Chairman and CEO Statement

DEAR SHAREHOLDERS

FY2005 – A YEAR TO CELEBRATE

There was much to celebrate in the financial year ended August 31, 2005.

The Straits Times turned 160 years old, and we celebrated this remarkable milestone with our readers, customers and business associates, for whom our English flagship daily has become a part of their lives. While the paper's long and rich heritage was in itself reason to celebrate, we did so while dedicating ourselves to tackling the challenges that lie ahead of us.

As a media group, we stayed focused and strengthened our core newspaper and magazine business. At the same time, the Group extended its footprint in the region, which now includes Malaysia, Indonesia, Thailand and China.

Our newspapers and magazines pressed on with efforts to provide quality content to an increasingly demanding and discerning audience. The emphasis was on creating or adding value for readers and business partners – both local and overseas.

Amid the more challenging media landscape, we ventured into a new advertising platform – outdoor advertising.

By leveraging on our brand name, marketing strength and experience, advertisers will be offered more integrated options to choose from, across strong multiple platforms.

Taking into account the operating environment, we performed credibly for the year ended August 31, 2005. Profit from operations was up 12.7 per cent, boosted by cost savings from the merger of our broadcasting operations, and improvement from the property sector.

And we achieved this with enhanced support to the community. For this, SPH was recognized as the top corporate giver in Singapore.

These have been good reasons to celebrate FY2005. With our resolve to continue to grow as a media group, we believe we are well-positioned for the new fiscal year.

CORPORATE HIGHLIGHTS FOR FY2005

BUSINESS PERFORMANCE

Group operating revenue grew 3.9 per cent to $1,007.5 million. This came mainly from the core newspaper and magazine operations which rose 7.0 per cent to $891.8 million, and the property segment which brought in $89.4 million, an increase of 8.3 per cent.

Profit from operations was up 12.7 per cent to $380.8 million compared to $337.9 million in the previous year. Including gains from the disposal of a substantial portion of the Group's interest in StarHub ($128.5 million) this year, net profit was $494.7 million compared to $546.3 milllion a year ago. The latter included exceptional gains from the disposal of stakes in Belgacom ($170.5 million) and the sale of Times House ($110.1 million).

NEWSPAPER AND MAGAZINE

Print advertising rose 6.4 per cent to $664.2 million on the back of improved business sentiment and contribution from the Blu Inc media and publishing business that was acquired by SPH Magazines in September 2004. Display advertising was 0.4 per cent up while classified and recruitment advertising grew 5.3 per cent bolstered by a pick-up in the job market. Excluding the effect of the cessation of our free newspaper Streats which took place after the completion of the merger with Today on December 31, 2004, display advertising rose 4.4 per cent while classified and recruitment advertising was 5.4 per cent up.

Circulation revenue of $204.8 million after absorption of

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$9.8 million in GST, was 6.7 per cent higher than last year. Average daily circulation of our newspapers for the year dropped by 1.3 per cent in aggregate but five titles registered increases.

To stay relevant and create more value for readers, we continued to invest in our newspapers and magazines, several of which underwent major revamps to beef up their content and design. Our journalists and photographers continued to provide outstanding news and features, giving our publications a sharp competitive edge. Our newspapers also introduced various initiatives to attract young readers, with new weeklies such as IN for secondary school students, and Little Red Dot for primary school pupils by The Straits Times, and Popcorn by Lianhe Zaobao targeted at teenagers.

For our attention to quality journalism, the Group's newspapers and magazines won more than 30 prestigious awards for editorial excellence, outstanding design, effective marketing and quality printing from our peers in the international media community.

INVESTMENT INCOME

Group investment income at $248.6 million, included $128.5 million from the disposal of a substantial portion of our interest in StarHub. This was $9.4 million lower than the $258.0 million a year ago, which included $170.5 million income on disposal of the Group's indirect interest in Belgacom. Excluding the one-time gain on StarHub and Belgacom, group investment income would have been $32.5 million better than last year. The overall return on the Group's portfolio investment was 10.5 per cent, better than the annual average of 6.9 per cent achieved in the last 4 years, including FY2005.

The Group's share of losses from associates was $3.6 million, mainly due to the loss of $3.8 million from our share in MediaCorp TV Holdings, partially offset by share of profit of $1.5 million from MediaCorp Press.

PROPERTY

Revenue from our property segment went up 8.3 per cent to $89.4 million. We expect the amalgamated Paragon, which enjoys 100 per cent occupancy in its retail space, to continue to yield more than 10 per cent return on equity per annum.

Other property assets, including the Times Industrial Building site, will be divested at the appropriate time to maximise shareholder value.

LOWER OPERATING EXPENSES

Operating expenses fell 1.2 per cent to $635.4 million, due largely to cost savings following the cessation of TV broadcasting operations. But these were partially negated by higher newsprint costs, higher headcount arising from the acquisition of Blu Inc's media and publishing business and continued expansion of the Group's magazine business, and annual salary increment. The Group's headcount fell to 3,443 at end of August 2005 from 3,591 a year ago.

EXPANDING OUR REGIONAL FOOTPRINT

We expanded our footprint in the region through investments in the magazine segment, and ventured into outdoor advertising.

After launching its best-selling flagship title, Her World, in Indonesia, Malaysia, China and Thailand, SPH Magazines further entrenched its position as a leading regional magazine publisher with investments in Traffic Corner Publishing in Thailand, and the acquisition of Blu Inc's stable of titles.

We capped an exciting and eventful year with our foray into outdoor advertising when we invested in SPH MediaBoxOffice. This new venture will enhance SPH's position as the leading media company in the region, as this sector is projected to grow at about 8 per cent per annum in Singapore for the next 3 to 5 years .

TV MERGER STEMS LOSSES

We completed the merger of our broadcasting subsidiary

↑12.7%
Operating Profits

↑3.9%
Group Revenue of $1 billion

95%
Dividend Payout
(% of Operating Profits)

with MediaCorp, a move which stemmed losses and led to improved results for the Group.

We continue to maintain a presence in the free-to-air television business through a 20 per cent share in MediaCorp TV Holdings Pte Ltd. And although we ceased to publish our own free newspaper Streats, we have a 40 per cent stake in MediaCorp Press Pte Ltd, which publishes Today.

CORPORATE GOVERNANCE AND TRANSPARENCY

As part of the Company's efforts to enhance its corporate governance and promote business integrity, we adopted a strengthened Code of Employee Conduct and Business Ethics. It is timely as we expand overseas into new business areas, and this demonstrates to our stakeholders and regulators that we are serious about good governance and risk management.

We have adopted the policies and best practices as set out in the Code of Corporate Governance, and complied with Singapore Exchange requirements.

DIVIDENDS

Continuing our good track record of rewarding loyal shareholders, the Board has recommended that a net final dividend of 15.8 cents per share, comprising a net normal dividend of 8.0 cents per share and a net special dividend of 7.8 cents per share be paid after approval has been obtained at the coming Annual General Meeting. Together with the interim dividend paid during the year, the total net payout of 22.8 cents represents a yield of over 5 per cent for the financial year 2005.

OUTLOOK

The Group's newspaper advertising revenue is expected to grow in tandem with the improving Singapore economy. However, there are concerns over global economic factors such as the continued pressure on oil prices and interest rate hikes. We expect the year ahead to be a challenging one. But we will continue to leverage on our brand name, resources, and strategic alliances, to grow value for our stakeholders.

ACKNOWLEDGEMENTS

Our heartfelt thanks must go to Mr Lim Kim San who will be stepping down as our Senior Advisor later this year. No words can do justice to what he has done for the Company over the past 17 years. He will be missed. We would like to express our appreciation to the Board for providing strategic guidance and governance oversight to SPH. In particular, we want to thank the last two founding Board members who retired this year – Dr Michael Fam and Mr Tang I-Fang – for their unstinting contributions and distinguished service to the Board.

We must also thank the management and staff for their commitment and dedication to creating value for the company. Three senior management executives who stepped down this year deserve special mention for their years of loyal service – Mr Tham Khai Wor, Senior EVP of Marketing, Mrs Sng Ngoi May, EVP of Corporate Services and Corporate Relations, and Mrs Joyce Chee, head of Internal Audit.

And to our shareholders, readers, advertisers, vendors, unions and business associates, thank you for the confidence and trust you have placed in us, and for your valued and sustained support.

Lim Chin Beng
Chairman

Chan Heng Loon Alan
Chief Executive Officer

A SPECIAL WORD FROM THE CHAIRMAN

It was over four years ago that I accepted the invitation to sit on the Board of SPH, and the time I have spent here ranks among the most satisfying and challenging I've ever had in my corporate career. We had to deal with the 9-11 attacks, Sars, and the merger of our TV and free newspaper operations. Despite our best efforts, some jobs were lost and this will always weigh on the hearts and minds of the Board.

But we managed to ride the storms, and the Group stayed profitable throughout. For this I must thank our staff – our most valuable asset – who hunkered down and persevered through the trying times. They are among the biggest sources of pride and satisfaction to me at SPH. I must thank our shareholders as well, for their patience and understanding as we sought to maintain the highest returns during the downturns we experienced. It would not have been possible without your help and understanding.

The Group is now exploring new ways to bring content to our readers, especially via the Internet and wireless technology, as well as more platforms for advertisers. We have moved into overseas magazine ventures and outdoor advertising.

The Group will have new leadership with Dr Tony Tan as its new Chairman. Dr Tan's wealth of experience, stature and contacts will be a definite boost to SPH in a fast changing and evolving media industry. All this bodes well for the future of SPH. I know I will retire with the Company in very capable hands.