

WORLD: GLOBAL DIPLOMATIC NETWORKING P.18

BUSINESS: THE UPSIDE OF A SLOWDOWN P.36

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REELING IN REVENUE

A behind-the-scene look at China's booming film industry




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EDITOR'S DESK

Further Opening The Film Market

China's box office revenue in 2014 hit 29.6 billion yuan (\$4.77 billion), registering a 36-percent growth year on year. This performance has not only exhilarated domestic film producers but also become the envy of their foreign counterparts.

Chinese consumers have increased their recreational spending in recent years with rising income levels and an increase in discretionary funds. The large audience base has in turn boosted the film industry. The number of domestically produced films has seen explosive growth. What's more astounding is the growth of box office sales. In 2010, the country's total box office revenue was 10 billion yuan (\$1.61 billion). It took three years for that number to double and only another year for it to reach a figure close to 30 billion yuan (\$4.83 billion) last year.

Many Hollywood studios are eager to grab a share of China's huge film market. However, it's far from easy for foreign films to successfully break into the Chinese market. According to a quota system, only 34 foreign films can gain access to the domestic market each year on a revenue-sharing basis.

This protective measure has contributed to the domestic film industry's rapid expansion. However, Chinese films have yet to gain influence and recognition commensurate with this expansion. In terms of management and produc-

tion technology, they still lag far behind Western countries. Opening the market wider to foreign movies may provide one way to help the Chinese film industry catch up.

In fact, the domestic film industry has continually opened up to its foreign rivals over the past decades. After the reform and opening-up drive was launched in the late 1970s, the film market experienced a period of recession due to insufficient funds, technology and talent. Against this backdrop, China started to reform its film industry and open the market to foreign productions. A quota system for imported films was introduced in 1994, through which box office revenue is shared between domestic distributors, cinemas and foreign producers. Before the revenue-sharing model was put in place, foreign films entered the Chinese market either as part of cultural exchange programs or by selling their copyrights to China.

The new system, which has made it possible for foreign films to compete with Chinese ones for domestic viewers, has injected impetus to the country's film market. The market, however, needs to further open up to the world so that filmmakers in China can emulate their foreign counterparts on a level-playing field. This would represent an effective way for Chinese films to enhance competitiveness in the global market. ■

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FESTIVE MOOD

Locals celebrate the Tibetan Agricultural New Year, which fell on January 21 this year, in Xigaze, southwest China's Tibet Autonomous Region.

The festival occurs on the first day of the 12th month of the Tibetan calendar and is characterized by a variety of activities such as dancing, singing and instrumental musical performances. It is celebrated as the most important festival of the year in Xigaze, the main grain-producing area and second largest city in the region. In other areas of Tibet, the Tibetan New Year is celebrated on the first day of the first month of the Tibetan calendar.



White Paradise

Swans enjoy the winter wonderland of the Ili Valley in Xinjiang Uygur Autonomous Region following a snowfall on January 21.

Officials Punished

Eleven officials in Shanghai were punished over the New Year's Eve stampede that left 36 people dead and 49 injured.

Four officials—Zhou Wei, Party chief of Huangpu District, his deputy Peng Song, also district governor, Zhou Zheng, deputy district governor and Huangpu's public security chief and Chen Qi, deputy police chief of the district, were removed from their posts, according to the decision of Shanghai municipal authorities.

Seven other officials received disciplinary punishments, authorities announced on January 21 at a press conference.

At the press conference, Zhou Bo, Vice Mayor of Shanghai, expressed deep condolences for those affected by the incident and apologized to stampede victims and their families on

behalf of the municipal committee of the Communist Party of China and the government.

"We feel extremely heart-stricken, guilty and very remorseful," said the vice mayor.

The deadly stampede happened at 11:35 p.m. on December 31, 2014, when people assembled on Shanghai's historic riverfront walk, the Bund, to usher in the new year.

Wealth Gap Narrows

The Gini coefficient, an index reflecting income disparity, dropped for the sixth consecutive year in China since a peak recorded in 2008, new data showed on January 20.

The index stood at 0.469 in 2014, dropping for six years in a row since the index hit its 0.491 high in 2008, the National Bureau of Statistics said in a

MONGOLIAN ROBOT

Aoyun, an intelligent robot that can speak Mongolian and perform a traditional Mongolian dance, gives its first show in Hohhot, capital city of Inner Mongolia Autonomous Region on January 21



statement.

In 2014, the average disposable income of Chinese residents rose 8 percent in real terms to 20,167 yuan (\$3,294), faster than a 7.4 percent economic growth, the bureau said.

The disposable income of rural residents increased 9.2 percent year on year, while that for urban residents rose 6.8 percent.

Football Schools

China will kick off its next-wave football talent development with the Ministry of Education (MOE) planning 20,000 primary or middle schools with a football specialty by 2017.

The MOE will also choose 30 counties to build as trial areas for school football, saying that the move is aimed to improve the popularity of football in Chinese schools, and lay the foundation for more talented football players.

One tenth of those schools will be senior schools, three tenth junior schools and three fifths primary schools. Vocational schools will also be considered, the MOE said.

The ministry said schools with football as specialties will enjoy policy support in teaching, training, competitions, enrollment, funds and other fields. The performance of those schools and counties will also be used to evaluate the performance of local government in education.

The MOE said the move will also promote the construction of PE courses and facilities, and ensure that students have at least one hour for sports in schools each day.

The move came in response to the bad performance by China's national football team in the world arena during recent years.

H7N9 Symptoms

Chinese scientists have used a targeted antibody to significantly reduce H7N9 symptoms in monkeys.

The study, published in British medical journal *Clinical Infectious Diseases*, demonstrates patients infected with H7N9 virus often end up dead after severe pneumonia and systemic inflammation caused by acute lung infection (ALI).

Part of the high death rate from of H7N9 is due to very limited effective treatment options.

African green monkeys were inoculated with the H7N9 virus and treated intravenously with an antibody. The treatment markedly reduced ALI and systemic inflammation, according to the study.

The results have shown promising progress in helping treat the virus in humans.

The study was led by Sun Shihui from the Beijing Institute of Microbiology and Epidemiology and Zhao Guangyu from the Academy of Military Medical Science.

Since H7N9 avian flu killed three people in China in March 2013, the flu has repeatedly cropped up in winter and spring seasons.

Patent Applications

China accepted about 928,000 invention patent applications in 2014, some 103,000 more than in 2013, the State Intellectual Property Office (SIPO) said on January 15.

SIPO director Shen Changyu said invention patent applications accounted for 39.3 percent of all patent applications in 2014, compared with a 34.7 percent in 2013. Invention patent application growth slowed from 26.3 percent in 2013 to 12.5 percent in 2014.

China grants patents for three major categories: invention, utility model and design.

Database on Cancer

China has established its first database

“Growth in invention patent applications is moderate, but its share in total patent applications is rising. The SIPO will step up law enforcement in 2015 and make more efforts in intellectual property protection.”

Shen Changyu,
Director of the State
Intellectual Property
Office



Subway Books

A passenger checks the latest contents on M Subway-Library on a train of subway Line 4 in Beijing on January 19.

Subway Line 4 passengers can read e-books by scanning a QR code with cell-phones in the cars. As Beijing's first underground library, the M Subway-Library is a non-profit project sponsored by Beijing MTR Corp. and the National Library to select and recommend 10 books for free online reading yearly.

on prostate cancer, a disease of rising frequency amongst the nation's aging population.

Initiated by Wu Jieping Medical Foundation, the Chinese Prostate Cancer Database (C-CaP) opened on January 19 in Zhejiang Cancer Hospital in Hangzhou, east China's Zhejiang Province. The database will collect information on diagnosis and treatment to track its incidence and development.

The second most common cancer in men globally, prostate cancer is on the increase in China. Data from the Chinese Anti-Cancer Association show the cancer's incidence in China increased more than tenfold in the past two decades.

Health experts believe China's aging population and the use of more advanced detection methods have contributed to the increasing incidence.

Employment Market

College graduates attend a job fair in Hangzhou, east China's Zhejiang Province, on November 29, 2014.

Figures from the National Bureau of Statistics show that a total of 13.22 million new jobs were created in China in 2014, beating the full-year target.

Urban employment increased slightly from 13.1 million recorded in 2013. Some 773 million people had been employed nationwide with 393 million in urban areas by the end of 2014, the NBS data showed.



Lower Threshold

A new foreign investment law will ease restrictions on foreign investors and grant them easier access to the Chinese market, the Ministry of Commerce said on January 19.

Overseas companies will receive pre-establishment national treatment and the current troublesome case-by-case approval system be replaced by negative list management, if the new law is passed.

Only foreign investment on the negative list will have to apply for permission, but all investors must report to the government no matter whether they are on the list or not.

The negative list for foreign investment was introduced in the China (Shanghai) Pilot Free Trade Zone in September 2013. Since then, authorities elsewhere have been eager to replicate the system.

According to the new law, enterprises will not be regulated based on their owner-

ship but on who is in control. Foreign enterprises on the Chinese mainland that are controlled by overseas investors will be considered foreign, while those controlled by Chinese investors will be regarded as domestic.

QFII Quota Offered

China has agreed to give Switzerland an \$8-billion investment quota under its qualified foreign institutional investor (QFII) program.

The agreement is part of a memorandum of understanding signed by the central banks of the two countries on January 21, which also includes a plan—pending regulators' approval—to set up the first branch of a Chinese bank in the Swiss financial hub of Zurich for future yuan clearance.

The deal is set to materialize Beijing and Bern's pledge for closer financial ties and accelerate the establishment of a Zurich offshore yuan market, which will mark a crucial step in the interna-



ENERGY CONSERVATION

Workers carry out equipment safety inspection in a distributed waste heat power station in Kunshan, east China's Jiangsu Province on January 21.

tionalization of the yuan, especially in Europe.

The signing came after visiting Chinese Premier Li Keqiang, who met in the ski resort of Davos with President Simonetta Sommaruga of the Swiss Confederation on the sidelines of the 2015 annual meeting of the World Economic Forum.

Existing Fund Activated

The State Council on January 21 announced fiscal policy plans to stabilize economic growth.

The Chinese cabinet said in a notice that Central Government departments and local governments should reallocate any unspent money from the 2012 fiscal year and before that to the new budgets.

The aim is to "activate existing funds" and ensure a more proactive fiscal policy is implemented.

China's economy last year posted its weakest annual expansion in 24 years, which may lead to slower growth in national fiscal revenue and higher expenditure.

A pilot scheme, starting this year, will establish a three-year rolling budget in sectors such as compulsory education, healthcare and environmental protection to achieve targets.

It also vowed to intensify crackdowns on violations such as embezzlement of state revenue.

Frontier E-Commerce

IZP Technologies Co. Ltd., one of the country's leading cross-border e-commerce and payment system companies, is planning huge investments in Kyrgyzstan to facilitate trade between China and other Eurasian countries.

According to Luo Feng, Chairman of IZP, the company plans to establish a trading center near the international airport in Bishkek, the capital of the landlocked Asian country which borders the Xinjiang Uygur Autonomous Region, and use the project as a platform to exhibit products and promote business deals.

The proposed project is part of the company's broader investments in Kyrgyzstan. Tapping into the geographic importance of Bishkek, the company



High-Yield Fruit

A farmer conducts artificial pollination on peach blossom in a nectarine planting base in Liuxinzhuan Village, Botou, north China's Hebei Province on January 21.

Nectarine will be on offer in April, during which each *mu* of land growing nectarine will net local farmers roughly 50,000 yuan (\$8,045).



SHEN PENG

Boosting Power Distribution

Workers transform and upgrade the power distribution network in an industrial park in Nanjing, east China's Jiangsu Province.

Nanjing Power Supply Co. starts more than 1,300 electric network transformation programs in the city on January 21, in order to cope with rising corporate electricity consumption and strengthen its power supply capacity.

also plans to establish a product trade center, a bonded export processing center and a financial settlement center in Bishkek.

With its edge in cloud computing and data mining technologies, the company will provide technological support for Kyrgyzstan's industrial upgrade, Luo said.

Budget Airline Listed

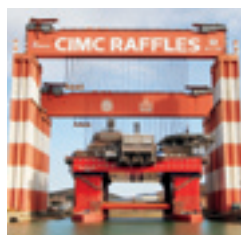
Spring Airlines became China's first budget carrier to list after its initial public offering (IPO) of 2.5 billion yuan (\$410 million) on the Shanghai Stock Exchange on January 21.

The stock, with up to 100 million shares, rose to the limit on its first day of trading, closing at 26.15 yuan (\$4.21) per share from its issue price of 18.16 yuan (\$2.92).

The company said in its IPO pro-

FIRST TRY

Shipbuilding company CIMC Raffles builds a semi-submersible drilling platform for a Norway-based company in Yantai, east China's Shandong Province



TANG KE

spectus that it planned to raise funds to purchase nine new Airbus 320 aircraft as well as three new flight simulators.

Industrial observers said the stock of Spring Airlines is much higher than those of China's four listed commercial airlines, including Air China and China Eastern Airlines, indicating the carrier's stronger profitability.

The airline reported a net profit of 270 million yuan (\$43.48 million) in the first half of 2014 amid a tough year for the civil aviation market. Experts estimated its yearly profits would rise by more than 10 percent in 2014.

Food Business Diversified

Goubuli, a renowned Chinese restaurant chain known for its steamed stuffed buns, announced it has finalized a deal with Gloria Jean's Coffees to operate the Australian brand in China.

According to the deal reached on December 25, 2014, Tianjin Senyongtai Food and Beverage Co. Ltd., a subsidiary wholly owned by the Goubuli Group, will hold an 80-percent majority stake in Tianjin Glory, a new joint venture that will operate Gloria Jean's coffee brand in China, said Zhang Yansen, Chairman of Goubuli on January 21.

The Australian firm will hold the remaining 20 percent of shares, he said.

"Our negotiations began at the end of 2012 and lasted for almost two years," said Zhang.

He said the new deal will increase Gloria Jean's outlets in China to 200 in the coming five years.

Goubuli, established in 1858 and headquartered in the northern port city of Tianjin, reported 1 billion yuan (\$16.1 million) in business turnover last year.

Salary Growth Prospects

Companies are likely to invest more in benefits, training and career development to attract and retain the best talent this year, said a latest annual Global Salary Survey from global specialist professional recruitment consultancy firm Robert Walters on January 22.

The survey suggests that job movers received 15-25 percent salary growth on average in 2014 while those who stayed at their current companies received increments ranging between 6-8 percent. These trends will continue in 2015.

The survey also indicates that professionals now view Chinese companies as an attractive employment option due to their promising prospects and competitive remuneration packages, which often include employee stock options.

The salary gap between Chinese cities and cities in other countries is narrowing, according to Zhou Lulu, Associate Director of Robert Walters Beijing. A Chinese chief financial officer with experience of IPOs can earn as much as a foreign professional holding the same position.

"The Chinese market is attracting foreign professionals like a magnet, and such appeal will continue in 2015," said Zhou.



YEMEN

Members of the Shiite Huthi movement guard a checkpoint near the Yemen presidential palace in the capital, Sanaa, on January 21 after a compromise was reached between the government and the militia



FRANCE

President Francois Hollande (left) embraces U.S. Secretary of State John Kerry prior to a meeting at the Élysée Palace on January 16 in Paris, during which the two countries agreed to strengthen anti-terrorism cooperation



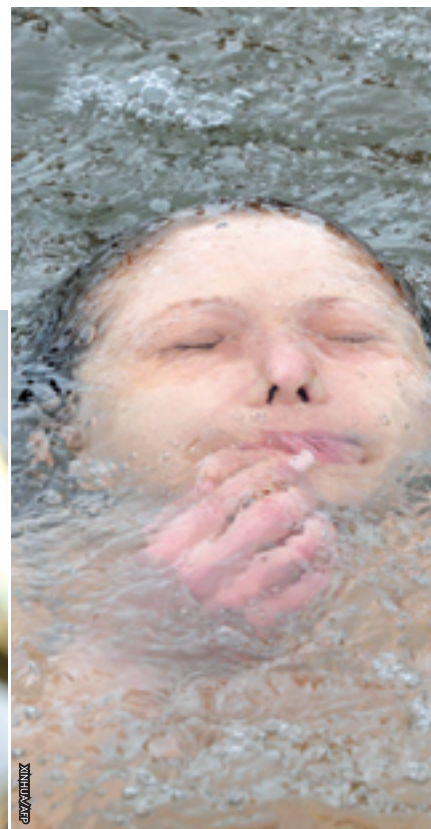
UNITED ARAB EMIRATES

A man takes a selfie in front of the Solar Impulse 2, the first solar-powered plane capable of flying continuously for multiple days, on January 20 at an Abu Dhabi airport



HAITI

President Michel Martelly (center) receives honors of the Orchestra of the National Palace at the investiture ceremony in Port-au-Prince on January 19, the day the country formed a new coalition government



KYRGYZSTAN

An Orthodox faithful dips into the icy waters of a lake on January 19 during the celebration of the Epiphany holiday in Bishkek



JAPAN

Humanoid robot *Robi* with parts provided by Italian publisher De Agostini dance during an event in Tokyo on January 20

↓ CHU TAKES CHARGE

Eric Chu, Mayor of New Taipei City in northern Taiwan, took office as chairman of the island's ruling Kuomintang (KMT) on January 19 after winning a landslide victory in the party leadership election. In recent years, the KMT has promoted relations between Taiwan and the mainland in keeping with the principles of "peaceful development, mutual benefit and win-win results," he said in his inaugural speech, adding that cross-Straits relations should continue to develop in this direction.



When the People's Republic of China was founded in 1949, the KMT, whose regime was toppled in a civil war, retreated to Taiwan. Ma Ying-jeou, the incumbent leader of the region, stepped down as KMT chairman in December last year to take responsibility for the party's defeat in local government elections.

Born in 1961 in Taoyuan, Chu holds a Ph.D. in accounting from New York University. He previously served as Taiwan regional legislator and chief of Taoyuan County.

New Trends in Outbound Investment

Oriental Outlook January 15

As China's overseas investment continues to increase, it has been predicted that the results of significant change in focus from "commodity exports" to "capital exports" will reshape China's economic development pattern.

Oriental Outlook conducted a survey about the future trends of China's outbound investment among large Chinese enterprises with overseas business and foreign diplomats in China, and drew the following findings:

For foreign officials, China's most promising overseas investment fields are energy, infrastructure facilities and agriculture. With respect to attracting Chinese investors, the advantages they most frequently claimed their respective countries possess were investment policies, regional economic integration or free trade agreements, tax policies and financial subsidies. According to them, the greatest challenges posed to Chinese investors relate to cultural differences, business models and managerial expertise. For Chinese entrepreneurs, the opportunities most cited were in energy, infrastructure facilities and the manufacturing sector. According to them, the biggest challenge facing their overseas development was personnel.

The predicted trends for China's overseas investment in 2015 included: fast investment growth, a rapid increase in investment in developed countries, the impact of the twin engines of the Silk Road Economic Belt and 21st-Century Maritime Silk Road Initiatives becoming increasingly tangible, enhanced competitiveness of Chinese companies in the international market, and more focus being placed on sustainable development and social responsibility.



Manufacturing Industry at a Crossroads

Economy & Nation Weekly January 12

The manufacturing industry has been the engine of global economic growth since the Industrial Revolution in the 18th and 19th centuries. In any given country, growth in this sector has been a major determinant of economic competitiveness. Notably, China has realized tremendous growth since it launched its reform and opening-up program in the late 1970s by attracting foreign investment and promoting the development of its manufacturing industry.

Today, however, China's manufacturing industry faces unprecedented challenges with pressing problems such as the slowdown of economic growth, a fading demographic dividend, rising production costs and excess production capacity. The manufacturing industry's profitability and the contribution it makes to China's economy have continued to slide. In this context, the crucial and most challenging task of China is facilitating and nurturing innovation in its manufacturing industry.

China's manufacturing sector has now

"Appointing Tibetans to major posts is an important way to achieve sustainable development, as they constitute the majority of the population in Tibet."

Painba Lhamo, an assistant research fellow with the Tibet Academy of Social Sciences, during an interview with Xinhua News Agency on reports that ethnic minorities hold more than 70 percent of the seats in the regional legislature

"Doubt and dispute emerged after the initiatives came out, but time and success will prove that mutual understanding and hand-in-hand development are the core values of such plans."

Sha Zukang, Secretary General of the UN Conference on Sustainable Development, commenting on China's Silk Road Economic Belt and 21st-Century Maritime Silk Road Initiatives



come to a new crossroads. The country must carry out a strategy of making itself stronger through a powerful manufacturing industry while attempting to uncover the logic of sound economic growth. It is faced with urgent tasks such as further focusing on the momentum engendered by innovation, creating new advantages for its manufacturing industry and boosting the development of emerging industries against the backdrop of China's "new normal," a term that refers to the country's current economic state. Relying on innovation to upgrade China's traditional economic structure constitutes the most feasible path.

Tougher Punishment for Child Purchasing

Guangzhou Daily January 15

Recently, police in north China's Shandong Province captured a gang of baby traffickers. They transported mothers-to-be to secret locations where the mothers would give birth to babies, who were then sold at prices ranging from 50,000 yuan (\$8,052) to 80,000 yuan (\$12,882) each.

Child trafficking is a crime. Despite the efforts of the authorities in cracking down on child trafficking, the fact remains that it is difficult to curb this type of crime. One important reason for this is that current laws exempt the buyers of trafficked children from punishment provided they do not abuse the

children and are cooperative with the police in the rescuing process, with a view to encouraging buyers to cooperate with the authorities.

When it comes to the trafficking of children and all associated transactions, more severe penalties should be imposed on buyers, so as to deter others from engaging in the practice. China's top legislature, the National People's Congress, has already decided to make the buying of trafficked children a crime in the new draft of amendments to China's Criminal Law.

The whole of society must be made aware that both selling and buying children are equally immoral. Meanwhile, the thresholds for adoption of babies need to be properly lowered, so that more families will be able to foster children through legitimate channels.



SAMARITAN REPAID

Dai Xingfen, a middle-aged woman who runs a restaurant in Taizhou, east China's Zhejiang Province, recently came under the national media spotlight because of her heartwarming deeds more than 20 years ago.

In 1993, 17-year-old He Rongfeng and two friends went to Taizhou for work, but ended up roaming on the street after failing to find a job. They were forced to beg for food. Dai took He and his friends home, helped the boys look for employment, and gave them pocket money.



But the best thing she gave them was a piece of good advice. "She said that one should always strive to be a good person," He recalled. In 2013, He, who had become a successful businessman in Shenyang, northeast China's Liaoning Province, found Dai. He repaid his benefactor's kindness by offering her a whopping 1 million yuan (\$160,000). Dai refused his offer of riches. Instead, He gifted Dai a work of calligraphy that reads, "Gratitude as heavy as a mountain."

"Judging from the current speed, China will soon become a net outbound investor."

Zhong Shan, Vice Commerce Minister, revealing that China's outbound investment reached \$102.9 billion in 2014, an increase of 14.1 percent from a year earlier, on January 16

"Civil servants' low salaries may be a cause of corruption, but raising their salaries does not necessarily mean corruption will disappear."

Hu Xingdou, a professor with the Beijing Institute of Technology, speaking about the government's decision to give civil servants a raise in a recent interview with *Global Times*

孤儿保障大行动

Safeguarding Orphans' Health Program



每50元善款即可为一名孤儿提供一年期、保障额度为100,000元，
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towards an orphan for one year against 12 types of critical illnesses.



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COVER STORY

A BLOCKBUSTER BUSINESS

Chinese box office numbers saw high growth in 2014 despite lingering problems By Ji Jing

The Chinese film industry once again experienced a boom last year. According to a report released by the State Administration of Press, Publication, Radio, Film and Television on January 5, China's box office revenue in 2014 reached 29.6 billion yuan (\$4.77 billion), growing 36 percent. Although this sum fell short of the preset target of 30 billion yuan (\$4.83 billion), it more than sufficed to raise a few eyebrows in the international film community, as global box office revenue registered only 4-percent year-on-year growth. In North America, box office numbers actually declined by 6 percent, according to the 2014-15 Chinese Film Industry Report published by EntGroup Consulting, a domestic film industry research firm.

It has taken a paltry four years for China's box office revenue to grow from 10 billion yuan (\$1.61 billion) in 2010 to nearly 30 billion yuan in 2014. In 2012, China became the world's second largest film market, the largest being North America.

The report also pointed out that China has of late functioned as the driving engine for global box office growth. Worldwide box office takings in 2014 amounted to \$37.5 billion, with that of the United States accounting for 27 percent and that of China constituting 13 percent. Of the \$1.6-billion increase of the global box office in 2014

against the previous year, box office takings in the Middle Kingdom contributed 75 percent.

Additionally, the number of tickets sold reached 830 million, 1,015 new cinemas opened and 5,397 screens were added to existing establishments. As of January 5, there had been altogether 23,600 screens across the country.

A booming market

Looking back on China's vibrant film market in 2014, several tendencies become apparent.

The competitive edge of domestic films against their imported counterparts has sharpened. The box office revenue of home-made films surpassed that of imported ones. The 308 domestic films released in theaters last year raked in 16.16 billion yuan (\$2.6 billion), accounting for 54.51 percent of the total box office revenue and the 80 imported ones grossed 13.48 billion yuan (\$2.17 billion). Among the 20 highest-earning films, Chinese productions occupied half of the spots. "The Chinese film industry has gone through a period of rapid adjustment following the signing of a film agreement with the United States in 2012. As a result, China has been able to register a world-leading growth rate, even in the face of competition from Hollywood



blockbusters such as *Transformers: Age of Extinction* (*Transformers 4*)," said Hou Tao, Vice President of EntGroup Consulting.

According to the 2012 agreement, Hollywood film imports would increase from 20 to 34 per year. The additional 14 movies were mostly in 3D or IMAX formats. The United States currently takes 25 percent of box office revenues drawn from its film exports to China, a sharp increase from the original 13 percent.

Eighteen of the top 30 films by box office in the United States last year were imported into China and another two of the top 30, *The Hunger Games: Mockingjay* and *The Hobbit: The Battle of the Five Armies*, will hit screens later this year. Those 18 films, together with *Frozen* and *The Hobbit: The Desolation of Smaug*, took in \$1.5 billion



MOMENT OF ANTICIPATION: Moviegoers wait to buy tickets at a Wanda movie theater in Yichang, central China's Hubei Province, on January 31, 2014

in China, accounting for 32 percent of the country's total box office revenue. In the meantime, the top 20 domestic films in terms of box office generated \$1.6 billion, amounting to 33 percent of the total box office revenue, indicating the growth of the box office didn't merely rely on imported movies but upon the improvement of the domestic film industry as well.

With an eye to the opportunities present in the gigantic Chinese market, many foreign film companies are now seeking cooperation with China. The Hollywood science-fiction action film *Transformers: Age of Extinction* was co-produced by Paramount Pictures, the China Movie Channel and Jiaflix Enterprises. Some of its scenes were shot in the three Chinese cities of Beijing, Chongqing and

Hong Kong, and the film included a number of Chinese actors and actresses in order to appeal to local audiences. Actress Li Bingbing, for instance, was among the film's top-billed stars.

The movie, which is the fourth installment of the *Transformers* franchise, raked in 1.98 billion yuan (\$319 million), surpassing previous records for both domestic and foreign movies to become China's highest-grossing film ever.

By the end of 2014, 10 countries had signed film co-production agreements with China, such as the United Kingdom, South Korea and Singapore.

An Xiaofen, President of Desen International Media Co. Ltd., a Beijing-based company specialized in local feature film pro-

duction and distribution, said there are three ways for foreign movies to enter the Chinese market. First, film producers may apply for their film's inclusion in the yearly quota of 34 imported films, through which they can claim a 25-percent share of the box office sales. Second, domestic distribution companies purchase the rights to show a foreign film. Under these circumstances, foreign producers will have zero share in the box office. Third, Chinese and foreign producers coproduce a film, in which case foreign producers are entitled to a 43-percent share of the box office revenue.

In addition to foreign producers, domestic Internet companies such as Baidu Inc., Alibaba Group Holding Ltd. and Tencent Holdings Ltd., also announced plans to invest ►►

Top 10 Box Office Movies in China 2014

Ranking	Movie	Director	Box Office Revenue (mín yuan)	Country
1	<i>Transformers: Age of Extinction</i>	Michael Bay	1978	United States
2	<i>Breakup Buddies</i>	Ning Hao	1167	China
3	<i>The Monkey King</i>	Zheng Baorui	1046	China
4	<i>Interstellar</i>	Christopher Nolan	751	United States
5	<i>X-Men: Days of Future Past</i>	Bryan Singer	724	United States, United Kingdom
6	<i>Captain America: The Winter Soldier</i>	Anthony and Joe Russo	721	United States
7	<i>Dawn of the Planet of the Apes</i>	Matt Reeves	711	United States
8	<i>Where Are We Going, Dad?</i>	Xie Dikui and Lin Yan	696	China
9	<i>The Breakup Guru</i>	Deng Chao and Yu Baimei	666	China
10	<i>The Continent</i>	Han Han	630	China

(Source: State Administration of Press, Publication, Radio, Film and Television)

in the movie business in 2014.

According to Tianto Info Consulting, Internet companies are likely to reshape the whole film industry. They will be able to take into greater consideration the audiences' wants and needs, as they possess data on audiences' purchasing and search preferences. In addition, they may expand film distribution channels by making use of the Internet, especially the mobile Internet.

"Every mobile phone can function as a miniature silver screen. The profit film distributors receive from mobile streaming apps will become more stable and lasting. At the same time, the boom in apps of this kind will enable movies with narrower appeal, such as art-house titles, to reach audiences," said Liu Shuyao, founder and CEO of 100 TV, a video portal exclusively designed for mobile devices.

Wider variety

The tastes of Chinese film audiences are also becoming decidedly more varied. Predictably, romances, comedies and action movies occupied nearly 70 percent of the box office revenue for domestic films last year. However, thrillers, martial arts films and fantasy movies also expe-

rienced upticks in popularity.

There is widespread agreement that the biggest deficit in the film market last year was the lack of homegrown blockbusters and science fiction films, said Chen Xuguang, Director of the Institute of Film, Television and Theatre of Peking University.

As a result, blockbusters and sci-fi epics from the United States registered huge success. For example, Christopher Nolan's sci-fi *Interstellar* garnered acclaim from critics and audiences alike and also achieved commercial success, grossing 751 million yuan (\$120.93 million).

"The lack of domestically produced science fiction movies has given opportunities for even mediocre movies inhabiting such genres from the United States to grab a share of China's film market. Some speculate that the Chinese screenwriters are not steeped in the tradition of scientific and rational thinking necessary to create good science fiction. Maybe we could focus on fantasies temporarily in the place of science fiction, as the two genres are very close to each other in terms of conventions," Chen added.

Movies specifically targeting at the youth

market thrived in 2014, as represented by *Beijing Love Story*, *My Old Classmate*, *Fleet of Time* and *Tiny Times 3.0*, all of which reaped over 400 million yuan (\$64.41 million) in box office receipts.

"Teen movies, which often center on love stories, have managed to successfully relate to young audiences," said Chen.

Take the third installment of the *Tiny Times* series for example. Audiences aged below 19 accounted for 41 percent of the movie's takings while those aged between 20 and 29 accounted for 28 percent. Young audiences have become the main consumers of youth movies, and also constitute the majority of the Chinese movie-going public. According to the EntGroup report, customers aged between 19 and 30 have accounted for over one half of moviegoers in the past two years. College graduates account for approximately 80 percent of current audiences.

As young moviegoers are frequent Internet users, online social networking platforms such as Weibo and WeChat have become important means for film promotion. Films hotly discussed on these platforms in advance of their release often achieve high box office numbers.

Several notable directors came out with new productions in 2014. However, many of them fell short of commercial expectations, arguably owing to an inability to adapt and cater to the market. For example, both John Woo's *The Crossing* and Jiang Wen's *Gone With the Bullets*, which hit screens in December, flopped at the box office. Meanwhile, *Dearest* and *The Taking of Tiger Mountain 3D*, respectively directed by Peter Chan and Hark Tsui, curried favor with audiences and performed well commercially.

"The two movies were the highlights of last year. They have reached a balance between demands of the commercial mainstream, the directors' personal aspirations and the audiences' interest," said Suo



GOOD DIALOGUE: Participants attend a forum at the 10th Chinese-American Film Festival in Pasadena, Los Angeles County, California, on November 3, 2014



FROM PAGE TO SCREEN: Writer-turned-director Han Han at the filming scene of his debut film *The Continent*

Yabin, a professor at the Communications University of China.

He criticized Jiang for paying insufficient attention to the market and overemphasizing his personal ideals to the detriment of audience enjoyment in his most recent movie.

In addition to famous directors, people from other professions such as writers and actors also tried their hand at filmmaking last year. Two young best-selling authors Guo Jingming and Han Han both made their directorial debuts. Their *Tiny Times 3.0* and *The Continent* earned 522 million yuan (\$84.05 million) and 629 million yuan (\$101.28 million) apiece respectively during the summer vacation period. Actor Deng Chao's *The Breakup Guru* took in 666 million yuan (\$107.24 million) and actor Chen Jianbin's *A Fool* won him Best Actor and Best New Director at the 51st Golden Horse Awards in Taiwan, one of the largest events in the Chinese-language film industry's calendar.

"First-time directors often depend on carrying over their established fanbase from other entertainment areas to prop up the box office. Such a model of success is impossible to replicate by others. In the meantime, inadequate narrative ability will hinder them from making further progress," said Chen Xuguang.

Challenges

In spite of the outstanding performance of the film industry last year, industry insiders and experts harbor concerns about the future.

"The Chinese film industry should not be unduly distracted by the revelry arising from recent box office success and pay more attention to improving quality," said

Rao Shuguang, Chairman of the China Film Association.

"Only by improving the quality of films can the film industry realize sustainable and healthy growth," Rao added.

Rao said the film industry still has many shortcomings, such as being overly recreational in focus and possessing a lack of artistic creativity and imagination.

Suo said the lack of quality content has become an increasingly serious problem for Chinese films. Many films seem more like the director's own personal tract or monologue rather than constituting an attempt to communicate with the audience. Some use sophisticated methods of promotion to "trick" audiences into the theater but failed to deliver a well crafted, high-quality piece of entertainment thereafter.

"If Hollywood is granted unlimited access to the market in 2017, when China and the United States will hold their next meeting on movie quotas, domestic films will be greatly impacted," said Suo.

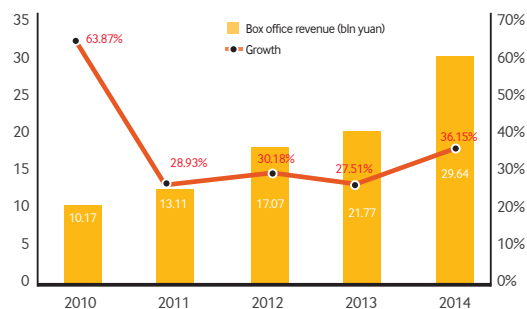
It is widely believed that the quota will be further increased or that the market will even be completely opened to U.S. movies.

The report by EntGroup also pointed out that the Chinese film industry has a lot room for improvement in spite of its

recent rapid growth. For example, the area of film-related merchandizing, encompassing products such as T-shirts, action figures and video games, is underdeveloped. Merchandise occupies only a small proportion of revenue from films, and lacks variety and adequate sales channels. What's more, most of the audiences are predominantly urban young people aged between 19 and 40. Middle-aged and senior citizens, children, and people from rural areas, meanwhile, are underrepresented and seldom go to the movies. It appears on the whole that if the Chinese movie industry is to further thrive, it will have to spread its wings in terms of improving quality, merchandizing and embracing a wider audience base. ■

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Box Office Revenue and Growth Rate



(Source: State Administration of Press, Publication, Radio, Film and Television)



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