

SPH'S VISION FOR THE SECOND HALF OF THIS DECADE IS TO ACCELERATE OUR TRANSFORMATION FROM A SINGAPORE NEWSPAPER COMPANY TO BECOME AN INTERNATIONAL MULTIMEDIA GROUP WITH A FOOTPRINT COVERING SOUTHEAST AND EAST ASIA. WE WILL CONTINUE TO IDENTIFY POTENTIAL BUSINESSES TO INVEST IN TO GROW OUR REVENUE AND PROFIT STREAMS.



The global digital revolution is without doubt the most significant trend affecting the media industry today. Digital media was initially regarded as a threat, especially by those in the newspaper business. But as the industry grappled with the impact of digital media on consumer habits and changing lifestyles, it became clear that new media channels like the Internet and mobile phones could create huge opportunities for media to reach out to the public in new and innovative ways.

A further trend is the convergence of fast-changing technologies and media platforms. This has affected existing business models while again throwing up opportunities to evolve new business models.

Instead of fearing these new trends or worse still, ignoring them, we must ride on the changes and seize the many good opportunities they present – to improve our product offerings, expand our readership and advertiser reach, and grow our business beyond the core print media. This is the direction which Singapore Press Holdings will take in the coming years – to move beyond print and beyond Singapore.

SPH is already the leading media group in Southeast Asia, with 14 newspapers – covering all four of our main languages and reaching more than 80 percent of households in Singapore – and over 80 magazines distributed locally as well as in the region.

We have also had more than 10 years of experience on the Internet, and experimented with various business models for our online newspaper sites and portals. While the Straits Times Interactive and Business Times Online are subscription-based, zaobao.com remains a free access site attracting more than 4 million unique visitors each month, mainly from China. Our Internet portal, AsiaOne, which was

relaunched with more content and interactive items, is also well-poised to benefit from the growth of Internet advertising.

SPH also launched several important initiatives in the Internet domain. We expanded into the online recruitment advertising business with ST701, a job search portal that offers a full array of online services at a competitive price. And we introduced STOMP, a website aimed at encouraging interactivity with readers of The Straits Times through all three channels – online, mobile and print.

The group also signed joint venture agreements with Schibsted, the leading Scandinavian media group headquartered in Oslo, Norway, to develop our online classifieds and search and directories business. Together with our existing online businesses in Singapore, these joint ventures will see SPH expanding its reach in Asia in a significant way.

In addition, SPH has footprints in the local TV and radio business with its 20 percent stake in MediaCorp TV Holdings and 70 percent stake in SPH UnionWorks respectively.

But we have not rested on our laurels. In the financial year ended 31 August 2006, we made several significant new initiatives.

In our core print segment, the launch of My Paper (我報), our Chinese-language free newspaper, is a crucial addition to our suite of products. My Paper is targeted at the 20 to 40 age group who are more proficient in English but keen to improve their literacy in Mandarin and knowledge of Chinese culture.

In the magazine segment, SPH consolidated its position as the Number 1 magazine player in Singapore with a presence in regional markets.

SPH aims to be a major pan-Asian outdoor advertising player. Outdoor advertising is a natural extension of SPH's newspaper and magazine business as we can leverage on our existing marketing relationships. SPH followed up its acquisition of MediaBoxOffice in the domestic market with a 35 percent stake in Tom Outdoor Media Group, one of the largest outdoor advertising companies in China. Outdoor advertising is one of the fastest growing segments in the Chinese media industry and the acquisition will help us establish a strong foothold in this Asian giant. SPH is now looking at other possible acquisitions and partnerships in the region.

On the property front, Paragon, our key commercial property asset, continues to do well and increased in value after we redeveloped it into a major commercial and shopping complex. We will continue to make Paragon more attractive to tenants and shoppers by increasing its gross floor area by an additional 14,500 square feet.

In view of the sustained recovery of the property market and our success with Paragon's redevelopment, we have decided to develop an up-market exclusive condominium on our Times Industrial Building site in Thomson. We expect this development to yield higher returns than an outright sale and help enhance shareholders' value by generating an additional earnings stream for the Group.

SPH's vision for the second half of this decade is to accelerate our transformation from a Singapore newspaper company to become an international multimedia group with a footprint covering Southeast and East Asia. We will continue to identify potential businesses to invest in to grow our revenue and profit streams. For these ventures to bear fruit and contribute significantly to the Group, we will need to invest substantially. Some of these

investments may not generate immediate returns but will be necessary to secure SPH's long-term growth.

To reward our loyal shareholders, the Board has recommended a final dividend of 17 cents per share, comprising a normal dividend of 8 cents per share and a special dividend of 9 cents per share. Together with the interim dividend paid during the year, the total dividend payout of 24 cents represents a yield of over 5 percent for the financial year ended 31 August 2006.

Finally, it leaves me to thank our staff, especially Cheong Yip Seng and Arthur Seet who will be retiring at the end of this year, for their sterling service to the SPH Group. I would also like to thank all our stakeholders for their continued support and commitment. I am confident that, by continuing to work together, we can scale new heights of achievement.



TONY TAN KENG YAM
CHAIRMAN