Hence there is no need for me to elaborate. I would just add that, given the poor economic conditions on top of the partial liberalisation of the media industry, the results are satisfactory.

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The business environment will continue to be tough in the new year. However, our financial health is sound, and so are the foundations for continued progress. Fourteen years ago, shareholders' funds totalled just over S\$343.1 million and the group yielded net profits of S\$73.7 million. As at August 31, 2002, shareholders' funds have risen six and a half times to S\$2.2 billion, and profits up four-fold to S\$307.4 million. Similarly, dividends. With your approval at this Annual General Meeting, the total payout this year will be six times that in 1988, at close to a dollar a share or in aggregate S\$367.3 million.

NEWSPAPERS

What is probably more satisfying is the growth in our range of products. From what was once a single platform media company, we are now a multi-platform one. We have strengthened our premier position in print by acquiring Tamil Murasu and adding two new English titles, one of which – The New Paper – is today the fifth most profitable newspaper in our stable, after The Straits Times, The Sunday Times, Lianhe Zaobao, and Lianhe Wanbao. The other is Streats, Singapore's first free sheet. Altogether we publish 15 newspapers in four different languages. We have also moved into television, radio and the Internet.

BROADCASTING AND MULTIMEDIA

I am pleased to report that in just over a year, our Chinese TV channel has been able to match the prime-time ratings of the long-established Channel 8. SPH Mediaworks' Channel U has consistently captured 50 per cent of Chinese TV viewership. Its English language channel, Channel i, has 30 per cent of the English viewership. Surely, a firm base from which to build. SPH Mediaworks will be in a strong position to benefit from an economic recovery. Although the dot.com bubble has



burst, the Internet is here to stay. AsiaOne remains one of Asia's most visited web sites. We shall press on in our quest for a profitable business model.

I turn now to our non-core businesses. M1 has been a star performer since becoming the second cell phone company in Singapore. With a million customers, or a third of the total market, M1 has recently announced its IPO plans. Singapore Cable Vision merged with StarHub and we retained a 9.1 per cent interest in the enlarged entity.

PROPERTY

In 1997, SPH acquired Promenade and Paragon, two prime Orchard Road properties, to provide a steady stream of rental income. Promenade is being rebuilt. When completed in the third quarter of 2003, the pair of properties will have a combined net lettable space of around 568,000 square feet. Once fully operational, the equity return on our investment in the combined complex is expected to be around six per cent annually. At an appropriate time, all our properties, the freehold land at Thomson Road and Kim Seng Road and four bungalows, would be divested to maximise shareholder value.

CHARITY FOUNDATION

SPH has benefited from the support of the community. It is appropriate, therefore, that we reciprocate. To help build a learning community in Singapore through projects in education and language enrichment, and to promote creativity, healthy living and sports, the Board of Directors has proposed to establish an independent non-profit charitable foundation, subject to approval by the relevant authorities. SPH will seed an initial S\$20 million to the Foundation and build it up over time.

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PROSPECTS

As I said earlier, the outlook for the current year is uncertain. Although there was some growth in advertising revenue in the initial few weeks of the new financial year, it remains to be seen whether the increase is sustainable. We will therefore continue to control costs, raise productivity and extract synergy from all our media platforms.

DIRECTORATE

Last year, the Board persuaded me to stay on as Executive Chairman until a new CEO is found. I have recommended and the Board has agreed that Mr Lim Chin Beng, being the Chairman designate, take the Chair while Mr Alan Chan Heng Loon be appointed CEO. I shall thus not seek re-election at the forthcoming Annual General Meeting. However, at the request of the Board, I shall remain as Senior Advisor in the company.

It has been a learning experience, a privilege and pleasure to have worked with my fellow Directors, some of whom are Chairmen of large corporations in their own right. I thank them for their unstinting support and confidence in me. Thanks also to readers, advertisers and business associates for their continual support. Last but not least, my thanks to all staff whose hard work and commitment helped us through this very difficult year.

I have thoroughly enjoyed my years with SPH. It has not always been smooth sailing. But the overall results have been satisfying. Now the weather outlook could be stormy. But I can, with confidence, say that the ship is in steady hands. There is every reason to believe that it will continue to steam ahead.

LIM KIM SAN
EXECUTIVE CHAIRMAN

