

CEO'S OVERVIEW OF GROUP OPERATIONS

In tandem with the recovery in the Singapore economy, SPH rebounded strongly in FY 2010 with strong growth in advertisement sales.

The Group's revenue from the Newspaper and Magazine segment rose to \$974 million, up 9.2 per cent from the previous year. This was achieved in the face of keen competition from digital and other media and the global trend of declining newspaper circulation and advertising revenue.

Our property segment also did well, bringing in revenue of \$356 million from the final contributions from our Sky@eleven condominium project, as well as higher rental income from our Paragon shopping mall.

The result was that SPH achieved a record high operating profit of \$539 million. Our net profit attributable to shareholders of \$498 million was 18 per cent higher than that of FY 2009.



Newspapers

The Group's English-language flagship, The Straits Times, had a banner year, accounting for the major part of the growth in advertising revenue. The Chinese-language flagship, Lianhe Zaobao, also fared well, as did the Group's other papers.

SPH showcased the power and effectiveness of print advertising by launching several pioneer marketing projects in The Straits Times. State-of-the-art print advertising included the use of translucent "cover wrap" advertisements and 3-D technology. Both initiatives won accolades from advertisers as well as professional bodies such as the International Newsmedia Marketing Association (INMA) and the World Association of Newspapers and News Publishers (WAN-IFRA).

On the circulation front, the Group's newspapers turned in a commendable performance, especially considering the severe recession and competition from new media. As at August 2010, total daily average circulation was 1,002,823 copies, a decline of 1.8 per cent from the previous year.

The Straits Times and Lianhe Zaobao held their ground with circulation staying above 365,800 and 172,100 copies respectively. Shin Min Daily News continued to enjoy robust circulation growth of 3.6 per cent to 141,400 copies. It recorded an all-time high of 190,368 copies on 22 July 2010. The Business Times and Tamil Murasu also performed well, with 37,500 and 14,800 copies respectively.

My Paper, the Group's free bilingual paper, underwent a major makeover to give bilingual readers the best of both worlds. According to the 2009 Nielsen

Media Index, the paper registered the biggest jump in readership among all local newspapers, with a 50 per cent year-on-year increase. tabla!, the English free weekly, moved into its second year with strong support from the growing Indian community.

The newsrooms were abuzz with many new initiatives in the past year. Lianhe Zaobao launched ZbBz, a bilingual "newsgazine", in October 2009. Combining the qualities of newspaper journalism with the sophistication of magazine design, the luxury lifestyle magazine targets the country's bilingual elites. Another Chinese magazine, Health No.1, made its debut in November 2009.

The New Paper started the year with a new editor - Dominic Nathan, former News Editor of The Straits Times. The tabloid newspaper's signature event, The New Paper Big Walk, returned in July this year to attract over 20,000 participants with Prime Minister Lee Hsien Loong as the Guest-of-Honour. In August, it opened a sports bar at the St James Power Station to connect with its readers and provide perks for subscribers who joined the TNP Club.

The Business Times remained the paper of choice for businessmen and continued to champion excellence in the business fraternity with its awards programmes. The Business Times was also commissioned by IE Singapore and SPRING Singapore to produce the bi-monthly, The SME Magazine, for small and medium-sized businesses.

Berita Minggu was revamped in March 2010 while Tamil Murasu celebrated its 75th anniversary with a new look and content.



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Newspaper Services

SPH continued to invest in our core print business. In April this year, we upgraded our system of film-based plate-making to a digitised computer-to-plate system. In August, two of our four Colorliner presses were upgraded with new printing couples and press control systems. The New Paper was the first product to benefit from the new technology, increasing its colour capacity to 80 pages, which was timely for a more colourful coverage of the 2010 World Cup.

As a result of our commitment to excellence, The Straits Times, Lianhe Zaobao and Berita Harian earned international recognition for their print quality by qualifying for the International Newspaper Colour Quality Club for the fourth consecutive year.

On the retail front, the Group's Buzz Pod franchise – which represents a new generation of newsstands - expanded to 55 outlets. It also secured the rights to operate in all major bus interchanges in Singapore for another three years.

Magazines

SPH Magazines continued its growth to become the region's premier magazine publisher. According to the Nielsen Media Index 2009, Her World and Men's Health retained their top positions in the women's and men's magazine categories respectively. Young Parents topped the parenting magazine category while Home & Décor remained number one in the interior design category.

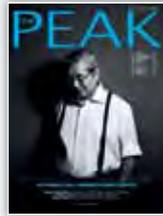
Her World, our flagship magazine title, celebrated its 50th anniversary with a series of promotion events, including a travelling glasshouse which sold limited edition anniversary tee-shirts and eco-friendly bags. Major events such as Her World Woman of the Year 2010 and Her World Golf Challenge Asian Series further reinforced the title's leading position in the market.

Other major events to promote our titles included Shape Run 2010, which attracted a record 10,000 women participants, the Female & Nuyou Catwalk as a highlight of Fashion Season@ Orchard, and the inaugural Men's Health Urbanathlon, an endurance race for men.

To keep in constant touch with its stakeholders, SPH Magazines rejuvenated its corporate website with user-friendly features and content like blogs and campaign showcases.

Several products also underwent revamps. Simply Her unveiled its new look in August 2010, sporting a new masthead and layout. It also added new sections and columns to attract more readers. HardwareMAG Singapore was revamped in December 2009, featuring bolder styles, eye-catching images and more vibrant colours. This was followed by the redesign of Herworld.com, offering new interactive features and fresh content.

SPH Magazines also expanded its range of titles with the launch of ICON Weddings and The Peak Selections: Gourmet & Travel, an extension of ICON and The Peak respectively.



New Media

The Group's new media products successfully increased their presence and reach in the past financial year. The Straits Times Breaking News site crossed the 30 million mark in monthly page views, while our AsiaOne network now attracts 2.1 million unique browsers monthly. Zaobao.com has an average of 4 million unique visitors and 100 million monthly page views. omy.sg, Singapore's first bilingual news and interactive portal, saw a rapid growth in traffic with a record 15 million page views in March 2010.

Seven of AsiaOne's verticals were ranked among Hitwise's Top 10 rankings in their respective categories. AsiaOne's SoShiok.com and health.asiaone.com maintained their top spots, while AsiaOne.com, Zaobao.com, ST701.com and Stomp were first in their respective categories.

In line with SPH's commitment to develop our new media products, improvements were made to the ST701 Jobs vertical for both employers and job seekers. This was followed by the launch of the new ST701 Spree site, making it more convenient for users to make cheaper collective purchases from more than 1,000 merchants worldwide.

SPH's online products also made their debut into smart-mobile platforms with the launch of iPhone applications such as The New Paper Football Kaki, SoShiok.com, omy.sg and HardwareZone.com. Similar versions were adopted for the iPad. Android applications were developed for straitstimes.com as well.

To better serve advertisers and users, some of our online products entered into strategic partnerships with leading players. Zaobao.com signed an agreement with Shanda Literature Singapore to launch a Chinese literary

site so that readers can access a huge archive of Chinese literature online. The AsiaOne Network extended to include regional newspaper websites with the new ANN TVC Network, SPH Magazines' clickTRUE also started socialTRUE to provide solutions to businesses that are interested in the use of social media technologies as part of their overall marketing strategy.

ShareInvestor, the leading Internet financial media and technology company acquired by SPH in 2008, grew from strength to strength. It revamped its website in July 2010 to broaden its range of services for online users. It also organised several events in Singapore and Malaysia. These included Malaysia GEMS, the first cross border seminar held in Singapore in 2010, as well as INVESTOR Expo 2010 in Kuala Lumpur. ShareInvestor also partnered The Business Times for the INVEST Fair 2010 Conference and Exhibition at the Marina Bay Sands.



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Radio

SPH UnionWorks' Chinese station Radio 100.3 was invited to join a new global alliance, the Global Chinese Golden Chart, with other top radio stations in the region. The alliance enabled the station to collaborate with record labels in the region to actively promote Chinese pop music and share music resources and content. The station's active promotion of Korean pop music also helped it to win the "Official Radio Station" title for the Sundown Festival, a major K-pop event which was held at Resorts World Sentosa.

Our English station 91.3FM saw a surge of 87,000 new listeners, according to the Nielsen Radio Diary 2010 Wave 1 Survey. Deejay Rod Monteiro and the Married Men's morning show enjoyed a 64 per cent increase in listeners. The station's "Must Drink Friday", an event to promote bonding between listeners and deejays at the hottest clubs in Singapore, was well received. 91.3FM's website enjoyed a 50 per cent increase in page views, while its Facebook page saw visitorship rise 100 per cent.

Listeners are now able to tune in to 91.3FM and Radio 100.3 online through their respective websites at www.radio913.com and www.radio1003.com, as well as on other SPH-owned websites such as razor.tv, stomp.com.sg, AsiaOne.com and straitstimes.com.

Book publishing

SPH's book publishing arm, Straits Times Press, launched a further nine children's fiction titles. They were published as part of the First-Time Writers and Illustrators Publishing Initiative 2009 by the Media Development Authority and the National Book Development Council of Singapore.

In addition, Straits Times Press produced several commemorative publications, notably the Singapore Public Service Division's anniversary book, *Pioneers Once More*, and *Three Burgess for the Republic of Singapore Yacht Club*. It also published several books for the Group, including *Page 2 Primer*, a compilation of The Straits Times commentaries, and *Eureka!*, a children's book in collaboration with The Straits Times' Little Red Dot.



Properties

SPH's property segment continued to deliver good returns. Sky@eleven, our luxury condominium development, obtained its Temporary Occupation Permit (TOP) in May this year. The final contribution from the project, as well as the strong rental income from Paragon, strengthened the performance of the Group.

Following the \$82 million renovation to update its facade and increase commercial space in 2008/2009, Paragon now houses top international brands such as Tod's, Prada, Miu Miu, Salvatore Ferragamo and Gucci. It continues to enjoy 100 per cent occupancy for its retail and office space, and recently embarked on a refurbishment project to refresh its interiors.

SPH entered a joint venture with NTUC Income and NTUC FairPrice to purchase and manage the retail mall at Clementi Town Centre following a successful tender in November 2009. The Clementi Mall is scheduled to open in January 2011, with Fairprice Finest, Foodfare and National Library Board as its anchor tenants.

Outdoor Advertising

It was a fruitful year for SPH MediaBoxOffice (SPHMBO), which increased the number of large outdoor LED screens from five to eight. The latest outdoor LED screen is located at 313@Somerset mall on Orchard Road, with two others at CityVibe mall in Clementi.

SPHMBO currently owns and operates more than one-third of the total number of large outdoor LED advertising screens in Singapore. It consolidated its leading position in the Digital Out-of-Home (OOH) advertising space by expanding its network of screens in retail malls. The new additions were in Far East Plaza and six malls under the AsiaMalls group, including Liang Court, Tampines One and Tiong Bahru Plaza.

On the events front, SPHMBO was appointed by Singapore Retailers Association and the Singapore Tourism Board as the organiser of the Great Singapore Sale Challenge 2010. It was appointed by URA to organise the Big Carnival@ Marina Bay, an event to launch the Marina Bay precinct. Other major events managed by SPHMBO included Fashion Season@Orchard and the annual Health & You exhibition, which attracted over 100,000 visitors.

Events and Exhibitions

Since its incorporation in April 2008, Sphere Exhibits, SPH's events and exhibitions arm, has organised a total of 15 exhibitions, attracting over 500 exhibitors with more than 1 million visitors. It expanded its portfolio with the acquisition of Eastern Directories' popular consumer shows - COMEX, IT Show, World Food Fair and Food and Beverage Fair.

In addition, Sphere has organised roadshows and ventured into partnerships to create fun and entertaining events with thematic concepts. Beerfest Asia 2010, jointly organised with Ublues in June 2010, was a huge success. This will be followed by Asian Masters, an event on gourmet food, culture and lifestyle in January 2011, jointly organised with Poulouse Associates.

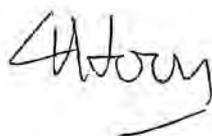
SPH also extended its presence into the trade show arena through its acquisition of BizLink Exhibition Services in June 2010. BizLink Exhibition is the organiser of the annual Singapore Gifts & Premiums Fair, as well as the Franchising & Licensing Asia show, which is the most successful international franchise show in the region. Come 2011, Sphere will be launching two major trade shows – BuildTechAsia and InterDecAsia, both premier events for the building, construction, and décor and retrofitting industries respectively.

Business Outlook

Our print advertisement revenue will continue to track the Singapore economy's performance. We will continue to monitor and manage operating efficiencies in our core newspaper business so as to be able to deliver a sustained performance. The Group remains committed to devote resources to develop our digital and interactive media business.

Our commendable performance in the financial year ended August 2010 would not have been possible without the dedication and commitment of our staff at all levels. We also owe our success to other stakeholders like our readers, customers, advertisers, vendors, business partners and the unions.

The future of the media business is going to get more exciting with technological advances and changing media consumption habits. SPH will strive to turn challenges into opportunities. I am certain that, with our inherent strengths as a content provider, we will maintain our leadership position in the media business for more years to come.



Chan Heng Loon, Alan
Chief Executive Officer