

# Operations Review

As a result of an unexpected sharp decline in the economy in the second half of the financial year, the Group's print advertising revenue dropped five per cent year on year to S\$764.3 million. SPH MediaWorks Ltd contributed S\$16.6 million in advertising revenue since its launch in May 2001. But start-up losses from SPH MediaWorks at S\$42.5 million, Streets at S\$5.6 million and Project Eyeball at S\$8.1 million at its point of suspension, contributed to a decrease of 22.9 per cent in the Group's profit from operations to S\$337.7 million.

## Core Business

Due to increasing competition, total paid newspaper circulation fell 30,300 copies to 1,058,000 copies daily.

The Straits Times embarked on a branding campaign to bring the English national daily closer to its readers. Part of the campaign was an exercise to re-package the most-read newspaper in Singapore into five separate sections to give readers a more efficient and pleasurable read.

Streets, a tabloid-sized English free sheet launched last September and targeted at morning commuters, gained quick acceptance among readers and advertisers.

SPH started a new chapter in journalism with the debut of the Group's Chinese TV news on Channel U on May 7, 2001 and when its English counterpart came on air over TV Works on May 21, 2001. Leveraging on the strong resources of the print newsrooms allowed the Group's print journalists to take up the challenge of broadcast news. With this, SPH became one of the few newspaper publishers in the world to have fully integrated newsrooms for print, TV and Internet.

Lianhe Zaobao set up overseas bureaux in Jakarta and Guangzhou for quicker and sharper response to growing reader interest in events unfolding in the two regions. On the other hand, The Straits Times sub-editing office in Sydney was closed but the copy-editors continued to work out of home.

SPH suspended both the print and online editions of Project Eyeball on June 29, 2001. Started in August 2000 as an integrated newspaper to cater to Net-savvy readers, Project Eyeball could not win over readers and advertisers amidst the negative market conditions for Internet ventures.

## Key Subsidiaries

The Group has proposed to delist SPH AsiaOne Ltd by offering to buy back minority shareholdings. Apart from giving the Group greater flexibility to streamline AsiaOne's operations, the proposed privatisation will give minority shareholders the option to cash out their investments. AsiaOne is host for online editions of the Group's six main dailies and enjoys some 120 million pageviews a month.

In less than a year from start-up, SPH MediaWorks launched two free-to-air TV channels, Channel U in Chinese and TV Works in English, on May 6 and May 20, 2001, respectively. Five months later, Channel U not only secured one-third ratings share of the Singapore Chinese TV audience but also became the second most-watched TV channel in Singapore. TV Works, meanwhile, has been revamped to offer niche programming to boost its ratings.

UnionWorks Pte Ltd, a 50-50 joint venture between SPH MediaWorks and NTUC Media Co-operative Ltd, will launch two entertainment radio channels – UFM1003 in Chinese and WKRZ 91.3FM in English – in October 2001. With the radio channels' launch, the Group will offer consumers and advertisers multiple media platforms in print, Internet, TV and radio.

Her World, Singapore's leading women's magazine published by Times Periodicals Pte Ltd, was voted the most popular choice among females aged 20 and above. Another of its titles, Home & Décor, Singapore's leading home interiors magazine, started the "Home of the Year Award" to honour the efforts of house-proud readers and their interior designers.

You Weekly, a Chinese weekly magazine featuring the latest in entertainment, lifestyle and TV, was launched on May 4, 2001 under Focus Publishing Ltd. More than 70,000 copies of the launch issue were sold.

In property, the Group bought over Lum Chang Holdings Ltd's stakes in Paragon and Promenade, giving it 100 per cent ownership of these two prime commercial properties along Orchard Road. There are plans to link up the two buildings to create a premier retail / office complex in the heart of Orchard Road that is attractive to both retailers and shoppers.

## Organisational Highlights

SPH commissioned an independent research company to conduct a company-wide organisational climate survey to gather employees' feedback about the company and the work environment. Some 70.3 per cent or 2,332 employees participated in the census. From the findings, individual Divisions started programmes to address issues such as communications, management contact and customer focus.

Started in 1997, the Work Process Innovation (WPI) initiative has successfully evaluated and redesigned the processes for Circulation, Marketing, Finance and The Straits Times to improve efficiency, effectiveness and productivity. During the year, a review on the processes and policies of Human Resources was conducted with a view to better meet the Group's human capital management and deployment in tune with the changing profile and expectations of the workforce.

In the move towards paperless newspaper production, the Group's newspaper photo departments switched from the use of conventional film-based cameras to digital cameras, which led to significant time and cost savings in the newspaper production process.

During the year, a new editorial management system was started in the Chinese newsrooms. The new system provides an integration of editorial workflow from writing to editing and layout, resulting in greater productivity and higher efficiency.

Three advertisements created by the Group's Marketing team came up tops at the Pacific Area Newspaper Publishers' Association Inc. (PANPA) by winning the John V Sellars Awards for creativity in advertising created and produced in house by newspapers. The award is an affirmation of the Group's commitment to provide value-added service to advertisers beyond selling a space in the newspaper.

## Corporate Citizenship

The year saw SPH being named the Distinguished Patron of the Arts for the eighth consecutive year, a reflection of the company's support for the Arts in Singapore.

The award is in recognition of SPH's active involvement in literary arts programmes like the NAC-SPH Golden Point Award, Singapore's Writers' Festival, TheatreWorks' Writers' Laboratory, Chinese Cultural Festival and Malay Language Month. A Festival of Plays called "Charging Up Memory Lane: 30 Plays in 30 Days" was launched to commemorate the 10<sup>th</sup> year of SPH's sponsorship for TheatreWorks' Writers' Laboratory.

The Business Times was also named an Associate of the Arts for the first time through its participation in arts programmes like Womad, the Ballet Ball – Romeo and Juliet and the Singapore Arts Festival.

As a responsible corporate citizen, SPH supports wildlife conservation efforts through the adoption of endangered animals like Inuka, the polar bear, who turned 10 this year. SPH continued its adoption of the SPH Conservation Centre at the Singapore Zoo, where a family of rare proboscis monkeys are housed and bred. Other adoptions include the Caribbean and Chilean flamingos at the Jurong BirdPark, and Samson, the golden eagle, is the latest addition. A SPH Junior Conservationist Award was started to educate the young about endangered animals and inculcate awareness of conservation in a fun and interactive way.

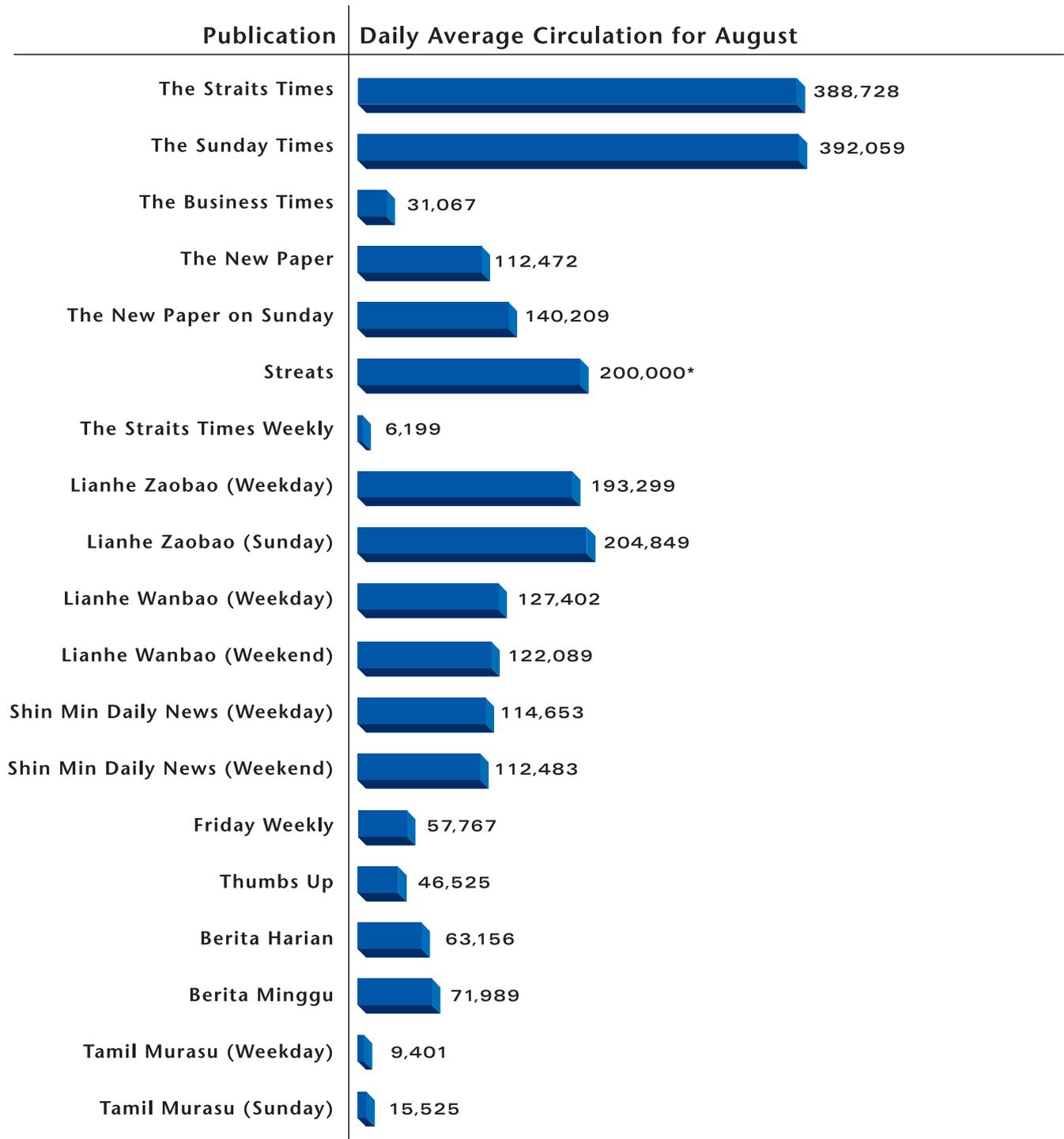
In sports, SPH sponsored programmes like the SPH Schools' Relay Championships and SPH Touch Rugby.

As part of its branding campaign, the Group's flagship English newspaper initiated The Straits Times Million Dollar Duck Race where a world record of 100,000 rubber ducks were adopted for this popular charity race. The Straits Times also started The Straits Times School Pocket Money Fund to help low-income families with financial difficulties put their children through school. The fund crossed the S\$1 million mark after a last-minute donation of S\$492,000 from a single benefactor.

Popular afternoon tabloid The New Paper initiated Project Y as part of The President's Challenge, a special column that features the contributions of schools participating in this charity fund raiser. The column received good response from youths and continued to run after The President's Challenge with stories about youths.

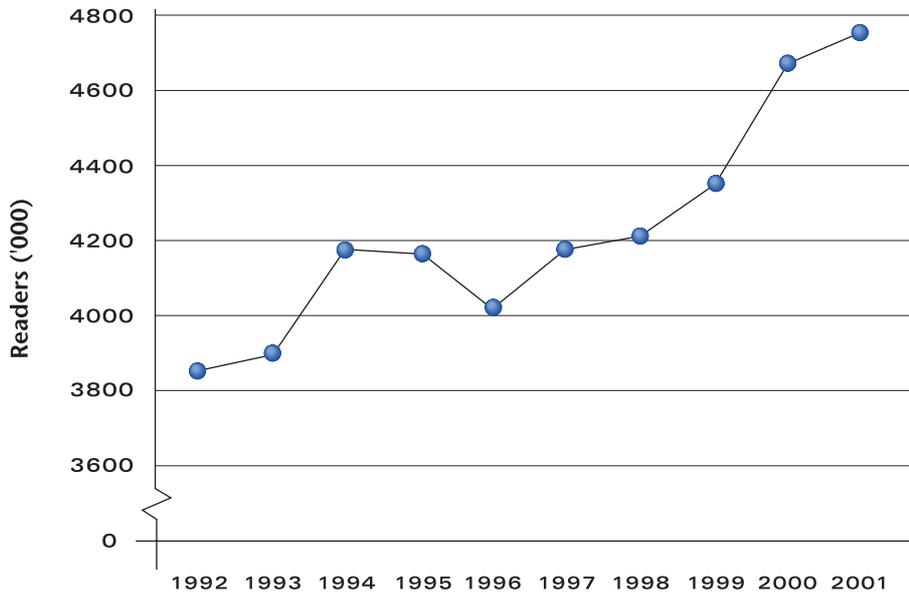
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## Daily Average Circulation for August



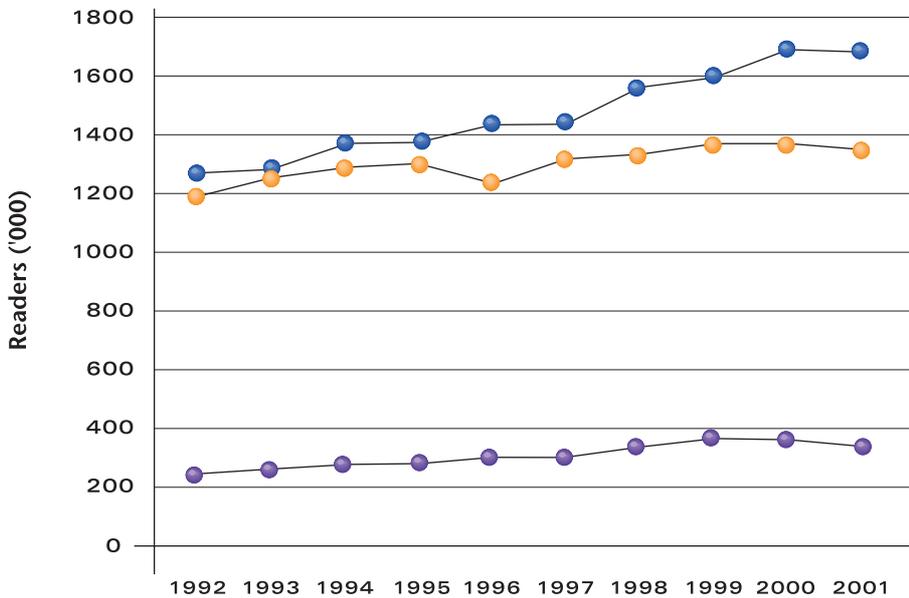
\* Streats has a controlled circulation of 200,000 and is available free at busy commuting points.

## Gross Newspaper Readership Trends



- Based on adults aged 15 years and above.

## Readership Trends by Language



- English Newspapers
- Chinese Newspapers
- Malay and Tamil Newspapers

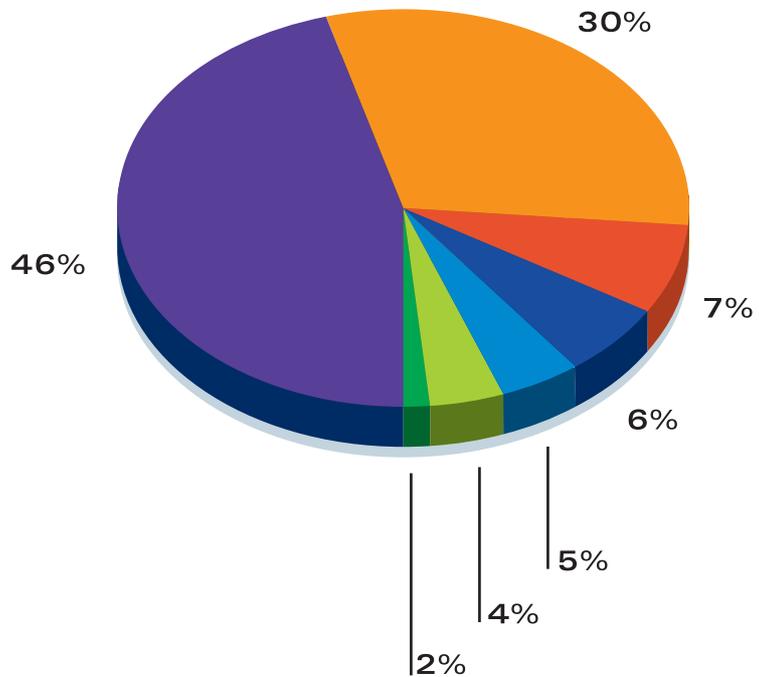
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## Advertising Expenditure by Media

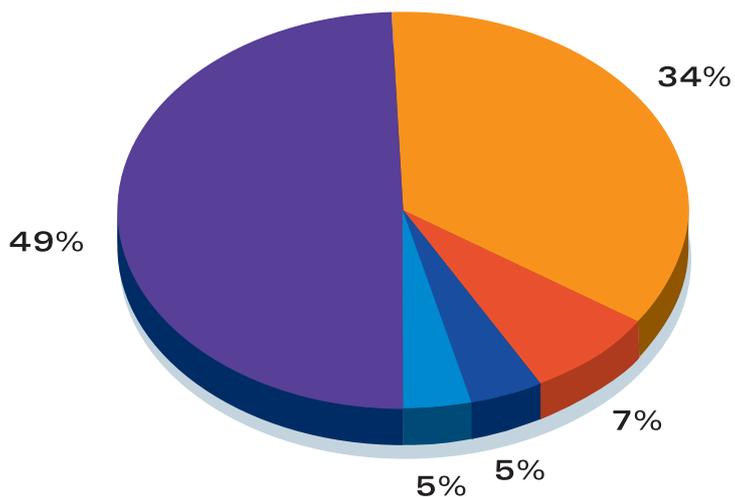
FY 2001

Total adspend:  
S\$1.56 billion



FY 2000

Total adspend:  
S\$1.44 billion



- Television includes bonus air-time.
- Newspapers exclude appointments/notices and classified but include display classified for five product categories: Automobiles, Real Estate, Banking/Finance, Leisure/Travel & Computer.
- For FY 2000, newspapers include City Weekly and Weekend East.

Source : AC Nielsen