



Turning the page on an unfavourable year, we are revamping our Publishing & Printing business by executing plans to strengthen operations to improve earnings. Having published our vision for the future, we are committed to staying the course and **making tomorrow today.**

CEO BUSINESS REVIEW

Publishing & Printing



DATO' NG JUI SIA
Chief Executive Officer

Focusing on Quality

The deterioration in global economic activity has adversely affected the publishing and print industry. FY2009 has been an exceptionally challenging year. Overall, we were faced with excess print capacities, the knock-on effect of slumping ad sales and a drop in trade publishing and de-stocking by publishers.

Business Overview

The deterioration in global economic activities has adversely affected the publishing and print industry. FY2009 has been an exceptionally challenging year. Overall, we were faced with excess print capacities, the knock-on effect of slumping advertising sales and a drop in trade publishing and de-stocking by publishers.

Against this environment, our Publishing and Printing division achieved full year revenue of S\$417 million, 12% lower than last year. The decrease in sales was due mainly to a decline in print volume, weaker distribution sales and the impact of a weaker US and Australian dollar. Coupled with margin erosion from higher material cost and impairment on the US publishing content and stocks, this division ended the year with a loss of S\$1 million. Excluding our share of losses in our associated company and impairment, profit of our underlying business stood at S\$14 million, a 45% decrease from last year.

This year, the division focused on executing plans to strengthen its business. We put in place initiatives to augment our core competencies. Times Publishing Group consolidated and divested under-performing businesses, and drove operational excellence by optimising funds and resources needed to run these businesses. As a result, despite the macro-economic challenges encountered in 2009, we resolutely maintained high quality and service levels without compromise. Consequently, performance of our core business remained largely intact, attributed to our strong customer base and solid long-term relationships with high-value customers – testimony to our strong ability to retain and attract new global customers.

A strategic review initiated in June last year to consider options for Publishing and Printing, including the option to sell, was concluded in December 2008. Due to adverse market conditions, in particular the impact of the credit crunch on potential purchasers, the Group has decided not to proceed with a disposal. The Board continues to consider and weigh the strategic options for this business, including a possible sale of some or all of its assets, and/or restructuring the division's operations.



Revenue decreased
12% to

S\$417mil

PBIT of underlying
business*

S\$14mil

* excludes our share of losses in our associated company and impairment

The Publishing Group took proactive steps in the year to streamline its businesses for greater efficiency and effectiveness.



SOLID PERFORMANCE

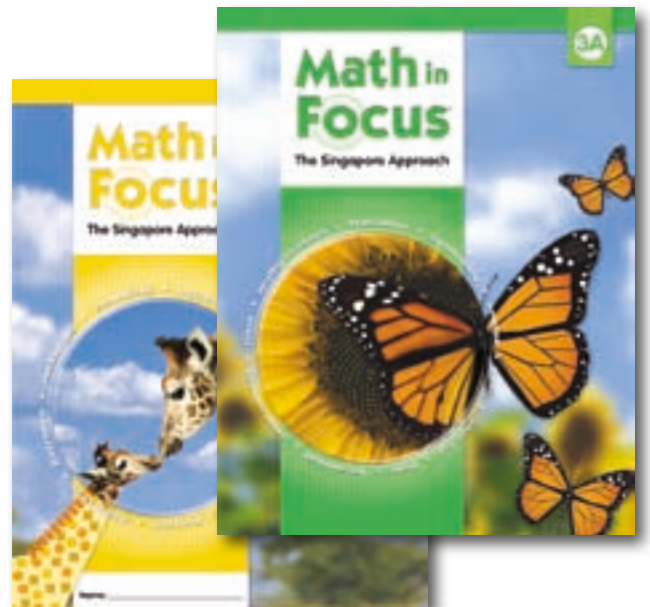
Education Publishing experienced record sales with double-digit growth

Publishing

The Publishing Group took proactive steps in the year to streamline its businesses for greater efficiency and effectiveness, divested non-core businesses and expanded into complementary markets to boost revenue and increase brand value.

Focusing on our core businesses

Marshall Cavendish continued its expansion in exporting educational content, maximised its growth into new markets, and made successful headway in the US market. In the year, Marshall Cavendish's mathematics programme was put forth for recommendation for use in schools by the Department of Education in California, and subsequently in Oregon, with schools in Kentucky, Idaho, Utah and other states in the US showing interest in adoption in 2010. More recently, Marshall Cavendish released 'Math-in-Focus' – another significant co-publishing venture with Houghton Mifflin Harcourt, the largest education publisher in the US.



Marshall Cavendish also consolidated operations to focus on the core publishing activities in Education Publishing, Business Directories and Home & Library Reference. In addition, the under-performing and non-core English Language Teaching (ELT) lists were divested in the year. Recognising the rising trend in the digital arena, we also increased the delivery of our products in digital format to maximise potential in this growing sector.

As a testament to our continual quest for excellence in the books we publish, Marshall Cavendish won The William Allen White Children's Book Award with *Yellow Star* by Jennifer Roy, and saw 11 titles from Marshall Cavendish Children featured in the 100th anniversary edition of Bank's Street College's Best Children's Books of the Year for their literary quality and positive impact on children.



LOWER COST BASE

The Group benefited from early pre-emptive effort to align capacity and manning levels to print demand



Printing

A number of factors presented the Print division with a challenging market during the year. A reduction in print demand by both magazine and book publishers arising from reduction in circulation and pagination, unfavourable exchange rates and fierce pricing competition in an over-saturated market combined to take their toll on the Group's print revenue and profits.

Cushioning the impact

The undertaking of several initiatives and actions helped to limit losses and positioned the Group to capitalise on the weak climate. A company-wide drive to obtain new print contracts, a strong focus on customer receivables, and cost-cutting measures such as improvements in operational efficiency and better procurement methods, all contributed towards a healthy balance sheet at the close of the financial year.

Times Printers took the opportunity during the downturn to lay firm operational foundations in preparation for brighter times ahead, embarking on a project to upgrade its Enterprise Resource Planning system, an initiative expected to benefit the Group through an integrated and efficient operating environment.

Times bookstores continues to enhance and build up its brand presence through the launch of new stores in Singapore and Malaysia.



Distribution

Pansing books and magazines distribution continued to be a stable portfolio within the Group. It persists in its key targets of driving improved efficiency in sales and distribution, as well as targeted sales for segmented markets.

Global trends shape performance

Our distribution business was impacted by global events. While reduced international freight charges in the first half of the financial year and favourable exchange rates brought about lowered costs for imports of UK publications, this was offset by rising freight costs and a strong Australian dollar in the second half of the financial year.

The worldwide recession has resulted in lowered overall distribution volume for our magazines and books. We closed the Australia Rainbow CD/DVD units in the year, a strategy to rationalise under-performing businesses.

Buoyed by Australia's fiscal and financial incentives to consumers, lifestyle accessories products in the low- and mid-price range maintained a steady sales volume.

Retail

Times bookstores operated in a year that saw consumers adopting more discretionary spending habits, and felt the impact of a reduction in international travel, and correspondingly, poor sales at airports and high street stores.

New stores expand brand presence

Times bookstores continued its exciting efforts to enhance and build up its brand presence through the launch of new stores in Singapore and Malaysia. The Times bookstore at Tampines 1 shopping mall officially opened in April, and offers an extensive range of products which was expanded to include educational products and religious titles.

Also launched in the year was Times Travel, with two stores opening at Changi Airport in Terminal 1 and 3. These new concept stores combine travel-specific merchandise with personalised service to provide travellers with a one-stop retail store for their reading and travel needs.

Pacific bookstores added 13 more school bookshops to our network of schools retail stores, increasing the tally to a total of 130 schools in Singapore. The e-commerce website also underwent a revamp to leverage on growing purchases over the Internet.



Going forward, the Group will continue to drive profitability and look for ways to reduce costs in processing.



Looking Ahead to FY10

We expect print volume to recover in the second half of the new financial year. Gross margin is expected to improve both from increased print volume and a lower fixed-cost base. We are, however, cautious about the economic environment and will continue to ensure that our production capacity and manning levels are aligned to match demand.

Outlook for Publishing for the education sector presents an optimistic picture. We will be starting the year on a firm footing with initial robust orders for the second quarter of 2010 already on the books. Riding this wave of opportunity, and maximising the value of the intellectual property of Marshall Cavendish, we will continue to integrate our education operations throughout Asia and to expand our international export operations for education publishing. In support of this directive, new resources will be introduced, along with operations designed to maximise growth in nascent markets and consolidate sales in existing territories. Breakthrough acquisitions in the education field will also be made, particularly in Asia in order to strengthen our strategic position.

Distribution will continue to explore methods and data-mining technology for smarter buying, and selling for targeted marketing segments. The Group will also look into improving trade returns to reduce costs in processing.

Times bookstores has also embarked on an e-initiative and Customer Relationship Management programme to strengthen its brand promise, and to tap into the growing market of online purchases in the region. Air travel is expected to pick up in the new financial year, and airport bookstores are expected to reap some benefits.

