

Review by Chief Executive Officer



The adverse impact of the Iraq war, terrorism, the SARS outbreak and a weak economy in the second half year led to a marginal drop of 0.6 per cent in the Group's turnover to S\$897.8 million for the full year. Against this difficult backdrop, print advertisement revenue fell by 2.8 per cent to S\$595.4 million, largely because of a decline in recruitment and classified advertising. Although turnover from newspapers and magazine dipped by 2.3 per cent to S\$789.4 million, the decline was mitigated by increases in broadcasting and multimedia revenue. SPH MediaWorks, the Group's broadcasting arm, continued to garner a bigger share of the TV advertising market due to innovative and better programming, which pushed its advertising revenue to S\$41.6 million from S\$27.5 million last year, while losses from operations narrowed to S\$40.2 million from S\$44.6 million. Operating losses from freesheet *Streets* increased slightly to S\$5.8 million from S\$5.2 million.

We ran a tight ship and contained costs in all areas of operations. The cost containment measures led to savings of 1.1 per cent. Staff costs went down by 2 per cent or S\$4.9 million, while newsprint cost fell by S\$20.9 million or 18.9 per cent due to lower prices.

Performance of core business

Despite competition from foreign newspapers and freesheets, SPH newspapers held up credibly. Total daily average circulation of paid newspapers fell marginally by 0.3 per cent to 1,066,998 copies, although several bucked the trend and continued to perform very well.

Daily average circulation of *The Straits Times*, SPH's English flagship daily, for the year was 389,248 copies while that for *The Sunday Times* was 387,205 copies. The AC Nielsen Media Index for 2003 reaffirmed that *The Straits Times* remained the readers' top choice by far, with the highest reach among the Professionals, Managers, Executives and Businessmen (PMEBs). The daily average circulation of the Chinese flagship daily, *Lianhe Zaobao*, was 192,165, up slightly by 0.4 per cent over last year.

The improved circulation figures confirm the trend that people are prepared to pay for quality newspapers despite the availability of freesheets. SPH newspapers have held their ground largely due to the continuing efforts by our editorial teams to improve their content and design to meet the changing needs of readers and advertisers.

Revamp was the buzzword for the year. The *Life!* section of *The Straits Times* took on a livelier image in September 2002, featuring a different lifestyle theme each day. In November, it was *Streets'* turn, which helped enhance its readership profile and double its advertising revenue. Among the Chinese newspapers, *Shin Min Daily News* was given a partial makeover in September 2002, with improved coverage of sports and entertainment news. This was followed by a major makeover of *Lianhe Zaobao* in March 2003, giving readers a lighter and more colourful read, with beefed-up coverage of China. In August 2003, *Berita Harian* introduced a snazzy lifestyle section called *Ekstra*, targeting the young readers. Two of our magazines were also given makeovers – *Focus Publishing's You Weekly* in May, and *SPH Magazines' Young Parents* in June 2003. On the television front, *Channel U News* also underwent a change in August 2003, revamping its content, graphics and studio sets. All these efforts have paid off, attracting more readers and viewers.

This quest by SPH's products to constantly refresh themselves to stay ahead won *The Straits Times* the gold awards for best newspaper design and best newspaper infographics, and *Lianhe Zaobao* the gold award for high quality printing at the IFRA Publish Asia Awards in Kuala Lumpur on July 30, 2003.

The online editions of the two flagship dailies also continued to be highly popular, with *Zaobao.com* garnering some 3 million page views daily, of which more than half of the viewers are from China, and *The Straits Times Interactive* enjoying a daily average of nearly 1 million page views.

On March 10, 2003, The Business Times Online introduced a subscription model for accessing its online edition between 4 am and 2 pm for non-print subscribers. To reach out to young readers, The Straits Times Schools Media Club programme was launched on August 1, 2003 and quickly attracted 20 schools, boosting The Straits Times by some 12,000 copies weekly. More schools are expected to join the programme, which targets to raise The Straits Times' weekly subscription by 30,000 copies.

The KBA Commander Presses and associated Ferag mailroom lines went into production during the year. The first line started in October 2002 while the other three were ready by January 2003. All the four KBA presses are now in the final stages of the acceptance trials. When the state-of-the-art KBA presses are fully operational by end of 2003, SPH newspapers will be able to carry colour pictures and ads from cover to cover.

Key subsidiaries

It was another eventful year for SPH MediaWorks. Both its Chinese Channel U and English Channel i registered the highest jumps in viewership figures among the seven free-to-air channels from July 2002 to June 2003, according to the AC Nielsen Media Index for 2003. Channel U's audience of adult viewers (aged 15 and above) in 2003 went up by 13.6 per cent, while Channel i's viewership rose by 65.4 per cent. In December 2002, MediaWorks clinched the top trophies at the Asian Television Awards. It was named Broadcaster of the Year while Channel U won Terrestrial Channel of the Year. There were more reasons to cheer on its second anniversary in May 2003 when both channels were bestowed Superbrands by the Superbrands Council, a leading independent authority on branding.

Times Periodicals was renamed SPH Magazines Pte Ltd on June 23, 2003 to better reflect the progressive and international corporate image of the company. Contract publishing took flight after the subsidiary secured a

four-year contract to publish Singapore Airlines' popular in-flight magazine SilverKris. Building on the success of its best-seller Her World, SPH Magazines also expanded its business beyond Singapore by going into joint ventures to publish Her World Malaysia and Her World Thailand.

Redevelopment work on The Paragon was completed by end of August 2003. The S\$43 million new wing at the former Promenade site transforms the shopping mall at the heart of Orchard Road into a bigger and trendier building and added 64 specialty shops to the existing 120. The mega complex now boasts 430,000 sq ft of lettable retail space.

Cost containment

SPH management and the two unions representing SPH employees – SPH Employees' Union and Singapore National Union of Journalists – signed two flexi-wage agreements on December 17, 2002, which came into effect on January 1, 2003. A significant feature is the introduction of a Monthly Variable Component (MVC), under which 2 per cent of the staff's basic pay is set aside for this in the first year of implementation in 2003, to be followed by another 2 per cent for every subsequent year until the target 10 per cent has been reached.

On January 1, 2003, the company restored wage cuts imposed since November 1, 2001 for executives earning over S\$3,000 a month.

Difficult times demand difficult, if painful measures. On June 30, 2003, the company retrenched 111 employees as part of a move to right-size the organisation to match the business volume. The retrenchment cost the company S\$7.2 million in severance payments, but would save S\$5.7 million a year in manpower costs.

Management changes

The year saw a smooth handover of leadership. Lim Chin Beng was appointed non-executive Chairman of SPH at the Company's 18th Annual General Meeting

on December 13, 2002, when Executive Chairman Lim Kim San stepped down after 14 years at the helm. Lim Kim San remains with SPH as Senior Advisor, a post he assumed on January 1, 2003. On the same day, I became the Chief Executive Officer. I was previously the Group President.

On September 2, 2002, there was a reshuffle of senior editors in The Straits Times (ST) and The Business Times (BT), as part of the move to redistribute responsibilities and strengthen the capability of the English and Malay Newspapers Division (EMND). ST political editor Han Fook Kwang was appointed Editor of the English daily, taking over from Leslie Fong, who is now Editor at Large in charge of the team covering Asia, especially Greater China. Patrick Daniel, who was editor of BT, became the Managing Editor of EMND, while Alvin Tay was appointed Editor of BT. This redeployment also led to changes in other senior positions in both the ST and BT newsrooms.

On April 1, 2003, Wee Leong How, Executive Vice President of Human Resources, was appointed Executive Director of SPH MediaWorks. A new team of five senior executives was appointed on April 7, 2003 to assist him in managing SPH's broadcasting arm. They are Man Shu Sum, who is the Chief Operating Officer (Operations Group), Nalini Naidu, Chief Operating Officer (Media Business Group), James Ang, Senior Vice President (Finance), Kelvin Ma, Senior Vice President (Engineering) and Joseph Tan, Vice President (Information Technology). Lawrence Loh, who heads SPH's Marketing Planning and Development which provides research services, took over Nalini Naidu's job in Display Advertisement.

Role in overcoming SARS

SPH also supported national efforts to overcome the SARS outbreak from April to June 2003. Its newspapers and two television channels played a significant role in educating and updating the public on the deadly virus and rallied Singaporeans to cooperate with the Government's tough measures to overcome the crisis.

SPH also pitched in to set up The Courage Fund for needy SARS patients and their families and The Contact Bowl campaign to speed up contact tracing of SARS victims in case of an outbreak. SPH also joined two other media groups to start a SARS television channel as a public service. For its efforts to help the nation battle SARS, SPH was awarded a President's Certificate of Commendation on National Day.

On its part, SPH was among the first companies to roll out a slew of contingency plans and precautionary measures to protect staff and prevent disruption to its operations if it was hit by SARS. Critical operations like newsrooms, prepress and marketing were split into two teams, with the second group working from the Genting Lane building. Staff had to take regular temperature checks while visitors to SPH facilities were screened. SPH also cut advertising rates in the major newspapers to help businesses tide over the difficult period.

Corporate citizenship

The Group's support for the arts and community-building efforts remained unwavering during the year. SPH continued to be an active and responsible corporate citizen, contributing S\$1.5 million to arts and culture, sports, community events and charity. For the 11th consecutive year, SPH has been named the Distinguished Patron of the Arts by the National Arts Council for its support of arts programmes such as the NAC-SPH Golden Point Award, Singapore Writers' Festival, TheatreWorks' Writers' Laboratory and the production of The Global Soul at the Singapore Arts Festival. SPH also supported the Singapore Symphony Orchestra and Singapore Chinese Orchestra, and was one of the main sponsors for River Hongbao 2003.

SPH continued its support for wildlife conservation efforts through the adoption of endangered animals like Inuka, the polar bear, and the SPH Conservation Centre, where a family of rare proboscis monkeys are being housed and bred, at the Singapore Zoo. It also worked closely with the Singapore Zoo to promote

Channels U and i, which have clawed a good chunk of the TV audience market share and ratings, are set to improve with newer and better offerings – thanks to back-up from the Group's resources, expertise and strong networking support.

It shows that we have integrated solutions and that we can develop our synergy further, and explore the vast opportunities in the market.

conservation awareness among youths with the SPH Junior Conservationist Awards. Apart from the sponsorship of the Chilean and Carribean Flamingos, and Samson the golden eagle at the Jurong BirdPark, SPH also adopted the All Star BirdShow, a popular tourist attraction.

The annual Straits Times School Pocket Money Fund managed to raise its targeted S\$3 million to help 7,200 needy students. To promote the President's Challenge 2003, SPH contributed S\$200,000 worth of advertisement space. The annual charity fundraiser also saw The New Paper and the Chinese Newspapers playing an active role by raising a total of S\$368,634 through two respective charity events – Be Yourself Day and Show You Care, Buy a Tile. The funds went to 45 beneficiaries under the Community Chest.

In August 2003, SPH donated S\$20 million to the Press Foundation of Singapore, a charity body with the status of an Institution of Public Character (IPC)

Acknowledgements

We have emerged from the difficult year stronger and more resilient and I want to thank our business

associates – advertisers, advertising agents, news vendors and suppliers – and the management, staff and unions for their unwavering commitment and dedication in helping the company weather the storm. There are some signs of recovery in the global economy although the outlook for the year ahead remains cautious. To stay competitive, we need to work closely together to achieve greater operational efficiency and synergy, as well as seize new growth opportunities. I am confident that our team will rise to the challenge.



Alan Chan Heng Loon
Chief Executive Officer