Enterprise Valuation in the Chinese Cultural Industry

Ke Li
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Chapter 1: Why conduct studies of enterprise valuation in the cultural industries?

1.1 The natural trend in human industrial advancement

The cultural industry is known as the cultural creative industry or the creative economy in Britain and Europe, and also as the copyright industry in the US. The cultural industry is emerging as the most significant industry in both our human material and intellectual life. To quote the words of the father of UK creative industry, John Howkins, to illustrate the importance of this topic of study: “the value of intangible assets created by humankind would eventually exceed that of our physical material assets. Inventiveness and creativeness are the core competitive edge of a country’s social and economical development”. As such, this is an important topic of study. The research findings of this study would provide an entirely new concept of thought to entrepreneurs and researchers involved in the cultural industry. It would further enable entrepreneurs and also investors in the capital market to seek out more objective trading instruments to ensure valuable Chinese cultural industries are not being underrated or undervalued.

On reviewing our human history, we would notice that for living spaces and resources, humanity’s economic activities always revolve around the continual expansion and exploitation of our planet’s resources. We could classify humanity’s historical economic activities into four industrial stages: the agricultural industry stage; the industrialization stage; the service industry stage, and the media and information industry stage. Is there now a fifth industry stage? John Howkins and some experts put forward this new point of view, that is, humanity is now entering the cultural industry stage. In every industrial stage, humanity utilizes the impetus and demands of the mainstream trend of that stage to propel economic development. The globalization of factors like the economy, science and technology, information and the market would also compel the globalization of the cultural industry. The use of economic impetus and industrial means to further cultural industry collaborations and competitions among nations would also become the main feature of this economic development.

1.2 The cultural industry is significant and essential for social development

There is an eminent rise of global cultural industry in recent years. In 2000, a United Nation report entitled Study on International Flows of Cultural Goods: 1980-1998 showed that in 1980, the annual trade volume of cultural industry products such as
printed matters, literal works, music, visual arts, movies, photographic works, radio broadcasting, television, games and sports goods amounted to USD 95.34 billion. In 1998, the volume increased to USD 387.93 billion. As a result of this, Peter Drucker pointed out that “today’s real mainstream player in resources and key deciding production factor is not land or labor, it is creative culture”. In view of this, the development of cultural industry will lead to the creation of new employment opportunities and produce new economic wealth.

Currently, nations like the US, Japan and Germany, are highly developed in their cultural industries and play leading roles in international trade and economy, cultural influence and political dominance. World’s top 50 International conglomerates like Time Warner, Disney, Bertelsmann, dominated 95% of the international cultural industry market share. For this reason, the valuation of cultural industry therefore becomes an inevitable topic to any nation or business enterprise.

Chapter 2: A historical summary of the cultural industry and its valuation framework

2.1 The historical review of the various issues
The enterprises in the cultural industry are consistent with other economic organizations in that they could not be dissimilar from the usual enterprise characteristics. When we look into the history of enterprise valuation of cultural industries, we have to also look at this in line with the history of general business valuations. The history of this topic could be divided into three stages

1. The experience-based valuation stage (before the later part of the eighteen century)

In the early days, valuation usually arose from the participating parties’ inability to come to an agreement in value on a particular rare commodity. They would engage the help of experienced third parties to evaluate and determine the value of these rare commodities such as gemstones and real estate properties. This practice soon evolved from rare and precious commodities to corporate or company valuations.

2. The scientific valuation stage (from 1792 to the 60’s in the 20th century)

After the second industrial revolution, the development of world economy quickened its pace and accelerated. This was then followed by the boom in the asset valuation and appraisal professions. During this process of development, three methods of valuation emerged. They are the cost valuation, market valuation and income valuation methods.
3. The comprehensive valuation stage (from the 60’s in the 20th century to present)

Following the globalization of finance, information technology and intellectual economies, the enterprise valuation profession and sector enjoy an unprecedented development boom. As a result of this boom, new valuation techniques and appraisal methods came into being, especially those from the US.

The Chinese asset valuation profession got off at a much later date than the US and Europe. It only started its pace in the late 80’s and early 90’s in the 20th century. The Chinese enterprise valuation practice mainly focuses itself in asset valuations. Significant emphasis is being placed on tangible assets like real estate properties together with machinery and equipments. Chinese enterprise valuation in the true sense only commenced after the issuance of the “Enterprises Value Assessment Guidelines (on a trial basis)” in 2005. With its coming into operation, attention has been placed into enterprise valuation and subsequently it has progressed and further developed.

In the US and Europe, although cultural enterprises have their own distinctiveness, they are however under valuation regulations governing normal corporate assets. In China, however, due to the inefficiency of the copyright protection laws, genuine creative industry enterprises had hardly a say in the matter and have difficulty in attaining rightful and fair valuations. Since the researcher of this paper resides in China, and had seen quite a lot of cases where Chinese enterprises in the cultural industry not being fairly valued and therefore subsequently did not secure a healthy business development. There were also cases where a lot of private equity capitalists only hyped on the concept of public listing but dilapidate the cumulative creative resources of quality cultural industry companies like the Beijing Motie Book Company, Beijing Thinkingdom Media Group, and Beijing China Media Time. Throughout business history, enterprise asset valuation has an important role in the development of the cultural industries. When the assets did not receive a fair and objective valuation, the enterprise would not get the vital economies of scale development of its assets. For the enterprise, not having a fair and objective asset valuation would impede and hamper the acquisition of development talents, business opportunities, and financial capital supports. This is the true essence of this topic of study.

2.2 Some concepts and definitions pertaining to the relevant issues

Before delving into the research and study of enterprise valuation in the cultural industry, there are a few relevant concepts to clarify and define. Without these clarifications, we would plummet into a narrow technical numerical trap and render the study valueless to the creative assets and the enterprise.
2.2.1 What is culture and what is the cultural industry?

First we have to define the concept of “culture”. In China, the word “culture” appeared earliest in the book of I Ching in the Spring and Autumn Period in Chinese history, about 2500 years ago. In the 22nd hexagram (bi 賁 hexagram), the explanation to the hexagram is as follows: “Observe celestial phenomena, survey seasonal changes: look into human culture, and bring righteousness to the world”. In China, the word “culture” would embrace the tripartite meaning of time-space, humanity, and education. In the west, the word “culture” came from the Latin word “colere”. The Latin word “colere” would include the meaning of man’s transformation of nature to accommodate man’s need of clothing, food, shelter, land for agriculture, crops for cultivating, together with education and training. Therefore the word “culture” would include its meanings in the general and specific sense. The eminent American Chinese scholar Yu Yingshi commented in a general sense that “culture is everyday life”.

On the definition of cultural industry internationally, however, different ethnicities and nations have not come to an agreement on an accepted definition. This has further complicated the concept of cultural industry. The concept of “cultural industry” was first proposed in 1947 by Theodor Adorno and Max Horkheimer of Germany in their book Dialectic of Enlightenment. In the middle of the 80’s in the 20th century, the eminent group of thinkers known as the Frankfurt School began a systematic study into popular culture, cultural economy and the cultural industries.

At present, however, different historical and cultural backgrounds still render different countries holding on to dissimilar concepts to cultural industries. They are diversely called Culture Industry, Pop Culture, Popular Culture, Media Culture, Content Industries, or Copyright Industries. In Japan, cultural industries are even systematically grouped under Entertainment and Tourism Industries. In the UK, cultural industries are termed Creative Industries. The British scholar Justin O’Connor opined that the products of cultural industries should be classified as “symbolic commodities”. This concept has widened the scope of the industry. UNESCO interprets the cultural industry as: According to industrial standards, the production, reproduction, storage and the distribution of cultural goods, commodities and the services thereof. From this definition, cultural industry will operate within its industrial standards. That is to say that its production should be on a large scale, mass batch production basis before being qualified to be known as cultural industry. Scattered small scale productions without accomplishing a production-reproduction cycle do not fall into the category of cultural industries.

2.2.2 The components of cultural industry
Looking at the history and present-day global cultural industry and projecting its future development trends, we could group the cultural industry into three categories: the traditional category, the extended category and the newly developed category.

By the traditional category, we mean the generally accepted normal cultural products and its marketing contents such as public performances, broadcasting, film making, television, audio-visuals, publications, cultural entertainments, together with the product’s and service’s copying and reproduction, transmission, archive and storage, and consumerism.

The extended category will include those enterprises and sections which are not traditionally considered as cultural but slowly gaining acceptance into the cultural realm with the expansion of the notion of culture. This category comprises education, sports, tourism, advertising, and exhibitions.

The newly developed category emerges with the rapid advancement in science and technology to bring about great changes in our daily lives. This new category will include content industries, information technology and the digital entertainments industries.

2.3 How to determine the basic valuation framework of the cultural industry

Different industries would reflect their asset valuations in different ways. In the cultural industries, the value would mainly be in the form of intangible assets showing their creative values. These creative values will then further enhance the industry and the product’s extended and derivative values.

The business asset values of cultural industries are the basis for the company’s transaction activities. Asset valuations therefore offer the parties to the transaction a vehicle and mechanism for transparent and efficient information exchange. This would facilitate the two transaction parties obtaining up to date relevant corporate information, saving transaction costs and increase the efficiency of transactions.

2.3.1 Cultural industry valuation and its current features and characteristics

The enterprise is a vehicle carrying the enterprise value. Enterprise value is a representation of the enterprise’s intrinsic product monetary value. The value of an enterprise is viewed as the ability for an enterprise to create value. Looking from different perspectives, the definition of enterprise value would inevitably be varied in different enterprises.

From a management point of view, enterprise value is the enterprise’s adherence to the law of value to apply the management skills with the enterprise’s value as its core objective. This will then enable the enterprise’s stakeholders (such as shareholders,
creditors, managers, ordinary employees, and the government) to receive a satisfactory return. The value of an enterprise will be determined by the enterprise’s future earnings ability. From the economics viewpoint, enterprise value is the discounted net present value of the enterprise’s future earnings. It is closely related to the enterprise’s financial policies and decision making, reflecting the enterprise’s time value of money, risk, and its sustainable capacity for future development.

An enterprise’s value can be represented in many different ways in accordance with different valuation objectives. It can be in the form of the enterprise’s overall intrinsic value, capital investment value, and value of stock rights. From a financial management point of view, the enterprise’s value could be represented by book value, intrinsic value, market value, appraisal value, replacement value, liquidating value, and auction value etc. Each and every valuation would have its own rationality and application usability.

In July 1st 2012, China issued a standard entitled “Asset Appraisal Standards – Enterprise Value”. The standard stipulates that: Enterprise asset valuation is the action and process of valuation performed by a registered Certified Public Valuer on the total entity value based on analysis and appraisal on the base date, of the enterprise’s assets, the shareholders’ total equity value or part of the shareholders’ total equity value, and the expression of the professional opinion thereof.

The cultural Industry’s asset valuation in China currently shows some special characteristics:

1. The contents and creativity are on the trend of being copyrighted. The recognition of rights has a longer time cost.
2. The trend of cross-industrial expansion and combination with chaotic consequences.
3. The cultural industry’s financial capitalization trend but unable to achieve the intended capitalization requirement.
4. The trend towards entertainment with not much of substance in contents.

The above trends and environment in the industry would inevitably affect the decisions and policies made by the decision makers in the cultural industry.

Because of the imperfections within the copyright protection and valuation systems in Mainland China, the first round of financial capital injection into the cultural industry in 2008-2012 had caused various cultural enterprises like Beijing Zhipin Book Company, Shenyang’s Wanrong Book Company, Beijing Zhongzhi Bowen Book Company, and Beijing Xinhua Pioneer Company to be vastly undervalued.

According to normal financial conventions, quality asset structure and opportunity initiative would constitute good asset value. Because of the inability to recognize a fair and equitable valuation on the intangible assets, some of these enterprises were
unable to utilize these intangible assets to secure corporate financing from financial institutions. Beijing Zhipin Book Company owns 766 book copyrights and being valued at RMB 60 million by certain authoritative valuation institution, was nevertheless unable to obtain any loan financing from any banks.

2.3.2 Current status and conditions of capital involvements in the cultural industry

According to the statistics from the Beijing’s Xinyuan Wenzhi Consultancy Services Company, in 2011, there were 43 cultural industry funds such as the general cultural funds, works of art funds, online games funds, animation film and video funds in the Chinese fund capital market. Among these funds, the 20 works of arts funds form the largest group, being 46.51% of the total. The next largest are the general cultural funds with 15, forming 34.88% of the total. Of the 43 cultural industry funds, 34 of these announced their amount of funds raised. They came to a total of RMB 52.81 billion yuan. The highest funding capital raised was the general cultural funds with 36.3 billion yuan, forming 68.74% of the total. Next was the animation film and video funds with 8 billion yuan, forming 11.36% of the total. These 43 cultural industry funds were distributed in 11 provinces, cities and autonomous regions. Among these, 15 funds were set up in Beijing and these constitute the largest provincial group, being 34.88% of the total provincial funds. Next was Guangdong province with 11 and forming 25.58% of the total. Within the 34 cultural industry funds which announced their amount of funding capitalization, 10 of which were from Guangdong province and constituted the highest number and amounting to 29.41 of the total capital. This was followed by Beijing with 8 and amounting to 23.53% of the total funding capital. The average individual fund capital was 1.553 billion yuan with online games funds being the highest average with 3 billion yuan followed by the general cultural funds with 2.42 billion yuan.

According to the same company’s investigations, there were 500 cases of investment and financing in the cultural industry in 2006-2011. 351 cases reported publicly the volumes of investment and financing. In 2011, it was 220 cases of fund investment and financing and 149 cases where the volumes involved were publicly reported, being 44% and 42.45% respectively for the period 2006-2011. These are the highest amounts over the years.

2.3.3 The basic valuation framework of cultural industry – The Four-Four Extension Principle

We need to thoroughly understand and master the basic valuation framework before we could embark upon a fair and equitable valuation of the cultural industries. In other words, master the framework is the prerequisite to accomplish fair and equitable
valuations.

The “four-four extended principle” framework:

The first four constituents: patent and copyright, trademark, innovation, technology. The second four constituents: creative content, traditional industry, extended industry, newly developed industry.

The concept of the “four-four extended principle” is to utilize the sum of the two four constituents and their extended domains to determine a fair valuation for the cultural enterprise.

Without patent and copyright, it will never sustain a long term product value. Without product value, there will never be an enterprise value and subsequently there will also never be a cultural industry. The United States has made it imperative that patent and copyright are vital for big scale industrial development and also vital to the minute detail of product specifications.

Trademarks are warranties from the enterprise to the consumers. It is the fortress of survival for the enterprise and also a base for extension and expansion of the enterprise products. The enterprise relies on supplying consumers with value products for sustenance and survival. However, products will have their product life cycles. Only with creativity and innovation will the enterprise provide value products to the consumer for future survival and prosperity.

It is human nature to delve into new technology. This new technology will inevitably save costs and enable the enterprise to gain new opportunities to take the lead.

Creative Content is the core for the enterprise and its products. This would include the content works, the author, and the research and development team. Creative content generates enterprise profits and also enhance and expand the product chain.

Traditional industries are those that include tutelage and lecturing, film making, television, audio-visuals, drama and theatre, broadcasting, and printed media (books, magazines and newspapers).

Extended industries encompass education, sports, tourism and travel, advertising, exhibitions and auctioneering.

Newly developed industries would include mobile media, games, the internet, electronic entertainment, and electronic living.

In the process of building up the creative content values, some other important elements are required too. These are: teamwork skill, funding capacity and resources
reserves, among others. To quote as a case study, the recent popular "The Job Promotion of Miss Du Lala" is a good example utilizing the workings of the four-four extended principle operating from its original contents to form a product chain. At the initial creative stage on only a 2000-word blog writing, the author Li Ke vividly illustrated a big corporation’s work atmosphere in a humorous and witty way. This attracted an acute publisher Wang Yong’s attention to join and co-participate in further the creative production. The maturity stage brought out a popular book selling 4 million copies; a theatrical play reaching 1200 performances. The full development stage produces television drama series, movie, games etc. to achieve an extended operation earning revenues of over 300 million yuan.

Chapter 3: Methods of Valuation and the areas of uncertainty in valuation

3.1: Book value and market value

There are two main representations of an enterprise’s asset valuation i.e. the book value and the market value. Book value is the value as shown in the balance sheet comprising total assets, net assets reflecting mainly on historical costs. Market value such as the market value of stocks or shares, and consideration payments in mergers and acquisitions would reflect the future earnings of the enterprise.

In the majority of cases, the book value of a cultural enterprise would not genuinely reflect the enterprise’s future earnings and normally there is a substantial difference between an enterprise’s book value and its market value. In general, book values are for accounting record purposes only and the investors in the capital market are more interested in the market values. All the values discussed below utilize the market values.

3.1.1: Valuation objectives and targets will determine the valuation methods

Common enterprise valuation objectives are:

1. Reorganization of the enterprise or IPOs.
2. Sale of the enterprise as a whole or sale of shares or the acquisition thereof.
3. The enterprise’s mergers or amalgamations.
4. Sale or purchase of part of the business operations.
5. Utilizing the whole or part of the enterprise rights for mortgage collateral to secure bank loans.
6. Dissolution of the enterprise or partnerships.
7. The impairment tests on long term investments or goodwill.
8. Litigations and lawsuits.

The object of enterprise valuation is the value of the enterprise as a whole, share
holders equity value and share holders partial equity value. During the process of valuation, the professional assessor or valuer shall consider the objective of valuation and the requirements of the clients in order to establish the valuation entity and diligently identifying the enterprise’s total value, the share holders total equity values and shareholders partial equity values and state these clearly in the valuation report.

According to clause 7 of the European Valuation Standards, the independent assessor should classify the enterprise valuation work into two categories: the enterprise value and the equity value.

Enterprise valuation is not analogous to enterprise asset valuation. Asset valuation is an enterprise’s component valuation. An enterprise valuation is economically taken as the enterprise’s ability to create economic value or its capacity for profit. In this context, the valuation of an enterprise is in fact a valuation of the earnings or profitability capacity of the enterprise. The enterprise as a whole entity would have its profitability capacity in the integration of man power, material resources and financial strength. The combination of these would culminate to the success of the company. In this essence, an enterprise valuation is in fact a total valuation of the enterprise as a single entity.

Here is a case study of enterprise valuation utilizing the exchange of shares:
In March 12, 2012, Youku Incorporation and Tudou Incorporation announced their final agreement to merge by mutual 100% share exchange. Both the A and B ordinary shares in Tudou Inc. are being delisted and each share in exchange for 7.177 Youku A ordinary shares. Tudou’s ADS would also be delisted and each in exchange for 1.595 Youku ADS. The whole transaction amounted to USD 1.04 billion. The premium for Tudou came to 159%. In the end, Youku holds shares of 71.5% and Tudou holds 28.5% in the new entity.

3.1.2: Three traditional methods of valuation and various others
Whatever the valuation methods, an enterprise’s market value and the valuation other than the market value, are values of the enterprise at a particular point of time. They constitute the fair and equitable value of the enterprise.

1. Cost Method
Also called the replacement cost method. It uses the cost of replacing an asset, calculated by considering the cost of purchasing or producing the same item at the agreed base date; or replacement cost less the various wastage, wear and tear, to determine the net asset values.

The formula for the replacement cost method is:
Current Market Value (estimated appraisal value) = replacement cost – tangible wear and tear - intangible wear and tear = replacement cost - tangible
wear and tear – functional obsolescence – economic obsolescence

2. Market Method
   It is also called the current market price method. This method utilizes the value of an asset or equivalent if it were to be sold on the open market at its current market price, and taken into account direct comparison or analogical comparison to similar assets that have been sold to calculate and appraise the value of asset. The market method is a system of calculation and appraisal employing extensive use of the replacement principle, utilizing direct comparison and analogical analysis. The market method is being regarded as the most direct and most convincing method of valuation.

3. Income Method
   The income method makes use of the future income of the asset in its economic remaining useful life and discounting it to its net present value using a discounting rate at the base date of valuation. This method utilizes the concept of converting future income to current capital, using the capitalization and discounting method to come to an appraisal and valuation of the assets.

There are other methods which are extra-market value (not based on the market value) such as:
1. Going concern value
2. Investment value
3. Liquidating value
4. Other values such as mortgage value and insurance value.

In actual practices, the first three methods are commonly intermixed. Below is an example of a valuation using a combination of the income method and the market method. In March 2013, Huace Film and TV planned to use a combination of cash and issuance of shares to purchase 100% of the shares of Croton Media. It also raises some other supplemental finance for the deal. The purchase consideration was RMB1.652 billion yuan. In particular (1) to four of the specific owners, Wu Tao, Liu Zhi, Meng Xue and Sun Linwei, a combination of payment of cash plus issue of shares to purchase 100% of their shareholdings in Croton Media. The cash payment was 35% of the consideration, a total of RMB 578.2 million yuan. The rest of the 65% were paid by issuance of shares, with an issue of 53,824,561 shares. (2) to not more than 10 of the other specific stake holders, the issue of non-public supplementary shares amounting to RMB 550 million yuan to be used for part payment of the cash consideration, and the balance to be paid by the buyer company’s self-financed cash. The supplementary shares raised should not be more than 25% of the sum of the cash payment and share issues. (i.e. not more than 25% of [purchase consideration of 1.652 billion yuan + the supplementary share issue of 550 million yuan]).

After the transaction, Huace Film and TV will then hold 100% of the shares of Croton
Media. During this transaction, the professional valuation firm made use of both the income method and market method to appraise and calculate the valuation of the total share value of Croton Media. It then eventually decided on the income method for the final valuation of Croton Media. At the base date on March 31, 2013, the 100% share capital of Croton Media was valued at RMB 16,524,836,000 yuan. It eventually settled upon on a mutual friendly agreement of 16,520,000,000 yuan (1.652 billion yuan).

3.2: The procedures of enterprise valuation and related principle issues
The enterprise decision makers and investors must fully comprehend the four stages in the enterprise valuation process:

1. Assessment of the macroeconomic value:
   1. Assessment and evaluation on the macro-economic trend.
   2. Consideration of the short term economic cycle.
   3. Consideration of the effect and influence of government policies on the economy.
2. Business or industrial trends analysis:
   1. Factors on returns (business or industrial requirements, business cycle, business supplies, structure of competitions, business or industrial barriers, business or industrial specific factors, value chain of the business etc.)
   2. Factors on risks (replacement or obsolescence of business, industrial competitions, buyer’s market, seller’s market, new entrants into the business, industrial regulation and supervision, etc.).
   3. Correlation of the business with the macroeconomics (correlation and rate of change).
3. Analysis of factor values pertaining to the enterprise:
   1. Basic core analysis (enterprise core value, team work, profit model, competitive advantages).
   2. Business analysis (value chain analysis, etc.)
   3. Financial analysis (financial audit, financial analysis, etc.)
   4. Risk factors analysis (operating, legal, financial, taxation, finance, policy, manpower, and cultural, etc.)
4. Value of enterprise’s total assets:
   1. Integrated business modeling and financial analysis for profit forecast, and profit capacity of the intangible assets.
   2. The direct method.
   3. The indirect method (profit and earnings base, assets base, cash flow base, etc.)
3.2.1: The characteristics of creative and intellectual property enterprise valuations and methods

The cultural enterprises belong to the creative and intellectual industry. The valuation of intangible assets plays a vital and significant role in the valuation of the enterprise. We must therefore make clear the concept of intangible assets. Intangible assets are assets owned or controlled by the enterprise which do not exist physically but nevertheless are identifiable non-monetary assets. In the broad sense, intangible assets consist of monetary capital, accounts receivable, financial assets, long term equity investment, patents, and trademarks, etc. These items do not exist physically and only being represented as certain legal or technical rights or technicalities. However, accounting practices would always treat intangible assets in its narrow sense, i.e. to treat patents and trademark rights as intangible assets.

(1) Intangible assets significantly reflect the core value of the enterprise:
Intangible assets are the material or technical bases that are extremely significant and vital to the enterprise’s survival and well being. They are important resources for sustainable development and progression, and they also represent the market share and competitiveness of the enterprise. They are the source of profit and earnings. The valuation of intangible assets will fully embody and reflect their importance in the enterprise’s value. Valuation of intangible assets has a very significant impact on publicly listed companies. In 2002, the major shareholder injected the “Natural Beauty” trademark, valued at 280 million Hong Kong dollars into Beauty Bio-Technology Limited, a publicly listed company, and enabled the listed company to obtain finance of HKD 350 million.

(2) Periodic appraisal and valuation of intangible assets is a protection for the enterprise’s total assets and ensures value added capacity.

The enterprise periodically evaluates and appraises the added value generated by its intangible assets to demonstrate its merit in the value of the intangible assets. This is an effective method for fund raising and for seeking public listing. A general survey would show that eminent companies like Apple, Alibaba, and Xiaomi all fully utilize their intangible assets to gain investor confidence and became popular companies for the investment market. This ensures the mutual gain for both companies and their investors.

Chapter 4: Words of advice to cultural industry valuations

4.1: The limitations in this research topic and its various problems
Biases and partiality do sometimes exist in enterprise valuations. All enterprise business valuations would be subjected to the constraints of time and locality. The accuracy of enterprise valuations may differ from the enterprise’s true value. The
enterprise valuation models and formulas may not be accurately determined. The process of valuation is the discovery, collating and problem solving process by the decision makers and investors. The process can be viewed as of equal importance with the result.

4.2: Some suggestions to subsequent researchers

Owing to the inconvenience in collating and collecting information in mainland China, and also the practical experience and the development period of the cultural industry and enterprise in mainland China is insufficient, there may have limitations in data and corporate information. It is therefore suggested that future researchers make use of the global big data to investigate and study the valuation of enterprise valuation in the cultural industry.

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