

# THE GLITZ, GLAMOUR AND TAXES...



## Implications for the entertainment industry

Former CCTV talk show host Cui Yongyuan whistle blow on the tax evasion flames have brought to light the issue of tax evasion which was common amongst celebrities. The Chinese government has announced a cap on actors' salaries to prevent tax evasion and celebrity "money worship". Chinese actors will no longer to accept more than 40% of the total production costs, while leading actors must not exceed 70% of the total cast remuneration. These caps apply to Chinese film/TV productions, variety shows and digital-only series.

China's biggest entertainment companies have also supported the boycott on excessive wages for celebrities, effectively capping the fixed amount of salary each actor is allowed to receive per project.

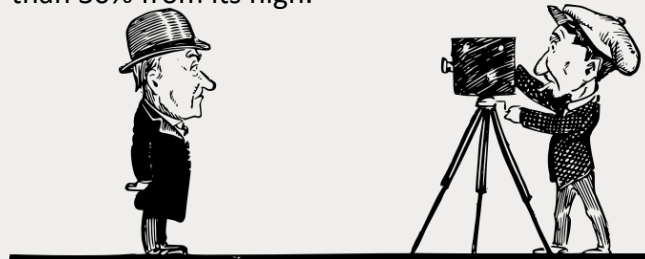
## A healthier industry?

While the crackdown has cast a layer of uncertainty over China's fast-growing entertainment industry, insiders believe that this could ultimately lead to more quality productions and healthier industry dynamics in the long run.

High celebrity wages have been threatening the profit margins across Chinese studios. Even top studios like Huayi Brothers Media and Zhejiang Huace Film & TV were not spared as well.

## Benefitting smaller production houses

The uncertainty over the media industry has resulted in a value de-rating of drama producers listed in China, with their average PE coming down more than 60% from a high in 2016. This has also affected locally listed peers such as mm2 which had seen its share price fall more than 30% from its high.



In the medium to long term, however, we think the recent industry development is expected to benefit smaller players like mm2—As the price ceiling in wages benefit small to medium production houses, who typically may not have as many sponsors or high production budget to compete for A-listers actors in the past. This may potentially open up a level-playing field and more collaboration opportunities between all the players.

As china content producers adapt these new regulations, it will also open windows of opportunities to foreign productions from Hong Kong and Taiwan as media distributors seek new content, benefitting foreign players.



# NEWSLETTER

## POWERFUL WOMEN IN THE BUSINESS WORLD

<http://fortune.com/most-powerful-women/>

Recently **Fortune magazine** debuted its 21st annual “Most Powerful Women in Business” list on, which includes women leaders from the Entertainment industry, General Motors, IBM, Google and Facebook. IBM newly appointed first female CEO, Ginni Rometty in Top 10 list. Among those were, Sheryl Sandberg who led Facebook through a much-anticipated IPO.

Mary Barra, Sheryl Sandberg as well as Oprah Winfrey are at the top of the power grid, accountable for untold billions of dollars. In Sheryl Sandberg’s No. 1 best-seller, *Lean In: Women, Work, and the Will to Lead*, Sandberg exhorts all women to stand out in the structure, to proclaim, professionally, **“Speak up. Believe in Yourself and Take Risks.”**

Certainly, the spirit of female achievement is more liberated today. Ladies you are definitely getting there!

### Top 10 Powerful Women (Fortune):

1. Marillyn Hewson, Chairman, President, & CEO, Lockheed Martin
2. Mary Barra, Chairman & CEO, General Motors
2. Abigail Johnson, Chairman & CEO, Fidelity Investments
4. Ginni Rometty, Chairman, President, and CEO, IBM
5. Gail Boudreaux, President and CEO, Anthem
6. Sheryl Sandberg, COO, Facebook
7. Safra Catz, Co-CEO, Oracle
8. Phebe Novakovic, Chairman and CEO, General Dynamics
9. Ruth Porat, SVP and CFO, Google, Alphabet
10. Susan Wojcicki, CEO of YouTube, Google, Alphabet