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business

ONEU$DEQUALS

▲RMB	▲HKD	▲JPY	▲EUR	▲GBP	▲AUD	▲INR	▲CAD	▼KRW	▼THB	▼BRL
6.3664	7.7539	78.26	0.8063	0.6398	0.9453	55.30	0.9986	1128.70	31.47	2.0303

SOURCE: REUTERS, 9PM TUESDAY

DreamWorks to create $3.14b Shanghai center

Asian operation to make the third *Kung Fu Panda* movie in China

By SHI JING in Shanghai
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30 percent
the annual revenue growth rate for China's film industry

DreamWorks Animation, the US film company, has announced plans to build a $3.14 billion theme park in Shanghai, to bolster its presence in the booming local entertainment market.

DEALS

The studio's newly formed China joint venture, Oriental DreamWorks, is scheduled to open the theme park in 2016, said the creator of hits like *Shrek* and *Kung Fu Panda*.

Li Ruigang, the chief executive officer designate of Oriental DreamWorks, said the 20 billion yuan ($3.14 billion) project — being dubbed the Dream Center — will comprise entertainment centers, animation exhibitions and commercial developments, including hotels and shopping areas in Shanghai's Xuhui district.

The Dream Center will be the flagship attraction of the West Bank Media Port in Xuhui district, and is expected to bring in 20 million visitors a year, according to data provided by the district government of Xuhui.

Oriental DreamWorks also announced it will make the next *Kung Fu Panda* movie, the third installment in the series, in China for release in 2016.

The ambitious move comes after Walt Disney, another US entertainment company, last year broke ground on its planned $3.7 billion theme park in Shanghai, which is scheduled to open in 2015.

The first two *Kung Fu Panda* films enjoyed great success in the Chinese market, and the second film took in 470 million yuan at the box office.

Li said the company plans to release up to three films a year and its first feature-length animated film is scheduled for global release in 2017.

Established with an initial investment of $330 million, Oriental DreamWorks is owned by DreamWorks Animation SKG, producer of the original *Kung Fu Panda* and other animated feature films, and its Chinese partners, which include three State-owned enterprises.

They are the Shanghai-based China Media Capital, Shanghai Media Group and Shanghai Alliance Investment Ltd, one of the largest cultural exchange and cooperation programs between China and foreign countries.

The Chinese companies will hold a 55 percent stake in the new company, while DreamWorks Animation will control the rest.

Li Ruigang, also chairman of China Media Capital, said the company aims to become the largest animation production base in China and explore opportunities in copyright distribution, consumer goods, online games and musicals in the hope of establishing a complete home entertainment industry chain.

Xiang Yong, deputy director of the cultural industry research institute at Peking University, added that for Chinese domestic animators, who have suffered from an extended recession, DreamWorks' entry into China brings a great chance to learn from an industry leader.

"The cultural industry should always target a global market. We can now adapt to having global competition on our own doorstep."

China's animation industry had its first heyday in the 1960s, when the film *Uproar in Heaven* was screened at renowned international film festivals.

But the industry has struggled of late, burdened by a lack of original ideas and professionals, said experts.

Some local animation firms said they are looking forward to learning from DreamWorks, especially from its world-leading 3D technology.

During a visit to Shanghai in March, Jeffrey Katzenberg, chief executive officer of DreamWorks Animation SKG, said the Shanghai studio will concentrate on stories that "have a connection to the culture, history and literature of China".

He also promised to bring the 3D technology that DreamWorks has developed during the past five years to Shanghai.

China has become one of the biggest film consumers in the world, as film industry revenues surge at an annual rate of 30 percent, said Zhang Pimin, deputy director of the State Administration of Radio, Film and Television.

China is also expected to become the second country in the world to have more than 10,000 movie screens by the end of 2012, following the US.

Katzenberg and Li both said on Tuesday that the Dream Center project will not be a threat to the Shanghai Disneyland.

"The Dream Center is different from any other large cultural project in China, including Disneyland," Li said.

Disney said in April it had joined an initiative to develop Chinese animation productions.

It will also co-produce *Iron Man 3* in China with DMG Entertainment, as Hollywood seeks to tap into the fast-growing movie market.

Chinese box office revenue increased an annual 35 percent to $2 billion in 2011, making it the second-largest international market behind Japan, according to the Motion Picture Association of America.

AP and Xinhua contributed to this story.

LONG WEI / FOR CHINA DAILY

Stock investors at a securities brokerage in Hangzhou, Zhejiang province, on Monday.

Has the bear outstayed his welcome?

By GAO CHANGXIN
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It's been five years since China's last bull market retreated in late 2007.

A lot has changed since then: a global financial crisis has come and gone; many eurozone countries are still struggling; the Chinese central bank has adjusted its benchmark interest rates more than a dozen times.

ANALYSIS

But despite all this, and more, China's main stock index — the Shanghai Composite Index — at 2157.62 points at Tuesday's close, has been largely unmoved.

In China, up to 85 percent of A-share market capitalization is in the hands of individual investors, according to China Securities Regulatory Commission, the country's top securities regulator.

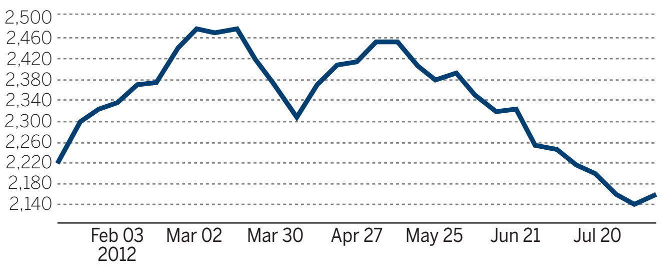
Many of those investors suffered the most painful losses when the country's major stock index plummeted from more than 6000 points to 2000 points in just a few months in 2007 and 2008.

Their clamor and anticipation have increased in recent months, with the introduction of various pro-growth policies that were expected to add market liquidity.

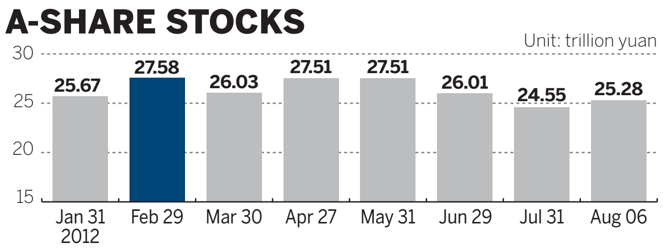
Many said they have waited long enough for the bull to return.

"The stock market has been miserable for so long that it's time that the government do something to shore up the market," said Liu Liyang, a shop assistant in Shanghai who suffered "great losses" in the dark days of 2008.

SHANGHAI COMPOSITE INDEX



TOTAL CAPITALIZATION OF A-SHARE STOCKS



Source: Wind
SHEN WEI / CHINA DAILY

Analysts said it is certainly reasonable for investors to have become impatient.

After the People's Bank of China, the central bank, cut the benchmark lending and savings rates for the second time in a month on July 6, many expected that easier credit would boost the stock market.

Economist consensus is that the GDP growth will bounce back in the second half after hitting a three-year low in the second quarter.

Experts have suggested that as a precursor for a return to a stronger economy, the stock market will be a beneficiary of rising investor confidence.

"All the recent news points to a stronger stock market, which should see a rally sooner or later in the second half," said Li Daxiao, director of Yingda Securities Institute, in a message on his micro blog.

However, the Shanghai Composite Index has been down 2.97 percent this month, and 1.90 percent year-to-date.

The weak performance, despite the favorable signs, prompted one frustrated investor to suggest online this week that "the country is brewing a huge plot to take advantage of its investors".

There are various explanations being offered for the continued bear market.

Zhang Qi, a stock analyst with Haitong Securities Co Ltd, suggested that the "intensive issuing of new shares is definitely one of the dampers on the market".

By the end of July, 765 companies had filed applications with the regulator and were awaiting examination for an initial public offering, according to the securities regulatory commission.

In July, more than 70 percent of the candidates examined were given a green light.

Wang Jianhui, chief economist with Southwest Securities Co Ltd, agreed with Zhang that new issues affect the market.

He said that issuing new shares "siphons" funds and drags down the market.

"The bigger the pool, the shallower the water," he said.

Moreover, little of the liquidity flowing from interest rate cuts goes into the stock market, he added.

In times of economic uncertainty, China's State-owned lenders have generally been encouraged to make the real economy — which concerns the production of goods and services, rather than the part that is concerned with buying and selling on the financial markets — a priority.

In July, when the central bank reduced rates, a total of 67.3 billion yuan ($10.6 billion) flowed out of the stock market, following an outflow of 87 billion yuan in June.

It is also important to note that few of the investment decisions made in China's stock market are based on economic or company fundamentals.

In a market so often driven by speculation, it becomes irrelevant whether the economy is getting better or not.

Speculation is so rampant that Guo Shuqing, chairman of the China Securities Regulatory Commission, advocated publicly for "rational investments" earlier this year.

SEE "STOCKS" PAGE 14

Discounting e-commerce firms win 'price war' in H1

By CHEN LIMIN
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The value of online sales in China exceeded half a trillion yuan in the first half of 2012, a result in part of aggressive discounts offered by e-commerce companies to attract customers.

RETAIL

Shoppers spent 511.9 billion yuan ($80.39 billion) online in the first six months of the year, 46.6 percent more than in the same period a year earlier, according to a report by the China e-Business Research Center, a market analysis company based in Hangzhou, Zhejiang province.

Experts said e-commerce companies will continue to offer low prices to attract customers in the second half of the year.

In July, Tmall.com, which arranges sales between businesses and consumers, said it would provide 1 billion yuan in subsidies to sellers and buyers in the last six months of 2012, the third such subsidy it has announced in three months.

That offer came on the heels of various steps e-commerce companies took from April to June to offer prices that are lower than their competitors'. Some companies, such as Beijing Jingdong Century Trading Co Ltd, offered shoppers large discounts.

"E-commerce companies can gain a bigger market share by initiating price wars," said Mo Daiqing, an e-commerce analyst with the China e-Business Research Center.

"And it's also a way to attract potential investors and retain users."

Wu Sheng, senior vice-president of Beijing Jingdong Century Trading Co Ltd, which runs the e-commerce site 360buy.com, said the company plans to maintain its policy of offering low prices in the second half of the year.

"I don't think having a price war is really a central part of e-commerce," he said. "It's just a response to the fact that most online shoppers are very aware of prices."

China was home to 214 million online shoppers by the end of June, up 23.7 percent year-on-year, the report said. It predicted the number will increase to 273 million by the end of the year.

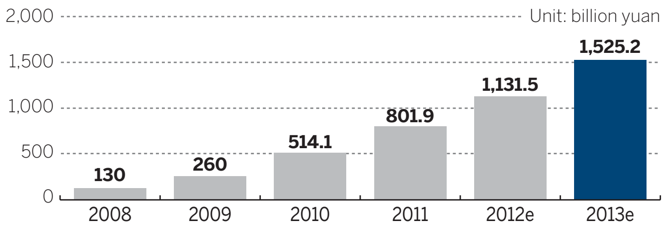
Mo meanwhile said attempts to keep prices low could eventually harm the e-commerce business. While that practice helps attract shoppers, it also places a strain on companies' capital reserves.

Jingdong, for example, reported a net loss of more than 1 billion yuan last year, double the amount of the year before.

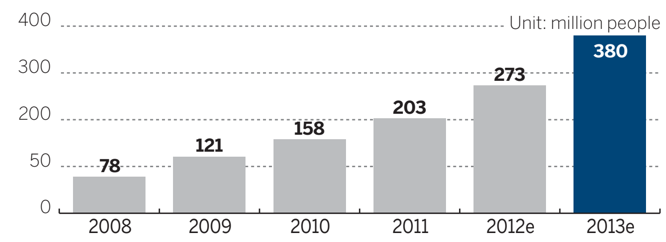
Even so, it had the second largest share of the Chinese online market for goods and services sold from businesses to customers — enjoying 20.5 percent of the pie. Tmall, the largest such company in China measured by sales, had a 47.6 percent share, the report said.

In the business of arranging sales among customers in China, Taobao.com remained a dominant force, having a 94.5 percent share of that market during the same period.

VALUE OF CHINA'S ONLINE SALES



NUMBER OF ONLINE SHOPPERS IN CHINA



e: estimated
Source: www.100ec.cn
SHEN WEI / CHINA DAILY