

Hollywood of the East :

The Rise and Fall of the Hong Kong Film Industry since the 1970s

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Abstract of thesis entitled:

Over the past century, Hollywood has achieved remarkable commercial success worldwide. The “Hollywoodization” of film markets, however, is not the same everywhere. In light of these variations, this research takes Hong Kong as a case to examine how a film industry of the receiving countries could survive and prosper when faced with the challenge from Hollywood in the 1980s, yet have experienced a downfall since the mid-1990s. Applying a Political-cultural approach, this study explicates how the major film companies, as the incumbents, set the rules and agendas—to wit, the “conceptions of control”—to stabilize the competitions with their challengers throughout the 1970s and the 1980s. The political or social movement-like process involved gave rise to the distributor-led production and exhibition system. This system enabled the major film companies to thrive and hence, generated the rampant growth of the industry.

In the late 1980s, however, the shift in film policies of the People’s Republic of China (PRC) and the Republic of China (Taiwan) triggered off an exogenous shock to the Hong Kong film market. This shock together with the endogenous factors, notably two conventional practices in the industry—the entwined financial practice and the exclusive exhibition practice—as well as the rising land price, put the Hong Kong film market in crisis. Not only did most major film companies go out of business, but the market underwent also a transformation in its exhibition sectors as Cineplex cinemas gradually replaced the traditional theatres from the 1990s.

This transformation further undercut the incumbents and provided an opportunity for the challengers, the distributors of foreign movies, to capture the

market niche that was formerly dominated by Hong Kong movies. When the distributors of foreign movies forged alliances with the Cineplex exhibitors who retrieved the “booking rights” to control the exhibition blocks from the major distributors of local movies, the “conceptions of control” inscribed in the distributor-led production and exhibition system crumbled. The commodity chain became driven by the Cineplex exhibitors after that. This set up the new “conceptions of control” that reshaped the interactions of film companies in the market.

Under the new “conceptions”, film companies that possess the “booking rights” are not the key investors in local movies. As Hong Kong movies no longer acquired secured exhibition blocks for their theatrical release, their box-office receipts plummeted. With less desirable box-office results, the key investors in Hong Kong movies who switched their major exhibition channel from theatrical screening to retail in ancillary markets during the 2000s could hardly get a better deal from the retailers. This drove many of them to trim their investment in their impending film projects which resulted in turn in a heavy slump in the film outputs and box-office grosses of Hong Kong movies.

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中文摘要

自上世紀末，好萊塢電影在多個國家大受歡迎。然而，各地電影市場的「好萊塢化」並不盡同。本論文以社會學家 Neil Fligstein 所提出的「政治-文化」理論架構 (Political-cultural approach) 探討香港本土電影的產量及市場佔有率為何在八十年代迅速增長，卻在九十年代中期急速滑落。本研究發現，香港本土電影的成功猶如一場社會運動。在這個過程，香港的電影發行公司透過制訂行內的規範與秩序(Conceptions of Control)，成功拉攏不少電影製作公司及院商，以抗衡好萊塢的威脅，使香港電影於八十年代主導本土票房。

可是，香港本土電影自九十年代起的衰落猶如另一場社會運動。在九十年代初，香港電影業的融資制度和放映制度，因內地及臺灣地區對其電影政策的轉變，以及香港地價上漲而衍生出種種問題。這些問題終使整個行業陷入危機。同時，香港電影放映業也開始轉型，新式迷你影院逐步取代舊式傳統戲院。此轉型讓外語片發行商成功與本地迷你影院院商結盟，並確立新一套市場規範和秩序，以取代本地電影發行商的市場地位。在新規範和秩序下，大部分本地電影失去有利的放映安排，成為票房下跌的原因之一。雖然不少香港電影公司另覓在影院以外的發行渠道，可是仍未能開拓理想的收入來源。因此，外語片自九十年代後期起，成功佔據香港電影市場。

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This research is merely a piece of rung in a long ladder. Without the enormous effort our predecessors have put to document the every detail of the industry's development, this project cannot proceed as planned. In addition to the abundant archival resources we can now have access to, how filmmakers make sense of their job deserves special attention. I have been extremely fortunate to be born in a family wherein my father is still an enthusiastic film director even at the age of sixty. But for his rich experience in the field, I could hardly comprehend the "rules of the game" and the "conventional practices" in the Chinese film industries. Several anonymous industry insiders who have kindly shared their experience and observations with me enriched also my understanding of the field.

While reasoning in an arbitrary manner is nothing more than throwing out a jumble of confused ideas, I am gratified to be a student of sociology, a discipline of manifold well-organized perspectives on societies. At this point, I am indebted to Prof. Rance P. L. Lee for giving me a chance to share the joy of being a sociologist. I wish also to express my gratitude to my mentor as well as thesis supervisor, Prof. Stephen W. K. Chiu, for his guidance and encouragement not only throughout this project, but since the first year of my undergraduate studies. I am most grateful to my thesis external examiner, Prof. Annie H. N. Chan, as well as all my teachers in the Chinese University of Hong Kong (CUHK) including my thesis committee chair, Prof. K. F. Ting, and many others, such as Prof. T. L. Lui, Prof. Y. W. Cheung, Prof. Pedro P. T. Ng, Prof. D. H. Kim, Prof. J. Y. Kim, Prof. S. Y. Wong, Prof. Tony H. W. Tam, Prof. L. Jin, Prof. C. C. Lau, Prof. T. S. Cheung, Prof. Y. K. Chan, Prof. K. M. Chan, Prof. H. M. Chan, and Mr. Y. K. Leung, who have always provided me their

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TABLE OF CONTENTS

| | Page |
|--|------|
| Abstract | i |
| Acknowledgments | iv |
| Table of Contents | vi |
| List of Tables | ix |
| List of Figures | xii |
| | |
| Chapter 1: <u>Framing the Puzzles</u> | 1 |
| INTRODUCING: “The Curious Case of ... a Fallen ‘Asian Hollywood” | 3 |
| METHOD AND DATA | 6 |
| STRUCTURE OF THE THESIS | 12 |
| | |
| Chapter 2: <u>“The Blind Side” of Existing Explanations</u> | 15 |
| CONVENTIONAL EXPLANATIONS | 17 |
| Triad Intrusion and Piracy | 17 |
| Hasty and Unpolished Productions | 19 |
| EXPLANATIONS DERIVED FROM THEORETICAL PERSPECTIVES | 21 |
| The Cultural Imperialism approach | 22 |
| The Cultural-flows/ Network approach | 27 |
| <u>Suppositions related to the Cultural-flows/ Network approach</u> | 32 |
| The Reception approach | 36 |
| The Cultural Policy and Strategies approach | 41 |
| <u>What about the Receiving Countries?</u> | 46 |
| THE POLITICAL-CULTURAL APPROACH | 48 |
| | |
| Chapter 3: <u>The “Bloom” in the 1970s and the 1980s</u> | 53 |
| THE “BLOOM” | 53 |
| BRINGING IN THE POLITICAL-CULTURAL APPROACH | 57 |
| THE INDUSTRIAL SETTING OF THE HONG KONG FILM MARKET VIS-À-VIS HOLLYWOOD | 59 |

| | |
|---|-----|
| THE SOCIAL STRUCTURE OF THE HONG KONG FILM MARKET | 62 |
| From Studio System to Independent Production System since the 1970s | 63 |
| The Revenue-sharing Structure | 68 |
| “CONCEPTIONS OF CONTROL” IN THE HONG KONG FILM MARKET (1970s – 1980s) | 70 |
| Distributor-driven Exhibition | 72 |
| Distributor-driven Production | 75 |
| HONG KONG FILM INDUSTRY AT ITS PEAK IN THE LATE 1980s | 81 |
| SUMMARY | 88 |
| | |
| Chapter 4: <u>The “Twilight” since the mid-1990s</u> | 91 |
| WHAT HAPPENED DURING THE 1990s? | 91 |
| The Plot in Brief | 92 |
| THE KEY TO SUCCESS TURNS INTO A SOURCE OF STRESS | 97 |
| Conventional Practices inscribed in the “Conceptions of Control” | 99 |
| <u>The Entwined Financial Practice</u> | 99 |
| <u>The Exclusive Exhibition Practice</u> | 101 |
| What caused a Turn in the late 1980s? | 102 |
| <u>The “Meteor Shower” of Taiwan Capital</u> | 102 |
| <u>China’s Cinematic Reform</u> | 104 |
| <u>The Resultant Cross-Strait “Industrial Complex”</u> | 106 |
| The Exogenous Shock Induced | 108 |
| Reduction of Theatres in each Theatre Chain and its Impact | 110 |
| The Consequence of Exclusive Exhibition Practice | 113 |
| The Consequence of Entwined Financial Practice | 114 |
| A REVERSAL OF FORTUNE IN 1993 | 117 |
| The Short-lived “Newcomers” | 119 |
| <u>The Rising Land Price</u> | 122 |
| <u>The Ebb Tide of the Taiwan Capital Flood</u> | 128 |
| The Last Samurai and the Finale of the Distributor-led Production System | 134 |
| Summary | 138 |
| TRANSFORMATION IN THE HONG KONG FILM MARKET | 139 |

| | |
|--|-----|
| The Return of the Challengers: Distributors of Foreign Movies | 143 |
| The Emergence of New “Conceptions of Control” | 147 |
| The Impact on Film Companies producing Local Movies | 151 |
| | |
| Chapter 5: <u>A “Revolutionary Road” to the Peak and Drop</u> | 156 |
| A BRIEF REPRISE | 156 |
| The “Bloom” in Retrospect | 158 |
| The “Twilight” in Retrospect | 161 |
| IMPLICATIONS OF THIS STUDY FOR EXISTING APPROACHES | 168 |
| Implications for the Cultural Imperialism approach | 168 |
| Implications for the Cultural-flows/ Network approach | 169 |
| Implications for the Reception approach | 172 |
| AN INTEGRATIVE APPROACH TO CURRENT THEORIES | 174 |
| LIMITATIONS OF THE RESEARCH AND SUGGESTIONS FOR FUTURE DIRECTIONS | 175 |
| | |
| REFERENCES | 177 |

List of Tables

| | | Page |
|-----------|--|------|
| Table 1 | Screening, Box-office Grosses, and Market share of Local Movies and Imported Films in Hong Kong, 1971-2006 | 4 |
| Table 2.1 | Screening, Box-office Grosses, and Market share of Local Movies and Imported Films in Hong Kong, 1993-2006 | 16 |
| Table 2.2 | Education Attainment of the Population Aged 15 and Over at Matriculation Level or Taking Degree Courses, 1976-2005 | 39 |
| Table 3.1 | Film Outputs and Box-office Grosses of Hong Kong Movies, 1971-1989 | 55 |
| Table 3.2 | Hong Kong Movies that Received over Ten million HK dollars from Box Office, 1980-1989 | 69 |
| Table 3.3 | Film Outputs and Market Share of Golden Harvest, 1971-1979 | 78 |
| Table 3.4 | Film Outputs and Market Share of Golden Princess, 1980-1989 | 80 |
| Table 3.5 | Theatrical Possession of Golden Harvest, Golden Princess, and D&B, 1984-1989 | 83 |
| Table 3.6 | Aggregate Film Outputs and Market Share of Golden Harvest, Golden Princess, and D&B, 1984-1989 | 85 |
| Table 3.7 | Theatres in Hong Kong by Exhibition of Local Movies or Imported Films, and Both, 1970-1985 | 86 |
| Table 3.8 | Screening, Box-office Grosses, and Self-sufficiency Ratio of Local Movies and Imported Films in Hong Kong, 1971-1989 | 87 |

| | | |
|-------------------|--|-----|
| Table 4.1 | Screening and Box-office Grosses of Local Movies and Imported Films in Hong Kong, 1987-1998 | 92 |
| Table 4.2 | Theatres Allied Exclusively with Golden Harvest, Golden Princess, D&B, and Newport, 1987-1996 | 111 |
| Table 4.3 | Theatres Screening Exclusively, and Box-office Grosses of, the Yearly Blockbusters of Golden Harvest, Golden Princess, and D&B in 1987 and 1991 | 112 |
| Table 4.4 | Theatrical Receipts and Market Share of Golden Harvest, Golden Princess, and D&B, 1987-1996 | 113 |
| Table 4.5 | Theatre Closures in Hong Kong, 1990-1998 | 123 |
| Table 4.6 | Film Outputs and Box-office Grosses of Regal, Mandarin, and Modern, 1991-1996 | 125 |
| Table 4.7 | Theatrical Possession, Film Outputs, and Box-office Grosses of Newport and Empire, 1990-1996 | 127 |
| Table 4.8 | Theatrical Possession, Film Outputs, and Box-office Grosses of Golden Harvest, 1990-1996 | 135 |
| Table 4.9 | Cinemas and Screens in Broadway circuit, UA cinemas, and Golden Harvest, 2000-2008 | 136 |
| Table 4.10 | Theatres Screening Exclusively, and Box-office Grosses of, the Yearly Blockbusters of Golden Harvest, 1987-2003 | 137 |
| Table 4.11 | Cinemas and Screens in Multiplex Cinema Limited (MCL), 1999-2008 | 145 |
| Table 4.12 | Cinemas and Screens in Broadway circuit, and UA cinemas, 1990-1999 | 146 |
| Table 4.13 | Screening, Box-office Grosses, Self-sufficiency Ratio, and Ratio of Local Movies to Imported Films screened in Hong | 150 |

| | | |
|-------------------|--|-----|
| Table 4.14 | Aggregate Film Outputs and Market Share of Media Asia Group, Star Entertainment (Universe) Ltd., and Mei Ah Entertainment Group Co. Ltd., 2000-2006 | 152 |
|-------------------|--|-----|

| | | |
|----------|---|-----|
| Figure 1 | Aggregate Film Outputs of Media Asia Group (1990-2006) | 153 |
| Figure 2 | Aggregate Film Outputs of Star Entertainment (Universe) Ltd. (1990-2006) | 154 |
| Figure 3 | Aggregate Film Outputs of Mei Ah Entertainment Group Co. Ltd. (1990-2006) | 155 |
| Figure 4 | Market Share of Aggregate Film Outputs of Media Asia Group (1990-2006) | 156 |
| Figure 5 | Market Share of Aggregate Film Outputs of Star Entertainment (Universe) Ltd. (1990-2006) | 157 |
| Figure 6 | Market Share of Aggregate Film Outputs of Mei Ah Entertainment Group Co. Ltd. (1990-2006) | 158 |

List of Figures

| | | Page |
|-----------------|--|------|
| Figure 1 | A Producer-driven Model Indicating the Sequence of Interactions Between Different Players Involved in the Commodity Chain of Film Products | 61 |
| Figure 2 | A Distributor-driven Model Indicating the Sequence of Interactions Between Different Players Involved in the Commodity Chain of Film Products | 62 |
| Figure 3 | Compositions of Theatre Chains of Major Film Companies since the 1990s | 121 |
| Figure 4 | Formation of the Distributor-led Production and Exhibition System and the Growth of the Hong Kong Film Industry in the 1970s and the 1980s | 161 |
| Figure 5 | Collapse of the Distributor-led Production and Exhibition System and the Decline of the Hong Kong Film Industry since the 1990s | 167 |

Chapter 1

Framing the Puzzles

Movie/ film, or motion picture differs from other commodities. It is a visual product which carries deep meaning. This meaning can reflect the culture of its origin. In this regard, the film trade is often construed as an exchange of culture among societies. As Hollywood has had the most abundant resources and the most advanced filmmaking technologies, it has been the world's largest film factory and the movies it has produced are often assumed to be so alluring that audiences from different nations cannot resist viewing them. While the commercial success of its blockbusters in different film markets has aroused much scholarly attention, the Cultural Imperialism thesis was developed into an overarching paradigm that served to explain the global dominance of American culture by means of its film exports.

In recent years, however, considerable interest has arisen over the dissimilar pattern of, and the divergent reactions to, the film exports from Hollywood. The Cultural Flows/ Network approach and the Reception school are two notable alternative paradigms which appeared to address this issue. While the Cultural Flows/ Network approach contends that the film industries of receiving countries¹ may survive amid the threat of Hollywood if they can boost their movie exports, the Reception school focuses on the variations in acceptance of Hollywood movies by the receiving countries' recipients whose socio-demographic characteristics are dissimilar. Although these two bodies of literature have made sensible arguments,

¹ Receiving countries refer to the film markets that import the film products from other countries. For instance, when Hollywood movies are screened in Hong Kong, Hong Kong (China) is regarded as the receiving country while the United States (U.S.) is considered to be the exporting country, or the film exporter.

scant attention has been paid to the institutional settings of the film industries in receiving countries. Since the institutional settings are arguably central to the development of these industries, the relevant factors in these settings ought to be examined. These include the social structure of the film industry in receiving countries, the strategies adopted by film companies in the industry, the state's involvement in the film market, and inter-state relations which can influence the interactions among film companies.

To examine how the foregoing factors have steered the development of the film industry in the receiving country, this study applies a coherent framework, namely the Political-cultural approach, from economic sociology. Following this approach, this study is intended to supplement the findings of existing literature by bringing in an institutional level of analysis that focuses on the dynamics of power relations among companies in film production, distribution, and exhibition. These dynamics may shed light on the rise and fall of the film industry in receiving countries.

To study the development of a film industry in the receiving country, Hong Kong presents a noteworthy case as it grew to be a production hub of movies in the Southeast Asia region after WWII. More importantly, despite the absence of restriction on imports of foreign movies in Hong Kong (Lam 2007: 58), its film industry still managed to survive and expand, reaching its peak in the 1980s. Nonetheless, the industry subsequently experienced a sharp decline since the 1990s when imported films, mostly from Hollywood, rebounded and came to occupy a lion's share of the film market. Because of its rise and fall over the past three decades, the Hong Kong film market serves an ideal site to study the development of a film industry in a receiving country.

INTRODUCING: “The Curious Case of ... a Fallen ‘Asian Hollywood’”

Over the past century, Hong Kong has been well-known for its motion picture industry. Although the Hong Kong film industry was deemed the “Hollywood of the East” or the “Asian Hollywood” (Stokes 2007; Lam 2007: 60-61; Hammond 2000; Stokes and Hoover 1999: 17; Dannen and Long 1997), its box-office grosses had been dominated by imported movies for several decades prior to 1982. In spite of the famed Chinese martial-arts pictures produced by Golden Harvest and starring Bruce Lee in the early 1970s, the output of Hong Kong film companies accounted for only around forty per cent of the total box-office revenue throughout the 1970s (Table 1). The rebound of Hong Kong movies² did not take place until the early 1980s. For the first time in the history of Hong Kong cinema, the box-office grosses of Hong Kong movies outweighed those of the imported films in 1982 (Table 1). The output of Hong Kong movies subsequently surged to 120 in 1990, and reached its peak of 186 in 1993 (Table 1).

Despite the worldwide repute of Hong Kong cinema, the industry’s heyday lasted for only one and a half decades. The film outputs and box-office revenue for Hong Kong movies began to plunge from their peak after 1993. The preponderance of Hong Kong movies in the domestic market was increasingly eroded by imported

² According to the definition given by the Hong Kong Motion Picture Industry Association Limited (MPIA), “Hong Kong movies” refer to the films produced by any registered companies in Hong Kong (Hong Kong Motion Picture Industry Association Limited 2010a). Fifty per cent or above of the “listed effective post(s)” in the movie should also be taken up by Hong Kong permanent residents (ibid.). These posts include “film producer, director, script writer, actor or actress” (ibid.). Movies that fulfill these criteria are regarded as “Hong Kong movies”.

films, mainly from Hollywood³. In 1997, foreign movies once again surpassed Hong Kong movies in box-office performance (Table 1). The difference in theatrical receipts between imported films and local movies widened even further after that. From 1997 to 2006, the annual domestic box-office grosses of Hong Kong movies slumped from 547.5 million HK dollars to 290.3 million (Table 1) while simultaneously, the box-office grosses of imported films spurted upwards by eleven per cent, climbing from 617 million HK dollars in 1997 to 685.8 million in 2006 (Table 1).

Table 1 Screening, Box-office Grosses, and Market share of Local Movies and Imported Films in Hong Kong, 1971-2006

| Year | Local Movies | | | Imported Films | | |
|------|------------------|------------------------------|----------------|-----------------|------------------------------|----------------|
| | Number of Movies | Box Office HK\$ (in million) | Market Share % | Number of Films | Box Office HK\$ (in million) | Market Share % |
| 1971 | 94 | 42.2 | 32.05 | 441 | 89.6 | 67.95 |
| 1975 | 98 | 58.3 | 40.83 | 300 | 84.5 | 59.17 |
| 1979 | 109 | 132.7 | 44.73 | 293 | 163.9 | 55.27 |
| 1982 | 99 | 404.1 | 59.33 | 265 | 277.0 | 40.67 |
| 1983 | 95 | 411.2 | 70.98 | 176 | 168.2 | 29.02 |
| 1987 | 76 | 777.3 | 70.11 | 290 | 331.3 | 29.89 |
| 1990 | 120 | 939.2 | 71.56 | 222 | 373.3 | 28.44 |
| 1993 | 186 | 1,146.1 | 72.52 | 273 | 434.3 | 27.48 |
| 1997 | 86 | 547.5 | 47.02 | 383 | 617.0 | 52.98 |
| 2003 | 77 | 417.8 | 46.23 | 169 | 485.9 | 53.77 |
| 2006 | 54 | 290.3 | 29.74 | 172 | 685.8 | 70.26 |

Sources: Hong Kong Film Archive (2009); Hong Kong Motion Picture Industry Association Limited, various years.

³ See Table 1.5 cited in Davis and Yeh (2008: 32-33).

The above data provide a rough picture of the development of the Hong Kong film industry during the past four decades. While the gap between the box-office revenue for foreign and local movies began to narrow in the 1970s, the industry especially prospered during the early 1980s, and was in full bloom around the late 1980s. It has, however, experienced a freefall since 1993, with the downturn persisting throughout the late 1990s and the 2000s.

This study attempts to probe into the causes of this respective boom of the Hong Kong film industry from the 1970s to the late 1980s, and then its decline since around the mid-1990s. As such, it aims to solve several puzzles in particular. These include why the industry was able to survive and even prosper amid the challenge from Hollywood in the 1980s; how the industry reacted to the challenge of the Hollywood blockbusters at that time; why the major film companies in Hong Kong failed to retain their power and dominance over the film market in the 1990s; how the commodity chain of Hong Kong movies was restructured during the late 1990s; and how the restructuring has impacted on the Hong Kong film industry throughout the 2000s.

To solve these puzzles, this study will explicate how the film companies in the commodity chain, as well as the states or the governments—not only of Hong Kong, but also of the People's Republic of China (PRC) and the Republic of China (Taiwan)—played a part in the development of the Hong Kong film market. The political, or social movement-like, process that shapes the changing relationships among film companies, especially the incumbent-firms, or the “majors”, vis-à-vis the challenger-firms, the distributors of foreign movies, will also be discussed. Applying the Political-cultural approach as the theoretical framework, this research

will examine how exogenous and endogenous forces shaped the strategies adopted by the film companies in Hong Kong, and how and why that sparked off the industry's downfall since the mid-1990s.

METHOD AND DATA

This research relies heavily on secondary-source information on film production, distribution, and exhibition, and the archival data from existing literature. For compilation of the required data, I am indebted to Professor Stephen W. K. Chiu for his kind permission to use the materials collected in a larger project of the Public Policy Research Centre of the Hong Kong Institute of Asia-Pacific Studies (HKIAPS) on the Asian film industries. Without the Centre's support, this research could not be completed on schedule.

This research does not seek to explain or predict the box-office success or performance of particular movies, either imported or locally produced, in the Hong Kong film market. Instead, it intends to find out why the Hong Kong film industry on the whole, with respect to its film outputs and box-office performance in home market, could outperform the imported movies throughout the 1980s, and what constituted the turnaround from the mid-1990s. Since the study focuses on the collective level of the overall performance of the industry, the market share of local films vis-à-vis foreign movies screened in Hong Kong is the key concern of the study.

The self-sufficiency ratio is employed as it can illustrate "the proportion of domestic films' share in gross box office revenues" (Oh 2001: 31). The ratio is

derived by dividing the total box-office grosses of local movies in their domestic market by the total theatrical receipts of both the local and imported films in the market within a given period. The value of the ratio is expected to lie between 0 and 1, with values close to zero denoting a monopolistic share of imported movies in the film market and the values close to one implying that local movies dominate in their domestic market. Another way to interpret the ratio is: the smaller the value, the smaller the share of local movies in their home market, and vice versa.

To understand the rise and fall of the industry, this research analyzes the film companies in Hong Kong. Information on the film outputs of each production company and the movies released by each distribution company is needed for the analysis. However, this information is hard to come by because in the Hong Kong film industry, “bookkeeping was informal, if not erratic, ... among both distributors and producers” (Curtin 2007: 63). Curtin explains this practice as a way for the film companies to evade paying taxes and disclosing their financial position to competitors (*ibid.*).

Given this situation, this research employs “movie”, rather than “company”, as the unit of analysis. There are several variables that have to be compiled from the information on each movie screened in Hong Kong. These variables are the box-office results of the movie, the year of its release, and the company/ companies that produced and distributed it. To compile these variables without primary data provided by the film companies, this research draws on the movies screened in Hong Kong to trace back the corresponding company/ companies that produced or distributed them. This involved several procedures.

First of all, this research sorts the title of the movies produced and distributed by each company from a filmography provided by the Hong Kong Film Archive⁴ (2009). This filmography keeps a complete record of the movies produced in Hong Kong from 1913 to 2006. Since the coverage of data in the filmography is until 2006 and this study focuses on the development of the Hong Kong film industry since the 1970s, the scope of the research is from 1970 to 2006. Only the movies listed in the filmography within this period are analyzed. The dataset, in this respect, covers 3,977 movies.

After grouping the titles of the movies produced and distributed by each company in Hong Kong from 1970 to 2006, information on the box-office results of these movies is gathered from the annual reviews of the Hong Kong Motion Picture Industry Association Limited⁵ (MPIA) which are published in *City Entertainment* (電影雙周刊), a periodical of the Hong Kong film industry. The annual reviews of MPIA documented the box-office results of all movies, including both the Hong Kong movies and foreign movies, screened in Hong Kong every year. However, the box-office records covered by these annual reviews are available only after 1982⁶. Lacking earlier records from MPIA, this research has compiled the box-office figures of the movies produced and distributed by film companies in Hong Kong from 1970 to 1981 from Chan's *The Structure and Marketing Analysis of the Hong*

⁴ Hong Kong Film Archive (HKFA) is an organization established by the Hong Kong government in 2001 to "acquire and conserve Hong Kong films and related materials" (Hong Kong Film Archive 2010b).

⁵ Hong Kong Motion Picture Industry Association Limited (MPIA) is an association established in 1986 that represents the Hong Kong film industry to "express and substantiate views and opinions on matters concerning the ... industry" (Hong Kong Motion Picture Industry Association Limited 2010b). It is also the "sole copyright authentication body for HK produced films" (HKfilmart 2010a).

⁶ Although MPIA was officially established in 1986, it began to collect data and information on the industry before 1986. The data and information collected since 1982 were published in *City Entertainment*.

Kong Film Industry (2000). The box-office figures of foreign movies screened in Hong Kong during this period are collected also from Chan (2000). While some analyses of the box-office figures in this research are weighted by the ticket price in each corresponding year and are at constant 1997 prices, ticket price information is gathered from Chan (2000) as well. With the box-office results of the movies from each company in the market, this study can evaluate the performance of the film companies in Hong Kong.

Apart from film production and distribution, exhibition is also a pivotal element in the development of the film industry. Therefore, “cinema” or “theatre” is also the unit of analysis in this research. The definition of “cinema” in this study is different from “theatre” in the sense that “cinema” refers to the exhibition venue that is equipped with at least two screens or houses, with each house having less than a thousand seats—to wit, a Cineplex setting—whereas “theatre” is an exhibition venue in “traditional” settings, only one to two screen(s) or house(s) with more than a thousand seats installed in each house.

Information on theatres and cinemas is difficult to collect. As Jarvie (1977) notes, the “standard Hong Kong business practice of secrecy” makes it difficult for researchers to find out “who exactly owns which cinemas” and how they operate (p.69). Thus, this research has gleaned archival data from newspapers, film periodicals, such as *City Entertainment*, and the *Hong Kong Economy Yearbook* to trace back the history of the exhibition sectors in Hong Kong. The total number of theatres and cinemas in Hong Kong each year is provided by the *Hong Kong Yearbook*. These materials provide a brief picture of when and how the theatre chains and cinema circuits were formed.

For each theatre or cinema in Hong Kong since 1970, there are several variables which have to be compiled. These variables are the number of exhibition houses or screens equipped in each theatre and cinema, the number of seats in each house, the years of its establishment and closure, and the usage of the theatre or cinema after its closure. This information is collected from three sources. They are the annual reviews of MPIA, Wong's *Yiji xiyuan jiyi* [Cinemas in Memory] (2007), and CinemaTreasures.org, a "website devoted to movie theater preservation and awareness" (Cinema Treasures 2010). Since none of these sources exhaust all of the theatres and cinemas in the market, the three data sources supplement each other. This research has constructed in this fashion an exhaustive dataset of 344 theatres and cinemas in Hong Kong. It should include almost all available venues for film exhibition from 1970 to 2006.

When the data from any of these sources are inconsistent, this research uses the information provided by the annual reviews of MPIA. This is because the records from MPIA's annual reviews are the most reliable among the three as they were given by the Hong Kong Theatres Association Ltd.⁷ (HKTA) year by year. However, since the annual reviews of MPIA do not cover the period of the 1970s, the information that is not covered by MPIA is collected from Wong (2007) and Cinema Treasures (2010). Most records from the two sources fortunately do not contradict each other. When there is a discrepancy in the records from the two sources, this research excludes these unverified records from the data analysis since there is no way to establish which is accurate. As these records, together with a few theatres

⁷ Hong Kong Theatres Association Ltd. (HKTA) is an association of the theatre owners in Hong Kong (HKfilmart 2010b).

and cinemas without available data and complete information on their year of establishment and year of closure, are excluded from the dataset, figures for the total number of theatres and cinemas in the market are slightly underestimated. With 67 out of the 344 cases excluded from the dataset for the above reasons, the analysis covers 277 theatres and cinemas.

To find out what movies were screened in each theatre, this study relies on the cinematic advertisements in newspapers which list out the movies shown in each theatre and cinema everyday. Two newspapers are selected to gather the required information. They are *Singtao* daily and *Mingpao* daily. These two newspapers are chosen because they together kept a complete record of the cinematic advertisements documenting what movies were screened in which theatre and cinema everyday since the 1970s. The information listed in the cinematic advertisements of the two newspapers is consistent because it was provided by the Hong Kong Theatres Association Ltd. (HKTA) on a daily basis. From these newspapers, two days, June 30 and December 31, of each year are sampled. These two dates are chosen not only because they are the midyear and the year-end, but also because they cover two peak seasons of the market, the summer vacations of students in Hong Kong and Christmas (Chan 2000: 93-94).

Besides the data noted above, this research has collected archival data from various sources. Background information about the film companies being studied is found in film periodicals, such as *City Entertainment*, as well as the websites and the annual reports of the companies. The biographies of some film investors are based upon the existing literature on Hong Kong film studies. Although this research has tried all possible ways to compile the required information, it is also

mindful of Fu and Wildman (2008) who stress in their critical reflection on existing literature on media industries in Asia that there is a “painful deficiency in reliable economic or market data on Asian media markets” (p.94). It should, therefore, be acknowledged that records from many archival sources could not be cross-verified. If the original chronicle failed to reflect the situation accurately, researchers could hardly be expected to identify the source of the inaccuracy of the given information.

STRUCTURE OF THE THESIS

This thesis consists of five chapters. The current chapter (Ch.1) is an introduction to this research. It states the objectives, focus, and methodology of the study. An overview of the case study, the Hong Kong film industry since the 1970s, is also presented.

The next chapter (Ch.2) is a review of the literature. While the existing literature propounds a mélange of factors related to the downturn of the Hong Kong film industry, these factors are interconnected with each other and some of them are interlaced with several theoretical perspectives. To evaluate the credibility of these arguments, the chapter will group the factors into two broad categories, namely the “conventional explanations”⁸ and the “theoretical explanations”⁹. After an evaluation of the two groups, a Political-cultural approach from economic sociology is brought in to resolve the puzzles stated earlier. This is followed by a brief note

⁸ “Conventional explanations” are the arguments drawn from the viewpoints that are commonly shared among the public in Hong Kong. These arguments are, however, scarcely articulated by the four theoretical approaches addressed in Chapter 2.

⁹ “Theoretical explanations” are the contentions that are consonant with the suppositions of the four theoretical approaches reviewed in Chapter 2. Explanations that fit with the arguments of the four theatrical approaches will also be discussed together with the theoretical approaches themselves.

on how the approach will be applied in the analysis.

The analysis begins in the third chapter. In the chapter (Ch.3), the rise of a distributor-led independent production and exhibition system in the Hong Kong film industry since the 1970s is documented. It explains why the industry could survive and even prosper amid the challenge from Hollywood in the 1980s. Since the factors in the boom of the industry may throw light on the underlying dynamics of how the market evolved, the way of which the Hong Kong film market was restructured and stabilized in the 1970s and the 1980s may provide clues to the causes of its transformation and the industry's downfall during the 1990s. As the subsequent chapter (Ch.4) attempts to argue that the "conceptions of control", or the rules and agendas, promoted by the major film companies throughout the 1970s and the 1980s had become an endogenous factor in the market transformation during the 1990s, Chapter 3 serves a backdrop to the market transformation presented in Chapter 4.

Chapter 4 lays out the central argument of this study. It provides detailed answers for the puzzles posed in the first chapter. It explains why the film outputs and box-office receipts of Hong Kong movies have fallen from their peak since 1993; why most of the major film companies in Hong Kong failed to survive in the 1990s; how the distributors of imported movies together with the Cineplex exhibitors had successfully restructured the commodity chain of Hong Kong movies and fostered a new set of "conceptions of control" since the late 1990s; and how the new "conceptions of control" has impacted on the industry throughout the 2000s. As such, the chapter seeks to decipher the causes of the downturn of the Hong Kong film industry since the 1990s.

The concluding chapter (Ch.5) presents a summary of the result of this research. It compares the arguments of this study with those from the theoretical approaches reviewed in Chapter 2. Finally, the limitations of the research will be discussed, and suggestions are made for future studies.

Chapter 2

“The Blind Side”¹⁰ of Existing Explanations

This research intends to examine the causes of the decline of Hong Kong film industry since the mid-1990s. The beginning of the industry’s downfall, notes Teo (2008), can be traced back to 1993, the year when Steven Spielberg’s *Jurassic Park* set a new record for the highest box-office grosses in Hong Kong. From that time onwards, Hollywood movies began to gain a firm grip over the Hong Kong film market. From 1993 to 2006, the market share of imported films, mainly from Hollywood, skyrocketed from 27.48 per cent to 70.26 per cent (Table 2.1). The blockbuster of the year was a Hollywood picture most of the time (Hong Kong Motion Picture Industry Association Limited, various years). In 1997, James Cameron’s *Titanic* became the first movie to earn more than 100 million HK dollars in the Hong Kong box office. This record stood until *Avatar*, a Hollywood science-fiction epic film directed again by James Cameron, surpassed it in 2009.

While Hollywood movies have gained a growing share in the Hong Kong film market, the film outputs in Hong Kong as well as their box-office returns have slumped precipitously since the 1990s. The film outputs in Hong Kong slumped from 186 to 54, or by 71 per cent, between 1993 and 2006 (Table 2.1). During the same period, the annual domestic box-office receipts of Hong Kong movies dived four-fold from 1.15 billion HK dollars in 1993 to 290.3 million in 2006 (Table 2.1).

¹⁰ “The Blind Side” is a movie directed by John Lee Hancock, and distributed by Warner Brothers in 2009. This chapter borrows the title to review and to evaluate the several conventional explanations and theoretical approaches that served to study the development of the film industries of the exporting and receiving countries.

Table 2.1 Screening, Box-office Grosses, and Market share of Local Movies and Imported Films in Hong Kong, 1993-2006

| Year | Local Movies | | | Imported Films | | |
|------|------------------|-------------------------------|----------------|-----------------|-------------------------------|----------------|
| | Number of Movies | Box Office HK\$ (in million) | Market Share % | Number of Films | Box Office HK\$ (in million) | Market Share % |
| 1993 | 186 | 1,146.1 | 72.52 | 273 | 434.3 | 27.48 |
| 1996 | 108 | 686.4 | 51.88 | 312 | 636.7 | 48.12 |
| 1999 | 163 | 345.7 | 39.81 | 281 | 522.7 | 60.19 |
| 2003 | 77 | 417.8 | 46.23 | 169 | 485.9 | 53.77 |
| 2006 | 54 | 290.3 | 29.74 | 172 | 685.8 | 70.26 |

Sources: Hong Kong Film Archive (2009); Hong Kong Motion Picture Industry Association Limited, various years.

Among the different voices commenting on the bleak condition of Hong Kong cinema, Teo (2008) attributes the industry's downfall to a *mélange* of factors. They include the growth of Hollywood's market share in Hong Kong, video piracy, poor quality of the screenplays of Hong Kong movies, the underdeveloped market in China which was not ready to serve as an outlet for the movies exported from Hong Kong at the time, as well as the rise of other Asian film industries in the 1990s which, in turn, eliminated the traditional Asian markets for Hong Kong movies (pp.342-343). While all of the mentioned factors are interconnected with each other, some of them are interlaced with several theoretical perspectives.

To evaluate the credibility of these arguments, the following sections will group the foregoing factors into two broad categories, namely the "conventional explanations"¹¹ and the "theoretical explanations"¹². After an evaluation of these

¹¹ "Conventional explanations" are the arguments drawn from the viewpoints that are commonly shared among the public in Hong Kong. These arguments are, however, scarcely articulated by the four theoretical approaches addressed below.

two groups of arguments, the subsequent section will set forth a Political-cultural approach from economic sociology that will be applied to examine the development of the Hong Kong film industry.

CONVENTIONAL EXPLANATIONS

Triad Intrusion and Piracy

Among the various aforementioned reasons advanced for the decline of the Hong Kong film industry, piracy is an issue that generates widespread concern and is oftentimes held to be an obvious explanation for the industry's downfall (Bai 1993; Curtin 2003b). From the interviews conducted by Lim (2006) with some veterans in the field, some insiders claim that the active involvement of triads in the Hong Kong film market during the 1990s caused a serious distraction to the industry¹³. Triad involvement is often intertwined with illegal behaviors in the film market, with video piracy regarded as one of them (Curtin 2007: 82).

Some commentators denounce video piracy as a factor that exacerbated the decline of the Hong Kong film industry (Lim 2006: 351). Curtin (2003b) stresses that the rising demand for pirated copies of movies reflected the "continuing popularity of the industry's output, yet ... many fans [the cinemagoers] are now

¹² "Theoretical explanations" are the contentions that are consonant with the suppositions of the four theoretical approaches reviewed in this chapter. Explanations which tally with the thesis of the four theoretical approaches will also be discussed together with these theoretical approaches.

¹³ Curtin (2007) points out that even though triad involvement could be a factor in the downward spiral of the Hong Kong film industry, the triads did perform a "service" to the industry. This is because before 1997, the Hong Kong colonial government rarely provided assistance in any film project. The triads, therefore, often provided "location services" for filmmakers who were shooting movies in public areas. These "services" included an effort to ensure the "cooperation of the shopkeepers and the people who live" in the area (p.72). Curtin notes also that the triads have financed many film projects in Hong Kong. Since triads are always seeking places for money-laundering, "small production houses with casual accounting practices are ... an ideal place for triads to invest" (p.74). In these respects, triads did contribute to the Hong Kong film industry.

more willing to buy and rent video copies than to buy theatre tickets. When it comes to theatrical exhibition, audiences are showing an increasing preference for lavish Hollywood productions” (p.238). As a result, distributors hesitated to purchase the rights to Hong Kong movies because of the possibility that pirated copies could be released before the movies were launched officially (Symonds 2007). Instead, they would prefer distributing Hollywood movies that are more likely to draw in cinemagoers rather than distributing local productions. In this respect, a Hong Kong film director, Chan Hing-kai, claims piracy to be the biggest challenge to the Hong Kong film industry before 1997 (Ma et al. 2007: 31), and because of piracy, film investors trimmed their investment in film production which, in turn, dragged down the film outputs precipitously (ibid.).

Although piracy is an issue of widespread concern and has often been treated as a cause of the calamity experienced by the Hong Kong film industry during the late 1990s (Curtin 2003b: 238), the decline of the Hong Kong film industry should not be attributed to the “piracy problem”. This is because piracy existed almost a decade prior to the freefall of Hong Kong movies circa the mid-1990s. Since the late 1980s, the widespread distribution of pirated copies of movies in the form of video cassettes or Video Home System (VHS) in Asia has already menaced the worldwide distribution of Hollywood movies (Buck 1992: 127; Darlin 1992). In Hong Kong, even industry insiders acknowledge that piracy has been a problem ever since video copies of Hong Kong movies became available for rental, that is to say, around the 1980s (Booth 2000). This period, however, was the “golden age” of the Hong Kong film industry as the film outputs in Hong Kong climbed steadily and even surpassed the imported movies from Hollywood in the domestic box office. Therefore, piracy should not be taken as the root cause of the decay of the Hong

Kong film industry even though it could have harmed the film market to some degree (see Wang 2003; De Vany and Walls 2007; Dejean 2009).

Hasty and Unpolished Productions

Not only is triad intrusion claimed to have exacerbated the problem of piracy, but it is also often blamed for having jeopardized the standards, or the quality, of film products in Hong Kong. Lie (2007) condemns the triad encroachment as a consequence of the lack of state control over the film industry (p.54). With no measures to combat money-laundering through the film industry, triads could easily engage in film production. This ravaged the industry in that the triads rarely thought about making high-quality movies but were concerned mainly with making quick profits (Lim 2006: 351). Curtin (2007) contends that the triads vied with one another for big stars since they thought the use of big stars would guarantee higher box-office return (p.74). This pushed up the remuneration for movie actors which in turn raised the total production cost (Jones 2010).

Another acute problem resulting from this situation was that the plots and scripts of the movies were increasingly downplayed in the production process (Jones 2010). With the main focus being placed on the cast and less attention being paid to the screenplays, the phrase “hasty and unpolished productions” came to be repeatedly applied to describe the quality of most Hong Kong movies throughout the 1990s (Chan et al. 2009; Teo 2008; Stephanie Chung 2007).

Despite the negative perception of Hong Kong movies among the public, the alleged “hasty and unpolished productions” was not supposed to be the cause of the

contracted box office of Hong Kong movies; instead, it was a consequence of the conventional practice in which the scripts and plots are underemphasized in the production process. Looking for the root of the decay of the Hong Kong film industry, some film critics and commentators reproach the triads for making much out of the cast but not the plots of the movies in the 1990s. This, they claim, sparked off a trend of unpolished and hasty production of movies in the industry (Lim 2006).

Nonetheless, the disregard of plots and scripts, as a conventional practice in the Hong Kong film industry, should not be attributed wholly to triad intrusion. While Teo (2008), like others, attributes the decline of the Hong Kong film industry to the tendency to make movies with poor-quality screenplays and in a cursory manner, he correctly points out that the “seeds” of this trend “were sowed back in the 1980s”, the period which most scholars recognize as a “golden age” or “boom times” for the Hong Kong cinema. Teo reminds us that this was also the time in which “a trend of *overproduction* and the tendency of investors to milk profits from *tasteless production* with little care for quality and artistic precepts” took place (p.341).

Even though there is no absolute standard of “overproduction” nor of “tasteless production”, Teo (2008) notes that even during the 1980s, the period with less triad intrusion in the Hong Kong film industry, the tendency toward a disregard of screenplays was already embedded in the production process of Hong Kong movies. This undermines the contention that the decline of Hong Kong film industry was primarily caused by the triads who pushed the industry towards hasty and unpolished production involving poor scripts and plots. In this regard, this study will probe into the underlying structural factors which gave rise to a production system that

conventionally underrates the importance of screenplays. Investigations into these structural factors are expected to throw light on the causes of the decline of Hong Kong film industry since the mid-1990s.

EXPLANATIONS DERIVED FROM THEORETICAL PERSPECTIVES

Although the aforementioned conventional explanations fall short in accounting effectively for the root cause of the downfall of Hong Kong film industry, they present a useful lesson for the current study, namely that one should avoid taking the “result”, such as the hasty and unpolished productions, for granted when explaining the decline of a film industry. Besides the foregoing focus on the internal dynamics of the industrial production system, the external environment may also affect the performance of the Hong Kong film industry. While there are many contending voices regarding the nature and effects of these external and internal factors, a way to address the different voices is to look into the “context” in which those external and internal factors come into play.

Cultural globalization is the context in which cultural industries, including national cinema, have been operating nowadays (Hesmondhalgh 2007). In this context, various forms of media and the arts transmit or diffuse across national borders (Crane et al. 2002). Since movies, or motion pictures, are a form of media and art, discussions on the development of the film industry should pay heed to the various perspectives on cultural globalization. Apropos of the various interpretations of cultural globalization, Diana Crane (2002) identifies three theoretical models that have been widely debated in the academic circles for over three decades, namely the Cultural Imperialism approach, the Cultural-flows/

Network approach, and the Reception approach. In addition, Crane proposes the Cultural Policy and Strategies approach to explain cultural globalization with regard to the reactions of economic organizations and political institutions in their national context. Indeed, not only do these four models serve as a guiding light for uncovering the causes of the decline of Hong Kong film industry, but they also present a systemic way to address the different voices on the matter.

In an attempt to elucidate the factors involved in the development of the Hong Kong film industry, this study follows Crane's (2002) classifications by depicting four types of theoretical approaches to study cultural industries in the globalized context. Findings from some studies in media economics, cultural economics, cultural studies, economic geography, and political economy will also be discussed in connection with these approaches. Following this literature review with some disagreements highlighted, this study will bring in a Political-cultural approach from economic sociology. A subsequent section will provide details on why such an approach could serve as a theoretical tool to explain the rise and fall of the Hong Kong film industry.

The Cultural Imperialism approach

The Cultural Imperialism approach or the Media Imperialism thesis examines the imbalance in international media flow (Boyd-Barret 1977). It considers cultural globalization to involve an invasion of the Western, or American, popular culture (Staiger 2002; Thompson 1997). It makes this contention because it observes that the expansion of "Western" media production has expedited a monotonic flow of cultural products from the "First to the Third World in a situation whereby the media

of the advanced capitalist economies were able to substantially influence, if not actually determine, the nature of cultural production and consumption within Third World countries” (Chadha and Kavoori 2000: 416). Following in this vein, the thesis claims that the global cultural system, if there is any, is dominated by a “core” of developed countries in the West; while the less-developed countries, which remain at the “periphery” of the system, will have little control over their cultural development (Schiller 1992; Lee 1980).

The Cultural Imperialism approach contends, moreover, that when the multinational corporations, mostly from the “core” countries, produce and disseminate cultural goods, including film products, to the “peripheral” countries (Tomlinson 2008), the audiences in “peripheral” countries generally accept these cultural goods passively (Cecil 1971). As a result, the control of the international flow of media content by some developed countries, such as the United States (U.S.) and its European allies, is expected to give rise to the “Western media hegemony [that] diminishes indigenous production capacity and undermines the expressive potential of national cultures [and will consequently bring about a] cultural homogenization worldwide” (Curtin 2007: 6; Gitlin 2001).

Since the foreign movies screened in most countries these days come mainly from the U.S., advocates of the Cultural Imperialism approach would consider Hollywood to be the “core” or the “center”, and the receiving countries, including Hong Kong, to be the “periphery” (Hamm and Smandych 2005; Segrave 1997). According to the postulation of this thesis that the market domination of the “core’s” film products, notably the movies from the West, over the receiving countries may consequently demolish the indigenous movie industries of the recipients (Armes

1987), the development of the Hong Kong film industry should therefore be expected to be negatively affected by the import of movies from the U.S.

Past researches from media economics and cultural economics complement the Cultural Imperialism thesis by throwing light on the “economic fundamentals” of the media industries in “core” countries. Media trade models are applied to prove that the large-scale domestic market of the “core” countries could provide their media producers with strong capital power to offset any cultural depreciation in the products to be disseminated offshore (Hoskins and Mirus 1988; Wildman and Siwek 1988; Hoskins et al. 1997). Wildman (1995), for example, finds that international trade in films and television programs is a one-way flow from the large markets in the developed countries to the small markets in the less-developed counterparts. This observation is consonant with the Cultural Imperialism thesis. Wildman’s contention is based upon the assumption that, other things being equal, a large-scale domestic market in the developed countries allows their media companies to make “optimal production budgets”. By contrast, media products from the less-developed countries with a small-scale domestic market, from which less capital power is expected to be generated, will be less capable of competing with the products imported from the developed countries. In this sense, the less-developed countries may even cede their domestic market to the imported media products. This results in a domination of the developed countries over the less-developed counterparts in media trade.

Given the large-scale domestic film market in the U.S., this line of research shows that the major film companies in Hollywood are more able to afford a larger budget for their film productions. This gives them the advantage over the film

companies in other nations for they could produce movies with “de-contextualized” scenes which usually involve high-cost computer graphics (CG). A prominent example is *Avatar* (2009), a science-fiction movie directed by James Cameron. Since the screenplay is set in a fictitious planet, Pandora, the “de-contextualized” scenes protect the movie from any “cultural discount”¹⁴ and hence, helped to gain its acceptance in different culturally-defined markets. Other Hollywood blockbusters, such as *Harry Potter*, *Jurassic Park*, and *Star Wars*, share the same characteristics. Producers of these pictures, notes Oh (2001), intentionally choose to focus on the “less culturally resistant genres and more internationally appealing content in order to diminish the cultural discount effect” (p.42).

In reality, these “de-contextualized” blockbusters seem to have achieved remarkable commercial success worldwide. In Lee’s (2006a; 2009) analyses of cinemagoers’ acceptance of U.S. movies in East Asia, he observes that Hollywood blockbusters, particularly those received academy awards in visual, audio, and technical effects, are more likely to overcome cultural barriers, and to achieve better box-office results abroad. As the film companies in Hollywood, notably the “core”, could garner more financial resources from their domestic market to make high-budget movies than the “peripheries”, they are in a better position to produce “de-contextualized” movies that carry universal content. Since these pictures are expected to gain higher acceptance when traversing cultural borders (Noam 1993), they are more likely to excel than the films produced elsewhere in overseas markets. In consequence, the U.S. could maintain its dominance over other nations in the film

¹⁴ The Cultural-discount thesis proposes that “whether someone likes a script or not is likely to be partly affected by factors such as their acceptance of the social and cultural values embedded in the story and familiarity with the narrative conventions being employed” (Lee 2009: 245). Their acceptance is mediated by the “aesthetic tastes, social and cultural values, language, and other factors [that] may lead to different judgments of whether certain media products are better than others” (Lee 2006b: 260).

trade.

Although the Media Imperialism thesis and the related studies of media/cultural economics contribute by highlighting the basis of the “core’s”, notably Hollywood’s, dominance over the “periphery”, this approach overlooks some “peripheral” film industries, such as Hong Kong in the 1980s and South Korea in the 1990s, which prospered despite the challenge posed by Hollywood. Thus, the “disregard of the variations in local context” has been constantly construed as an opposition to the Cultural Imperialism approach (Fu and Sim 2010: 122). These variations can stem from the differences in the size and the development of the local film markets, as well as the “variance in political and social systems within and between recipient countries” (Lee 1980: 44). For instance, South Korea imposes screen quotas on foreign movies (Jin 2006), Thailand charges taxes on imported movies (Boonyaketmala 1992), and the Hong Kong cinema was often coined as a case of a *laissez-faire*¹⁵ market before the late 1990s (Lee 2008: 124). With varying degrees of state’s involvement in film markets, the development of movie industries in different countries is expected to show diversity rather than homogeneity even though the global expansion of Hollywood is a peril to all of them.

In short, although the Cultural Imperialism approach has its merits as it provides a backdrop for understanding the global dissemination of cultural products from the developed countries, the credibility of its generalization about the inevitable hegemonic dominance of the “core” over the “peripheral” countries is questionable.

¹⁵ Among other film industries of different nations, Leung (1993) contends that the Hong Kong [colonial] government had “the least participation or involvement in cultivating the local movie industry [before the handover of Hong Kong in 1997]” (p.3).

The Cultural Imperialism thesis contends that there is a one-way regular flow of media contents from the “core” to the “peripheries”. This argument, however, underrates the vitality of some “peripheries” which are *de facto* exporters of cultural products, and overlooks also a variety of local responses from the receiving countries to the “incursion” of foreign media products. These two recognized shortcomings from the Cultural Imperialism approach are indeed well articulated by the Cultural-flows/ Network approach and the Reception approach as the following sections will discuss in more detail.

The Cultural-flows/ Network approach

As noted in the foregoing section, the Cultural Imperialism approach accentuates the dominance of the “developed” over the “less-developed” countries via a regular flow of media/ cultural products from the former to the latter. The Cultural-flows/ Network approach challenges this argument of the Cultural Imperialism thesis by stressing that the nature of global media trade is not characterized by an unidirectional flow of media content or cultural products, but a “plurality of actors and media flows” (Chadha and Kavoori 2000). In contrast to the unidirectional transmission process of cultural goods, the Cultural-flows/ Network approach notes that the receivers of cultural goods in the system may also be the originators of cultural products that are globally circulated (Jenkins 2004). In this vein, not only does culture flow out from the developed countries, but it can also flow in from the less-developed ones (Sreberny-Mohammadi 2000). The global cultural system thus resembles an aggregation of networks with no clear demarcation of cultural flows between the “core” and “peripheral” nations (Appadurai 1990).

Empirically, the hegemonic model associated with the Cultural Imperialism approach is challenged by the emergence of many media industries in the developing countries which have witnessed a rampant growth in exports of their cultural products. There are scores of studies on the South Korean film industry as an exemplary case¹⁶ to illustrate how the state in less-developed countries together with the economic actors could scale new heights in the development of their cultural industries (see Shim 2002; Ryoo 2005; Jin 2006; Joo 2007; Ryoo 2008). These studies explicate how the state-business collaboration in Korea has turned its media industry into a regional “powerhouse of popular culture” (Shim 2006: 38). This hastens the spread of Korean cultural commodities in several parts of Asia (Jin 2007: 761). Some scholars describe this situation as a “Korea wave” of cultural exports in the region (Leong 2002; Russell 2008).

South Korea has also been repeatedly cited by studies of “cultural hybridity” to challenge the idea of a “duality” or a “dichotomy” between the dissemination of media content at the global level, as stressed by the Cultural Imperialism thesis, and the interpretation or acceptance of those media content at the local level, an emphasis of the Reception thesis (Shim 2005; Joo 2007; Chua and Koichi 2008). Going beyond the binary understanding of transnational cultural flows, this body of literature argues that cultures are rarely “pure” in a sense that almost all societies

¹⁶ Despite the Korean success in export of cultural products, some scholars stress that cultural imperialism maintains its rule in Korea, and also in other developing countries (Sreberny-Mohammadi 1997; Joo 2007). They note that the U.S.-based media conglomerates have already penetrated into Korea with their capital in form of joint ventures. In this respect, the dominance of the developed countries over other nations persists not only through the export of cultural products, but also in form of capital investment and the institutionalization of organizational practices in their media/ cultural industries (Sreberny-Mohammadi 1997; Joo 2007). Since the cultural market in Korea is still largely influenced by transnational corporations, Jin (2007) contends that Korea has neither overtaken nor escaped from the cultural dominance of the developed countries, notably the U.S.

undergo a dynamic process of adaptation to foreign cultures when they interact with other societies (Appadurai 1996). The “transcultural convergence” between the “local” and the “global” is thus expected to lead to a hybridization of culture or a hybrid form of cultural flows among societies (see Pieterse 1994; Kraidy 2002 for an overview).

Besides the “Korea wave”, media scholars recognize a similar pattern of hybridization of cultural flow in Hong Kong (Tam et al. 2002; Curtin 2002). In addition to the large-scale film exports from Hong Kong to the Southeast Asia region (Leung and Chan 1997), Cheung and Chu (2004) observe that some Hollywood movies originated to some extent from Hong Kong. They note that while there has been an outflow of personnel from the Hong Kong movie industry to Hollywood since the 1990s, quite a number of Hollywood movies have incorporated elements from the films produced in Hong Kong. Film producers in the U.S. have also acquired the rights to remake the movies from Hong Kong. For example, *The Departed* (2006) is a Hollywood movie remade from the trilogy of *Infernal Affairs* (2002-2003), a Hong Kong production. These demonstrate that the receiving or “peripheral” countries of Western cultural products are not “passive recipients”; instead, they may also influence the decisions of the producers, or the media conglomerates, in the “core” countries on the content of the cultural goods that they produced and exported (Kipen 2004; Elberse and Eliashberg 2003).

The experiences of South Korea and Hong Kong clearly challenge the assumption of cultural imperialism that the developed countries or the “First World” are considered to be the producers and exporters of cultural goods, while the non-Western countries or the “Third World” are construed to be only the receivers

and the passive victims (Armes 1987; Reeves 1993). Antithetical to the Cultural Imperialism thesis, studies following the Cultural-flows/ Network approach draw our attention to some less-developed countries, which are supposedly experiencing the cultural dominance of the developed countries but which are however found to be capable of producing and exporting media content and cultural products to other nations (Sinclair et al. 1996). Being an exporter of culture, therefore, the less-developed countries may garner resources from the regional market, enabling them to build and strengthen their own media industries amid the widespread influx of media content from the Western developed countries (Reeves 1993).

Viewed in this light, the Cultural-flows/ Network approach considers the export of film products to overseas markets to be an imperative for the success of a film industry. Even as Hollywood blockbusters penetrated into different film markets from the 1980s, the Hong Kong film market, notes Leung (1993), was “immune from this worldwide threat” (p.1). She stresses that the prosperity of the Hong Kong film industry before the mid-1990s is largely due to the ability of its market-oriented filmmakers who were flexible enough to overcome the limitation of its small-scale domestic market, and to enlarge the “scope of target customers to overseas China and later international audiences” (p.112). In this sense, the ability to maintain a high level of film exports is treated as a reason for the outstanding performance of the Hong Kong film industry before the mid-1990s.

Besides the ability of filmmakers in Hong Kong, some studies claim that since most Asian film industries were relatively less developed during the 1980s, their film products were less competitive than those of the Hong Kong movie industry (Lee 2006a). This gave the filmmakers in Hong Kong an opportunity to develop their

film industry into a regional movie production hub and an export center in Asia (Leung 1993). As a result, the Hong Kong film industry experienced its heyday in the 1970s and the 1980s. Also, it was coined as the “Hollywood of the East” since its market share in some countries even matched with that of Hollywood (Leung 1993: 1-2; Dannen and Long 1997; Stokes and Hoover 1999: 17; Hammond 2000; Stokes 2007; Lam 2007: 60-61). As Lee (2006a) puts it:

During the 1970s and the 1980s, the underdevelopment of movie industries in the [East Asia] region made Taiwan and Southeast Asia lucrative markets for Hong Kong films. Hence, U.S. movies have not dominated the Hong Kong market historically. (p.887)

Even though the results of film exports from Hong Kong could be a sign or an indicator of the overall performance of the film industry, the statement quoted above does not square perfectly with the reality. This is because the market share of imported films in Hong Kong has no relation to the number of films exported from Hong Kong. Even a film industry with a relatively low level of exports may still be able to resist the domination of Hollywood movies in its market. Bollywood of India in the past several decades serves to illustrate the point. The film outputs of Bollywood are comparable to that of Hollywood, yet the scale of its film exports is much smaller than that of the U.S. Nonetheless, Bollywood movies could still gain a huge share in their domestic market (Dudrah 2006; Bose 2007; Dudrah and Desai 2008). This implies that the number of films exported from a given country does not necessarily make a significant difference in the share of foreign movies in its domestic market.

Although the revenue from overseas markets is clearly an important income stream for local film companies, film exports might not help the movie industries in

the receiving countries to fend off the competition from foreign movies. Hence, the triumph of exports achieved by the Hong Kong film industry in the Southeast Asia region before the mid-1990s should not be regarded as a reason why the Hong Kong movies could outperform the Hollywood blockbusters in its domestic market. By the same token, the expansion of Hollywood's market share in Hong Kong since the mid-1990s should not be caused by the changes in the number of movies exported from Hong Kong.

Suppositions related to the Cultural-flows/ Network approach

As for the decline of the Hong Kong film industry during the mid-1990s, Curtin (2003b) points out that a restructuring in the Taiwan¹⁷ film market during the mid-1990s has shorten the theatrical exhibition period of Hong Kong movies. This resulted in a “collapse of release windows” for Hong Kong movies, which consequently pushed the movies, albeit well made, to be sold in ancillary markets, such as TV stations and video rental outlets, soon after their theatrical release. To combat this problem, Curtin urges film companies from Hong Kong to change their distribution strategies in Taiwan by maintaining their offices in such an important offshore market. If film companies promote their movies by themselves in the Taiwan market, he claims, their revenue may rise substantially. This will also help to rekindle the demand of Taiwan's distributors and exhibitors for Hong Kong movies, and may restore the “theatrical premier” of these movies to the “status of a special event that could only be experienced in the theater” (p.252). If such a change in the distribution system could be made, the Hong Kong film industry might be able to garner more resources from abroad, and hence have a better chance for

¹⁷ Taiwan was one of the most important sources of pre-sale financing for the Hong Kong film industry particularly during the late 1980s and the early 1990s (Curtin 2003b: 244).

revitalization. Following in this vein, Curtin proposes the following diagnosis of the decay of the Hong Kong film industry:

[G]ood movies are still being made every year in Hong Kong. The creative side may need fewer repairs than the distribution infrastructure—a situation that has less to do with Hollywood dominance than it has to do with a failure to adapt to shifting market conditions. (p.241) [A]s we have observed, it is just as much a consequence of mismanagement on the part of the Chinese film industry. (p.253)

While the revenue from film exports is crucial to the Hong Kong film industry (Leung and Chan 1997), this study pinpoints that the decline involves far more than a “mismanagement” of offshore distribution. Counter to the determinacy of cultural exports emphasized in the Cultural-flows/ Network approach, the ample literature on media economics shows that the domestic market of a film industry is crucial to the export of its film products. As shown in this literature, economic models are widely applied to test the “home market effect”, the extent to which the domestic market scale could influence the exports of a given country (see Hadida 2008; Weder 1996 for an overview). These studies demonstrate that “larger and wealthier countries [could garner better resources from their domestic market, whereby this might] account for larger proportions of exports [in international trade]” (Jayakar and Waterman 2000: 155). The movies produced in the developed countries that could generate higher box-office grosses from the domestic market are expected to perform better abroad. Following in this vein, the box-office figures of movies in the domestic market are therefore often taken as an indicator or a benchmark for the distributors and exhibitors in overseas markets to determine whether, or for what duration, the movies will be released or screened (Vogel 2007).

In sum, these studies argue that the performance of a film product distributed overseas hinges on the “economic fundamentals” of its domestic market, which can be indicated by the population size, the Gross Domestic Product (GDP), the cinema attendance, the total box-office revenue, the quantity of film outputs, the volume of domestic movie spending, and/ or the gross value-added by the movies produced at a given year (Lee and Kim 2010; Fu and Lee 2008; Lee and Waterman 2007; Oh 2001; Jayakar and Waterman 2000; Waterman and Jayakar 2000; Owen and Wildman 1992).

In line with the abovementioned research findings, some studies have identified the drawbacks of Hong Kong’s small-scale domestic film market. Lee (2006b) stresses that in recent years, the small-scale domestic market fails to support the Hong Kong film industry to compete effectively with other rising movie industries in the East Asia region (p.265). Parallel to Lee’s (2006b) concern, Fu and Sim (2010) take Hong Kong as a case to illustrate how a small domestic film market limits its film companies’ ability to make movies that are “culturally transmissible”. This is why, they stress, most films exported from Hong Kong are “kung-fu and gangster movies” as film companies rarely make “innovation beyond duplicating such themes ... [and develop] more broad-appeal programs” (p.138).

Furthermore, as a rule of thumb in the Hong Kong film market, the local theatrical screening, being the first window of exhibition, is the key conduit of profit return. Distributors typically try to “signify the premium value” of their film products by launching them in theatres (Curtin 2007: 84). Then, they would market the products “through discount outlets” according to the movies’ theatrical performance (ibid.). In this regard, the box-office results from domestic theatrical

screening are used as a benchmark for the local distributors to bargain with the overseas exhibitors and retailers over better terms in the exhibition or distribution contracts abroad (Hong Kong Film Archive 1997: 69). The local distributors could hardly get a good deal from the exhibitors and retailers in overseas markets for movies that achieve less desirable box-office results from the domestic market. Even if the foreign exhibitors have already acquired the rights to the pre-sales in overseas markets, they may still curtail their future investment in Hong Kong movies, or lower the price of the pre-sales they are willing to pay in future, when the movies they brought receive poor box-office results in Hong Kong. In a nutshell, these findings collectively accentuate the importance of an industry's domestic market to its film exports.

In sum, the Cultural-flows/ Network approach refutes the Media Imperialism thesis by reproaching it for underestimating the complex dynamics of cultural interaction among societies. Laying special emphasis on a hybridized form of cultural flow, this body of literature highlights the vitality of some less-developed countries which are supposedly ground down by the Western cultural hegemony. While these countries receive imported media content from the Western developed countries, they are also capable of producing and exporting cultural products to other nations. The export of media and cultural products, in this regard, becomes a way for the less-developed countries to garner resources from overseas markets, and to build up their own media industries which may resist Western cultural hegemony. Viewed in this light, the Cultural-flows/ Network approach advances an argument against the Media Imperialism thesis by proposing that the root of the decline of Hong Kong film industry does not stem from its direct competition with Hollywood in domestic market. Instead, the industry's downfall is attributed to both the slump

in exports of Hong Kong movies, and the meager profits they gained in overseas markets.

Nonetheless, findings from the studies in media economics are antithetical to the postulation of the Cultural-flows/ Network approach. As discussed earlier, media economics by and large accepts as fact that the performance of film exports, as a media or cultural product, is heavily determined by the scale of their home market. These studies highlight the factors in domestic market other than exports are imperative for a thriving film industry. Although the pre-sales or prior export of movies to overseas markets constitutes a crucial component of the film industry (as for Hong Kong, see Leung 1993; Leung and Chan 1997), they should not be treated as a cause of the decline of Hong Kong cinema. Even in practice, the box-office results from domestic theatrical screening are conventionally treated as the benchmark for local distributors to bargain with overseas exhibitors and retailers over better terms in the exhibition or distribution contracts abroad. For this reason, film exports are only a sign or an indicator of the performance of a film industry, rather than an exogenous or a determinant factor in the performance of the industry. In this respect, the Cultural-flows/ Network approach may not be able to get to the root cause of the decay of Hong Kong film industry in the mid-1990s.

The Reception approach

While the Cultural Imperialism approach falls short of explaining the *divergent paths* of the development of different cultural industries amid globalization, and the Cultural-flows/ Network approach does not adequately account for the forces from the *domestic market* that sparked off the decline of the Hong Kong film industry, the

Reception approach offers sensible postulations by bringing in socio-demographic factors¹⁸ to explain the shift in demand for local movies in the domestic market. The Reception thesis assumes that audience and consumers in receiving countries respond actively to cultural products (Watson 2006). They actively interpret, negotiate, and even sometimes reject the media content imported to their markets (Chadha and Kavoori 2000: 416).

The interpretations of, and the reactions to, the same cultural goods may vary across different national, ethnic, and racial groups (Basuroy et al. 2006; Collins and Hand 2005; Neelamiegham and Jain 1999) because audiences are expected to exhibit a preference for the imported cultural products that appear most relevant or proximate to their own cultural context (Straubhaar 1991). In this sense, the cultural products distributed abroad may suffer a “cultural discount” (Hoskins and Mirus 1988) since the products may lose their appeal if the consumers in other markets do not share the same socio-demographic characteristics, such as “to have the same background knowledge, linguistic competence, and other forms of cultural capital to fully appreciate them” (Lee 2008: 119). Following in this vein, the Reception thesis argues that commodities which are more culturally proximate or specific to the socio-demographic characteristics of a market will gain a higher degree of acceptance in this market (Fu and Govindaraju 2010; Fu and Lee 2008). By contrast, commodities that are less culturally specific may exhibit a lower level of “cultural discount”, and therefore are more likely to gain acceptance in different markets across cultural borders (Lee 2006b, 2008, 2009; Straubhaar 1991; Wildman and Siwek 1988).

¹⁸ These socio-demographic factors include the language, class, gender, ethnicity, and social experiences of the audience who receive the imported cultural products (Chadha and Kavoori 2000: 425).

According to the Reception thesis, the responses of cinemagoers to Hong Kong movies vis-à-vis foreign movies are expected to exert considerable influence on the survival of the local film industry. Examining the local acceptance of foreign movies, Lee (2006b) finds that less culturally specific movies from Hollywood, presumably the science-fiction and action films, are more accepted by the cinemagoers in Hong Kong as compared with the American comedies which contain more culturally specific contents. Lee (2008) comes up with a similar finding for several film markets in East Asia. He shows that American comedies experienced a lower degree of “cultural discount” in the Hong Kong film market and are more accepted by its cinemagoers in comparison with those of Taiwan, South Korea, Japan, and Thailand (*ibid.*: 127).

Following Fu and Sim’s (2010) conclusion¹⁹ that the “cultural discount” of a media product is expected to be lower if both the exporting country and the receiving country speak or share a common language, the findings from Lee’s (2008) analysis can be interpreted as indicating that American comedies gain greater acceptance in Hong Kong since English is more popular among the public in Hong Kong than in Taiwan, South Korea, Japan, and Thailand. As Hong Kong was a colony of the U.K. until 1997, English has been a compulsory subject in the curriculum of the primary and secondary schools. Moreover, the expansion of higher education in Hong Kong has probably boosted the number of people who are able to use English.

¹⁹ Similar conclusions can be found in Wildman and Siwek’s (1988), Wildman’s (1994), Chan-Olmsted et al.’s (2008), and Ksiazek and Webster’s (2008) analyses. However, Chadha and Kavoori (2000) take issue with the idea drawn from these conclusions. They take India as an example to demonstrate that linguistic proximity does not necessarily relate to the local acceptance of imported cultural goods. They stress that despite the “large English-speaking population” in India, “local [television] programs ... [are still] more popular than the imported Western ones” (p.425).

Table 2.2 Education Attainment of the Population Aged 15 and Over at Matriculation Level or Taking Degree Courses, 1976-2005

| Year | Number of Persons | Percentage Change % | Share of Population % | Percentage Change % |
|------|-------------------|---------------------|-----------------------|---------------------|
| 1976 | 158,340 | - | 5.3 | - |
| 1981 | 261,350 | 65.06 | 7.0 | 32.08 |
| 1986 | 374,675 | 43.36 | 9.1 | 30.00 |
| 1989 | 377,885 | 0.86 | 8.5 | -6.59 |
| 1991 | 414,350 | 9.65 | 9.1 | 7.06 |
| 1992 | 428,618 | 3.44 | 9.3 | 2.20 |
| 1994 | 547,530 | 27.74 | 11.3 | 13.07 |
| 1995 | 625,086 | 14.16 | 12.6 | 11.50 |
| 1996 | 706,239 | 12.98 | 13.5 | 7.14 |
| 1997 | 754,205 | 6.79 | 14.2 | 5.19 |
| 1998 | 780,724 | 3.52 | 14.5 | 2.11 |
| 1999 | 823,282 | 5.45 | 15.1 | 4.14 |
| 2000 | 869,293 | 5.59 | 15.7 | 3.97 |
| 2001 | 955,536 | 9.92 | 17.0 | 8.28 |
| 2002 | 1,001,898 | 4.85 | 17.6 | 3.53 |
| 2003 | 1,072,239 | 7.02 | 18.7 | 6.25 |
| 2004 | 1,139,366 | 6.26 | 19.5 | 4.28 |
| 2005 | 1,180,170 | 3.58 | 19.9 | 2.05 |

Notes: Data on 1976 and 1986 are collected from By-Census. Data on 1981 are collected from Census. Data on 1989 and after are collected from the General Household Survey.

Figures for 1996 to 1999 presented in this table may be different from those presented in the earlier editions of *Hong Kong Annual Digest of Statistics* before 2001 because of the change in the approach for compiling population figures adopted by the Census and Statistics Department since August 2000.

Persons with educational attainment at matriculation level refer to those with Secondary 6 to Secondary 7 education or equivalent level. Persons taking degree courses refer to those enrolled in degree programs in tertiary level academic institutions.

Sources: Tabulation compiled from *Hong Kong Annual Digest of Statistics* (Census and Statistics Department, various years).

As shown in Table 2.2, over the past three decades, there was a sevenfold increase in the number of persons at Matriculation level or taking Degree courses. Their share of the entire population aged 15 and above almost quadrupled from 5.3 per cent in 1976 to 19.9 per cent in 2005. Since people with this level of education attainment must have completed their secondary education, it is expected that more people in Hong Kong would have become familiar with English over the past three decades, and that the population's acceptance of imported movies, particularly those from Hollywood, could have grown.

Although the Reception approach has spelled out the possible variations in the demand for movies imported from foreign countries, the apparent growth of popularity or acceptance of Hollywood movies in Hong Kong is primarily a consequence rather than the cause of the decline in both the output and the domestic box-office grosses of Hong Kong movies. Even Lee (2006a) notes in his analysis that but for the decline of local movies at the outset, there would not be space in the Hong Kong film market for foreign movies to be screened to an overwhelming extent (pp.889-890). This indicates that, as Lee acknowledges, *something* must have happened in the Hong Kong film industry that consequently dragged down the film output as well as the box-office receipts of Hong Kong movies during the early 1990s.

Given that the Hong Kong film market might have experienced a slump in the supply of local movies and/ or a declining public acceptance of local movies, distributors and/ or exhibitors may have demanded a larger number of foreign movies imported mainly from the U.S. to replace the local movies. In this respect, the number of imported films screened in Hong Kong could have increased

substantially *on the condition that* they were used to fill up the market niche that was formerly occupied by Hong Kong movies. While more and more imported films have been screened in Hong Kong since the mid-1990s, these movies are found to have gained much acceptance from the public. The Reception approach at this stage may provide a cultural explanation for the variations in the acceptance of Hollywood movies in different culturally-defined markets.

In this vein, even though the Reception approach pinpoints the reasons for the changes in movie-consumption habits or in audience tastes of the local public, it does not aim to, and should not serve to, explain the dynamics on the production side of a film industry. The growth in popularity of Hollywood movies in Hong Kong is therefore a consequence rather than the cause of the decline of the Hong Kong film industry. Sole reliance on the Reception approach may risk posing a lopsided concentration on the demand side while underrating the factors involved in the supply and distribution of cultural products in explaining the downfall of Hong Kong film industry. Since these factors may also account for the development of the Hong Kong film industry, the following section will take a closer look at them under the framework of the Cultural Policy and Strategies approach.

The Cultural Policy and Strategies approach

As shown in the foregoing sections, the Cultural Imperialism approach and the Cultural-flows/ Network approach treat “nation” as their primary unit of analysis, while the “individual cultural consumer” is the unit of analysis in the Reception approach. These approaches, however, overlook the fact that “cultural globalization requires an organizational infrastructure” (Crane 2002: 4). The

organizational context deserves much attention because it determines how the production and distribution of cultural products are processed. As a complement to the three aforementioned approaches, Crane (2002) puts forth a middle-range approach, namely the Cultural Policy and Strategies approach, that calls for deliberations on the reactions of economic organizations and political institutions to cultural globalization. This approach explores further into different cultural industries at the firm- or industry-level by examining the strategies adopted by economic actors or firms, and the policies enacted by the state or the government.

Crane (2002) identifies cultural globalization as an ongoing process that involves “competition and negotiation” among different cultural exporters. Economic organizations and political institutions in different countries are supposed to “preserve, position, or protect their [national] cultures in global space” (p.4). As such, they may employ their own set of strategies and policies to attain the goal. In academia, institutional economics and economic geography delineate how the business strategies adopted by the U.S.-based media companies have gained them a comparative advantage over other exporting countries. Their studies largely focus on how the organizational structure, including the production system (Wasko 2003), the star system (McDonald 2008), the financial system (Simon and Wiese 2001; Wasko 1982), the distribution system (Scott 2004), and the exhibition system (Wasko 2003; Litman 1998), could have given the Hollywood film companies an “operational” advantage in international film trade (Curtin 2003b: 241). Findings from these studies throw light on the solid foundation that enables Hollywood to realize its comparative advantage over other film industries²⁰. Akin to media

²⁰ There is abundant literature on media economics that focus on the comparative advantage enjoyed by the U.S.-based media conglomerates. The earlier sections on the “Cultural Imperialism approach” and the “Cultural-flows/ Network approach” have briefly reviewed some of these studies.

economics, arguments from institutional economics and economic geography complement the Cultural Imperialism thesis by enriching our understanding of the reasons for the global dominance of American media products. The Cultural Policy and Strategies approach emphasizes that the comparative advantage enjoyed by the conglomerates that dominate the global media trade should not be treated as a natural state of affairs. Instead, it is the state policies together with the business strategies that shape the conditions in which the international flow of cultural products takes place.

While the Cultural Policy and Strategies approach alerts us to the taken-for-granted idea of the comparative advantage enjoyed by the dominant media conglomerates, it stresses that the policies enacted by the state or the government are central to the development of film industry and its comparative advantage or lack thereof. Cultural policies, notes Crane (2002), are the instruments that nation-states, or city-states, employ to “control the types of channels and types of content that enter and leave their territory” (p.12). As such, three goals of cultural policies are identified: (i) to preserve and protect national and local cultures; (ii) to create and maintain international images of the country or the city; and (iii) to develop and protect international markets and venues for the export of cultural products.

Parallel to the emphasis of Cultural Policy and Strategies approach on state’s involvement, Miller et al. (2001; 2005) proffer a critical political-economy perspective to sift through the historical context of the development of media and film companies in the U.S. Their analyses illustrate that the expansion of foreign market share of Hollywood movies is dependent on the support of the U.S. government which assists the Motion Picture Association of America (MPAA) in

prying open foreign markets through pressuring other nation-states to eliminate their screen quota for imported films.

Studies in film history come up with a similar finding. Pendakur (2008) notes that the U.S. government and the American motion picture industry cartel are closely linked. Although the Paramount Decree was granted in 1948 to prohibit the integration of film production and exhibition in the U.S., no antitrust measure has been applied to the offshore business of American film companies. The Webb-Pomerene Export Trust Act (1918) even gave the film corporations “the means to collude abroad in ways forbidden them at home” (Trumpbour 2002: 115). Since 1922, the U.S. government has allowed the U.S.-based film production and distribution companies to forge alliances under the umbrella of the Motion Picture Producers and Distributors of America, the predecessor of the Motion Picture Association of America (MPAA). In 1945, the Motion Picture Export Association (MPEA)²¹ was established as a sister-corporation of MPAA to integrate and to expand the distribution network of American major film distributors, so as to promote the export of their film products.

Trumpbour (2002), moreover, illustrates how the U.S. government has provided diplomatic and political support to the Hollywood cartel since the 1920s. For instance, the State Department of the U.S. has repeatedly used “international trade forums as an arena for demanding greater access for [its] cultural exports” (p.116). Lobbying at inter-state level has therefore helped the American film industry to fend off the threats of restrictive measures imposed by the states of other nations although

²¹ The Motion Picture Export Association (MPEA) was renamed as the Motion Picture Association (MPA) in 1994.

not all attempts to eliminate import restrictions have been successful (Buck 1992). All in all, these studies illustrate how the seamless state-business relationship in the U.S. film market helps the American film industry to open up foreign markets. State's involvement, in this fashion, has actualized the comparative advantage of the American media providers over other cultural exporters.

In Asia, the unexpected resurgence of the Korean film industry in the late 1990s, finds Ryoo (2008), is also due to the proactive role of its government, which has ardently promoted the cultural industry since the 1990s. Following the liberalization of the Korean cultural industry under Kim Young Sam's regime, the government set up its Film Promotion Fund and Cultural Promotion Fund around the mid-1990s (Shin 2005). Tax incentives have been provided to companies which invest in the film industry. These induced massive private investment from corporations, including conglomerates, known as the *chaebol*. Jin (2006) stresses that these measures have bolstered the Korean film industry by facilitating a favorable regulatory framework and the pouring of domestic capital into the industry throughout the 1990s. Suffice it to say that the cultural policies enacted by the government in South Korea have provided a positive setting for the growth of its film industry.

In a nutshell, while the Cultural Imperialism thesis and media economics underscore the comparative advantage of the "core" exporting countries over the "peripheral" importing countries which results in an imbalance in international media trade and the dominance of the former over the latter, the political-economy perspective tallies with the Cultural Policy and Strategies approach since both consider the comparative advantage enjoyed by the "core", notably the U.S.-based

media conglomerates, as *not* a natural state of affairs. Instead, they pinpoint the importance of political and economic institutions to American dominance in global media trade. They also treat the imbalance in global media trade as a matter of concern regardless of how the media goods are understood and consumed on the demand side in the importing markets, a focus of the Reception studies. In this fashion, the Cultural Policy and Strategies approach and the related studies of political economy expound on the organizational infrastructure as the foundation that enabled Hollywood and other media conglomerates to realize their comparative advantage over their competitors, and thereby maintain their ascendancy in international film/ media trade.

What about the Receiving Countries?

Although studies related to the Cultural Policy and Strategies approach suggest that the development of a cultural industry hinges on both the strategies adopted by economic organizations and the policies enacted by political institutions, most of them focus on the analyses of the political and economic parameters of Hollywood's success, as well as the factors in "performance predictability"²² of American film products in different markets. Taking stock of the existing literature, just a few studies explicate why some countries could build up their film industries when faced with the challenge of Hollywood while most could not. Only scant attention has been paid to the strategies that the state and the economic actors in the *receiving countries*²³ employed to develop their cultural industry. In a critical reflection on

²² Studies of "performance predictability" examine the extent to which the performance of film products in different markets can be predicted by some particular characteristics of the film products or of the film market. A review of these studies can be found in Eliashberg et al. (2006) and Hadida (2008).

²³ Of the few related studies, many of them are done in Taiwan (see Lee 1999; Tien 1999; X. Lin 2000; Wang 2004). The different responses from the states in the U.K., Belgium, and France to the

existing literature on media industries in Asia, Fu and Wildman (2008) stress that scholarly studies which focus on the industrial dynamics remain rare, unfortunately (p.94). The current study thus addresses the issue of industry dynamics by taking the Hong Kong film industry as a case to examine how it could prosper under the threat from Hollywood throughout the 1970s and the 1980s²⁴, yet have experienced a freefall since the mid-1990s.

To resolve this puzzle, this study proposes employing the concept of “commodity chain” in the analysis (Gereffi and Korzeniewicz 1994). This concept helps to direct attention to the different stages involved in the production and delivery of film products. Furthermore, it enables researchers to describe the power relations, whether as a producer-driven or a buyer-driven relation, among different actors who are involved in the production and delivery process of the film product (Gereffi 1994). With a clear picture of the “internal governance structure” of the supply chain, studies that attempt to inquire into the development of a film industry could identify the impact of economic strategies and political policies on each stage of the “commodity chain”.

Although the concept of “commodity chain” helps to clarify the possible

expansion of film exports from Hollywood have been addressed by Trumbour (2002). Buck (1992) has reviewed the state policies on the national cinema of some ASEAN countries. Related studies can also be found in the special issue of *East-West Film Journal* volume 6, number 2, published in July 1992.

²⁴ Curtin (2007) attributes the exuberance of the Hong Kong film industry in the 1970s and the 1980s to its success in accumulation of “media capital” (see also Curtin 2003a). Although he correctly points out that when Taiwan’s investors vied for Hong Kong film products, they bade up the pre-sale prices and sparked off a cycle of hyper-production of Hong Kong movies during the early 1990s (Curtin 2007: 272-273), his analysis has missed the “dynamics that produce new structures” in the market (Fligstein 2008: 48). These dynamics are worthy of attention since they are the factors in the market transformation which in turn, sparked off the downturn of the Hong Kong film industry. Thus, this study intends to elucidate how the dynamics of changes in the market structure as well as in the formal and informal rules of the game, or the “conceptions of control”, have turned the Hong Kong cinema into a moribund industry since the mid-1990s.

impacts of economic strategies and political policies on each stage of the production and distribution process, these impacts may vary from country to country because the historical context in which their cultural industries are developed may differ from each other. For example, Wasko's (1980; 1981, 2003, 2008) studies of the American film industry highlight the influence of bankers on the production system in Hollywood. The power relationships²⁵ between bankers, or investors, and the film companies in the U.S., however, can differ from those in other countries. Film companies in Asia which share dissimilar historical backgrounds with those from America may adopt different financial models in their business. Since film markets of different nations are separate albeit interlinked fields, they are developed in diverse contexts and hence, may follow a divergent path of development. Film industries in different countries, therefore, ought to be examined case by case.

THE POLITICAL-CULTURAL APPROACH

To examine the context in which the state and the economic actors impact on the performance of a film industry, this research draws on insights from the economic sociology literature. In particular, Neil Fligstein's Political-cultural approach is found to be a theoretical tool that could complement the foregoing literature. This is because the Political-cultural approach provides a coherent theoretical frame that spells out the intricate relations between the historical contexts in which the market is formed and the ways in which political institutions and economic strategies have affected the different stages of the "commodity chain" of film products.

²⁵ Wasko (1981) stresses that the relationship between bankers and the film industry has to be examined in the first place before trying "to identify and [to] fully understand any possible effects on the production process" (p.152).

The Political-cultural approach builds a model of how markets emerge, stabilize, and change in capitalist societies²⁶. It views markets as a *fields* in which economic actors interact with each other. In the field, the ultimate goal of these actors is to survive, rather than to maximize the profit they could make. In this respect, effectiveness—a matter of survival—in preference to efficiency, a concern with profit-maximization, is the frame of reference to evaluate the actions of economic actors. To survive in the field, actors have to stabilize or to routinize competitions. Competitions are stabilized or routinized when some actors succeed in imposing a set of “conceptions of control” over other actors in the field (Fligstein 1990). “Conceptions of control” refer to the “cognitive frames” by which actors in the field are encircled (Fligstein 2001: 71). These “cognitive frames” shape the actors’ perceptions of how the market works and their positions in the market.

“Conceptions of control” do not emerge spontaneously; instead, they are the “result of concerted efforts by collective actors to fashion a consensus” or “political compromise” among different actors in the field (Fligstein 2008: 10). For this to happen, the construction of “conceptions of control” resembles a “political project” or a “social movement” in the market (Fligstein 1996; 2001). This process takes place when a market is newly formed or re-formed. As the field emerges, economic actors in the field would try to defend their fiefdom. Some actors may persuade or motivate others to follow their ideas. These ideas direct the actors’ conceptualization of the opportunities they have, as well as the ways they could

²⁶ Arguments derived from the Political-cultural approach apply mainly to markets in capitalist societies instead of socialist societies because this approach is based on the assumption that economic actors survive in the field by means of gleaning resources through market competitions. Power relations between incumbents and challengers are also expected to grow out of the political struggles in market competitions rather than a nationalized market structure in which the survival of economic actors hinges on the resources allocated centrally by the state or the government.

exploit those opportunities. Some actors may try to discover or create a “common language” or “rhetoric” in an effort to “hypnotize” other actors into following their ideas. These actors are known as the “institutional entrepreneurs” (Fligstein 1997: 28, 39). By this means, the “institutional entrepreneurs” attempt to control market competitions. Actors in the field will follow and share a “common language” or the “rhetoric” propelled by the “institutional entrepreneurs” if that “language” or “rhetoric” becomes legitimate²⁷ and institutionalized. The market will then produce local cultures, known as the “conceptions of control”, which define the status and the role of the incumbents and the challengers.

In general, the “institutional entrepreneurs” who discover or create that “common language” will become the incumbents in the market. They are expected to be the actors who set the “rules and agendas for others” (Fligstein 2001: 70) and they benefit the most from the “conceptions of control”. By contrast, the actors who follow the “language” or “rhetoric” and the “rules and agendas” imposed by the incumbents will be the challengers (ibid.: 15). They survive by finding ways to fit into the “dominant scheme” in the “conceptions of control” from which they benefit less. When the “identities” and “status hierarchy” of the incumbents and the challengers are apparent and well known to all actors in the field, the market is stabilized (Fligstein 2001: 76; 1996: 667). At this stage, there should only be one set of “conceptions of control” in the market.

In a stable market, the behaviors of economic actors are expected to be bound by the “cognitive frames” of the prevailing “conceptions of control” (Fligstein 1997:

²⁷ Fligstein (2001; 1996) notes that legitimacy is bestowed by the state on markets (p.97; p.671) in a sense that governments would “intervene to produce rules to promote [market] stability” (2001: 19).

28). Since the “conceptions of control” define the social relations and the hierarchical status of actors, not only are these conceptions conceived by actors as the “worldview” to frame their relationships with each other, but they also provide actors with a “cognitive map” to interpret or to make sense of others’ actions, and to make strategic moves (Fligstein 2001: 35). These strategic moves, nonetheless, are constrained by the “worldview” to which the “conceptions of control” are attached. In this vein, a stable market is characterized by the reproduction of a set of shared understandings of the incumbent-challenger relationships. These understandings constitute the cognitive map that defines the legitimate form of behavior of different actors. If the behavior of actors follows the cognitive map, the relations between incumbents and challengers would foster the social structure of the field, and the field may remain stable.

However, when there are exogenous forces that drive market transformation, the challengers may question the existing order as well as the shared understandings or the cultural frame that governs the operation of the field. These challengers may mobilize resources so as to redefine the rules of the game. In this situation, the preceding “conceptions of control” may no longer be shared by the actors in the field. Economic actors, hence, have to re-conceptualize opportunities, and to find new ways to exploit the opportunities. Since some actors would try to discover or create another set of “common language” or set of ideas and persuade other actors to follow them, a new group of “institutional entrepreneurs” may arise. This returns to the stage of market formation, yet it will be a stage in which the market is *re-formed* rather than *newly formed*. While the “conceptions of control” are in fact the “worldview” constructed, framed, and imposed by the “institutional entrepreneurs” or the incumbents on other actors in the field, the formal rules and regulations as

well as the informal conventional practices in markets reflect the interests of the incumbents vis-à-vis the challengers, and the power of the former over the latter. As such, the construction of institutions in markets is expected to be driven by a political or social movement-like process (Fligstein 2001: 120). Most market institutions, in this regard, are the outcome of the political struggles between incumbents and challengers (ibid.: 38). Fligstein, therefore, describes markets not only as *fields* but also as *politics* (ibid.: 98; see also Fligstein 1996).

In brief, the Political-cultural approach is shown to be a theoretical tool which complements the literature reviewed earlier. This approach sheds light on how the contexts in which a market is situated and the interactions among economic actors and the state could affect the structure of the “commodity chain” of film products. Applying the Political-cultural approach, the following chapter will map the conduits by which the economic actors along the commodity chain have wrestled over the “conceptions of control” in the Hong Kong film market. Since the Political-cultural approach provides a baseline for consideration of the historical, political, and cultural influences upon the emergence, stability, and transformation of markets, it sets forth a coherent theoretical framework that enables this study to probe into the exogenous and endogenous factors that have steered the development of Hong Kong cinema. As will be shown in the subsequent chapters, these inquiries provide clues to the reasons for the freefall of the Hong Kong film industry since the 1990s.

Chapter 3

The “Bloom”²⁸ in the 1970s and the 1980s

Although the main focus of this study is to examine the decline of the Hong Kong film industry, the growth of the Hong Kong film industry in the 1970s and the 1980s is worthy of attention. This is because the factors involved in the efflorescence of the industry can point to the dynamics underlying of how the market evolved. Fligstein (2001) notes that the exposition of why and how a market transforms requires “careful consideration of ... [these] dynamics over some period of time” (p.229). In this sense, how the Hong Kong film market was restructured and stabilized in the 1970s and the 1980s may provide clues to the causes of its transformation and the industry’s downfall during the 1990s. While the subsequent chapter attempts to argue that the “conceptions of control” promoted by the incumbents in the 1970s had become an endogenous factor in the market transformation during the mid-1990s, this chapter provides a backdrop to this transformation. Thus, the following sections will recapitulate the “bloom” of the Hong Kong film market in the 1970s and the 1980s. The “conceptions of control” which emerged in this period will also be discussed. These conceptions are found to have stabilized the film market until the mid-1990s.

THE “BLOOM”

Hong Kong has been well-known for its motion picture industry for the past

²⁸ “Bloom” is the title of several movies. They include a comedy directed by Terri Measel Adams and Daniel Measel in 2008, and a short film made by Ron Houghtaling and Eric Kritzler in 2004. This chapter borrows the title to describe the heyday of the Hong Kong film industry during the 1970s and the 1980s.

century. The industry experienced its heyday in the 1980s. The annual number of film outputs soared from 94 in 1971 to 108 in 1981, and stood at 116 in 1989 (Table 3.1). Meanwhile, the box office of Hong Kong movies in 1989 was 2.4 times those in 1971 at constant 1997 prices (Table 3.1). Some studies attribute this success to various “indigenous” factors, including both the supply of and the demand for local film products (Cheuk 2008; Zhao 2007). On the supply side, the rise of a “new wave” of young directors, many of whom received tertiary education in Hong Kong or in overseas film schools, and who have been trained in the television sector, resulted in a burst of local movies that resonated with the taste, or as some may argue, the quest for self-identity of Hong Kong cinema-goers during the 1970s and the 1980s (Fu and Desser 2000; Teo 1997).

On the demand side, as the baby-boom generation with its rising consumption power reached adolescence in the 1980s, it resulted in a surging demand for entertainment, including cinema-going, that boosted the box-office receipts of Hong Kong movies (Sui 2009: 109). Due to this emergence of the “new wave” of directors along with the rising demand from the baby-boom generation for entertainment, the industry achieved remarkable success not only in its domestic market, but it also reaped prodigious profits from its distribution network in the region (Leung 1993; Leung and Chan 1997). With the highest per capita production in the world, and the second largest number of films exported in the early 1990s, the Hong Kong film industry was coined the “Hollywood of the East” or the “Asian Hollywood” (Stokes 2007; Lam 2007: 60-61; Hammond 2000; Stokes and Hoover 1999: 17; Dannen and Long 1997).

Table 3.1 Film Outputs and Box-office Grosses of Hong Kong Movies, 1971-1989

| Year | Film Outputs | Box-office Grosses | |
|------|--------------|----------------------|--|
| | | HK\$ (in million) | At constant 1997 prices # (in million HK\$) |
| 1971 | 94 | 42.2 | 535.0 |
| 1972 | 99 | 65.1 | 729.4 |
| 1973 | 96 | 70.5 | 610.0 |
| 1974 | 103 | 67.5 | 541.4 |
| 1975 | 98 | 58.3 | 450.5 |
| 1976 | 95 | 76.6 | 572.6 |
| 1977 | 88 | 84.6 | 573.1 |
| 1978 | 99 | 112.9 | 718.6 |
| 1979 | 109 | 132.7 | 692.1 |
| 1980 | 118 | 184.3 | 814.4 |
| 1981 | 108 | 241.9 | 831.7 |
| 1982 | 99 | 404.1 | 1183.2 |
| 1983 | 95 | 411.2 | 1086.0 |
| 1984 | 87 | 560.8 | 1252.0 |
| 1985 | 89 | 608.8 | 1268.1 |
| 1986 | 86 | 640.4 | 1168.7 |
| 1987 | 76 | 777.3 | 1402.9 |
| 1988 | 115 | 1024.8 | 1626.1 |
| 1989 | 116 | 878.6 | 1285.6 |

Note: # Figures are weighted by the ticket price in each corresponding year, and are at constant 1997 prices.

Sources: Chan (2000); Hong Kong Film Archive (2009); Hong Kong Motion Picture Industry Association Limited, various years.

Although the spurt in both the supply of and the demand for local film products signify the commercial success of Hong Kong cinema, less attention has been devoted to why those “new-wave” directors had the chance to prove their ability during the 1970s and the 1980s. The structural factors, on the supply side, which enabled those directors to make a successful ascent, are often overlooked in existing

literature. Hence, this chapter proposes that the accession of the “new-wave” directors attested not only to their talent and ability but was also related to the conversion of the dominant mode of production in the Hong Kong film industry; to wit, from Shaw Brothers’ studio system to Golden Harvest’s independent production system during the 1970s. As discussed in the following sections, this conversion provided the “new-wave” filmmakers an opportunity to prove their talents in a less-restricted environment, and led to a distributor-driven commodity chain which was fostered by the “conceptions of control” throughout the 1970s and the 1980s.

Besides, on the demand side, even though the baby-boom cohort would have boosted the rate of theatrical attendance, these potential audiences might not necessarily prefer to watch Hong Kong movies. Since the baby-boom generation, in general, has attained a higher level of education than their parents, they could be expected to show a higher degree of interest in imported movies in a foreign language (Leung 1993: 61). As Curtin (2007) puts it:

[T]his generation was more experienced with Western popular culture than with traditional Chinese culture and politics. Consequently, Hollywood movies and American music became quite popular in Hong Kong during the 1960s. (p.43)

In this sense, “the quest for self-identity” might not be an adequate explanation for why the baby-boom cohort favored local productions over foreign movies. This pinpoints that the aforementioned “indigenous” factors could not account for the success of the Hong Kong film industry in the 1970s and the 1980s. Thus, this study suggests taking a closer look at the historical context in which the industry is situated in order to examine the development of the industry. To this end, the subsequent section will apply Fligstein’s Political-cultural approach to elucidate how

the historical context of the Hong Kong film market and the interactions among film companies have shaped the development of the film industry. These findings are expected to serve as a backdrop to the transformation of the Hong Kong film market during the mid-1990s.

BRINGING IN THE POLITICAL-CULTURAL APPROACH

To apply Fligstein's Political-cultural approach, several issues must be clarified at the outset. First of all, the market that is being studied has to be specified. As the intention of this research is to probe into the factors that steer the development of the Hong Kong film industry, the film market in Hong Kong is the field to be studied. A film market, in this research, is defined as an economic field that comprises both cultural production and reception. This economic field resembles a social arena in which the interactions among different actors as well as the "structured exchange" are carried out. "Structured exchange" refers to the "repeated exchange" of products among actors (Fligstein 2001: 30). They are guided and organized by the rules and the social structures of the field (ibid.). The "structured exchange" of film products is arranged along a "chain" of economic processes ranging from the production of motion pictures to the distribution and exhibition of the movies. In the "commodity chain", film companies or firms which found a spot as film producers, distributors, or exhibitors are the key players or the economic actors in the field. The relations among these actors ought to be considered when examining the development of Hong Kong film industry since they reflect the social structure of the market and determine how the film market works.

While all actors in the market will strive for survival, they have to find ways to

stabilize and to routinize competition. For instance, they may use their social networks to co-opt suppliers and even their competitors, as well as to create stable relations with their customers and the government. They may also formulate rules, both formal and informal, to define the conditions in which exchange and transactions are processed in the market. These formal and informal rules will become the “conceptions of control” when they gain legitimacy from the state or the government, and are commonly shared by actors in the field. As discussed in the previous chapter, not only do the “conceptions of control” shape the actors’ perceptions of how the market works, but they define also the status and the roles of incumbents and challengers. With a set of widely-shared understandings of the positions and relations of actors, the market could be stabilized.

Following in this vein, this chapter will first describe the industrial setting of the Hong Kong film market. The industrial setting is worthy of attention because it indicates the social structure of the field in which actors interact with each other. As such, two major characteristics of the industrial setting will be highlighted. They are the shift in the dominant mode of film production from a studio system to an independent production system in the early 1970s, and the revenue-sharing structure in the Hong Kong film market. These two characteristics are underscored because they help to depict the incumbents and the challengers—put more plainly, the dominants vis-à-vis the subordinates—in the market, and to illustrate the “conceptions of control” constructed by the incumbent firms. It will be argued that not only did this set of “conceptions of control” give rise to a distributor-driven commodity chain, but it also stabilized the Hong Kong film market throughout the 1970s and the 1980s. In this stable condition, as the last section of this chapter will show, the industry reached its peak in the late 1980s in terms of both its film outputs

and the box-office grosses.

THE INDUSTRIAL SETTING OF THE HONG KONG FILM MARKET VIS-À-VIS HOLLYWOOD

This section will depict the industrial setting of the Hong Kong film industry. The industrial setting has to be taken into consideration because it indicates the social structure of the field. This provides specific understandings about the way the Hong Kong film market works. Before delving into the setting of the Hong Kong film industry, the industrial setting of Hollywood will be discussed briefly so that the Hong Kong setting can be compared to it. As the film industry in the United States (U.S.), or Hollywood, is one of the most established film markets in the world, a comparison between the settings of the two industries may help to illustrate the distinctive features of the social structure of the Hong Kong film market. This may also shed light on the two main characteristics of the market structure which embody the “conceptions of control” in the field.

The setting of film market typically comprises three major components, namely film production, distribution, and exhibition. These components correspond to the three key stages in the commodity chain of film products (Eliashberg et al. 2006). Since the 1920s, the film companies in the U.S. which dominated the industry through their vertical integration of film production and distribution were the so-called “majors” or the “major studios” (Scott 2005: 27; see also McDonald and Wasko 2008: 1; Mossig 2008: 46). Five of these “majors” even owned their theatre chains before the Paramount Decree went into effect in 1948 (Scott 2005: 27-29). After 1948, however, these “majors” “were forced to divest themselves of these

chains” (Scott 2004: 35). Henceforth, they have concentrated on “financing and distribution rather than [in-house] production” (Schatz 2008: 16). On the production front, they finance the film projects directed by the “independent producers” in exchange for the rights to distribute the end products (ibid.).

As a typical practice in today’s Hollywood, film producers have to coordinate the production and distribution of the movie. Having prepared or received a screenplay or a storyline, producers may seek talents, such as directors²⁹, actors, and technicians on one side; and look for funding from potential investors on the other (Path 1 in Figure 1). Also, producers have to approach distributors³⁰ and exhibitors³¹ to arrange screening in theatres and television channels, and the release of ancillary products, such as DVDs (Path 1 in Figure 1). Once the funding (Path 2 in Figure 1) and the contributors—the casts, technicians, and other supporting staffs—are locked in, the production may begin (Path 3 in Figure 1). While distributors, and exhibitors in some cases, carry out the sales and marketing³² of the film products, the revenue generated from the markets will be used to recoup the cost of production and to remunerate the investors (Path 4 in Figure 1). Since producers play a pivotal role in the film projects, this pattern of film production can be

²⁹ In some cases, the film producer and the film director can be the same person, and there can be more than one producer and director in a film project. While the film producers are in charge of the film completion, the directors are contractually responsible for both the content of the film, and the performance of actors, technicians, and other supporting staffs.

³⁰ Producers sometimes take up the role of distributors. Even if producers are not the distributors, some of them have close ties with distribution companies. These relationships enable the producers to secure the finance for their film projects, and to control the distribution of their film products.

³¹ While distributors are the wholesalers of the film products, exhibitors are the retailers. The date of release and the arrangement of exhibition blocks are negotiated between the distributors and the exhibitors.

³² The sales and marketing of film products typically refer to the delivery of the movies to theatres or cinemas, the release of ancillary products such as DVDs, and the advertisements and promotion campaigns of the movies.

characterized as a producer-driven commodity chain in the film market (Figure 1).

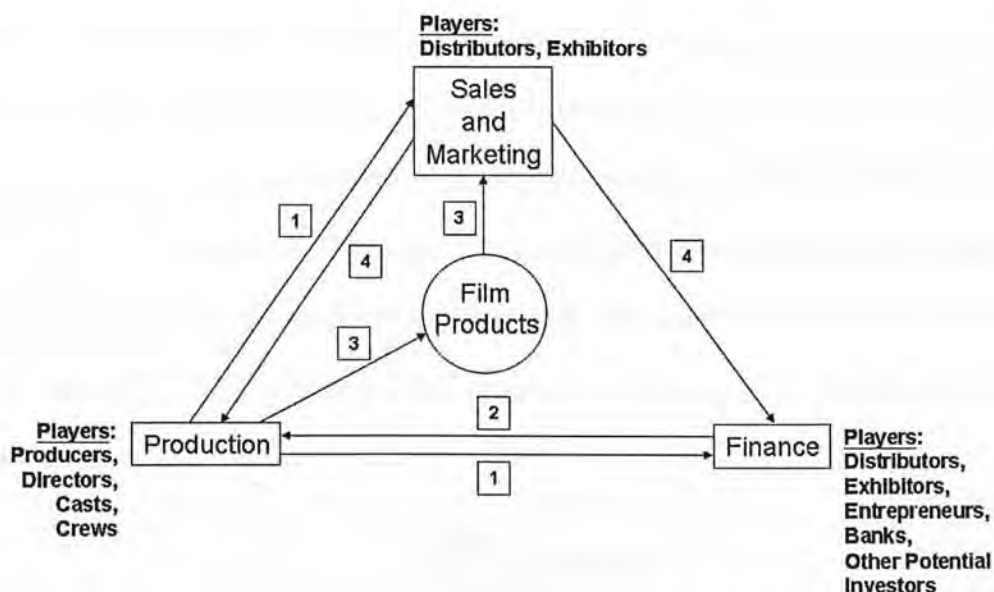


Figure 1 A Producer-driven Model Indicating the Sequence of Interactions Between Different Players Involved in the Commodity Chain of Film Products

Unlike the producer-driven commodity chain in Hollywood, Hong Kong followed an independent production system *driven by distributors* throughout the 1970s and the 1980s. This mode of production differs from the studio system. In a studio, film production, distribution, and exhibition are all carried out in-house. By contrast, these tasks are performed by separate film companies in an independent production system. While some film companies would forge alliances with one another, the distributors were central to the coalition in most cases. A distributor-driven model exemplifies this setting (Figure 2). The major distributors of Hong Kong movies, which were the major film companies or the incumbents before the mid-1990s, operated their own theatre chain by acquiring or allying with several theatres or cinemas (Path 1 in Figure 2). Those which did not follow a film studio system—almost all distributors except Shaw Brothers and Sil-Metropole—

—would look for producers and directors, or invest in some production companies, to shoot movies for them (Path 2 in Figure 2). In this fashion, besides carrying out the sales and marketing of the film products (Path 3 in Figure 2), the distributors were also the chief investor in most productions in the 1970s and the 1980s. The movies produced in this system would be screened in the theatre chains of the distributors. Revenue received from the box office was used to cover the accrued expenses involved in the production, distribution, and exhibition of the movies (Path 4 in Figure 2). This pattern of film production is known as a distributor-driven commodity chain.

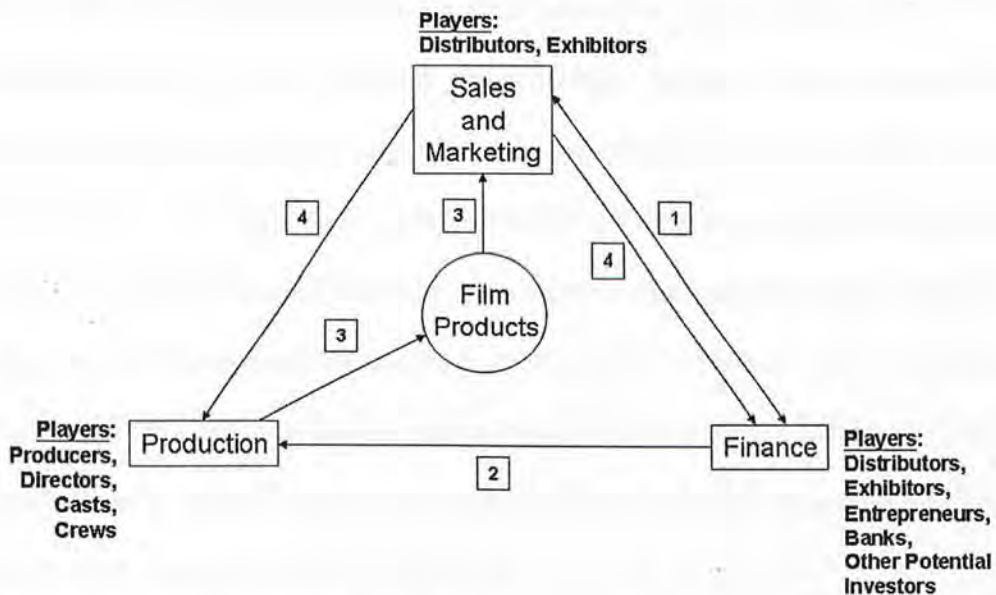


Figure 2 A Distributor-driven Model Indicating the Sequence of Interactions Between Different Players Involved in the Commodity Chain of Film Products

THE SOCIAL STRUCTURE OF THE HONG KONG FILM MARKET

Similar to Hollywood, the Hong Kong film industry was organized around several “majors”. While there is no regulation that prohibits integration among film

production, distribution, and exhibition in Hong Kong, the “majors” are commonly regarded as the film companies which dominated the industry by investing in and distributing Hong Kong movies on one hand, and operating or possessing their theatre chains on the other (Chan 2000: 599-600, 605). By integrating film production, distribution, and exhibition, the major film companies could solidify their foothold with a secured source of film-supply and favorable exhibition blocks for their theatrical release.

As noted above, the production of movies in Hong Kong during the 1970s and the 1980s can be characterized as a distributor-driven commodity chain. This arrangement was put into practice when Golden Harvest (GH), a major film company established in 1970, carried out an independent production system in the early 1970s. In the following section, how GH grew to be a major film company, and how it could successfully transform the supply chain of Hong Kong movies into a distributor-led independent production system will be explained. This conversion, together with the revenue-sharing structure of the film market, established a set of “conceptions of control” which then stabilized the market and promoted a rampant growth of the industry throughout the 1980s.

From Studio System to Independent Production System since the 1970s

In the early 1970s, the Hong Kong film industry underwent a transformation in the mode of production from the studio system to the independent production system. The transformation can be construed as a political process since the adoption of the independent production system in the industry was arguably a “political

compromise”³³ between the major distribution company, namely Golden Harvest, and the filmmakers who loathed the Shaw Brothers’ studio system. Prior to the success of Golden Harvest (GH), Shaw Brothers (SB) dominated the Hong Kong film market after its chief competitor, Cathy, began to wind up its film business in the mid-1960s. Shaw Brothers was set up by Run-run Shaw, also known as Shaw Yi-fu, in 1958. Run-run Shaw is a wealthy Chinese businessman who moved to Hong Kong from Singapore, a place where he stayed for thirty years. In 1958, he took over his elder brother’s, Runde Shaw’s, also known as Shaw Chuen-yan, film business, together with the film studio at Clear Water Bay. In the same year, the Shaw Brothers (Hong Kong) Limited was incorporated. With the installation of its studio at Clear Water Bay completed, the new studio went into production in 1961.

Shaw Brothers (SB) was a powerhouse of vertical integration (Yu 1993). It carried out all stages of film production, distribution, and exhibition in-house (Stephanie Chung 2007: 200, 221). In an attempt to defeat Cathy, or even to capture the entire market, SB engaged in vast production efforts with its own studio. It employed a large number of permanent staff in its studio. They were accommodated in the rent-free dormitories of the studio (Jarvie 1977: 49). An array of departments specialized in the different stages of film production. The company exported its film products to overseas markets with its own distribution arm, and exhibited those movies in its theatre chain, mainly located in Hong Kong, Singapore, and Malaya (ibid.: 46). In Hong Kong, SB welded over a dozen theatres into a chain to screen the movies it produced. These theatres included Jade, King’s, Hollywood, Asia, Golden, Odeon, Gold View, Ying King, and Fanling,

³³ See Fligstein (1996: 664) for details on market transformation as a political compromise among economic actors.

among others (ibid.: 69).

In spite of its mammoth scale of operation, SB was a “one-man company”. Most decisions were made centrally by Run-run Shaw. The company did not extend “the circle of managerial control far beyond a small group of family members [of Shaw]” (Curtin 2007: 44). Even though it was a listed company, the company preferred private, rather than public, sources of capital, while most equity was brought by the Shaw family (ibid.). As for its organizational structure, Jarvie (1977) describes the company as a conservative enterprise operating on the basis of “nepotism”, with tight and central control by the senior owner, who would delegate mainly to relatives. The senior owner, Run-run Shaw, liked to oversee all aspects of his business and to resist any developments he disliked (p.65). He often read the scripts written by the directors or the script-writers during breakfast or at bedtime (ibid.): He decided the types or genres of movies to be made, and the cast and crew who would take part in the projects. He would even amend the scripts or storyboard of the films (ibid.: 74, 76).

Run-run Shaw would only share his ideas with a small number of close associates: his nephew, his brother, his “right-hand” woman, Mona Fong, his former “right-hand” man, Raymond Chow, who later found Golden Harvest, and his top directors, namely Li Han-hsiang and Chang Cheuh. However, none of these individuals had clearly defined rights or responsibilities (Jarvie 1977). For example, Raymond Chow formerly held the title of the Production Manager of the company, yet he in fact was in charge of film distribution as well. While Mona Fung³⁴ was a famous singer in the 1950s, she became the Production Manager, Deputy Chair, and

³⁴ Mona Fung later became Run-run Shaw’s second wife in 1997.

even the General Manager. As Chung (2005) illustrates, the power and duties of staffs were poorly defined (p.14). Those who had close personal relations with the boss could exercise much power over others, and those whose ability to work was proven might be assigned to handle a lot of duties, many of which were outside of their job responsibilities. As Jarvie (1977) puts it:

The man [Run-run Shaw] who built the business [Shaw Brothers] may not himself be able to adapt to and comprehend changes in the market, and because of centralization and nepotism, he is poorly equipped to hire the kind of associates who can aid him in this. (p.66)

In this situation, many talented staff was loath to stay in the company. One of them was Raymond Chow. When Chow left SB, he established a film company, Golden Harvest (GH), with Leonard Ho and Leung To-kin or Leung Fung in 1970. This transformed the Hong Kong film market. While SB followed a studio system with Run-run Shaw assigning a script to a group or unit in his studio, GH is a film company that emphasized "location shooting and partnerships with independent producers" (Curtin 2007: 24). Raymond Chow, having served as a former employee in SB for around ten years, directed his company, GH, not to tag along SB's formula of studio mass production but to adopt the independent production system.

Although GH initially started its film production by using Cathay's leftover studio, Raymond Chow understood that he still would have to pour a large amount of capital into covering the huge operational costs of running a film studio, which was almost impossible for him to do at that time. To challenge the overwhelming strength of SB given his limited resources, therefore, Raymond Chow tried to play David to Run-run Shaw's Goliath by roping in filmmakers who would like to make

movies but were unwilling to be constrained by SB's organizational culture (T. Lin 2000: 41). For instance, when Bruce Lee, a renowned martial-arts actor, returned to Hong Kong to start his career in the early 1970s, he refused an offer from SB but chose instead to collaborate with GH because he believed that GH "would allow him more creative control" (Curtin 2007: 47).

Besides Bruce Lee, Raymond Chow successfully drew in several directors from the SB camp to his side. This resembles a political process which involved a lot of persuasion by Raymond Chow. In the early 1970s, Michael Hui, a famous comedic actor in TVB, the television station of SB, moved to GH when Raymond Chow agreed to set him up as an independent producer, and to grant him and his brothers the autonomy and the resources to make movies. Comparing such a deal with the "restrictive contract at TVB, Hui took the jump" to GH (Curtin 2007: 49).

Like the case of Hui, GH successfully lured many filmmakers who were averse to SB's studio system. Golden Harvest subsidized many of these directors and actors to set up their own production companies and invested in the movies they made. If these movies made a profit, not only GH, but also those independent production companies, could gain a stake in them. In this respect, these production companies became satellites of GH. Built on the alliances with these satellite companies, GH operated its theatre chain by distributing and exhibiting the movies its satellite companies produced, while the satellite independent production companies were contracted to supply GH with movies. This pattern of film production, known as the independent production system, spread to become the conventional practice in the Hong Kong film industry from the 1970s. As the system came to be widely adopted by other film companies, it successfully replaced

the studio system from then on.

The Revenue-sharing Structure

Aside from the independent production system, the revenue-sharing structure is worthy of attention because it reflects the power relations among the production companies, the distribution companies, and the exhibition companies. For over half a century, the Hong Kong film market followed the practice that around half of the box-office receipts from each movie screened in the theatre goes into the pocket of the exhibitors; i.e., the theatre or cinema owners. Another half is passed to the distributors. As a conventional practice, the distributors will get less than half of the remaining receipts, about twenty per cent of the box-office grosses. Then an agreed percentage, around thirty but less than forty per cent, will be given back to the production company (Cheuk 1997: 18; Li 1985: 77).

In this sense, all expenses involved in the production process have to be covered by approximately thirty per cent of the film's total box-office receipts. This means that if a film costs three to four million HK dollars to produce, which is a very small budget in the 1980s, the movie ought to generate at least ten to thirteen million in box-office receipts to recoup the production cost. However, on average less than twenty per cent (18.8%) of films produced in Hong Kong during the 1980s could earn over ten million HK dollars from box-office receipts (Table 3.2). This does not even take inflation into account.

Table 3.2 Hong Kong Movies that Received over Ten million HK dollars from Box Office, 1980-1989

| Year | Number of Movies | Share in Total Output of Hong Kong Movies (%) |
|------|------------------|---|
| 1980 | 0 | 0 |
| 1981 | 1 | 0.93 |
| 1982 | 9 | 9.09 |
| 1983 | 7 | 7.37 |
| 1984 | 19 | 21.84 |
| 1985 | 16 | 17.98 |
| 1986 | 23 | 26.74 |
| 1987 | 32 | 42.11 |
| 1988 | 41 | 35.65 |
| 1989 | 31 | 26.72 |

Sources: Hong Kong Film Archive (2009); Hong Kong Motion Picture Industry Association Limited, various years.

The implication of this revenue-sharing structure is twofold. On one hand, without the investment drawn from the “majors”, namely the distribution companies with their allied theatre chains, most film production companies could hardly earn enough to cover the film production costs. As a result, throughout the 1970s and 1980s, the commodity chain of film products in Hong Kong was driven by the major distributors. On the other hand, even if the major distributors invested in film productions, they still had to rely on the revenue received from selling the distribution rights in overseas markets³⁵ because Hong Kong’s market size is not big enough to generate sufficient return on the film investment (Liang 1998: 312-313).

³⁵ Although foreign equity stream, mainly from Taiwan, nourished the Hong Kong film industry, and even boosted the film outputs to their peak in the early 1990s, the dependence on the capital influx from Taiwan had put the industry in a feeble condition. As will be discussed in the next chapter, the shift in strategies of Taiwan and the mainland China for their film industries wilted the “meteor shower” of Taiwan capital flight to Hong Kong. This caused an exogenous shock to the Hong Kong film market in the early 1990s.

In this respect, the finance or the income stream of a film project hinges on the distribution network of the major distributors.

Since the major distributors are central to this revenue-sharing structure, the major distribution companies became the incumbents in the Hong Kong film market during the 1970s and the 1980s. To maintain their dominance over other companies, these incumbents had constructed a set of “conceptions of control” which could control competition. The following section expands on these “conceptions of control”.

“CONCEPTIONS OF CONTROL” IN THE HONG KONG FILM MARKET (1970s – 1980s)

In the early 1970s, Golden Harvest (GH) entered the market and became a major film company. It excelled over its chief competitor, Shaw Brothers (SB), owing to the “social skills” of Raymond Chow who had successfully roped in a couple of renowned filmmakers from SB to its side. While GH had transformed the commodity chain of Hong Kong movies into an independent production system, this system together with the revenue-sharing structure of the film market enabled GH, as a major distributor, to construct a set of “conceptions of control” that stabilized the market for two decades.

The emergence of “conceptions of control” refers to a situation in which the incumbent firms—that is, GH in this case—would use their power privileged by their status and positions in the market to undertake strategies to reinforce their dominance over other companies (Fligstein 2001). In this process, the incumbents

would try to produce “meanings” that allow them to “reproduce their advantage” (ibid.: 29). Viewed in this light, this section will delineate the “meanings” or the “conceptions of control” that GH constructed to “reproduce its advantage” and power over other companies in the Hong Kong film market.

The “conceptions of control” of a given market, suggests Fligstein (2001), can be recognized by looking into the relations among different actors, including the incumbents and the challengers, provided that the market is in a stable condition (pp.226-227). To depict the “conceptions of control” in the Hong Kong film market, therefore, the relations among the film companies which belong to the three key components in the commodity chain will be examined. As will be shown, the major distribution companies are found to be the incumbents who held the power over the production and exhibition companies. They were also the dominants who reaped a lion’s share in the film market.

As discussed in the foregoing sections, the major distributors of local movies were central to the commodity chain of film products not only for the reason that they seized the source of film-supply from their satellite production companies, but also because they forged alliances with theatre owners and built their theatre chains for film exhibitions. In this regard, they acted like the bridge between consumers—to be exact, the movie-viewers in different markets—and the film production companies that seek to deliver their film products to the markets. Since how well a movie is expected to perform in markets determines the amount of capital that investors are willing to commit, the major distributors who possessed an extensive distribution network could largely influence the source of finance for a film project.

Moreover, the distributors held the power to control the flow of information to cinemagoers through marketing and promotions of movies. While film promotions are expected to have an impact on the box-office results, the marketing strategies enacted by the distributors when launching a movie substantially affected the receivable amount of revenue shared by the film production companies and the exhibitors. Hence, the major distributors controlled the source of finance and the income stream of both the production companies and the exhibition companies. This fostered a distributor-led exhibition and production relation in the Hong Kong film market throughout the 1970s and the 1980s.

Distributor-driven Exhibition

Before Cineplex replaced the traditional theatres in the early 1990s, the film market in Hong Kong followed a distributor-led exhibition system. The social relations between the major distributors and exhibitors were that most theatres had been grouped into chains which encircled the “majors”. Since the 1970s, the “majors” were film companies which distributed the movies produced by their satellite production companies under an independent production system. These “majors” understood that the theatre chains are the major source of cash flow, and theatre owners or the exhibitors, who grasped the largest share of the box-office receipts, had the power to control the return on film investment. In theory, both the distributors and the producers should have to rely on the box-office receipts from the exhibitions to cover their expenses in film distribution and production. In practice, however, the exhibitors in Hong Kong were ironically under the control of the major distributors until Cineplex became popular in the market in the 1990s. This is largely because the setting of traditional theatres had reined in the capacity, or the

bargaining power, of the exhibitors in the pre-Cineplex era.

Traditional theatres are big cinema halls with at least several hundreds of seats that can accommodate audiences of over a thousand persons. Nonetheless, exhibitors in Hong Kong bore a relatively high cost for projecting a motion picture since typically only one to two screens were installed in each of their theatres. This meant that only one to two movies could be shown at a time, and exhibitors might not show a variety of movies on screen at each turn. Given this situation, the major distributors could easily dominate all exhibition blocks of a single theatre by offering just two to three copies of movies in a given period, usually in every one to three weeks' time. This indeed enabled the major distributors to exert their control over the exhibitors.

The major distributors of local movies took advantage of the abovementioned theatrical setting and constructed a set of "conceptions of control" that could reinforce their power and dominance over other companies in the commodity chain. In the 1970s, the distributors of foreign movies largely reduced the local exhibitors' share of box-office revenue from the exhibition of imported films (Qiu 2002). This drove the theatre owners to approach the distributors of local movies. While the major distributors controlled the rights to distribute most movies produced in Hong Kong, these "majors" requested the exhibitors who were scouting for local movies to sign an exhibition contract. The contract entailed that the exhibitors, or the cinema owners, screen exclusively the films provided by a major distributor within a certain period of time (Chan 1985: 11). The "booking rights" to control the exhibition blocks, denoting how often and how long a movie will be put on screen, were typically controlled by the major distributors or decided upon through negotiations

between the distributors and the exhibitors (Leng et al. 1985: 5). Each exhibition contract typically lasted for one to two years (Curtin 2007: 53). Once an exhibition contract was signed, exhibitors with traditional theatres were not allowed to shop freely among different distributors for movies to screen (see Law 1992: 71; Cheng 2000).

During an interview conducted by Curtin (2007) with Peter Tam who took charge of the exhibition business of Golden Harvest (GH), Tam recalls that in 1978, GH operated seven cinemas in Hong Kong and lined up thirty to thirty-five independent theatres³⁶ under a one-year agreement. This agreement required the independent theatres to give GH the “booking rights” over their screens in exchange for a fifty-fifty revenue split in the first week of its film released, a typical revenue split in the Hong Kong film industry. Nevertheless, Tam notes that GH was “so strong that [it] usually could negotiate for ... a split of sixty-five and thirty-five [between GH and the independent theatres]” (Curtin 2007: 53). This indicates that even though the exhibitors control the major source of cash flow and are supposed to hold much power over other companies in the commodity chain, the setting of the traditional theatres subordinated the exhibitors to the distributors. Theatre owners, thus, had to comply with the exhibition contract proposed by the major distributors, such as Golden Harvest and others, throughout the 1970s and the 1980s.

In this fashion, the Hong Kong film market followed a set of “conceptions of control” which could be construed as a distributor-led exhibition system until the mid-1990s. The “conceptions of control” were constructed by the major

³⁶ Independent theatres refer to the theatres that are not owned by any distribution company. These theatres can exhibit movies that are imported or locally produced and distributed by any film companies. They may also ally with the major distribution companies if they want.

distributors who tried to exert their control over the exhibitors. As a result, the theatre owners, stresses Jarvie (1977), would rarely “give a fig for the vagaries involved in [film] production” (p.71). Instead, they would stick to their exhibition business. Most of their attention was then devoted to the maintenance of their theatres, deciding which major distributor they would like to tag along with when their current exhibition contract expired, and whether there would be a sufficient number of movies for them to fill up their exhibition blocks during the low-season (ibid.).

While the “conceptions of control” had blunted the bargaining power of the exhibitors, the major distributors could control the exhibition blocks of their allied theatres. In this sense, not only did the major distributors determine the advertising strategies and promotion budgets of their movies, but they also controlled when their movies would be released and screened in theatres. Under a distributor-led exhibition system, therefore, the major distributors were not simply an agent, nor a “middleman”, between the production companies and the exhibition companies; instead, they were the “gatekeepers” with great power over the commodity chain. This situation lasted for almost half a century until Cineplex cinemas replaced the traditional theatres in Hong Kong from the 1990s.

Distributor-driven Production

As discussed above, the revenue sharing structure in the Hong Kong film market meant that a movie could hardly be produced without the financial support from distributors (Cheung 1998: 70-71). Although exhibitors needed movies to fill up their exhibition blocks, they were rarely involved in the film production process

in the 1970s (Jarvie 1977: 71). Also, unlike South Korea, filmmakers in Hong Kong could not seek equity from banks or corporations outside the film industry (see Cheung 1998: 49-54, 66-68), nor rely on the stock market to raise capital for film production. There are almost no institutional means to finance film projects in Hong Kong. Banks³⁷ rarely lend money to filmmakers since they perceive that the budget-control in film production lacks transparency (see Cheung 1998: 57-58, 67).

Moreover, the Hong Kong government had no policy to support the financing of film projects until the late 1990s (Lie 2007: 53; Simon Chung 2007; Cheung 1998: 7). Hence, most investments in film production came from “private” sources, namely the major film companies, rather than the “public” sources, such as banks or equity market. Since the major film companies were the distributors of local movies, these major distributors had provided most financial support in the film projects, and they seized the “real power” in film production³⁸ (Jarvie 1977: 72). As a result, directors or filmmakers who wished to complete their projects had to rely on the major distributors.

The distribution-led production relation reflects the “conceptions of control” in the film market under which the production companies succumbed to the major distribution companies. Throughout the 1970s and the 1980s, the major distribution companies planted a cluster of independent production houses. These production houses resembled the satellites of the major distributors. Not only did

³⁷ Most commercial banks in Hong Kong, Chiu et al. (1997) find, concentrate on trade finances and are notoriously conservative. Even the industrialists who enjoyed their golden days in the 1960s constantly complained about the reluctance of the banks to finance their production and expansion (Chiu 1994).

³⁸ An exception to this practice is Newport. Newport is formerly an exhibition company, yet it later set up its distribution business in the 1980s. Thus, Newport is regarded as a major film company that distributes and exhibits movies.

the major distributors fund the film projects of these satellite companies, but they also screened the movies produced by these companies in their theatre chains. This mode of production can be characterized as a distributor-led independent production system.

As noted in the foregoing sections, Golden Harvest (GH) was the first company which adopted this mode of production in Hong Kong. A few years after GH was established, its founder, Raymond Chow, sought alternative means, other than the studio system, to shoot movies (Jarvie 1977: 49). The result was that a number of independent production companies were set up with the support of GH. Most of these companies were led by film directors or even actors who were bestowed with autonomy in the film production process. While GH outsourced its branch of film production to the independent production companies, these companies became the subsidiaries or the satellites of GH with their movies made to be centrally distributed and exhibited by GH.

Under the umbrella of GH, many independent production companies sprouted throughout the 1970s and the 1980s. These included Hui's Film Production Co., Ltd (許氏), a production company directed by the a renowned comedic actor and director Michael Hui; Bo Ho Films Co., Ltd (寶禾), headed by a well-known martial-arts actor and director Samo Hung Kam-bo; Golden Way Films Ltd. (威禾), led by a famous martial-arts actor and director Jackie Chan; Film Workshop Company Ltd. (電影工作室), founded by famed director Tsui Hark and his wife; and many others. These satellite independent production houses had hitherto made over four hundred movies for GH, many of which were blockbusters and reaped huge profits for their parent company. After its inception, GH's market share of

box-office receipts climbed from 4.25 per cent to 7.84 per cent between 1971 and 1975, and reached a peak of 10.58 per cent in 1976 (Table 3.3).

Table 3.3 Film Outputs and Market Share of Golden Harvest, 1971-1979

| Year | Film Outputs | | Box-office Receipts | | |
|------|--------------|-------|----------------------|-------|-------|
| | Number | % # | HK\$ (in million) | % ## | % ### |
| 1971 | 5 | 5.32 | 5.60 | 13.26 | 4.25 |
| 1972 | 6 | 6.06 | 12.10 | 18.59 | 6.96 |
| 1973 | 12 | 12.50 | 12.50 | 17.75 | 7.06 |
| 1974 | 11 | 10.68 | 13.20 | 19.56 | 7.19 |
| 1975 | 11 | 11.22 | 11.19 | 19.20 | 7.84 |
| 1976 | 11 | 11.58 | 18.03 | 23.54 | 10.58 |
| 1977 | 7 | 7.95 | 11.91 | 14.08 | 5.31 |
| 1978 | 9 | 9.09 | 18.86 | 16.71 | 7.41 |
| 1979 | 7 | 6.42 | 15.18 | 11.44 | 5.12 |

Notes: # Golden Harvest's share in total output of Hong Kong movies.
 ## Golden Harvest's share in total box-office grosses of local movies.
 ### Golden Harvest's share in total box-office grosses of both local movies and imported films.

Sources: Hong Kong Film Archive (2009); Hong Kong Motion Picture Industry Association Limited, various years.

The distributor-led independent production system soon became the “conceptions of control” in the Hong Kong film market. These “conceptions of control” act like the “cognitive maps” or the “conceptual tools” for actors to understand how the market works (Fligstein 2001: 29). Film companies that joined the competition afterward were framed by such conceptions as well. Following the distributor-led independent production system initiated by GH in Hong Kong, two major film companies—Golden Princess and D&B, both with their own theatre chains—were established in 1980 and in 1984 respectively.

Golden Princess (GP) was the second largest film company with its market share slightly smaller than Golden Harvest's. It was backed up by its parent company, Kowloon Development Company Ltd., a conglomerate with immense investments in a vast range of infrastructural projects and public transport, notably The Kowloon Motor Bus Co. Ltd. (KMB), in Hong Kong. Similar to Golden Harvest, the company financed a bunch of independent production houses as its satellites (Chan 2000: 643; Stokes 2007:155). These production houses included Cinema City Enterprises Ltd. (新藝城), a production company founded by Karl Maka, Raymond Wong, and Dean Shek, all of whom are directors, producers, and actors; Always Good Film Company Ltd. (永佳), established by Frankie Chan, a director and actor; Magnum Films Ltd. (萬能), set up by Danny Lee Sau-yin, a director and actor; and many others.

While Golden Harvest (GH) dominated the Hong Kong film market since the mid-1970s, Golden Princess (GP) grew to be the second largest film company, after GH, in the 1980s. One of the most astonishing triumphs of GP was *Aces Go Places* (最佳拍檔), a movie made by Cinema City in 1982. The movie was the blockbuster of the year. It recorded over 25 million HK dollars in the box-office receipts and accounted for about a quarter (25.7%) of the total theatrical receipts of GP in 1982 (Table 3.4), which amounted to 6.19 per cent of the total Hong Kong box-office grosses in that year (Table 3.1). Throughout the 1980s, the box-office revenue for GP accounted for over one-tenth (11.9%) of the entire market on average (Table 3.4).

Table 3.4 Film Outputs and Market Share of Golden Princess, 1980-1989

| Year | Film Outputs | | Box-office Receipts | | |
|------|--------------|-------|----------------------|-------|-------|
| | Number | % # | HK\$ (in million) | % ## | % ### |
| 1980 | 14 | 11.86 | 19.95 | 10.82 | 5.24 |
| 1981 | 18 | 16.67 | 46.76 | 19.33 | 9.65 |
| 1982 | 10 | 10.10 | 97.18 | 24.05 | 14.27 |
| 1983 | 6 | 6.32 | 76.74 | 18.66 | 13.24 |
| 1984 | 12 | 13.79 | 162.29 | 28.94 | 17.18 |
| 1985 | 13 | 14.61 | 117.49 | 19.30 | 13.62 |
| 1986 | 9 | 10.47 | 72.16 | 11.27 | 7.17 |
| 1987 | 14 | 18.42 | 193.03 | 24.83 | 17.41 |
| 1988 | 11 | 9.57 | 147.10 | 14.35 | 11.36 |
| 1989 | 8 | 6.90 | 121.56 | 13.84 | 9.68 |

Notes: # Golden Princess' share in total output of Hong Kong movies.
 ## Golden Princess' share in total box-office grosses of local movies.
 ### Golden Princess' share in total box-office grosses of both local movies and imported films.

Sources: Hong Kong Film Archive (2009); Hong Kong Motion Picture Industry Association Limited, various years.

In line with Golden Harvest and Golden Princess, D&B followed the distributor-led independent production system since the late 1980s. A difference is that D&B had its own producers to monitor all of its productions. Under the supervisions of these producers at the top, the company contracted with several independent directors for film production³⁹. Although D&B was engaged in the film business for only nine years (1984-1992), the shortest among the major film companies established from the 1970s to the 1980s, it produced and distributed over a hundred pictures, some of which turned out to be the yearly blockbuster. For instance, two of the company's productions in 1988 were the top two blockbusters of

³⁹ D&B employed some directors to shoot movies in the first few years. However, the company stopped employing directors directly in the late 1980s; instead, it contracted with several independent directors for film production on a project basis. In this sense, D&B adopted a distributor-led independent production system to make movies.

the year. They were Clifton Ko Chi-sum's *It's a Mad Mad World II* (富貴再逼人) and Stephen Shin's *Heart to Hearts* (三人世界). *It's a Mad Mad World II*, a blockbuster in 1988, reaped 25 million HK dollars at the box office. Its preceding series, *It's a Mad Mad World* (富貴逼人), was also a blockbuster with the third-highest box-office record in 1987 (Chan 2000: 655-660). All of these movies were produced in a distributor-led independent production system.

HONG KONG FILM INDUSTRY AT ITS PEAK IN THE LATE 1980s

Throughout the 1970s and the 1980s, the commodity chain of Hong Kong movies was driven by the major distributors. The relations of local film distributors with the production companies and the exhibition companies reflect the “conceptions of control” in the field. As film companies that entered the market crafted their business strategies according to the prevailing “conceptions of control”, the power of the major distributors over other companies in the commodity chain was reinforced. This fostered the superior status and positions of the major film companies, which were the incumbents, in the market. Since the incumbents had successfully retained their power to control competition, the Hong Kong film market was effectively stabilized in the 1970s and the 1980s. Like other capitalist firms, most film companies could survive and earn a profit only under stable market conditions (Fligstein 2001: 234). In a stable market, the three major film companies, namely Golden Harvest, Golden Princess, and D&B, dominated the Hong Kong film market during the 1980s.

Following the distributor-led exhibition system presented earlier, these three major film companies controlled altogether over two-fifths of the theatres in the

market during the late 1980s (Table 3.5). In Table 3.5, the number of theatres which each “major” had allied exclusively with from 1984 to 1989 is derived by counting the theatres that screened the movies released by each of the “majors”. As explained in the method section in Chapter 1, this information is collected from the cinematic advertisements in newspapers, and this study draws a sample from two days of each year, June 30 and December 31. A theatre is considered to have allied exclusively with a “major” only if it screened the movies released by that particular major film company on both of the two sampled dates. If the cinematic advertisements identified that a theatre was screening the movies from different major film companies on either June 30 or December 31, the theatre is not considered to be allied exclusively with any major film company. In this way, the averaged number of theatres that showed only the movies released by any one of the three “majors” listed in Table 3.5 on the two sampled dates indicates the theatres which allied exclusively with the corresponding “major” in the year.

While the foregoing method is consistently applied in this research to identify the source of movies screened in each theatre, there are some rare cases in which a few “majors” had no movie screening on any of the two sampled days. In this situation, the dates of the theatrical release of those “majors” two movies which gained the highest and the lowest box office of the year are picked. The averaged number of theatres screening the two movies indicates the theatres which allied with that “major” in the year. Seven cases are handled in this way. They are the theatres that screened the movies from Regal in 1992 and 1993, from Modern in 1994, and those from Mandarin in 1993, 1994, 1995, and 1996. Information on these cases is presented in Figure 3 of Chapter 4.

Although two different sampling methods are used to estimate the theatrical possession of each major film company from 1992 to 1996, none of the theatres counted as an ally of the “majors” are duplicated. If any theatre is found to have screened the movies from more than one “major” on any of the sampled dates in a given year, that theatre is not considered to have allied with any “major” in that year. In other words, only if the theatre showed the movies from a single major film company on *all* of the dates sampled within the same year, is it counted among those who allied exclusively with the corresponding major film company. As such, this study will evaluate the theatrical possession of each “major”, and delineate the power relations between the major distributors and the film exhibitors.

Table 3.5 Theatrical Possession of Golden Harvest, Golden Princess, and D&B, 1984-1989

| Year | Golden Harvest | | Golden Princess | | D&B | |
|------|-----------------------------|-------|-----------------------------|-------|-----------------------------|-------|
| | Theatres Allied Exclusively | % # | Theatres Allied Exclusively | % # | Theatres Allied Exclusively | % # |
| 1984 | 9 | 9.47 | 25 | 26.32 | 1 | 1.05 |
| 1985 | 22 | 21.15 | 21 | 20.19 | 12 | 11.54 |
| 1986 | 25 | 23.81 | 7 | 6.67 | 17 | 16.19 |
| 1987 | 22 | 19.13 | 23 | 20.00 | 18 | 15.65 |
| 1988 | 18 | 13.53 | 17 | 12.78 | 16 | 12.03 |
| 1989 | 20 | 17.09 | 20 | 17.09 | 17 | 14.53 |

Note: # Percentage share of theatres under their corresponding theatre chain in the total number of theatres of the year.

Sources: Tabulations from cinematic advertisements in *Singtao* daily and *Mingpao* daily, 1984-1989; *Hong Kong Yearbook*, various years; Hong Kong Motion Picture Industry Association Limited, various years.

As shown in Table 3.5, Golden Princess possessed as many theatres as Golden Harvest since the mid-1980s. Each had forged alliances with around twenty

theatres (Table 3.5). When D&B was established in 1984, the company aligned with only one theatre. A year later, D&B built its theatre chain by renting four cinemas from Shaw Brothers⁴⁰, and co-opting around a dozen independent theatres (Table 3.5). In 1986, the company controlled 16.2 per cent of the theatres in Hong Kong (Table 3.5). On the whole, the theatrical possession of the three companies peaked at 48.7 per cent in 1989 (Table 3.5). This made them the three major theatre chains⁴¹ in Hong Kong.

While these theatre chains were controlled by the three major film companies, each of them would rarely exhibit the movies distributed or produced by their counterparts. As each theatre chain requires at least thirty movies to put on screen each year (Hong Kong Economy Yearbook 1989: 168), there was a huge demand for films to fill up the exhibition blocks of each theatre chain. In this regard, after Golden Harvest entered the market and engaged in film production, the number of movies produced and released in Hong Kong climbed from 94 in 1971 to 103 in 1974 (Table 3.1). When Golden Princess joined the competition, the total film outputs in Hong Kong spurted from 109 in 1979 to 118 in 1980 (Table 3.1). At the time D&B set up its theatre chain, the number rose moderately from 87 in 1984 to 89 in 1985, and reached a high of 116 in 1989 (Table 3.1). The three companies altogether produced over forty movies each year (Table 3.6) and reaped around forty per cent of the total box-office grosses during the late 1980s (Table 3.6).

⁴⁰ At that time, Shaw Brothers re-calibrated its business and shifted its focus from film business to television business (Curtin 2007: 41). This is one of the reasons why it would lease some of its cinemas to D&B.

⁴¹ This has not included the theatre chain of Sil-Metropole (銀都), a “left-leaning” film company incorporated from Great Wall, Feng Huang, and Xin Lian in 1982.

Table 3.6 Aggregate Film Outputs and Market Share of Golden Harvest, Golden Princess, and D&B, 1984-1989

| Year | Aggregate Film Outputs | | Aggregate Box-office Receipts | | |
|------|------------------------|-------|-------------------------------|-------|-------|
| | Number | % # | HK\$ (in million) | % ## | % ### |
| 1984 | 24 | 27.59 | 309.69 | 55.22 | 32.78 |
| 1985 | 29 | 32.58 | 336.13 | 55.22 | 38.98 |
| 1986 | 48 | 55.81 | 412.31 | 64.39 | 40.96 |
| 1987 | 46 | 60.53 | 603.04 | 77.59 | 54.40 |
| 1988 | 45 | 39.13 | 531.40 | 51.86 | 41.03 |
| 1989 | 40 | 34.48 | 411.99 | 46.89 | 32.82 |

Notes: # The three companies' share in total output of Hong Kong movies.
 ## The three companies' share in total box-office grosses of local movies.
 ### The three companies' share in total box-office grosses of both local movies and imported films.

Sources: Hong Kong Film Archive (2009); Hong Kong Motion Picture Industry Association Limited, various years.

While the incumbents, the three major film companies, gained the lion's share of the market, the challengers who were the film companies without any alliances with the "majors" could barely scrape by. These challengers included the film companies that distributed and exhibited foreign movies. As the distributor-driven commodity chain allowed local movies to occupy most of the screens available in the market, the number of theatres that exhibited local movies exclusively climbed from 23 in 1970 to 27 in 1980, and even increased to 33 in 1982 after Golden Princess came into operation (Table 3.7). In this very year, the domestic box-office revenue for local movies exceeded that for foreign movies for the first time in the history of Hong Kong cinema (Table 3.8).

Table 3.7 Theatres in Hong Kong by Exhibition of Local Movies or Imported Films, and Both, 1970-1985

| Year | Exhibited Local Movies Exclusively | | Exhibited Imported Films Exclusively | | Exhibited Both | | Total Number of Theatres |
|------|------------------------------------|-------|--------------------------------------|-------|--------------------|-------|--------------------------|
| | Number of Theatres | % # | Number of Theatres | % # | Number of Theatres | % # | |
| 1970 | 23 | 22.33 | 28 | 27.18 | 26 | 25.24 | 103 |
| 1971 | 14 | N.A. | 31 | N.A. | 32 | N.A. | N.A. |
| 1972 | 11 | 11.34 | 40 | 41.24 | 29 | 29.90 | 97 |
| 1973 | 34 | N.A. | 22 | N.A. | 14 | N.A. | N.A. |
| 1974 | 24 | 29.63 | 30 | 37.04 | 10 | 12.35 | 81 |
| 1975 | 22 | 26.19 | 32 | 38.10 | 8 | 9.52 | 84 |
| 1976 | 34 | 40.96 | 26 | 31.33 | 15 | 18.07 | 83 |
| 1977 | 23 | N.A. | 29 | N.A. | 16 | N.A. | N.A. |
| 1978 | 14 | 18.67 | 24 | 32.00 | 24 | 32.00 | 75 |
| 1979 | 16 | 20.00 | 18 | 22.50 | 26 | 32.50 | 80 |
| 1980 | 27 | 32.53 | 30 | 36.14 | 5 | 6.02 | 83 |
| 1981 | 29 | 35.37 | 24 | 29.27 | 23 | 28.05 | 82 |
| 1982 | 33 | 37.08 | 19 | 21.35 | 28 | 31.46 | 89 |
| 1983 | 48 | 53.33 | 14 | 15.56 | 22 | 24.44 | 90 |
| 1984 | 56 | 58.95 | 17 | 17.89 | 14 | 14.74 | 95 |
| 1985 | 39 | 37.50 | 14 | 13.46 | 45 | 43.27 | 104 |

Notes: "N.A." denotes data are not available because of the deficient information on the total number of theatres in the corresponding years. Data reflect only the theatrical composition on June 30 and December 31 of each corresponding year.
The sum of the data in these three columns may be less than a hundred since there could be some theatres that were not open to business on June 30 and December 31 of the corresponding year.

Sources: Tabulations from cinematic advertisements in *Singtao* daily and *Mingpao* daily, 1970-1985; *Hong Kong Yearbook*, various years; Hong Kong Motion Picture Industry Association Limited, various years.

With less theatres exhibiting foreign movies, the box-office receipts of imported films plunged from 1.1 billion HK dollars in 1971 to 855 million in 1979, and dipped further to 811 million in 1982 at constant prices (Table 3.8). By contrast, the box office of local movies surged from 535 million HK dollars in 1971 to 692 million in 1979, and reached a high of 1.6 billion in 1988 at constant prices (Table 3.8). The self-sufficiency ratio rebounded accordingly from 0.32 in 1971 to 0.593 in 1982, and

rose to 0.791 in 1988 (Table 3.8).

Table 3.8 Screening, Box-office Grosses, and Self-sufficiency Ratio of Local Movies and Imported Films in Hong Kong, 1971-1989

| Year | Local Movies | | Imported Films | | Self-sufficiency Ratio |
|------|------------------|---------------------|-----------------|---------------------|------------------------|
| | Number of Movies | HK\$ # (in million) | Number of Films | HK\$ # (in million) | |
| 1971 | 94 | 535 | 441 | 1,134 | 0.320 |
| 1972 | 99 | 729 | 422 | 1,219 | 0.374 |
| 1973 | 96 | 610 | 335 | 924 | 0.398 |
| 1974 | 103 | 541 | 285 | 931 | 0.368 |
| 1975 | 98 | 451 | 300 | 653 | 0.408 |
| 1976 | 95 | 573 | 283 | 701 | 0.450 |
| 1977 | 88 | 573 | 321 | 947 | 0.377 |
| 1978 | 99 | 719 | 301 | 903 | 0.443 |
| 1979 | 109 | 692 | 293 | 855 | 0.447 |
| 1980 | 118 | 814 | 278 | 868 | 0.484 |
| 1981 | 108 | 832 | 289 | 834 | 0.499 |
| 1982 | 99 | 1,183 | 265 | 811 | 0.593 |
| 1983 | 95 | 1,086 | 176 | 444 | 0.710 |
| 1984 | 87 | 1,252 | 232 | 860 | 0.593 |
| 1985 | 89 | 1,268 | 226 | 528 | 0.706 |
| 1986 | 86 | 1,169 | 279 | 668 | 0.636 |
| 1987 | 76 | 1,403 | 290 | 598 | 0.701 |
| 1988 | 115 | 1,626 | 234 | 429 | 0.791 |
| 1989 | 116 | 1,286 | 351 | 551 | 0.700 |

Note: # Figures are weighted by the ticket price in each corresponding year, and are at constant 1997 prices.

Sources: Chan (2000); Hong Kong Film Archive (2009); Hong Kong Motion Picture Industry Association Limited, various years.

Given the self-sufficiency ratio in 1982 had passed the 0.5 level (Table 3.8), Hong Kong movies had for the first time in history surpassed foreign movies in their domestic box office in 1982. As the ratio remained above 0.5 in the subsequent

years (Table 3.8), the dominance of Hong Kong movies in their domestic market is shown to have persisted throughout the 1980s, which marked the peak of the Hong Kong film industry.

SUMMARY

In the early 1970s, the political struggle between Shaw Brothers and Golden Harvest reshaped the “conceptions of control” in the Hong Kong film market by replacing the studio system with a distributor-led independent production system. The Political-cultural approach suggests that the interactions among players in the field who vie to control competitions appear to constitute a political struggle in the market (Fligstein 2001). In these struggles, some players may “try to figure out what they want, how to get it, and how to get along with others who might want other things” (ibid.: 27). One way is to convince others “to go along with their conception of the market” (Fligstein 2001: 76; Fligstein 1996: 663). This, however, is a “tricky task that requires social skill” (Fligstein 2008: 12). “Social skill” is the ability to “induce cooperation amongst others” through the construction of a “collective definition of interest” that can be commonly shared by the players in the field (Fligstein 1997: 11, 36; 2008: 14).

In the political struggle between Shaw Brothers and Golden Harvest in the early 1970s, Raymond Chow of Golden Harvest was evidently more “socially skilled”⁴² than Run-run Shaw at building alliances with filmmakers. Since Golden Harvest (GH) successfully drew to his camp in quite a number of renowned film directors

⁴² Fligstein (1997) notes that actors who are more “socially skilled” at attaining cooperation will have a higher chance to survive and to play important roles in the field (pp.37-38).

and actors who were reluctant to be bound by Shaw Brothers (SB), the company outdid its competitors and became a major film company as well as an incumbent in the 1970s. Suffice it to say that if SB bore a resemblance to a large standing army, GH would be more akin to a mass of guerillas. The guerilla-warfare paid off at the end since the David-like GH won the battle against Goliath, SB. The distributor-led independent production system which GH had adopted to stave off SB soon became a conventional practice, or the “conceptions of control”, in the industry. Film companies, such as Golden Princess and D&B, which entered the field afterward, followed the system too. This set the stage, or laid the “structural foundation”, for the “independent production houses that flourished during the golden age of Hong Kong cinema” (Curtin 2007: 65).

While the Hong Kong cinema experienced its heyday in the 1980s, many of these independent production houses were operated by the “new-wave” young directors who made myriads of movies that achieved remarkable commercial success. These “new-wave” filmmakers and their production houses were “generally small independents that relied largely on a casual workforce” (Curtin 2007: 60). They were also heavily financed and backed up by the major distributors, namely Golden Harvest (GH), Golden Princess (GP), and D&B. In this respect, but for the rise of an independent production system put forward by GH in the 1970s, which then became the “conceptions of control”, latecomers such as GP and D&B might not have engaged in independent productions. By the same token, if the independent production system was not widely applied in Hong Kong, the “new-wave” filmmakers might have had to stay on in the studio system at Shaw Brothers, and lost the opportunity to prove their talents in a less-restricted environment.

As the “conceptions of control” inscribed in the distributor-led independent production system came into effect in the 1970s, these conceptions enabled the incumbents, who were the major distribution companies, to retain their power and dominance over other film companies in the market. Since the major film companies had forged alliances with the exhibitors and built their theatre chains, most of the screens in the market were occupied by the local movies produced and distributed by the “majors”. With fewer screens available to foreign movies, the box-office returns of imported films dived sharply, whereas local movies achieved commercial success which signified the “bloom” in the Hong Kong film industry throughout the 1980s.

Chapter 4

The “Twilight”⁴³ since the mid-1990s

WHAT HAPPENED DURING THE 1990s?

While the previous chapter has presented an exposition of the “bloom” as the backdrop to the market transformation later discussed, this chapter focuses on the downturn, or the “twilight”, of the Hong Kong film industry since the mid-1990s. This “twilight” was set off in 1993, the year when the local film outputs reached an all-time high of 186 (Table 4.1). In subsequent years, however, the industry experienced a downward spiral in both its film outputs and box-office grosses. The number of movies produced and released in Hong Kong plunged from 143 in 1994 to 108 in 1996, and slumped steadily to 85 in 1998 (Table 4.1). During the same period, the box-office receipts of local movies recorded a two-fold drop, to 973.5 million HK dollars in 1994 and a further dip down to 423.9 million in 1998 (Table 4.1). As it became enfeebled, the Hong Kong film industry ceded its home market share to foreign movies. The number of films imported to Hong Kong climbed from 318 to 370 between 1994 and 1998, and their box-office grosses surged by 44.2 per cent from 449.2 million HK dollars to 647.8 million (Table 4.1). The situation has persisted for over a decade since the mid-1990s. In view of this, some film critics and commentators, and even industry insiders, claim the Hong Kong cinema to be a “sunset” industry (Yip 1999; Chan 2006), or even deem the industry to be dead (see Stephanie Chung 2007: 39; Lee 2006b: 265).

⁴³ “Twilight” is a movie about romance and fantasy. It was directed by Catherine Hardwicke and released by Summit Entertainment in 2008. The film is based on a novel written by Stephenie Meyer. This study borrows the title of the movie to describe the decline of the Hong Kong film industry since the mid-1990s.

Table 4.1 Screening and Box-office Grosses of Local Movies and Imported Films in Hong Kong, 1987-1998

| Year | Local Movies | | Imported Films | |
|------|------------------|-------------------|-----------------|-------------------|
| | Number of Movies | HK\$ (in million) | Number of Films | HK\$ (in million) |
| 1987 | 76 | 777.3 | 290 | 331.3 |
| 1988 | 115 | 1024.8 | 234 | 270.5 |
| 1989 | 116 | 878.6 | 351 | 376.8 |
| 1990 | 120 | 939.2 | 222 | 373.3 |
| 1991 | 135 | 1038.5 | 384 | 338.3 |
| 1992 | 176 | 1240.2 | 294 | 333.2 |
| 1993 | 186 | 1146.1 | 273 | 434.3 |
| 1994 | 143 | 973.5 | 318 | 449.2 |
| 1995 | 143 | 785.3 | 337 | 571.8 |
| 1996 | 108 | 686.4 | 312 | 636.7 |
| 1997 | 86 | 547.5 | 383 | 617.0 |
| 1998 | 85 | 423.9 | 370 | 647.8 |

Sources: Hong Kong Film Archive (2009); Hong Kong Motion Picture Industry Association Limited, various years.

The Plot in Brief

In giving an overview of the downfall of the Hong Kong film industry since 1993, this chapter will resolve the following puzzles: why the film outputs and box-office receipts of Hong Kong movies have fallen from their peak since 1993; why the major film companies in Hong Kong failed to retain their power and dominance over the film market in the 1990s; how the commodity chain of Hong Kong movies was restructured during the late 1990s; and how the restructuring has impacted on the Hong Kong film industry throughout the 2000s.

This chapter falls into three sections. The first section pinpoints that the key to success of the industry throughout the 1980s had grown to be a source of stress in the 1990s. This is because the two conventional practices inscribed in the “conceptions of control” on the distributor-driven commodity chain had turned into an endogenous factor that impaired the major film companies from responding effectively when an exogenous shock arrived in Hong Kong during the late 1980s. This exogenous shock stemmed from the influx of capital from Taiwan after the liberalization of China’s film market since the late 1970s along with the lifting of martial law in Taiwan in 1987.

The capital flooding in from Taiwan forged an “industrial complex” among the PRC, Taiwan, and Hong Kong. This induced an exogenous shock to Hong Kong after a new major film company, Newport, which banked heavily on Taiwan capital, was set up in 1988. As the owner of Newport was a theatre owner whose cinemas were formerly allied with the pre-existing major film companies, the establishment of Newport entailed the wresting of a considerable number of theatres from the “majors”. Each theatre chain in the market was henceforth comprised of fewer theatres than before. Not only did the rise of Newport cut into the income stream of the pre-existing “majors”, but also the restructuring of theatre chains that followed on revealed the deficiency of the two conventional practices in the distributor-led production and exhibition system, a system which, as shown in the previous chapter, promoted a rampant growth of the industry during the 1970s and the 1980s. These practices were the exclusive exhibition practice and the entwined financial practice of the filmmakers.

So long as the “majors” followed an exclusive exhibition practice, they still had

to produce a large number of movies to fill up their theatre chains. With fewer theatres under their control, however, the “majors” income stream was trimmed. The theatrical receipts received by the “majors”, therefore, were hardly sufficient to recoup the cost of their film productions. As film production was no longer a lucrative investment, the owners of some major film companies began to question the entwined financial practice of the filmmakers. They found such practice could no longer protect the interests of the investors. For this reason, the owners of two major film companies, D&B and Golden Princess (GP), wound up their business in late 1992 and 1996 respectively. This provides clues to why the key to the industry’s success became a source of stress in the 1990s.

The second section documents a reversal of fortune in 1993. In 1992 and 1993, the box-office receipts and output of Hong Kong movies experienced a freefall from their peak. The downfall was directly caused by the closure of many traditional theatres during the 1990s—owing to the rising land price in Hong Kong, and the withdrawal of hot money from Taiwan after 1993—which resulted in the slashing of capital investment in many Hong Kong film projects. Since the early 1990s, the soaring land price had driven many theatre owners to redevelop their properties for alternative uses. This reduced the theatrical possessions of the “newcomers” who succeeded D&B and GP, and the major film companies that remained. As there were fewer theatres in the market for the “majors” to co-opt, in which an “exclusive deal” could apply, the “majors” could not achieve the economy of scale necessary for cost recovery. In this situation, none of these “newcomers” could survive for more than a decade.

Added to this, when the People’s Republic of China (PRC) and the Republic of

China (Taiwan) shifted their policies for their film industries around 1994, the capital inflow from Taiwan to the Hong Kong film market subsided. Investment in many film projects in Hong Kong, particularly those from Newport which were heavily financed by Taiwan capital, dried up. While Newport was an active supplier of Hong Kong movies in the early 1990s, the withdrawal of Taiwan capital dragged down the film outputs of the company. The diminution in capital, together with the shrinking theatrical possessions noted earlier, compelled the company to curtail its investment in the impending film projects. Hence, the total film outputs in Hong Kong fell precipitously after 1993.

Although Golden Harvest (GH)—the last and the only “major”, which started its film business with its satellite production houses and its theatre chain yet could still manage to survive—did not bank on Taiwan capital, the company rearranged its core business during the late 1990s from local film production to exhibition and distribution of foreign movies. From the early 2000s, GH ceased investing in film production. The company made this adjustment largely because its theatrical possession was not large enough to achieve the economy of scale needed for cost recovery once some Cineplex exhibitors, such as Broadway and UA, have grabbed a lion’s share of the cinemas in Hong Kong since the late 1990s. In this case, the company converted its theatre chain into Cineplex-cinema circuit, and began to screen the movies released by any film companies. The distributor-led independent production system, the dominant production model of Hong Kong movies throughout the 1970s and the 1980s, thus came to a halt in the early 2000s.

While the distributor-led production system crumbled, the exhibition sectors of the Hong Kong film market underwent a transformation. This transformation will

be described in the third section. As the soaring land price drove many traditional theatre chains to vanish throughout the 1990s, Cineplex cinemas mushroomed concurrently in Hong Kong. The replacement of traditional theatres with Cineplex cinemas resulted in a fall in the income stream of the “majors” since their theatre chains were comprised of traditional theatres. As these “majors” grew weaker, the challengers had a chance to construct a new set of “conceptions of control” to overthrow the production and exhibition system that was formerly driven by the distributors of Hong Kong movies.

These challengers were the distributors of foreign movies. They allied with the Cineplex exhibitors in Hong Kong. Such alliances freed the Cineplex exhibitors from the “exclusive deals” imposed by the local production and distribution companies in return for a supply of movies. As Cineplex cinemas rapidly expanded and gradually replaced the traditional theatres in Hong Kong from the 1990s, the alliances between the distributors of foreign movies and the Cineplex exhibitors enabled imported films to fill the market niche that was previously occupied by Hong Kong movies.

Since the “exclusive deals” between the distributors of local movies and the exhibitors are no longer applicable, the Cineplex exhibitors reclaimed the “booking rights” to control the exhibition blocks from the major distributors of local movies. Henceforth, film exhibition in Hong Kong is not driven by the major distributors of local movies. Instead, the Cineplex exhibitors gained control over the income stream of other film companies in the market. As the distributor-led exhibition system—a dominant exhibition model in the Hong Kong film market throughout the 1970s and the 1980s—was abolished, a new “conception of control” inscribed

in an exhibitor-driven commodity chain was put into effect.

Under the new “conceptions of control”, the Cineplex exhibitors who control the “booking rights” can reserve favorable exhibition blocks for the imported films distributed by their allies, whereas the production companies of Hong Kong movies no longer benefit from the block-booking preferential treatment offered by the exhibitors. This led to a shift in the production model of Hong Kong movies. Companies that embark on local film production switched their key exhibition channel from theatrical screening to retail in ancillary markets. Without secured favorable exhibition blocks in theatrical release, however, the box-office performance of the movies released by these companies was stunted. This affected their retail deals in the ancillary markets and, in turn, reduced their revenue. As a result, these companies curtailed their investment in their subsequent film projects and hence, the total film outputs in Hong Kong dropped considerably over the 2000s. With fewer local movies released, imported films have come to dominate the Hong Kong box office since 1997 as the “twilight” fell on the Hong Kong film industry.

THE KEY TO SUCCESS TURNS INTO A SOURCE OF STRESS

As discussed in the previous chapter, the supply chain of film products in Hong Kong throughout the 1970s and the 1980s was driven by the major distributors. The distributor-led production and exhibition system enabled the Hong Kong film industry to outperform the imported films in its domestic market in the 1980s. Nonetheless, two conventional practices derived from such production model; namely, the entwined financial practice and the exclusive exhibition practice, had ironically undermined the major distributors since the early 1990s. Although these

practices can be construed as the endogenous factors in the industry's downfall, they were not a threat to the "majors" during the 1970s and the 1980s until an exogenous shock came around the late 1980s. The following section will depict the entwined financial practice and the exclusive exhibition practice. Why these practices did not impair the "majors" but, quite the contrary, enabled them to wield their power over the market before the exogenous shock appeared will also be discussed.

The distributor-led independent production system was shown in the foregoing chapter to be first adopted by Golden Harvest (GH) in Hong Kong during the early 1970s. To survive in the political struggle with Shaw Brothers (SB), Raymond Chow of GH used his "social skills" to draw into his camp quite a number of renowned film directors and actors who were reluctant to be bound by the studio system at SB. Not only did GH subsidize many of these directors and actors to set up their own production companies and invest in the movies they made, but it also operated its own theatre chain by distributing and exhibiting the movies its satellite companies produced. Since GH, like the other major distributors, controlled the supply of local movies, the company snatched the "booking rights" to control the exhibition blocks—denoting how often and how long a movie will be put on screen—in its allied theatres. This is known as the distributor-led production and exhibition system.

In the 1980s, film companies, such as Golden Princess and D&B, which were then new entrants to field, followed this system too. These companies set up their satellite production houses and screened the movies produced by their "satellites" in their theatre chains. As these companies adopted a vertically-integrated mode of production, the films they released, mainly Hong Kong movies even though some of

them distributed foreign movies as well, occupied most of the screens available in the market. Since there were fewer theatres in the market that screened foreign movies, the box-office receipts of imported films dived sharply whereas local movies achieved commercial success in the 1980s. This signified the “blooming” of the Hong Kong film industry.

Conventional Practices inscribed in the “Conceptions of Control”

Although the distributor-led production and exhibition system had brought the early success of Hong Kong cinema, two conventional practices inscribed in the “conceptions of control” under the system had grown to become an endogenous factor in the industry’s downfall during the early 1990s. They were the entwined financial practice and the exclusive exhibition practice.

The Entwined Financial Practice

The entwined financial practice denotes that the financing of different film projects was bundled together in the sense that the money received from one film project would often be used to fuel other film projects. This practice was widely adopted in the industry because the film investors, most of whom were the owners of the major film companies in the 1970s and the 1980s, used to follow the “conceptions of control” of the independent production system initiated by GH. As such, the bosses of the “majors” had bestowed a high degree of autonomy on the independent directors. These directors could thus wield the power over the film projects as long as they could convince the investors to shell out (Liu 2000: 72).

In Curtin’s (2007) interview conducted with Wellington Fung, now the

Secretary-General of the Hong Kong Film Development Council, Fung recalled how a film project was implemented in Cinema City (新藝城), an independent production company under Golden Princess. He noted that film directors⁴⁴ would initiate the project by “drawing up a proposal and a budget for presentation to a Hong Kong theatre circuit owner [who might also be the major distributors since most theatre chains in Hong Kong were integrated with the major distribution companies in the 1980s], who would be asked to provide a cash advance” (p.62). Once the first cash payment was locked in, the director would negotiate with overseas distributors for pre-sales of the film. If the directors could raise sufficient funds for the project, they would hire scriptwriters, scout for a cast, and start to shoot the movie. However, if the finance fell short, they would start another film project “in hopes of generating enough cash to pay off the current [and also the preceding] film [projects] and to get the next project under way” (ibid.: 63).

Handling film projects in this way jumbled the financing of several projects together. Sam Ho, a film critic, describes the situation as trying to cover ten bottles with only nine caps. To keep “shuffling the caps [so as] to keep all the bottles covered as much as possible”, filmmakers need to “keep coming up with new projects just to pay off the last one” (Curtin 2007: 64). If any one of the projects lacks financial resources to complete the production, the directors may not have the money to fuel the impending film projects. Since the financing of one project is entwined with others, the risk of “dystocia” is accumulated along a group of film projects. To put it plainly, any “rupture” to the stream of finance of a single, or a few, film project(s) is likely to cause a “chain reaction” that may affect the

⁴⁴ Film directors in Hong Kong typically take up the duties of the producers in Hollywood. They are the one who create a screenplay, employ scriptwriters, and approach potential investors (see Cheung 1998: 41, 49-52, 59-62).

completion of many other projects.

The Exclusive Exhibition Practice

Even though the entwined financial practice is extremely risky, it was not a threat to the major film companies throughout the 1970s and the 1980s. This is because each of the “majors” at the time controlled a large number of theatres to form their own theatre chain. This provided them with abundant profits to cover the production cost of their film projects.

In the operation of their theatre chains, the “majors” constructed a set of “conceptions of control” which brought about an exclusive exhibition practice in the market. As noted in the previous chapter, the Hong Kong film market followed a distributor-led exhibition system throughout the 1970s and the 1980s. The major distributors geared their distribution arm to the exhibition arena. Before the Cineplex cinemas became popular in Hong Kong during the 1990s, the “majors” could take advantage of the setting of traditional theatres.

Since only one to two screens were typically installed in each of the traditional theatres, exhibitors could hardly screen a variety of movies at each turn. The major distributors could thus dominate all exhibition blocks of a single theatre by offering just two to three copies of movies in a given period. They requested the exhibitors who were scouting for movies to sign an exhibition contract. The contract resembles an “exclusive deal”. Once it was signed, not only did the distributors acquire the “booking rights”⁴⁵ to control the exhibition blocks, but they also forbade

⁴⁵ The “booking rights” to control the exhibition blocks refer to the rights to control when and for how long a movie will be put on screen.

the exhibitors to shop freely among other distributors for movies to screen. In this respect, the theatres could screen only the movies released by the “major” they belonged.

While there were only three “majors” in the mid-1980s, and they accounted for a significant share of theatres in Hong Kong (see Table 3.5 in Chapter 3), the exclusive exhibition practice enabled the “majors” to generate sufficient returns from the box office to recoup the cost of their film productions. Hence, the entwined financial practice was not a problem for the “majors” in the 1970s and the 1980s.

What caused a Turn in the late 1980s?

The entwined financial practice and the exclusive exhibition practice did not imperil the “majors” until an exogenous shock occurred as will be discussed in the following sections. This exogenous shock was triggered by a shift in the policies of the People’s Republic of China (PRC) and the Republic of China (Taiwan) for their film industries during the late 1980s and the early 1990s. The PRC government gradually liberalized its film market from the early 1980s while the Taiwan government lifted its martial law in 1987. These set off a “meteor shower” of an influx of capital from Taiwan to the Hong Kong film market.

The “Meteor Shower” of Taiwan Capital

For several decades before the mid-1990s, the Taiwan film market was a major offshore outlet for Hong Kong movies (Liang 1998). It was also one of the most important sources of pre-sale financing for the Hong Kong film industry in the late 1980s and the early 1990s (Curtin 2003b: 244). During this period, film investors

from Taiwan poured their capital into the Hong Kong film market in droves. This gave rise to a “meteor shower”⁴⁶ of capital movement from Taiwan to Hong Kong. Lee (1994) ascribes this rapid flow of Taiwan capital to Hong Kong to be a consequence of the ailing box-office performance of Taiwan movies in the mid-1980s. When film production in Taiwan fell around 1986 (ibid.: 22), many filmmakers became underemployed and left the industry. Some of them, notes Lee, switched to “television, advertising, interior design, education, the food service industry or emigrated overseas” (ibid.: 22). Many film investors, most of whom were formerly the distributors and exhibitors of Taiwan movies, moved their capital to Hong Kong. As a result of this capital influx, the movies produced by Hong Kong film companies would be shown in both the Hong Kong and Taiwan film markets.

Nonetheless, the capital inflow from Taiwan to Hong Kong during the early 1990s would not have occurred but for the lifting of martial law in the late 1980s. Before the Taiwan government lifted the martial law, the movies produced in mainland China were prohibited from being released in Taiwan. Although the film products from Hong Kong could be exported to Taiwan, these products were prohibited from containing any “leftish” content. Filmmakers and the casts who participated in the film projects were also required to be the members of the Hong Kong and Kowloon Cinema and Theatrical Enterprises Free General Association⁴⁷ (Yu 1993). For instance, the movies produced under the name of “Sil-Metropole”

⁴⁶ The capital influx from Taiwan was analogous to a “meteor shower” because it was a huge amount of hot money that arrived and left the Hong Kong film market all of a sudden. In 1989, a flock of Taiwan investors penetrated into the Hong Kong film industry, yet in less than four years they had mostly withdrawn their investments.

⁴⁷ The Hong Kong and Kowloon Cinema and Theatrical Enterprises Free General Association (香港九龍影劇自由總會) is a quasi-state agent appointed by the Taiwan government to purge any “leftish” value from imported film products (Stokes and Hoover 1999: 21; Yu 1993).

(銀都), a “left-leaning” film company incorporated from Great Wall (長城), Feng Huang (鳳凰), and Xin Lian (新聯) in 1982, were almost never approved by the Association, and hence could not be screened or released in Taiwan (Liang 1998: 138-139). Film companies, like Bang Bang Film Productions (續續電影公司), and filmmakers, such as Li Han-hsiang (李翰祥), Ann Hui (許鞍華), and Zhang Che (張徹), who had commercial deals with Sil-Metropole were also blacklisted by the Association. The movies in which they involved were thereupon prohibited from being imported into the Taiwan film market unless they agreed to sever their ties with Sil-Metropole and other “left-leaning” film companies (ibid.: 139).

With the lifting of martial law in 1987, however, the Taiwan government permitted media professionals, including filmmakers, to make movies as well as television programs in the PRC (Hong and Sun 1999: 536). Movies containing “China content” could be screened in Taiwan provided that they were not funded by capital from the PRC, and no major role was performed by actors from mainland China (Liang 1998: 216). These measures hastened the flow of capital from film investors in Taiwan to the PRC via Hong Kong. Since Taiwan filmmakers have been allowed to make movies in China, many production personnel from Taiwan joined forces with those in Hong Kong, and together they co-produced movies in the PRC (ibid.: 217).

China’s Cinematic Reform

Equally important in contributing to the influx of capital investment from Taiwan to Hong Kong was the re-opening of mainland China in the late 1970s. In the early 1950s, the Ministry of Culture of the PRC government nationalized all private film production activities. A state-directed distribution system of film

products was established to centralize the release of movies in China. In 1979, the PRC concluded its “isolated tumult” of the Cultural Revolution (Lee 1994: 25). Thereafter, the Chinese government adopted an open-door policy and gradually liberalized its film market. With the enactment of an open-door policy, the China Film Co-production Corporation (CFCC) was founded in 1979 as a quasi-state agent to coordinate the co-production of motion pictures between the film companies in China and in other countries. This opened the gate for foreign film companies to enter the China film market.

Since the re-opening of China’s film market in 1979, foreign film companies have been allowed to build co-production partnerships with the film companies in China. However, all co-production projects ought to follow the “Regulations on Administration of the Film Industry” and the “Rules on Administration of the Chinese-Foreign Film Co-production” issued by the State Administration of Radio, Film, and Television (SARFT), a state agent. While the SARFT required all foreign film companies who seek to establish co-production partnership to apply for approvals and permits, the CFCC was commissioned by the SARFT to handle these applications, to issue the “entry visas for foreign crews for co-productions”, and to perform “customs clearance for filming facilities, equipment and materials to be used in co-production” (China Film Co-production Corporation 2007).

With the establishment of CFCC, foreign film companies including those from Hong Kong and Taiwan have been allowed to shoot movies in the PRC. These movies would be released not only in Hong Kong and Taiwan but could also be screened in the PRC if they passed through SARFT’s censorship. As film studios in the PRC could sell the “production rights” in the name of “a management fee in

the co-production project” to overseas film companies, the movies produced by foreign companies that held the “production rights” would be treated as a local China movie, and thereby could be distributed and exhibited in the PRC with no tariff and quota restriction. In these circumstances, from 1981 to 1994, there were almost 200 thousand “overseas investment projects [between film companies in China and foreign countries]” in which around 2,660 million US dollars was invested (Cheuk 1994: 135). While most of these investment projects were co-productions between film companies in China and Hong Kong (iFilm Connections 2010), many of these Hong Kong film companies were funded by overseas investors, mainly from Taiwan (Liang 1998).

The Resultant Cross-Strait “Industrial Complex”

The liberalization of China’s film market, together with the lifting of martial law in Taiwan, led to flocks of film investors pouring their capital into the Hong Kong film market in the late 1980s. With film companies gradually redeploying their capital and headquarters from Taiwan to Hong Kong, and then to the PRC, the resulting convergence of Taiwan’s cinema with those of Hong Kong and mainland China has been described by Lee (1994) as an “industrial complex”. This complex comprised the capital and the film personnel from Taiwan and Hong Kong, and the sites or locations in and the manpower for film production from the PRC (ibid.: 23).

In this “industrial complex”, Hong Kong acted as a “stepping stone” for Taiwan film investors who were eager to take advantage of the co-production partnership with film companies in the PRC. These investors followed a “pre-sale system” to acquire the rights to screen the movies that were to be produced by the film companies in Hong Kong. Indeed, the acquisition was typically completed before

the movies were actually produced (Hong Kong Film Archive 1997: 69). Following this “pre-sale system”, most production houses in Hong Kong banked on the support from the film companies in Taiwan during the early 1990s (Liang 1998). For instance, although Cinema City (新藝城) was a satellite production company of Golden Princess (GP), many of its productions were financed by Long Shong (龍祥), a film distributor in Taiwan (ibid.: 124). Another Taiwan film distribution company, Scholar (學者), had also invested in the movies produced by Win’s Movie Production Company (永盛) in Hong Kong. Several other film companies in Taiwan, such as New Ship (新船), Hua Liang (樺樑), Feng Ming (鳳鳴), Chang Hong (長宏), and Upland Films Co. Ltd. (新峰), also funded many film production companies in Hong Kong (ibid.: 125).

Not only did these investors purchase the rights to screen the “unfinished” film products from Hong Kong film companies, but they also set up production companies in Hong Kong. One of these was Tomson Films Co., Ltd. (湯臣). The company was established in 1984 by a renowned Taiwan film actress, Hsu Feng. It produced twenty-six movies and received numerous awards (Tomson Films Co., Ltd. 2009). For example, *Farewell to my Concubine* (霸王別姬) was a movie co-produced by Tomson (Hong Kong) Films Co., Ltd and the Beijing Film Studio in 1993. The movie was directed by Chen Kaige, and awarded the “Palme D’or” at the 46th Cannes Film Festival in 1993.

Like *Farewell to my Concubine*, quite a large number of Hong Kong movies featuring Mainland scenes was released in Hong Kong and in Taiwan during the late 1980s and the early 1990s (Yu 1993: 63). Many of these movies received worldwide acclaim. For instance, *Raise the Red Lantern* (大紅燈籠高高掛),

directed by Zhang Yimou, received the Silver Lion award for Best Director at Venice International Film Festival in 1991. The movie was produced in China by Era International (Hong Kong) Ltd. (年代國際香港有限公司), a production company in Hong Kong which was funded by Taiwan capital. On the whole, as Leung and Chan (1997) note, based on a newspaper article credited to John Dykes in 1993, that about one-third of the budgets for Hong Kong movies in the early 1990s came from Taiwan investors (p.146).

The Exogenous Shock Induced

Although the influx of Taiwan capital seemed to nourish the film companies in Hong Kong, it actually injected an exogenous shock to the Hong Kong film market. This shock arrived when Newport—a new major film company—was set up in 1988, with the support of Taiwan capital, by a Hong Kong theatre owner whose cinemas were formerly allied with the preceding “majors”. The emergence of Newport resulted in a restructuring of the exhibition sectors during the late 1980s. This reduced the number of theatres controlled by each of the “majors” in the market. With fewer theatres under their control, the box-office receipts which the “majors” could earn from their theatre chains shrank sharply. As the revenue for the “majors” began to shrivel, two major film companies closed down by the mid-1990s.

Before the “meteor shower” from Taiwan capital in the late 1980s, there were only three “majors”⁴⁸ in Hong Kong, namely Golden Harvest (GH), Golden

⁴⁸ This does not include Sil-Metropole (銀都), a “left-leaning” film company incorporated from Great Wall (長城), Feng Huang (鳳凰), and Xin Lian (新聯) in 1982. Although Sil-Metropole possessed a film studio and a theatre chain, its influence on the Hong Kong film industry since the 1980s is often underrated in existing literature. One possible reason is that the market share of Sil-Metropole is relatively small in comparison with the major film companies throughout the 1980s

Princess (GP), and D&B. These “majors” had their own theatre chains, and they controlled around two-fifths of the theatres in the market during the mid-1980s (see Table 3.5 in Chapter 3). However, the capital inflow from Taiwan gave birth to the fourth major film company, Newport, in 1988. It served as a “middleman” between foreign investors, mainly from Taiwan, and the independent production companies in Hong Kong (Lam 2007: 60). Overseas investors wanting to invest in Hong Kong movies might pass their money to Newport. The company would then lend money to the independent production companies.

Newport’s presence had magnetized a flock of independent production companies that were once the satellites of other “majors” (Ma 2000: 115). For instance, the films produced by Hui’s Film Production Co., Ltd (許氏)⁴⁹ were no longer screened primarily in the theatre chains of Golden Harvest and Golden Princess but now also in the Newport theatre chain (ibid.: 115). Samo Hung Kam-bo, who was under the umbrella of Golden Harvest and later joined D&B, set up another film production company, Bojon Films Co. Ltd (寶祥). The movies made under Bojon were shown on the screens of Newport’s theatre chain (Cheung 1988: 4-5).

According to the Hong Kong Motion Picture Industry Association (MPIA), the number of newly-registered film production companies climbed to 170 in 1990

and the 1990s.

⁴⁹ Hui’s Film Production Co., Ltd (許氏) was set up by Michael Hui, a renowned comedic actor and director. Hui was formerly a famous comedic actor in TVB, the television station of Shaw Brothers. In the mid-1970s, Hui moved to Golden Harvest when Raymond Chow agreed to set him up as an independent producer, and granted him and his brothers the autonomy and the resources to make movies. When Golden Princess was established in 1980, not only did Hui’s Film Production Co., Ltd produce movies for Golden Harvest, but it also put its films on the screens of Golden Princess’ theatre chain.

although most of them were “one-picture companies” (Leung and Chan 1997: 147). Law (1994) finds that most of these companies were in fact funded by Taiwan investors or were the subsidiaries of film companies in Taiwan. The movies made by these production houses were shown in Newport’s theatre chain (ibid.: 90). Box-office revenue was shared among the foreign investors, Newport, and the companies that produced the movies.

Reduction of Theatres in each Theatre Chain and its Impact

Although the Newport theatre chain became a new “outlet” for local production houses to release their movies, its emergence upset the commodity chain of the existing “majors”. Newport was set up by Chan Wing-mei, a theatre owner whose cinemas were had been allied with the three “majors” since the 1980s (Stephanie Chung 2007: 297,330). When Chan established his theatre chain in 1988, he wrested several theatres from the existing “majors”. Six of the twenty theatres in Newport’s theatre chain were formerly allied with D&B, four were tied-up with Golden Princess (GP), and three with Golden Harvest (GH) (Chan 1988b: 4). After Newport’s theatre chain set sail, therefore, the number of theatres under the control of the three “majors” plummeted.

The establishment of Newport’s theatre chain touched off an exogenous shock to the Hong Kong film market. The shock triggered off a restructuring in the exhibition sectors. Golden Princess (GP) was the most seriously affected. The number of theatres allied with GP dropped twenty-six-percent after Newport came in the scene in 1988. The number of theatres allied exclusively with GP dropped from 23 to 17 between 1987 and 1988 (Table 4.2). D&B faced a similar challenge too.

There were eighteen theatres controlled fully by D&B in 1987 but the number was reduced to sixteen in 1988 (Table 4.2). Although Golden Harvest (GH) still had about twenty theatres in the late 1980s, the number had dipped to twelve in 1993 (Table 4.2).

Table 4.2 Theatres Allied Exclusively with Golden Harvest, Golden Princess, D&B, and Newport, 1987-1996

| Year | Golden Harvest | Golden Princess | D&B | Newport |
|------|----------------|-----------------|-----|---------|
| 1987 | 22 | 23 | 18 | - |
| 1988 | 18 | 17 | 16 | 19 |
| 1989 | 20 | 20 | 17 | 20 |
| 1990 | 17 | 17 | 17 | 19 |
| 1991 | 15 | 18 | 19 | 12 |
| 1992 | 14 | 12 | - | 17 |
| 1993 | 12 | - | - | 18 |
| 1994 | 9 | - | - | 18 |
| 1995 | 8 | - | - | 16 |
| 1996 | 7 | - | - | 14 |

Sources: Tabulations from cinematic advertisements in *Singtao* daily and *Mingpao* daily, 1987-1996.

Since theatrical screening, as the first window of exhibition, is always the key conduit of profit returns, the cutback of the “majors” theatrical possession resulted in a sharp slump to their revenue. Before Newport was established, there were at least twenty theatres screening exclusively each of the yearly blockbusters of GH, GP, and D&B in 1987 (Table 4.3). After Newport joined the competition, however, only GH still had over twenty theatres for the screening of its blockbuster while the yearly blockbusters of GP and D&B were shown in only eighteen and fifteen theatres respectively (Table 4.3). As a result, while the blockbusters of the three “majors” earned 64, 56.2, and 49 million HK dollars at constant 1997 prices from the box

office in 1987, the theatrical receipts of their blockbusters had drifted down in 1991 to 47.5, 40.6, and 16.4 million at constant prices (Table 4.3).

Table 4.3 Theatres Screening Exclusively, and Box-office Grosses of, the Yearly Blockbusters of Golden Harvest, Golden Princess, and D&B in 1987 and 1991

| Year | Golden Harvest | | Golden Princess | | D&B | |
|------|-----------------------------|--|-----------------------------|--|-----------------------------|--|
| | Theatres Allied Exclusively | Box office At constant 1997 prices # (in million HK\$) | Theatres Allied Exclusively | Box office At constant 1997 prices # (in million HK\$) | Theatres Allied Exclusively | Box office At constant 1997 prices # (in million HK\$) |
| | 1987 | 25 | 64.0 | 20 | 56.2 | 23 |
| 1991 | 23 | 47.5 | 18 | 40.6 | 15 | 16.4 |

Note: # Figures are weighted by the ticket price in each corresponding year, and are at constant 1997 prices.

Sources: Tabulations from cinematic advertisements in *Singtao* daily and *Mingpao* daily in 1987 and 1991; Chan (2000); Hong Kong Motion Picture Industry Association Limited, various years.

The theatrical receipts of the three preceding “majors” thus diminished after the emergence of Newport in 1988. While GH, GP, and D&B reaped 534, 348, and 206 million HK dollars from the box office in 1987 respectively, their revenue slumped by 16.7 per cent, 33 per cent, and 19.7 per cent respectively to 445, 233, and 165 million at constant prices in 1988 (Table 4.4). Before Newport’s entry, GH had 26.71 per cent of the market share, followed by GP (17.41%), and D&B (10.28%). After Newport entered the market, however, the market share of GH plunged to 21.64 per cent, while GP’s and D&B’s market shares shrank to 11.36 per cent and 8.03 per cent respectively (Table 4.4). In the subsequent years, the theatrical receipts as well as the market share of the three “majors” continued to fall significantly. In 1991, the revenue for these “majors” was just slightly over half of what they earned in 1987 (Table 4.4).

Table 4.4 Theatrical Receipts and Market Share of Golden Harvest, Golden Princess, and D&B, 1987-1996

| Year | Golden Harvest | | Golden Princess | | D&B | |
|------|---|------------------------|---|------------------------|---|------------------------|
| | At Constant 1997 Prices (in million HK\$) | Market Share % # | At Constant 1997 Prices (in million HK\$) | Market Share % # | At Constant 1997 Prices (in million HK\$) | Market Share % # |
| 1987 | 534.4 | 26.71 | 348.4 | 17.41 | 205.7 | 10.28 |
| 1988 | 444.7 | 21.64 | 233.4 | 11.36 | 165.1 | 8.03 |
| 1989 | 272.1 | 14.81 | 177.9 | 9.68 | 152.9 | 8.33 |
| 1990 | 302.5 | 16.81 | 252.0 | 14.00 | 218.0 | 12.12 |
| 1991 | 278.9 | 16.65 | 207.7 | 12.40 | 123.0 | 7.34 |
| 1992 | 286.2 | 16.63 | 283.0 | 16.44 | 12.0 | 0.70 |
| 1993 | 203.6 | 12.67 | 11.4 | 0.71 | - | - |
| 1994 | 229.6 | 18.55 | 32.2 | 2.60 | - | - |
| 1995 | 130.3 | 11.96 | 19.9 | 1.83 | - | - |
| 1996 | 191.2 | 19.86 | - | - | - | - |

Notes: The company's theatrical receipts are weighted by the ticket price in each corresponding year, and are at constant 1997 prices.

The company's share in total box-office grosses of both local movies and imported films.

Sources: Chan (2000); Hong Kong Film Archive (2009); Hong Kong Motion Picture Industry Association Limited, various years.

The Consequence of Exclusive Exhibition Practice

Given the much reduced profit gained from theatrical receipts, maintaining the operation of theatre chains entailed a strenuous effort by the "majors", especially under the exclusive exhibition practice they had adopted. Following an exclusive exhibition practice, the "majors" rarely screened the movies released by their rivals. As the exclusive exhibition practice was entrenched in the "conceptions of control" and institutionalized in the industry, the "majors" clung to this practice even when their theatre chains comprised fewer theatres than before. In this vein, when

Newport snatched some of their theatres, these “majors” still had to produce or release a certain number of movies in order to fill up the exhibition blocks of their theatre chains.

However, once Newport wrested control of some of their theatres from the late 1980s, the “majors” conduits for profit return were reduced (see Table 4.2). With fewer theatres, the box-office grosses earned by the “majors” could hardly recoup the cost of their film productions. In this situation, the exclusive exhibition practice now encumbered the “majors” with the enormous operational cost of their theatre chains. Two of the four “majors” at that time, D&B and Golden Princess (GP), could not afford the cost of maintaining a certain volume of movies for their theatre chains. As a result, D&B closed down at the end of 1992, and the owners of GP wound up their theatre chain in 1993 and ceased investing in film production. In the subsequent years, GP distributed only three movies before it shut down completely in 1996.

The Consequence of Entwined Financial Practice

The exclusive exhibition practice burdened the “majors” with a huge operational cost, and the abrupt exit of D&B and GP can be attributed to the situation that the “majors” could no longer make sufficient returns from the box office to recoup their investment in film production during the early 1990s. Given this situation, some of their owners became frustrated with the entwined financial practice⁵⁰ of the filmmakers.

⁵⁰ As noted earlier, the financing of different film projects was often entwined. This resembles a situation in which the film directors were trying to cover ten bottles with only nine caps (Curtin 2007: 64).

When the film business became less lucrative from the early 1990s, the owners of D&B and GP refused to brook the entwined financial practice of the filmmakers. One possible reason for their intolerance was that these owners lacked much film industry expertise and hence, they found the entwined financial practice unacceptable when they controlled an insufficient number of theatres which precluded them from recouping their investment. Moreover, they brought in their own business perspectives based on their prior success in running other kinds of businesses. For example, before Dickson Poon set up the D&B Films Company Ltd. in 1984, he has already embarked on various trading businesses, including jewelries, watches, and wearing apparels. Like Poon, Lawrence Louey—the founder of Golden Princess—did not start his career as a businessman in the film trade. Instead, he and his family set up businesses covering a vast range of infrastructural projects and public transports, notably The Kowloon Motor Bus Co. Ltd. (KMB), in Hong Kong.

Most veterans in the Hong Kong film industry stress oftentimes that the ways of doing business in the film industry are different from those in other industries (Hong Kong Economy Yearbook 1997: 41). Thus, the past business experience of these new film tycoons might not apply very well to the Hong Kong film market. Poon and Louey were in effect “laypersons” with no notion of how the film directors handle the film projects (Cheung 1998: 68-69). Although the expertise of these magnates was irrelevant to the film industry, they directed their film companies, D&B and GP, to follow in the footsteps of GH and the independent production system. As such, Poon and Louey relied heavily upon the film directors in their film business (Lam 2007: 60). This attests that the distributor-led independent

production system, put forward by GH, was turned into the “conceptions of control” or a dominant production model in the Hong Kong film market during the 1980s. It served also as a “cultural frame” that shaped the strategic moves of other players, including the owners of other major film companies who entered the field subsequently. This explains why the “latecomers”, namely GP and D&B, followed on the heels of GH and adopted the distributor-led independent production system although they might not be familiar with it.

Prior to the “meteor shower” and the emergence of Newport, the theatrical receipts of the “majors” could still provide the film directors some “caps” to cover their “bottles”. When the establishment of Newport’s theatre chain cut into the income stream of the “majors”, however, the owners of the “majors” recognized that they no longer obtained enough “caps” for the filmmakers to spare. If the filmmakers continued to follow the entwined financial practice, the owners of the “majors” might suffer huge deficits or even have to go into liquidation. After undertaking some evaluations of their business, some of these owners started to query the film directors about the ways they manage their film projects, in particular their entwined financial practice.

When some of the owners of the “majors” could not understand nor put up any longer with the entwined financial practice of the film directors, they chose to fold up their film companies. For instance, after the Louey’s family decided to close down Golden Princess (GP) in the mid-1990s, an anonymous industry executive told Curtin (2007) that the Louey’s family made this decision because they “didn’t like the way that the cinema people were handling their books” (p.64). One Louey’s family member who was an accountant even stressed that he was very confused by

the bookkeeping practice of the filmmakers (ibid.: 64-65).

In general, as the reduction of theatres in their theatre chains cut into their income stream, the abovementioned “majors” owners became frustrated with “the industry’s inability to institute transparent practices that might regularize production, distribution, and financing” (Curtin 2007: 67). In this case, some of them, like the Louey’s family, considered their film business to be incapable of protecting the interests of the investors anymore. While the core business of the Louey’s family was “running KMB, ... movies ... weren’t that important [for them]” (ibid.: 64-65). This applies to the owner of D&B, Dickson Poon, who ran other businesses apart from his film company as well. As a result, the Louey’s family and Dickson Poon folded up their film companies in the 1990s.

All in all, the emergence of Newport had restructured the theatre chains in the market. This pruned the income stream of the preceding “majors”, and revealed the deficiencies of the exclusive exhibition practice and the entwined financial practice in the distributor-led production and exhibition system. Even though this system had promoted rampant growth of the industry during the 1970s and the 1980s (see Chapter 3), the two conventional practices in the system had impaired the “majors”, which consequently drove out D&B and Golden Princess. This is how the key to success of the industry during the 1970s and 1980s became a source of stress in the 1990s.

A REVERSAL OF FORTUNE IN 1993

In the foregoing section, the closure of Golden Princess (GP) and D&B in the

early 1990s was shown to have revealed the deficiencies of the dominant production model in the Hong Kong film market. Not only did the rise of Newport reduce the income stream of the preceding “majors”, but the restructuring of theatre chains that subsequently followed also brought to light the philosophy underlying the market, that is: under the exclusive exhibition practice, the more theatres film companies could control, the more likely they are to earn higher returns from theatrical screening, and therefore have a greater chance to survive. This provides clues to why the film outputs and box-office revenue for Hong Kong movies have fallen sharply since the early 1990s, and why most of the “majors” failed to continue to survive.

In 1992 and 1993, the box-office receipts and output of Hong Kong movies experienced a freefall from their peak (Table 4.1). The downfall resulted from two direct causes. First, the rising land price in Hong Kong drove a lot of owners to close down their traditional theatres during the 1990s. This trimmed the income stream of both the “newcomers” who succeeded GP and D&B, and the remaining “majors”. As a result, the box-office receipts of Hong Kong movies shrank markedly. Second, the withdrawal of hot money from Taiwan after 1993 reduced the capital investment in many Hong Kong film projects, particularly those from Newport. This dragged down the overall output of Hong Kong movies in the early 1990s.

To expand on the two causes, this section will first of all identify the “newcomers” who took up the exhibition business of D&B and GP. Then, it will examine how the soaring land price led to a crumbling of the theatre chains of the “newcomers” and the remaining “majors”. After that, the ebb tide of Taiwan

capital flows and its impact on the Hong Kong film industry will be discussed. This is followed by a note on the decline of Golden Harvest (GH), the last and the only “major”, which started its business with its satellite production houses and its theatre chain yet could still manage to survive. As will be shown, even though GH carries on its business, it no longer achieves the economy of scale needed for cost recovery. Therefore, it rearranged its core business from local film production to the distribution of foreign movies. In the early 2000s, GH ceased investing in film production. This marked the end of the distributor-led production system in Hong Kong.

The Short-lived “Newcomers”

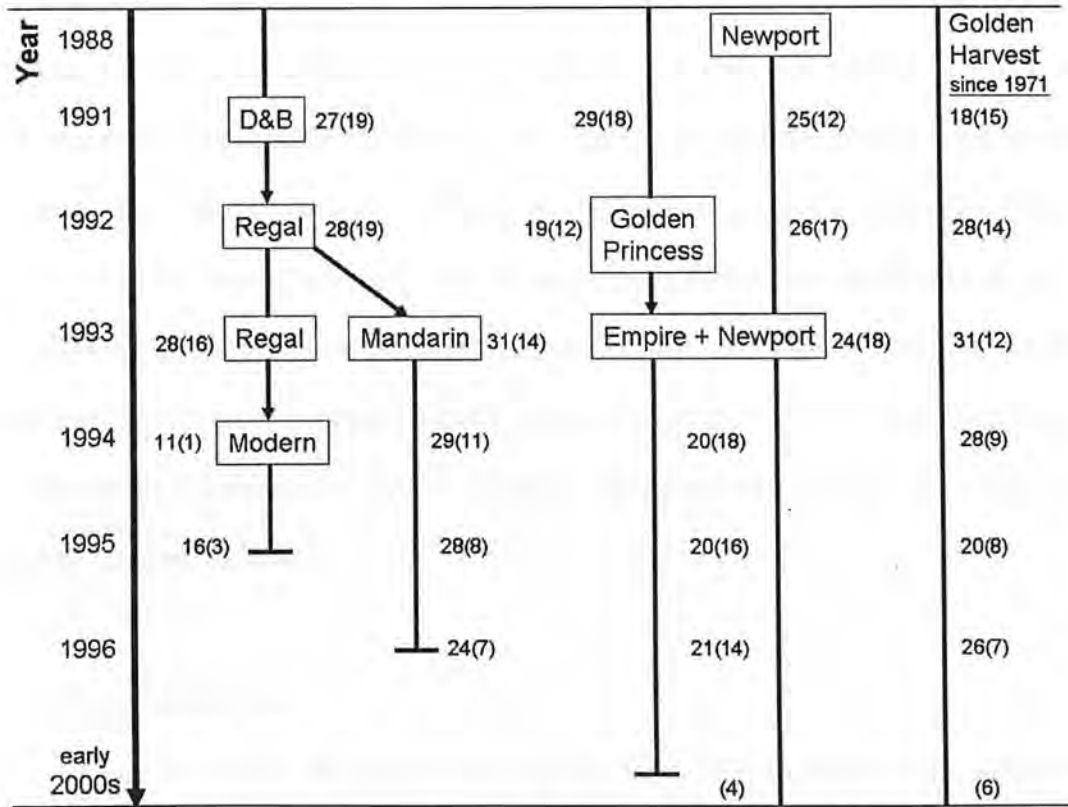
Although two of the “majors”, D&B and GP, came to a halt by the mid-1990s, there were some “newcomers”, namely Regal, Mandarin, and Empire, to take the place of the past “majors”. Nevertheless, none of these “newcomers” survived in the Hong Kong film market for more than a decade. As the following sections will show, the distributor-led production and exhibition system adopted by the “newcomers”, as well as the remaining “majors”, could no longer sustain the power and dominance of the major film companies over the commodity chain. This is because the rising land price drove many theatre owners to close down their theatres and to redevelop their properties for alternative uses. In this situation, the number of theatres with which these “newcomers” as well as those remaining “majors” could ally was not large enough to achieve the economy of scale necessary for cost recovery. As a result, both Regal and Mandarin which succeeded D&B’s exhibition business (Figure 3) could not afford the operational cost of their theatre chains and hence, wound up their theatrical business in 1994 and in 1996 respectively. Empire,

a sister company of Newport, that took over some theatres from GP (Figure 3) faced the same challenge and it shut down in the early 2000s. These events epitomized the collapse of the distributor-driven commodity chain in the Hong Kong film market.

When D&B closed down in 1992, Regal took over some of the theatres that were previously allied with D&B (Figure 3). Regal was a film company set up by a businessman, Steven Lo Kit-sing. The company sought to follow in the trail of the former “majors” by forging a vertically-integrated commodity chain in its film business. When Raymond Wong, an actor and film director, split with Karl Maka and Dean Shek, and left Cinema City (新藝城), a satellite production company of Golden Princess, he set up his own production house, the Mandarin Film Company (東方) in 1991. In the next year, Mandarin together with Regal formed the Regal Circuit (永高) by renting some of the theatres from D&B. These theatres were *de facto* owned by Shaw Brothers. Nonetheless, the Mandarin Film Company severed its ties with the Regal Circuit due to some unsettled disputes between Wong and Lo (Chan 1994: 30). In 1993, therefore, Wong divided the Regal Circuit in two and founded the Mandarin’s theatre chain (Figure 3).

While the theatre chain of D&B was succeeded by Regal and Mandarin, the theatres under Golden Princess (GP) were merged with Newport (Figure 3). When GP wound up its theatrical business in 1993, Chan Wing-mei—the owner of Newport—regained some of the theatres from Golden Princess (Chan 1992: 42), and set up the Empire Circuit, another theatre chain apart from the Newport Circuit (Figure 3).

Figure 3 Compositions of Theatre Chains of Major Film Companies since the 1990s



Notes: Numbers without parentheses are the averaged number of theatres in which each major film company had put its movies to screen on June 30 and December 31 of the year. These theatres might have screened also the movies released by different “majors” on the two dates. Numbers with brackets are the averaged number of theatres that screened only the movies released by each major film company on June 30 and December 31 of the year.

If any theatre is found to have screened the movies from more than one “major” in a single year, the theatre is excluded from the bracketed number and is presented without parenthesis.

Sources: Tabulations from cinematic advertisements in *Singtao* daily and *Mingpao* daily from 1991 to 2009; Hong Kong Motion Picture Industry Association Limited, various years.

The replacement of D&B and GP with Regal, Mandarin, and Empire brought a restructuring of theater chains in the Hong Kong film market. This restructuring, however, did not make the “newcomers” better off. Instead, the number of theatres these companies controlled was much smaller than those controlled by the preceding “majors”, namely D&B and GP. There are two possible reasons for that. First, as

more and more film companies tried to set up their own theatre chain, they had to vie for theatres and consequently, there might be fewer theatres which would screen exclusively the movies released by each “major”. Second, the number of theatres in the market was shrinking concurrently. This is because the soaring land price drove many theatre owners to close down their theatres, and to redevelop their properties for alternative uses. As a result, each major film companies in the mid-1990s possessed fewer theatres than the “majors” did in the 1980s. As fewer theatres denote fewer conduits of profit return, most of the “majors”, including those “newcomers”, failed to survive any longer. The following sections are going to throw light on the details.

The Rising Land Price

Since the 1980s, the land price in Hong Kong shot skyhigh. This posed a formidable challenge to the major film companies. Since most of the “majors” rented, rather than acquired, a group of theatres to build their theatre chains, they bore a huge rental cost in their exhibition business (Lam 2009: 118). From the late 1980s, the growth rate of theatrical rents reached forty to fifty per cent per year (Hong Kong Economy Yearbook 1987: 165). The rent for some theatres was even 2 to 2.5 times that of the previous years (ibid.). The skyrocketing rental cost raised the burden on the “majors”.

Even though the “majors” could afford the rent, there were fewer theatres available in the market. This is because the rising land price drove many theatre owners to redevelop their properties for alternative uses, such as to build shopping malls, commercial buildings, or private apartments (Zheng 1987; Wong 2007).

Table 4.5 Theatre Closures in Hong Kong, 1990-1998

| Year | Theatres converted into Shopping Malls, Commercial Buildings, and Private Apartments | | Total Number of Theatres Shut down | Total Number of Theatres |
|--------------|---|-------|--|--------------------------------|
| | Number | % # | Number | |
| 1990 | 4 | 44.44 | 9 | 120 |
| 1991 | 3 | 50.00 | 6 | 116 |
| 1992 | 3 | 50.00 | 6 | 120 |
| 1993 | 3 | 37.50 | 8 | 123 |
| 1994 | 8 | 44.44 | 18 | 114 |
| 1995 | 7 | 38.89 | 18 | 104 |
| 1996 | 8 | 61.54 | 13 | 100 |
| 1997 | 9 | 69.23 | 13 | 88 |
| 1998 | 1 | 8.33 | 12 | 79 |
| Total | 47 | 45.63 | 103 | - |

Notes: Figures are slightly underestimated because a few cinemas without available data and complete information on their year of establishment and year of closure (if any) are not included. Figures of theatres in this table refer to both the traditional theatres and the Cineplex cinemas in the market.
Percentage share of theatres that were converted into shopping malls, commercial buildings, and private apartments in the total number of theatres shut down in the year.

Sources: Cinema Treasures (2010); Wong (2007); Hong Kong Motion Picture Industry Association Limited, various years.

Owing to the soaring land price, the total number of theatres in Hong Kong shrank from 120 in 1990 to 79 in 1998, or by 34.2 per cent (Table 4.5). During the same period, over a hundred theatres closed down. Almost half (45.6%) of these theatres were dismantled and converted into shopping malls, commercial buildings, and private apartments (Table 4.5). Since the movie business became less lucrative than setting up shopping malls, commercial buildings, and private apartments, a lot of theatre owners hung back from operating their theatres.

As the total number of theatres in the market fell noticeably, the separation of Regal and Mandarin did not benefit the two parties; instead, the partition of Regal Circuit even attenuated their theatrical possessions, which caused destruction of both sides. When the Regal Circuit was established in 1992, it allied exclusively with nineteen theatres (Figure 3). In that year, the company released sixteen movies and earned 152.4 million HK dollars at constant prices from the box office (Table 4.6). After the split, however, three (or 15.8%) of its theatres joined Mandarin (Figure 3). The number of theatres fully controlled by Regal dropped from nineteen to sixteen (Figure 3). With fewer theatres under its control, the total theatrical receipts from the Regal Circuit in 1993 slumped by 24.2 per cent to 115.5 million HK dollars at constant prices, the lowest among all “majors”⁵¹ (Table 4.6)⁵².

Since the “majors” still followed an exclusive exhibition practice at that time, they rarely screened the movies released by their rivals. In this respect, even though Regal had fewer theatres after its split with Mandarin, the company still had to maintain a certain volume of movies to fill up the exhibition blocks of its theatre chain. Maintaining this film-supply for its theatres saddled Regal with an enormous operational cost. When its owner, Steven Lo, found difficulty in recouping the huge cost involved (Hong Kong Economy Yearbook 1995: 155), he folded up his film business in May 1994.

⁵¹ This does not include Golden Princess since it had already begun to wind up its film business and hence released only one movie in 1993.

⁵² This table does not show the theatrical receipts of Golden Harvest and Newport in 1993. In 1993, the two companies earned 204 and 253 million HK dollars at constant 1997 prices respectively (Hong Kong Film Archive 2009; Hong Kong Motion Picture Industry Association Limited, various years). Since Mandarin earned 183.6 million HK dollars at constant prices in 1993 (Table 4.6), the theatrical receipts from Regal were the lowest among all “majors”.

Table 4.6 Film Outputs and Box-office Grosses of Regal, Mandarin, and Modern, 1991-1996

| Year | Regal | | Mandarin | | Modern | |
|------|--------------|--|--------------|--|--------------|--|
| | Film Outputs | Box office At constant 1997 prices # (in million HK\$) | Film Outputs | Box office At constant 1997 prices # (in million HK\$) | Film Outputs | Box office At constant 1997 prices # (in million HK\$) |
| 1991 | - | - | - | - | - | - |
| 1992 | 16 | 152.4 | - | - | - | - |
| 1993 | 20 | 115.5 | 22 | 183.6 | - | - |
| 1994 | 5 | 23.5 | 14 | 100.5 | 14 | 50.4 |
| 1995 | - | - | 14 | 68.3 | 12 | 23.7 |
| 1996 | - | - | 11 | 41.8 | - | - |

Note: # Figures are weighted by the ticket price in each corresponding year, and are at constant 1997 prices.

Sources: Chan (2000); Hong Kong Film Archive (2009); Hong Kong Motion Picture Industry Association Limited, various years.

Although another “newcomer”, Modern Films Co. Ltd. (新一代), undertook Steven Lo’s exhibition business after he relinquished his control over Regal Circuit (Figure 3), the box-office performance of Modern’s theatre chain was even worse than that of Regal’s. In the second-half of 1994, there was only one theatre allied exclusively with Modern while there were just eleven theatres in total screening Modern’s movies, a lot fewer than its competitors (Figure 3). With the fewest theatres among all theatre chains, the company earned only 50.4 million HK dollars at constant prices in 1994 from the box office, less than half (43.6%) of the 115.5 million box-office revenue for Regal in 1993 (Table 4.6). In 1995, its theatrical receipts dived further by 53 per cent to 23.7 million HK dollars at constant prices (Table 4.6). The financial situation of Modern was so precarious that the company lasted for only two years, and shut down in 1995 (Hong Kong Economy Yearbook 1996: 139).

Even though Mandarin's theatre chain surpassed Regal's and Modern's in box-office receipts, the company faced the same problem. The number of theatres under Mandarin was much smaller than those under other "majors". While Newport and Empire, the largest-scale theatre chain at the time, allied exclusively with eighteen theatres in 1994, Mandarin had only eleven theatres (Figure 3). In 1996, the number of theatres controlled fully by Mandarin was even reduced to seven (Figure 3). In this case, Mandarin could not achieve the economy of scale necessary for cost recovery. With barely 41.8 million HK dollars at constant prices from its theatrical receipts in 1996, about a quarter (22.8%) of its box-office revenue (183.6 million) in 1993 (Table 4.6), Mandarin could not afford the operational cost of its exhibition business (Hong Kong Economy Yearbook 1997: 96). In late 1996, therefore, the Mandarin theatre chain was closed down although the company still engaged in film production in the subsequent years.

Not only did the rising land price stymie the foregoing "newcomers", but it also stunted the development of the remaining "majors". In 1993, Chan Wing-mei, the owner of Newport, regained some of the theatres from Golden Princess (GP) after it petered out, and set up the Empire Circuit (Figure 3), a sister company of Newport (Chan 1992: 42). As presented in Table 4.5, however, the number of theatres that closed doubled from 8 in 1993 to 18 in 1994. During the late 1990s, the number of theatres dismantled stood at twelve to thirteen per year (Table 4.5). In this sense, even though Chan Wing-mei strived to acquire the theatres from GP, there were simply fewer theatres in the market for Chan to buy up.

Although the two Circuits of Chan comprised the largest number of theatres

(Figure 3), the soaring land price drove many of his allied theatres to shut down in the mid-1990s. The number of theatres in the Newport and Empire Circuits plunged by 22.2 per cent from eighteen to fourteen in just three years after Chan took over GP's theatre chain in 1993 (Table 4.7). With possession of fewer theatres, its box-office revenue dropped markedly from 252.6 million HK dollars to 77.8 million at constant prices, or by 69.2 per cent, between 1993 and 1996 (Table 4.7).

Table 4.7 Theatrical Possession, Film Outputs, and Box-office Grosses of Newport and Empire, 1990-1996

| Year | Newport | | | Newport and Empire | | |
|------|-----------------------------|--------------|--|-----------------------------|--------------|--|
| | Theatres Allied Exclusively | Film Outputs | Box office At constant 1997 prices # (in million HK\$) | Theatres Allied Exclusively | Film Outputs | Box office At constant 1997 prices # (in million HK\$) |
| 1990 | 19 | 15 | 140.0 | - | - | - |
| 1991 | 12 | 13 | 184.8 | - | - | - |
| 1992 | 17 | 17 | 175.5 | - | - | - |
| 1993 | - | - | - | 18 | 30 | 252.6 |
| 1994 | - | - | - | 18 | 4 | 22.2 |
| 1995 | - | - | - | 16 | 7 | 51.5 |
| 1996 | - | - | - | 14 | 17 | 77.8 |

Note: # Figures are weighted by the ticket price in each corresponding year, and are at constant 1997 prices.

Sources: Tabulations from cinematic advertisements in *Singtao* daily and *Mingpao* daily from 1990 to 1996; Chan (2000); Hong Kong Film Archive (2009); Hong Kong Motion Picture Industry Association Limited, various years.

As the box-office revenue could hardly cover the rental cost which has been on a steady upward climb noted earlier, Chan restructured his theatre chains. Not only did he close down the Empire Circuit in the early 2000s, but he also folded up many of his theatres in Newport Circuit. In 2009, the number of cinemas under Newport fell from twenty in its inception (Chan 1988b: 4) to barely four (Figure 3).

The Ebb Tide of the Taiwan Capital Flood

Besides the rising land price which drove a substantial number of theatres to close down, the shrinking theatrical receipts of Hong Kong movies can also be attributed to the halt in the Taiwan capital inflow by the mid-1990s. The drought of Taiwan capital resulted from the shift in the policies of the PRC and Taiwan for their film industries in 1994. Since Newport was born as a “middleman” between the investors from Taiwan and the film production companies in Hong Kong, it banked heavily on foreign capital. The withdrawal of Taiwan capital thus dampened the investment in many of its film projects. As Newport was an active supplier of Hong Kong movies in the early 1990s, the diminution in capital, together with its shrinking theatrical possession documented earlier, compelled the company to curtail its investment in the impending film projects. This is one of the reasons for the heavy slump in the output of Hong Kong movies after 1993 (Table 4.1).

While Newport’s spurt was fueled by the hot money from Taiwan, the company was heavily dependent on the policies of the PRC and Taiwan for their film industries which triggered off the “meteor shower”. Nonetheless, its “over-dependence” on the cross-strait relations posed a risk to the company. As Fligstein (2001) notes, when there is a “change in conditions across markets”, the affected market(s) may become instable and is (are) likely to transform (p.90). In the same vein, any changes in the relations between the film markets in the PRC and Taiwan may have a profound impact on the film companies in Hong Kong. This, in fact, was what Newport had experienced during the mid-1990s, the time when the capital influx from Taiwan film investors could no longer be expected to happen again.

The loss of Taiwan capital was arguably caused by the changes in the PRC's and Taiwan's policies for their film industries. As discussed earlier, the PRC government has gradually relaxed its tight control over the film industry after the Cultural Revolution in the 1970s. Following the government's economic reform in 1979, the marketization of the PRC's film industry continued throughout the 1980s. In 1984, the PRC government withdrew its financial backing for the state-owned film studios. All privately-owned film companies were permitted to produce and distribute movies after applying for, and receiving, approval from the government. In the same year, the distribution policy was also revised. Licensed private film distributors, rather than the government's China Film Corporation (CFC) had to bear the cost for dubbing film prints (Zhu 2002). In 1988, the government further abolished the state-controlled single-priced system and allowed the prices of movie tickets to be moderately adjusted in the market (Ni 1994). Also, film studios that earned a flat fee from selling film prints before the reform have been allowed to share the profits earned from the box office with the distributors.

Nevertheless, the aforementioned measures did not revive the moribund film industry in China. In the course of liberalizing the film market, the PRC government trimmed their financial support for film studios and film companies. When these studios and companies were corporatized, many of them failed to pull themselves up by their bootstraps. Ling (1996) finds that around one-third of the state-run film studios, and one-fifth of the provincial distributors and exhibitors recorded a deficit in the late 1980s (p.37). Given such a bleak condition, not only did film studios begin to streamline their operation, but they also endeavored to seek co-production with overseas film companies.

After the PRC government permitted foreign film companies to forge co-production partnership with its film studios since the late 1970s, co-production became a key conduit of the income stream for film companies in China. When the Taiwan government lifted its martial law in 1987, the capital flow from Taiwan to China via Hong Kong fostered an “industrial complex” among the three film markets (Lee 1994). As mentioned in the previous sections, this “industrial complex” refers to a node of financial capital and film personnel from Taiwan and Hong Kong, with the sites or locations and manpower from the PRC (ibid.: 23). To shoot movies in the PRC, however, film companies from Hong Kong and Taiwan were required to establish co-production partnership with film studios in China. Since these film studios would charge the foreign film companies, including those from Hong Kong and Taiwan, a “management fee” in return for a “production right” that was allotted by the PRC government to the film studios, these “management fees” turned out to be a major source of revenue for the film companies in China (Liang 1998). In this fashion, the film companies across the straits between the PRC and Taiwan benefited from the “honeymoon” of the “industrial complex” in the late 1980s and the early 1990s.

With the influx of capital from Taiwan, co-production deals were exceptionally active in the early 1990s. Even though the PRC government formally restricted the number of co-production projects to be at most a quarter of the total number of movies produced each year, Stephanie Chung (2007) finds that the film studios in China rarely followed this restriction. The number of movies co-produced during

the early 1990s exceeded the ceiling by about eight per cent⁵³ (ibid.: 363), and skyrocketed from six in 1988 to forty-two in 1992 (iFilm Connections 2010). In 1993, nine out of the ten highest box-office blockbusters in the China film market were co-productions (Ni 1994). Most of these movies were co-produced by film companies in Hong Kong, Taiwan, and the PRC (ibid.). While the China film market was dominated by these co-production projects, Wang and Ni (1994) stress that the over-reliance on co-production could only provide filmmakers and cinema owners in the PRC with temporary employment opportunities and short-term box-office revenue respectively. Nonetheless, this might keep the ailing film production sectors in China being underdeveloped. This could be a reason for the PRC government to take measures to curb the co-production craze in the mid-1990s.

In 1994, a groundbreaking reform in the China film industry was launched. The PRC government tightened the number of approvals of co-production projects, while concurrently allowing an annual importation of ten foreign movies. These measures put the Hong Kong film industry at risk. Since the movies produced by Hong Kong film companies were considered by the PRC government to be “foreign” movies, the films imported from Hong Kong to China thereafter had to compete with the blockbusters from other countries, including those from Hollywood, for a slice from the ten import quotas every year. This reduced opportunities for the imported films that were produced by the “industrial complex” and hence, blunted the demand for co-production deals. As a result, the number of co-produced movies released in the PRC film market plunged by almost sixty per cent (57.1%), from 42 in 1992 to

⁵³ Stephanie Chung (2007) notes that in the early 1990s, about one-third (33%) of the movies released in the PRC were co-produced by film companies in the PRC with those from overseas (p.363). This exceeded the ceiling—at most a quarter (25%) of the total number of movies produced each year—by eight per cent.

18 in 1994 (iFilm Connections 2010).

In the meanwhile, the government of the United States (U.S.) and its Motion Picture Export Association (MPEA) pressured a number of countries, including Taiwan, to pry open their film markets. As the co-production craze among the film companies in Hong Kong, Taiwan, and the PRC was stifled, some theatre owners in Taiwan—who formerly invested in, distributed and exhibited Hong Kong movies—turned to advocate lifting the quotas on films imported from the U.S. (Curtin 2003b: 245). For this reason, the Taiwan film investors began to curtail their investment in the Hong Kong film industry (Lim 2006). Among all of the movies screened in Taiwan, the number of movies imported from Hong Kong dived markedly by 38.7 per cent, from 225 to 138 between 1992 and 1995 (Wei 2003: 19). Coinciding with the slump in the number of Hong Kong movies exported to Taiwan, the blockbusters imported from Hollywood have expanded their dominance over the Taiwan film market. In the mid-1990s, over half of the box-office receipts in Taiwan were accounted for by Hollywood movies (ibid.). The commercial success of Hollywood blockbusters further pushed the film investors in Taiwan to distribute and exhibit the movies imported from the U.S. rather than those from Hong Kong. In this regard, the “meteor shower” of capital flow from Taiwan to Hong Kong came to a close in the mid-1990s.

As Newport, together with Empire after 1993, were set up to serve as a “middleman” between the film investors from Taiwan and the independent production companies in Hong Kong, they banked on Taiwan capital to fuel the local production houses in return for movies to screen. When the abovementioned shift in the policies of the PRC and Taiwan for their film industries took place in the

mid-1990s, however, the “meteor shower” of Taiwan capital subsided. This drying up of Taiwan hot money slashed down the budgets for many film projects in Hong Kong, which consequently held down the volume of movies that could fill up the exhibition blocks of Newport’s and Empire’s theatre chains.

While Newport released around thirty movies with the support of Taiwan capital in 1993 (Table 4.7), its film outputs plummeted by 86.7 per cent to barely four in 1994, the year the PRC government tightened the number of approvals of co-production projects. The drop in the number of movies released by Newport dragged down the overall output of Hong Kong movies. After the industry achieved a peak of 186 film outputs in 1993, the number dipped to 143 in 1994, forty-three movies fewer than the previous year (Table 4.1). Of this falling number, twenty-six were from Newport (Table 4.7), accounting for 60.5 per cent of the total reduction.

With less capital investment and hence fewer film outputs, the theatrical receipts of Newport, together with its sister company Empire, shrank from 253 million HK dollars to 22 million at constant prices between 1993 and 1994, or by 91.3 per cent (Table 4.7). The contraction of film production not only diminished their box-office revenue, but it also hindered the two companies from filling up the exhibition blocks of their theatre chains. Since Newport and Empire were unable to maintain a desirable level of movie without the capital from Taiwan, their owner—Chan Wing-mei—could not afford the operational cost of his theatre chains, especially when the rising land price resulted in a sharp surge in rental costs. As a result, the Empire Circuit closed down in the early 2000s, and the number of theatres in the Newport Circuit was reduced to four in 2009 (Figure 3).

The Last Samurai⁵⁴ and the Finale of the Distributor-led Production System

As Newport almost ground to halt in the late 1990s, Golden Harvest (GH) remained the last and the only “major”, which had started its film business with its satellite production houses and its theatre chain *yet* could still manage to survive. Although GH could survive, the soaring land price and the diminution in theatrical receipts pushed the company to restructure its business in the late 1990s.

Since the late 1990s, GH has rearranged its core business from local film production to the distribution of foreign movies. The company made this adjustment because it did not have an adequate number of theatres to recoup the cost of its film productions. Given that most of its aligned theatres were dismantled in the 1990s owing to the rising land price, the number of theatres allied exclusively with GH was halved, falling from fifteen in 1991 to seven in 1996 (Table 4.8). Following an exclusive exhibition system, however, the company still had to maintain a certain volume of film outputs, around twenty movies each year (Table 4.8), in order to fill up the exhibition blocks of its theatre chain. While GH had to bear the massive expenses involved in its film productions, the contraction of its theatre chain has diminished the box-office revenue it gained. From 1994 to 1996, the company recorded a seventeen-percent drop in its theatrical receipts, diving from 229.6 million HK dollars to 191.2 million at constant prices (Table 4.8).

⁵⁴ “The Last Samurai” is a movie directed by Edward Zwick and distributed by Warner Brothers in 2003. In this section, Golden Harvest is analogous to “the last samurai” in a sense that the company is the last and the only “major”, which started its film business with its satellite production houses and its theatre chain yet could still manage to survive in the field.

Table 4.8 Theatrical Possession, Film Outputs, and Box-office Grosses of Golden Harvest, 1990-1996

| Year | Theatres Allied Exclusively | Film Outputs | Box office At constant 1997 prices # (in million HK\$) |
|------|-----------------------------|--------------|--|
| 1990 | 17 | 25 | 302.0 |
| 1991 | 15 | 17 | 278.9 |
| 1992 | 14 | 22 | 286.2 |
| 1993 | 12 | 16 | 203.6 |
| 1994 | 9 | 18 | 229.6 |
| 1995 | 8 | 17 | 130.3 |
| 1996 | 7 | 25 | 191.2 |

Note: # Figures are weighted by the ticket price in each corresponding year, and are at constant 1997 prices.

Sources: Tabulations from cinematic advertisements in *Singtao* daily and *Mingpao* daily from 1990 to 1996; Chan (2000); Hong Kong Film Archive (2009); Hong Kong Motion Picture Industry Association Limited, various years.

As the theatrical receipts of GH shriveled up, the company faced difficulty in covering the cost of its film productions. From the mid-1990s, therefore, the company began to convert its theatre chain into Cineplex-cinema circuit⁵⁵, hoping that the Cineplex settings could attract more cinemagoers. The first Cineplex cinema of GH was built in 1995 (Cinema Treasures 2010). The cinema consists of four screens or houses (ibid.). In the late 1990s, half of its cinemas were converted into Cineplex. In 2008, GH had over twenty-four screens in its circuit (Table 4.9), with four of its five cinemas in Cineplex settings.

⁵⁵ By the definition used in this study, cinema circuit is different from theatre chain. The former is a group of aligned cinemas, each of which is equipped with at least two screens or houses, with each house contains less than a thousand seats, to wit, a Cineplex setting. The latter refers to a chain of allied theatres in traditional settings, only one to two screen(s) or house(s) with more than a thousand seats installed in each theatre. However, although some "majors" owners, such as Chan Wing-mei and Steven Lo Kit-sing, named their theatre chains the Newport Circuit, the Empire Circuit, and the Regal Circuit, all of these "circuits" comprised theatres in traditional settings, rather than Cineplex settings.

Table 4.9 Cinemas and Screens in Broadway circuit, UA cinemas, and Golden Harvest, 2000-2008

| Year | Broadway circuit | | | UA cinemas | | | Golden Harvest | | |
|------|-------------------|-------|-------------------|-------------------|-------|-------------------|-------------------|-------|-------------------|
| | Number of Cinemas | % # | Number of Screens | Number of Cinemas | % # | Number of Screens | Number of Cinemas | % # | Number of Screens |
| 2000 | 10 | 15.87 | 47 | 8 | 12.70 | 36 | 7 | 11.11 | 23 |
| 2001 | 11 | 17.74 | 53 | 7 | 11.29 | 34 | 6 | 9.68 | 22 |
| 2002 | 10 | 16.39 | 50 | 6 | 9.84 | 32 | 6 | 9.84 | 22 |
| 2003 | 11 | 19.30 | 55 | 7 | 12.28 | 36 | 6 | 10.53 | 22 |
| 2004 | 12 | 21.05 | 61 | 8 | 14.04 | 42 | 6 | 10.53 | 22 |
| 2005 | 13 | 23.21 | 67 | 8 | 14.29 | 42 | 6 | 10.71 | 26 |
| 2006 | 13 | 27.08 | 62 | 8 | 16.67 | 34 | 5 | 10.42 | 24 |
| 2007 | 13 | 26.53 | 62 | 10 | 20.41 | 45 | 5 | 10.20 | 24 |
| 2008 | 13 | 27.08 | 62 | 8 | 16.67 | 36 | 5 | 10.42 | 24 |

Notes: Figures are slightly underestimated because a few cinemas without available data and complete information on their year of establishment and year of closure (if any) are not included.
Percentage share of cinema under their corresponding circuit in the total number of cinemas of the year.

Sources: Cinema Treasures (2010); Wong (2007); *Hong Kong Yearbook*, various years; Hong Kong Motion Picture Industry Association Limited, various years.

Despite the conversion of GH's theatre chain from traditional theatres to Cineplex cinemas, the number of cinemas it owned is still insufficient to recoup its investment in film production. This is because while most traditional theatres in Hong Kong were dismantled, a large portion of cinemas that were newly built in the 2000s was controlled by two Cineplex exhibitors, namely Broadway and UA. In the late 2000s, Broadway and UA have dominated the exhibition sectors by owning over twenty cinemas and almost a hundred screens in all (Table 4.9). With only five cinemas and twenty-four screens in hand, GH garnered only about ten per cent of the market share (Table 4.9). If the company invests in film production, its limited control of the exhibition windows is likely to result in a deficit since the scale

of its cinema circuit may not be large enough to earn sufficient returns to recover the production cost. This can be exemplified by the variation in the number of theatres controlled by GH for the release of its yearly blockbuster *before* and *after* the boom of other Cineplex circuits, such as Broadway and UA (Table 4.10).

Table 4.10 Theatres Screening Exclusively, and Box-office Grosses of, the Yearly Blockbusters of Golden Harvest, 1987-2003

| Year | Movie Title of the Yearly Blockbuster | Number of Theatres Screening Exclusively | Box Office | |
|------|---|--|-------------------|---|
| | | | HK\$ (in million) | At constant 1997 prices # (in million HK\$) |
| 1987 | Armour Of God <龍兄虎弟> | 25 | 35.47 | 64.0 |
| 1991 | Armour of God II Operation Condor <飛鷹計劃> | 23 | 39.05 | 47.5 |
| 1995 | Rumble in the Bronx <紅番區> | 8 | 56.91 | 45.7 |
| 2003 | My Lucky Star <行運超人> | 5 | 24.96 | N.A. |

- Notes: "N.A." denotes data are not available because of the deficient information on the ticket price in 2003.
Figures are weighted by the ticket price in each corresponding year, and are at constant 1997 prices.
- Sources: Tabulations from cinematic advertisements in *Singtao* daily and *Mingpao* daily in 1987, 1991, 1995, and 2003; Chan (2000); Hong Kong Motion Picture Industry Association Limited, various years.

Before the expansion of Broadway and UA, GH controlled twenty-three theatres in 1991 for the theatrical release of its yearly blockbuster, *Armour of God II Operation Condor* <飛鷹計劃>. The movie gained 47.5 million HK dollars at constant prices from the box office (Table 4.10). After the expansion of Broadway's and UA's Cineplex cinemas from the mid-1990s (to be discussed in Table 4.12), however, the number of theatres screening exclusively GH's blockbuster

of the year in 1995, *Rumble in the Bronx* <紅番區>, plunged to eight (Table 4.10). With fewer theatres, the box-office grosses of *Rumble in the Bronx* were 1.9 million HK dollars at constant prices less than those of *Armour of God II Operation Condor* (Table 4.10). In 2003, the last year GH invested in film production, its blockbuster, *My Lucky Star* <行運超人>, was shown exclusively in just five cinemas⁵⁶ (Table 4.10). No wonder, the box-office return of the movie was less than half (43.9%) of that of *Rumble in the Bronx* (Table 4.10).

Since its cinema circuit could no longer achieve the economy of scale necessary for cost recovery, GH stopped providing financial support for its satellite independent production companies. Instead, it relies on alternative sources of film-supply to fill up its exhibition blocks. In the early 2000s, GH ceased investing in film production and concentrated thereafter on its exhibition business. This marked the finale of the distributor-led production system in Hong Kong.

Summary

In brief, this section has documented how the “newcomers” who succeeded D&B and GP, as well as the remaining “majors”, were thwarted by the rising land price in Hong Kong. Because of the soaring land price which drove many theatre owners to redevelop their properties for alternative uses, these companies possessed fewer theatres than the “majors” did before the exogenous shock arrived. The dwindling number of theatres reduced the return on their film investment. Since the “majors” could no longer recoup the cost of their film projects from the box office,

⁵⁶ Although there were six cinemas in Golden Harvest’s circuit in 2003 (Table 4.9), one of them was arranged to screen foreign movies only. Since *My Lucky Star* <行運超人> was a Hong Kong movie, the film was shown exclusively in five cinemas in 2003.

most of them wound up their business by the mid-1990s, and those who remained stopped investing in film production.

Besides the soaring land price which drove the closure of a sizeable number of theatres, the declining theatrical receipts of Hong Kong movies can also be attributed to the halt to Taiwan capital inflow by the mid-1990s. When the capital flow from Taiwan to the Hong Kong film market subsided in 1994, the investment in many film projects in Hong Kong, particularly those from Newport, was trimmed. The diminution in capital investment, together with the shrinking theatrical possession, resulted in a heavy slump in both the film outputs and the box-office receipts of Hong Kong movies after 1993.

Although Golden Harvest (GH), as the last “major”, manages to survive, it no longer achieves the economy of scale needed for cost recovery since the exhibition sectors have already become dominated by other Cineplex-cinema circuits. In the early 2000s, therefore, GH ceased investing in film production. This marked the finale of the distributor-led production system in Hong Kong, and touched off a transformation in the Hong Kong film market. As the following section will show, the collapse of the “old” system opened the door for the distributors of foreign movies to fill the market niche that was previously occupied by Hong Kong movies.

TRANSFORMATION IN THE HONG KONG FILM MARKET

As Newport almost ground to halt and Golden Harvest (GH) stopped engaging in film production, the distributor-led production and exhibition system disintegrated. While the major film companies, the incumbents before the late 1990s, failed to

retain their power and dominance over the commodity chain, not only did the film outputs and box-office receipts of Hong Kong movies experience a freefall from their peak in 1993 and in 1992 respectively (Table 4.1), but the “conceptions of control” constructed by the “majors” throughout the 1970s and the 1980s also fell apart gradually. Since the major force that keeps a market stable is the “ability of the incumbents firms to continue to enforce a conception of control vis-à-vis one another” (Fligstein 1996: 667), the disintegration of the vertically-integrated mode of production in the Hong Kong film market triggered off a crisis in the field.

When a crisis is about to begin, the market is “susceptible to transformation” (Fligstein 1996: 664). In the 1990s, there was a transformation in the power relations among the film companies in the different stages of the commodity chain. This transformation started with the exhibition sectors. As the traditional theatre chains vanished during the 1990s, Cineplex-cinema circuits mushroomed concurrently in Hong Kong. The four circuits that have dominated the Hong Kong film market since the mid-1990s are the Broadway circuit⁵⁷, the UA cinemas⁵⁸, Golden Harvest⁵⁹, and the Multiplex Cinema Limited⁶⁰ (MCL). While UA and MCL set up their exhibition business with Cineplex cinemas, Broadway and GH converted their theatres into Cineplex cinemas circa the 1990s. All of the major circuits in Hong Kong nowadays are thus in Cineplex settings. As these circuits

⁵⁷ The first theatre of Broadway was established in 1949. The company later restored its theatre to a Cineplex cinema in 1987.

⁵⁸ UA is the first among the four major Cineplex circuits to set up Cineplex cinema in Hong Kong. The first UA cinema was set up in 1985 in Shatin, a suburb in Hong Kong. It contained six screens and houses.

⁵⁹ Since the mid-1990s, Golden Harvest has steadily converted its theatres into Cineplex cinemas.

⁶⁰ The parent company of MCL is Intercontinental Film Distributors (HK) Ltd. (IFDL). IFDL distributes foreign movies in Hong Kong. Before the company set up MCL, it rented several traditional theatres to exhibit movies.

reaped altogether almost eighty per cent of the box-office receipts in 2007 (Ming Pao 2007), their dominance implies that the Hong Kong film market has undergone a transformation in its exhibition sectors from traditional theatres to Cineplex cinemas.

When the market undergoes transformation, some economic actors will try to establish a new set of “conceptions of control” as the “cultural frames” to challenge the existing order so as to control the market (Fligstein 2008: 17). To make this possible, they may “create political coalitions” (ibid.) by allying “themselves with some of the challengers or existing incumbents” (Fligstein 1996: 664). In Hong Kong, the economic actors who challenged the existing order are the distributors of foreign movies. As will be shown in this section, these distributors have forged alliances with the Cineplex-cinema circuits since the 1990s. More favorable exhibition blocks in these cinemas are thus reserved for foreign movies than for Hong Kong movies. Not only does such an arrangement intensify the competition between foreign and local movies, but it allows also the exhibitors to gain the “booking rights” to control the exhibition blocks from the distributors of local movies. This gave rise to the “conceptions of control” which foster a mode of production driven by the exhibitors owning Cineplex-cinema circuits.

Before Cineplex cinemas replaced traditional theatres in Hong Kong, the distributors of foreign movies allied with the traditional theatres. When Golden Harvest and Golden Princess came into operation in 1970 and in 1980 respectively, some theatres which used to screen foreign movies turned to exhibit the local movies released by the major distributors (Leng et al. 1985: 4). The number of theatres showing imported films plunged further from 34 in 1987 to 22 when the fourth

“major”, Newport, was set up in 1988⁶¹ (Chan 1988b: 3). Even though some major distributors, such as Shaw Brothers (SB), Golden Harvest (GH), and Golden Princess (GP), had their own theatre chain to exhibit foreign movies, most of their theatres were used to screen the local movies they released.

In the mid-1980s, the number of theatres in GH’s theatre chain which showed local movies was five times higher than the number of its theatres that screened foreign movies (Chan 1985). As for GP, the company assigned the local movies it released to almost twenty of its allied theatres, accounting for almost a quarter of the total theatres in Hong Kong during the mid-1980s (Zhao 2007), while barely three of its theatres were reserved for foreign movies (Chan 1985: 12). In this fashion, the theatrical receipts of Hong Kong movies were much higher than those of the imported films throughout the 1980s until the mid-1990s (Table 4.1).

In 1997, nevertheless, imported films once again surpassed local movies in the Hong Kong box office (Table 4.1). The bounceback of foreign movies hinged on the alliances of their distributors with the exhibitors owning Cineplex-cinema circuits. In the context of the market crisis documented earlier, the Hong Kong film market underwent a transformation in its exhibition downstream. While Cineplex cinemas had gradually replaced traditional theatres, most of the Cineplex exhibitors at the time faced difficulty in finding movies to screen (Le 1988). Although the theatrical setting of Cineplex cinemas allows exhibitors to put a variety of films on screens at a turn, the exhibitors may suffer from huge deficits if they do not have enough movies to fill up their exhibition blocks (ibid.: 5). To cope with the

⁶¹ In the same year, the total number of theatres that exhibited Hong Kong movies climbed from 88 in 1987 to 107, out of which twelve screened foreign movies formerly and seven were newly established (Chan 1988b: 4).

shortage of movies, these exhibitors could no longer rely on the major distributors of local movies because most of the “majors” had already ceased investing in local film production in the late 1990s or even wound up their film business for the reasons presented in the foregoing sections. This gave the distributors of foreign movies an opportunity to capture the market niche that was formerly dominated by the major distributors of local movies.

While most of the foreign movies screened in Hong Kong are imported from the U.S. (Davis and Yeh 2008: 32-33), the growing share of foreign movies in the Hong Kong film market hinged on the coalition between the distributors of Hollywood movies and the Cineplex exhibitors in Hong Kong. As a lot of traditional theatres shut down throughout the 1990s, the theatre chains of the “majors” were gradually displaced by Cineplex-cinema circuits. The rising popularity of Cineplex cinemas, together with the massive closure of many traditional theatres, opened up “the possibility for new political alliances and new rules” in the market (Fligstein 2001: 36). Taking advantage of the transformation in the exhibition sectors, the distributors of Hollywood movies have aligned with the Cineplex exhibitors since the late 1990s. The following sections will explicate how the distributors of Hollywood movies have successfully co-opted the Cineplex exhibitors and constructed a new set of “conceptions of control”. The impact of their alliances and the new “conceptions of control” on the Hong Kong film market will also be discussed.

The Return of the Challengers: Distributors of Foreign Movies

As documented in the second chapter, the U.S. government, since 1922, has

allowed the U.S.-based film production and distribution companies to integrate and to expand their distribution network, so as to promote the export of their film products. Film companies in Hollywood are thus linked with their distribution arms. United International Pictures (UIP), for example, is a joint venture that handles the overseas distribution of movies from several Hollywood studios, such as Paramount, Metro-Goldwyn-Mayer (MGM), United Artists, Universal, and DreamWorks.

Since the establishment of UIP in 1981, it has screened the movies from its aligned Hollywood studios in one theatre chain in Hong Kong, namely the Ocean circuit. UIP did not own the theatres in the Ocean circuit; instead, the theatres belonged to separate owners in Hong Kong. When these theatre owners were co-opted by Intercontinental Film Distributors (HK) Ltd. (IFDL), the Hong Kong representative of Walt Disney's (Buena Vista) movies, the Ocean circuit stopped exhibiting the movies distributed by UIP in 1988 (Chan 1988a). In this situation, UIP then allied with Panasia⁶², a distribution arm acquired by Golden Harvest (GH) in 1976. Even though GH allocated five to six of its theatres to UIP, these theatres would occasionally exhibit the local movies released by GH (*ibid.*). In this sense, GH still possessed part of the "booking rights" to control the exhibition blocks in the theatres that had been allotted to UIP (*ibid.*: 10). While GH was a major distributor of local movies, its dominance over the exhibition blocks impeded the development of UIP in Hong Kong (see Law 1992: 73-74). The situation had lasted for a decade until GH began to hold back its film production in the late 1990s.

⁶² Although Golden Harvest (GH), or Panasia, exhibits Hollywood movies in its theatres, an anonymous industry insider claims that GH invested much of the money it gained from UIP in local film productions (Curtin 2007: 55).

Table 4.11 Cinemas and Screens in Multiplex Cinema Limited (MCL), 1999-2008

| Year | Number of Cinemas | % # | Number of Screens |
|------|-------------------|-------|-------------------|
| 1999 | 3 | 4.17 | 6 |
| 2000 | 4 | 6.35 | 11 |
| 2001 | 4 | 6.45 | 11 |
| 2002 | 5 | 8.20 | 16 |
| 2003 | 4 | 7.02 | 14 |
| 2004 | 4 | 7.02 | 14 |
| 2005 | 4 | 7.14 | 14 |
| 2006 | 3 | 6.25 | 12 |
| 2007 | 5 | 10.20 | 25 |
| 2008 | 6 | 12.50 | 33 |

Notes: Figures are slightly underestimated because a few cinemas without available data and complete information on their year of establishment and year of closure (if any) are not included.

Percentage share of cinema under MCL in the total number of cinemas of the year.

Sources: Cinema Treasures (2010); Wong (2007); *Hong Kong Yearbook*, various years; Hong Kong Motion Picture Industry Association Limited, various years.

In the early 2000s, Golden Harvest withdrew from film production and focused on its distribution and exhibition business for the reasons discussed earlier. When the distribution contract between UIP and GH expired in 2006 (Golden Harvest 2006: 15), Intercontinental Film Distributors (HK) Ltd.⁶³ (IFDL) acquired the “Hong Kong distributorship for UIP’s Paramount Pictures and Dreamworks Animation products” (Kadokawa Intercontinental Group 2010). Unlike GH, however, IFDL and MCL did not invest in any film production, but focused exclusively on film distribution and exhibition. In just a decade, MCL expanded its cinematic

⁶³ Intercontinental Film Distributors (HK) Ltd. (IFDL) is the Hong Kong representative of Walt Disney’s (Buena Vista) movies. It is also the parent company of the Multiplex Cinema Limited (MCL), a Cineplex-cinema circuit in Hong Kong.

possession from three cinemas with six screens in 1999 to six cinemas with thirty-three screens in 2008, gaining 12.5 per cent of the market share in the exhibition sectors (Table 4.11). This enabled MCL to be one of the four major exhibition companies in Hong Kong throughout the 2000s.

Table 4.12 Cinemas and Screens in Broadway circuit, and UA cinemas, 1990-1999

| Year | Broadway circuit | | | UA cinemas | | |
|------|-------------------|-------|-------------------|-------------------|-------|-------------------|
| | Number of Cinemas | % # | Number of Screens | Number of Cinemas | % # | Number of Screens |
| 1990 | 2 | 1.67 | 6 | 3 | 2.50 | 14 |
| 1991 | 2 | 1.72 | 6 | 3 | 2.59 | 14 |
| 1992 | 4 | 3.33 | 13 | 3 | 2.50 | 14 |
| 1993 | 4 | 3.25 | 13 | 4 | 3.25 | 18 |
| 1994 | 4 | 3.51 | 13 | 4 | 3.51 | 18 |
| 1995 | 5 | 4.81 | 16 | 4 | 3.85 | 18 |
| 1996 | 8 | 8.00 | 27 | 8 | 8.00 | 29 |
| 1997 | 8 | 9.09 | 27 | 8 | 9.09 | 33 |
| 1998 | 9 | 11.39 | 38 | 9 | 11.39 | 38 |
| 1999 | 10 | 13.89 | 46 | 8 | 11.11 | 36 |

Notes: Figures are slightly underestimated because a few cinemas without available data and complete information on their year of establishment and year of closure (if any) are not included.
Percentage share of cinema under their corresponding circuit in the total number of cinemas of the year.

Sources: Cinema Treasures (2010); Wong (2007); *Hong Kong Yearbook*, various years; Hong Kong Motion Picture Industry Association Limited, various years.

Besides the coalition between UIP and IFDL, another Hollywood studio, Columbia TriStar, cooperates with EDKO—the distribution arm of Broadway circuit—to get their movies screened in Hong Kong (Law 1998: 52). Broadway is a Cineplex-cinema circuit that had expanded rapidly during the 1990s. In 1999,

Broadway circuit surpassed UA in the total number of screens possessed (Table 4.12). The number of cinemas and screens in Broadway circuit soared from two cinemas with six screens to ten cinemas with forty-six screens between 1990 and 1999; whereas UA, the second-largest cinema circuit in Hong Kong, held eight cinemas with thirty-six screens in 1999 (Table 4.12). Although UA does not ally with any Hollywood studio, it has its own distribution arm, Lark Films Distribution, to arrange screenings of both local and foreign movies (Lark International Holdings Limited 2010). In line with IFDL and MCL, moreover, Lark and UA do not invest in any film production.

Among the four major Cineplex exhibitors, only EDKO (Broadway circuit) has invested in the production of local movies. Although EDKO has a hand in film production, it released at most two to three movies per year over the past decade (Hong Kong Film Archive 2010a). Since its inception, the company has produced less than thirty movies in total (*ibid.*). This volume of film outputs is much smaller than that of the “majors” in the 1980s and the 1990s. As the film companies that control the exhibition blocks are no longer the key investors in local movies, the power relations in the commodity chain of Hong Kong film products have changed. This gave rise to a new set of “conceptions of control” that reshaped the interactions of film companies in the market.

The Emergence of New “Conceptions of Control”

In the twenty-first century, the Hong Kong film market is dominated by the four Cineplex exhibitors mentioned earlier. While MCL gained approximately ten per cent of the market share in 2007 (Table 4.11), Broadway—the largest exhibition

company in Hong Kong—reaped over a quarter (26.5%) of the market share, followed by UA (20.4%) and Golden Harvest (10.2%) (Table 4.9). These exhibition companies altogether controlled about two-thirds (67.3%) of the cinemas in Hong Kong (see Table 4.9 and Table 4.11) and shared almost eighty per cent of the total theatrical receipts in the market (Ming Pao 2007). This served as a catalyst for the reconfiguration of the “conceptions of control” in the field.

In the 1970s and the 1980s, exclusive exhibition was a conventional practice in the Hong Kong film market. At that time, the exhibitors with traditional theatres were controlled by the major distributors of local movies. As documented in the previous sections, these exhibitors would mainly show the movies released by the major film companies with which they allied. However, the exclusive exhibition practice no longer existed after the Cineplex cinemas replaced the traditional theatres in Hong Kong. As each Cineplex cinema comprises at least two screens or houses with less than a thousand seats in each house, the movies produced and distributed by any film companies, including both local and foreign, can be screened in these cinemas. In this vein, the theatrical setting of Cineplex cinemas has avoided having their exhibition blocks dominated by a single film supplier.

Moreover, as all of the four exhibitors have their distribution arm to scout for movies, they do not have to rely on the local production houses for their movie-supply. While in the past, the exhibitors of the traditional theatres made a living through recourse to the major distributors of local movies, the companies producing Hong Kong movies nowadays have to practically beg the Cineplex exhibitors for favorable exhibition blocks for their theatrical release. As such, the incumbent who wields most power over the commodity chain switched from the

major distributors of Hong Kong movies to the Cineplex exhibitors. This reflects the new set of “conceptions of control” in the Hong Kong film market.

In the 2000s, the commodity chain of Hong Kong movies has been driven by the Cineplex exhibitors. Since the “exclusive deals” between the distributors of local movies and exhibitors are no longer applicable, the Cineplex exhibitors reclaimed the “booking rights” to control the exhibition blocks from the major distributors of local movies. While the exhibition blocks, indicating the period in which each movie is screened, were formerly controlled by the major distributors of local movies, now it is the Cineplex companies that decide when and what movie(s) is/are screened in which house(s) of their circuits. As film exhibition is no longer driven by the major distributors of Hong Kong movies, the distributor-led exhibition system—a dominant exhibition model in the Hong Kong film market throughout the 1970s and the 1980s—is abolished. Henceforth, the Cineplex exhibitors who control the “booking rights” can reserve favorable exhibition blocks for the imported films distributed by their allies.

Since the Cineplex exhibitors have gained control over the income stream of other film companies, they hold the power over the commodity chain. In an exhibitor-driven commodity chain, the Cineplex exhibitors together with their distribution arms have released and screened more and more imported films in Hong Kong. For each local movie released in Hong Kong in 1999, there were 1.72 imported films screening in the cinemas at the same time (Table 4.13). In 2006, the ratio of local movies to foreign movies shown in Hong Kong was 1:3.19. This indicates that the theatrical release of foreign movies was three times higher than that of the local movies in the Hong Kong film market (Table 4.13). Of the 226 movies

screened in Hong Kong in 2006, 172 were imported films while only 54 were locally produced (Table 4.13). The number of local movies exhibited in 2006 was just one-third (33.1%) of the number exhibited in 1999 (Table 4.13).

Table 4.13 Screening, Box-office Grosses, Self-sufficiency Ratio, and Ratio of Local Movies to Imported Films screened in Hong Kong, 1999-2006

| Year | Local Movies | | Imported Films | | Self-sufficiency Ratio | (I) : (II) |
|------|----------------------|-------------------|----------------------|-------------------|------------------------|------------|
| | Number of Movies (I) | HK\$ (in million) | Number of Films (II) | HK\$ (in million) | | |
| 1999 | 163 | 345.7 | 281 | 522.7 | 0.398 | 1 : 1.72 |
| 2000 | 144 | 640.9 | 195 | 589.5 | 0.521 | 1 : 1.35 |
| 2001 | 119 | 461.5 | 190 | 611.3 | 0.430 | 1 : 1.60 |
| 2002 | 91 | 369.7 | 195 | 527.3 | 0.412 | 1 : 2.14 |
| 2003 | 77 | 417.8 | 169 | 485.9 | 0.462 | 1 : 2.19 |
| 2004 | 84 | 433.0 | 170 | 800.3 | 0.351 | 1 : 2.02 |
| 2005 | 66 | 299.1 | 177 | 626.6 | 0.323 | 1 : 2.68 |
| 2006 | 54 | 290.3 | 172 | 685.8 | 0.297 | 1 : 3.19 |

Sources: Hong Kong Film Archive (2009); Hong Kong Motion Picture Industry Association Limited, various years.

The surge of imported films shown in Hong Kong resulted in their rising box-office share of the market. From 2000 to 2006, imported films recorded a sixteen-percent growth in their box-office grosses, rising from 589.5 million HK dollars to 685.8 million (Table 4.13). The increasing quantity of foreign movies screened, as well as their growing share in the box office, has brought stiff competition to local movies. The theatrical receipts of imported films have outperformed those of the Hong Kong movies since 1997 (Table 4.1), a trend that has not been reversed since then (Table 4.13).

The Impact on Film Companies producing Local Movies

To survive under the dominance of the Cineplex exhibitors, companies that embark on local film production switched their key exhibition channel from theatrical screening to retail in the ancillary markets. Although the movies produced by these companies would still be screened in cinemas, the distributors put more emphasis on the retail markets, such as television stations and DVD outlets (see Stephanie Chung 2007, Chapter 8). Without secured favorable exhibition blocks for theatrical release, however, the box-office performance of these movies would be dwarfed (Fu 2009: 62). This affected their retail deals in the ancillary markets and, in turn, reduced the revenue gained by the film companies even further. As a result, these companies might trim their investment in their subsequent film projects and hence, the total film outputs in Hong Kong fell precipitously. Details on the foregoing are elaborated as follows.

In the twenty-first century, some film companies in Hong Kong have arranged their commodity chain to include a new exhibition window, apart from the theatre or cinema. While the past incumbents, Golden Harvest and Newport, called a halt to investment in local film production, companies that distribute film products in ancillary markets became the major investors in Hong Kong movies. These companies neither own nor ally with the Cineplex exhibitors, yet they integrate their film production with the distribution division, and switch their key exhibition channel from cinemas to retail in the ancillary markets. These retailers can be television stations or movie rental outlets.

Table 4.14 Aggregate Film Outputs and Market Share of Media Asia Group, Star Entertainment (Universe) Ltd., and Mei Ah Entertainment Group Co. Ltd., 2000-2006

| Year | Aggregate Film Outputs | | Aggregate Box-office Receipts | |
|--------------|------------------------|--------------|-------------------------------|--------------|
| | Number of Movies | % # | HK\$ (in million) | % ## |
| 2000 | 44 | 30.56 | 57.5 | 4.67 |
| 2001 | 27 | 22.69 | 130.9 | 12.20 |
| 2002 | 26 | 28.57 | 125.1 | 13.94 |
| 2003 | 18 | 23.38 | 180.2 | 19.94 |
| 2004 | 20 | 23.81 | 135.2 | 10.96 |
| 2005 | 15 | 22.73 | 121.1 | 13.09 |
| 2006 | 16 | 29.63 | 100.6 | 10.31 |
| Total | 166 | 26.14 | 850.7 | 11.75 |

Notes: # The three companies' share in total output of Hong Kong movies.

The three companies' share in total box-office grosses of both local movies and imported films.

Sources: Hong Kong Film Archive (2009); Hong Kong Motion Picture Industry Association Limited, various years.

For example, Media Asia Group (寰亞), Star Entertainment (Universe) Ltd. (寰宇), and Mei Ah Entertainment Group Co. Ltd. (美亞) are the film companies that have signed production deals or forged alliances with the companies that release film products in ancillary markets, such as VCD, DVD, and pay-TV. To meet the condition stipulated in the production deals, these companies have to produce a certain number of movies in a given period of time. When the movies are produced, these companies on one hand may approach the cinema circuits or other exhibition companies for screening. On the other hand, they will distribute their film products to television stations and movie rental outlets. In this fashion, the three companies altogether produced 166 movies from 2000 to 2006, accounting for over a quarter

(26.1%) of the total film outputs in Hong Kong (Table 4.14).

Switching the key exhibition channel to retail in ancillary markets however did not benefit these film companies. This is because, as a rule of thumb in the Hong Kong film market, theatrical screening—the first window of exhibition—is always the key conduit of profit return. The box-office results from local theatrical screenings are often taken as a benchmark for distributors to bargain with the retailers over better terms in the retail deals (Hong Kong Film Archive 1997: 69). This practice, in fact, is not peculiar to Hong Kong since a similar practice can be found in Hollywood. As Buck (1992) puts it:

[T]heater success or failure is what determines the profitability of domestic and foreign video sales and rentals, as well as television and cable use of film. In other words, to reap big profits from video and television sales, success at the box office is still essential. (p.121)

Following in this vein, film companies which neither own a cinema nor ally with the exhibitors can hardly ensure their movies will be screened in favorable exhibition blocks. This may drag down the theatrical receipts of the movies. With less desirable box-office results, these companies will find it difficult to get a good deal from the retailers regardless of their relations with those retailing companies. As a result, film companies that rely upon the ancillary markets, yet without secured exhibition blocks for theatrical screening, are expected to gain much smaller profits from the ancillary markets. This drives the film companies to trim their investment in their impending film projects.

Although the information on the return of film products from ancillary markets is not available, the box-office receipts and film outputs of Media Asia, Universe,

and Mei Ah are open to view. In 2001, the three companies accounted for 12.2 per cent of the market share (Table 4.14). Without secured exhibition blocks, however, the box-office share of their movies shrank from a sizable 19.9 per cent in 2003 to a mere 11 per cent in 2004 (Table 4.14). During the same period, the aggregate box-office grosses of the movies released by the three companies dwindled by 25 per cent, from 180.2 million HK dollars in 2003 to 135.2 million in 2004 (Table 4.14). In the subsequent years, the total film outputs from these companies plunged further by 25 per cent, from 20 in 2004 to 15 in 2005 (Table 4.14).

Since the contraction of box-office receipts in a given period is likely to diminish the number of movies produced and released by the corresponding film companies in the subsequent years, a respectable box-office performance is imperative for the survival of film companies. This provides clues to why the aforementioned film companies have curtailed their investment in film production albeit the consortium they built with the retailers in ancillary markets. As these companies are the key investors in Hong Kong movies at present, their curtailment of film investment has led to a shriveling of film outputs in Hong Kong during the 2000s.

In this situation, the number of local movies released in Hong Kong as presented earlier in Table 4.13 slumped markedly by 62.5 per cent, from 144 to 54 between 2000 and 2006. During the same period, the box-office grosses of Hong Kong movies dropped from 640.9 million HK dollars to 290.3 million, or by 54.7 per cent. As the theatrical receipts of foreign movies spurted concurrently by 16.3 per cent, climbing from 589.5 million HK dollars in 2000 to 685.8 million in 2006 (Table 4.13), the self-sufficiency ratio was almost halved, falling sharply from 0.521

in 2000 to 0.297 in 2006 (Table 4.13). This indicates that the gap between the theatrical receipts of local movies and imported films widened over the past decade. The expansion of imported films' dominance over the film market thus signifies the "twilight" of the Hong Kong film industry.

Chapter 5

A “Revolutionary Road”⁶⁴ to the Peak and Drop

Having discussed the growth and the decline of the Hong Kong film industry since the 1970s, this chapter will present a brief reprise of the research findings. Then, it will compare the arguments of this study with those from the theoretical approaches reviewed in Chapter 2. To conclude, the limitations of the research will be discussed, and suggestions will be made for future studies.

A BRIEF REPRISE

The rise and fall of the Hong Kong film industry since the 1970s can be construed as the outcome of the political struggles among different economic actors in the Hong Kong film market. These economic actors refer to the companies in the commodity chain comprising film production, distribution, and exhibition. To survive in the political struggles, film companies have to find ways to stabilize and to routinize competition. One way is to co-opt other companies, including their competitors. Another way is to formulate rules, both formal and informal, in order to define the conditions in which exchange and transactions are processed in the market. If these rules are commonly shared among other companies, they will become the “conceptions of control”, which are equivalent to a “cultural frame” that shapes the actors’ perceptions of how the market works. The course of the co-optation and the construction of “conceptions of control”, thus, resembles a

⁶⁴ “Revolutionary Road” is a romantic drama film directed by Sam Mendes. The plot is based on a novel of the same name by Richard Yates. The movie is distributed by Paramount Vantage in 2008. This chapter borrows the title of the movie to suggest a conclusion from the implications of the foregoing discussion on the rise and fall of the Hong Kong film industry since the 1970s.

political or a social movement-like process that involves a lot of persuasion and depends on the social skills of the actors.

While the course of the construction and imposition of “conceptions of control” resembles a political or a social movement-like process, this study considers this process as a “revolutionary road”. On this “road”, there could be more than one actor who is trying to construct new rules and agendas that can overthrow the existing “conceptions of control”. The success of some “revolutions” but not others hinges however on both the social skills⁶⁵ of the actors who initiated them and the *opportunity* given to these actors. Only if the actors managed to seize the *opportunity* presented at their time and apply their social skills to co-opt the valuable parties can they overturn the existing “conceptions of control”, and turn the rules and agendas they created into the new “conceptions of control”.

This research attempts to spell out the causes of the boom and decay of the Hong Kong film industry since the 1970s. It was found that the peak and decline of the industry were indeed the results of the respective success of the major distributors of Hong Kong movies and the distributors of foreign movies in imposing their own set of “conceptions of control” over the market. Their success hinged on a couple of events that took place since the 1970s. These events presented an *opportunity* for the actors to utilize their social skills to co-opt or to seek the support of other actors.

Before Cineplex cinemas had replaced the traditional theatres in Hong Kong, there was an *opportunity* for the major distributors of Hong Kong movies to control

⁶⁵ See Fligstein (1997; 2008).

the exhibition sectors by applying an “exclusive deal” to build their own theatre chains. One of these major distributors, notably Golden Harvest (GH), had grasped such *opportunity* to achieve the economy of scale necessary for cost recovery. Moreover, the company had successfully co-opted the filmmakers who were reluctant to be bound by the studio system of its chief competitor, Shaw Brothers (SB). Henceforth, GH grew to become the incumbent and the distributor-led independent production and exhibition system it initiated was developed into the “conceptions of control” which were then widely adopted by other companies during the 1980s. This boosted the industry to reach its peak in the late 1980s.

In the following section, how GH had passed through its “revolutionary road” to enable the industry to “bloom” during the 1980s will be reiterated. The same logic applies to the industry’s downfall in the 1990s, and the subsequent section will review the “road” taken by the distributors of foreign movies who revolted against the preceding incumbents, namely the major distributors of Hong Kong movies, by setting up a new set of “conceptions of control” during the 1990s. Their success has arguably imperiled the Hong Kong film industry throughout the 2000s.

The “Bloom” in Retrospect

While the rise of the Hong Kong film industry was set off by a transformation in the mode of production from the studio system to the independent production system, the transformation appeared to be a consequence of the political struggle between Shaw Brothers (SB) and Golden Harvest (GH) during the 1970s. To challenge the overwhelming strength of SB’s mammoth studio, Raymond Chow—the boss of GH—used his networking skills to rope in the filmmakers who would

like to make movies, yet were unwilling to be under the constraining organizational culture in SB's film studio. The success of GH gave rise to a distributor-led independent production system in Hong Kong (Path 1 in Figure 4). In this sense, the adoption of an independent production system in the industry was a "political compromise" between the major distribution company, namely GH, and the filmmakers who loathed SB's studio system.

In the 1980s, the distributor-led independent production system which GH adopted to stave off SB soon turned into a conventional practice, or the "conceptions of control", in the industry. Film companies, such as Golden Princess (GP) and D&B, which entered the field after that followed the system as well. These companies, like GH, set up their theatre chains (Box 2 in Figure 4), and financed a flock of independent production companies as "satellites" (Box 3 in Figure 4). The movies produced by these "satellites" would be screened in the theatre chains of GH, GP, and D&B. This is known as a distributor-led production and exhibition system (Number 4 in Figure 4).

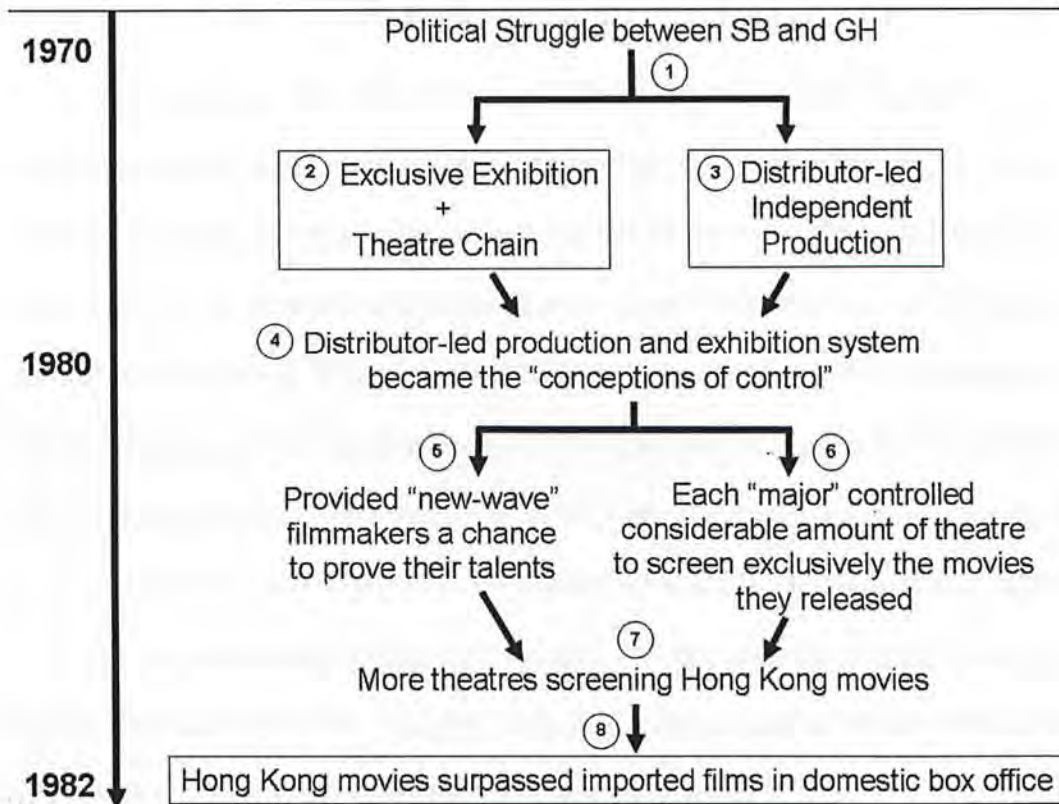
Under this system, the Hong Kong cinema experienced its heyday in the 1980s. Many independent production houses were set up with the support of the three major distributors, namely GH, GP, and D&B. These "satellites" were operated by the "new-wave" young directors who made myriads of movies that achieved remarkable commercial success. In this respect, but for the rise of an independent production system put forward by GH in the 1970s, which then became the "conceptions of control", latecomers such as GP and D&B might not have engaged in independent productions. By the same token, if the independent production system had not been widely applied in Hong Kong, the "new-wave" filmmakers might have had to stay

on in the studio system at Shaw Brothers, and if so, would have lost the chance to prove their talents in a less-restricted environment (Path 5 in Figure 4).

On the exhibition front, the traditional settings of theatres in Hong Kong presented an *opportunity* for the major distributors of Hong Kong movies to build a vertically-integrated commodity chain that could achieve the economy of scale needed for cost recovery. These distributors took advantage of the traditional theatrical settings and requested the exhibitors who were scouting for movies to sign an exhibition contract. While this contract acted like an “exclusive deal” that forbade the theatre owners shopping freely among different major distributors for movies to screen, the major distributors of Hong Kong movies had acquired the “booking rights” to control the exhibition blocks in a considerable number of theatres (Path 6 in Figure 4). This enabled them to forge their theatre chains that could achieve the economy of scale necessary for cost recovery. In this fashion, after GP, the second “major”, came into operation in 1980, the number of theatres co-opted to screen local movies exclusively rose sharply (Path 7 in Figure 4).

Since most of the screens in the market were occupied by the local movies produced and distributed by the “majors”, there were fewer screens available for foreign movies. As a result, the box-office return of imported films dived markedly, whereas Hong Kong movies became a commercial success in their home market (Path 8 in Figure 4). This signified a “bloom” in the Hong Kong film industry throughout the 1980s.

Figure 4 Formation of the Distributor-led Production and Exhibition System and the Growth of the Hong Kong Film Industry in the 1970s and the 1980s



The “Twilight” in Retrospect

Sifting through the “twilight” of the industry, this study finds that the bounceback of imported films’ dominance over the Hong Kong film market was attributed to the alliances forged by the distributors of foreign movies with the Cineplex exhibitors in Hong Kong, and the “conceptions of control” they constructed. There were four main factors that contributed to their success. Without these factors, the preceding incumbents—the major distributors of Hong Kong movies—could have retained their market power, and the preceding dominant production model, the distributor-led production and exhibition system, might not have collapsed. If the “old” system did not break down, the distributors of foreign

movies could hardly revolt successfully against the incumbents and capture the Hong Kong film market.

The first factor was the inflow of Taiwan capital which triggered off an exogenous shock to the Hong Kong film market. The cinematic reform in the People's Republic of China (PRC) since the late 1970s followed by the lifting of martial law in the Republic of China (Taiwan) in 1987 hastened the flow of capital from film investors in Taiwan to the PRC via Hong Kong. With the support of Taiwan capital, a new major film company, Newport, was set up in 1988 by a theatre owner whose cinemas were formerly allied with the three preceding "majors", namely Golden Harvest (GH), Golden Princess (GP), and D&B (Number 1 in Figure 5). The establishment of Newport resulted in the wresting of a considerable number of theatres from the "majors". Each theatre chain in the market henceforth comprised fewer theatres than before (Number 2 in Figure 5).

So long as the "majors" followed an exclusive exhibition practice, they still had to produce a large volume of movies to fill up their theatre chains. With fewer theatres under their control, however, the income stream of the "majors" was trimmed. In this connection, the theatrical receipts of the "majors" were hardly sufficient to recoup the cost of their film productions (Path 3 in Figure 5). Since investing in movie production was less lucrative than before, the owners of some major film companies began to question the entwined financial practice of the filmmakers (Path 4 in Figure 5). When the owners of two major film companies, GP and D&B, found this practice could no longer protect the interests of the investors, they wound up their movie business and left the industry by the mid-1990s (Number 5 in Figure 5). As a result, the exclusive exhibition practice and the

entwined financial practice in the distributor-led production and exhibition system, a system that had promoted the rampant growth of the industry during the 1970s and the 1980s, turned into an endogenous factor that impaired the major film companies when the exogenous shock arrived.

The halting of the two “majors” and the presence of “newcomers” who sprang up to succeed their exhibition business touched off a restructuring of the theatre chains in the market. These “newcomers” were Regal, Empire, Mandarin, and Modern (Number 5 in Figure 5). The restructuring, however, further jeopardized the survival of the “newcomers” and the remaining “majors”. This is because as more and more film companies—to wit, the “newcomers”—tried to set up their own theatre chain, they had to vie for theatres. In this situation, there were fewer theatres that would screen exclusively the movies released by each “major”.

The second factor was the rising land price in Hong Kong that drove many theatre owners to close down their theatres, and to redevelop their properties for alternative uses. Since the movie business became less lucrative than setting up shopping malls, commercial buildings, and private apartments, a lot of theatre owners hung back in the 1990s. As many theatres were dismantled, there were fewer theatres in the market for the “majors” to co-opt. Each major film company in the mid-1990s, therefore, possessed fewer theatres than the “majors” did in the 1980s (Path 6 in Figure 5). Since fewer theatres imply fewer conduits for profits, the “majors” as well as the “newcomers” could hardly achieve the economy of scale necessary for cost recovery. Hence, none of these “newcomers” had survived for more than a decade (Path 7 in Figure 5).

The third factor was the withdrawal of Taiwan capital in the mid-1990s. With the shift in the policies of the PRC and Taiwan for their film industries in 1994, the investment of hot money from Taiwan subsided (Box 8 in Figure 5). The ebb tide of Taiwan capital inflow led to the tapering of the investment in many film projects in Hong Kong, particularly those from Newport which were heavily financed by Taiwan capital. While Newport was an active supplier of Hong Kong movies in the early 1990s, the wilting of the Taiwan capital dragged down the company's film outputs. The diminution in capital, together with the shrinking theatrical possession noted earlier, compelled the company to curtail its investment in the impending film projects (Number 10 in Figure 5). This held down the volume of movies that could fill up the exhibition blocks of Newport's theatre chains. With fewer movies supplied by local production companies, Newport had to exhibit the movies from different sources, that is to say more imported films were screened.

The fourth factor was the replacement of traditional theatres with Cineplex cinemas. As the soaring land price drove many traditional theatre chains to vanish throughout the 1990s, Cineplex cinemas mushroomed concurrently in Hong Kong (Box 9 in Figure 5). While the theatre chains of the "majors" were comprised of traditional theatres, not only did the dwindling number of theatres in the market cut into the income stream of the "majors", but the expansion of Cineplex cinemas made it also impossible for the "majors", who were the distributors of Hong Kong movies, to occupy most of the screens in the Cineplex cinemas as each of them contains more screens than the traditional theatres. As a result, the "majors" could not control the "booking rights" in Cineplex cinemas, and the "exclusive deal" was no longer applicable (Number 10 in Figure 5). In this situation, the distributor-led exhibition system, a dominant exhibition model in the Hong Kong film market throughout the

1970s and the 1980s, collapsed.

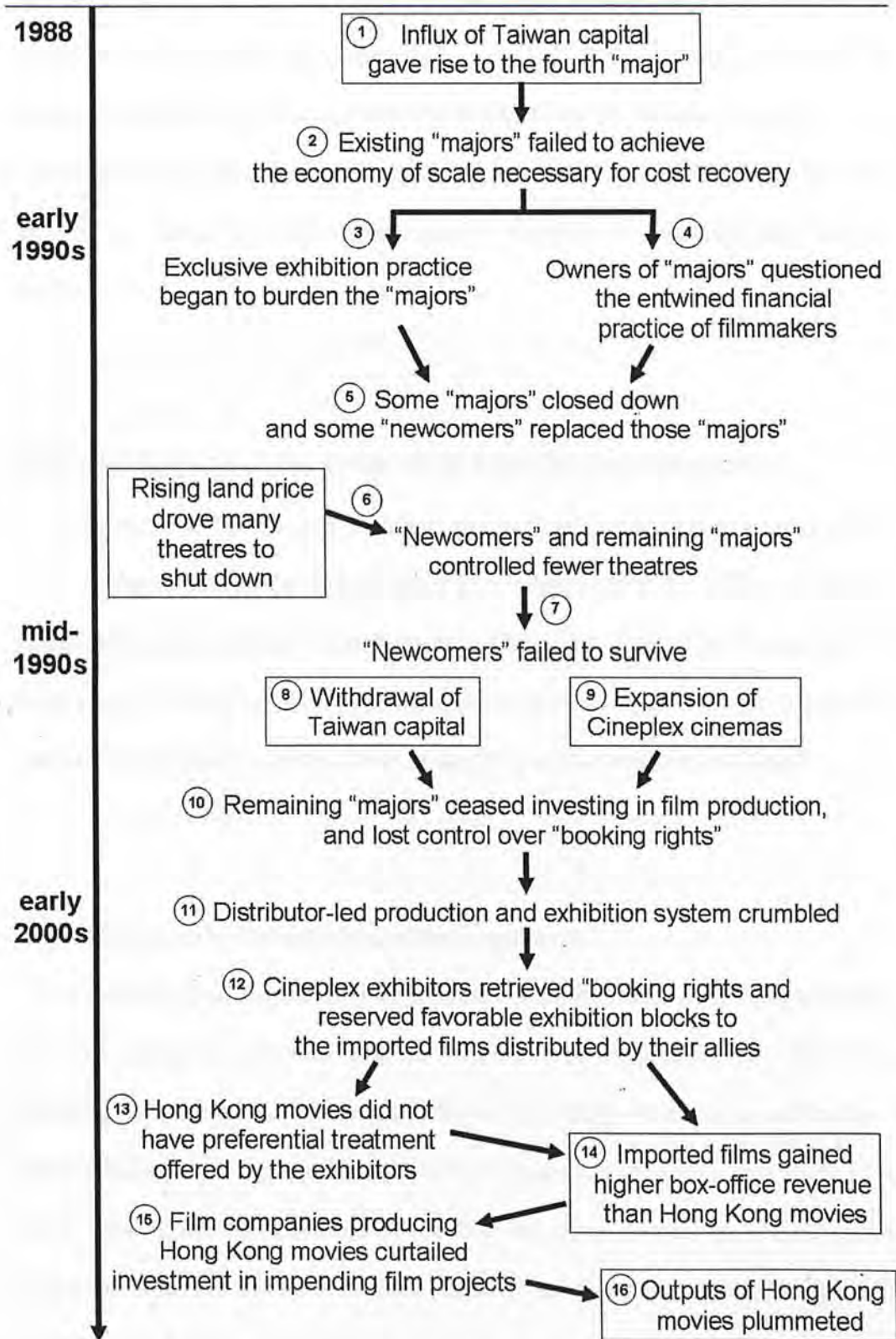
With reference to the several factors noted above, the remaining “majors” could not attain the economy of scale needed for cost recovery, and they ceased investing in film production. Thus, the distributor-led independent production system, which had been a dominant production model of Hong Kong movies throughout the 1970s and the 1980s, crumbled in the 2000s (Number 11 in Figure 5). As the production system and the exhibition system were no longer controlled by the major distributors of Hong Kong movies, the distributor-driven commodity chain that prevailed throughout the 1980s was demolished. Since the exhibitors operating Cineplex-cinema circuits are no longer bound by the “exclusive deals”, they retrieved the “booking rights” to control the exhibition blocks from the distributors of local movies (Number 12 in Figure 5). This provided an *opportunity* for the distributors of foreign movies to co-opt the Cineplex exhibitors in Hong Kong.

In the 2000s, the Hong Kong film market has been dominated by Cineplex-cinema circuits. Most of these Cineplex exhibitors have their distribution arms which ally with the Hollywood studios or other overseas distributors. As these exhibitors do not depend on the local production houses for their movie supply, they can reserve favorable exhibition blocks for the imported films distributed by their allies (Number 12 in Figure 5). Since the income stream of other film companies in the market is now controlled by the Cineplex exhibitors, these exhibitors together with their distribution arms and the distributors of foreign movies with which they allied have constructed a new set of “conceptions of control” to replace the production and exhibition system that was formerly driven by the distributors of Hong Kong movies.

Under the new “conceptions of control”, the companies producing Hong Kong movies no longer benefit from the block-booking preferential treatment offered by the exhibitors. This led to a shift in the production model of Hong Kong movies. Companies that embark on local film production switched their key exhibition channel from theatrical screening to retail in ancillary markets. Without secured favorable exhibition blocks in theatrical release (Number 13 in Figure 5), however, the box-office performance of the movies released by these companies was relatively poor when compared with the performance of imported movies (Box 14 in Figure 5). This affected their retail deals in the ancillary markets and, in turn, further reduced their revenue. In this situation, these companies curtailed their investment in their subsequent film projects (Number 15 in Figure 5) and hence, the total film outputs in Hong Kong dropped considerably over the 2000s (Box 16 in Figure 5). With fewer local movies released, imported films have come to dominate the Hong Kong box office since 1997. “Twilight” has thereupon fallen on the Hong Kong film industry.

In short, the revival of imported films in Hong Kong hinged on the alliances between the distributors of foreign movies and the Cineplex exhibitors. When forging such alliances, the distributors of foreign movies went through a political or social movement-like process. This process resembles a “revolutionary road” on which they seized the *opportunity* presented at the time, that was the replacement of traditional theatres with Cineplex cinemas, and allied with the Cineplex exhibitors who retrieved the “booking rights” to control the exhibition blocks from the major distributors of Hong Kong movies.

Figure 5 Collapse of the Distributor-led Production and Exhibition System and the Decline of the Hong Kong Film Industry since the 1990s



Since the distributors of foreign movies took hold of the *opportunity* and used their social skills to co-opt the Cineplex exhibitors, they together with the Cineplex exhibitors had succeeded in constructing a new set of “conceptions of control” to capture the market niche that was formerly occupied by the preceding “majors”. As a result, the Hong Kong film market has been dominated by foreign movies since the late 1990s. This is how the industry came to experience a downfall over the past decade.

IMPLICATIONS OF THIS STUDY FOR EXISTING APPROACHES

This research has taken a middle-range or organizational level of analysis to study the development of the Hong Kong film industry since the 1970s. It focuses on the institutional settings of the industry. Changes in the mode of production of Hong Kong movies, and the interactions among film companies in the commodity chain are documented. Implications of the study are summarized as follows.

Implications for the Cultural Imperialism approach

A postulation of the Cultural Imperialism thesis is that because Hollywood has the most abundant resources and has acquired the most advanced filmmaking technologies, its blockbusters prove to be so irresistibly attractive to audiences of different nations. In spite of Hollywood’s comparative advantage, this study finds that it is the institutional settings of the film industries in receiving countries that determine whether Hollywood could expand its dominance over foreign film markets.

In the Hong Kong situation, the success of Hollywood's invasion depended on the re-alignment between the local Cineplex exhibitors and the distributors of foreign movies in the 1990s. In the 1980s, when most theatres which were in traditional settings had been occupied by the major distributors of local movies, the market share of Hollywood movies was much smaller than that of Hong Kong movies. After Cineplex cinemas had replaced traditional theatres, however, the Cineplex exhibitors retrieved the "booking rights" to control the exhibition blocks from the major distributors of local movies. This gave the distributors of foreign movies a chance to ally with the Cineplex exhibitors. Hence, if such an alliance had not been forged, Hollywood blockbusters would not be widely screened in Hong Kong so that the postulation derived from the Cultural Imperialism thesis might not be valid.

In this vein, this study has complemented the Cultural Imperialism approach by bringing in the institutional settings of the film industries in receiving countries to the discussion. These settings affect the conditions under which Hollywood could utilize its comparative advantage over the international film trade. As Curtin (2003b) correctly points, "Hollywood exploited opportunities, but it did not primarily control the conditions that created those opportunities" (p.254), future studies should thus pay heed to the institutional settings of the film industries in different receiving countries. Variations in these settings could have affected the conditions for Hollywood to actualize their comparative advantage, and thereby to exert their dominance over other film markets.

Implications for the Cultural-flows/ Network approach

The Cultural-flows/ Network approach criticizes the Cultural Imperialism thesis

for underestimating both the ability of the receiving countries to develop their cultural industries, and the importance of cultural exports to these receiving countries. It contends that the downfall of the Hong Kong film industry could be attributed to the slump in exports of Hong Kong movies, and the meager profits they gained in overseas markets. This study finds, however, that the Cultural-flows/ Network approach might have overestimated the importance of film exports to the receiving countries. Although the export of media and cultural products is obviously one way for the receiving countries to garner resources from overseas markets, these resources might not necessarily enable the receiving countries to build up their cultural industries to the point where they can compete effectively against the Western cultural hegemony.

As Taiwan was one of the biggest off-shore markets for Hong Kong movies, the revenue gained from exports to Taiwan was an important income stream for film companies in Hong Kong. Nevertheless, this study shows that the influx of Taiwan capital in the late 1980s induced an exogenous shock to the Hong Kong film market. This capital gave rise to a new major film company, Newport, which wrested many theatres from the existing “majors”. The restructuring of theatre chains that followed hindered the “majors” from achieving the economy of scale necessary for cost recovery. As a result, two “majors”, namely D&B and Golden Princess, closed down by the mid-1990s. In this sense, the increased “cultural flows” between Taiwan and Hong Kong during the late 1980s had an unintended consequence, to wit, the demise of two “majors” in Hong Kong. The resources from foreign markets, therefore, would not necessarily benefit the film industries in receiving countries.

While the importance of cultural exports should not be overstated, the damage

caused by reducing “cultural flows” was weaker than the Cultural-flows/ Network approach has contended. When the inflow of capital from Taiwan shriveled up in the mid-1990s, only one of the “majors”—Newport, who banked heavily on this capital—was seriously affected. In fact, the withdrawal of Taiwan capital did not directly lead to the collapse of the “conceptions of control” that prevailed throughout the 1980s. Instead, the distributor-led production and exhibition system was abolished when the last “major”, Golden Harvest (GH), failed to control the “booking rights” in film exhibition and ceased investing in film production. The fall of GH was not related to the lack of investment from Taiwan hot money since the company did not rely on this source of capital.

As noted in the previous chapter, GH could not maintain the economy of scale needed for cost recovery mainly because of the rising land price in Hong Kong that drove many of its allied theatres to close down, followed by the expansion of Cineplex cinemas, which together precluded the company from controlling a sufficient number of cinemas to recoup its production cost. In this respect, the distributor-driven commodity chain of Hong Kong movies was brought to a halt. This paved the way for the distributors of foreign movies and the Cineplex exhibitors to construct a new set of “conceptions of control” to fill the market niche that was formerly occupied by Hong Kong movies.

Viewed in this light, although the wilting of Taiwan capital did drag down the output of Hong Kong movies, the collapse of the “old” system and consequently the industry’s downfall were not a result of the diminution in foreign capital. Thus, even though exports could be an important source of revenue for film companies in receiving countries, the damage caused by reducing “cultural flows” was less severe

than the Cultural-flows/ Network approach has contended. Indeed, the reasons behind the decline of film industries in receiving countries are more about the institutional settings of the industry, and the changes in power relations among film companies in the market.

Implications for the Reception approach

The Reception approach explains the shift in demand for foreign and local movies in different film markets by the socio-demographic characteristics of the recipients. These socio-demographic characteristics include the language, class, gender, ethnicity, and social experiences of the cinemagoers. According to this approach, the responses of cinemagoers to Hong Kong movies vis-à-vis foreign movies are expected to exert considerable influence on the survival of the local film industry.

Although the Reception approach has identified some possible reasons for the rising demand for foreign movies, these reasons might not account for the decline of Hong Kong film industry. As discussed in Chapter 2, despite the expansion of education in Hong Kong since the 1970s which resulted in a growing share of population becoming familiar with English, the market share of imported films, including those from Hollywood, was found to be much smaller than that of the local movies in Hong Kong throughout the 1980s. Suffice it to say that while the socio-demographic factors which supposedly would have caused an increased demand for Hollywood movies were already in place, the effect of these factors was not apparent in the 1980s. Since the domination of Hollywood over the Hong Kong film market did not come until the late 1990s, *something* should have happened in

Hong Kong that pulled down its film industry before those socio-demographic factors came into effect.

This research has addressed the foregoing puzzle by providing an answer from the “production side”. As documented in Chapter 3, the box-office share of Hollywood movies in Hong Kong was much smaller than that of local movies during the 1980s because most theatres at the time were controlled by the major distributors of local movies. After Cineplex cinemas have replaced traditional theatres and dominated the exhibition sectors since the mid-1990s, however, the Cineplex exhibitors retrieved the “booking rights” to control the exhibition blocks from the major distributors of local movies. This lay the basis for the alliances between the Cineplex exhibitors and the distributors of foreign movies. But for such alliances, Hollywood movies may not be so widely screened in Hong Kong.

Given that more screens have been assigned to show Hollywood movies, the cinemagoers in Hong Kong are now more exposed to foreign movies than before. The Reception approach at this stage provides a cultural explanation for the increasing acceptance of Hollywood movies in Hong Kong. This contributes to our understanding of the reasons for the widened gap between the theatrical receipts of local movies and imported films in Hong Kong throughout the 2000s. Nonetheless, the seeming growth in popularity or acceptance of Hollywood movies in Hong Kong is primarily a consequence rather than the cause of the downfall of the Hong Kong film industry. As this study shows, the root of the decline of the Hong Kong film industry has more to do with the “production side” than the “reception side”.

AN INTEGRATIVE APPROACH TO CURRENT THEORIES

This research aims overall to contribute to the literature on the development of the film industries in receiving countries. Why some film industries, but not others, have ceded their home markets to other film exporters, and how this could have affected the long-term development of the industries are issues that have to be further explored. Following this agenda, this research picked the Hong Kong film industry as a case to study. The results of this case study have been placed within an integrative framework combining several theoretical approaches reviewed earlier. This integration is presented below.

In analyzing the institutional settings of the Hong Kong film industry, this research has applied the Political-cultural approach to show how the conventional practices in the dominate production model of Hong Kong movies, which boosted the industry to its peak in the 1980s, were turned into an endogenous factor that toppled the major film companies during the 1990s. The turn was triggered by an exogenous shock, the influx of Taiwan capital during the late 1980s. This capital brought about a restructuring of the theatre chains of the major film companies in Hong Kong. While the capital inflow disrupted the existing order that had enabled the “majors” to survive (this contradicts the postulation of the Cultural-flows/Network approach), the rising land price in Hong Kong further hindered the “majors” from attaining the economy of scale necessary for cost recovery. These undermined the production model that prevailed during the industry’s heyday.

While the “old” system had broken down, the expansion of Cineplex cinemas in Hong Kong enabled the Cineplex exhibitors to retrieve the “booking rights” to control the exhibition blocks from the major distributors of local movies. As the

exhibitors were no longer controlled by the distributors of local movies, the distributors of foreign movies had the opportunity to ally with the Cineplex exhibitors. They together redefined the rules of the game, or the “conceptions of control”, and replaced the “old” system with an exhibitor-driven commodity chain. Under their alliances, more screens have been assigned to show Hollywood movies, including those high-budget blockbusters produced with the most advanced filmmaking technologies. This allowed Hollywood to actualize their comparative advantage in Hong Kong (here the Cultural Imperialism thesis applies).

Since the Cineplex exhibitors nowadays can reserve favorable exhibition blocks for the imported films distributed by their allies, the cinemagoers in Hong Kong are more exposed to foreign movies than before. This provided a platform for the Hollywood movies to match up with the socio-demographic characteristics of the cinemagoers in Hong Kong (this is where the Reception approach contributes to the analysis). As some of these movies matched the taste of the local audiences, they achieved better box-office performance. This provides clues to the expanding share of foreign movies in the Hong Kong film market throughout the 2000s.

LIMITATIONS OF THE RESEARCH AND SUGGESTIONS FOR FUTURE DIRECTIONS

This study has attempted to elucidate the factors that affect the extent of Hollywood’s domination over the Hong Kong film market. Nonetheless, the pattern of Hollywood’s expansion might vary across countries. Since this research focuses only on Hong Kong, it is not possible to generalize from it how the film industries in other receiving countries react to the film exports from the United

States (U.S.) or other countries. Hence, the following questions remain to be addressed in future studies: (i) Who are the gatekeepers that control the commodity chain in other film industries? (ii) Do these gatekeepers ally with the distributors of foreign movies? (iii) What is the relationship between these gatekeepers and the companies that produce local movies? (iv) Were there any changes in this relationship over the past decades? (v) If yes, what caused these changes? (vi) How have these changes affected the development of the local film industry?

While all of these questions touch on issues for future studies to address, it is important to note that there are still some other factors not covered in this study that are critical to the development of the film industries in receiving countries. They include (i) the role of the audience and cinema-going habits in different societies, (ii) the variations in the degree of the state's involvement in different film industries, (iii) the co-production partnerships between different film markets, such as the Closer Economic Partnership Arrangement (CEPA) between the People's Republic of China (PRC) and Hong Kong, and (iv) film festivals and the role of other agents at the global level that promote the film products of different countries. Since these factors could have affected the development of the film industries in receiving countries, as well as their reactions to the challenge brought by Hollywood or other film exporters, more extensive research should be pursued in these areas in future.

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