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Capital Seeks Opportunities amid Restructuring of State Publishing Houses

Written By Yolanda Zhang, Analyst with Zero2IPO Research Center

The publishing industry, as a pillar segment of China's cultural & creative industry, has long been overwhelmingly dominated by state-owned publishing groups and seen insufficient development of private publishing groups. Following the successive establishment of 23 local publishing groups and restructuring of some groups, the General Administration of Press and Publication had promoted the reorganization and restructuring of publishing houses in 2009, according to sources. Relevant authorities of the state have boosted the restructuring of 158 state-owned publishing houses in Beijing and 103 publishing presses run by universities and colleges ever since then, and completed the task in an all-round way by the end of 2010. For the publishing industry featuring long-term monopoly by state-owned organizations, the restructuring marked the start of market-based operation. Despite the impact on private publishing groups, the whole industry will benefit from the restructuring. Meanwhile, the restructuring will produce new investment opportunities for the capital.

2010 Saw an Ongoing Investment Boom in Cultural & Creative Industries; Investment Deals in Publishing Industry and Relevant Fields Emerge

According to Zero2IPO Research Center, the year 2010 posted 29 disclosed investment deals in China's cultural & creative industry dominated by film/TV making, animation, publishing, outdoor media as well as advertising creativity and agency, with an aggregate investment amount of US$246.00M, enjoying year-on-year growth in both the number and amount of investment deals. Regarding the industry breakdown, as investment deals in the publishing industry and relevant fields gradually emerged thanks to the restructuring of state-owned publishing groups, capital began to flow into the fields in a selective manner. Since early 2011, Reader Publishing Media and Beijing Fonghong Media had also completed their financing in succession.

Three Major Factors in the Publishing Industry Drew Attention of Investors

Based on the analysis of Zero2IPO Research Center, more capital attracted to traditional publishing enterprises was mainly attributed to three factors:

Firstly, externally speaking, the cultural & creative industries generally show an upward trend, and special funds for the cultural & creative industries have emerged. At the fifth plenary session of the 17th Central Committee of the CPC in 2010, China further promoted the strategic significance of the cultural & creative industries with the aim to accelerate the transformation of economic growth mode. Furthermore, a dozen of special funds for cultural & creative industries have been established in succession, such as China Media Capital, Shaanxi Cultural Industrial Fund and China Cultural Industrial Fund. Guided by US $30.00B of capital, PE funds have input capital into those fields that were once unwanted by investors, including movie & television, publishing and cultural communication.

Secondly, the reorganization of state-owned publishing groups pushes forward the market-based operation of China's publishing industry. On one hand, after the reorganization, state-owned publishing groups will compete with their private counterparts on equal terms. This requires them to abandon former "bureaucratic" style and adopt market-oriented operation, so as to grab market shares with huge capital and sales channels during capital reorganization. Meanwhile, M&A between industrial upstream and downstream and introduction of strategic investment will be one of the major driving forces of the industrial development. On the other hand, despite excellent capabilities in market-based operation and book planning, private publishing groups face tougher competition and challenges, especially when it comes to the shortage of funds. This offers opportunities for the entry of capital.

T hirdly, digital publishing had attracts numerous investors. Though digital publishing is new to China, participants in this field have emerged largely since 2009, including i) terminal manufacturers or service providers represented by Hanvon, Founder and Aigo; ii) traditional publishing groups such as CNPUBG and Xiron; iii) Internet forces including SNDA and Dangdang; iv) emerging digital publishing forces, i.e. PEP Digital and Bokon; v) telecom operators like China Mobile and China Telecom. The merge of several forces will create new opportunities and rapid market growth while bringing competition, which will lead to considerable appeal for investors.

Amid Changes in China's Publishing Industry, Investors Can Tap Opportunities for Gold from Three Aspects

Zero2IPO Research Center considers that investors can tap opportunities from three aspects amid significant changes in China's publishing industry. First, during restructuring, state-owned publishing groups may merge or acquire small and medium-sized private publishing houses or book planning companies on one hand, and on the other, their stripped subsidiaries or sub-business, such as the digital publishing business, may draw inflow of external funds. Second, business expansion of private publishing groups generates huge demand for capital. Third, large-scale publishing groups need capable PE funds or strategic partners during capital reorganization or listing.

In a word, by grasping the opportunities and following the industrial development, investors will benefit greatly from China's publishing industry, which faces tremendous opportunities in the era featuring integration of culture and entertainment.

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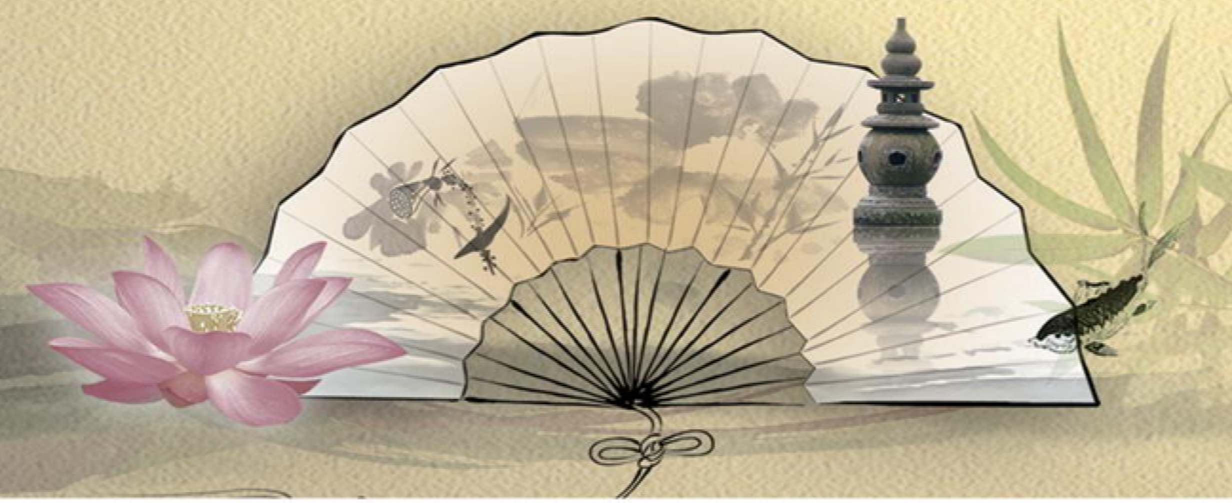
July 6th-7th, 2011 Hyatt Regency Hangzhou Organizer: Zero2IPO 清科集团 Zero2IPO Group

Capital Trade-off Around New Opportunities

A new rise of RMB Fund
Nationwide upsurge in PE
Vigorous overseas IPOs
A grand age of Chinese capital market unveiled!

The brave for victory,and the wise for win
In the age of leaders and legends
How the investment elites take the new capital opportunities to present a capital feast?
How the top industry figures strive for new business model to create business legends?

July 6th-7th,2011,at the bank of the West Lake
Brainstorm among the investment elites
Mapping out new strategy for capital trade-off!



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Social Security Fund Obtains 11% of Stake in PICC for RMB10.00B

Jun. 22, 2011, www.cnr.cn, Wang Tao

The Global Capital Market of Voice of Finance at CNR reports that Social Security Fund invested RMB10.00B in China's leading insurer PICC and the deal is expected to be closed in the coming days. Wu Yan, Chairman of PICC noted on June 20 that RMB10.00B accounts for about 11.0% of the share capital of PICC, which also means that the PICC will be listed as expected.

On June 15, PICC signed a Shareholder Agreement with Social Security Fund. The transaction has yet to be finalized, and the capital delivery is hopefully to be completed within ten days. Council, Mr. Wu said. Introducing a strategic investor is a must as it gears up for IPO, because PICC was initiated by the Ministry of Finance independently then. After communication with the Ministry of Finance, PICC settled Social Security Fund finally.

Mr. Wu noted that following the introduction of a strategic investor, PICC is well-positioned for IPO and has entered into the silence period before filing for IPO. ■

Hanxi Fund Sets up RMB5B Tourism Development Fund

Jun. 22, 2011, Chongqing Morning Post, Xu Ju & Gao Chengyuan

On Jun. 21, Hanxi Equity Investment Fund Management Co., Ltd. ("Hanxi Fund") has inked a cooperative contract with the Financial Affairs Office of Chongqing Municipal People's Government and Tourism Bureau of Chongqing to establish Chongqing Tourism Development Equity Investment Fund, the first of its kind in Chongqing. In the coming three years, a total of RMB5B will be raised at home and abroad for the upgrading of tourism industry and related industries in Chongqing.

Hanxi Chairman Xie Desheng said that the scenic spots and existing equipment.

So far, Hanxi Fund has pumped over RMB1.3B in Chongqing, involving such fields as finance, tourism, hotel, etc. It was reported the targets of the investments primarily include financing loans, real estate and overseas IPOs of SMEs. Xie Desheng said that governmental-designated demolition projects and the real estate projects with rigid demand, such as affordable housing and public rent housing, are focused, in addition to some tourism and commercial building projects. He also revealed Chongqing has established a small quantity of affordable housing, and public rent housing project is under the discussion with competent departments. ■

Unilumin Group Invested by SCGC & Co-win Goes Public on ChiNext

Jun. 22, 2011, PEdaily.cn, Christina Chao

Shenzhen Unilumin Group Co., Ltd. (hereinafter referred to as "Unilumin Group") gets listed on ChiNext today, with a stock code of 300232. The issue price is RMB18.57 per share and the P/E ratio is 28.14 times. A total of 20.00M shares are issued this time, or 25.7% of the total share capital after the issuance. The proceeds will