

Chairman's STATEMENT



I am pleased to report that the SPH Group performed well in the Financial Year 2010/2011.

Group revenue at \$1.25 billion crossed the \$1 billion mark for the seventh consecutive year. Our creditable performance was underpinned by higher advertisement revenues, robust growth in rental income and continued progress in our exhibitions and online businesses.

Revenue for the Newspaper and Magazine segment grew year-on-year by \$39 million to \$1,013 million. Print advertisement revenue rose by \$42 million, boosted by strong display advertisement sales. Rental income for the Group continued to register robust growth with an increase of \$33 million compared to the previous year. Overall, net profit attributable to shareholders was \$389 million, down \$109 million as FY 2010 had benefitted from the \$154 million profit from the Sky@eleven project.

BUILDING ON PRINT

SPH's key challenge is to continue to achieve healthy circulation figures and generate good revenue from our core print products in this digital information age.

Despite competition from other media platforms, our print media held its ground with our total newspaper circulation averaging 981,339 copies per day for FY 2011, a slight year-on-year decline of 0.2 per cent.

But there was growth in circulation for several of our papers. The Straits Times' average daily circulation registered year-on-year growth of 0.6 per cent to 354,654 copies. The Business Times' circulation also increased by 1.5 per cent vis-à-vis the previous financial year, while Tamil Murasu continued to enjoy robust growth of 15.3 per cent to 16,747 copies.

\$1.25 BILLION

total revenue

We continued to introduce new products and rejuvenate existing ones to keep up with changing market needs. Our Chinese flagship daily Lianhe Zaobao launched a fortnightly Chinese publication, Thumbs Up Junior, for primary one and two students in March, adding to its portfolio of student newspapers which comprises zbCOMMA and Thumbs Up. The Central Integrated Newsroom of Shin Min Daily News and Lianhe Wanbao also launched Victory Trail, a bilingual racing guide.

The New Paper revamped its Sunday edition with more focus on entertainment news, fashion and sports. U-Weekly celebrated its 10th anniversary this year with a vibrant new look, newsier content and a handy compact size.

According to the Nielsen Media Index 2010, our magazines Her World, Female, Men's Health and Home & Décor remained top in their respective categories. Given the good response from both readers and advertisers, Home & Décor launched its inaugural annual supplement, Renovate, while The Peak Domain and ICON Weddings changed from annual to biannual publications.

Straits Times Press, our book publishing arm, had a fulfilling year with the launch of new titles like "Lee Kuan Yew: Hard Truths to keep Singapore going" and "Diplomacy: A Singapore Experience", both in the English and Chinese versions. Focus Publishing's two health related magazines, Health No. 1 and Wellness No. 1, generated good sales and feedback.

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ACCELERATING DIGITAL GROWTH

SPH is keenly aware of the odds stacked against any newspaper company in the face of rapid changes in media consumption trends. Hence, we need to sustain our investments in the digital space and attract digital revenues.

Mobile devices like the iPhone and iPad have secured substantial market penetration in recent years. After being among the first to roll out iPhone apps for our products, The Straits Times launched its iPad and enhanced iPhone apps in August, and was greeted with encouraging feedback and response. This will help capture younger readers who might not be reading our newspapers and eventually help them migrate to our print and other products as well. This was followed by The Business Times Weekend, which launched its new iPad app from 1 October in celebration of The Business Times' 35th anniversary.

There are now smartphone applications for The Straits Times, Stomp, The Straits Times RazorTV, AsiaOne, SoShiok (Food), omy.sg (Entertainment) and The New Paper (Football), with audience numbers growing consistently, and revenue from mobile advertising rising over 40 per cent year-on-year. There are plans to roll out more new digital platforms soon.

We have also re-launched our portals. The Straits Times has integrated its various products like Stomp and The Straits Times RazorTV under an enhanced ST Online site (www.straitstimes.com). According to comScore, straitstimes.com is the number one local news website in terms of reach. The Business Times will launch a finance vertical as part of a revamped BT Online (www.business-times.com) and ride on the synergies with ShareInvestor, which also re-launched its website.

SPH Magazines' forum-based IT website, www.hardwarezone.com, extended its regional reach as it rolled out its new platform to Malaysia and the Philippines. It also became the first home-grown technology magazine to be made digitally available on the tablet platform.

In addition, SPH Magazines acquired a 34 per cent stake in Antarctica Interactive Private Limited, the holding company of the Luxury Insider Group which owns Luxury-Insider.com and Inluxe.cn, on top of print titles Baccarat and ULTIMA.

Ultimately, our aim is to provide an engaging and enriching integrated media for readers and advertisers alike. We have the quality content, but we need to keep abreast of all the distribution platforms and make them work for us.

WIDENING OUR BUSINESS PORTFOLIO

We expect our slew of adjacent businesses to make solid contributions to our bottom line and shareholder value.

The Clementi Mall, which was officially opened in May, has enjoyed 100 per cent tenancy and good catchment from the surrounding tertiary institutions and residential estates. Paragon refurbished its interiors to offer shoppers an enhanced shopping experience. It continues to attract 100 per cent occupancy and strong visitorship despite fierce competition on Orchard Road.

Sphere Exhibits, our events and exhibitions arm, has grown from strength to strength. To date, it has become a key player in the events and exhibitions industry. Its subsidiary, Exhibits Inc, has hosted several well-known exhibitions such as COMEX and IT Show, while its other subsidiary, BizLink Exhibition Services, continues to enjoy success as a trade fair organiser with shows like the Singapore Gifts & Premiums Fair and Franchising & Licensing Asia.

SPH MediaBoxOffice (SPHMBO) has expanded its in-mall digital advertising network to several new locations, offering advertisers a medium that reaches out to 80 per cent of Singaporeans and permanent residents. With close to 200 digital screens in 23 popular shopping malls island-wide, it has reaffirmed its position as the out-of-home media company with the largest in-mall digital advertising network in Singapore.

AWARDS AND ACCOLADES

SPH has continued to garner a string of local and regional accolades for our editorial, design, marketing and printing excellence from local and international organisations like the Magazine Publishers Association of Singapore (MPAS), World Association of Newspapers and News Publishers (WAN-IFRA), Pacific Area Newspaper Publishers' Association (PANPA), International Newsmedia Marketing Association (INMA) and the International Academy of the Visual Arts (IAVA).

Our commitment to maintaining corporate transparency and enhancing shareholder value helped us clinch the Securities Investors Association's Most Transparent Company award in the Non-Electronics Manufacturing category last year. We also won a Bronze for Best Investor Relations (\$1 billion and above market capitalisation) at the Singapore Corporate Awards 2011.

ACTIVE CORPORATE CITIZENRY

While aiming for corporate and business excellence, we have not forgotten to give back to society. The Group helped raise and donated more than \$8 million towards various charitable causes in 2010 alone. Besides giving to education, charity, community, sports, arts and culture, wildlife conservation and the environment, the SPH Staff Volunteers Club was also set up to promote staff bonding through volunteerism.

SPH is proud to have been honoured with the prestigious President's Social Service Award for its extensive corporate social responsibility efforts and staff volunteerism this year. Both SPH and the SPH Foundation were also awarded the Corporate Platinum Award by the Community Chest. And for being a long time supporter of the arts and culture, SPH was named a Distinguished Patron of the Arts by the National Arts Council for the 19th consecutive year.

Besides dedicating our resources to different causes, we continue to promote a caring and sharing society by giving extensive media coverage to charitable needs and acts. We will also make corporate social responsibility a part of life in SPH. This includes energy and water conservation, use of recyclable and sustainable print and paper resources, recycling of waste and maintaining a clean and green working environment.

INVESTING IN STAFF

We continue to invest in our greatest asset, our staff. Besides a comprehensive range of talent management and development programmes, we launched a Health and Sustainability Programme to prepare our mature employees for transition into the next phase of their lives and to understand more about retirement and re-employment. And with proper succession planning in place, we saw a smooth leadership transition in Lianhe Zaobao, Tamil Murasu and in our Production Department.

Our Human Resource efforts have won us the Singapore Human Resources Institute's HR Corporate Award and six other awards. These awards attest to the importance SPH places in our human capital management.

TRIBUTE TO FORMER CHAIRMAN AND DIRECTOR

I would like to pay a special tribute to President Tony Tan Keng Yam, who resigned from the SPH Board on 1 July 2011 after serving as Chairman of SPH since December 2005.

I would like to put on record SPH's heartfelt gratitude for his leadership and contributions, and congratulate him on being elected the seventh President of the Republic of Singapore.

Under his leadership, SPH has transformed itself into a leading multimedia company that transcends print and goes beyond Singapore. Besides embarking on several new media and online initiatives, Dr Tan expanded SPH's property business with Sky@eleven and The Clementi Mall. In 2008, Sphere Exhibits was incorporated to organise a series of trade and consumer shows catering to a wide spectrum of interests.

I would also like to express our deepest gratitude to Mr Yong Pung How, who has decided not to stand for re-election at the coming Annual General Meeting. Mr Yong was first appointed director and Deputy Chairman of SPH after its incorporation in August 1984. He re-joined SPH as a director in July 2007 after retiring as Chief Justice. He is a distinguished gentleman with vast experience and knowledge. We have benefitted greatly from his wisdom and guidance.

NEW SPH DIRECTOR AND CHAIRMAN-DESIGNATE

On behalf of the SPH board, I would like to welcome Dr Lee Boon Yang, who joined the SPH Board on 1 October 2011.

Dr Lee is a member of the Executive Committee, Remuneration Committee and Nominating Committee, and will be put up for re-election at the SPH Annual General Meeting on 1 December. If re-elected, he will be appointed Chairman of the Board and Chairman of the Executive Committee and continue as a member on the Remuneration and Nominating Committees.

With his keen insights into the media industry and his wide-ranging track record, I am confident that he will help steer SPH to greater heights.

A SPECIAL WORD OF THANKS

I would like to thank our management, staff, unions, business associates, customers, readers, investors and all other SPH stakeholders for their support this past year.

To reward our loyal shareholders, the Board has recommended a final dividend of 17 cents per share, comprising a normal dividend of 9 cents and a special dividend of 8 cents. Including the interim dividend of 7 cents, the total dividend payout for the year will be 24 cents per share. This is in line with our track record of paying out a high percentage of our recurring earnings as dividends.

The global economy has been weakened by the debt crises in the United States and Europe. This came soon after the devastating impact of Japan's tsunami and earthquake. With the dampening of both investor and business confidence, SPH should be prepared for challenging times ahead. We have weathered the economic storm well in the past. I believe we can do it again with everyone's dedication and continued support.



Prof Cham Tao Soon

Acting Chairman