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MARKET RESEARCH FILM

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Ministry of Foreign Affairs
and International Cooperation

ITCA 

ITALIAN TRADE AGENCY
ICE - Italian Trade Commission
Hong Kong

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BACKGROUND: HONG KONG CURRENT MARKET OVERVIEW

Business Shock Under COVID-19

CINEMA CLOSED DUE TO CORONAVIRUS PANDEMIC

Under the tightened social distancing policies announced by the HKSAR government to fight against the coronavirus, cinemas were previously closed twice from March 27 to May 5 and July 15 to August 27



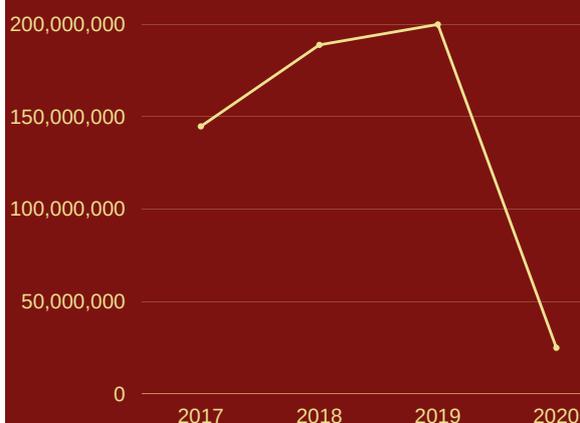
Hong Kong box office receipts plunged by more than 70% in the first six months of 2020 as audiences stayed away and cinemas shut down amid the coronavirus pandemic.

The Hong Kong government closed all cinemas on March 28 as the second wave of COVID-19 brought by returnees began to spread. Cinemas reopened six weeks later, on May 8, as the number of cases in the city came under control and social distancing measures began to be relaxed. The impact on the box office however was felt before cinemas closed and continued after their reopening. A staff member at the cinema said business had been hit hard, with only an average of 10 customers per screening session in March.

According to figures provided by the Hong Kong Box Office Ltd., a company under the Hong Kong Motion Pictures Industry Association, box office income totalled just \$37.8 million (HK\$293 million) in the first six months of 2020. That was 72% down on the \$135 million (HK\$1 billion) recorded during the equivalent period last year.

Beyond cinemas being shuttered, nearly all physical production and post-production activity was put on hold in Hong Kong and the mainland in early February until only very recently. This saw at least two of the Hong Kong-mainland co-productions that were shooting in January – Filmko’s action thriller Polar Rescue (starring Donnie Yen) and Mandarin Motion Pictures’ G Storm (starring Louis Koo) forced to shut down.

Hong Kong Yearly Box Office



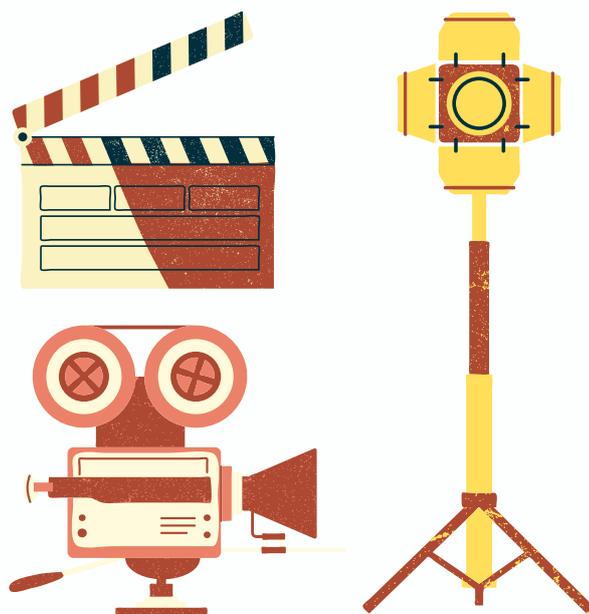
(Please see Page 4 for more details on Box Office and Market Trend)

Contractor Fallout

The immediate impact of the cinema closures and the suspension of production work has been the bankruptcy of about 5,000 of the mainland's smaller film and TV companies. In the case of Hong Kong, while it has so far staved off major bankruptcies in the sector with help from the government's two stimulus packages, hundreds of film workers – typically, those working on short-term or freelance contracts – have lost their jobs.

Inevitably the outbreak has also impacted negatively on the international export of Chinese-language films. For its part, Hong Kong has a long history of handling the international sales of Chinese language movies, whether produced in Hong Kong or on the mainland. Over recent months, however, sales have slowed considerably, with cinemas closed and productions on hold.

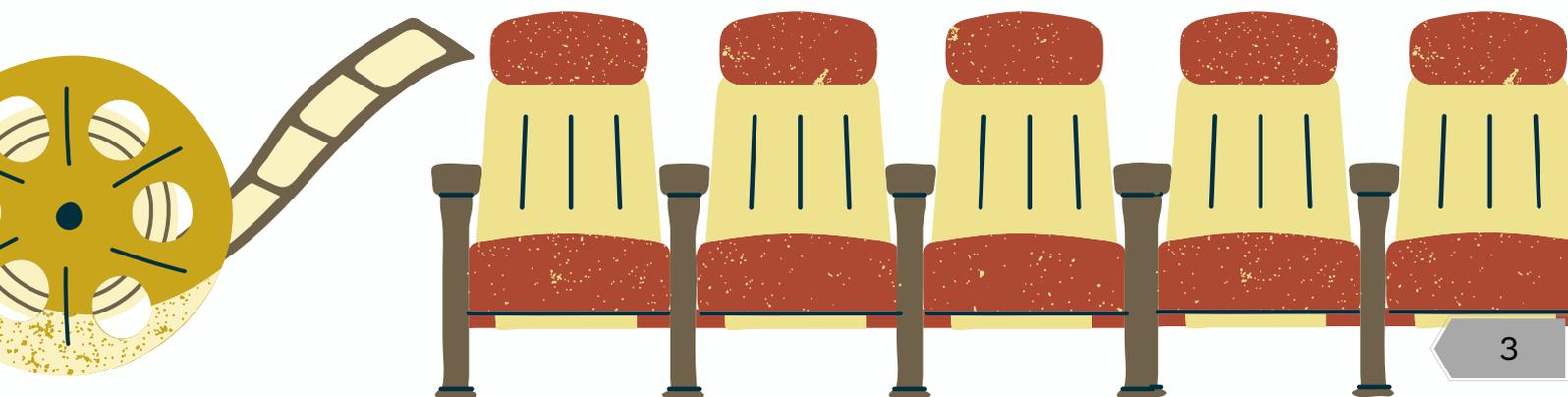
Outlining the particular challenges, Fred Tsui, General Manager of Hong Kong-based film distributor Media Asia, said: "One problem is that we don't know when we'll be able to release the films on our slate in [the mainland] – and we can't really sell internationally if we don't have confirmed local release dates. Having said that, while there's still a global lockdown in place, it would be difficult to sell on an international basis anyway." In addition to the problems facing cinema operators and filmmakers, the global film festivals and markets around the world, many of which act as sales platforms for the international rights to new films, have also fallen victim to the virus outbreak. One of the first such events to reschedule was the HKTDC Hong Kong International Film & TV Market (FILMART), organised by the Hong Kong Trade Development Council, which has shifted from its traditional March slot to late summer (27-29 August).



EVENT POSTPONED

As the virus has spread across North America and Europe, nearly every film and TV event from March onwards has been either postponed, cancelled altogether or reinvented in an online-only format. Among those to have fallen victim are two of Frances's major international TV markets – MipTV and Series Mania – and Las Vegas theatre operator confab CinemaCon, as well as several major spring festivals, notably Tribeca (New York) and South By Southwest (Texas / Beijing).

More recently, the organisers of the world's biggest film market – the Marche du Film, part of the Cannes Film Festival – have confirmed that this year's edition will take place entirely online (22-26 June). This will be via a digital platform that enables sellers to do business via Virtual Sales Booths and Zoom meetings. The Cannes Film Festival proper (originally scheduled to take place 12-23 May) has now been postponed twice, with no final decision yet taken as to when – or indeed if – the 2020 iteration will actually occur.

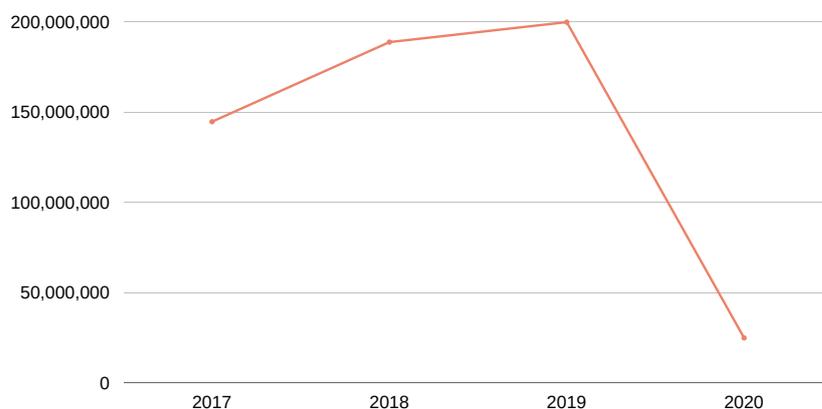


STATISTIC

BOX OFFICE AND MARKET TREND

Hong Kong Yearly Box Office

Yearly	Total Gross
2017	\$144,751,949
2018	\$188,838,293
2019	\$199,909,608
2020 (Jan - Aug)	\$24,962,610



Under the affect of the coronavirus epidemic, under the restriction of social distancing, we could clearly see the total gross of Box Office has a huge drop compared to the past few years. Despite the effect of the epidemic, the total gross of Hong Kong Box office is steadily increasing from 2018's gross total of \$144 Million Hong Kong Dollar (Approx. 18 Million USD) increased to 2019's \$199 Million Hong Kong Dollar (Approx. 25 Million USD)

Hong Kong Local and Foreign Film Release

	2017	2018	2019
Number of Local Film Released	53	53	46
Number of Foreign Films Released	278	300	280

Market Trend

Foreign movies dominate the Hong Kong box office, especially Hollywood Sci-Fiction movies and family friendly movie, such as Disney cartoons are popular in Hong Kong market,

The highest total gross movie is the Avengers: Endgame, and it was the highest gross globally for last year box office. Toy Story 4 also from Disney ranked the 2nd, following Spider Man ranked the 3rd is produced by Sony Pictures Releasing, and for other movie also ranked the top 10 are from Disney, 20th Century Fox International and Universal Pictures International.

TOP 10 FILM (2019 BOX OFFICE)

1 Avengers: Endgame	US \$29,330,722
2 Toy Story 4	US \$11,234,631
3 Spider-Man: Far from Home	US \$11,504,531
4 Captain Marvel	US \$10,193,610
5 Aladdin	US \$7,805,433
6 Frozen II	US \$7,404,995
7 Alita: Battle Angel	US \$5,632,349
8 The Lion King	US \$5,169,696
9 Fast & Furious Presents: Hobbs & Shaw	US \$4,750,705
10 Maleficent: Mistress of Evil	US \$3,747,830

Audio Visual Equipment Industry

Hong Kong Import from World

Table 1

Photographic Or Cinematographic Goods,
Calendar Year: 2017-2019 , HS Code : 37-
Value: Thousand USD

Rank	Partner	January - December (Value: 000USD)			Market Share (%)			Change 2019/2018	
		2017	2018	2019	2017	2018	2019	Amount	Percent
0	World (Total)	224022	176787	223295	100	100	100	46509	26.31
1	South Korea	41963	38185	66679	18.73	21.60	29.86	28493	74.62
2	Japan	75823	49941	46605	33.85	28.25	20.87	-3336	-6.68
3	China	42838	35134	37169	19.12	19.87	16.65	2035	5.79
4	Taiwan	13265	8750	31900	5.92	4.95	14.29	23150	264.56
5	United States	21228	20878	18640	9.48	11.81	8.35	-2238	-10.72
6	Malaysia	7744	9127	7955	3.46	5.16	3.56	-1171	-12.83
7	Netherlands	4535	4060	4536	2.02	2.30	2.03	476	11.73
8	Belgium	3621	5141	3272	1.62	2.91	1.47	-1869	-36.35
9	Germany	3708	2775	2122	1.66	1.57	0.95	-653	-23.52
10	Singapore	1947	1040	2012	0.87	0.59	0.90	972	93.48
23	Italy	9	26	10	0	0.02	0.01	-16	-60.48

In 2019 Hong Kong imported Photographic Or Cinematographic Goods (HS 37) from all over the world for about \$223 Million US dollars in value (Table 1) recorded a +26.31% change compared to the same period in 2018.

Table 1 indicates the total import statistic of all kinds of Photographic Or Cinematographic Goods, includes, camera, video recording camera for professional use, filming accessories, lighting tools, 16mm film, 35mm film, lens etc.

South Korea is the largest supplier with a market share of 29.89%, with a value of \$66 million US dollars in 2019, compare to 2018 the market share has increased by 74.62%. Japan follows with a total value of US \$46 Million and 20.87% market share and China ranked the 3rd with US\$ 37 Million with market share of 16.65 % and has increased 5.79% compare to 2018. Italy ranked 23th with US \$10 Million and 0.01 % market share, compare to 2018, the market share has decreased by 60.48%.

Table 2

Cinematographic Cameras And Projectors (With Or Without Sound
Recording Or Reproducing Apparatus); Parts And Accessories Thereof
Calendar Year: 2017-2019 , HS Code : 9007
Value: Thousand USD

Rank	Partner	January - December (Value: 000USD)			Market Share (%)			Change 2019/2018	
		2017	2018	2019	2017	2018	2019	Amount	Percent
0	World (Total)	9408	5023	15943	100	100	100	10920	217.41
1	China	4125	2552	13680	43.85	50.81	85.80	11128	436
2	Canada	2344	97	938	24.92	1.93	5.89	841	867.16
3	United States	1671	479	542	17.76	9.53	3.40	64	13.30
4	Japan	90	784	384	0.95	15.61	2.41	-400	-51.08
5	Germany	477	557	224	5.07	11.08	1.40	-333	-59.81
6	Taiwan	13	4	50	0.14	0.09	0.31	46	1060.99
7	United Kingdom	183	86	48	1.94	1.72	0.30	-38	-44.19
8	Australia	2	0	15	0.02	0	0.09	15	0
9	Italy	9	27	13	0.10	0.53	0.08	-13	-49.38
10	Belgium	115	0	12	1.23	0	0.08	12	0

The best ranking of Italy as an import country in film related product is Cinematographic Cameras And Projectors (With Or Without Sound Recording Or Reproducing Apparatus); Parts And Accessories (HS 9007); Italy ranked the 9th with \$13 Thousand US dollars and decreased by 49.38% compared to same period last year. China is the largest supplier with a market share of 85.8%, with a value of \$13.7 million US dollars in 2019, compare to 2018 the market share has increased by 436%. Canada follows with a total value of US \$938 Thouand and 5.89% market share. United States ranked the 3rd with US\$ 542 Thousand with market share of 3.4% and has increased 13.3% compare to 2018.

LOCAL FILM INDUSTRY AND DISTRIBUTION

The Hong Kong industry has rapidly equipped itself with the technologies that have innovated the entertainment world in recent years, especially as regards the digitization of production and distribution methods and can now count on professionalism, designers and equipment techniques among the best and most advanced in Asia.

Effectively supported by the Hong Kong Film Development Council (HKFDC), a government body that has the task of supporting and promoting the local film and television industry, the local industry, very attentive to technical innovations and public trends, has quickly developed 3D film production capability; following the launch in 2008 of the "Hong Kong 3D Film New Action" project, numerous 3D films have been produced in recent years

All Hong Kong cinemas are currently equipped with equipment suitable for projection of 3D films and production and post-production service companies are able to provide foreign investors with high quality technology and assistance in production in 3D, IMAX, VIP Cinema, as well as in 4DX-Dbox special effects.

As of January 2020, there are 59 cinemas in Hong Kong. Films are mainly released through channels such as United Artists, Broadway Circuit, Emperor Cinemas, Golden Harvest Cinemas, Newport Circuit, MCL Circuit, AMC Circuit and Cinema City Circuit. Other movie distribution channels include selling of film Blu-ray discs, DVDs and VCDs, broadcasting by local free televisions, pay televisions, subscription satellite services and online platforms such as Amazon, iTunes and Google Play. Hong Kong is among the world's largest film exporters.

In 2018, 53 locally produced films were released. In 2017, Hong Kong's audio-visual production-related services exports amounted to HK\$620 million. Hong Kong's film industry as a whole is reliant on overseas revenues, given the limited size of the domestic market. Asia accounts for the majority of the foreign sales income. The box office on mainland China has become a vital market for Hong Kong movies. According to China Film Administration, the mainland box office income grew by 9% to top RMB61 billion in 2018. Nowadays, an increasing number of movies have been co-produced by Hong Kong and mainland film production companies. In 2017, the total box office revenue from Hong Kong-Mainland co-productions reached RMB7.3 billion or 13% of the mainland's total.



GLOBAL DISTRIBUTION INTERNATIONAL INVESTMENT

In 2015, Warner Bros. Entertainment (華納兄弟娛樂公司) and China Media Capital (華人文化產業投資基金)(CMC) formed a joint venture of US\$1 billion, headquartered in Hong Kong, to develop and produce films for global distribution.

Hong Kong film talents and professionals have managed to make their names known in both Eastern and Western movie market. For example, Louis Koo (古天樂) was awarded his very first Best Actor Award after 25 years of making movies at the 12th AFA, when Kara Hui (惠英紅) was presented the Excellence in Asian Cinema Award. Further afield in Hollywood, Yuen Woo Ping (袁和平) is one of the best known Chinese martial arts movie choreographers, thanks to his involvement in Matrix (廿二世紀殺人網絡), while Chow Yun-fat (周潤發), Cory Yuen (元奎), Donnie Yen (甄子丹), Jackie Chan (成龍), John Woo (吳宇森), Johnnie To (杜琪峯), Michelle Yeoh (楊紫瓊), Ronny Yu (于仁泰), Sammo Hung (洪金寶), Tsui Hark (徐克), Wong Kar-Wai (王家衛), Wilson Yip (葉偉信), are also familiar Hong Kong names that have successfully straddled both Eastern and Western markets. For instance, Ip Man 3 (葉問3) fetched a box office of US\$1.6 million during the first ten days of its premiere in the North America market. While major film companies have their own distribution departments, smaller independent filmmakers usually rely on distribution companies to sell their films in overseas markets.

Key channels for international distribution are the three main film markets in Los Angeles, Cannes and Berlin, where producers, distributors and buyers meet to initiate deals for the distribution of films. In 2018, the HKTDC organised the Hong Kong Pavilion showcasing the latest Hong Kong film productions at the Marché du Film in Cannes.

Hong Kong has hosted an annual film market since 1997 to promote Hong Kong as a film distribution centre in the region. Hong Kong as Asia's world city is also a popular place for overseas crews shooting commercial films, TV programmes and advertisements. Recent examples include two 2017 Hollywood science fiction films Ghost in the Shell (攻殼機動隊), which used Hong Kong as the blueprint for its futuristic metropolitan setting and Geostorm (人造天劫), which shut five blocks in Mong Kok down for filming and featured Daniel Wu (吳彥祖) as a Hong Kong-based weather scientist, and various TV programmes such as Cesar to the Rescue (US) and Asia's Got Talent (Singapore).

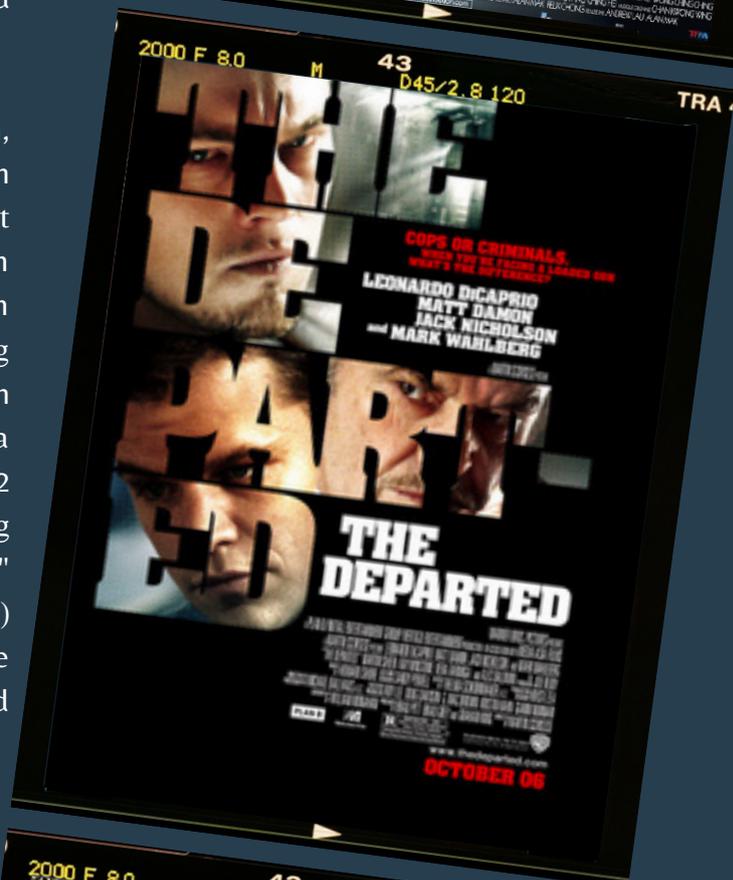


International Recognition

Hong Kong's films have gained increasing recognition from the international film industry over the years. In 2018, No. 1 Chung Ying Street (中英街1號), directed by Derek Chiu, won The Grand Prix at the 13th Osaka Asian Film Festival, while Paradox (殺破狼·貪狼) by Wilson Yip was awarded the Best Action Film at the 12th AFA.

Young talents are also on the rise. Examples include Wong Chun's winning of the Best New Director Award at the 53rd Golden Horse Awards with his debut feature Mad World (一念無明), when crime thriller Trivisa (樹大招風), directed by new talents Frank Hui, Jevons Au and Vicky Wong and produced by Johnnie To (杜琪峯) bagging the Best Original Screenplay Award (by Loong Man Hong, Thomas Ng, Mak Tin-shu and Best Film Editing Award (by Allen Leung Chin-lun and David Richardson).

Apart from buying rights for theatrical distribution, overseas film production companies are also interested in acquiring rights to remake Hong Kong movies. The most recent examples include the South Korean re-toolings in Believer (毒戰) of Johnnie To's 2013 crime thriller and in Mujeogja (英雄本色：無敵者) of the classic Hong Kong gangster film A Better Tomorrow (英雄本色), both released in 2018. Others include The Eye (異度見鬼), a remake released by Hollywood in 2008 based on a 2002 Hong Kong movie Gin Gwai (見鬼) directed by Pang Brothers and the Oscar-winning movie "The Departed" remade by Martin Scorsese from Infernal Affairs (無間道) in 2006. Hong Kong has a unique advantage in bridging the mainland Chinese with the Western audiences and opening a window on the world for Chinese audience.





Hong Kong TV companies derive a substantial portion of their revenue from overseas markets, targeting primarily Chinese-speaking populations. In addition, some programmes are dubbed into other languages to target the non-Chinese-speaking audience. Hong Kong's television broadcasters sell their products using the following methods: programme licensing, pre-packaged programme content and subscription fees, with satellite distribution and landing rights now becoming an increasingly important source of revenue.

There are currently three domestic free television programme service licensees, namely, Fantastic Television Limited (Fantastic TV), HK Television Entertainment Company Limited (HKTVE) and Television Broadcasts Limited (TVB), delivering free TV services by using frequency spectrum and/or fixed network as transmission mode in Hong Kong.

Domestic Pay TV services in Hong Kong are currently provided by Hong Kong Cable Television Limited (HKCTV) and PCCW Media Limited. The number of pay TV channels increased to 399 as at 31 December 2018 from only eight when pay TV was first launched in 1993.

Recently, mobile viewing platforms have emerged to be an important distribution channel of TV content in Hong Kong. Nowadays, most of the latest TVB programmes are available on the mobile application platform "myTV Super", which amassed more than 5 million subscribers and became the biggest OTT provider in Hong Kong as it turned two in 2018.

Other players include ViuTV, the channel run by HKTVE and launched in April 2016, offering both free-to-air broadcast and media-on-demand streaming services on mobile devices, the global streaming giant Netflix rolling out its OTT service in Hong Kong in January 2016 and Hong Kong Asia Television Digital Media Limited (ATV), after going off air in April 2016, launching a mobile app to continue broadcasting through OTT services in January 2018.

The HKSAR government opted to use DMB-T/H as the digital television broadcast standard and the official commencement of digital TV broadcasting began on 31 December 2007. Although the overall DTT coverage in Hong Kong already reached 99% of households in September 2013 and some 88% of households already received DTT according to a public survey done in Aug-Oct 2017, the Government, in view of the latest development of DTT and technical considerations, revised the working target for switching off analogue TV broadcasting from end-2015 to end-2020.

Mainland China, as the world's largest television market, sees growing demand for quality programme content in tandem with a surge in TV and cable channels. Landing rights have been granted to Hong Kong's TV broadcasters to provide TV entertainment to millions of homes on the mainland, and much wider access of Hong Kong-Mainland co-produced television programmes are provided under CEPA.



TRADE SHOW

HONG KONG INTERNATIONAL FILM AND TV MARKET

FILMART 2020 Go Virtual

Hong Kong FILMART is the largest film and television content trading platform in Asia, was held in HKCEC every year. This year's FILMART will be held online this year in view of the COVID-19 outbreak and related international travel restrictions.

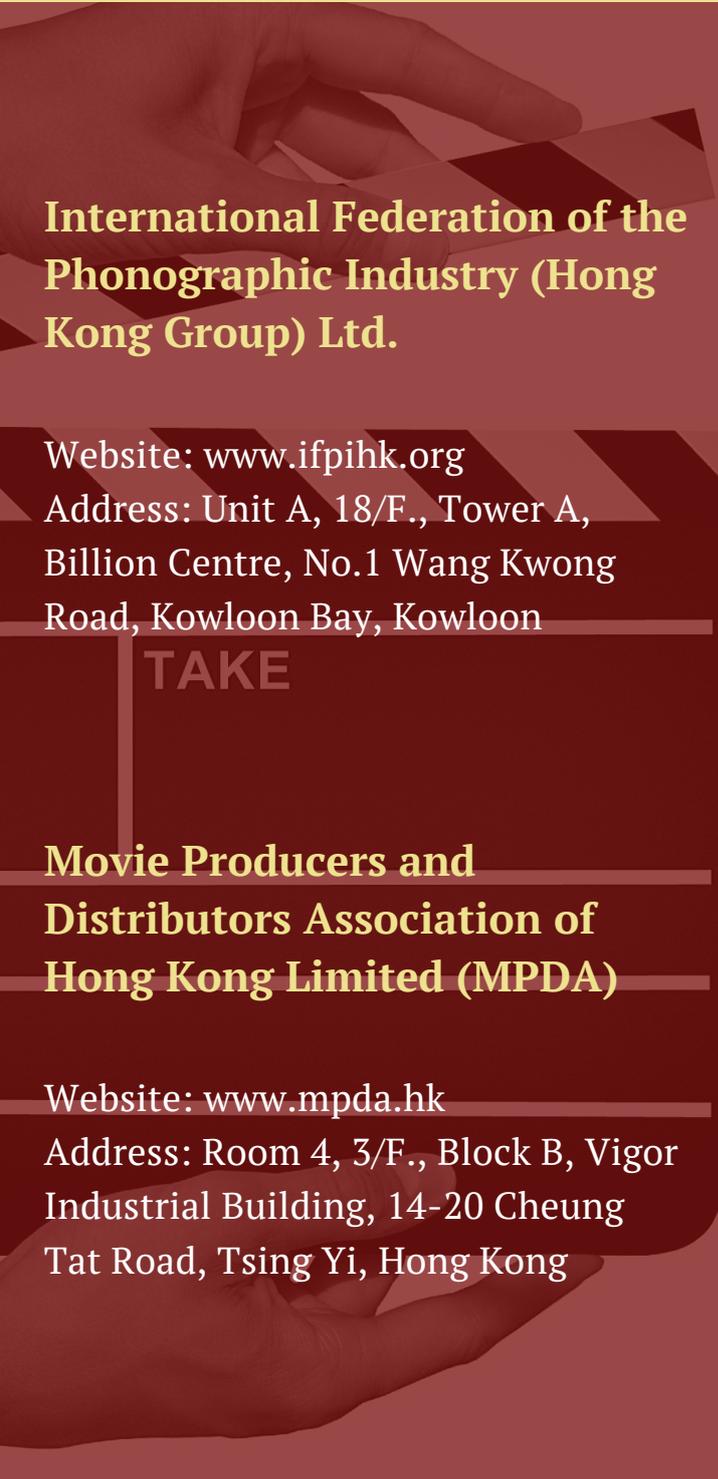
FILMART Online will help reinvigorate the film industry by giving players the chance to: Showcase titles and productions – on a dedicated company page targeting buyers. Connect personally with buyers – through a virtual meeting platform, equipped with high-quality video conferencing and built-in messaging centre. Stream trailers and videos – with DRM encryption, individual watermark and time-limited screener authorisations – measures designed to safeguard exhibitors' valuable video assets. Join seminars, content showcases, business dialogues and events – which will provide updates on the latest market tips, trends and technical know-how crucial for post-pandemic business development.

Website:

<https://event.hktdc.com/fair/hkfilmart-en/Hong-Kong-International-Film---TV-Market--FILMART-/>

HONG KONG TRADE ASSOCIATIONS

Film/Audio-Visual Production



International Federation of the Phonographic Industry (Hong Kong Group) Ltd.

Website: www.ifpihk.org
Address: Unit A, 18/F., Tower A,
Billion Centre, No.1 Wang Kwong
Road, Kowloon Bay, Kowloon

TAKE

Movie Producers and Distributors Association of Hong Kong Limited (MPDA)

Website: www.mpda.hk
Address: Room 4, 3/F., Block B, Vigor
Industrial Building, 14-20 Cheung
Tat Road, Tsing Yi, Hong Kong

Hong Kong & Macau Cinema and Theatrical Enterprise Association Ltd

Address: 2/F., 28 Choi Hung Road, Kowloon,
Hong Kong

Hong Kong Film Directors' Guild

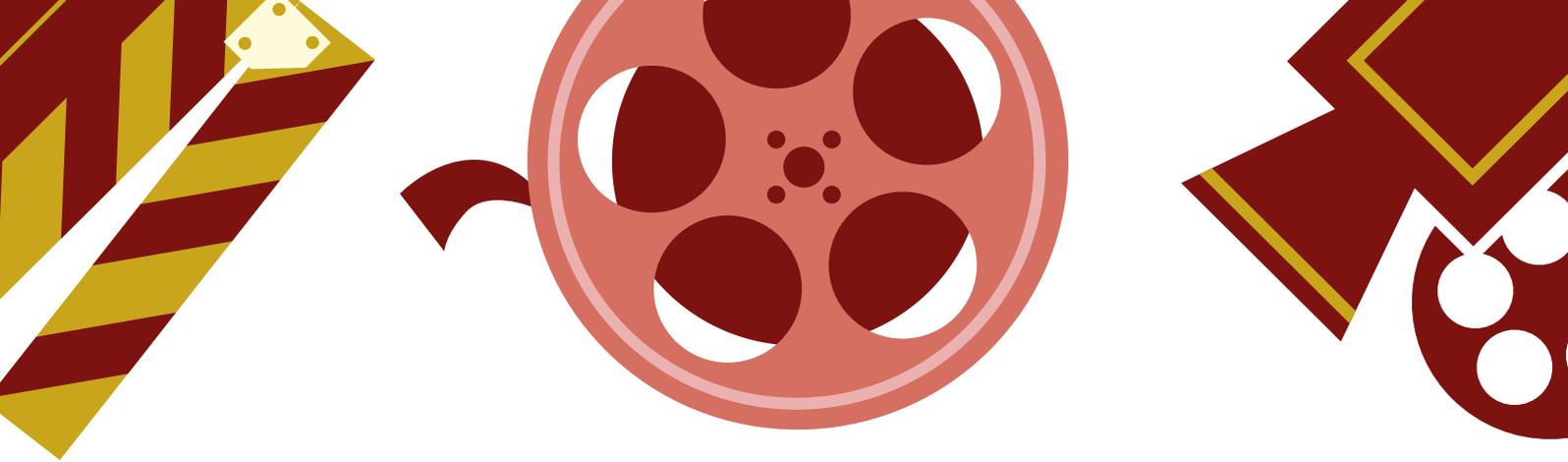
Website: www.hkfdg.com
Address: 6/F., Union Industrial Building, 116
Wai Yip Street, Kwun Tong, KLN, Hong Kong

Hong Kong Motion Picture Industry Association Ltd (MPIA)

Website: www.mpia.org.hk
Address: Office A, 1/F, Production Building,
Shaw Moviecity, 201 Wan Po Road, Tseung
Kwan O, Kowloon, Hong Kong

Hong Kong Theatres Association Ltd.

Website: www.hktaorg.com
Address: 21/F., Hong Kong Chinese Bank
Causeway Bay Centre, 42-44 Yee Wo Street,
Causeway Bay, Hong Kong



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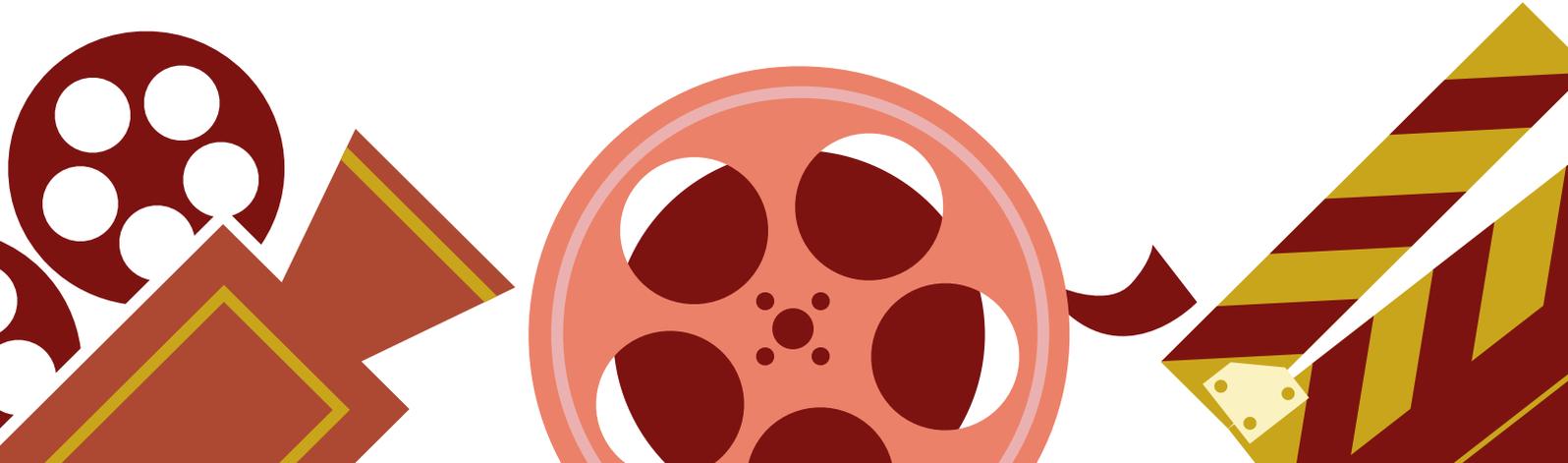
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