



PE 2010

China Publishing Industry PE Investment Research Report 2010

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China's Publishing Industry and PE Investment Opportunities

PE industry is closely related to national policy orientation and the changes in the policy trends in different periods will directly affect the development of the PE industry. The more one industry benefits from the policies, the closer it will get to the PE funds. In the post-financial crisis era, the multiple forward-looking guiding policies successively launched by both central and local governments intended for industrial revitalization are attracting numerous PE funds that are active in Chinese mainland. The *Guiding Opinion of the General Administration of Press and Publication on Further Promoting the Development of the Press and Publication Industry* (hereinafter referred to as the Guiding Opinions) released by the General Administration of Press and Publication (GAPP) in early 2010 helped shift the public attention to China's publishing industry. The document, deemed by insiders as the program for the development of China's publishing industry, charts a course for the industry's future expansion. We believe that as the publishing policies gradually change, the tremendous value of PE investment inside the publishing industry will be further released.

1.1 China's Publishing Industry

1.1.1 Definition

According to the *Regulations on Publication Administration of China*, the publishing activities refer to publishing, printing or replication, import and distribution of publications, and the publications include newspaper, magazines, books, audio-visual products and electronic publications. The publishing industry can be defined in broad and narrow senses. Broadly speaking, it refers to all the publishing enterprises (such as those specialized in publishing, printing and distribution), public publishing institutions (including publishing education and research institutions) and publishing administrations; narrowly speaking, it only includes publishing enterprises. This research report is mainly targeted at the publishing industry in

the narrow sense. With the rapid rise of such emerging business formats as digital publishing, the business scope of the publishing industry has been greatly widened, and the enterprises it includes have expanded from traditional publishers, printers and distributors to content operation platform providers, terminal manufacturers and others in the associated industries. The report will offer research and analysis centering on these industries.

As a vital part of modern cultural industry, the publishing industry has its distinctive features:

(1) Publishing industry is a vital part of cultural industry. Culture is the aggregation of all the material and spiritual wealth created by the mankind during the social and historical evolution process. The organic combination of culture and economy gave rise to the cultural industry that features division of labor and different layers. The cultural industry in the broad sense is a collective concept, including all the economic activities associated with cultural accumulation and communication. The publishing industry, committed to accumulating and spreading the cultures of the human society, tries to achieve the publishing purpose through currency exchange in the market. Like press, film & television, performance and art sectors, it is also part of the cultural industry. The publishing industry is bound to hold a more important position in the national economy, as the world economic growth mode and the social development showing ever-increasing dependence on the production, spread and utilization of knowledge. At the current stage in China, the publishing entities are a blend of public institutions, social groups administrated by the publishing authorities of the state and provinces (autonomous regions and municipalities), representing the interests of the state and featuring administrative structures, and operational corporate entities with independent accounting. They are so special that their legal representatives can be identified as both government officials-social persons as public servants, and as cultural brokers.

(2) Publishing industry has typical features of information industry. The publishing industry consists of organizations producing books, magazines, audio-visual products and electronic

publications. Either the paper-based traditional publications like books and magazines or audio-visual products, electronic and other emerging publications are the carriers of various knowledge and information. In the information age, people are used to relying on electronic means for working, studying and living, obtaining knowledge and information in particular. As a form of communication media, the publishing industry must adapt to the advanced mean of communication. As the Internet and communications technologies further develop, a major function of new media—publishing communication—is highlighted, which is best reflected in the frequent appearance of such concepts as “Internet publication”, “digital publication”, “electronic publication”, “Internet publication”, “mobile publication” and “cross-media publication”.

(3) Capitalization feature of publishing industry becomes increasingly prominent. Despite its strong cultural features, the publishing industry directly provides wholesale and retail services to other social distribution outlets or consumers in the book and audio-video markets in spot or futures forms, which demonstrates the basic attribute of capitalization. Meanwhile, the publishing industry has an economic side. Globally, the publishing activities controlled by knowledge giants have been fully industrialized, which makes the cultural attributes of publishing increasingly fade and commercial flavor grow. In book publishing, planning and marketing experts replace authors and editors to play the dominant roles. When it comes to the activities of a publishing house, the capital operation that integrates fundraising, M&A, investment, operation and management is given top priority, and the core businesses, including editing, printing and distribution, come in the form of capital operation. Profit-earning becomes

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