

China's Movie Market Snapshot: Astounding Achievement in 2013

Prepared by: Commercial Service Guangzhou, China

Report Date: March 12, 2014

Market Overview

Chinese films are burgeoning and becoming a force to reckon with in its own market, which is also the world's 2nd largest movie market. In 2013, China's film industry reaped a bountiful harvest. According to official figures released by the State Administration of Radio, Film and Television, the movie box office crossed an annual takings at \$3.6 billion (RMB 22 billion) , a remarkable increase of 27.51% over 2012. China's homegrown films outperformed Hollywood blockbusters, with 7 domestic productions dominating the top 10 highest-grossing movies that accounted for 71% of the annual box office revenue. Estimate shows that China's box office receipts will reach \$4.6 billion (RMB 28 billion), a growth of more than 30% in 2014.

2013 Mainland China Top 10 Movies:

Rank	Movie Title	Type	Box Office Revenue
1	Journey to the West: Conquering Demons	Local	\$209.5Million
2	Iron Man 3	Imported	\$124 Million
3	So Young	Local	\$117 Million
4	Pacific Rim	Imported	\$114.7 Million
5	Young Detective Dee: Rise of the Sea Dragon	Local	\$99.15 Million
6	Personal Tailor	Local	\$96.2 Million
7	American Dream in China	Local	\$87.6 Million
8	Finding Mr. Right	Local	\$84.28 Million
9	Tiny Times 1.0	Local	\$79.32 Million
10	Gravity	Imported	\$72.7 Million

"Behind the Scene" Factors

This was the first time since many years that the most popular movie in China was not a Hollywood produced film. There was also a significant change in box office revenues compared with 2012 when majority of box office receipts were still captured by foreign big-budget, special-effect productions. Homegrown films generated around RMB 13 billion, an increase of 54.32% compared with 2012 and covered 58.65% of the market share. There were 33 local movies achieved a revenue of over RMB100 million. Domestic productions were dominating the film market in China. There has been a so-called "New Wave" of China's movie industry where emergence of young Chinese filmmakers producing small-and-medium budget realistic films with contemporary story lines, locally-developed action comedy, or nationalist sentiment, have captured the interest and attention of the local audience, particular younger generation and middle class. This is believed to be an approach by Chinese filmmakers to compete with Hollywood produced movies for box office revenue, finding simpler themes that "connect with the heart", and resonate with the audience. The achievement of the 2013 box office revenue is also attributed to the increase of the number of movie theaters. According to December 2013 figures, China has over 3,000 theaters and a total of 18,195 screens. Although this number is still far below the United States' tally, with China's ample population and rising demand in

3rd and 4th tier cities, there remains large potential for movie theater growth and thus the revenue growth.

Although 2013 was a historical year to remember when Chinese films took off, as a matter of fact, local films' high box office was still in sharp contrast with unsatisfactory public praise. The majorities of locally produced films still lack quality and do not receive kudos by critics and viewers. Local audience believes that 2013 was ruled by "Chinese bad movies". Even the top box office movie "Journey to the West: Conquering Demons" did not receive positive reviews to match its box office success. Its popularity was mostly because of the celebrity filmmaker Stephen Chow, as well as the ideal release date during the Chinese New Year. This phenomenon demonstrates the immaturity and limitation of the Chinese film industry and a need to nurture creative ideas and integrate technical sophistication to reshape the pattern of China's movie industry.

Call for Collaboration

Both Chinese and American movie makers are looking forward to forming a cooperation relationship that is mutually beneficial. Co-production is considered to be alternative and profitable ways to access the lucrative Chinese market since co-production films claim a much higher share of box office revenues of around 38% as opposed to imported quota films at 25%. At the same time, Chinese industry can take use of American industrial wisdom to strengthen local production, for instance, by working on a script and casting a film together. To qualify as a co-production, a film has to have no less than one third of the investment from China, Chinese actor(s) taking the leading role(s), part of the filming in China with a joint script and joint ownership. According to the China Film Promotion International (CFPI), a service provider for promotion and commercial distribution of films, the Chinese government actually welcomes and encourages more co-production. Although China signed co-production agreements in 2013 with seven countries: Canada, Italy, Australia, France, New Zealand, Singapore, Chinese companies' desire to collaborate with Hollywood remains high. Another critical benefit of co-production partnership with China is the abundant film fund and capital available in the market. There has been a significant increase in the number of Chinese venture capital firms or limited liability companies launching film funds to enhance production capacity, as well as to bring high quality co-production projects. These funds and financing options aim at exploiting Hollywood Studio's hunger for the fast-growing Chinese film market, and supporting Chinese ambition to play a pivotal role in the global film market.

Opportunities

The Chinese government is emphasizing more on the country's "Soft Power" by strengthening the cultural industry development, as well as stipulating more domestic consumption in this field. One of the prominent responses last year was the real estate and entertainment mogul Dalian Wanda Group's ambitious announcement to splurge \$8 billion on studios and theme parks construction with Hollywood partnership and global entertainment investment. While China is set to become the center of global entertainment industry, American movie industry developers should consider how to produce movies both suitable for the China market, while still appeal to the global audience.

The U.S. Commercial Service offers a broad array of market entry services to U.S. companies in the media and entertainment industry. Please refer to the following relevant contacts for additional information on how we can help you expand your business in China.

Beijing Office:

Tel: (86-10) 8531 3000

Fax: (86-10) 8531 3701

[Maggie Qiu](#)

Shanghai Office:

Tel: (86-21) 6279 7630

Fax: (86-21) 6279 7639

[Maggie Wen](#)

Guangzhou Office:

Tel: (86-20) 3814 5000

Fax: (86-20) 3814 5310

[Jericho Li](#)

Chengdu Office:

Tel: (86-28) 8558 3992

Fax: (86-28) 8558 9221

[Liping Lin](#)

Shenyang Office:

Tel: (86-24) 2322 1198

Fax: (86-24) 2322 2206

[Yang Liu](#)