Chairman's Statement

In Annual Report 1997, I said that Financial Year 1998 would be difficult and challenging. We had expected our business to be adversely affected by the economic crisis in the region but little did we realize that markets would collapse and in such quick time.

Thus total group trading profits declined from $430.0 million to $389.6 million this year, a drop of 9.4 per cent. This was primarily because of lower advertising revenue.

The first quarter of the year had seen continued growth, but as we entered the second quarter, business declined quarter by quarter; firstly, in recruitment advertising, then classifieds and finally trade display advertising.

Investment income decreased by 85.4 per cent from $71.4 million last year to $10.4 million inclusive of $57.8 million in provisions for the year under review.

Our losses from associates were reduced to $6.7 million from $27.4 million previously. This was mainly because of the turnaround of MobileOne (M1).

Airco Building in Jurong was disposed of, resulting in an extraordinary gain of $13.8 million.

Net attributable profit was $294.5 million, a decline of 13.5 per cent from $340.3 million previously.

This brought earnings per share on a fully adjusted basis to 68 cents from 83 cents last year.

Colorliners

The new Colorliners printing presses were launched on September 1, 1997. As to be expected, there were a number of teething problems in both software and hardware. Significant improvements have been made since and the presses are running more efficiently.

Distribution has also been facilitated by earlier finishing times.

Increasing Circulation

The year under review was an exciting one for journalism as major local, regional and international financial and political events unfolded. The result is an increase in average daily circulation to 1.047 million copies – an increase of 23,721 copies or 2.3 per cent over the previous year, as at end August.

Circulation of The Straits Times increased by 11,349 copies or 3 per cent and that of the three Chinese newspapers together went up by 14,845 copies or 3.3 per cent. Berita Harian improved by 1,889 copies and the revamped Berita Minggu improved by 6.8 per cent and exceeded 70,000 copies per issue while other Sunday papers rose at a slower rate. Sales of Tamil Murasu, too, increased.

Multimedia Division

At the time of writing, the number of subscribers to M1's cellular network has surpassed 270,000.

AsiaOne website continues to build its hit rate. It now scores in excess of 120 million hits monthly. Advertising revenue secured amounted to slightly above one million dollars and while this will be affected by the general decline this year, it should grow in subsequent years.

E-commerce has been introduced. Our virtual shopping mall has 60 shops and will have more.

At the time of writing, Singapore CableVision (SCV) has 130,000 subscribers. As it steps up its cabling and wiring of private condominiums and landed estates, more will sign on.

Property

Refurbishing of the retail podium of Paragon has been completed and the centre is now fully open for trading.

The location and new layout of Paragon have attracted many retailers of upmarket labels and popular stores like Metro and Marks & Spencer offering a wide range of products for the family and to fit different lifestyles.

We are confident that it will be a popular shopping centre.

We have purchased an industrial building at 1000 Toa Payoh North. The building will be refurbished and further built up to house all non-printing operations of SPH by year 2002.

Investment

Investment income was reduced to $10.4 million this year as a result of losses on sale of investments amounting to $47.9 million and provisions of $57.8 million.

Our equities suffered from the free fall in share prices. We took early action to cut losses and re-invested in fixed income investments and retained more cash.

Staff

Our staff remained committed and attrition was lower. The aim is to cut waste and improve productivity.

Effective January 1999, there is a 2 per cent salary cut for senior executives and a wage freeze for middle management. Staff earning less than $3,500 a month will have their annual increase limited to $25 per month.

Variable bonuses were automatically reduced in view of the year's reduced profit.

I take this opportunity to thank our unions, SPHEU and SNUJ, for giving us their wholehearted support.

Community Service

We continued our support for our long-term projects and received the Distinguished Patron of the Arts award for the sixth consecutive year.

As part of our celebrations of our new look newspapers, we sponsored the musical *Joseph and the Amazing Technicolor Dreamcoat* in February 1998.

Removal of Foreign Shareholding Limit

In March 1998, the limit on foreign shareholding was removed, and the local and foreign tranches were merged. Holders of local shares were awarded 100 bonus shares for every 1000 held while owners of foreign shares were given 276 shares for every 1000 held to partially compensate them for the premium paid.

Capital Restructuring Exercise

In November 1998, we reduced our capital by 10 per cent. Shareholders were paid a total of $496.4 million or $1.22 per share. SPH 100 was introduced.

Dividend

We maintained our rate of 12 cents interim dividend despite the higher number of shares issued this year. The Board is pleased to announce a final dividend of 31 cents per share. The total dividend payout this year was $120.1 million, 18.7 per cent higher than last year.

Directorate

Dr Cheong Choong Kong joined our Board of Directors in March 1998. He is also a member of the Audit Committee.

Directors take this opportunity to thank all our readers, advertisers, advertising agencies, suppliers, newspaper vendors and business associates for their support.

The Board would also like to thank our staff for their dedicated service.

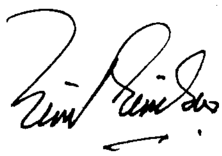
Prospects

The Group will continue to face difficult trading conditions and we expect profits to further decline in the current year. Prospects will be determined by the economic performance of the United States, Japan and Europe, as well as the recovery of the economies in the region.

The government's package of reduced charges, together with wage and CPF cuts should help companies survive and improve their profitability.

Until the full benefits from these measures are realized, we do not anticipate significant recovery till the end of 1999.

I therefore expect the current year to be another difficult one.



Lim Kim San
Executive Chairman