6th World Media Economics Conference

Centre d'études sur les médias and Journal of Media Economics

HEC Montréal, Montréal, Canada
May 12-15, 2004

Empirical Analysis on the Capital Operation Effect of Media Industry in Mainland China

Guo Miao, Tsinghua University, P.R. China

This study selects twelve typical media companies as a sample to represent the media sector in the Chinese stock market. It examines the annual average of the twelve representational media companies in each of seven chosen financial indexes from 1999 to 2002, compared with those of all the other 1,255 companies in the stock market during the same period. Results indicate the assets quality of the media sector is good, the profitability is high and the growth potential is vast. However, the results in some degree are due to the monopolization and the exceptionality of the Chinese media industry. Based on the analysis of problems of capital operation, this study puts forward some proposals for the positive future development of capital operation in the Chinese media market.

Introduction

Media industries of Mainland China can be divided into several parts: broadcasting, publishing, motion pictures, sound recordings and the rapidly developing World Wide Web. Among these, television, radio, newspaper and magazine are four most important forms of news media. As a part of information industries, media industries cover the fields of production, communication and consumption of information; at the same time, since the content has strong cultural and humanities characteristics it causes the media industry to also belong to the realm of culture.

The Chinese media industry has experienced three stages. From the 1950s to 1979, Chinese media was strictly an ideological Party mouthpiece and government cheerleader. It was founded by and belonged to the Party and the government, and there were no revenues from advertising. Beginning in 1980s the second stage, often called the transformation period, got underway as result of economic development and social modernization, which emphasized business, information, and entertainment. The government funding of the media decreased, so they started to receive advertisement fees from the sponsors. As China entered the '90's, Chinese media organizations began to commercialize.

During the commercialization of Chinese media, the capital operations in media market have become ever more scrutinized by the public. Since China's first media corporation to be publicly traded on the Shanghai Stock Exchange--Shanghai Oriental Pearl Co., Ltd.-- went on the market in Feb 1994, about 40 media-related companies have entered the Shanghai Stock Exchange and Shenzhen Stock Exchange. That makes up about 3 percent of the total number of companies, which is nearly 1,255. These 40 media-related companies range of business includes printing and distributing, advertising, program producing, cable network communications, etc. By the end of the year 2001, newspaper agencies, broadcasters, television stations, and news agencies were all represented in the stock market. The rapid expansion of the media sector in the stock market has attracted a lot of interest, and their operational methods have influenced the development speed of the media industry and the steps of market-oriented reform in China.

After nearly 20 years of development, the China media industry formed a definite scale and foundation. At the end of the year of 2002, there were 2,111 kinds of publicly issued newspapers, 8,889 periodicals, 3,500 radio frequencies, 1,154 TV channels, and 2 news agencies. The Internet, called the fourth media, has also been developing rapidly. China has 10 backbone Internet networks, 3,600 businesses directly involved in Internet services, over 10 million computers connected to the Web, nearly 30 million netizens, 700,000 domain names and more than 260,000 Chinese Web sites. By 2005, more than 40 million computers will be connected to the Internet and the number of netizens will reach 200 million. "In 10 to 20 years, the influence of the fourth media will eclipse that of newspapers, radio and television," said Zhou Guangzhao, Chairman of China Association for Science and Technology (CAST).

Since the launch in January 1996 of the Guangzhou Daily Press Group, the first of its kind in China, a number of newspaper groups, including the Nanfang Daily Press Group, Yangcheng Evening News Press Group and Wenhui Xinmin Press Group, have been established. Similar restructuring has been also proceeding in the radio and television sector. In December 2000, Hunan Radio, Film & Television Group, China's first provincial-level radio and television heavyweight, was founded. The group consists of seven TV channels, four radio channels and a number of studios. Assets of the group have exceeded 3 billion RMB yuan. At present, China has 39 newspaper groups, 1 magazine-publishing house, 14 TV & Radio groups, 11 book-publishing groups, and 6 film groups. [1]

The Current Situation of the Mainland Chinese Media Industry Capital Market

On 3rd, April 2001 the China Securities Regulatory Commission (CSRC) released a new version of the Directory of Industry Categories of Listed Companies, which incorporated the media and cultural industry into the 13 basic industries. The media and cultural industry is defined as publishing, audio and video production, radio, television, film, arts and information transmission.

According to the standard of Directory of Industry Categories of Listed Companies, taking into consideration whether the companies divisional structure consists of at least two or more media-related divisions, and also whether media activities account for at least of two thirds of the company's asset base, we can classify the listed Chinese media-related companies into three categories: traditional, transformational and experimental.

Traditional or typical media companies have the following characteristics: First, the companies are founded on traditional media, such as newspaper, television, etc.; second, they are mostly localized in big cities, and are supported strongly by the local government. Their media products have a large reach; third, their media activities account for at least half of the company's assets, and their scale is big, the performance is excellent. At present, among the nearly 40 companies associated with media there are six companies which have the above traits, they are Dianguang(000917) , Dongfang(600832) , Gehua (600037) , Zhongshi (600088) , Saidi(000504) , Borui(600880) . Among these, the first four companies are based on electronic-media; the last two companies are founded on print-media. The common characteristic of these six companies is that they have relative advantage in future trans-media development.

The characteristics of transformational media companies are: the company has put a large-scale investment

[1] The data on radio, television and film is retrieved from the State Administration of Radio Film and Television (SARFT), http://www.sarft.gov.cn/page/sygk/gk.htm.

The data on newspaper and periodicals is taken from Report on the Current Distributing Condition and Developing Tendency in Chinese Newspaper Market from 2002 to 2003 issued by China Newspaper Association (CNA).

in the media industry, and plans to make the media industry the key point in strategic development. However, their other business still account for an important position in the company's assets. Large-scale mergers and acquisitions will occur at these companies in the next one or two years. This kind of companies includes: Qiangsheng (600662) , Chengcheng(600681) , Xinlian(600899) , Juyou (000693) , Zhongxin (000839) , and Guangdian Network(600831) .

Experimental media listed companies only have small-scale investment in the media industry, and media activities account for little of the companies' asset base, or the companies only have a single division that are associated with media. Most important of all, they have only recently become interested in the media industry. There are about thirteen of this kind of company in the Chinese stock exchange.
In light of the fact that media activities of experimental media companies only account for small portion of the whole business, here we are primarily discussing traditional and transformational media companies, therefore, our attention is just focused on twelve companies. The twelve above-mentioned companies make up the media sector in the Chinese stock market. Of the twelve analyzed in this paper, four are listed in the Shenzhen Stock Exchange; the other eight companies are traded on the Shanghai Stock Exchange. If we classify these companies according to their main business, they can be divided into two categories: print-media companies and electronic-media companies. Presently, there are three listed companies belonging to the print-media type: Saidi, Borui and Chengcheng. The other nine listed companies fall into the electronic-media category. Although their fields of business are different from one another, the main business that they carry out are advertising, printing, distributing of their media content. The advertising fees that they collect are one of their key income sources.

There are some common traits among listed companies in media sector: first, their revenue is small. In comparison with the foreign transnational media corporations such as AOL, Time Warner, Disney, whose annual revenue is about several billions dollars, the annual revenue of Chinese media companies, which does not exceed ten billion RMB yuan, cannot be mentioned in the same breath. If we arrange the order of Chinese media companies according to annual revenue of the year 2002, the first one is Shanghai Oriental Pearl Co., Ltd., whose revenue from main business is 8.5 billion RMB yuan, Hunan TV & Broadcast intermediary Co., Ltd., orders secondly, whose revenue is 6.8 billion RMB yuan. The third one is Beijing Gehua CATV Network Co., Ltd., which is the biggest cable network company in China, and its annual revenue is just 4.6 billion RMB yuan. With such a small operational scale, it is not possible to speak of any Economies of Scale.

Second, operational diversification is lacking. The field of main business that media companies cover can be divided into two kinds: broadcasting and publishing. Looking at the structure of the four key broadcasting companies, Beijing Gehua CATV Network Co., Ltd.' main business is construction, operation and management of cable network; CTV-media Co., Ltd. focus on the program producing. The only companies practicing diversification of operations are Hunan TV & Broadcast and Shanghai Oriental Pearl. The first one's business ranges from cable network construction, program producing, advertising, constructing a complete value chain of media operation from producing to distributing and consuming. The latter one's income is mainly from media activities and tourism, while advertisement fees are becoming an important part of the company's income. In contrast to electronic-media companies, the diversified profit-generating channels of the print-media companies are relatively few. They are basically derived from one newspaper publication to construct the vertical and horizontal value chain. For example, the Chendu B-RAY Media Co., Ltd., based on the Chengdu Commercial Daily, makes up a horizontal value chain, while Beijing CCID Media Investment Co., Ltd., whose paper is the China Computer Weekly, is structured as a vertical value chain.

Third, they are all highly dependant on advertising fees. Looking at Chinese media companies' value chains, profits are usually realized through the advertising fees, no matter if the company does program producing or cable network transmitting. Because the revenue of media companies is highly dependent on advertising fees, the fluctuation of the ad market heavily influences the operation of media companies. Owing to this, most of the transnational media conglomerates begin to exploit new business in markets such as paid TV, movie distributing, book publishing, etc. in order to reduce the risks in the advertisement market. However, the source of revenue of Chinese listed media companies is still mainly from advertising fees. So it is imperative for the Chinese media companies to create diversified profit-generating channels.

Lastly, no trans-media or trans-region media corporations are founded in China now, although the State Administration of Radio, Film and Television (SARFT), one of Chinese regulatory departments which is in charge of the media industry, has published some documents, describing plans to work out policies, laws and regulations concerning trans-regional and trans-media mergers and acquisitions. Chinese media companies still have a long way to go to build trans-media corporations. Considering the strength and scale of their businesses, the electronic-media companies have an advantage in extending their business field into new fields, such as publishing, etc. For example, Hunan TV & Broadcast and Shanghai Oriental Pearl have already stepped into the field of print advertising. But the print-media companies are at a disadvantage if they want to extend to the TV & film fields.

The Effect of Capital Operation in Mainland Chinese Media Industry

At present, there are 1,255 Chinese firms in the Shanghai and Shenzhen Stock Exchange, however there are only twelve in the media sector. Just looking from the amount of firms, the position of the media sector is fairly insignificant. Although their numbers are few, this cannot represent their importance. Actually, it is just the opposite. It is just because of the small number, and the exceptionality of the media industry (relative monopolization, huge growth potential and special profit-generated model), that makes it a light spot in the Chinese stock market.

In the stock market, the performance of a company or a sector is best reflected in its financial data, from which we can learn the assets quality, profitability, and growth potential. If the assets quality of the media sector or company is good, the ability to increase profits is high and the growth potential is vast, we can judge the sector or the company is an excellent one.

Examining the assets quality we can use two indexes: Stockholder's Equity Per Share and Operating Cash Flow Per Share. The indexes of Earning Per Share (EPS), Rate of Return on Stockholder's Equity, Rate of Return Net Profit, Profit Margin Rate of Main business can used to examine the media sector profitability. The company's growth potential can be reflected by Growth Rate of Main business.

Taking the average of the twelve representational media companies in each of the above listed indexes from 1999 to 2002, we can then compare this with the averages for the other 1,255 listed companies in the stock market during the same period. Table 1 presents the detail figures. Results indicate that the assets quality of the media sector is good, the profitability is high and the growth potential is vast.

Table 1: Media Sector's Average Values in Seven Major Indexes

		1999	2000	2001	2002
Stockholder's Equity Per Share (in RMB yuan)	Media sector	2.25	2.80	3.46	3.69
	All listed companies	2.63	3.08	2.52	2.48
Operating Cash Flow Per Share (in RMB yuan)	Media sector	0.23	0.25	0.34	0.24
	All listed companies	0.31	0.51	0.48	0.56
Earning Per Share (EPS) (in RMB yuan)	Media sector	0.25	0.27	0.26	0.20
	All listed companies	0.25	0.25	0.14	0.14
Rate of Return Net Profit	Media sector	38.06%	38.31%	39.08%	35.76%
	All listed companies	21.45%	21.12%	20.69%	21.17%
Rate of Return on Stockholder's Equity	Media sector	11.07%	9.71%	7.66%	5.36%
	All listed companies	9.32%	8.02%	5.68%	5.77%
Profit Margin Rate of Main Business	Media sector	38.06%	38.31%	39.08%	35.76%
	All listed companies	21.45%	21.12%	20.69%	21.17%
Growth Rate of Main Business	Media sector		21.64%	24.72%	24.45%
	All listed companies		22.60%	7.04%	16.78%

Source: Report on Media Listed Companies. China Galaxy Securities Company Limited. Retrieved from the World Wide Web, June 2, 2003: http://www.chuanmei.net.

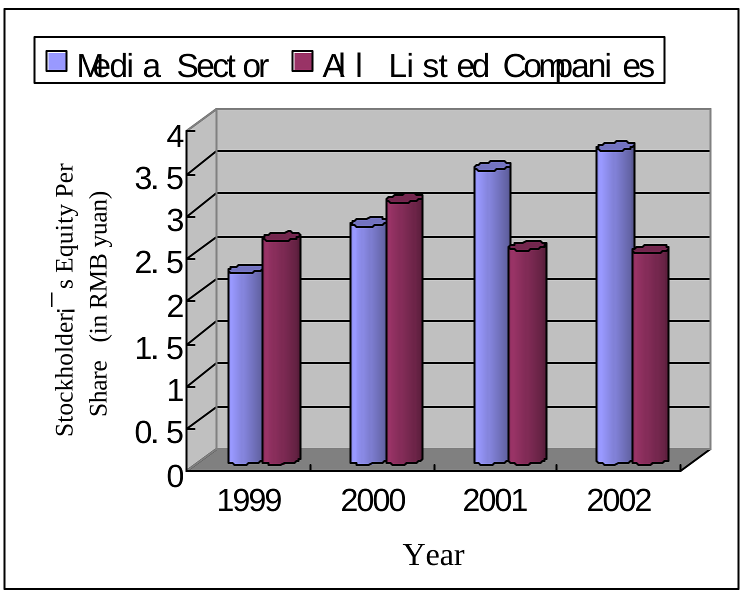


Figure 1: Comparison of Average Value of Stockholder's Equity Per Share

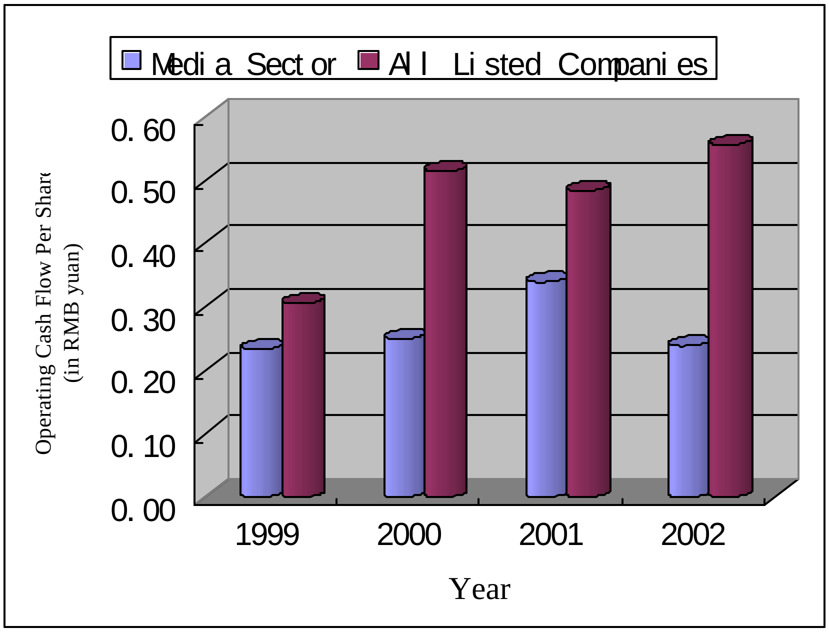


Figure 2: Comparison of Average Value of Operating Cash Flow Per Share

From the comparison of the two indexes, we can find that the average value of Stockholder's Equity Per Share from the media sector is higher than that of the all other companies, so from this perspective the assets quality of the media sector is good.

However, comparing the averagiated value of Operating Cash Flow Per Share between them, we find that media sector' s value is lower than that of the all other companies. This is primarily due to the large-scale investment of the media companies, whose administrative expense and financial expense are also very high. Therefore, the cash flow is small. But if we consider the characteristics of Chinese media industry this can be explained. First, the depreciation of fixed assets in some media companies, especially in cable networks is very high; Second, the demand for the capital of cable networks and other investment projects is huge, which causes the capital from the stock market to be used quickly and the bank interest to decrease. At the same time, some funds are loaned from other channels, and so there are interest expenditures. Therefore, the financial expense of corporations is increasing.

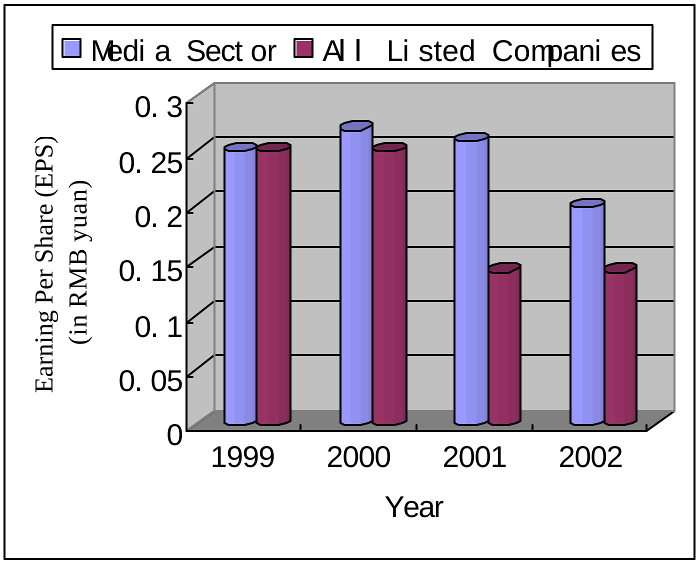


Figure 3: Comparison of Average Value of Earning Per Share (EPS)

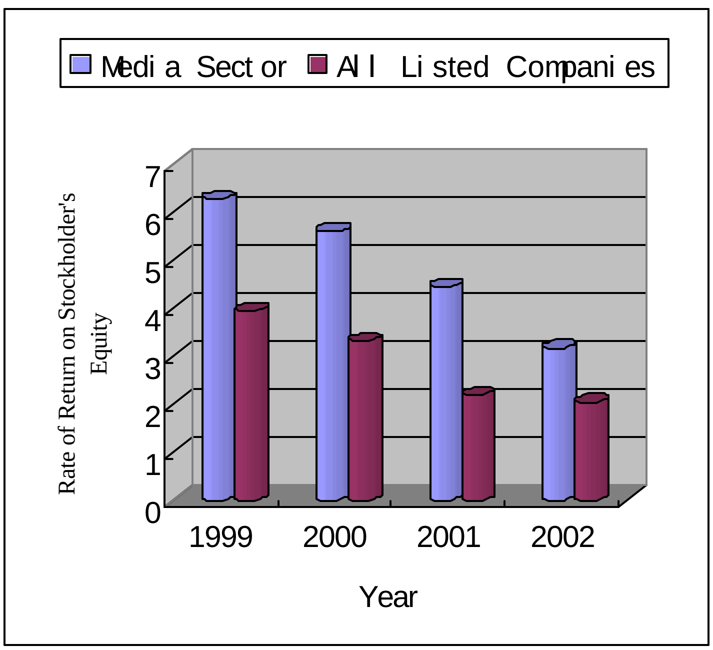


Figure 4: Comparison of Rate of Return on Stockholder's Equity

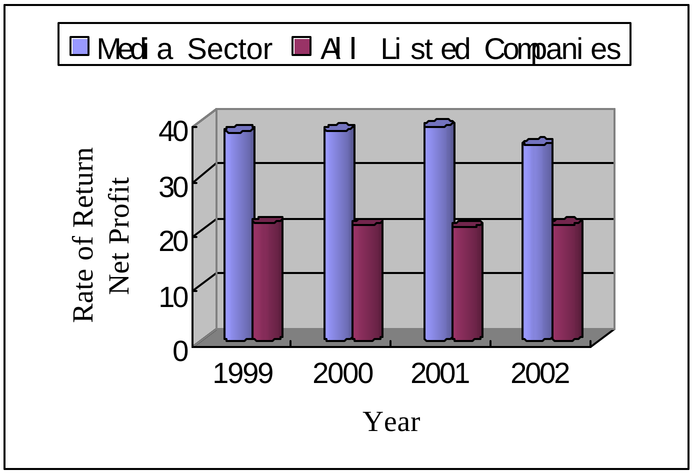


Figure 5: Comparison of Rate of Return Net Profit

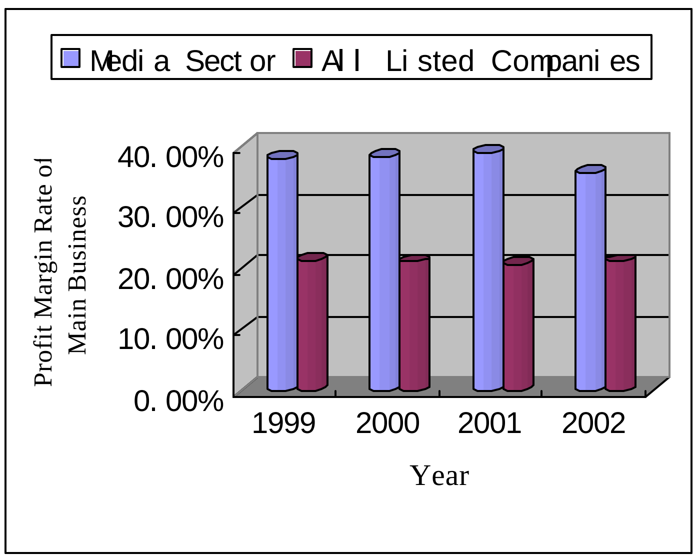


Figure 6: Comparison of Profit Margin Rate of Main Business

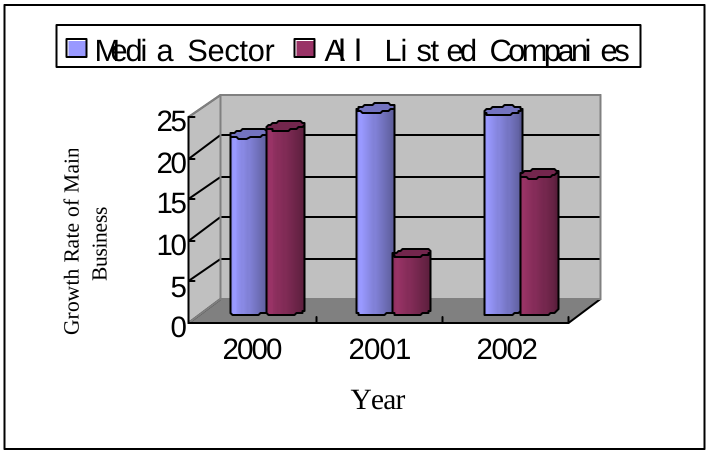


Figure 7: Comparison of Growth Rate of Main Business

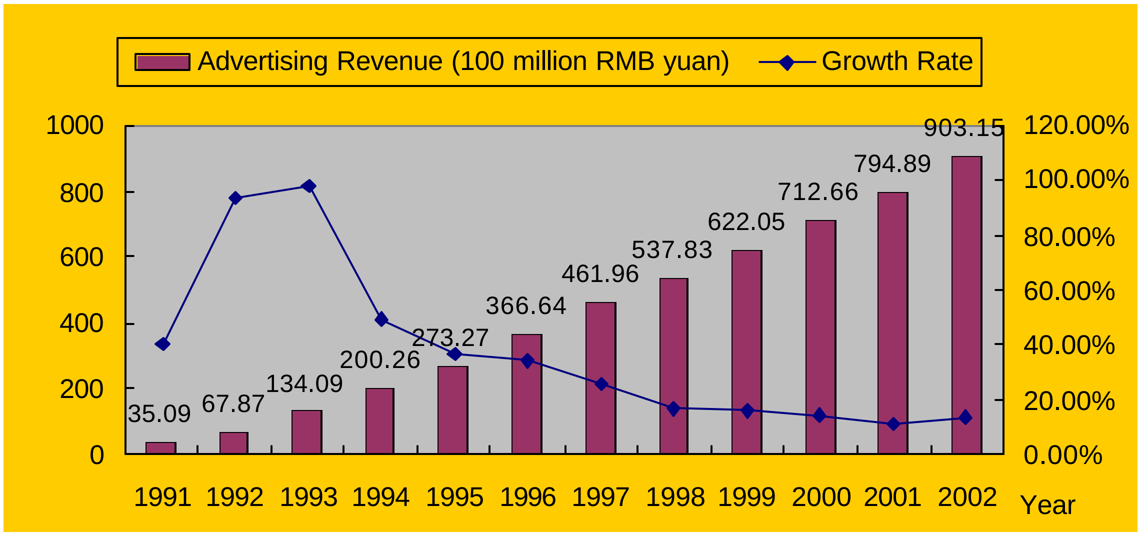
Through the media sector's profitability and growth rate indexes compared with all the other companies, we can see that media sector's is higher, so the profit increasing ability of the media sector is strong and the growth potential is vast. This can be much attributed to the following factors:

Firstly, the high speed and stable development of the Chinese advertisement market is the cornerstone of the good performance of the media sector. China has a huge ad market, and also keeps developing at a high increasing speed. From 2000 to 2001, the Chinese advertising expenditures ranked the tenth in the world, which accounted for 3 percent share of the world total advertise expenditures. In the Pacific Asia region, it also has ranked first for many successive years. As a result of large gross advertising revenues and the continuously increasing speed of development, the Chinese ad market has become a hot spot in the world.

Figure 8 presents the change of revenue and growth rate of Chinese advertising revenues from 1991 to 2002. Though the rate of growth is decreasing continuously, the total sum of revenue is still increasing. From this trend, we can see the fast development of the media industry, especially the ad market, props up the good performance of the media sector.

Secondly, almost all media companies can get protection from the local government's policy. For example, Beijing Gehua CATV Network Co., Ltd. is the only company authorized by the Beijing local government to build, operate and mange the cable network in the Beijing region, and it also has the rights to carry out community broadband internet and cable digital VOD service, etc. Hunan TV & Broadcast Intermediary Co., Ltd. also has the sole rights as advertising agency for seven TV channels that are divisions Hunan Radio, Film & Television Group.

Lastly, in spite of such malpractices often found in related transaction, frequent related transaction and continuous business reconstruction among affiliated companies are the main reasons that the listed media companies obtain high performance. For the time being, the scale and revenue of the listed media companies are meager in comparison with the media that they are based on. So the affiliated media play an important role in the development of the listed media companies. Unless the business of affiliated media is quickly deteriorates, then the business of listed media companies will not likely drop drastically.



Source: the State Administration for Industry and Commerce of P.R. China

Figure 8: The Chinese Annual Advertising Revenue and Growth Rate from 1991 -2002

Based on the above analysis, we can conclude that the assets quality of the media sector is good, the profitability is high and the growth potential is vast in comparison with that of all the other 1,255 companies in the stock market. However, when we explore the deeper reasons, we find that it is in some degree due to the monopolization of the Chinese media market, and the exceptionality of the Chinese media industry, which reflect some other problems of capital operation in the Chinese media industry.

The Problems of Capital Operation in Mainland Chinese Media Industry

From the development process of the media industry in developed western nations, we can see that the high-efficiency media capital market has unparalleled advantages in providing diversified financing channels, optimizing resources and spreading the risk. However the time-span of the Chinese media capital market is relatively short. The listed media firms operating in the stock exchange are still in their infancy. Therefore, there are still lots of problems to be solved in terms of market entry, shareholding structure, management structure and operational business.

There are many policy barriers to enter the media capital market. According to China's pledges made to the World Trade Organization (WTO), the distributing and printing operations in the Chinese media industry should be further opened. However, the details of regulation on investment are vague, and the methods of operation in Chinese media industry have not been completely established, so the policy barrier to enter the media capital market is relatively high.

At present, the regulatory system on the media industry is called “vertical well” management. The print-media are mainly managed by the State Press and Publication Administration (SPPA), while radio, television and film are regulated by the State Administration of Radio, Film and Television (SARFT). The China Ministry Information Industry (MII) is responsible for the Internet Content Providers (ICP), Mobile Content Providers (MCP), and Broadband Content Providers (BCP) (see Figure 9).

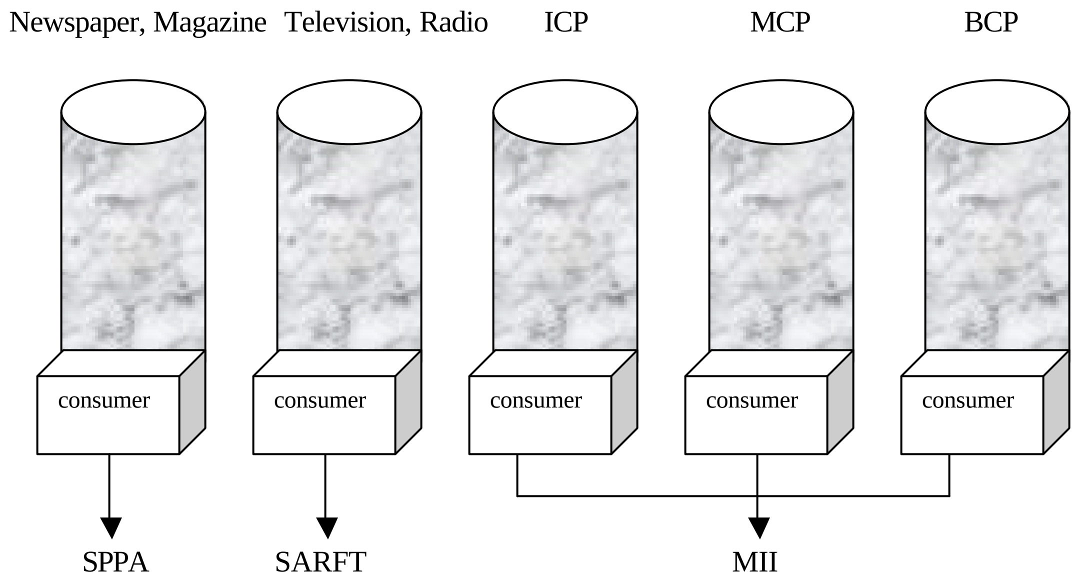


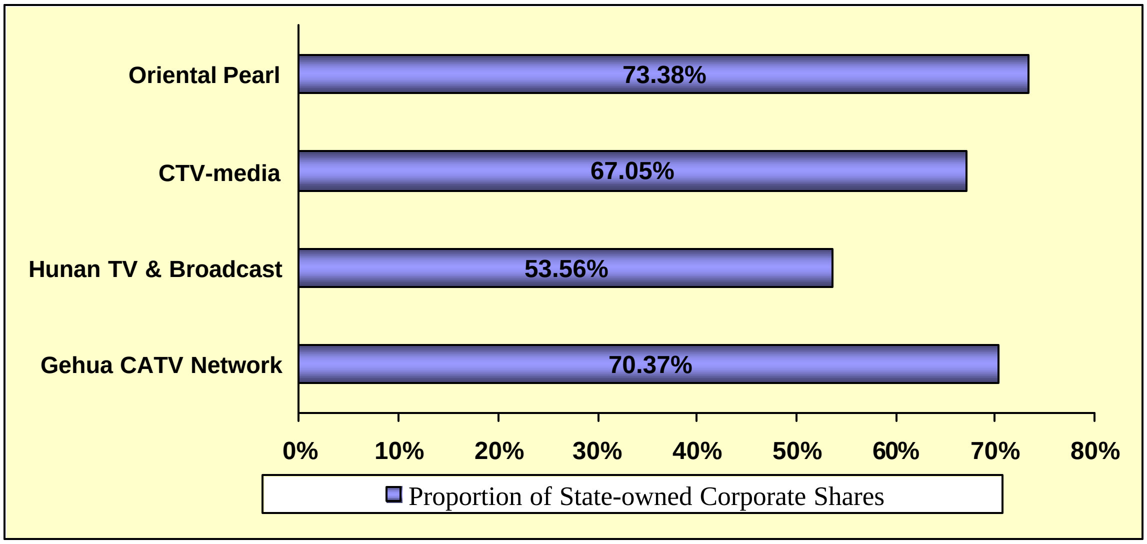
Figure 9: The "Vertical Well" Regulatory System of the Chinese Media Industry

As for property rights control, current regulations proscribe that when the non-media funds are invested into the industry, the owner cannot possess the direct control rights of media or property rights. The owner can only hold operational rights and obtain revenue for a period. Also, operational rights are not transferable.

When we get into specific financing policies, the regulation of radio and television is strict, but print-media is relatively flexible, and the internet-media is even more so. The radio and TV stations are monopolized by the state, they cannot absorb foreign and private funds. Businesses that carry out distribution and printing of print-media can absorb the state-owned capital and can also establish limited liabilities companies and shareholding corporations. State-owned capital, non-state-owned and foreign capital can be invested in the distributing field only. The construction of news web sites for newspaper, radio, and television can take in non-media funds, but cannot take in foreign or private funds. Stated-owned enterprises can take part in cable network building, but non-media enterprises do not have management rights. Cable network companies can take in state-owned capital, but the proportion of the funds cannot exceed 49 percent. After transformation in line with stock system and obtaining permission from the related administrative department, cable network companies can be traded on the Chinese stock exchange, but cannot be traded on the Hong Kong or other foreign stock exchanges. In summary, state-owned capital must maintain prime position in these media companies.

In some degree, just because the policy barrier is relatively high, it restricts non-media or non-state capital from taking part in the capital operation of the media market. As a result it causes monopolization of the industry, and leads to the good performance of media listed companies.

The proportion of state-owned corporate shares in media sector companies is so high that the remaining shares are not enough to satisfy the investing and financing demand from the public. We can take the key four media listed companies, Shanghai Oriental Pearl Co., Ltd., Hunan TV & Broadcast intermediary Co., Ltd., Beijing Gehua CATV Network Co., Ltd., CTV-media Co., Ltd. as an example. Except for the proportion of state-owned corporate shares in Hunan TV & Broadcast intermediary Co., being below 60 percent, all of the other three are above 60 percent. This means that share structure is not reasonable, and non-circulative shareholder takes the holding position (See Figure 10).



Source: Retrieved from the World Wide Web, July6, 2003:
http://finance.stockstar.com/ar/f10-6.asp?index=10&code=600037.
http://finance.stockstar.com/ar/f10-6.asp?index=10&code=600832
http://finance.stockstar.com/ar/f10-6.asp?index=10&code=000917
http://finance.stockstar.com/ar/f10-6.asp?index=10&code=600088

Figure10: The Share Structure of Four Typical Media Companies in 2002

Secondly, the shareholding structure of the four companies is thus: one state holding company as the biggest holder, with several other firms that have a small portion of the total shares tagged-on. For example, the state holding company in Shanghai Oriental Pearl Co., Ltd. is Shanghai TV & Radio Company, the state holding company in Hunan TV & Broadcast intermediary Co., Ltd. is Hunan Broadcasting Center, and CTV-media Co., Ltd.'s state holding company is Wuxi Taihu Film City Company.

Lastly, these state holding companies usually belong to a government department. For instance, the Wuxi Taihu Film City Company is affiliated with CCTV, and Shanghai TV & Radio Company belongs to the Shanghai Administration of Radio Film and Television. Therefore, these four companies are "listed companies" in name only, but in truth they do not circulate on the stock market as the state-owned corporate share cannot be traded publicly.

Actually, the so-called "listed media companies" issue just a small part of circulative share, which are in some degree non-interest loan from the public. So under such conditions, the "listed companies " cannot change the fact that they are the government's manufacturing units. The usual traits of a listed company—spreading shareholding and centralizing management—are not exhibited. Therefore, the actual amount of media capital is deficient. At the same time other types of media capital markets have no development, Chinese media capital markets are in fact small-scale capital markets. Under the current trend of direct financing, the collective scale of the Chinese media capital market cannot meet with the demand on capital that resulted from assets restructuring and resource allocating.
Imperfect corporate supervisory institution is very popular in all industries, but is very noticeable in the

media sector. When the listed companies invest in the media industry, there is a special checks-and-balances relationship among the three parties--the listed company as the media investor, the regulatory department as the media owner and the direct manager as the media operator. The investor is actually a creditor and not a shareholder. The media owner, that is to say the regulatory department, is the functional shareholder, as is the case with other relationship between the government and state-owned enterprises, but "the media owner" cannot play the role of a strategy developing decision-maker for the media because they lack management capabilities. Even if the investment company were to have shareholding rights, deciding the core leaders of the media companies would still be the regulatory department and not the capital power. In other words, the capital has a very limited influence on the core management. The situation has heavily affected management efficiency, and conflict among these three parties occasionally occurs.

The business fields of the listed companies usually are merely comprised of advertising, distributing, etc. more operational services. However, the core operation of media—editing sector—is not included, so in the strictest sense, there are no directly listed media companies. So the operational independency of the listed media companies is not high, and their performance heavily relies on competitiveness of media that they base on. The related transaction between mother-son companies can guarantee the development of the media industry in the short-run, but in the long-run the revenue and the profitability are easily controlled by the mother companies. In 2001, some media listed companies reduced profits were ascribed to the decreasing rate of margin in media.

Proposals for Future Development of Capital Operations in Mainland Chinese Media Industry

The fast and stable development of the Chinese media industry needs a highly efficient media capital market. Judging from the current situation, the asset quality of the media sector is good, the profitably is strong, and growth rate is high. Nevertheless, looking from the long-term perspective, the above-mentioned problems will become an obstacle for the future development of capital operation in the media industry. Therefore, on the foundation of the gradually reforming and perfecting regulatory system, we must probe into the strategy, method and policy to correct the shortcoming in the Chinese media capital market.

Borrowing from the reform experience of state-owned enterprises, the Chinese media industry should establish a policy of separation between ownership and management, and build up the operating and managing systems of state-owned media assets. The special institution for managing state-owned media assets should be incorporated into the regulatory systems, and manages the operating and non-operating state-owned assets. At the same time it should institute regulations and laws on management, evaluation and supervision on the property right transaction of state-owned media assets. After separation between ownership and management, the regulatory department does not have direct business operating rights, and can be devoted to macro-control, in order that the market be equitable, fair and orderly. Therefore, the role of the regulatory department is changed from the "player " into the "referee".

Exploring new forms of public ownership should be permitted. The stockholding system is another form of public ownership in which shareholders own the assets collectively. Therefore, not only the company exclusively invested by the state but also state-controlled limited media companies should be established. If we turn state-owned media companies into state-controlled limited media companies, this is one way that uses a potion of state-owned media assets to control the non-state-owned and non-media assets, while still being a form of public ownership. Under the premise of preserving the prime position of state-owned assets, we can formulate some regulations and laws that permit the media industry to raise funds from bank loans, enterprise credit, stock systems, etc., in order to set up high-efficient and fair media capital operational systems.

The indistinctiveness of property right requires personification of representative of right of state media capital. Currently it is difficult for state-owned media assets to flow in accordance with principles of capital in media industry. A main factor attributing to this phenomenon is that the main operating body of state-owned media is lacking, that is short of the personalized representative. So one can often hear this sentence: The proprietorship of state stock is clear, but we cannot find the owner of the company. The development of media capital markets requires construction of a main operating body of state-owned media assets and a managing system. The institution operating state-owned assets for media does not have to be responsible for media daily operation, and its main responsibility is to hold the media state-owned assets proprietorship and entrust a representative of proprietorship to manage and oversee them. At the same time it should invest in accordance with the laws of economics in those industries that needs funds. The final aim is to realize the enhancement of state-owned media assets. Accordingly, the institution operating state-owned assets for media also needs to bear the responsibility and let rights and responsibilities and interests unite.

Furthermore, the media stock market should further modify the entry, transaction and withdraw mechanism. At present, the development of the media capital market is still in its experimental stage, the market standardization is just getting underway, so administrative power is still stronger than the regulations in the approval process to enter the stock market. In the early stages of the media capital market's development, this can reduce market fluctuations, but after developing for a period time, regulatory standards about entry and withdraw should be established. As for the market entry, the government department should institute the standards for media companies' entry into the stock market, the principles of regulation, the board of directors by-laws, and incentive systems.

REFERENCE

Zhao Sun Guang & Geng Qiang.(2003): *Media Capital Market*. Hunan People Publishing House.

Lu YanYing (2002): *Fiancial Analysis*. WuHan University Publishing House.

Jiang LanSheng&Xie ShengWu (2002): *Report on the Development of Chinese Culture Industry*, Shanghai Social and Science Document Publishing House.

Tian ShuHua(2003): *Report on Media Listed Companies*. China Galaxy Securities Company Limited. retrieved from the World Wide Web, June 2, 2003: http://www.chuanmei.net]

Sun Yan(2002): The Analysis of Capital Operation in Chinese Media Industry. *Journal of Media Observation*,12(10), 33.

Chen Peng(2002): Chinese Media Industry Meets with Capital Influx. *Journal of Contemporary Communication*, 12(11), 54.

China Stock Start Website: http://www.stockstar.com/home.htm.

Shanghai Oriental Pearl Co., Ltd.: http://www.shpearl.com/.

Hunan TV & Broadcast intermediary Co., Ltd.: http://www.tik.com.cn/

Beijing Gehua CATV Network Co. Ltd.: http://www.bgctv.com.cn/index.jsp

CTV-media Co., Ltd.: http://www.cctvbase.com.cn/