

# The Financing Activities of Chinese Film Enterprises and the Path to Social Governance

Yuan Cao

Law School of Beijing Normal University, Beijing 100088, China

**Abstract:** Movie companies utilizing financing tools for fundraising can contribute to a healthy and orderly development of the film industry. However, the inherent risks behind unconventional financing activities, such as policy risks, investment return risks, and compliance risks, make it a high-risk endeavour. These risks not only impact the development of the film industry but also have the potential to trigger economic security risks and other repercussions. The normative means of civil judgments for contract disputes mainly rely on determining contract effectiveness, which, compared to administrative supervision, has limitations. Administrative supervision, on the other hand, faces the challenges of a regulatory vacuum and a need for clear guidelines. Therefore, it is crucial to establish a balanced approach that prioritizes both government regulation and industry development. This involves implementing partial institutional arrangements, guiding through legislation, government supervision, judicial assistance, and encouraging self-discipline within enterprises. This multi-stakeholder collaborative governance model should be constructed based on existing legal regulations.

**Keywords:** Film industry; Financing activities; Transformation; Governance

---

## 1 Introduction

In the context of the reform and development of the Chinese film industry, the awakening demand for film investment and financing has emerged in the industry market. Driven by the pursuit of profits, a large amount of capital pouring into the film market has directly contributed to the expansion of the scale of the Chinese film industry, but it has also brought various risks to the

financing field of film enterprises<sup>[1]</sup>. Faced with risks related to policies, laws, compliance, and other issues in the film industry, how to prevent and resolve economic security risks in the financing field of film enterprises, maintain the economic order of the film industry market, sustain continuous investment from the capital in the Chinese film industry, and achieve a healthy, orderly, and regulated development of Chinese film enterprises have become inevitable requirements for the development of the Chinese film industry. Through empirical analysis of cases related to film enterprise financing, this article summarizes the characteristics of these cases, examines the limitations of current legal regulations, and explores the collaborative governance approach involving government agencies, judicial authorities, film enterprises,

and various segments of society.

## 2 Empirical Study: Current Status of Judgments in Film Enterprise Financing Cases

The financing sources of film enterprises mainly include mutual financing among film companies and corporate entities, non-corporate entities, and individuals actively (or passively) investing in films. Film investment allows investors to enjoy the dividends brought about by the development of the cultural industry. However, behind it lies policy risks, investment return risks, and compliance risks, making film investment a highly challenging and risky endeavor. Through an examination of the publicly available court judgments, cases related to film enterprise financing are concentrated in of civil and commercial matters, as well as criminal cases.

### 2.1 Civil and Commercial Cases

Disputes often revolve around film companies and investors in civil and commercial cases related to film enterprise financing. Investors typically file lawsuits against film companies citing contract disputes and disputes related to copyright transfer agreements. The commonality among these cases lies in investors and film companies entering into contracts containing provisions related to "joint investment in film production" or

---

"subscription of film and television copyrights." These contracts specify that investors subscribe to a portion of the film's investment shares and gain corresponding rights to returns after the film is released. Disputes arise when the film fails to be released as scheduled or fails to meet box office expectations after release. Investors need more returns or a significant disparity between investment and returns, leading to conflicts.

There are mainly two types of litigation involved, one where film companies fail to complete shooting, approval, or release according to the contract's predetermined timelines. Investors, citing the film company's breach of contract, request the termination of the contract and the return of their investment, arguing that the contractual purpose cannot be realized or is inconsistent with the agreement due to the film company's default.

The other type involves cases where the film's box office performance falls short of expected revenues after its release. Investors, claiming fraud on the part of the film company through actions such as emphasizing high returns, changing lead actors, inflating film production costs, or engaging in non-collaborative or non-joint production practices, seek contract cancellation and the return on their investment.

For instance, in a contract dispute case involving a specific fund partnership enterprise, a film and television company, and a cultural company, the appellate court concluded that the contract stipulated, "If the film cannot be completed and ready for release after the expected production time of 12 months, the fund partnership enterprise has the right to terminate the contract unilaterally. The film and television company should return the entire invested capital and pay the capital utilization cost at an annualized rate of 10%."

Both parties acknowledged that according to the "Production Contract" terms, the expected production time would expire after 12 months, i.e., in February 2018. Although the film and television companies had a different understanding regarding whether production and release preparations were completed at that time, the film in question obtained the screening permit on January 10, 2020. From the wording of the "Production Contract", it

can be inferred that production and release preparations for the film should have been completed before February 2018. Although the film and television companies had a different understanding regarding whether production and release preparations were completed at that time, the film in question obtained the screening permit on January 10, 2020. From the wording of the "Production Contract", it can be inferred that production and release preparations for the film should have been completed before February 2018. As the film and television company did not obtain the screening permit by that time, indicating uncompleted release preparations, it met the termination conditions stipulated in the "Production Contract". Therefore, the fund partnership enterprise had the right to terminate the contract based on the agreed-upon conditions and was entitled to request the termination of the contract, the return of the entire invested capital, and the payment of the capital utilization cost at an annualized rate of 10%.

In cases of the second type where the film's box office performance falls short of expected revenues after release, film companies provide relevant contracts and evidence of profit distribution to demonstrate that they have fulfilled their contractual obligations. They argue that their actions do not constitute fraud.

For example, in a contract dispute case between a research institute and a film company, the court, in a retrial, concluded that the focus of the case was whether the purpose of the contract in question signed by the research institute could not be realized and whether the original judgment to terminate the contract was appropriate. The "Joint Investment Contract" signed by the film company and the research institute on March 14, 2013, stipulated that after the research institute fulfilled its investment obligations as agreed, it could enjoy certain rights that the film company held for the film, namely, the right to attribution and profit and loss.

Considering the nature of the investment agreement and general reasoning, the movie's filming is considered a prerequisite for investors to gain returns, not the goal. The film's competition aligns more with the investment expectations of the investor. Therefore, the primary and fundamental purpose of the research institute's investment

---

in the film in question was to obtain the right to attribution and profit and loss for that specific film.

The film company had already followed the agreement, ensured attribution for the research institute at the film's production unit. After the film's release, the film company paid the research institute a share of the box office revenue according to its investment proportion. The research institute had partially achieved the contractual purpose of obtaining attribution rights and profits from the film through investment. Therefore, the court dismissed the research institute's lawsuit requesting the termination of the "Joint Investment Contract" signed with the film company on March 14, 2013, and the return of its investment and interest.

Indeed, during the civil litigation process between film companies and investors, both parties may also engage in settlements and reach agreements to resolve the disputes. However, a challenge arises in the judicial practice when film companies cannot fulfil the obligations specified in the effective judgments or settlement agreements due to internal financial issues. This situation can lead to further derivative disputes and lawsuits.

Moreover, film companies may face additional legal challenges, such as administrative and criminal investigations, due to internal misconduct or unlawful behavior. In some cases, film companies might be accused of criminal offenses, further complicating the legal landscape.

## **2.2 Criminal Cases**

Cases involving film companies charged with the crime of illegally absorbing public deposits often concentrate on the charge of illegal fundraising. Criminal cases related to illegal fundraising through film project financing can be summarized into the following criminal patterns: In situations where the film company does not possess a financial business license, the defendant publicly promotes the company's film projects on social media platforms, promising high returns to attract investment funds from the general public. Alternatively, the defendant, using an investment company as a platform

and enticing investors with the prospect of substantial rebates through investing in film and television funds, publicly promotes the fundraising, promising returns and interest payments.

After obtaining funds from unspecified people, the defendant does not use all the funds for film investment. Instead, they fabricate film profits and use the subsequently absorbed funds for investor dividends. In these cases, the defendants may include the legal representatives and executives of the film companies, with film investment projects, becoming tools to obtain funds from an unspecified majority of the public.

The court holds that the reasons for determining that the defendants have committed a crime, often including "the defendants violating the national financial management laws and regulations, publicly promoting and promising to repay principal and interest within a certain period to the public, illegally absorbing a huge amount of public deposits, thereby violating criminal law and constituting the crime of illegal fundraising." In response to some defendants' defence arguments, they claim that their actions do not constitute a crime, the judgment states: According to the content of the "Film Share Transfer Agreement" and "Income Rights Transfer Agreement", it is evident that these agreements are not contracts that transfer rights but, in reality, form investment relationships with film profits as the basis for settlement.

While absorbing investments, the defendant's company did not obtain the necessary qualifications, and the means of absorption involved randomly adding strangers as WeChat friends by searching for numbers online. The defendant fabricated identities and used tactics such as assuring investors that the film project was a guaranteed profitable venture. Therefore, the defendant's actions constitute the crime of illegally absorbing public deposits.

## **2.3 Characteristics of Film Industry Financing Cases**

By reviewing cases related to film industry financing activities, it can be observed that such cases involve financing for different film projects. Typically, a single

---

film project attracts investment from dozens to hundreds of individuals, with each investor contributing varying amounts ranging from tens of thousands to millions of yuan. The diverse nature of investors poses a significant risk. Additionally, film companies' financialization trend of using film projects as financing tools is pronounced, leading to several prominent risk factors.

### **2.3.1 Non-standardized Financing Methods**

Firstly, film companies sell the anticipated profits of a film to numerous investors to raise financing. This financing method has become a commodified and securitized derivative financing product. However, existing laws and regulations have not yet included such financing products in the regulatory framework, making it challenging to safeguard investors' right.

Secondly, there is a lack of restrictions on the resale of investment quotas. In some cases, film companies sell a portion of the financing quota and the corresponding film profit rights to other film companies. These acquired quotas and profit rights are then resold to other companies or individuals. This multi-tiered resale structure creates complexities, making it difficult for investors, amidst information asymmetry, to determine whether the contracting party has the right to sign contracts externally, potentially leading to disputes arising from fraud.

Thirdly, the returns that investors can obtain according to the investment contract are calculated based on the proportion of their investment to the film production cost. However, when film companies resell their investment quotas and profit rights, they may arbitrarily set or increase the film production cost. This results in investors receiving a significantly lower percentage of returns than the actual production cost corresponding to the same investment amount. It also implies that investors are exposed to substantial risks during the investment process.

### **2.3.2 Lack of Transparency in the Use of Funds**

Firstly, film companies enter into investment contracts with unspecified individuals or make commitments to guarantee returns, illegally raising funds. Alternatively, they may not use the funds for actual film shooting or production activities after obtaining investment funds.

Such actions are suspected of criminal offences such as the illegal absorption of public deposits and contract fraud.

Secondly, film companies take advantage of the characteristics of the creative production, distribution, and marketing processes, which lack transparency, have opaque costs, long fund recovery cycles, and information asymmetry with counterparties. They may exaggerate the investment costs of films, conceal the progress of film production and promotion, fail to disclose the use of funds, violate agreed-upon timelines for profit distribution, and trigger disputes. Especially in the past two years, affected by the pandemic, films have been delayed in release or have dismal box office performances, causing investors not to receive the expected returns. This has led to the potential for mobilizing and agitating through online platforms, increasing the sensitivity of disputes in such cases.

## **3 Examination: Limitations of Legal Regulation on Film Industry Financing Activities**

Film industry financing activities are essential to ensure the policy operation of enterprises and film projects under market economic conditions, facilitating the rapid development of film companies. However, market economic activities themselves require a specific order and regulation, respecting and protecting the legitimate rights of market entities, meeting the autonomy requirements of market entities, and delineating a boundary and space for independent actions by various market entities. The optimization of resource allocation through appropriate power structures and rights arrangements is an embodiment of the rule of law in maintaining market economic order<sup>[2]</sup>.

Specifically, regarding the financing activities of film companies, different legal regulations from administrative, civil, commercial, and criminal sectors aim to protect corresponding aspects of the order due to their unique regulatory purposes. Therefore, there are various limitations in the regulatory frameworks provided by laws and regulations in different legal sectors for the financing activities of film companies.

---

### 3.1 Limitations of Civil and Commercial Legal Regulations

#### 3.1.1 Contract Law

The Contract section of *the Civil Code of the People's Republic of China* (hereinafter referred to as the "*Civil Code*") regulates civil relationships arising from contracts, including contractual and non-contractual obligations. According to the civil judgments mentioned earlier, disputes related to film industry financing activities are currently concentrated in the secondary cause of action, namely, contract disputes. The financing models of film companies can be summarized into two types: one that guarantees the return of the principal as profit, and the other that determines the profit share based on the subscribed investment shares of investors.

For disputes related to the profit return model that guarantees the principal, judicial practice has identified three contract natures: "*Joint Venture Contracts*", where it is stated as a joint venture but is, in fact, a loan and falls under the category of a loan contract; "Contracts related to cooperative investment and the distribution of film and television dramas, not joint venture contracts"; and the general recognition of the nature of "Contracts related to cooperative investment and the distribution of film and television dramas."<sup>[3]</sup>

Although Article 92 of the *Minutes of the National Court Work Conference for Civil and Commercial Trials* (Fa [2019] No. 254) guides judicial practice by declaring certain bottom-line or fixed-term clauses as invalid, in disputes related to film industry financing activities, recognizing contracts based on this financing model as valid reflects the court's commitment to encouraging transactional principles and fully respecting the parties' autonomy in their intentions. It is crucial to note that this form of crowd-funded financing neither circumvents the issue of "publicness"<sup>[4]</sup> in China's criminal law and financial regulatory laws and regulations nor deviates from the model of quasi-absorption of public deposits.

In disputes related to the profit return model where returns are determined based on the subscribed investment shares of investors, film companies sell the anticipated

profits of films as commodified and securitized derivative financing products to numerous investors to raise funds. This method of using similar securitization financing tools not only carries risks that may impact financial stability but also presents legal challenges in the contract domain.

Financial instrument transactions are based on future cash flows, and the legal nature of financial instruments lies in allocating property rights and obligations centred around realizing future cash flows<sup>[5]</sup>. For example, when a film company sells the future profit rights of a film to investors, and investors pay consideration to acquire corresponding shares, is this considered a debt transfer or an investment transaction? In cases where film investment shares are resold multiple times by other companies or individuals, will investors in the future have profit rights transferred based on contract or trust arrangements? The uncertainty regarding the nature of these actions and the type of contracts will result in investors being unable to determine the legal basis for their claims during civil litigation, which is not conducive to protecting their lawful rights and interests.

For film industry financing activities, the normative means of civil judgments in contract disputes are mainly determined through the effectiveness of contracts, which is relatively limited compared to the regulatory methods of administrative supervision. Article 534 of the Civil Code specifies the supervisory functions of administrative regulatory agencies in overseeing contract performance<sup>[6]</sup>. Given the principle of judicial restraint, the judicial authorities intervene within a reasonable scope for transactions not explicitly regulated by law. At the same time, market regulation is primarily the responsibility of administrative regulatory agencies.

#### 3.1.2 Corporate Law

Film companies can raise funds in the capital market through various financing tools such as capital increase, borrowing, and issuing stocks and bonds. Given that the Chinese securities regulatory authorities have comprehensive supervision over the financial operations of companies before, during, and after implementation, and some rules related to corporate financing are also regulated by the Securities Law of the People's Republic

---

of China, the Company Law of the People's Republic of China (hereinafter referred to as the "Company Law") mainly relies on companies to comply with the law and judicial remedies after the fact as a regulatory approach in the field of commercial organization law<sup>[7]</sup>.

Regarding the internal financial management of enterprises, the eighth chapter of the Corporate Law outlines companies' financial and accounting systems. Further details on these systems are provided in the Accounting Law of the People's Republic of China, the Regulations on Financial Accounting Reports of Enterprises, the General Rules for Enterprise Finance, and the Accounting Standards for Business – Basic Standard. Among these, Article 21 of the General Rules for Enterprise Finance stipulates that when enterprises raise funds, they should account for and use them according to regulations, fulfil contracts faithfully, and accept supervision following the law.

The issue arises in film industry financing cases where investors claim that the film companies breached the contract by not disclosing the reconciliation statement of the film's earnings. However, investors fail to provide evidence for this claim. From a procedural litigation perspective, investors are obligated to provide evidence according to the rules, and their failure may result in adverse consequences. In some cases, film companies have submitted relevant financial records to the court, further demonstrating their fulfilment of contractual obligations. It is noteworthy that this financing behaviour by film companies, during the court's focused examination of contractual obligations, allows their internal financial activities to some extent to escape scrutiny. This presents an opportunity for autonomous financial management within the company but also adds compliance risks in taxation, financial accounting, and potential criminal legal risks. Particularly with the increasing trend of financing activities under the guise of financial innovation in recent years, film companies' financing actions should be given more attention.

### **3.2 Limitations of Administrative Legal Regulation**

The market is the foundation of the economy and

society. Where the market cannot regulate or regulate effectively, the government must intervene to maintain transaction security and market order<sup>[8]</sup>. Administrative agencies manage and control the economic activities of enterprises by formulating a series of regulatory rules. However, in modern society, government regulation of economic activities should also include actively intervening and promoting economic activities<sup>[9]</sup>. Therefore, in advancing the rule of law in China's modern economy, it is essential to emphasize the constraints of economic law and give full attention to the incentive role of economic law<sup>[10]</sup>. Emphasizing incentives for industrial development has become a consensus in the legislation of films worldwide. The Film Industry Promotion Law of the People's Republic of China (hereinafter referred to as the "Film Industry Promotion Law"), while ensuring ideological security, utilizes economic, legal, and administrative means to leverage the government's guidance and incentive role, promoting the development of the Chinese film industry<sup>[11]</sup>.

The Film Industry Promotion Law regulates the financing activities of film enterprises primarily through policies that provide financial support, tax incentives, and financial support to the film industry<sup>[12]</sup>. Notably, the easing and removal of restrictions on private enterprises in the field of film production, coupled with the implementation of the film script (outline) filing system in Chinese administrative law, are expected to attract more private capital into the film industry. However, the relaxation and abolishment of market access regulations have increased the number of market participants, raising the possibility of low-quality participants engaging in illegal activities. Simultaneously, the coverage of regulatory forces has become more challenging, reducing the likelihood of detecting illegal activities<sup>[13]</sup>. In cases where some administrative powers for film regulation are delegated to provincial film management departments, if local governments do not promptly enact local laws and regulations, it may result in a regulatory vacuum, affecting the effectiveness of administrative supervision.

Another issue is how securities laws and regulations regulate the financing activities of film enterprises

---

using similar securitization financial instruments. Without effective regulation and reasonable guidance, this innovative financing method will likely become a means for business operators to pursue their interests<sup>[14]</sup>. China's securities and fund laws specify the regulatory objects in an enumerative manner but do not provide a comprehensive definition. For judicial authorities, the judgment can only be made based on existing laws, and whether new financing instruments not covered by financial laws and regulations fall within the scope of legal regulation is left to the courts for judicial determination. Due to the limited discretion of the courts, the judicial judgments made on this matter may be subject to suspicions of abusing judicial discretion. For administrative regulatory authorities, lawful administration is the enforcement principle. If there are no administrative laws and regulations as the basis for enforcement, they face a situation where enforcement lacks a legal basis.

### 3.3 Limitations of Criminal Legal Regulation

In modern market economies, countries prioritize regulating funds to prevent economic risks, especially with the increasing trend of financing activities under the guise of financial innovation in recent years. In this context, China's criminal laws have also tightened the criminal law net for corresponding offenses.

The objective elements of the financing activities of film enterprises that are suspected of criminal offenses are covered by the *Criminal Law of the People's Republic of China* (hereinafter referred to as the "*Criminal Law*"), mainly in the *Criminal Law* under the third chapter of the third section, which addresses offenses disrupting the socialist market economy order, and other sections dealing with financial crimes under the fourth section on disrupting financial order and the fifth section on financial fraud.

The technological and mechanical innovations in the capital market demand that the legal system undergoes development and adjustments in controlling corresponding criminal activities. In the economic domain, criminal law, along with civil, economic, and administrative laws, collectively operates within the framework of the

constitution to uphold economic order. Criminal laws, as a safeguard, protect the most crucial aspects of economic order<sup>[15]</sup>. The differences between criminal offenses, administrative offenses, and violations of order exist only in the degree of harm to legal interests or societal ethics, and they are merely quantitative differences rather than essential ones<sup>[16]</sup>. Moreover, one of the purposes of imposing penalties under criminal law is to guide members of society in compliance with the law and the maintenance of order. Therefore, to avoid direct criminal responsibility for film enterprises due to misconduct or illegal behaviour in the financing process, the Chinese government should employ comprehensive governance measures through appropriate power structures and arrangements to lawfully address these issues, aiming to maintain the order of the market economy.

## 4 Approaches to Social Governance of Film Enterprise Financing Activities

Modern social governance has become a crucial component of the modernization of a country's governance system and capabilities. Governance, as a regulatory system encompassing goals, values, and institutional structures<sup>[17]</sup>, faces the challenge of regulating the financing activities of film enterprises. This requires the use of traditional regulatory methods as the system's foundation and the innovation and improvement of regulatory mechanisms. In a social governance model involving multiple stakeholders, enhancing the governance effectiveness of corporate financing activities aims to achieve a harmonious balance between social and economic benefits.

### 4.1 Government Regulatory Departments

In response to the increasing phenomenon of film companies financing from the public, and the growing trend of financialization leading to related disputes, government regulatory departments should comprehensively address the issue through the following aspects.

Firstly, explore a diversified film investment and financing system to broaden funding channels. Establish

---

a standardized film industry investment and financing platform, guiding the public to invest through the platform. Referencing mechanisms such as private equity funds, bank wealth management, and trust insurance, introduce a system for reviewing qualified investors, promoting the institutionalization, standardization, and transparency of film industry investment. Collaborate with financial institutions to create special funds for the film and cultural industry or establish a national film development fund to provide broader financial support for the film industry. Implement a legal education and publicity system, release risk posters for film investments, set up consultation hotlines, provide investors with content verification and risk warnings for film projects, and guide the public in making rational and prudent investment decisions.

Secondly, strengthen film investment and financing supervision, guiding film enterprises to standardize financing. Introduce guiding normative documents for film investment and financing, regulating contract filing, clause design, and industry norms to ensure the healthy operation of film investment and financing. Instruct film industry organizations to fully leverage self-discipline and formulate and promote exemplary contract texts. Enhance specialized training for members of film industry organizations, highlighting common dispute points and risk avoidance measures.

Thirdly, strengthen collaboration across multiple departments to prevent and control group lawsuits related to film investments from the source. On the one hand, coordinate with local financial regulatory authorities, the China Securities Regulatory Commission (CSRC), judicial authorities, film industry organizations, and other relevant departments to include the dynamics of film projects within the regulatory scope. On the other hand, considering the specific characteristics of the industry, research and establish a source governance model, implement specific measures to strengthen source governance, and pilot arbitration and mediation pre-procedures for typified disputes in regions where disputes are showing a high growth trend. If disputes are not resolved through arbitration or mediation procedures, parties can seek remedies through legal proceedings.

## **4.2 Judicial Authorities**

Judicial governance of film industry financing is order and preventing economic risks. Judicial authorities, exercising both initiative and restraint judiciously, play a pivotal role. Firstly, through their judicial adjudication function, judicial authorities issue legal judgments on film industry financing cases, providing rulings in civil, administrative, and criminal matters to regulate film companies' irregular and illegal behavior. Secondly, they enhance diversified resolution mechanisms for film industry financing disputes, utilizing demonstrative judgments to settle mass disputes. Lastly, through close coordination with administrative regulatory agencies, judicial authorities contribute to a unified regulatory force, collaboratively managing film industry financing activities and mitigating economic risks in the film market.

## **4.3 Film Enterprises**

The governance of film enterprises needs to be addressed from three aspects. Firstly, adherence to laws and regulations, clearly defining which laws the enterprise needs to comply with and fostering a self-aware compliance culture within the organization. Secondly, ensuring the effective operation of internal oversight mechanisms to promptly detect, address, and prevent violations or illegal activities within the enterprise. Lastly, placing importance on the company's internal information disclosure system, enhancing information transparency to stakeholders and safeguarding the legitimate rights of investors.

## **4.4 Investors**

As an investor, meticulous attention to several critical aspects is imperative. Firstly, it is crucial to thoroughly grasp the pertinent legal regulations within the film and television industry and understand the avenues for verifying the production qualifications of films before committing to an investment. This ensures a judicious selection of film production companies with the requisite qualifications and trustworthy film investment projects. Secondly, before investment, a discerning examination of film projects is necessary. Scrutinizing production teams, scripts, cast members, and other elements is vital

---

to identifying potential risks of false advertising or fraud in film ventures. Thirdly, elevating one's risk awareness is paramount. Amidst the intricate landscape of film investment information, it is essential to discern potential scams, paying meticulous attention to the significant contract terms particularly those about investment return conditions, breaches, and exemptions. Careful judgment is crucial in this regard. Lastly, investors should actively fulfill the rights and obligations stipulated in contracts, stay engaged, and vigilantly monitor the progression of film projects. In the event of a breach by a film company, prompt action through diverse dispute resolution methods, such as third-party mediation or litigation, is essential to safeguarding one's legal rights and interests.

## Reference

- [1] In this context, the term 'film enterprises' encompasses entities, regardless of their scale, engaged in film creation, production, distribution, exhibition, and related activities within the People's Republic of China.
- [2] Shuguang Li, *Transitional Jurisprudence: Legal Interpretation of Market Economy (Revised and Enlarged Edition)*, Commercial Press, August 2021, p.74.
- [3] Yanmei Wang, *Legal and Regulatory Practices in the Film and Television Industry*, Law Press·China, 2020, p.333.
- [4] Xiaodan Qi *Analysis of Legal Application Issues in the Intersection of Criminal and Civil Aspects in Private Equity Funds—A Perspective on Illegal Public Fundraising by Private Equity Funds*, *Journal of Law Application*, September 2021, p.114.
- [5] Qichang Wang, *The Essence of Finance, Financial Instruments, and Contract Law in Relation to Financial Legal Relationships*, Wanyi Zhao's edited volume, *Application of Company Law and Financial Law in the Contract Law Perspective*, Law Press·China, 2017 edition, p.205.
- [6] Article 534 of the Civil Code of the People's Republic of China stipulates that when parties use contracts to engage in activities harmful to national interests or public interests, the market supervision and other relevant administrative authorities shall be responsible for supervision and handling in accordance with laws and administrative regulations.
- [7] Yan Liu, *Legal Regulation of Corporate Finance: Exploring the Path*, Peking University Press, January 2021, 99 and 133.
- [8] Jichun Shi, *Legal Reflections on the Government-Market Relationship*, *Journal of the Party School of the Central Committee of the C.P.C.*, December 2014, Volume 18, Issue 6, p.11.
- [9] Ryoji Kinze, *Introduction to Economic Law*, translated by Manda Ren, China Legal Publishing House, January 2005, p.45-47.
- [10] Dasong Yuan and Yusheng Zhao, *On the Incentive Mechanism of Economic Law*, *Law and Economy*, May 2019, Issue 5, p.110.
- [11] Binjie Liu, Chenxi Nie, and Shuhong Yuan, *Q&A on Learning the Law on the Promotion of the Film Industry of the People's Republic of China*, Law Press·China, February 2018, p.10.
- [12] It primarily includes supporting eligible film enterprises to go public, encouraging film companies to issue corporate bonds, enterprise bonds, collective trusts, collective bonds, and SME private placement bonds as non-financial corporate debt financing tools. It guides various investment institutions such as private equity investment funds and venture capital funds to invest in the film industry. The central finance provides a certain percentage of interest subsidies and premium subsidies for loans to nationally supported film bases, enterprises, and projects. — Binjie Liu, Chenxi Nie, and Shuhong Yuan, *Interpretation of the Law on the Promotion of the Film Industry of the People's Republic of China*, Law Press·China, June 2017, p.181.
- [13] Jinshi Sako, *Sanctions Theory*, translated by Shengming Ding, Peking University Press, February 2018, p.34.
- [14] Chongshi Zhu, *Legal Regulation of Asset Securitization: Reflection and Reconstruction in the Context of Financial Crisis*, Xiamen University Press, December 2009, 291-292.
- [15] Ronggong He, *Methodology of Criminal Law Application*, Peking University Press, November 2021, p.113-114.
- [16] Jinshi Sako, *Sanctions Theory*, translated by Shengming Ding, Peking University Press, February 2018, p.16.
- [17] Shi Jichun and Feng Hui, *Analysis of "Regulation"*, *Economic Law Review*, Volume 17, Issue 1, 2017, p.12.