

## CEO business review • PUBLISHING & PRINTING



**SIEW PENG YIM**  
Chief Executive Officer,  
Times Publishing Group

### Business Overview

**F**Y2014 was an important year and a good year of growth for the Publishing & Printing division. Marshall Cavendish Education continued to strengthen its position as a leading education solution provider. Printing made good progress, delivering improved profits from its core business against a backdrop of continuing economic weakness in many countries. We are pleased with the overall performance and, in particular, the successful addition of new revenue streams for Retail and Distribution.

While FY2014 PBIT saw a drop of 40% to \$5m, mainly due to decreased contribution from

associated companies, our underlying businesses (i.e. Times Publishing Group) recorded earnings growth of almost fourfold.

The strong recovery was the result of several growth initiatives undertaken by the Group. Over the past few years, we made fundamental changes to our Education Publishing business, restructured to position Marshall Cavendish Education as a total solution provider in print content, digital resources and professional development. Market expansion programmes are also on track, in addition to our exciting pipeline of new products which represent the next step in our strategy to deliver sustainable organic growth.



**This year, Publishing & Printing has made good progress in the execution of its growth strategy. While each year presents a different set of challenges, we believe that the business is ready to enter into a new growth phase, and we endeavour to earn your trust.**



In addition, our investments in people, marketing and brand developments have also started to yield results.

For Printing, growth was underpinned by improved manufacturing productivity, which translated to better pricing for our products and services. Export markets remained volatile this financial year. Sustaining revenue growth from the traditional sources of printing revenue – the US, Australia and Europe – continued to be very challenging. To reduce exposure to these markets, we have increased our focus on domestic and regional print sales, both of which saw positive growth in FY2014. In Singapore, digital print sales

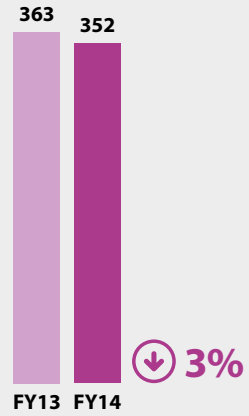
experienced double-digit growth, while print work in China and Malaysia increased over the previous year.

For Retail and Distribution, we aim to differentiate ourselves from our competitors, to evolve and to adapt to changing customer behaviour, technology and the competitive landscape.

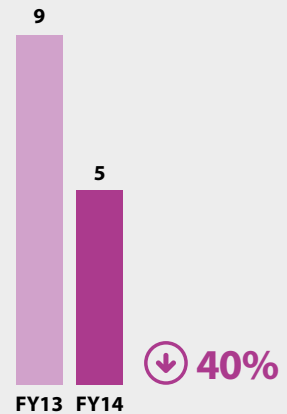
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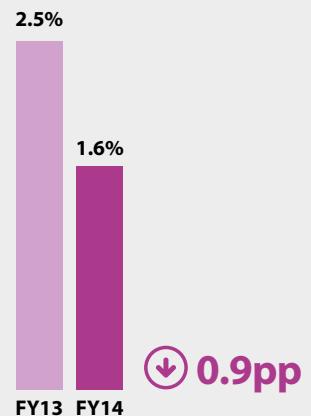
**Revenue (\$m)**



**Profit Before Interest & Taxation (\$m)**



**Profit Before Interest & Taxation Margin (%)**



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Throughout FY2014, Marshall Cavendish Education continued to stamp its authority in the area of Mathematics.

### PUBLISHING

#### Marshall Cavendish Education

In March 2014, Marshall Cavendish International (Singapore) and Marshall Cavendish Online amalgamated to become Marshall Cavendish Education Pte Ltd. The amalgamation of the two companies marked the first step towards strengthening Marshall Cavendish Education's position as a provider of holistic educational solutions in print content, digital resources and professional development across local and international markets.

Harnessing the strengths of our print and digital product development teams, the Group successfully developed the Primary Maths Learning Solution. Accompanying the bestselling *My Pals are Here!* and *Shaping Maths*, the Primary Maths Learning Solution offered teachers increased flexibility and ease in lesson preparation, learning support, pupil assessment, as well as tracking of pupil progress and performance.

Throughout FY2014, Marshall Cavendish Education continued to stamp its authority in the area of Mathematics.

Following on the success of its textbook packages, *Primary Mathematics* and *Math in Focus* in the US, new editions based on the Common Core States Standards were published. In January 2014, the California State Board of Education approved *Math in Focus* for use in the state for the first time. With the approval, school districts in California will now adopt *Math in Focus* as their textbook programme. Marshall Cavendish Education also launched the digital programmes, *Math in Focus Digi+* and *Primary*

*Digital*. Both digital programmes are completely aligned to the textbooks and contain thousands of interactive digital resources designed to support teachers and students with instruction, practice and assessment for K-5 Mathematics topics.

FY2014 also marked the year that Marshall Cavendish Education became the first Asian publisher

- 1 Young users of *My Pals Are Here!*
- 2 Launch of *Math In Focus Digi+*, *Primary Digital* and *Math Buddies LMS2.0*
- 3 *Mi Matemática*
- 4 Ms Lee Fei Chen, Head, Publishing Group, giving the opening address at Congreso MC Educación

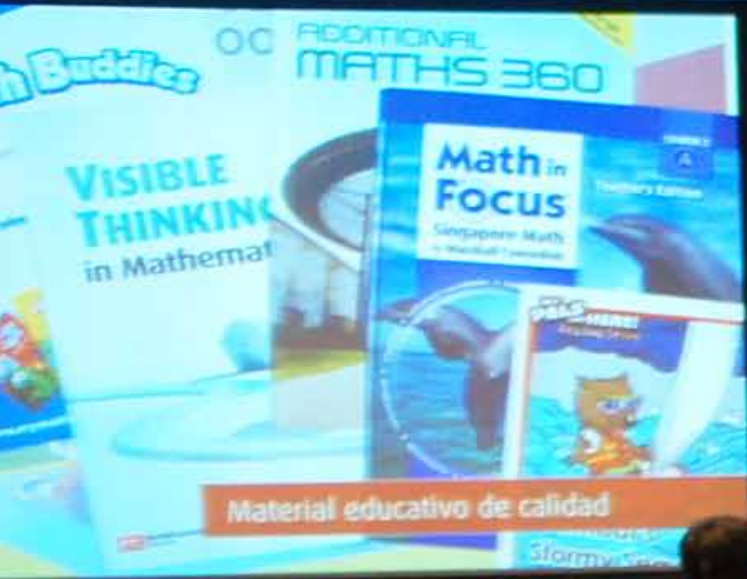


to be awarded a publishing tender in Chile. We worked with our local partner in Chile to successfully secure the tender for publishing Grade 2 Mathematics (*Mi Matemática*) for public schools. To attract more business opportunities in Latin America, Marshall Cavendish Education also held its inaugural Congreso MC Educación in July 2014 to establish thought leadership.

Our professional development unit, Marshall Cavendish Institute (“MCI”), cemented its reputation as a leading provider of professional development for teachers when it clinched a three-year deal to provide efficacy studies and professional development in Mathematics to Brunei’s Ministry of Education. Partnering MCI, Marshall Cavendish Education was engaged to publish the *Primary Mathematics* textbook package for the Ministry.



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**Extensive marketing programmes and activities were carried out throughout the year to reinforce the brand positioning and brand identity of Marshall Cavendish Education in the US market.**

### **Expansion plans into the US education market on track**

**E**xtensive marketing programmes and activities were carried out throughout the year to reinforce the brand positioning and brand identity of Marshall Cavendish Education in the US market. Besides the traditional marketing campaigns, the Group ran, through Facebook, Twitter and blogs, a nationwide advertising campaign and social media activities to connect parents and educators online. In December 2013, the

Marshall Cavendish Education US website was also launched. In the spring of 2014, an eCommerce component was added to the website to sell print and digital products. We also held the 4<sup>th</sup> Annual Singapore Math Summer Institute in Worcester University to facilitate the sharing and understanding of the Singapore Math pedagogy. To further bolster our position in Math education, our Marshall Cavendish brands and products were also showcased at the National Council of Teachers of Mathematics Annual Conference.

### **Strong foothold in Hong Kong**

**I**n Hong Kong, FY2014 saw the release of new print and digital titles in several subjects, as well as an increase in sales and community involvement.

At the Hong Kong Book Fair 2014, we showcased a selection of the Group's English Language Teaching, Mathematics and Science products. Sales at the fair were strong.

More than 5,000 primary students from 90 primary schools participated in our annual event, the Primary Chinese Writing Competition 2014. The Award Ceremony was held at the Hong Kong Book Fair's Children's Paradise Stage.

The *Primary Mathematics* textbook remains one of our bestselling titles in Hong Kong. More than 500 Mathematics teachers from 240 schools took part in a series of promotional events and training workshops for the launch of our new textbook series.



Our *Idioms in Conversation, Volume 1* was a finalist in the Children’s Educational category at the 2014 International Book Awards (US), out of more than 1,200 entries received from authors and publishers around the world.



- 1 Hong Kong Book Fair 2014
- 2 Primary Chinese Writing Competition Award Ceremony
- 3 *Primary Mathematics* new book launch seminar
- 4 Congreso MC Educación

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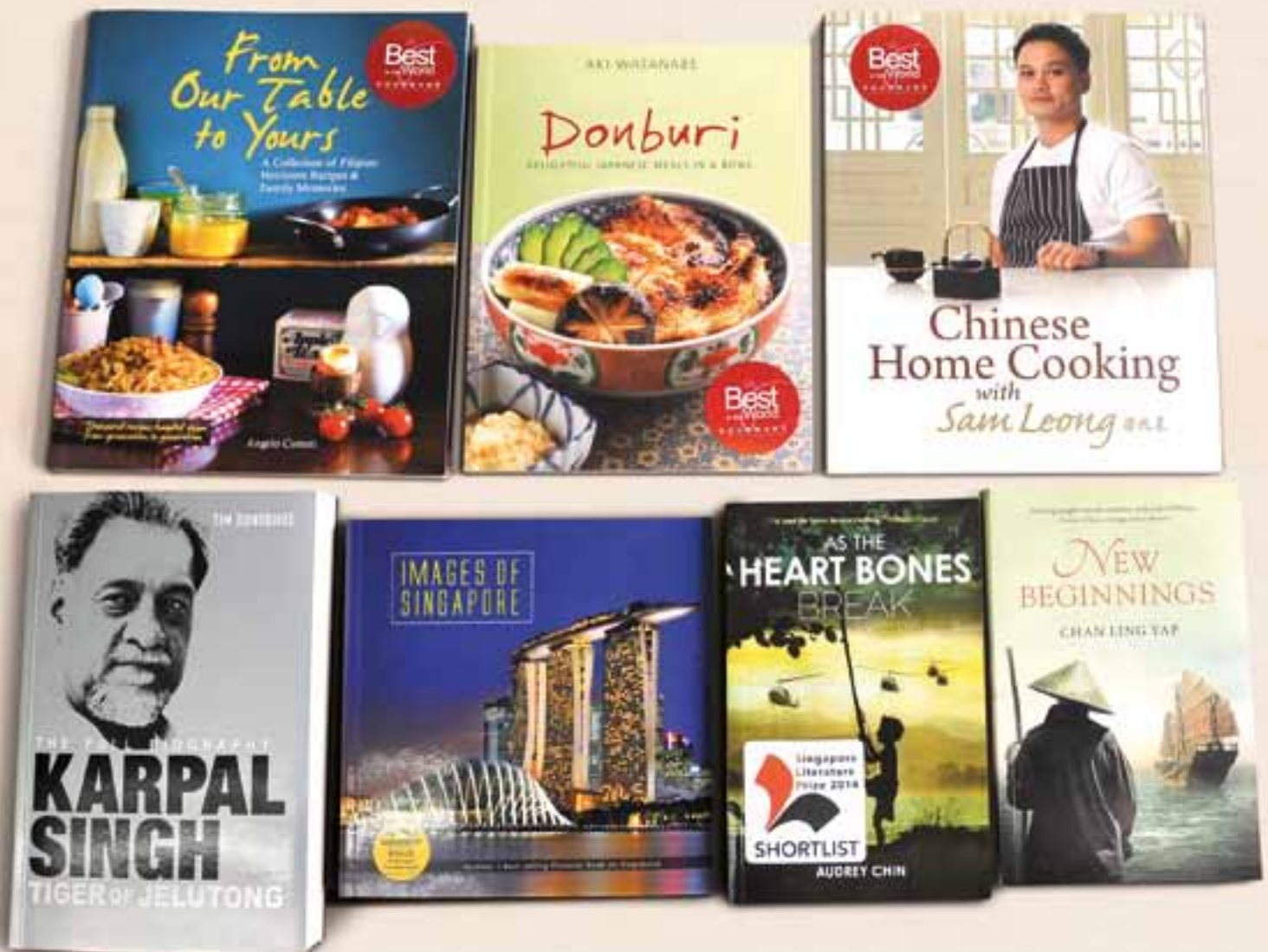
Several tenders for corporate book projects were won in FY2014. These included the National Library Board's nationwide reading initiative, *Read! Singapore 2014*.

### General and Reference

During the year, our General and Reference unit published several bestsellers such as *Karpal Singh: Tiger of Jelutong (The Full Biography)*, and expanded its base of award-winning titles. Among these were Josephine Chia's *Kampung Spirit* which won the Singapore Literature Prize for Best Non-Fiction, and the international Gourmand Award-winner *Donburi: Japanese Home Cooking* by chef Aki Watanabe. We also launched the digital edition of Lee Kuan Yew's two-volume *Memoirs (From Third World to First: The Singapore Story, 1965-2000 and The Singapore Story: Memoirs of Lee Kuan Yew)* and debuted five

children's book apps. These apps were developed from the winning entries in the National Arts Council's "Beyond Words" Picture Book Category award. The print books were also published by us with the support of the National Arts Council.

Several tenders for corporate book projects were won in FY2014. These included the National Library Board's nationwide reading initiative, *Read! Singapore 2014*. Two series of books in the four languages – English, Chinese, Malay and Tamil – and an extensive set of promotional materials including street banners and reading guides were designed and produced for the National Library Board.





- 1 Award-winning titles published by the General and Reference unit
- 2 Children's book apps by the General and Reference unit
- 3 Digital edition of Lee Kuan Yew's two-volume Memoirs (*From Third World to First: The Singapore Story, 1965-2000* and *The Singapore Story: Memoirs of Lee Kuan Yew*)
- 4 Corporate projects undertaken by the General and Reference unit

A special customised cookbook titled *30 Years, 30 Recipes* was produced for The Ascott Limited to mark 30 years of The Ascott Singapore. *Hands: Gift of a Generation* was a custom-publishing project for the Singapore Memory Project. Based on the multi-sensory exhibition of the same name, the book documents the lives of Singaporeans and is an insightful window into Singapore's past. A Chinese edition of *The Bible in China* was published for the Bible Society.

The launch of *Kebaya Tales* at the 26<sup>th</sup> Baba Nyonya International Convention positioned Marshall Cavendish as the leading publisher of Peranakan books. Authored by Dr Lee Su Kim, the first woman President of the Peranakan Baba Nyonya Association of Kuala Lumpur and Selangor, the book follows on the success of her earlier bestselling *Sarong Secrets* and reaffirms our commitment to be the publisher of choice for the best authors and to attract and retain such authors.

## Awards & Achievements

### Gourmand International World Cookbook Awards

- *Myanmar Cuisine, Culture and People* (Mohana Gill)
- *From Our Table to Yours* (Angelo Comsti)
- *Chinese Home Cooking with Sam Leong* (Sam Leong)
- *Donburi* (Aki Watanabe)
- *Around the World, Recipes from SATS*

### Popular Readers' Choice award

- *A New Beginning* by Yap Chan Ling (Fiction category, 1<sup>st</sup> Prize)
- *Karpal Singh, Tiger of Jelutong* by Tim Donoghue (Non-Fiction category, 1<sup>st</sup> Prize)

### Singapore Literature Prize 2014

- *As the Heart Bones Break*, by Audrey Chin (Best Fiction Category shortlist)
- *Kampong Spirit* by Josephine Chia (Best Non-Fiction Category winner)

### Best Book, Harper's Bazaar Toy Awards 2014

- *The Forest Fable* (Gelyn Ong)
- *The Adventures of Mooty* (Jessie Wee)
- *Secrets of the Swamp* (Neil Humphreys, illustrated by Cheng Puay Koon)

We continue to invest in digital formats of our print books. Our eBook sales received a boost when GooglePlay eBookstore launched their Singapore store as part of their expansion plans in Asia. GooglePlay eBookstore offers readers in Asia direct access to local content and pricing.

A significant achievement was also made in expanding our distribution network with the appointment of Nippan Inc, Japan, to distribute our books directly in the difficult-to-penetrate Japanese market.



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In the new financial year, ETL will focus on rebuilding sales momentum in underperforming markets (Gulf, Thailand, Delhi region, Singapore and Malaysia) through dedicated training programmes and market-specific sales strategies.

## Educational Technologies Limited

Revenue for Educational Technologies Limited (“ETL”) was lower this financial year compared to the previous year due to the termination of the distributor for the Gulf region, political unrest in Thailand and the restructuring of the Delhi / Gurgaon region in India. A new distributor has since been appointed for the Gulf region.

Despite the decline in revenue, ETL continued to actively create excitement with new product offerings and upgrades. We added an optical reader function (Walter) to improve interactivity and user experience for our main products

*Learning Math with Albert, A Child's First Library of Values and Early Learning Program.*

For our *English Time* line of products, we re-programmed selected games to make them compatible with different mobile devices and operating systems. We also launched a new product *Hands-On History*.

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## Business Information

Despite challenging market conditions for business directories, our unit recorded sales growth during the financial year in Singapore, Malaysia and Hong Kong.

Profit remained largely flat due to higher costs incurred for online content acquisition and online marketing activities.

Efforts taken to develop the online business continued to bear fruit with a healthy 25% growth in visitorship to our websites. All business units in Singapore, Malaysia and Hong Kong reported higher online advertising sales compared to the previous year.

In FY2014, the Singapore operations secured a new publishing contract from the Singapore Electrical Trades Association to publish its 55<sup>th</sup> Anniversary Commemorative Book. At the same time, we ceased publication of *Cargonews Asia* in Hong Kong due to lacklustre sales and the unlikely prospects of a meaningful recovery.

1 *Hands-On History*

2 Publications by the Business Information unit





We also maintained our record of raking up numerous print awards for excellence in printing.

#### PRINTING

Times Printers in Singapore saw a decline in revenue against the previous year due to lower selling prices, despite an increase in print volume. Profitability, however, improved due to improved productivity and lower paper cost.

Sales of conventional printed materials for the publishing segment remained a challenge. To balance

this, we have intensified our efforts to explore and penetrate the non-publishing and commercial segment. While still a small proportion of our overall portfolio, the non-publishing and commercial segment shows promise, and we are seeing double-digit growth this year.

This financial year, we renewed our print contract with *Reader's Digest* and *The Economist* and increased the volume of directory printing out of Myanmar.

We continue to strive to bring new products and services to our customers. A one-day road show and appreciation night was held on 12 March 2014 during which we demonstrated our new product offerings that included scanning, archiving and on-demand printing. A total of about 70 guests attended the event.

Alongside our environmental initiatives, health and safety remained



a key focus for us. We are proud to announce that Times Printers obtained the OHSAS 18001:2007 certification in July 2014.

We also maintained our record of raking up numerous print awards for excellence in printing. Times Printers received the following at the 11<sup>th</sup> Asian Print Awards 2013 held in Kuala Lumpur on 28 November 2013:

1. Gold award – Web-Offset - Light Weight Coated (65gsm or less), *Silver Kris*
2. Gold award – Digital Colour Proofing
3. Bronze award – Sheetfed Magazines, *ST Wedding*
4. Bronze award – Web-Offset - Coated Stock > 70gsm, *SWW*

1 Products from the Road Show and Appreciation Night on 12 March 2014

2 Times Printers in Tuas, Singapore



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As part of our commitment to good corporate citizenship, we participated in the OCBC–Today Children’s Charity Golf event.

Our digital printing unit in Singapore began the year by optimising resources and realigning our business portfolio. Various key decisions were made to strengthen our core business and create new business opportunities. We continued to improve our cross-media marketing services which offer targeted marketing services.

Revenue from our on-site retail print services at three Institute of Technical Education (“ITE”) colleges and INSEAD Asia campus remained positive. Contributions from the new ITE@College Central, HH Singapore (responsible for the marketing collaterals of Google), INSEAD postgraduate school and Moving Content Solutions saw sizeable growth in revenue this year.

We have also expanded our on-site retail printing services portfolio which now includes Curtin Singapore, James Cook University, Hwa Chong International School, and Dover Court Preparatory School. We also

secured an annual print contract with City & Guilds (UK) for the printing of certificates for the Asia region.

In China, our printing operations experienced an overall decline in printing prices for the export market although printing prices for its local market remained stable. To mitigate this, we have focused on broadening our customer base and sales network, particularly in Australia and New Zealand – two of the largest markets. On the macro front, the challenges faced included the appreciation of the RMB, and the continued rise in the minimum wage which increased operational cost. Despite these challenges, profitability improved against the previous year’s through tighter cost control which has helped to keep overall manufacturing cost low.

As part of our machine renewal programme, selective replacement of machinery was undertaken and investments were made in high output machines and productivity systems. At the same time, we also secured two

major customers, one based in China and the other in Germany.

We won numerous accolades across different categories in two major business awards, the 6<sup>th</sup> Golden Printing Art Award (第六届金光印艺大奖) and the Annual Guangzhou Printing Association Packaging Products Quality Competition (广州出版印刷协会年度印刷包装品质质量竞赛), which also saw us attaining the Overall Champion Prize.

In Malaysia, domestic revenue improved over the last financial year but exports to Europe and the US came under pressure. FY2014 saw an overall decline in print selling prices as competition intensified due to a glut in printing capacity. In addition, market dynamics shifted production from long print run volumes to shorter print runs and faster turnaround times, all of which posed a set of challenges which tested our capability and flexibility. We were also impacted by a nationwide utility price increase from the beginning of 2014.

- 1 Employees at press area
- 2 Times Bookstore staff completing a purchase for a satisfied customer
- 3 Store Manager assisting a customer with her query
- 4 Expo sale in August 2013



1



Besides refreshing our store offerings and merchandising mix, we initiated a series of activities to engage our members as well as the public at large. These in-store children's activities were well-received.

#### RETAIL Times Bookstores

The high street retail environment for bookstores remained difficult as shopper traffic and transaction volumes declined. Whilst part of our decline in sales was mitigated by higher sales margins from improved merchandising mix, this was insufficient to cover the drop in sales affected by the traffic decline at some of the shopping malls in which our stores are located.

Aside from weaker sales across most of our Singapore stores, revenue was affected by the closure of our store in Marina Square. Part of the sales lost from the closure of the Marina Square outlet was recovered by the setting up of a temporary store in the mall itself. Two book sales were also organised at the Singapore Expo in February and August which attracted reasonable-sized crowds.

Besides refreshing our store offerings and merchandising mix, we initiated a series of activities to engage our members as well as the public at large. These in-store children's activities were well-received.

Malaysia turned in mixed performances. Our stores in East Malaysia saw revenue growth while revenue declined slightly for our stores in West Malaysia. In East Malaysia, part of the increase in revenue was due to our success in capitalising the market for Malay language reading materials by offering more Malay titles on our shelves. The redemption of government book vouchers (Baucar Buku 1 Malaysia) in the East Malaysia outlets was also better compared to West Malaysia.

Our retail stores in West Malaysia faced strong competition from other major book retailers, which opened new stores in the Klang Valley area. Our stores in the Klang Valley were also affected by construction of the new MRT. To mitigate this, atrium and warehouse sales were organised. Response from such events proved encouraging.

Times Newslink, which operates books, press and convenience stores *Times Travel and RELAY*, and children's specialty stores *KABOOM* in Singapore Changi Airport achieved an increase in sales. This increase was attributed to growth in passenger traffic, increase in spending per customer due to successful promotional activities and improved merchandising mix. As a result, profitability improved significantly. Times Newslink currently operates 10 stores across three terminals in Singapore Changi Airport.

#### NoQ Webstore

Over the past three years, NoQ had been delivering books to customers through the online channel. However, despite growing at a steady rate, the online book retailing business did not reach our intended targets.

We therefore decided that the Group should commit its resources to developing a broader platform that would serve our online retail consumers as well as customers of our digital publishing content. To that end, NoQ ceased operations in September 2014.



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**As a business, we continually work towards providing excellent service to customers to maintain our edge as the leading book distributor.**

### DISTRIBUTION

#### Pansing Magazines

**M**agazine revenue declined against last year due to the reduction of distribution volume by key publishers to shore up sales efficiency and the cessation of non-performing magazine titles. Lower magazine readership in both Singapore and Malaysia affected overall sales. Trading cards, which was a significant segment for us, experienced high sales returns and low sales efficiency. The sourcing and distribution of non-print products proved to be very challenging given a marketplace that is highly competitive and saturated.

Both distribution units in Singapore and Malaysia secured new magazine titles from new and existing publishers which helped to mitigate some of the decline in volume. Our Hong Kong unit fared better due to successful partwork launches, a stable revenue from supply contracts to Hong Kong public libraries, as well as the acquisition of titles from competitors.

We successfully secured distribution operations for more local magazine titles in Singapore. Our focus in the coming months is to extract synergies from the consolidation of our distribution channels. We were also appointed the exclusive magazine distributors in Singapore, Malaysia and Hong Kong for the Marketforce (UK) range of titles.

In Malaysia, we are the leading distributor of magazines to bookstores, newsstands and seven outlets at the newly opened Kuala Lumpur International Airport 2. We also expanded our distribution points which now include Shell Select stores, Quick and Easy convenience stores and various supermarket chains.

To diversify our earnings, we took over the distributorship of Hallmark products for the territory of West Malaysia in January 2014. With that, we secured two standalone Hallmark stores at The Gardens Mall (Mid Valley City) and Publika Shopping Gallery, and concessionaire outlets mainly located at key book chain stores as well as major department stores like Parkson and Isetan. At these stores and outlets, we offer a wide selection of Hallmark cards and gifts for all ages and occasions and collectible bears like Forever Friends and Roly Bear. Through Hallmark, we also cater for corporate gift giving and seasonal gifts.

We plan to enhance Hallmark's brand presence in West Malaysia via new selective standalone stores and expansion through concessionaire outlets.

#### Pansing Books

Revenue for Pansing Book distribution increased over the last financial year, partly as a result of the new agreement with Hachette UK and additional sales from the runaway success of books by motivational speaker Nick Vujjic.

Profit was however impacted by adverse foreign exchange movements and higher operating costs, especially for logistics.

Moving forward, we will continue to work towards providing excellent service to customers to maintain our edge as the leading book distributor.

#### Musicway

Our lifestyle distribution business in Australia under Musicway continued to be challenged by sliding retail sales, overall poor economic conditions in this sector, turbulent political activity and public concerns over rising costs of living, all of which resulted in a tightening of consumer spending.

Against this backdrop, revenue for FY2014 remained flat as compared to FY2013 but profitability was eroded by demand from the retail trade for high margins.

The business has refreshed and expanded its offerings. We have expanded the distribution of the THULE brand luggage bags and these products can now be found in JB Hifi, The Good Guys and independent audio visual/IT and luggage retailers. The Nitelze brand that we distribute is now ranged in JB Hifi, Big W, selected Harvey Norman and independent retailers.

Our relationship with Merkury Innovations has strengthened over the financial year with a significant increase in products ranged at key partner Big W (Woolworths Group). Now with over a hundred products from the core range, we have a good platform to sustain recovery.