

Chairman's Statement



Aided by a robust Singapore economy, our core newspaper and magazine business turned in an excellent performance. This is especially gratifying as our print products demonstrated both resilience and flexibility in the face of threats to traditional media and ever-changing consumer habits and lifestyles.

SPH has had a good year. All segments of the Group's business – including our investments and property portfolio – performed well, with overall double-digit growth that hoisted our revenue and profit to near-historic levels.

With group operating revenue for the year of \$1.16 billion, net profit attributable to shareholders crossed the half-billion mark to hit \$506.2 million.

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While newspaper advertising and circulation have been slipping in the developed markets in the West as more and more readers and advertisers take to the Internet, it is a different story in booming Asia. Growing numbers of people in emerging economies led by China and India are snapping up newspapers and magazines as they become better educated and more affluent.

While Singapore has joined the ranks of First World economies, SPH has managed to not just maintain but grow its print products while introducing a series of new-media products to ride the global digital revolution.

What our earnings show is that our traditional news and information business is alive and well. Our newspapers and magazines continue to bring in the bulk of our revenue and profits. We believe that even as we strive to grow beyond print and beyond Singapore, our core strengths in the newspaper business will deliver good results for the SPH Group for many years to come.

As a media organisation, our overall goal is to be a top-performing multimedia group with a thriving traditional media core business, complemented by a growing and comprehensive new-media segment as well as adjacent businesses.

For SPH to maintain its progress, we have to continue to achieve high reader-approval ratings and deliver value for our advertisers. With our mass reach and our targeted community products, I am confident that our newspapers will remain the marketplace of choice for advertisers of both local and international brands and products.

In fact, SPH's stable of multilingual newspapers has a unique opportunity. The challenging global trends will likely result in a shakeout that will leave only the good ones standing – these will be the winners and long-term survivors. SPH newspapers can be among the winners, in all the segments we occupy. This is our clear aim. Our flagship English-language daily, *The Straits Times*, for example, can be the world's best English-language newspaper in coverage of Asian news.

SPH's big advantage is that we have the resources to continue upgrading our operations and services. We have a deep commitment to serve our readers and advertisers and invest in new products and innovations.

SPH's key strength is the quality of our staff. The formula for success in our business can be put simply – to produce quality products, we must have quality staff. We will therefore continue to invest in our people, in training and developing them to their full potential.

We have also not forgotten that at the heart of our enduring success is trust. Despite the proliferation of news and information channels in today's fast-changing media landscape, newspapers are still the most credible and trusted information source as validated by many studies.

This is why I am happy that, even as we innovate and introduce new media products and services, we continue to adhere to our core values of good traditional journalism. We exercise high ethical standards as we produce accurate, fair and responsible reports as well as incisive news analyses and commentaries. Our journalists are imbued with a noble sense of duty to our readers, our community and the nation.

I am also gratified that our publications and journalists continue to garner prestigious awards locally and abroad for superior journalism in various aspects – content, design, art and pictures. Increasingly, we have been approached by news organisations in foreign countries to share our expertise.

As a company, we have been held up by stakeholders and investor groups such as the Securities Investors Association (Singapore), as a model for corporate governance and transparency.

All told, it makes eminent sense for us to build on our core strengths as we evolve into being a multimedia organisation serving a digital-savvy generation.

What is clear is that the barriers that segregate digital and traditional media are coming down, and consumers now visit various platforms – print, online and mobile – each day.

This is why we are investing in many new online spaces where we aim to play a major role. We will continue to launch new and revamped products with new features, such as bilingual products like *My Paper* and *omy*, and capitalise on our multilingual capabilities.

We are also converging our newsroom and online operations to make our news and information available on various platforms and to serve our readers round-the-clock.

More and more advertisers are realising that they need a multi-pronged approach to bring their products and services to the public. Each medium has its unique strengths and relationship with its audience. We remain committed to help advertisers with good ideas and strategies, whether they be executed on our newspapers, websites, outdoor LCD screens or mobile phones.

We have already rolled out many new Internet and mobile products. We expect that revenue from new media will continue to grow, slowly but surely, from products like Stomp, ST701 online classifieds, our SPH Search directory, our AsiaOne portal, our online news websites and mobile news services.

In addition to our editorial products, we will also build on our established strengths in advertising and marketing, distribution and circulation, and also production. We have already invested in new editorial and office systems and new presses to offer better quality print and more colour. SPH will also develop business adjacencies, for example, in the area of event management.

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Strong sentiment in the property market boosted our property portfolio, which will remain a key segment of our business. Paragon, revalued at \$1.82 billion in June this year, continues to enjoy full occupancy and expects to continue generating healthy rental yields.

SPH's launch of its first luxury condominium development Sky@eleven early in 2007 saw all the 273 units snapped up. SPH expects to reap more than \$650 million in revenue by 2010 when the condominium is completed.

I should also mention that SPH and SPH Foundation plan to enhance our corporate social responsibility in several areas – sponsorship for all Singaporeans to enjoy the arts, support for the less fortunate, community drives, and the promotion of education, language and wildlife conservation.

SPH will strive to be energy and water efficient to play our part in the green cause. Also, up to 95 percent of our newspapers are printed on recycled newsprint today.

To reward our loyal shareholders, the Board has recommended a final dividend of 19 cents per share, comprising a normal dividend of 9 cents per share and a special dividend of 10 cents per share. Together with the interim dividend paid during the year, the total dividend payout of 26 cents represents a yield of over 5 percent for the financial year ended 31 August 2007.

I thank Mr Lee Ek Tieng and Dr Cheong Choong Kong for their valuable contributions to the Board and the Audit Committee. On behalf of the Board, I wish them well as they step down at this year's Annual General Meeting.

I welcome Mr Yong Pung How and Mr Ng Ser Miang. With their wealth of experience in contributing to Singapore's society, I am sure that their participation as Board members will benefit SPH greatly.

Finally, I would like to thank all SPH stakeholders – our management and staff, as well as business associates and investors – for having the strong confidence in SPH and helping us to scale new heights. With the bright outlook for Singapore and the region, I am confident that together we can achieve another year of success.



Tony Tan Keng Yam
Chairman