Keeping Traditions Alive

Food & Beverage

Through a union of its rich heritage and ground-breaking marketing, the Group's food and beverage brands remain deeply entrenched in the hearts of consumers. As it has done for the last 121 years, the Group actively sought to integrate its products into the lives of customers to bolster the one-to-one bond that consumers have with its brands. Throughout the year, the Group maintained its innovative edge by continually introducing new products that stretched the boundaries of product segments with an exceptional success rate. As a result, the Group's food and beverage businesses continued to enjoy robust growth in the year. Breweries and soft drinks, in particular, delivered record performances in both revenue and profits.

Breweries

Branding remained a key focus for the Group's beer division. Strong, innovative marketing programmes saw the Group's portfolio of brands growing their leadership position in their various market segments.

The *Tiger* brand was ever-present on the football scene in the region. Among the initiatives to create greater brand awareness for *Tiger* was the sponsorship of English Premier League champions Arsenal, which saw *Tiger* designated the official beer for the English football team in Singapore, Malaysia and Vietnam. To further reinforce the brand's association with world-class football, *Tiger* continued its sponsorship of the regional television broadcast of English Premier League matches.

Beyond the region, *Tiger* worked tirelessly to expand its domain. The year saw *Tiger* roaming further afield, as it was exported to more countries including Estonia, the Russian Federation and Turkey. The brand also enjoyed an increase in sales volume from the previous year in Australia, Canada, Germany, Ireland, New Zealand, the Middle East and the US. Meanwhile, the Group established Tiger Beer USA Inc in December 2003 to drive the growth of *Tiger* in North America.

To further boost brand recognition, *Tiger* sponsored the movie *Kill Bill* in Australia, Germany, Ireland and the UK, as well as the *Tiger Asian Extreme Film Festival* in the UK. Additionally, *Tiger* funded *16 Feet Underground*, a kickboxing event that seems destined to become one of London's leading events. Another novel *Tiger* event was the *Chilli Crab Festival* in Brooklyn, New York City. Organised in cooperation with Singapore Tourism Board and IE Singapore, the event attracted a turnout of over 5,000 people.

In the year ahead, the Group will seek to further grow *Tiger*'s presence worldwide.

At home, *Tiger* remains Singapore's leading beer brand. Its leadership position was buttressed by a dynamic series of promotions including the *Tiger Football Millionaire promotion* and the *Tiger Club Crawl promotion*. To entrench brand loyalty, *Tiger* improved its Customer Relationship Management programme. Finally, to celebrate its 72nd birthday in October 2004, Tiger threw a big bash called *Euphoria,* which featured internationally renowned artistes.

The beer's 'cool quotient' was officially acknowledged in September 2004 when *Tiger* was named the *Cool BrandLeader* along with 62 other brands. The accolade was given by

Superbrands Ltd in UK, an independent branding authority, in an exercise that identifies and pays tribute to the UK's strongest brands. Correspondingly, in Asia, *Tiger* was honoured with the Platinum Award in the *2004 Reader's Digest Asia Superbrands Survey.*

'Cool' was also a hallmark of *Heineken*'s brand building efforts in the year. For *Heineken*, providing fresh and engaging experiences for its young adult consumers was key to bolstering brand loyalty. Heineken concerts like *Elevation 245* — the first ever rooftop concert in Singapore — and *Area 320*, which featured live international acts and DJs in unique settings, delivered on this. The imaginative approach of *Elevation 245* was widely lauded. The event won several marketing awards including three at the **Promotion Marketing Awards Asia**. Additionally, the Marketing Agencies Association Worldwide conferred the gold award on *Elevation 245* for *Best Brand Building Campaign* as well as for *Best Event Marketing Campaign*.

Another key event was *Heineken's* sponsorship of *WOMAD* in Singapore. Now in its fourth year, this partnership with the world music event allows *Heineken* to associate itself with one of the world's greatest celebrations of international music and culture.

To combat increasing competition, Heineken will continue to find innovative ways to grow through unique events, innovative packaging and creative consumer and trade activities.

For *Guinness*, however, the focus was on brand repositioning to recruit young adults while maintaining its bond with its loyal patrons. In the year, activities were carried out that sought to increase the brand's connection to the lifestyle of its target audience. Additionally, campaigns were launched based on the positioning that *Guinness* reflects 'the inner strength of its drinkers'. The principal component of this platform was the *Why Not You* campaign.

The *Why Not You* campaign was widely acclaimed by the advertising industry, garnering prestigious awards including the **Gold EFFIE Awards** for its effectiveness in increasing sales, revenues and awareness of the product and the **Cable TV Campaign of the Year** from the **Singapore Advertising Hall of Fame Awards 2003**.

Geography-wise, the year for the Group was characterised by general growth throughout the network of countries in which it operates. Individual countries either enjoyed a growth in market share or benefited from investments in plant expansion or upgrade. In Malaysia and Singapore, for instance, the Group invested significantly in automation upgrades and packaging innovation respectively. Meanwhile, plants and production capacity were enlarged in Cambodia, China, Thailand and Vietnam, helping the Group meet expanding demand in these countries. In New Zealand, the Group successfully privatised DB Breweries, making the company a wholly-owned subsidiary.

Singapore

In Singapore, the Group continued to face tough challenges. These include the slow recovery in consumer confidence despite generally better economic conditions, the concern over terrorism and the supply of crude oil. The government also removed import barriers, which handed consumers more choice and, concomitantly, ushered in greater competition. Together with the growing sophistication of Singapore consumers and their demand for better service, the Group committed $40 million into replacing its existing bottling lines with new ones that would allow more flexibility and creativity in packaging for its beers. The new lines are expected to be commissioned in December 2004.

Malaysia

In Malaysia, the Group enjoyed favourable economic conditions moderated by the imposition of higher excise duties.

To capitalise on the booming Malaysian economy, Guinness Anchor Berhad is undergoing a multi-phase upgrading in which the brew house will be automated and beer cellars upgraded and automated. Automation work on the brew house has already been carried out, resulting in a leap in production and better cost efficiency.

New Zealand

Once again, DB enjoyed a 1% increase in market share in New Zealand in DB's third straight year of growth. In particular, DB improved its position in the growing premium beer segment.

In that segment, *Tui*, for instance, recorded another great year of growth. A high profile advertising and sponsorship campaign and innovative marketing campaigns helped establish strong brand loyalty for the beer. These programmes include the launch of Amber Card, a loyalty programme designed to give drinkers a range of special bar and store deals. Looking ahead, the outlook for *Tui* is very positive; the brand's consistently spectacular performance indicates that it can become New Zealand's most popular beer in the medium- to long-term.

It has also been a great year for *Monteith*'s. The brand maintained its leadership of the craft beer segment by, once again, recording double-digit growth.

Crowning a year of achievement, DB bagged an impressive number of awards in the two beer award competitions that it entered. DB took home one gold, four silver and two bronze awards in the **Australian International Beer Awards**, and three gold, four silver and two bronze titles in **BrewNZ 2004 New Zealand Beer Awards**. DB also won the inaugural **APB Cost Control Management Award**.

Papua New Guinea

The Group maintained its dominance of the beer market in Papua New Guinea with a market share that is close to 100% amidst an improved business environment that saw a strengthening Kina currency bringing in high international prices for the country's commodities. In the year, SPB updated its flagship brand *SP Lager* by giving it a fresh new look to create a contemporary personality that is more in keeping with the times.

Vietnam

Robust economic growth in Vietnam and an accompanying rise in disposable income have stimulated dynamic growth in the beer industry. The year, however, saw the Group facing off challenges in the shape of the introduction of Value-Added Tax, price-cuts by competitors, aggressive competition from new market entrants and the lingering economic impact of bird flu.

Growth prospects, nevertheless, remain positive and in keeping with this, the Group will expand the production capacity of Vietnam Brewery from 1.5 to 2.3 million hectolitres. Expansion work is expected to be commissioned by 2006. Meanwhile, Hatay Brewery, which officially opened in November 2003, launched the *Anchor* brand in northern Vietnam.

Thailand

Thailand continues to be a dynamic and surprising market. After its strong recovery in 2002/2003, in which the beer market posted a 20% growth, it continued to surge, achieving double-digit growth.

Still the year proved highly difficult for the beer industry with the tightening of regulations. With the Thai government's concern over drink-driving and crime numbers, a campaign was initiated that set a 1am closing time for most bars, clubs and other nightspots. Sales volume of beer was badly hit by the reduced trading times.

The unexpected exit of *Carlsberg* from the market resulted in *Heineken* becoming the only premium beer in Thailand.

For the Group, the year's highlight was the successful completion of the brewery's expansion in capacity to 2 million hectolitres. Another high note was the brewing of *Tiger* beer at the Thai brewery. Prior to this, *Tiger* was imported from Singapore for the Thai market. Distribution of the locally-brewed *Tiger* beer has been extended to the three strategic provinces of Bangkok, Chonburi and Songkla.

Cambodia

The year saw exciting growth for the Cambodian beer industry, fuelled largely by the expansion of the Group's Cambodia Brewery. The biggest growth was registered in the standard and economy beer segments.

Cambodia Brewery installed three fermenting storage tanks in December 2003, adding 60,000 hectolitres of capacity to the plant, bringing total capacity to 350,000 hectolitres. The sales organisation was also restructured to dovetail with that of the regional sales network, enabling it to be more responsive to market needs.

Capping off the year, Cambodia Brewery was awarded a silver medal for its *Gold Crown* brand in the **Monde Selection** and a bronze medal in both the **World Beer Cup** and **Australian International Beer Awards**.

Ahead, prospects look promising as Cambodia's entry into the World Trade Organisation will ensure that the country meets transparency requirements, spurring further business investment.

China

The flourishing Chinese economy attracts ever more new beer entrants, resulting in intense competition. In light of the consolidation of the Chinese beer market, the Group has consolidated its interest in China with Heineken. Heineken-APB (China) Pte Ltd (HAPBC), equally owned by APB and Asia Pacific Investments Pte Ltd, will oversee all sales and distribution, marketing and brewing activities for *Heineken* and APB. Both breweries in Shanghai and Hainan as well as Heineken Trading (Shanghai), a sales and distribution company for the *Heineken* brand, have been transferred to HAPBC. In February 2004, the Group further extended its footprint in China by acquiring a 21% interest in Kingway Brewery.

Also in its efforts to build brand equity, the Group engaged in creative marketing and promotion campaigns in China. In Shanghai, for example, *Reeb* beer was promoted via a television commercial titled *The Reason I Love Shanghai II*. This is based on the beer's brand proposition that 'Only *Reeb* can add Shanghai to every beer moment'. This fresh campaign captured the **Mobius Advertising Award**.

Kingway also adopted innovative marketing strategies to enhance brand awareness. During the first half of 2004, *Kingway* co-produced and sponsored the *Kingway 2004 International Supermodel Contest*, which featured 46 contestants from 33 countries or regions. In addition, the *Kingway* art performance troupe has put on over 110 shows that were enjoyed by 700,000 people.

In addition to its two existing plants, two new *Kingway* plants are being constructed. The first phase of the new Shantou plant, with a capacity of 1 million hectolitres, will be commissioned in the first quarter of 2005. The second, designed with an annual production of 4 million hectolitres, will be built in Dongguan. This new plant represents a major strategic step to penetrate the beer market of the Pearl River Delta.

The *Kingway* brand was named **China Top Brand** for the beer category in 2002, the highest award in the Chinese beer industry. In 2003, the Group was the first brewer in China to promote formaldehyde-free brewing technology.

Soft Drinks Review

The soft drinks division celebrated another record year as it reaped the dividends of strategic initiatives implemented over the last five years. Selective rationalisation and restructuring of business operations throughout the division allowed the Group to achieve greater economies of scale and a more efficient manufacturing, sales and distribution system. As a result, overheads and operating costs were minimised for a stronger bottom line.

Infrastructure improvement was the primary thrust of the year for the soft drinks division.

In Malaysia, the year was marked by the completion of an RM18 million expansion to the Kuching plant. This included the installation of a new PET production line that boosted the plant's capacity by 40%.

In addition, the Group also entered into a cooperative venture with PET Far Eastern to produce PET bottles within the Shah Alam plant. This RM45 million investment included an RM21 million allocation towards the installation of a dedicated blowing line, while PET Far Eastern will bear the cost of supplying the machines. The location of the PET blowing line within the Shah Alam plant will ensure that the Group has a secure supply of PET bottles for its carbonated soft drinks. At the same time, the Group will enjoy cost savings due to greater efficiency in logistics and warehousing.

The year also saw the successful rollout of another infrastructure initiative, *Project Enterprise*. The SAP-based project will play a major role in transforming and streamlining the division's electronic sales and distribution systems. In addition, it will enhance synergies with the division's distributors, allowing the Group to offer them greater value-added solutions.

The division also pulled off an industry first by becoming the only SAP-based beverage company in Asia to deploy the *IS Beverage Solution*, an integrated software system that offers a seamless monitoring system for payments.

Market Leadership

The dynamism of the soft drinks division was staunchly demonstrated in all aspects. Sales volume expanded by 7% to register a turnover of RM919 million. In the year, the Group's Malaysia operations also grew its share in all its market segments to command 65% of the Malaysian carbonated soft drinks market, with the *Coca-Cola* and *F&N* brands accounting for 36% and 29% of the market respectively. The Group also expanded its distribution network in Malaysia by 4%, bringing the total number of outlets to 79,000 as at August 2004. The division was equally vigorous in product innovation, adding a new flavour, *F&N Punky Peach Zappel*, to the *F&N Fun Flavours* range. Moreover, the entire range was given a zesty new look to better project a colourful, funky and fun brand personality to its young target audience. Consumers have responded positively to the new look.

The Group also retained its firm grip on its overall leadership position in the Malaysian ready-to-drink market. With its broad portfolio of carbonated soft drinks, isotonic, Asian selection, juices and water, the division accounts for 38% of the Malaysian ready-to-drink market. This makes the Group's market share in the country more than four times the size of its nearest competitor.

The gain in market share was seen across the board in the various ready-to-drink segments. The introduction of *Vanilla Coke* to the *Coca-Cola* range saw the brand extend its lead in the cola segment by 10%. Indisputably *Vanilla Coke* has the potential to grow to become the second largest cola in Malaysia after *Coca-Cola*. *100PLUS* also grew a further 11% to further consolidate its dominance of the isotonic segment, while *SEASONS* experienced a 29% surge in growth with top performers *Soya Bean Milk* and *Ice Lemon Tea* registering gains of 25% and 86% respectively.

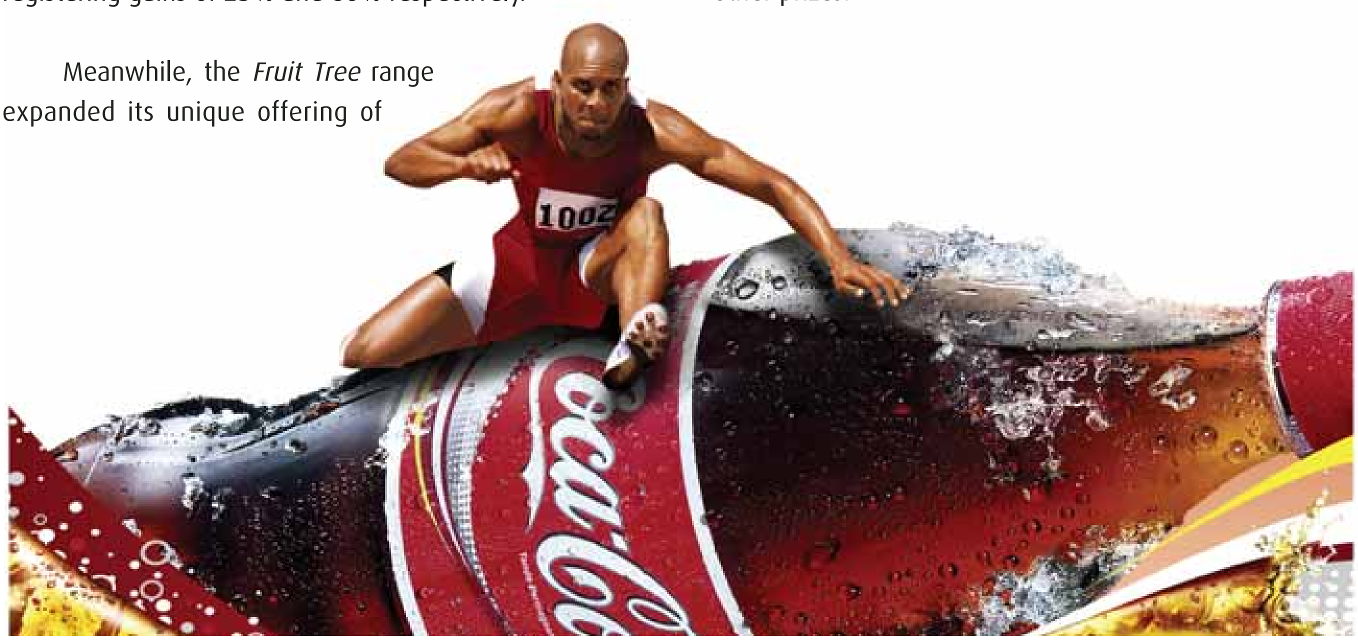
Meanwhile, the *Fruit Tree* range expanded its unique offering of fruit juice drinks. While relatively small within the Malaysian ready-to-drink fruit juice market, this segment is expected to grow.

And the future holds even greater promise for the Group.

According to the *Euromonitor Survey*, consumption of carbonated soft drinks per capita in Malaysia remains relatively low at 70 eight-ounce cups a year. In comparison, Singapore leads the Asean region in carbonated soft drinks consumption with 213 servings, while the Philippines and Thailand account for 172 and 90 servings respectively.

Marketing Highlights

In marketing and promotions, the Group successfully leveraged on the year's most high-profile events to generate brand excitement. Once again, *Coca-Cola* boosted its identification with the Olympic Games by sponsoring live broadcasts of the world's biggest sporting event on Malaysian television. In conjunction with this sponsorship, *Coca-Cola* held a contest offering trips to Athens, cash and other prizes.



The Group also made the most of the *EURO 2004* football frenzy by launching *Coca-Cola EURO 2004*, a contest that captured the imagination of Malaysian football fans with prizes that included tickets to the finals in Portugal.

Another outstanding promotion was *100PLUS*'s *RM2 Million Grab* contest. Organised to celebrate the brand's 20th anniversary, the contest was intended to reward consumers for catapulting *100PLUS* into the ranks of the leading soft drink brands in Malaysia.

In addition, *100PLUS* also launched an *Outdo Yourself* campaign. This involves sponsoring varied events to give *100PLUS* a ubiquitous presence in all Malaysian sports events from school sports meets to major international, regional and domestic championships. With this, *100PLUS* sponsorship now extends to an increasing number of marathons, triathlons, beach volleyball, golf, badminton, soccer and bowling as well as established events like the *Tour of Langkawi* and the *World Power Boat Championships*. It also includes the sponsorship of the Malaysian team to the *Summer X Games* in the US, as well as the *Asian* and *Junior X Games* held in Malaysia.

Finally, the inaugural *SAM 100PLUS Power Athlete of the Year Award* was launched on 21st June 2004 by the Deputy Prime Minister Datuk Seri Najib Tun Razak and Youth and Sports Minister Azalina Othman Said.

Marketing Awards

The Group's brand-building efforts were recognised by Reader's Digest when *100PLUS* was honoured in the **Reader's Digest Asia Superbrand Platinum Awards** for being the top performing brand in the sports/energy drink category in Malaysia and Singapore, where it beat its nearest competitor by more than three times the number of winning votes. For the sixth straight year, *Coca-Cola* was also voted a platinum award winner by Reader's Digest readers.

Finally, the Group enhanced its *Partner Rewards Programme* with the introduction of a 24-hour computerised customer information service that allows the Group's business partners to receive up-to-the-minute updates on their entitlements under the programme.

Dairies

In its dairy operations, the Group continued on its path of growth with an excellent showing across all its product segments and in its three key markets of Malaysia, Singapore and Thailand. A combination of factors gave the Group the winning edge — savvy marketing and promotional programmes, assiduous brand-building efforts, enhanced manufacturing efficiency and the launch of innovative, new products that wowed the market.

In the face of rising costs for raw materials and packaging materials, the Group successfully contained total cost through a substantial improvement in manufacturing efficiency. To achieve this, the management team worked actively on maximising group synergy, resulting in significant savings in areas like packaging.

Substantial savings were also achieved when the Group converted to using natural gas for boiler operations. Besides cutting energy costs, this cleaner energy demonstrates our commitment to caring for the environment.

Malaysia

The Group's Malaysian dairy operations turned in an admirable set of results, reporting market gains in all its product segments. The results were achieved through an increase in sales volume as well as an improvement in manufacturing efficiency.

In sweetened condensed milk (SCM), *F&N* further widened its lead as the top market brand, increasing sales volume by 8%. With this, its market share now stands at 48%. The main marketing vehicle for the brand was the highly popular *Teh Tarik* competition, which aired over two months on national television. To enhance the excitement and interest generated by this competition, the Group conducted a national consumer promotion simultaneously, with prominent product displays at retail outlets. This was reinforced by a second national consumer promotion in the latter part of the year. This time, the soccer-themed campaign rode on the fervour created by the keenly followed Euro 2004 football championship.

In evaporated milk, the Group put in an equally robust performance with sales growth of 13%. Built around the marketing platform of "Providing more taste and more love to Malaysian consumers", the campaign for this product segment sought to position *F&N* evaporated milk as a major ingredient in food and beverage preparation. The chief thrust of the campaign was a major national consumer promotion which ran during Ramadhan and the year-end festive season. An ongoing advertising campaign in various print media kept the momentum going. In addition, recipes for food and beverage were also disseminated the rest of the year to promote usage of this product.

Meanwhile, in the highly competitive pasteurised milk business, *F&N* raised prices in response to increases in the cost of milk as well as negative exchange movements; this allowed the Group to bring its prices back to a commercially-viable level. To prevent any erosion of its market share, the Group conducted an aggressive advertising and consumer promotion to support the *Daisy, Magnolia* and *Farmhouse* pasteurised milk brands. Further, a fresh new look was launched for *Daisy* high-calcium low-fat milk towards the latter part of the year. To reflect the fact that this product targets the new-age female consumer, the new packaging design exudes an elegant and fresh look, whilst retaining its strong red-coloured identity. However, the star turn was seen in the liquid milk business, where *F&N* sterilised milk enjoyed a record year with sales volume growing 30%.

Another segment that reported a record year was the pasteurised juice range, which recorded growth of 14%. *Fruit Tree Fresh Juice* surprised with its exceptional growth, helped by the launch of the innovative Apple & Aloe Vera product. In the year, this product was made available in 1-litre and 250ml PET bottles, and an exciting medley of consumer promotions and road-show events helped boost the product enormously in the market.

In the year, *Sunkist* Juice grew at a highly respectable 11%. The range was given a facelift with a new design that projects a fresh and sunny personality. In addition, a new orange & lemon variant was added to the *Sunkist* range. To support the new look, an integrated campaign comprising advertising, road shows and consumer promotions programmes were carried out, including sponsorship of the *Fantastica* show at Genting Resort. A kids' range of *Yoplait* drinking yogurt in 115g bottles was also developed and launched. This extends the *Yoplait* product range, which currently comes in a variety of exciting flavours in 750g and 200g packs.

There was good news to be had too in the ice cream business segment, which turned around in the year. This was due to product innovations which created a buzz among local consumers. Besides the introduction of new impulse novelty ice cream items, two new premium product ranges under the *Magnolia Moments* and *Magnolia Escapade* brands were launched for take-home tub ice cream. Packed in a trendy gold tub with a transparent lid, *Magnolia Moments* is a delectable range of ice cream topped with sauces and nuts and available in a variety of flavours. *Magnolia Escapade* is another premium range ice cream made with yogurt and fresh fruit chunks — thereby combining the health benefits of yogurt and real fruits with the indulgent pleasure of *Magnolia* ice cream. A back-to-basics programme involving distributors was also implemented this year to improve product availability. Nevertheless, the ice cream market in Malaysia remains very competitive, with two aggressive global players on the scene and new regional entrants in the year.

Singapore

Product innovation saw Singapore put in a fine performance in the year.

In the milk category, *Magnolia* low-fat milk dazzled with sales volume surging by more than 50% monthly. This expanded *Magnolia*'s market share from 5% to 11% in the latest retail audit. The remarkable achievement was due to the launch of *Magnolia Fruit Milk* through an effective campaign comprising TV commercials and a strong public relations programme, which captured top news coverage on almost all television channels and in all the major newspapers. Meanwhile, soya milk volume increased 26% with the introduction of the Barley Soya variant.

Stout growth was also seen in pasteurised juice sales, which increased by 16.2% in value for the year. This was due to the September launch of *Fruit Tree* Blackcurrant With Aloe and extension of Apple Aloe to 2-litre packs. In the same category, *Sunkist* also saw robust growth largely driven by successful promotional activities as well as packaging innovation in the form of a new sealable on-the-go single-serve PET bottle packaging. Currently, *Sunkist* remains the number one selling orange juice brand in Singapore.

Finally, in the ice cream category, the easing of government restrictions on mobile hawkers also helped propel ice cream sales volume. As a result of this, the Group's roll of *Magnolia* hawkers jumped from 20 to 83 and sales of its 1-litre hawker packs grew by 62%. Additionally, effective endorsement by MediaWorks artiste Quan Yifeng of the newly launched *Magnolia Moments,* the higher value transparent tub ice cream, through trailers featuring the product on a TV game show also perked up sales.

All these enabled Singapore domestic sales to grow 5%. To add to the good news, profit margins were safeguarded through product rationalisation and an increase in selling prices. This was despite cost pressure from higher raw material prices and the stronger Australian and New Zealand currencies.

Thailand

Product innovation was also the keynote in the Group's Thailand operation. Domestic ice cream sales grew with the continuous introduction of new and innovative products in the *Gotcha* range catering mainly to the children segment. *Gotcha* is still the key sub-brand of *Magnolia* and is the main driver of sales in the domestic market. New *Gotcha* products introduced during the year were *Gotcha* Hippo and *Gotcha* Jello Crunch Apple & Blueberry. Many other new products were also launched for the teenage, adult and take-home segments.

Thailand's exports to Singapore and Malaysia — traditionally its principal markets — grew strongly. During the year, export markets were further expanded to include Australia, Bangladesh, New Zealand and Sri Lanka, a significant enlargement to its existing markets of Brunei, Cambodia, Hong Kong, Indonesia, Japan, Laos, Myanmar, South Korea and Taiwan.

Overall, the Group's Thai ice cream business continued to grow on the back of a strong Thai economy, with total sales surging by 33%. Ahead, the outlook for the Group's ice cream business has brightened considerably, with the consolidation of the manufacturing base in Thailand resulting in a steady supply of high-quality value-for-money ice cream for the Singapore and Malaysia markets.

Packaging

It was a difficult year for the Group's glass packaging division with the scheduled shutdown of furnaces in Johor Baru and Ho Chi Minh City constraining production output. This, combined with the low pricing structure in China, affected overall glass packaging profitability.

In the year, the glass packaging division revenue was 4% lower than in the previous year. The drop in sales was due to the permanent closure in November 2003 of one furnace at Malaya Glass Products which had reached the end of its useful life after 11 years in operation. In addition, another furnace was closed for refurbishment for a period of three months at a cost of RM33 million. Similarly, the single furnace at Malaya Vietnam Glass was also closed for 2.5 months for rebuilding work that cost over US$6 million.

A major leak at one of Malaya Glass's furnaces at the end of the financial year put it out of operation for five months. However, the restoration costs and loss of revenue were covered by insurance.

The reduction in production capacity at Malaya Glass Products and Malaya Vietnam Glass was largely offset by higher output from Kuala Lumpur Glass and Sichuan Malaya Glass as well as from inventory brought forward from the previous year.

Over in China, while the plants operated at full capacity throughout the year and contributed 36% to the total volume of the glass division, the overall low pricing structure in China meant that sales could not fully cover operating costs. To correct this, efforts are being made to negotiate for price increases as well as to diversify market segments with a view to bringing the operation to profitable levels.

As a result of these factors, operating profit before exceptional items for the glass packaging division fell to RM14.2 million from the previous year's RM30.3 million. Additionally, a provision of RM4.3 million was made to restructure the Malaysian operations.

The year ahead will continue to be challenging for the glass packaging division especially in China, which has set itself a target of breaking even in the coming financial year. The Malaysian and Vietnamese operations are also expected to face an uphill battle ahead as rising fuel oil prices will push costs higher.

12 Demonstrating Commitment

Properties

The Group continues to be a formidable property player in Singapore with an international footprint. In the year in review, Centrepoint forged ahead, with its malls drawing record numbers of shoppers and winning over retailers. Meanwhile, overseas residential developments met with keen interest, bearing out the Group's wisdom in its earlier decision to diversify its development portfolio. Central to the division's growth strategy is its commitment to the value of intimate one-to-one engagement with retailers, shoppers, homebuyers, tenants and guests.

Malls of Centrepoint
www.centrepoint.com.sg

Once again, 2004 was a champagne year for *Malls of Centrepoint*. Despite the difficult retail climate, *Malls of Centrepoint* maintained healthy occupancy rates and patronage. In total, almost 5 million visitors thronged *Malls of Centrepoint* every month. This impressive performance is due to a confluence of factors: the strategic locations of its malls, the strength of *Malls of Centrepoint's* ties with its tenants, and the superior mix of quality retailers within the malls. The results are a resounding affirmation of the strong affinity developed over the decades between the individual malls and their shoppers and retailers.

High marks for this outstanding performance also go to the Group's aggressive promotions. In the year, we implemented measures that demonstrated to retailers our strong commitment to innovative marketing and promotion.

During the year, *Malls of Centrepoint* also strengthened its image as a pro-family corporation by launching a host of family-friendly facilities and promotions. These included installing new family and nursing rooms and children's play areas as well as giving monthly treats to children and grandparents — comprehensively addressing the needs of families shopping with young children.

Centrepoint Shopping Centre is the Group's flagship mall located in Orchard Road. The crown jewel in the *Malls of Centrepoint* stable, Centrepoint is a household name with a loyal base of shoppers and sterling anchor tenants in the form of Robinsons and Cold Storage, both of which made the centre their home right from the onset. Other established anchor tenants include Marks & Spencer and Courts.

The year ushered in an infusion of fresh names to the shopping centre. These included Prints, Asian Woman, ~H_2O+, Eunice Creations, Hair Inn, Lady Xiang, MTM Skincare Centre, Blush!, Jwest, Sountex, Aussino, Rustic Living and Family-Com.

Causeway Point Shopping Centre is the largest mall in the Group's portfolio. This year, new tenants like Lo Hong Ka, Tong Heng, 7-Eleven, Ice Lemon Tee, The Natural Source, Bits & Pieces, Kampong Days, Anglia, Samsung and Creative Art added to Causeway Point's glitter. New escalators were installed to improve traffic flow, to shoppers' and tenants' delight. Causeway Point enjoyed full occupancy and commanded strong rentals.

Compass Point Shopping Centre at Sengkang has 124 tenants, including Metro, Courts, Cold Storage, John Little and Popular Bookstore. The successful marketing of the mall under the unique, compelling identity of a 'learning and discovery mall' saw the centre grab top honours in the Grand Opening category in the annual Maxi Award 2003, an international award presented by the International Council of Shopping Centres to shopping centres that have successfully implemented marketing programmes. The mall has enjoyed 100% occupancy for the past two years and on-going fine-tuning ensured that it would continue to stay current and relevant to its primary customer-base residents in the neighbourhood. Newer tenants include Lee Hwa Jewellery, Mosburger, QB House, Jack's Place and Tong Heng.

Northpoint Shopping Centre is a thriving suburban shopping centre that once again enjoyed full occupancy. The decade-old shopping centre remains a top draw for Yishun residents and experienced brisk business throughout the year. It attracted a slew of new tenants in the year, including Ya Kun Kaya Toast, Precious Thots and PINC.

Anchorpoint Shopping Centre, with its prominent frontage on Alexandra Road, continues to benefit from robust patronage. It embarked on a tenant revamp and repositioning strategy. The result of the exercise was the successful creation of an exciting F&B hub that provides shoppers with a wide spectrum of good quality food set off by a hip, trendy ambience. Some of the new tenants include i Ramen, i Gourmet, Häagen Dazs, Secret Recipe, Artfrenzy, Nail Arts, Aji Ichiban and 7-Eleven.

Robertson Walk has a spread of tantalising restaurants, lifestyle shops, pubs and cafés, and music and arts centres. Located in the affluent River Valley residential district, this Mediterranean village is especially popular on weekends when sports fans cheer for their favourite teams at the "live" screenings of international matches in the courtyard.

Valley Point Shopping Centre serves guests of Fraser Suites Serviced Residences, tenants of Valley Point Office Tower and residents in the prime River Valley area. This year saw the opening of Nagano Japanese Restaurant, Green Apple Pharmacy, Fa Salon, Havana Spa and vegetarian café De'matoes House.

Overseas Shopping Mall

Bridgepoint North, Australia, continued to trade strongly, retaining its anchor tenant, Franklins, with a new lease for 15 years. It also achieved rental growth on the back of a 97% occupancy rate.

Fraser Serviced Residences

www.fraserhospitality.com

Fraser Serviced Residences ranks among the top echelon of global serviced apartment operators with a presence in Glasgow, London, Paris, Manila, Petchaburi, Seoul, Shenzhen and Singapore.

Beyond a reputation for outstanding management of premier properties, Fraser's leadership derives from its unique brand-customer relationship which focuses on continuous product and service development to meet needs locally and globally. Its quest for excellence has garnered Fraser outstanding customer satisfaction through its innovative lifestyle offerings and customer-oriented culture.

The awards won by Fraser lay testimony to the strength of this philosophy. In July 2004, Fraser became the first hospitality company to receive the **Most Distinctive Brand** in the Singapore Promising Brand Award (organised by the *Association of SMEs* and *Lianhe Zaobao*). Apart from this, Fraser also won acclaim in the region for its branding, service and management achievements. Meanwhile, Fraser was named an **Arts Supporter** by the *National Arts Council* for its role in promoting the arts in Singapore. It was also accorded the **People Developer Standard** (*SPRING Singapore)* in recognition of its human resource management strategy.

In line with the Group's overall strategy to increase fee-based income, Fraser will continue to minimise equity participation whilst retaining management to perpetuate the Fraser brand globally through its four lifestyle offerings: *Fraser Suites* and *Fraser Place Serviced Residences, Fraser Corporate Residences* and *Fraser Boutique Resorts.*

In the year, Fraser brought in performances that were above the serviced apartment industry average for all its properties.

Fraser Suites Singapore maintained occupancy of about 90%, higher than the industry's average of 85%. Among multinational and Fortune 500 corporations, Fraser Suites continues to be the preferred accommodation for top management executives and their families.

Fraser Place Singapore sustained its strong occupancy of over 91% in the year. Voted the Best Meeting Place in the Top 50 Destinations category by *The Expat* magazine, The Retreat at Fraser Place has been a hit with executives who warmly welcomed this unique concept of a meeting facility combining business and relaxation.

Overseas Serviced Residences

Fraser Suites Rodamco Place, Seoul, achieved occupancy of over 80% in 2004. This premier development, set in the cultural district of Insadong, won **Best Brand Award** awarded by *The Korea Herald* for the third consecutive year. In addition, it received a similar award for the second consecutive year from *The Korea Times*.

Fraser Place Forbes Tower, Manila, continued to hold strong to its peak occupancy rate of more than 90% despite an increase of 20 rooms. Located in the heart of the Makati Central Business District in Salcedo Village, it is close to the banking and financial districts as well as the city's entertainment and restaurant belt.

Fraser Suites Kensington, London, offers ready access to internationally renowned shops, restaurants, café bars, royal parks, museums and West End theatres with its superb Central London location in Stanhope Gardens. The only serviced apartment building in London fronted by a private landscaped garden, Fraser Suites Kensington has maintained a robust average occupancy of 80% since its opening in 2002.

Fraser Place Chelsea, London, with its location adjacent to Fulham Street and close to King's Road, offers a coveted fashionable London lifestyle. The immediate area features a kaleidoscopic selection of shops, restaurants, bistros, cinemas and health clubs. Since opening in 2002, occupancy has climbed to 80%.

Fraser Place Canary Wharf, London, is strategically located in the fashionable Canary Wharf area, which flanks the ExCel Centre, West End and the city's financial centre. Its immense appeal to global travellers has seen it enjoy a steady occupancy of over 85%.

Fraser Corporate Residence – Prince of Wales Terrace, London, is Fraser's first corporate residence offering flexible lifestyle services. It is located in one of London's most prestigious areas, opposite Kensington Palace with High Street Kensington and the Royal Park at its doorstep. Fraser Corporate Residence epitomises the definition of serviced residences as apartments that offer a unique blend of choice locations and ample living space with flexible housekeeping and maintenance services. This elegant Victorian-style property features spacious 3- and 4-bedroom apartments with a fully fitted kitchen and a lounge with sitting and dining areas. Its 10 apartments have maintained an occupancy rate of about 80%.

Fraser Suites Glasgow, Scotland, was opened in October 2004. Located in the heart of Merchant City amidst sophisticated and elegant Victorian merchant houses, it is set in an extensively renovated 1850s baronial building designed by JT Rochead (famous for designing the Wallace

Monument which stands today as a reminder of William Wallace, one of Scotland's most famous heroes) whilst retaining the stunning Victorian façade. Each of the 102 spacious residences offers contemporary and stylish furnishings with fully equipped kitchenette, entertainment and communication facilities. It is currently enjoying an occupancy above 60%

Fraser Suites Harmonie, La Défense, France, opened on 23 September 2004. Located in the futuristic business district of La Défense, where form and function meet to produce poignant beauty, the stately 134-room apartment block overlooks the majestic La Défense, or the River Seine. Most apartments enjoy access to a private balcony for delightful views of the river. This sanctuary in the city offers a comfortable and functional layout amidst a warm and energising atmosphere created by a trendy contemporary design. Another distinctive feature is the street-level garden with an eye-catching terrace.

Fraser Place Shekou, Shenzhen, China, is Fraser's flagship property in China. Opened in December 2004, its 232 apartments cater to varied needs, with units that range from one-bedroom deluxe apartments to four-bedroom penthouses. Its location in the Whale Garden premier residential area also means convenient access to the commercial administration area at Guishan Road and the financial district. Perched atop Nanshan Hill, it offers a panoramic view of the coast.

Fraser Corporate Residences Futian, Shenzhen, located on the main Shennan Avenue in Futian's central business district, is a short walk from the MRT line and close to a new convention centre and golf course. The property provides excellent views of the golf course and enjoys high visibility from the main road. Opening January 2005, the residence has 165 units.

Fisherman's Village, Thailand, is Fraser's first boutique resort. Nestled in Haad Chao Samran, the site of King Rama IV's royal lodging pavilion in Petchaburi is only 2 hours from Bangkok. Fisherman's Village is an exclusive retreat set in a private enclave fronting the beach. It consists of only 30 private villas encircled by lush greenery, water courts, flora and fauna, and a variety of marine life. The development balances the elegance of Thai architecture with the relaxed ease of contemporary living.

Centrepoint Homes

www.centrepointhomes.com

Despite challenging conditions in Singapore, the Group managed to sell about 500 homes during the year.

In Singapore, the Group has released units in Holt Residences, Camelot, Euphony Gardens, Yishun Sapphire, Yishun Emerald, The Petals and Compass Heights for sale on flexible payment terms and for immediate occupation. They are also available for lease and units can be sold with tenancy. Spread over various parts of the island, they appeal to different segments of the local and expatriate population.

For the coming year, the Group is cautiously optimistic about a gradual turnaround of the property market especially in the mass and mid-end segments. In order to sustain profit growth for the next few years, the Group acquired new sites in various parts of Singapore to replenish its landbank. When developed, they will add 1,600 units to the Group's stock.

Local Residential Projects Update

Ris Grandeur, the Group's first enbloc acquisition, sits on 26,442 sqm of freehold land at Elias Road. Its 453 condominium units were launched for sale in September, just before the close of the financial year.

Pasir Panjang Site, a freehold site of 6,698 sqm is slated for a condominium development of 72 units and is scheduled for launch in the first half of 2005.

Mt Sophia Site, a 103-year leasehold site of 16,170 sqm, is located along Mount Sophia, close to Dhoby Ghaut MRT Station. It is intended for a condominium development of around 313 units and is scheduled for launch in the first half of 2005.

Jervoise Close Site, a freehold site, is planned for a condominium development of about 260 units and is scheduled for launch in the second half of 2005.

Hindhede Road Site is a 99-year leasehold site of 16,254 sqm purchased in November 2003 for $68.2 million. Adjacent to Bukit Timah Nature Reserve, the site is slated for a condominium development of 310 units.

Paya Lebar Crescent Site is a freehold site of 10,236 sqm acquired in November 2003 for $38.6 million. It is located in a cosy residential district along Upper Paya Lebar Road and slated for a condominium development of about 125 units.

Woodsville Site is a freehold site of 6,739 sqm acquired through an enbloc sale in January 2004 for $38 million. It is located off Jalan Toa Payoh next to the future St. Andrew's Village, which is currently under construction. There are plans to redevelop the site into a condominium of about 120 units.

Faber Hills Site, now Faber Hills Condominium, located off the Ayer Rajah Expressway, was acquired enbloc in April 2004 for $85.5 million. It is a freehold site of 23,019 sqm suitable for a condominium development of about 315 units.

Serangoon Site is a freehold site of 5,227 sqm acquired in July 2004 for $31 million. Located along Serangoon Road near Boon Keng MRT Station, with easy access to PIE and CTE, the site is slated for a condominium development of about 126 units.

Sentosa Cove Site is a waterfront land parcel situated at the northeastern tip of Sentosa Cove acquired through a public tender. With a site area of 10,926 sqm, it has a longitudinal frontage directly facing the sea. Design development is underway to develop a high-end and exclusive waterfront condominium with no more than 138 units.

Overseas Residential Projects Update

Globally, the Group has identified Australia, China, New Zealand and the United Kingdom as key markets in which to expand its overseas property development business.

Wandsworth Riverside Quarter, United Kingdom, is a 4-hectare London riverside property located on the south bank of the River Thames. The first phase of construction, comprising two residential blocks of 116 apartments, has recently been completed. Construction of the second phase has commenced. A total of 422 residential units and almost 14,000 sqm of ancillary office and retail space will eventually be developed. In September 2004, CPL (UK) Pte Ltd acquired an additional 14.6% share in the project, bringing its effective interest to 64.6%.

68 Vincent Square, Westminster, United Kingdom, is a 50:50 joint venture between CPL (UK) Pte Ltd and Fairbriar Plc. This property was acquired in May 2003 and will see the construction of 70 apartments, with the majority of the units having views that overlook one of London's largest squares. Work has commenced and the development is scheduled to be completed by March 2006.

Habitat, Australia, at 11-17 Chandos Street in St. Leonards, North Sydney, was completed in April 2004. The project is 75% sold. The Group has a 75% interest in this project.

Lumière at Regent Place, Australia, is a prime freehold site of 3,966 sqm at the junction of George and Bathurst Streets in Sydney's Town Hall precinct and Central Business District. The site is next to the Town Hall Station and within easy walking distance to Darling Harbour, Chinatown and Martin Place. A 50-storey tower of 447 luxury residential apartments, a 31-storey tower of 145 serviced apartments and about 8,000 sqm of retail and commercial space will be developed over the next four years. Construction has started on the site with completion due by December 2007. The serviced apartments will be managed by Fraser Serviced Residences and is targeted to be operational by September 2006. The Group has an 80.5% effective interest in this project.

Papamoa, New Zealand, is a 24-hectare freehold property purchased for NZ$18.8 million by CPL (NZ) Pte Ltd. It is located in Tauranga in the Bay of Plenty. Plans have been laid for the construction of about 450 houses and a beachfront condominium complex.

Broadview Rise, New Zealand, a 6,831 sqm freehold property, was acquired by CPL (NZ) Pte Ltd for NZ$3 million. Located in Queenstown, it overlooks Lake Wakatipu. Approval has been granted for 15 luxury apartments but an appeal has been lodged to double the number of apartments.

Jingan Four Seasons, China, is located next to an underground MRT station along the main Nanjing Road in Shanghai. The 32-storey development will yield about 450 residential apartments and a two-storey retail podium providing a total of approximately 69,216 sqm of gross floor area for sale. This project is expected to be completed in 2006.

Jin Lin Tian Di, China, comprises 88 residential units, 120 serviced apartments, a clubhouse and 4,000 sqm of retail space. The residential and retail units were launched and sold out during the year. The Group has a 32% effective interest in this project, which is expected to be completed by the second quarter of 2005.

Residential Development in Song Jiang District, China, is a 711,091 sqm leasehold land parcel located near to the future Light Rapid Transit station at Si Chen Road in Shanghai's Song Jiang district. This exclusive residential development to be built in three phases will yield about 3,200 residential units with communal club facilities and a small commercial component. The Group has a 95% interest in this project, which is expected to be completed over the next four years.

Office & Industrial Properties

The year in review continued to be difficult for the Office and Industrial Property segments. On a positive front, the economy is improving and this was reflected in an improvement in the rental rates of grade A office buildings in the CBD in the latest quarter. Industrial leasing activities were similarly affected. Fortunately, quality tenants at Alexandra Technopark helped maintain a high occupancy of 99.5%. The current excessive supply of office and industrial space will, however, continue to exert pressure on rentals.

Local Office Property

Alexandra Point had to contend with a reduced average occupancy of 61%. The lower occupancy rate was mainly the result of Agilent Technologies centralising operations at its manufacturing plant in Yishun. With the improving economy in the year ahead, occupancy rate is projected to improve.

Alexandra Technopark continued to experience near full occupancy level throughout the year, significantly above the market average of 80.8% for high-tech space.

Rentals will, however, come under pressure from a highly competitive segment.

Valley Point Office Tower secured an average occupancy rate of 74% despite an increase in the turnover rate of tenants at the 20-storey office tower.

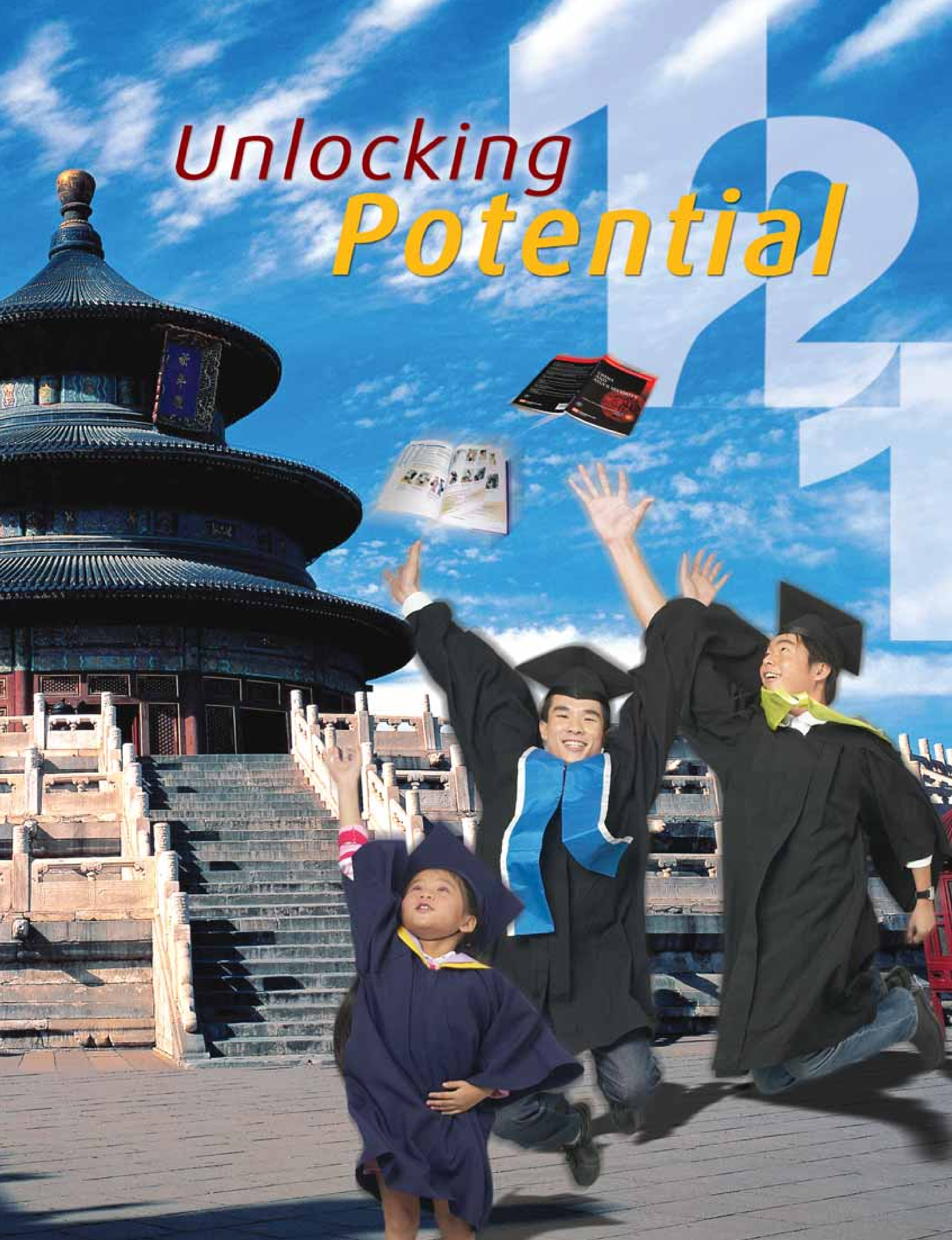
Overseas Office Property

Me Linh Point Tower, Vietnam, a 22-storey office cum retail complex located in the prime commercial district of Ho Chi Minh City, continued to enjoy robust occupancy throughout the year. Vietnam's strong overall economic growth, coupled with a limited supply of international grade office space in the city, augurs well for this development, making the outlook for the next year a good one.

Fraser Business Park, Malaysia, was formerly home to F&N's manufacturing plant in Kuala Lumpur. The 20 acres of prime freehold land will be developed into three commercial components comprising shop-cum-office blocks, an office tower and a retail centre. Construction of the 80-unit shop-cum-office blocks called Fraser Promenade has commenced, with sales exceeding expectations.


SHARKS

Unlocking Potential



Publishing & Printing

With its solid, authoritative body of work, the Group's Publishing and Printing division continues to shape the cultural landscape of readers worldwide. At home and abroad, its various well-loved enduring print titles have not only impressed with their hallmark quality but also fostered a one-to-one relationship with multiple generations of readers. This legacy of trust and good opinion has proven invaluable to the division as it continues its global expansion.

Marshall Cavendish International Publishing
Rebranded For Global Expansion

In the year under review, Times International Publishing was rebranded to "Marshall Cavendish", incorporating the name into the various imprints of the publishing group as part of the new brand identity.

The aim is to create a business with international scale and scope, putting the publishing business in the best position to develop new markets while expanding existing ones. Fundamental to the Group's acquisition-led growth plans, the rebranding also allows the Group to better integrate its units and businesses.

Products are now classified under four new content clusters. They are: **Education Publishing**, **General and Reference Publishing**, **Business Publishing** and **Home & Library Reference Publishing**.

Education Publishing

Education

In Singapore, Marshall Cavendish continues to lead in educational publishing with its extensive lists for Primary and Secondary core curriculum. The division published 360 titles in the year, with its flagship series for primary schools, *My Pals are Here!*, hitting the local bestsellers' list. It also sold well internationally.

However, with a new syllabus cycle in Singapore, the division expects keen competition in 2005. The division's exceptional track record in this segment should stand it in good stead.

The division is actively developing its overseas businesses after establishing itself as a leading publisher in the textbook market in Singapore. The year in review saw the division making substantial headway in the international arena, although Singapore continues to be the home base. The division upped its sale of published works as well as its share of co-publishing and licensing agreements in many overseas markets to become an increasingly prominent player on the international scene.

In Thailand, for instance, the division captured significant market share within two years with the publication of high-quality English language textbooks. Plans are afoot to expand the publishing programme in the coming year.

In Malaysia, the division remains the market leader in the STPM (*Sijil Tinggi Pelajaran Malaysia*) levels with highly successful publications such as the *Federal Study Aids* series.

Academic

The Group's Academic publishing division enjoyed a successful year with more titles published and a jump in sales. It continued to expand its Asian Studies publishing programme.

Following an agreement signed with the China Academy of Social Sciences, the division inked another co-publishing agreement with the Shanghai Institute for International Studies for its Chinese Studies titles. The division also published the first of its 12-volume *Materialising China* series, authored by leading scholars in Chinese universities.

In the coming year, the division aims to expand its list of academic titles and revenue through co-publishing with research institutes and universities as well as through licensing. It will concentrate on the library market and publish more materials from China, India and Southeast Asia for the world market.

English Language Teaching

One year after the Group entered the English Language Teaching market by launching four innovative, high-quality titles, its publications in the category have grown to 16 titles. These comprise titles from the *Just Skills* series, which offers self-study materials that are equally suitable for classroom use, and the *Just Right* course, an English course for school teaching. The series has been praised for its content and design and received excellent reviews in professional journals.

In addition, the division produced the American English versions of its British English products to capitalise on the preference for American English in some Asian markets, either through a licensing or distribution arrangement.

Education Services

The performance of the Group's Education Services division in the first half of the year was adversely affected by the spillover effect of SARS, which resulted in smaller enrolments of students from China at its English language training school, the Marshall Cavendish Language Centre. Cutbacks in training budgets by corporate clients and junior colleges further dampened the market for the division's Times Management Institute, which provides corporate training, and undergraduate and postgraduate courses.

The education industry in Singapore is likely to undergo further consolidation, with new measures imposed to regulate the industry such as the Education Services Accreditation Standard and the CASE trustmark for private education organisations.

Moving ahead, the division is adopting an active growth strategy to increase its scale and maintain its competitive edge. The Group is also exploring collaborations in China to expand its network of language centres to capitalise on the rising demand for English-language courses there.

General & Reference Publishing

General & Reference

The Group's General & Reference Publishing achieved respectable results despite the slower adoption of new publishing concepts and reprints by its co-edition partners and a fall in customised publishing projects after the government and multinational corporations reduced spending on such projects.

The division successfully published books written by Asian celebrities such as Sandy Lam, Dick Lee and Jacelyn Tay. Among the division's co-publishing partners were the World Economic Forum and MediaCorp TV Singapore. The division converted selected MediaCorp broadcast content into print.

The division increased sales for its cuisine, language and trade books. It also won **The Gourmand World Cookbook Award** for excellence in the cuisine category.

In China, the division established strategic alliances with local partners endowed with strong distribution networks and publishing infrastructure. The year also saw the licensing of the *Culture Shock! Success Secrets to Maximise Business* series, as well as the *First People* and *Living With* series. In the pipeline are more co-operative publishing activities in China to bring the Group closer to its long-term objective of being recognised as a major publisher in the Asia Pacific region.

Business Publishing

Business Information

The Group's Business Information division turned in a mixed performance in the year.

In Singapore, the division performed well, spurred by the strong recovery in the Singapore economy and bolstered by sales from four new directories. The World Book Fair, an event co-organised with the Singapore Press Holdings Group, drew more exhibitors and visitors compared to last year. The division further strengthened its standing as one of the island's leading trade directory publishers by securing the contract for *Singapore Education Guide*, due out in January 2005. The division confidently expects to maintain its growth momentum into the next financial year.

In Malaysia, the division acquired an additional directory. Two new directories will also be published in the next financial year. With improved economic fundamentals and business sentiment, modest growth is expected in Malaysia in the next financial year.

In Hong Kong, the division suffered from severe price discounting due to intense competition and prolonged contraction in the construction industry which affected sales of its construction-related directories. The division responded by diversifying its portfolio. Directories for other industries like *China Logistics Directory* and *Business Professional Services Directory* will be published in the year.

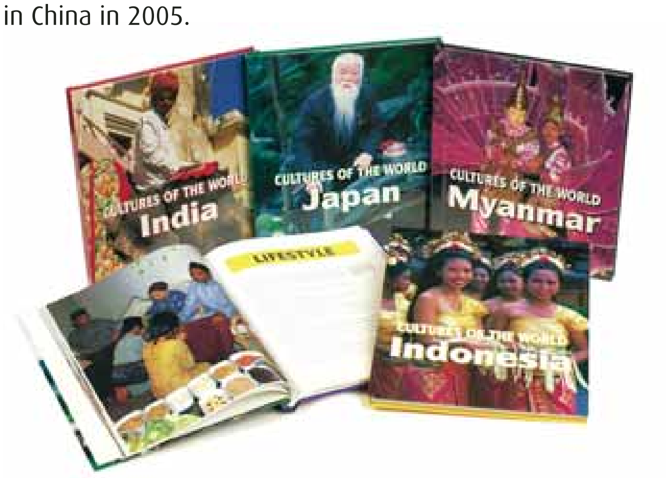
The outlook in China was more promising for the division. A new magazine, *Cargonews China*, targeting the fast expanding logistics industry in China, was launched during the year and the response has been encouraging. The division also established the Guangzhou Times Advertising Company, an advertisement sales operation, making it its first foray into business information publishing in China.

Home & Library Reference Publishing

Home Reference (Partworks)

The performance of partworks products in the Eastern European markets was maintained. In particular, Marshall Cavendish's *Tree Of Knowledge* in the Russian Federation has won much acclaim. This was recognised in the **Distribution Excellence** award conferred by the Association of Russian Publishers in the year.

To penetrate the China market, the division conducted extensive research to evaluate the market's receptivity to *Tree of Knowledge*. The product is expected to be published in China in 2005.



Library Reference

The division's revenue for the Library Reference business shrank in the year due to a difficult operating environment marked by cutbacks in government funding to school and public libraries for book purchases.

Nevertheless, the division continues to aim to be a premier publisher of educational reference materials for the school and public library market.

In the United States, Marshall Cavendish is successfully established as a brand that publishes high-quality illustrated reference books. The division's quality was recognised in the year when it was conferred numerous awards and accolades by prestigious bodies such as **Bank Street College** (for *Best Children's Books of the Year*); the New York Book Show and Booklist (for *Twenty Best Bets for Student Researchers*), to name just a few.

Looking ahead, however, with market conditions remaining uncertain, the Group is exploring opportunities in other markets such as China, India and the Middle East.

Times International Printing Group

The Group continues to upgrade its presses to offer its customers the latest printing technology and the highest quality of production. New printing presses have been or are to be installed in Australia, China, Malaysia and Singapore, which will enhance both quality and efficiency and expand the Group's capacity in key areas.

In China, the Group advanced in its strategy to establish a network of printing plants throughout key cities.

Singapore

The Singapore plant offers one of the most advanced printing facilities in Asia, outside Japan. In the year, the steady printing market in Singapore saw Times Printers and Times Graphics ringing up consistent sales.

Malaysia

The Group is one of the largest, most modern commercial printers in Malaysia. In the year, Times Offset (M) clinched several major new contracts and attained ISO 9001:2000 certification.

China

The Group ventured beyond book and magazine printing in China into packaging printing.

In the year, sales rose across the board at every one of the Group's Chinese ventures. Shanghai Times SanYin won the Yellow Pages contract from China Telecom Group Yellow Pages to print its Yellow Pages. In Shanxi, the Group established a new joint venture company, Shanxi Xinhua Times Packaging Printing Co. Ltd, to provide packaging printing services to food and pharmaceutical companies in the province. Meanwhile, the Everbest Printing Guangdong plant, in which the Group holds a 51% stake, clinched a number of major new contracts. Fung Choi, the Group's 24.7% associate, saw increased demand for its printing and packaging business. It recorded an 80% growth in turnover for the quarter ended September 2004 over the same period in 2003, with net profit leaping a hefty 106%.

Finally, the Group's new venture, Shenyang Times Packaging Printing Co. Ltd, concluded its first full year of operation by securing the ISO 9001:2000 award.

Australia

Argyle Times was awarded a major new contract from one of the largest publishers in Australia, which would involve print work for the Group's plants in Australia, Singapore and Malaysia.

UK

Overcapacity and severe competition in the UK market reduced margins for the Group, causing it to extend the losses seen in the last few years. Consequently, the Group decided to close the UK plant in 2004.

Times Retail and Distribution

Retail

Times The Bookshop is a leading English language retailer in the region with a network of outlets in Singapore and Malaysia.

In Singapore, sales were maintained in spite of the closure of the division's Library Services in the middle of last year. The Group successfully took over WH Smith's retail operation in Singapore in the second half of 2004, which made it the sole book and magazine operator in Singapore Changi International Airport.

In Malaysia, sales improved due to aggressive marketing and promotional activities in the Kuala Lumpur City Centre and Bangsar outlets. A new outlet also opened at Permas Jaya. With the booming economy, the Group expects sales to continue to pick up.

Distribution

The Group is a leading regional distributor of English language books and magazines with a network spanning the Asia Pacific.

In Singapore, the book division overcame a tough retail market to put in a creditable performance with an increase in sales. It clinched new distribution agreements with several major publishers in Australia, the US and the UK and secured new local titles for distribution.

While sales were higher than last year, profitability suffered due to the strong Sterling pound and Australian dollar. However, the lifting of the ban on *Cosmopolitan* magazine in August 2004 and the extension of the Magazine Rack Programme to SPAR convenience stores promise brighter prospects for the Group's revenue next year.

In Malaysia, the book division raised sales with an overall improvement in the retail book trade in the country despite strong competition.

Among the year's highlights for the division was the securing of distribution rights to *Her World* magazine. The division was also conferred the **Most Efficient Distributor Award** by Time Inc Asia in 2004.

In Australia, turnover decreased in the year due to aggressive discounting on DVDs by both major and independent studios.

Turnover declined for the Group's other subsidiary in Australia which specialises in the wholesale and distribution of brand name lifestyle consumer electronics. However, the Group increased its presence locally and internationally with the proprietary *Connexia* brand.

In Japan, the Group continues to be the largest importer-wholesaler of academic reference books. In the year, sales were affected as a result of the privatisation of the country's 99 national universities. However, the Group enjoyed good sales from book distribution channels in Japan.