

CEO Business Review

PUBLISHING & PRINTING

distinctive quality

“Going forward, we will continue to capitalise on the increased demand for print in Asia and Australasia. We will continue to introduce measures to improve operational efficiency, sales effectiveness and create value-added services for our customers.”



GOH SIK NGEE – CHIEF EXECUTIVE OFFICER



REVENUE REDUCED 2% TO

\$410M

PBIT INCREASED TO

\$29M

Business Overview

Times Publishing Group recorded a strong recovery from a challenging economic climate in the previous financial period.

Full year revenue for the Group declined 2% over last year to \$410m. The decrease in sales was due mainly to the divestment of underperforming businesses. Excluding these discontinued businesses, the revenue of the continuing businesses increased by 2%. The Group's PBIT was positive at \$29m compared to a loss of \$1m last year.

The Publishing division delivered strong profit growth driven largely by a successful year in its Education Publishing export business. We are introducing more of our products into new markets than ever before. Education Publishing continues to gain momentum with its strategy of capitalising on the growing popularity

and global recognition of Singapore Mathematics. This in effect has opened up myriad opportunities to expand our global footprint.

The Printing division saw an increase in print volume, which came largely from significant wins of new contracts and the ability to maintain a strong customer base. However, revenue declined due to competitive pricing pressure. During the financial crisis period, the Printing division took the opportunity to step up efforts to further improve its quality of work and productivity.

The Group is constantly searching for ways to introduce new products and services to expand revenue streams. One such example is our strategy to leverage on digital opportunities in the online and digital space. The launch of new digital offerings is being accelerated as part of the Group's growth ambition.

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Publishing

Our Publishing division chalked up another good year of growth with both higher sales from local and export businesses.

Our education products enjoy international recognition for their high professional standards. Coupled with the strong emphasis placed by a number of governments on the importance of education in their countries, it provided opportunities for the export of our education products to a number of countries such as the US, despite the long gestation period required for our products to be adopted by the respective Ministries of Education.

Besides English, our products have been translated into a number of other languages. A Spanish language edition of Marshall Cavendish's best selling Mathematics programme, *My Pals are Here! Maths*, has been launched.

Marshall Cavendish continues to maintain its strong position as the market leader in Singapore, having been awarded key co-publishing and collaborative publishing tenders by the Ministry of Education, Singapore. The inaugural Marshall Cavendish Singapore Mathematics Global Forum

was held in Singapore in September 2010, and was attended by 100 key decision makers from 18 countries and eight Ministries of Education, and international organisations including The World Bank.

In Hong Kong, the Education unit further extended its reach into primary schools with the acquisition of one of Hong Kong's leading publishers of primary math's titles.

Marshall Cavendish Online provides learning opportunities beyond the classroom to more than 200,000 students and 120 schools in Singapore. With more than six years of experience gained in the Singapore market, and leveraging our brand in Education Publishing, Marshall Cavendish Online has also successfully expanded its international footprints.

Marshall Cavendish Home & Library Educational Technologies, our unit that specialises in publishing home reference products, had an outstanding year, achieving strong sales in all its key markets, in particular India, Thailand and the Gulf States. New product developments and enhancements, introduced to keep our products relevant to younger learners, were well received and supported by strong sales and marketing initiatives throughout the year.

The US library market continues to be challenging, with keen competition for library funds available for book purchases.

Marshall Cavendish General & Reference, the leading English trade book publisher in Asia launched its "Giants of Asia" series with *Conversations With Lee Kuan Yew*, which topped The Straits Times' bestseller list for 10 straight weeks. Our reputation as the leading publisher of cuisine was further enhanced with the joint publication of *Above and Beyond* for Singapore Airlines, showcasing 10 of the world's leading chefs. We also join the ranks of publishers who are offering more than print, by increasingly converting our best selling titles to e-books.

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Marshall Cavendish Business Information

The directories business continues to grow regionally as directories launched over the past few years attracted more advertisers, in particular, the *Hong Kong & Macau Convention & Exhibition Industries* directories which have now become leaders in their respective market segments.

The online directories achieved very strong growth in both page views and visitorship, with all our major directories now having both print and online editions.

Outlook and Forward Plans for Publishing

In the new financial year, we expect Education Publishing to continue to do well as we have won most of the government tenders issued for textbooks recently in Singapore.

We made a prudent move to focus our efforts on digital and online delivery of materials as well as take our growth overseas some years back, and the results are showing now. Our online education platform continues to do well in Singapore and we have embarked on overseas expansion, particularly in countries which have adopted our textbooks.

Our Singapore Maths programmes in the US have done well. We expect further growth from overseas markets, particularly in South America and the Middle East.

Printing

The Printing Group experienced increased volume throughput and better machine utilisation rates this year. However, overall revenue declined partly due to reduced paper costs and strong competitive price pressure. Print demand for magazine and catalogue work remained stable, mainly for local consumption in Asia. However, books printing, in particular coffee table books, were under intense price pressure, reflecting the competitive print environment in the US and European markets.

The increase in print volume is the outcome of our aggressive sales strategy to either renew or acquire new print contracts. An example would be the successful bid for the Reader's Digest utility printing contract, which enables Times Printers to manage Reader's Digest's magazine printing activities entirely across Asia. We have also successfully clinched another year of printing contract with IKEA, a Swedish home furniture and accessories store. In Singapore, we were awarded a printing contract for the entire range of Mediacorp Publishing's in-house magazine titles. As part of our continuous efforts to remain ahead of competition, we have recently implemented our Enterprise Resource Planning (ERP) system for our Singapore operations, aimed at further improving and driving service levels, product quality and cost management.

The new system addresses the gaps of the legacy system and can now provide complete end-to-end workflow integration across all functions, providing real-time information to operations and management.

We continue to drive cost management and productivity programmes. In China for example, these programmes have been implemented with even greater urgency, as labour costs have been climbing steeply year on year. We have also been progressively investing in process automation technology to enhance our capabilities and competitiveness.

Going forward, we will continue to capitalise on the increased demand for print in Asia and Australasia. In the North American and European markets, the competition for book printing volume is expected to remain intense. We will continue to introduce measures to improve operational efficiency, sales effectiveness and create value-added services for our customers.



Distribution

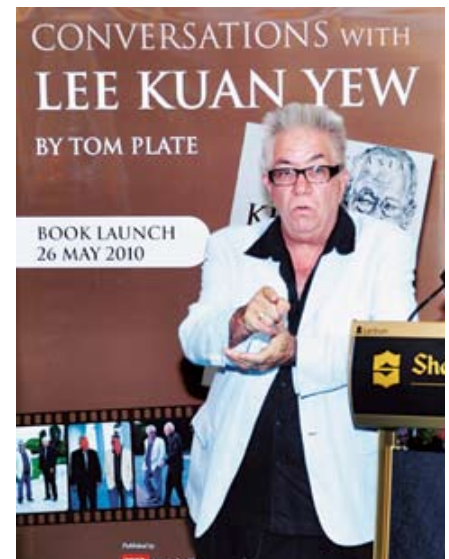
The Distribution division experienced a robust recovery for the year. For continuing businesses, revenue rebounded and profitability recovered to the pre-crisis level of 2008.

Revenue growth for the Lifestyle Accessories unit in Australia was attributed to new agency representations as well as the successful introduction of new products into the market, in particular, a new range of in-car entertainment accessories. The unit secured an exclusive supply arrangement with Repco, the largest reseller and supplier in the automotive parts and accessories aftermarket with 400 stores in Australia and New Zealand. Overall distribution coverage remained strong.

Book Distribution also performed well. Sales were up both in volume copies and absolute dollar against last year for the Singapore and Malaysia operations. Several strong and successful titles launches also helped to boost revenue. Notable titles included *Conversations with Lee Kuan Yew*, the biography of Dr Mahathir - *Malaysia Maverick*,

Men in White - a local politics book, *Happiness in Hard Times* - a self help book, and a novel titled *The Time Traveler's Wife*. The Book Distribution division also secured distribution rights from established publishers such as Microsoft Press computer titles and the prestigious children's list from Simon & Schuster, which added to the already large stable of well known publishing representations.

Magazine Distribution sales were moderate despite signs of recovery in the newsprint and magazine industry. Part of our strategy is to increase and diversify the current product portfolio, capitalising on our existing distribution infrastructure. The Magazine Distribution unit launched *Match Attax*, a trading card which was a major success in Malaysia, Singapore and Hong Kong. Gift cards and novelty items were also added to our distribution portfolio.



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Retail

The Retail unit saw positive revenue growth in 2010. The high street stores in Singapore achieved higher productivity in terms of sales per square foot due to better branding and marketing activities, as well as sharper merchandising strategies. The Malaysian stores also showed similar improvement in productivity.

Our membership programme has also gained traction. Major events and activities such as “Members Only” special buys and free movies screening for loyal customers have been well received. Charity drives and other events to help the needy were also organised as part of our Corporate Social Responsibility campaign.

We have also strategically opened new high street stores in Singapore and Malaysia. A store at Suntec City, Singapore was opened in June in anticipation of increased shopper traffic with the new Esplanade station on the Circle MRT line. Malaysia opened a total of four stores in the year; two stores in Kota Kinabalu, one in Kuching and one at Sunway Giza in Petaling Jaya.

