

CEO BUSINESS REVIEW

PUBLISHING & PRINTING



GOH SIK NGEE – CHIEF EXECUTIVE OFFICER

Achieved Revenue of

\$397M

Business Overview

Times Publishing Group had a strong profit recovery from its continuing businesses due to the improved performance of both Education Publishing and Print segments. After including our share of profits from associates, our overall earnings declined 5% to \$27 million, due largely to a \$6 million restructuring charge by PMP Limited, an associated company in Australia.

The revenue of the continuing businesses increased by 1%. However including the discontinued businesses, overall full year revenue declined 3% to \$397 million due largely to the cessation of printing operations in China, divestment of the school retail business and unfavourable translation effect.

The Publishing division continued to gain momentum with its education export strategy especially in its Singapore Mathematics. We continued to perform well in school adoptions of education textbooks in overseas markets. The results affirm our strategy of focusing on growing our international footprint as we see export overtaking local sales this year. Our education online business also delivered a stellar performance in the local school adoption. Our Learning Management System achieved 70% market share for the primary schools in Singapore. Our new online math programme, *Math Buddies*, is currently being piloted in schools in the USA, paving way for new revenue potential for Education Publishing.





Achieved PBIT of

\$27M

FY2011 key developments:

- Education Publishing maintained growth momentum in its export markets
 - Continued success with *Maths in Focus* in the US
 - Made inroads into Latin America
 - *Discover Maths* approved for national adoption in South Africa
- Organised the 2nd Marshall Cavendish Singapore Mathematics Global Forum
- 70% of Singapore primary schools used MC Online's Learning Management System
- Printing division enjoyed higher printing volumes across all plants in Singapore, Malaysia and China
- Launched Times Learning+ which focuses on education related products
- Launched NoQ store, an online retail book store

CEO BUSINESS REVIEW

PUBLISHING & PRINTING

During the year, the Group continued to innovate our products and services. Riding on the digital opportunities created in the online space, the group launched NoQ store, an online book portal targeted at Asia consumers. The Retail division also launched Times Learning+ which is an enhancement of Times bookstores to offer education related products for parents with schooling children.

The Printing division performed well due to an increase in printing volume and improved gross margins. Underpinned by a number of significant wins of new contracts and positive productivity gains from the implementation of Enterprise Resource Planning ("ERP") system, we achieved a significant increase in revenue and profit.

Publishing

Marshall Cavendish Education

Marshall Cavendish Education maintained its strong push into the international markets, with the US as our largest export market. The success of *Maths in Focus* continued its growth momentum with revenue for this export market doubling during the year.

Latin America is the next fastest growing market for Marshall Cavendish Education. Pilot programmes with Chile are in the pipeline. More than 22,000 students are using *Pensar sin Límites Matemática Método Singapur* (Spanish edition of the successful *My Pals are Here! Mathematics*) as their core Mathematics curriculum. Marshall Cavendish Education has also launched the *Pensar sin Límites Ciencias Método Singapur* (Spanish edition of the *My Pals are Here! Science International Edition*) to further expand our reach in Latin America.

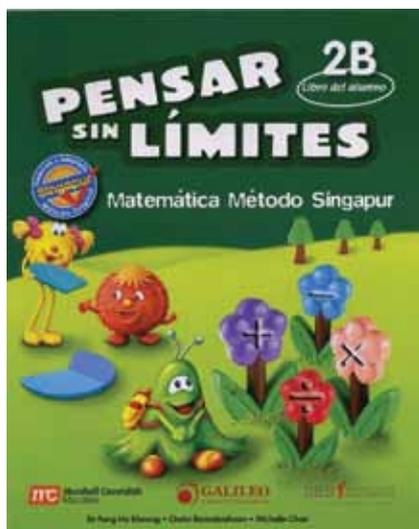
Marshall Cavendish also continued to be in the limelight in the export markets with Singapore Mathematics. *Discover Maths* was approved by the Department of Education in South Africa as one of the Mathematics packages for national adoption. Almost 12,000 potential students will be using this series of Mathematics materials across key provinces in South Africa.

The outstanding success of the 2nd Marshall Cavendish Singapore Mathematics Global Forum sealed our position as the publisher of world-acclaimed Singapore Mathematics materials. The forum provided a platform for educational policymakers, curriculum specialists, teachers and education ministry representatives from countries such as the US, Chile, Panama, South Africa, Saudi Arabia and Brunei to share experiences and exchange ideas on implementing Singapore Maths in their countries.

Visiting dignitaries who attended the in-depth discussions and learnt the success stories shared by the various countries included Lucy Molinar, Minister of Education for Panama and Tim Gopeesingh, Minister of Education for Trinidad and Tobago.

Marshall Cavendish E-Learning Success

Marshall Cavendish Online ("MC Online") was appointed by the Ministry of Education in Singapore as one of the vendors for the provision of Learning Management System services for schools under the Ministry of Education. In 2011, MC Online commanded a commendable market share of more than 140 schools (more than 200,000 subscribers) in Singapore alone. 70% of the primary schools use the system. The continual investment in technology and partnership opportunities led to the development of innovative new products including the LuV (Learn Using Videos) series courseware in a joint collaboration with MediaCorp.



From left to right: Spanish edition of the successful *My Pals are Here! Mathematics*, Launch of Singapore Mathematics Global Forum

The success of Singapore Mathematics textbooks in the US has led to MC Online's introduction of *Math Buddies* in the country. *Math Buddies* is a Singapore Mathematics digital curriculum that is able to complement mathematics textbooks in the US, and is aligned to the Common Core State Standards. *Math Buddies* was launched at the National Council of Teachers of Mathematics conference in Atlanta in October 2011, and is being piloted in several schools in the US.

In Hong Kong, our education division has been actively participating in a three-year pilot scheme on "Promoting e-Learning" conducted by the Education Bureau of Hong Kong. Four projects were awarded government funding among a total of 21 short-listed projects in Hong Kong.

One of the e-learning partners, Fung Kai Innovative School, is well known as one of the 12 Microsoft Innovative Schools worldwide. The Fung Kai project has been awarded the largest allotment of funding by the government. The project involves the production of e-Books for two core primary subjects – Mathematics and General Studies. The e-Books will replace traditional printed textbooks with pupils using the e-Books for class learning and home study.

In Vietnam, the MC Online learning portal has been approved by the Department of Education and Training of Ho Chi Minh City to provide e-learning solutions to government schools in the country. Philippines remains one of the largest markets outside Singapore for MC Online, with more than 80 schools and 50,000 subscribers adopting our e-learning solutions.

MC Online e-learning solutions have also been adopted in countries like South Africa, Hong Kong, Australia and Jordan. The number of subscribers in these countries is increasing.

Marshall Cavendish Home & Library Market

Educational Technologies Limited ("ETL"), our unit that specialises in publishing home reference books continued to provide distributors with comprehensive sales support,

including both online and offline marketing support, together with brand reinforcement to increase their market presence and strengthen brand awareness. ETL also participated in corporate social responsibility projects initiated by their partner distributors in the Philippines, Sri Lanka and Pakistan to provide products or sponsorship to underprivileged children in the local communities.

ETL kept its focus on digital strategy with the launch of the ETL Pal (a children's tablet) and the ETL Kids Club (an online learning portal for children). In response to a rapidly changing market, our library unit in the US also expanded its digital programmes. Over 300 titles from the Marshall Cavendish Benchmark, Children's and Reference imprints were made available for sale through Marshall Cavendish Digital, the company's online research resource.

Titles published by Marshall Cavendish in the US continued to garner numerous awards. Marshall Cavendish Benchmark series were selected by the American Library Association's *Booklist* as top series in sports and in non-fiction series.

Marshall Cavendish Business Information

Despite the global economic uncertainties, the directories business managed to achieve modest growth in sales and profit, underpinned by the strong take-up rate for our online advertisement sales. Our online websites gained much popularity during the year with visitorship doubling to 10 million, attracting a total of 50 million page views. One new title, Singapore MedTech Guide, and a phone app for Halal Eating Establishments were successfully launched. We also managed to secure a new publishing contract from the Singapore Maritime Foundation to publish the Singapore Maritime Services Guide.

Going forward however, the business is likely to suffer a slowdown due to the poor economic outlook arising from the Euro zone crisis and the endemic US economy.



From left to right: *Math Buddies* launched in the US, Singapore MedTech Guide and phone app for Halal Eating Establishments

CEO BUSINESS REVIEW

PUBLISHING & PRINTING

Printing

The Printing division enjoyed higher printing volumes in all its plants in Singapore, Malaysia and China. Revenue, however, increased at a lower rate due to strong competitive price pressure and unfavourable translation effect from a strong Singapore dollar. PBIT growth outpaced revenue growth significantly, which has benefited from higher gross profit margins due to lower material prices and improvement in manufacturing efficiencies.

Revenue increase came mainly from the domestic markets in which the Print companies operate. Export work was mainly to the US, Europe and Australia.

The focus on an aggressive sales strategy continued to bear fruit with new work awarded to Times Printers from DSTA to print all their publications for national servicemen in Singapore. The drive to seek work from the commercial sector to expand the client base from the traditional book and magazine customers has also been successful. Everbest continues to pursue work from overseas publishers, securing new orders from the UK and Australia. For Everbest – China, they have also extended a few annual printing contracts with major supermarkets.



From top to bottom: 2010 CIP4 International Print Production Innovation Awards, DSTA contracted Times Printers to print all their publications

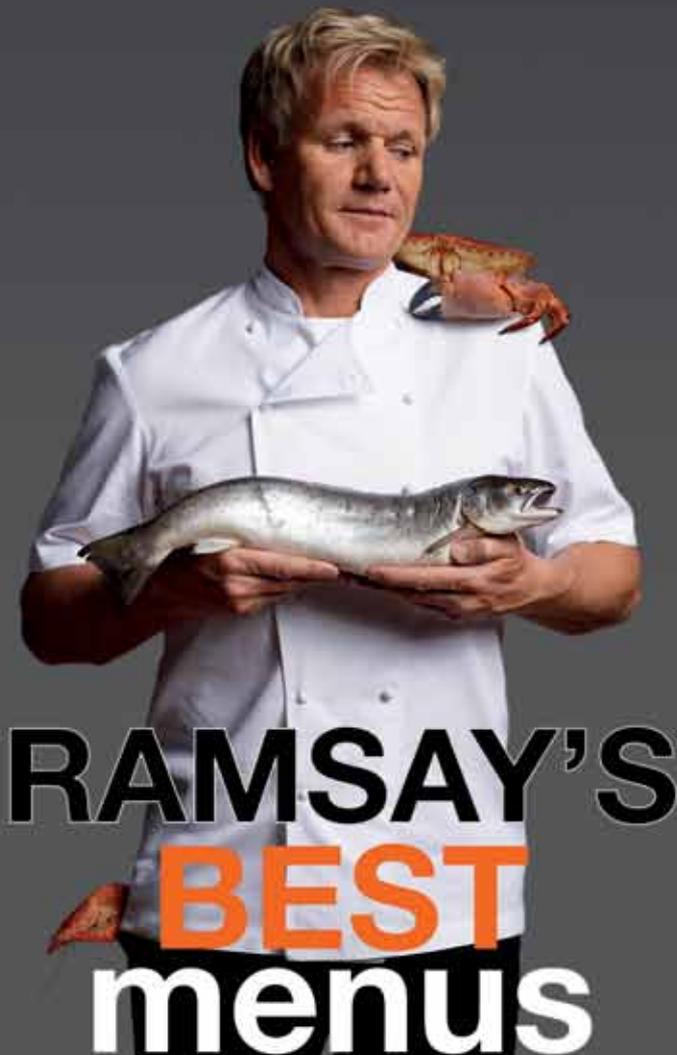
The Print companies continued to excel in printing quality work with awards won in global and regional print industry awards. In the Asian Print Awards held in November 2010, Times Printers won the platinum sponsor award for the 'Best in Web Offset Printing' and the gold award for the 'Web-Offset, Coated Stock'. Everbest Printing in Hong Kong won the platinum award for the 'Best Application of Creative Colours' and gold awards for 'Book Printing more than 4 colours' and 'Calendars' categories. In digital printing, JCS Digital Solutions won the HP Digital Print Awards in the 'Speciality Printing' category.

Times Printers also won 'Best Process Automation Implementation in the Asia Pacific' awarded in the 2010 CIP4 International Print Production Innovation Awards. This award is given in recognition of demonstrating leadership in pursuit of the best automation technology. This follows the implementation of its ERP system which automated the entire printing process by connecting management to prepress, press and postpress. Times Printers was also certified by Fogra on PSO standard for Sheetfed and Web printing. Times Printers also developed an anti-scanning system to deter counterfeit of its printed books. Everbest Printing was accredited with the OHSAS18001 certification for occupational health and safety.

To improve productivity and efficiency, detailed monitoring systems were set up. Additional measures to aggressively manage waste were introduced.

Going forward, the Printing division expects electronic reading devices to have an effect on the reading habits of consumers. However we will continue to seek new markets and expand our customer base and drive improvements in efficiency.

Ramsay's Best Menu printed by Everbest China



Distribution

Revenue of the Distribution division was marginally lower as compared to last year. The main drop came from poor domestic sales of lifestyle accessories in Australia and the loss of books sales attributable to closure of Borders Singapore. Our book distribution unit did well in managing its inventory and gaining some new lists during the year which has helped in the profit contribution.

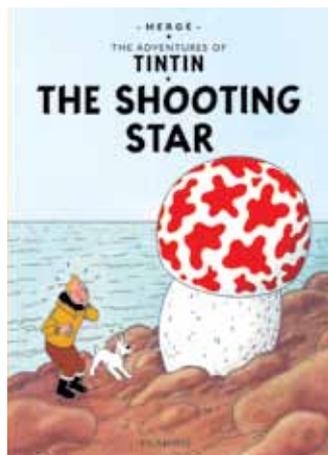
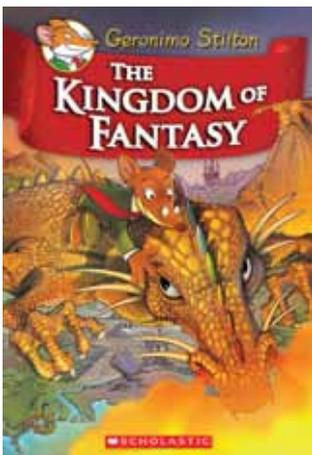
Sales volume of imported magazines was down by about 12% against last year's volume due to the loss of titles representation. However, our magazines unit was helped by the distribution of non-magazines products such as collectible products, novelty items, and opening of new channels and library supplies. Wholesales export of Australian titles remains difficult due to the strong Australian dollar ("AUD") and the weak economic climate in the US and Europe.

Australia's domestic retail has been weak ever since the flooding disaster and bush fire breakouts at the populated eastern areas of the country at the beginning of the financial year. Sales were drastically curtailed with the fear of an economic downturn. The strong AUD and attraction of online price have prompted consumers to shop from overseas internet retailers. This has affected consumer spending at high street stores and the value chain in distribution sales.

Books

Pansing books division is one of Asia's leading book distributors, marketing a wide range of titles from fiction by leading authors, Asian interest books to children's titles, amongst others. Meanwhile, operating profit for the business increased 28%, helped by lower stock obsolescence costs. This was despite pressure on the gross margin, which declined slightly as the benefit from the fall in the value of the company's principal purchasing currencies slowed.

Demonstrating the range of titles distributed by Pansing, the top 25 for the year included textbooks, self-help titles and the Guinness Book of World Records, which has been sold by Pansing and its predecessors for over 50 years.



Books distributed by Pansing

Magazines

Pansing magazines division runs the wholesale and distribution of local and imported magazines in Australia, Singapore, Malaysia and Hong Kong.

The strong AUD has continued to pose some challenges for export sales for the Australian wholesale operation, but sales in the division's other domestic markets have delivered better than expected overall performance in the year. Although volume of imported titles sold was down about 12% for Hong Kong and Singapore, the loss of sales was partially mitigated by the distribution of other new products. Net gross margins have also improved despite higher freight cost and fuel surcharges coming from improved sales mix of other product categories. Stationery and gift have also enabled the division to reach beyond traditional bookstores.

Hong Kong has consistently delivered good performance for the past few years. The strong sales performance of 22% over the previous year was attributed to successful tenders for public library and school supplies contracts, and the distribution of four different collections of Partworks from DeAgostini.

In the year, Australia's magazine wholesale operation acquired 40 new independent publishers representing over 100 new titles to add to its stable. Sales went up 31% against last year's level but profit was down due to lower sales efficiencies from different export markets. It would continue to drive gross units into the market and wider territory coverage for incremental margin contribution.

E-magazines have yet to create a visible impact on the magazine distribution units in the markets we operate. Nevertheless the division has commenced work with an e-platform provider of magazines to develop and expand digital sales and distribution of magazines in our territories.

The outlook for the next year would be a cautious one given the worsening global economic overhang and inflationary pressure. Expansion into distribution of non-print products will allow for business continuity and position the company to take advantage of the economic recovery.

Lifestyle Accessories

Sales of Musicway in Australia was down by 26% for the year on the back of a reduction in consumer spending at high street stores. The introduction of flood levy and the impending carbon tax has affected consumer sentiment. In addition, the strong AUD and attractive online prices have posed further challenges to the business.

Going forward, Musicway would focus on sourcing for an exclusive and unique range of products and expanding the indent business with major retailers in the midterm, to reduce inventory holding and cost management to ride out the poor retail sentiment.

CEO BUSINESS REVIEW

PUBLISHING & PRINTING



Retail

The general high street book retailing market remains challenging especially in Singapore with its higher costs of operation. The proliferation of tablets and smart devices would add more pressure to the bookselling business. While there are still some opportunities in Malaysia to grow the number of stores, the growth in Singapore's competitive market is rather limited for a general bookstore.

The chain has developed a new brand, Times Learning+, to offer education related products, leveraging the strength of Marshall Cavendish Education as a leading education publisher. In addition, the chain has also expanded its product offering to include lifestyle related merchandise, confectioneries and branded stationeries.

Sales of the Retail division was down by 4% against last year's level due to the loss of a major airport shop tender. The impact was partially mitigated by improved sales

performance from new high street shops in Singapore and Malaysia. The performance of our airport chain, Times Travel, has since improved over last year in tandem with the increase in air travel.

The chain operating in Singapore and Malaysia will continue to focus on the creation of a new and expanded range of merchandise. Direct sourcing of products to create a differentiated product offering would help in improving margins and sales. Increased targeted marketing activities will be carried out by working with various social media networks and trade partnerships to drive traffic to stores.

With the changing landscape of bookselling and the increasing trend in online purchases, the group has launched NoQ store.asia, an online retail store targeting the Asian markets. The store would initially leverage and harness the competencies of the Retail and Distribution divisions in selling books online. The intention is to extend the product offering beyond books to be a leading online retailer in the region.