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The local publishing industry is almost entirely domestically-oriented, with a large proportion of book production directed to the educational and school market and in the national language and curriculum. The focus on the domestic market indicates that local firms have been largely shielded from competitions from foreign multinational companies. However, local publishers who produce non-national language titles such as English and Chinese are able to penetrate the overseas markets.

### 1.2.5 GOVERNMENT LEGISLATIONS

Being a multi-ethnic and multi-religious nation, Malaysia is highly conscious of publication that might cause racial and religious unrest. As such, the Internal Security Act ("ISA") enforces a restriction on publication or distribution of reading materials that are deemed threatening to the national security. However, the decision to ban books can be made only after such material is circulated. In the case of imported books, titles that arouse suspicion by the customs department are required to be submitted for examination by the authorities. Other laws, such as the Printing Presses and Publications Act 1984, also have provisions on "undesirable publications" defined as those that would likely to conflict with the national interests.

Generally, it is a Government requirement that the supply of imported books to Government offices and libraries be channelled through Bumiputra book contractors registered with the Ministry of Finance; certain other preferential policies also exist to ensure the sustained growth and development of Bumiputra publishers and printers in Malaysia.

Copyright laws in Malaysia are established under the Copyright Act 1987 to protect published and other creative materials. Despite severe penalties on copyright offence, copyright infringement or book "piracy", namely the photocopy of complete books, primarily of textbooks and reference books, is still common.

Intellectual property rights in relation to the publishing industry are protected under the following:

- Trade Mark Acts 1976 and the Regulations;
- Copyright Act 1987, Copyright (Amendment) Act 1990 and the regulations;

Related cyber-laws in protecting Malaysia in the electronic world are<sup>9</sup> :

- Digital Signature Act 1997
- Computer Crime Act 1997
- Telemedicine Act 1997
- The Copyright (Amendment) Act 1997
- The Communications and Multimedia Act 1998

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<sup>9</sup> Source: National Information Technology Council ("NITC")

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**1.2.6 DEPENDENCE ON OTHER INDUSTRIES**

The publishing industry is a knowledge-based economy and as such depends largely on human capital, which is the key driver of growth. Although the publishing of Government textbooks is relatively mature, qualified and experienced writers are scarce. The publishing industry also has close relations with the printing industry. The print quality of books is important to capture demand especially for the commercial market.

The publishing industry is also dependent on the paper industry since the main raw materials used in the publishing industry consist mainly of paper. Paper prices fluctuate not only due to cyclical changes in paper prices but also due to exchange rate of the Ringgit vis-à-vis the USD. Depending on the type of publications, high-end publications are generally more open to the risk of fluctuation in paper prices.

**1.2.7 BARRIERS OF ENTRY**

The barriers of entry for the publishing industry are low which explains the large number of players currently in the market. Another factor is that almost every part of the production process can be contracted out. The authors are paid on royalty, hence requiring zero investment. The typesetting, colour separation, plates production and the printing itself can all be subcontracted out.

However, the publishing industry is also a knowledge driven industry. The ability to attract, establish and maintain a large pool of experienced writers and illustrators as well as the entrenched R&D team and marketing networks are imperative to the operation of well established publishing houses. These factors represent barriers of entry to new entrants especially for the non-integrated ones.

**1.3 FOCUS INDUSTRY ASSESSMENT—ACADEMIC & CHILDREN'S BOOK****1.3.1 DEFINITION**

For the purpose of facilitating a better understanding of the academic<sup>10</sup> and children's book sector, the analysis is segmented based on its industrial groupings (by products, under the *ISIC* coding system) defined within ISIC 2211 - Publishing of books, brochures, musical books and other publications. Academic book is currently the largest contributor to Pelangi Publishing Group's turnover at 73% in the FYE2003. It consists of textbooks, revision books, workbooks and reference books. Children's book represents an estimated 13% of revenue in the FYE2003.

**1.3.2 INDUSTRY PLAYERS**

The Malaysian academic and children's book market is dominated by a group of established publishers that have vast experience in the publishing industry. The local leading publishers such as Pelangi, Fajar Bakti, Sasbadi, Pearson Education and Preston have all been established locally for more than ten years. Some of these players have also established international ties with foreign publishers or writers.

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<sup>10</sup> *Academic Books include Textbooks, Revision Books, Workbooks and Reference Books*

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The publishing industry is fragmented where it caters to different target segments namely, adults, young adults, teenagers and children. In the academic books sector, the textbook publishers usually have their own niche markets such as targeting the Government school or secondary and primary school markets. For the latter, buyers of school reference and supplementary books are the main target. Generally, most of these publishers specialise in selected school subjects.

In the children's books segment, the major publishers are Mind to Mind, Kohwai & Young, S.E. Supplies, Pelangi, Fajar Bakti, RCDS, Early Learner's Publications and Grafikta. Some of the children's books published by these players include activity books, pre-schooler books, colouring books, storybooks and books for children aged below six years old. New players such as Early Learners Publications (established in September 2001) and Maxi-Q (established in August 2002) are also gradually entering this segment.

An interesting point to note is that Pelangi Publishing Group is the only Malaysian publisher with one of the widest range of publishing activities that include reference books, textbooks, supplementary books, children's book, general books as well as multimedia related publishing (e-publishing). It is capable of handling the entire process of producing a book, from editing to typesetting to colour separation, filming and printing. In addition, the Group has also ventured into other business activities namely multi-media CD-ROM production and Web-related businesses such as e-library and e-learning.

### 1.3.3 THE EDUCATION MARKET

#### a. Library Market

In Malaysia, libraries play a major role in the demand volume of books. Libraries that make major purchases are the National Library, public libraries, universities libraries, private college libraries, school libraries and those of Government and private institutions. Of the estimated 10,212 libraries in Malaysia, 8,696 are school libraries or school resource centres. As school resource centres are part of the whole continuum of educational provisions, hence, most schools have their own libraries. There are no published statistics on the total value of the library books market. The market is expected to be huge as the Government allocated RM84.5 million for the development of state public libraries under the 8MP. For the year 2002, the Government has allocated RM13.5 million for the operational budget to the State Public Libraries.

**Table 1.6 : Libraries in Malaysia**

National Library	1
State Public Libraries	783
Rural Community Centre Libraries	327
University Libraries	15
Institute of Higher Learning Libraries	97
Special Libraries	293
School Resource Centres	8,696
<b>Total</b>	<b>10,212</b>

*Note: Based on Figures as of 2000*

*Source: Report on National Library of Malaysia, Zawiyah Binti Baba, Director General - August 2002*

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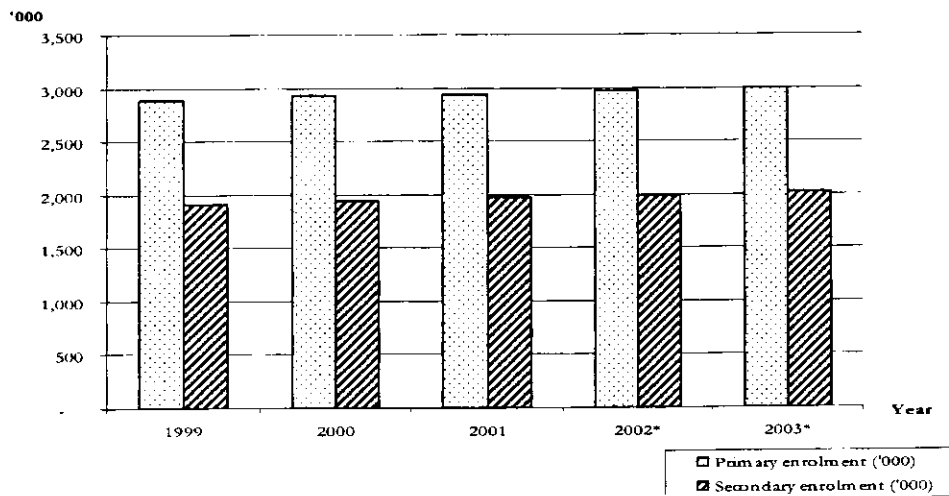
### b. School Market

The Curriculum Development Center in the Ministry of Education ("MOE") is responsible for the development of textbook syllabus. The Textbook Division of MOE was responsible for sourcing textbook writers. In 1996, MOE revamped the tendering process of publishing textbooks. Since 2000, the publishers are required to source for its own writers for textbook projects.

Besides DBP, which occupies a special position by virtue of its government support, the other book publishers comprise of local SMEs are publishing for the domestic market, in particular the educational market. In the past, given the expertise required for the publishing of educational materials (such as school textbooks), the number of publishers in this sector has remained constant in a growing captive domestic market.

The school market represents a huge potential for Malaysian textbook publishers. There are 5.01 million school students enrolled as at 31 January 2003 with 60% enrolment from primary schools and 40% enrolment from secondary schools. There is also a demand for more schools to be built as students enrolment increase every year resulting in further demand for textbooks especially when a new syllabus is introduced by the MOE. Enrolment of school students recorded an annual average growth of 1.05%.

**Figure 1.2 : Total Number of Primary and Secondary School Students Enrolment (Malaysia), 1999 – 2003**



\* As at 31 January  
Source: Ministry of Education, Department of Statistics

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*Government Education Expenditure*

**Table 1.7: Federal Government Expenditure Allocation and Expenditure by Social Sector, 1996-2005**

Social Sector	7MP				8MP	
	Revised allocation (RM million)	%	Expenditure (RM million)	%	Allocation (RM million)	%
<b>Education &amp; Training</b>	<b>20,185.8</b>	<b>19.5</b>	<b>19,724.1</b>	<b>19.9</b>	<b>22,660.0</b>	<b>20.6</b>
Health	3,737.1	3.6	3,725.5	3.8	5,500.0	5
Information & Broadcasting	246.2	0.2	192.3	0.2	254.1	0.2
Housing	3,372.4	3.3	3,330.8	3.4	4,223.3	3.8
Culture, Youth & Sports	1,517.3	1.5	1,365.4	1.4	964.8	0.9
Local Authorities & Welfare Services	1,624.9	1.6	1,565.1	1.6	2,972.6	2.7
Village & Community Development	1,350.4	1.3	1,318.5	1.3	943.3	0.9
Purchase of Land	67.9	0.1	62.3	0.1		0
<b>Total Social</b>	<b>32,102.0</b>	<b>31.1</b>	<b>31,284.0</b>	<b>31.7</b>	<b>37,518.1</b>	<b>34.1</b>

Source: 8MP

The total Federal Government development expenditure allocation for the social sector increased by approximately 17% from RM32,102.0 million during the 7MP to RM37,518.1 million in the 8MP. The Government continued to finance and support the social sector which includes education and training, health, housing and other social services. Human resource development continued to be given priority to support the implementation of productivity-driven growth programmes. The education programmes focused on increasing accessibility and improving quality of education.

In the education and training sector, additional facilities were provided at all levels, while existing facilities were expanded to increase capacity as well as to create a more conducive teaching and learning environment. To improve the performance of rural students, 205 science laboratories and 230 computer laboratories were constructed and a total of 5,750 computers supplied to these schools. Efforts were also undertaken to provide housing facilities, particularly for teachers in rural areas, with the provision of 38,970 quarters. The allocation under the 8MP of RM22,660.0 million represents an increase of 12.3% as compared to the Seventh Malaysia Plan for education and training programmes. The increase in allocation has shown the Government's commitment in providing quality education and training.

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**1.4 INDUSTRY DYNAMICS****1.4.1 COMPETITION ENVIRONMENT**

In 1998, there were 5,816 titles of books in Malaysia. Many academic titles are churned out yearly. This however has not affect the textbook or reference books segment as the type of titles as well as demand are pre-determined, minimising the risk of over estimation in print-runs.

Pricing is competitive in the textbook and reference book segment. Most of the local textbook and reference books displayed on the shelves are affordably priced as compared with imported books. This market is dominated by few established players and new players find it difficult to penetrate into this segment. Publishers compete on the Government tender for textbooks every year.

In the general books segment, knowledge of the global market, as against knowledge of the domestic market, would require a more cosmopolitan outlook and greater familiarity with international trends and styles of work. As such, the market will continue to be dominated by foreign players such as McGraw-Hill, Simon and Schuster, John Wiley, Grolier Int'l and many others. As there are no duties on books imported into Malaysia, new players are expected to emerge.

**1.4.2 BOOK RETAIL MARKET**

The textbook sector is composed of an estimated 8,000 schools in the country, half being served by school bookshops. Local bookshop owners distribute the textbooks to these vendors. School bookshops source textbooks and reference books mainly from academic book distributors located in major towns around Peninsular Malaysia. University bookshops also place orders of textbooks and reference books directly from local and international publishers.

Most of the local publishers specialise in the three main languages (Bahasa Malaysia, English and Chinese) serving major retail bookstores and other independent bookshops. The major retail bookstores are owned by four major retail chains namely Popular Book, MPH, Times Bookstore and Berita Publishing.

**1.4.3 TEXTBOOK SECTOR IN ASIA**

According to the National Commissions of UNESCO, the term school 'textbook' is defined as the main learning material for pupils or students of which subjects are systematically arranged to the composition of the curriculum for schools. Many curriculum and textbook projects have been implemented in the last twenty years; however, the ratios of books per pupil have fallen in most developing countries. Textbooks play an importance role in promoting good learning quality materials to establish social and economic development of the country.

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**1.5 INDUSTRY OUTLOOK****1.5.1 INDUSTRY TRENDS*****a. Proliferation of Electronic Media***

Publishing in the knowledge economy has resulted in various forms of new publishing media formats. One such example is the electronic media vehicle, the Internet. The growth of Internet connectivity especially in homes will affect consumers' lifestyle. Internet penetration in Malaysia is 11.4 persons per 100 inhabitants of dial-up Internet users<sup>11</sup> in 2003. With the number of Internet users increasing yearly, consumers have become much more IT savvy and this would provide an opportunity for traditional print publishing companies to explore the world of electronic publishing. However, digital divide is still inevitable where the majority of urban and or upper to mid income level consumers have wider exposure towards the usage of IT compared to consumers in the rural areas.

***b. Online Education***

Malaysia has 8,901 schools in 2000 of which a total of 2,202 primary schools and 883 secondary schools had PC facilities. Meanwhile, a total of 739 primary schools and 559 secondary schools have access to the Internet. However, there is a digital divide amongst schools in the country. Schools in urban areas have better PC facilities and almost 100% Internet connectivity while schools in the rural area have limited Internet access. There were many students who do not own PCs in their homes. However, the MOE has allocated one third of its 2000 annual budget to connect another 230 rural schools to Internet connectivity. Allocation expenditure for Smart Schools of about RM401.1 million is part of the development allocation for ICT-related programmes and projects under the Multimedia Development Flagship applications during the 8MP period. The Multimedia Development Flagship is one of the two Multimedia Super Corridor ("MSC") Flagship Application groups to establish the development of MSC.

***c. Books Expenditure***

Average total expenditure of books based on the Household Expenditure Survey 1998/99 is RM3.92 per urban household and RM2.39 per rural household<sup>12</sup>. Malaysians are generally aware of the importance of education thus they are placing more emphasis in higher education or tertiary studies. Furthermore, according to the Department of Statistics, literacy rate for Malaysians aged 10 to 64 years improved from 88.6% in 1991 to 93.5% in 2000, an increased of 5% over a 10 year period. The increase in literacy rate and the nation's goal towards k-economy would encourage consumers to cultivate reading habits thus having wider exposure on current issues.

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<sup>11</sup> Source: Malaysian Communications & Multimedia Commission

<sup>12</sup> Source: Department of Statistic

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***d. English Translation***

The English language is used as a medium of teaching for science and mathematics subjects in Primary 1, Secondary 1 and Lower Six Form levels starting 2003. In addition, with the development of the K-economy and demand for knowledge skilled workers increasing, it is essential for Malaysians to be proficient in the English language<sup>13</sup>. English as the international business language will certainly have to be given more emphasis in the educational curriculum. In general, far more attention must be paid to training and continuous upgrading of skills in the industry. As such, English books, especially locally produced ones that are 15%-20% cheaper than the imported ones, are expected to experience a stable growth in demand.

***e. Children's Book Segment***

The children's book market is growing at a healthy rate due to the popularity of children's series such as Walt Disney and Harry Potter that had also been made into movies. The mid-year population for children aged 14 years and below had increased by 1.25% in 2002 from 8,112,000 in 2001<sup>14</sup>. The increased in children's population will spur continuous growth for the local children's books market segment. Malaysian book publishers are able to provide different types of children's educational books made at an affordable price to cater to the growing stability children's population. Parents tend to place more emphasis on children's education today. Therefore, most children are sent to tutors and are encouraged to cultivate reading habits as parents realised the importance of increasing children's knowledge and skills in an increasing competitive society.

**1.5.2 CONCLUSION**

. It is important to educate a generation of students with ICT skills and increase the proficiency level of the English language for the nation to move towards a k-based society<sup>15</sup>. Interest in books is expected to rise with the increasing literacy rate. The real expansion of the book industry in Malaysia requires major players to act on foresight of the market and seize such opportunities associated with increasing prosperity, sophistication, and educational levels of the nation. In the longer term, this industry will have to keep pace with the real market demand and reduce its dependency on Government's assistance and support.

Drivers for the growth of the publishing industry are population growth, increase in school-going children; increase in university enrolments; Malaysia moving towards being an international education centre; the incremental growth of private educational institutions; establishment of branch campuses by foreign universities; the increased interests in self-help, health related and motivational subjects by the population.

In order to achieve overall growth of the industry, Malaysian publishers must invest in high-technology equipment and information technology such as electronic publishing. Local publishers also need to research into titles that would best reflect and guide the changing tastes and interests of an increasingly sophisticated, demanding and growing reading public in the country. They should proactively seek for opportunities to increase their presence in the international book markets.

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<sup>13</sup> Source: Budget Speech 2003

<sup>14</sup> Source: Department of Statistics

<sup>15</sup> Source: NITC