

The background features a textured, light-colored surface with several thick, diagonal brushstrokes in shades of brown, green, and blue. Handprints in blue and red are scattered across the composition, some overlapping the brushstrokes.

operations review

building lasting media brands

~ maximising value
to our stakeholders



Media Prima – Growing Further with Strength

The year under review was especially significant for Media Prima as the Group was able to further consolidate its leading position in the electronic broadcast industry. Two major acquisitions were completed in 2005, which saw the Group adding two more free-to-air TV networks (TV9 and ntv7) and two radio stations (Hot FM and Fly FM) to its media stable. Media Prima is now proud to control all of Malaysia's four private free-to-air television networks.

With this enlarged media reach, Media Prima is now in a stronger position to improve further on our operational strategies and build on the already strong foundations to optimise the strengths of our individual media assets.

During the year, we continued to build on our basic operational strategy - to make each of the media assets under the Group the preferred medium of choice within their own segment; whilst at the same time, harnessing the synergy between these media platforms to value add and generate additional revenue.

Our media platforms offer unparalleled and cost-efficient reach to advertisers seeking to target

consumers. Media Prima's media assets currently reach close to 20.0 million Malaysians daily, including 11.2 million television viewers, 6.8 million newspaper readers and 1.9 million potential radio listeners.

In terms of market share, TV3 continues to maintain its leadership position by garnering 43% of gross television advertising expenditure (Adex) and 48% share of television viewership. More impressively, 8TV, which is only in its second year of operations, successfully increased its market share to 17% and 6% share of the gross TV Adex and viewership respectively.

NSTP also made significant strides with both its Malay dailies. Berita Harian emerged as the No. 1 Bahasa Malaysia newspaper while Harian Metro is now the leading Bahasa Malaysia tabloid. Further, these Bahasa Malaysia newspapers also enjoyed a strong 7% growth in advertising revenue. The flagship newspaper, New Straits Times, continued to improve its content after going fully compact in April 2005, enabling it to achieve an 8% increase in circulation during the year under review.

Malaysian Idol



Looking forward, our main focus would be to further leverage on the synergies within the media assets of the Group. The Group has recently introduced integrated cross-sell and cross-market packages targeted towards specific industries such as properties and consumer electronics; and are aimed at assisting advertisers reach the consumers more effectively using multiple platforms (electronic, print and radio).

Further, we look forward to developing our recently established radio business via Hot FM and Fly FM and to take advantage of the significant opportunities prevailing within the radio industry. We will also continue to look for investment opportunities that will enhance the Group's earnings and deliver shareholders' value over the medium to long term.

Record Financial Performance

We are extremely pleased to note that the Group achieved a record consolidated pre-tax profit of RM71.63 million for the financial year ended 31 December 2005, representing an increase of 44% from RM49.43 million profit recorded in 2004.

Media Prima's revenue also grew strongly, rising by 21.7% to RM399.69 million on the back of strong growth in advertising revenue by both TV3 and 8TV

despite a challenging market environment where total advertising expenditure only grew by 3% in 2005.

The Group's television broadcast companies, Sistem Televisyen Malaysia Berhad (TV3) and Metropolitan TV Sdn Bhd (8TV) recorded significantly improved financial performance with 8TV now profitable after breaking even after only eighteen months in operation. Further, the Group also recorded strong growth in earnings from its TV3 Ghana operations and successfully contained cost escalation through stringent cost management.

Meanwhile, Media Prima's associate company NSTP recorded a profit before tax of RM29.31 million for the year ended 31 December 2005 compared to RM12.51 million posted in 2004. This is attributable to stronger operational performance arising from improved advertising and circulation revenue and write back of diminution in value of fixed assets.

However, NSTP continues to face a challenging market environment due to rising newsprint prices arising from higher fuel prices globally. The Company is addressing these challenges head on by reducing its other overhead costs and a strong drive to increase revenue through improved content and branding of its publications.



electronic media, content development and events

TV3 – continued dominant position

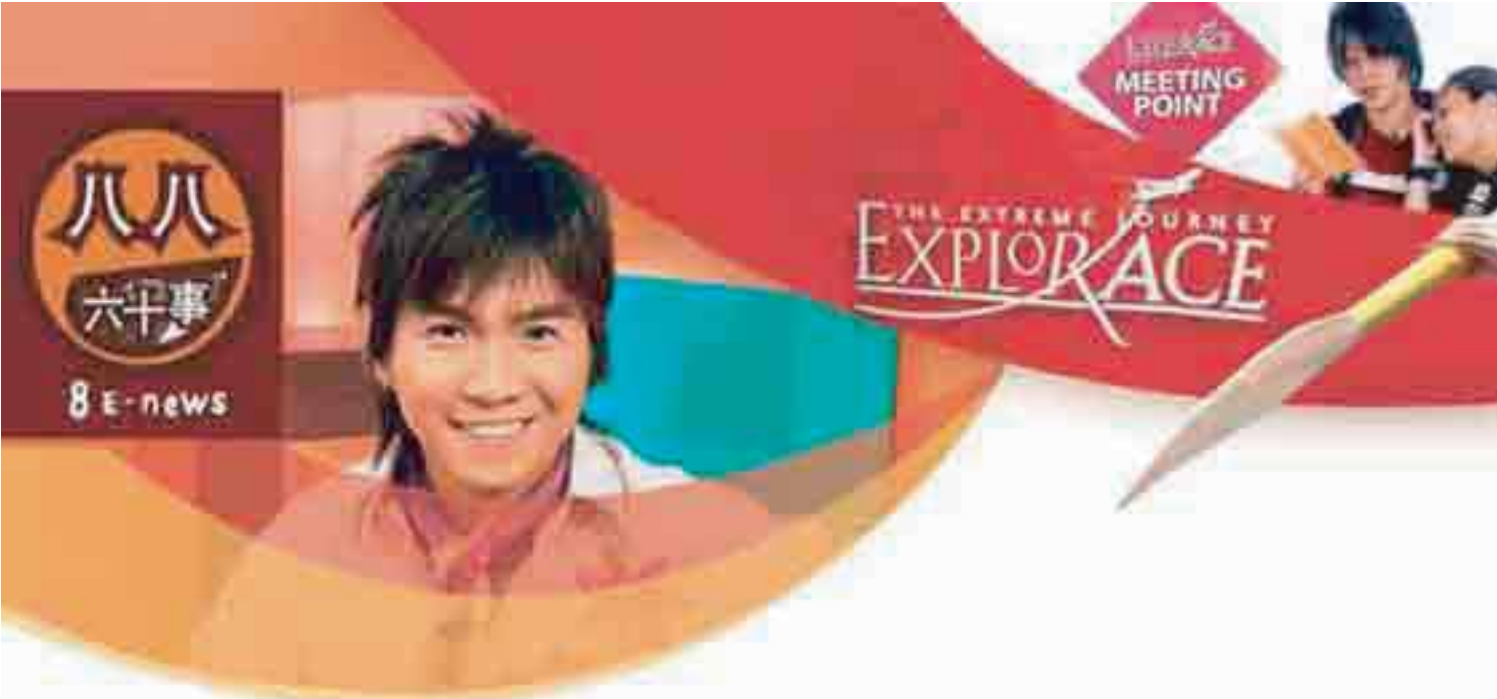
During the period under review, TV3 reinforced its leadership position as the No. 1 free-to-air network in Malaysia and was also rated the most watched channel even on ASTRO. This was achieved with its continued focus on improving programme quality and relevance to viewers, underpinned by its strategy to exceed the expectations of advertisers and viewers.

We continued to adopt the proven formula of best-of-breed programming and content strategies, combining the best of local and international content to reach every viewer segment. As a result, TV3 achieved an impressive 17 of the top 20 programmes most-

watched by all viewers in 2005. Our top-rated programmes include *Anugerah Bintang Popular*, *Anugerah Skrin TV3*, *Mentor*, *Anugerah Juara Lagu* and *Sembilu Kasih*.

Buletin Utama remains the No. 1 most-watched news on all TV stations, giving daily in-depth analysis of events and presented by our top-rated news team. *Bersamamu*, a reality-based programme depicting the plight of the less fortunate, was a hit with its call for donations from generous Malaysians. Other top-rated programmes - including *Puteri*, *Mentor*, *TV3 Anniversary Bash*, *Cerekarama* and *Explorace* – continued to draw exceptional viewership ratings and strong support from advertisers.





We are proud that our nationwide road show ground event, TV3's *Karnival Jom Heboh* continued to build on its huge success. The nationwide event lasted 10 months and drew record crowds at all 10 locations around Malaysia. Expanding on this on-ground activity success, TV3 also embarked on *Perkampungan Hadhari* with the Terengganu state government as well as being involved in socially worthy projects to popularise the usage of Malaysian Songket and Nyonya Kebaya.

These significant branding activities helped to further cement TV3's leadership position. During the year, TV3 garnered 43% of gross television advertising expenditure (Adex) and 48% share of television viewership. Despite the emergence of new media channels, we expect TV3's leadership position to continue in the future given its strong brand equity and appeal across all key market segments.

8TV – realising its potential

2005 was an incredible year for 8TV. Having established itself, 8TV made further inroads into its urban youth and Chinese vernacular markets. With differentiated content, irreverent positioning and interactive elements, 8TV has swiftly become one of the hottest media brands in Malaysia.

The strength of 8TV remains its combination of high quality foreign programmes and unique local content. In the year under review, *Malaysian Idol* was once again its highest-rated series in its second season. This was supported by other successful reality-based shows such as *Homegrown*, *Project Superstar* and *Malaysia's Most Beautiful*, which provided dramatic entertainment and created a huge buzz among Malaysians, beyond television. 8TV also took centre stage with high quality sports events such as the Formula 1 and A1 Grand Prix live broadcasts.

During the year, 8TV also created a strong on-ground presence with the introduction of the energetic 8Team, a street team that interacts with 8TV's target audience on ground. This has been further expanded with a similar team established for the Chinese community called the "8Warriors".

As a result of this, 8TV successfully achieved break even within 18 months of operations, significantly earlier than the 24 month target, enabling it to successfully contribute profits to the Group for the year.

Moving forward, we expect 8TV to continue building on this strong foundation and deliver significant value to the Group as it expands its revenue base. With more locally produced content like the *Gol & Gincu* drama series, *Realiti*, *Crime Scene*, *Go Travel*, *Reel Review* and *Voice Your Choice* plus highly-rated foreign programmes such as *Desperate Housewives*, *Alias*, *Lost*, *The Simple Life*, *Ghost Whisperer* and the best drama series from Asia, 8TV is well-poised to fulfill its role as the engine of growth for the Group.

TV3 Network Limited, Ghana – our growing success

TV3 Network Limited ("TV3 Ghana") continued to maintain its leadership position as Ghana's most watched and preferred free-to-air TV station, reaching out to an average 3 million viewers during prime time.

TV3 Ghana, which recorded its maiden profit only in 2004, recorded strong revenue and profit growth during the year despite the challenging market environment in the country. The network has become the medium of choice for advertisers and now commands 22% of the total Adex across all TV stations and other media platforms in Ghana.



The station received a number of accolades in 2005 including being named “Station of the Year” (The Radio and TV Guide), “Sports Station of the Year” (The National Sports Journalists Association) and the Ghana RTV Awards for “Best TV Station of the Year” and “Best TV Station for coverage on environmental related issues”.

With an expanded transmission coverage, TV3 Ghana continues to delight Ghanaian viewers with its high quality entertainment and informative content as well as enjoying popular support from the public with ground events and charity causes such as the donation drive for an orphanage at Teshie, a suburb in Accra.

Media Prima is currently evaluating the possibility of realising its investment in TV3 Ghana via the latter’s flotation on the Ghana Stock Exchange.

ntv7 and TV9 – turnaround challenge

Media Prima completed its acquisition of Ch-9 Media Sdn Bhd, the operator of the former Channel 9 TV network, on 23 September 2005.

Since then, extensive efforts have been made in preparation for the re-launch of the station under the new brand name of “TV9” with the tagline “Dekat di Hati”. The network has begun full peninsula-wide transmission on 22 April 2006 with an immediate potential reach of 7 million viewers in Peninsular Malaysia, including all the East Coast states of Pahang, Terengganu and Kelantan.

The station targets core Malays with strong traditional values and will be providing wholesome current affairs and entertainment programming aimed at reinforcing positive human values that Malays hold dear. By reaching out to the largest consumer segment, which also represents the largest growth potential in terms of market value, TV9 is poised to become another future engine of growth for the Group.

Media Prima also executed a collaboration agreement on 13 July 2005 with Natseven TV Sdn Bhd (owner operator of ntv7 network), Synchronsound Studio Sdn Bhd and Encorp Media Technology Sdn Bhd (the respective licence holder and operator of WA.FM radio

station) to assist in the debt and corporate restructuring of the said companies. Upon completion of the debt and corporate restructuring exercise, Media Prima was offered the opportunity to acquire these three companies. These acquisitions were completed on 30 December 2005 enabling Media Prima to own all private free-to-air television stations in Malaysia.

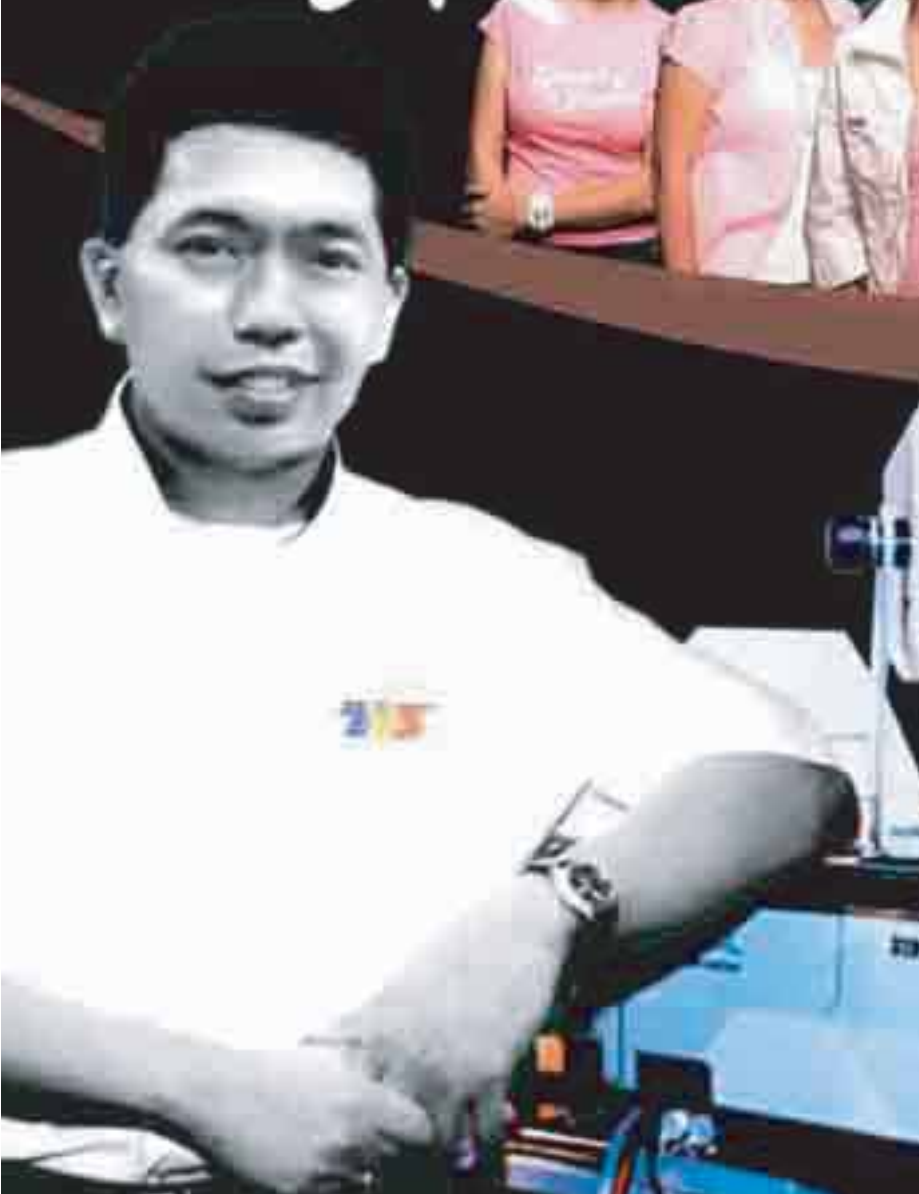
ntv7 has undergone a comprehensive operational restructuring exercise to improve its competitiveness and profitability. The company has undertaken a voluntary separation exercise, enabling it to operate with the right organisation size by taking advantage of the back office consolidation initiatives undertaken with Media Prima’s other television network operations. Further efforts were also made to reduce other overheads such as transmission costs.

More importantly, as part of our network segmentation strategy, we have repositioned ntv7 as the Feel Good Channel targetting the higher income urban family households. The station now focuses on bringing the best entertainment for adults aged 25 years and above plus their children.

This will provide advertisers with the opportunity to reach a clearly identifiable market segment with strong purchasing power. We have further invested significant amounts in high quality foreign and local content such as the “CSI” franchises, *Reunion*, *Fear Factor*, *Thursday Night Live* with Harith Iskandar and *Anugerah Industri Muzik* to attract and retain this viewer segment.

We are very encouraged by the early results of this repositioning strategy that has indicated strong support from viewers. We are confident, with continued investment in high quality and compelling content and also in the ntv7 brand, the network will turn around and provide significant value to the Group over the medium to long term.

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Bersama PTSD



Hot FM – sizzling the airwaves

Meanwhile, WA.FM has since been relaunched as Hot FM on February 2006. Hot FM with the tag line “Lebih Hangat Daripada Biasa” is positioned as an exciting Malay radio station targetted towards the young urban Malay listeners.

Significant amount was expended on advertising and promotion especially by taking advantage of cross promotional activities between Hot FM and TV3. Hot FM became the official radio broadcaster for TV3’s *Anugerah Juara Lagu* as well as the ntv7’s *Anugerah Industri Muzik*. Radio personalities of Hot FM have been continually promoted on all our television networks to ensure public recognition of the station is immediate.

From the early signs received, the market acceptance of Hot FM has been phenomenal. We are highly confident that the radio network will be a huge success amongst the Malay public and the brand will flourish and generate significant value to Media Prima in the future.

Fly FM – edgy and informative

Having made a record of sorts by becoming the first radio station in the world to be located in an airport when it began broadcasting on October 2005, Fly FM is fast becoming a real hit among its target listeners with its tagline, “It’s All About the Music”.

Playing the latest international and local hits with an edgier feel and tighter format, the content and talk-sets of its on air personalities are designed to provide listeners with useful and entertaining information. Fly FM also introduced the concept of 50 minutes of non-stop music which has proven to be very popular with the young urban market between 15-30 years old plus a potential market of 25 million passenger arrivals at KLIA.

On Fly FM, advertisements are innovative, less cluttered, and targetted to the right audience through lifestyle-driven personalities. The radio station has an on-ground daily promotions team which has been involved in many partner activities including the Epson’s epBus tour, KL Tower’s International Base Jump, Estee Lauder’s anniversary celebrations and The Sun’s U! Tour.

Fly FM’s current focus is on continuing to build its listener base by leveraging on promotion opportunities offered via other channels within the Media Prima Group and it aims to be among the nation’s leading English radio stations in the future.

Grand Brilliance Sdn Bhd – evolutionary growth

As one of Malaysia’s leading and largest content producer, GBSB’s strategy during the year remains delivering exciting and sought after content via feature films and television dramas. GBSB is also responsible for the international marketing and distribution of all Media Prima content

For the year under review, GBSB has further expanded its role to distribute international movies in the Malaysian market. In 2005, GBSB distributed best-selling Indonesian movies *Tentang Dia* and *Ungu Violet* which proved to be a huge success. In particular, *Tentang Dia* was hugely successful, setting the record for the highest-grossing Indonesian release in Malaysia.

GBSB continues to take the lead in the production of Malaysian movies. During the year, it released the latest offering under the *Senario* franchise, *Senario XX*, plus *Buli Balik* and a retro comedy titled *Rock*.





Further, GBSB launched in 2005 **Alternate Studio**, a new alternative platform for filmmakers to produce and filmgoers to watch more sophisticated and differentiated feature films. The first film from this in-house studio was the romantic comedy titled *Salon* that was shot using entirely new technology (i.e. HD cameras).

GBSB also continued producing quality and highly rated made for television movies and drama series for the Group. These include *Mya Zara*, *Sekam Cinta*, *Salina 2* and *Simbiosis*.

On the distribution side, GBSB continues to market Media Prima content internationally and achieved numerous sales for products such as *Ilmuan Islam* (English version), *Jejak Rasul*, *Islamic Scholars*, *Islam - Legacy of Faith*, *Mysteries from the East*, *Colours of the East*, *Beauty Secrets from the East* and *Tsunami - The Force of Nature*.

Going forward, GBSB is confident that it will be able to leverage on the Group's media assets to consolidate itself as Malaysia's leading content producer.

Tiga Events Sdn Bhd – reinventing for success

Tiga Events Sdn Bhd, ("TESB") is one of the largest events management companies in Malaysia, handling both local and international events.

During the year, TESB embarked upon a new strategy to be more focused towards undertaking larger, high value events that would enable it to be more competitive by leveraging on the Group's media assets.

Among its key successes in the year under review was the staging of major concerts including that by 12 Girls Band plus Peterpan Live in KL and Disney On Ice - Princess Classic. TESB has also been accredited by the Malaysian Government and has handled in 2005 the launching of the LIMA airshow, Visit Malaysia 2007 tourism campaign and *Pelancaran Bulan ITS*.

Going forward, TESB aims to bring high quality, international standard events and productions into Malaysia, focusing on key markets such as family, music-based youth events and corporate entertainment events.

print media and outdoor advertising

NSTP - renewed vigour

NSTP recorded a higher pretax profit of RM29.31 million compared to RM12.51 million achieved in 2004. The increase in profit is attributable to improved performance in its publishing business and a write back of diminution in the value of fixed assets.

However, with the continuing rise in newsprint prices, the year under review continues to be a challenging year for NSTP. This higher cost has been partly mitigated by the increase in the cover prices of NSTP's Bahasa Malaysia newspapers and the Malay Mail.

To further address this challenge, extensive efforts were made to enhance all the newspaper publications. Berita Harian undertook a revamp in June 2005, offering an improved product alongside a new vibrant masthead, an attractive layout and smarter use of infographics. Harian Metro, which continued to enjoy phenomenal growth in circulation, made further investment in its content and brand to expand its reader base.

These efforts have borne immediate fruits. By year-end, Berita Harian had clearly become the No. 1 Bahasa Malaysia newspaper, while Harian Metro clinched leadership position as the leading Bahasa Malaysia tabloid. This led to a strong increase in advertising revenue for both these publications.

On the other hand, the Group's flagship newspaper New Straits Times went fully compact in April 2005. The paper had been previously printed in both broadsheet and compact formats after the latter's introduction in September 2004.

Further, to improve its content, NST incorporated educational pullouts *Didik, Minda Pelajar, Skor* in January 2005 and in December 2005 introduced 'Your Say', a mobile interactive service. These efforts have had positive impact on the circulation, which grew 8% during the year under review.



In line with strengthening the Group's core business, the separate classified pullout, 'U Buy U Sell' was launched in May 2005 and was made available in both New Straits Times and the Malay Mail in the Klang Valley. Further, the NSTP Group took advantage of its strong editorial resources and news archives by publishing in NST a special 40-page Merdeka pullout, 'Road to Nationhood', which showcased the history of our nation.

As a continuing effort to invest in its brand, the New Straits Times kiosk was launched in Bintang Terrace, Lot 10 Shopping Centre. The objective of the kiosk is to create a ground presence in a strategic area to provide more interaction with its readers and stakeholders. Visitors can surf the Group's websites and digital newspapers, while shoppers can take a break to read and relax in a cosy, air-conditioned, café-like ambience. The kiosk also serves as a one-stop centre for business purposes, providing the convenience of placing classified ads and making payment for newspaper subscriptions.

We are confident that these measures to improve the brand values of all its newspaper publications plus efforts to reduce costs to offset rising newsprint prices will be successful and NSTP will deliver improved financial performances in the coming years.

Corporate Social Responsibility – being caring corporate citizens

To reflect its caring corporate citizenship, the Group undertook during the year many social activities for the benefit of the public. TV3's efforts in this area revolved around *Bersamamu*, a charity-based programme that was launched by patron YABhg Dato' Sri Rosmah binti Mansor, wife of the Deputy Prime Minister, on 19 May 2005. Depicting the plights of the underprivileged and the challenges faced — including poverty, sickness and single motherhood — this programme has become a major success and managed to raise to-date more than RM1.58 million from the public to be used for the benefit of those affected.

In addition, TV3 continued to promote our strong heritage and cultural values via establishing events such as the Nyonya Kebaya and Songket projects.

On the other hand, New Straits Times has been at the forefront in promoting English amongst the young via its School Sponsorship Programme. Under this programme, corporate bodies and the public in general were invited to subscribe for copies of the paper, which were then distributed free to school students, especially those in rural areas, in an effort to improve their English proficiency.

In addition, NSTP and TV3 continued its collaboration with PricewaterhouseCoopers via the NSTP-PWC Malaysian Humanitarian Award to recognise Malaysians who have performed acts of outstanding public service.

