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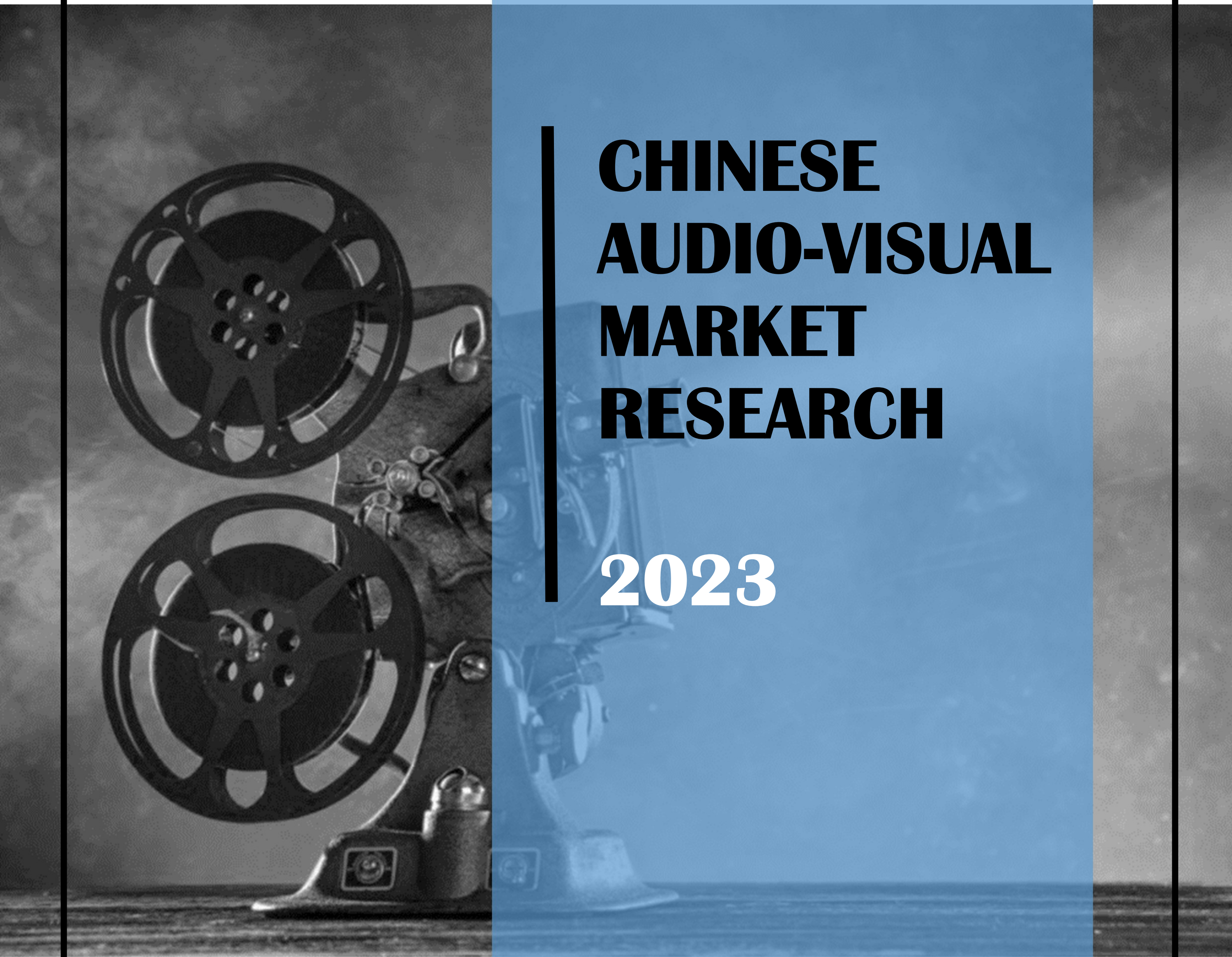

CHINESE AUDIO-VISUAL MARKET RESEARCH

2023

SUMMARY

The research used a quantitative-qualitative methodology, conducted by meeting with industry, email questionnaire, telephone call interview and source from domestic and international institutions to collect and analyse data and information.

This report has for object to present, detail, analyze the Chinese film and audiovisual industry market as well as report the tendencies regarding new trends on the web and associated new technologies.

Some introduction to the existing collaborations, exchanges and possibilities on an international collaboration level are also presented throughout the report. A special attention has been granted on the collaborations with France and the exchanges with the United States of America.

The outcome of the report is to offer Italian decision makers, political, cultural and industrial some knowledge of the Chinese market nowadays and its potential development in the close future thus in order to nurture and develop Italian-Chinese collaborations, co-productions and exchanges on the audiovisual sector.

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Content

INTRODUCTION

The expectation generated by the opening of the Chinese market has been commensurate with its billions of potential viewers.

Cinema in China is still officially a state monopoly and therefore not subject to competition rules. The Film Bureau was under the supervision of the State Administration of Radio, Film and Television (SARFT) and since March 2018, the Film Bureau is under the State Publicity Department. China Film Group is the body that regulates production, distribution and exhibition.

However, the international context has forced China to move. China joined the WTO in November 2001 and, with the 2008 Olympic Games in Beijing, its leaders want to be "economically correct". On the audiovisual level, pressure on piracy is intensifying and the cinema is subject to demands for openness, both externally, notably from the United States or France, and internally, from Chinese directors or Hong Kong professionals.

In 2001, China had 1,400 cinemas; in the early 2010s, it had 20,000 cinemas for 1.3 billion inhabitants. By comparison, 65 million French people enjoy around 5,000 cinemas. A French person is therefore seven times more likely to attend a cinema near his or her home. Faced with such a shortage, the Chinese state has set itself impressive catch-up targets. In 2014, an average of thirteen cinemas per day were built. In 2016, China became the country with the highest number of cinemas in the world, ahead of the United States[1], which has only 40,000 cinemas. However, these figures must be qualified. Access to the cinema offer remains very unequal throughout the country. Only the largest cities, especially in the East, have multiplexes. The State's ambition is to spread these mass structures to the less important cities and the interior of the country[2].

For the authorities, this policy of mass distribution came up against a major obstacle. Hypnotized by Anglo-Saxon culture, the wealthy urban Chinese public often turns away from local productions. Their preference is for foreign blockbuster films, especially Hollywood ones. In fact, Beijing imposes drastic distribution quotas. In 2013, thirty-four foreign films were shown in China, including fourteen in 3D IMAX. Initially, these quotas were to be even more draconian (twenty films per year) but the United States and the WTO have put pressure on China to open its cultural borders further. In addition, the state also wants to control the political content of every film made or broadcast in China. The censorship of the State Administration of Radio, Film and Television has strict rules on this matter.

Also, when it comes to the creative side of the audiovisual industry in China, analysis show that two words face each other: the first one being Chinawood, big studio productions with huge budgets, Chinese stars, that will get a wide release and long theatrical run within China and which will reap the box office top 10 of the year but won't even be considered by buyers outside of China and

[1] https://www.rfi.fr/fr/economie/20170103-cinema-chine-reste-le-deuxieme-marche-monde-derriere-etats-unis

[2] https://aggiornamento.hypotheses.org/2976

the indie films that are not widely released in China but travel abroad, win prizes at major festivals and get released theatrically in foreign countries.

The battle at lake changjin generated 941 million in revenue

Director WANG Xiaoshuai with his two lead actors at the Berlinale Film Festival in 2019, winning best Male and Female actor

CHINESE MARKET

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1. CHINESE MARKET

1.1. Overview

On January 17th, 2022, the National Bureau of Statistics released that China's GDP in 2021 was 114.367billion yuan, an increase of 8.1% from the previous year at constant prices, and an average increase of 5.1% in the past two years. As a pillar industry of GDP, the added value of the tertiary industry was 60.968billion yuan, accounting for 53.3% of GDP, an increase of 8.2%.[3]

According to a study made by the National Bureau of Statistics based on 65.000 cultural and related enterprises achieved in 2021, the cultural field has an operating income of 11.906 billion yuan, an increase of 16.0% over the previous year. The average growth rate compared to the past two years was 8.9%.[4]

In terms of business types, the 16 sub categories of new cultural business types[5] decided by the National Bureau of Statistics, achieved an operating income of 3.962 billion yuan, an increase of 18.9% over the previous year. The average growth rate compared to the two past years was 20.5%.

[3] 国家统计局 National Bureau of Statistics- http://www.stats.gov.cn/tjsj/zxfb/202201/t20220117_1826404.html

[4] 国家统计局 National Bureau of Statistics- http://www.stats.gov.cn/xxgk/sjfb/zxfb2020/202202/t20220208_1827252.html

[5] The 16 sub categories of new cultural business types are: integrated broadcast of radio and television; Internet searching service; Other Internet information services; Digital publishing; Other cultural and art industries; Digital animation and game content services; Internet game services; Multimedia; Software development of game, animation and digital publishing; Value-added telecom cultural services; Other cultural digital content services; Internet advertising services; Internet culture and entertainment platform; Copyright and cultural software services; Manufacturing of intelligent unmanned aerial vehicles for entertainment; Manufacturing of wearable intelligent cultural devices; Manufacturing of other intelligent cultural devices.

National Cultrual Industry Revenue in 2021					
	Absolute Amount RMB (Billion)	Proportion%	Increase over 2020(%)	Increase over 2019 (%)	Average Increase of the two years (%)
Total	**11906.4**	**100**	**16**	**18.6**	**8.9**
Trade					
Press Information Service	1371.5	11.5	15.5	36.3	16.7
Content Creation Production	2516.3	21.1	14.8	20.2	9.7
Creative Design Service	1956.5	16.4	16.6	29.5	13.8
Culture Transmission Channel	1296.2	10.9	20.7	6.5	3.2
Cultural Investment Operation	54.7	0.5	14.3	17.5	8.4
Cultural & Entertaining Service	130.6	1.1	18.1	-17.5	-9.2
Cultural Support Production & Intermediary Service	1621.2	13.6	14.6	6.7	3.3
Cultural Equipment Production	694	5.8	13.6	14.9	7.2
Cultural Consumption Terminal Production	2265.4	19	16.2	22.1	10.5
Industry					
Cultural Manufacturing Industry	4403	37	14.7	13.7	6.6
Cultural Wholesale & Retail Industry	1877.9	15.8	18.2	12.9	6.2
Cultural Service Industry	5625.5	47.2	16.3	25	11.8
Field					
Cultural Core Field	7325.8	61.5	16.5	20.8	9.9
Cultural Related Field	4580.6	38.5	15.2	15.1	7.3
Region					
East	9042.9	76	16.5	19.3	9.2
Middle	1703.6	14.3	14.9	16.4	7.9
West	1055.7	8.9	13.7	18.4	8.8
Northeast	104.2	0.9	11	1.4	0.7

P.S
1. The data in the table has not deducted the price factor
2. The data in the table is rounded

National Cultural Industry Revenue in 2021

If we get into the details of the audiovisual industry:

1.2. Radios and Televisions[6]

As we are talking about a gigantic market and population, the numbers are quite impressive in terms of numbers, hours of content produced for radio and broadcast countrywide.

On May 5th, 2022, The State Administration of Radio Film and Television of China （SARFT) released *The Statistical Bulletin of the National Broadcasting and Television Industry of 2021*[7].

- In 2021, more than 8 million hours of radio programs were produced nationwide, a year-on-year decrease of 1%;
- The broadcast time was 15 million hours, a year-on-year increase of 0.55%. 3 million hours of TV programs were produced, a year-on-year decrease of 6%;
- The broadcast time was 20 million hours, a year-on-year increase of 1%. In 2021, China produced 1.6 million hours of radio programs of news and information, a year-on-year increase of 0.3%; The broadcast time was 3 million hours, basically the same as in 2020.
- The produced news and information on TV were 1 million hours, a year-on-year decrease of 0.35%; The broadcast time was 3 million hours, a year-on-year increase of 1%. In 2021, the time for produced rural radio programs was 1.4 million hours, with a year-on-year increase of 1.84%, accounting for 17% of the time for producing radio programs;
- The amount of rural TV programs produced was 690 000 hours, a year-on-year decrease of 3%, accounting for 22% of the time for producing TV programs;
- The broadcast time was 43 billion hours, a year-on-year decrease of 3%, accounting for 21% of the broadcast time of public TV programs.

In 2021, **194 TV series and 6.736 episodes were produced, shot and distributed nationwide**, with a year-on-year decrease of almost 4% in the number of production and distribution departments and 75.200 hours of television programs, a year-on-year decrease of 21%. 208 900 TV series were broadcasted nationwide, an increase of 1% year-on-year. TV series such as *Mining Town*, *The Age of Awakening* and *Mental of the Republic* have won both public praise and audience rating[8].

[6] http://ynsgbdsj.yn.gov.cn/xg_xwdt/xg_xwdt_hyzx/202205/t20220505_1075965.htm
[7] http://www.nrta.gov.cn/art/2022/4/25/art_113_60195.html
[8] Source from Douban

Posters of TV series Mining Town, The Age of Awakening and Mental of the Republic

In 2021, 88.000 hours of TV documentaries were produced, a year-on-year increase of almost 12%. The broadcast time was 740 000 hours, a year-on-year increase of 19%.

In 2021, 332 TV cartoons with 79 000 minutes were produced and distributed nationwide, with a year-on-year decrease of 31%. The broadcast time of TV animation was 452 000 hours, a year-on-year increase of 1%. The broadcast of children's radio programs was 287 000 hours, a year-on-year increase of 0.03%. Children's TV programs were broadcasted for 626 000 hours, a year-on-year decrease of 0.81%.

In 2021, 688 online films, 232 online dramas, 199 online series and 19 online documentaries obtained the online permission to be shown.

In 2021, the total revenue of the National Radio and television industry was 1,148.881 billion yuan, exceeding one trillion yuan for the first time in history, with a year-on-year increase of 24%. Among them, the revenue generated from radio/television and network audio-visual services was 967.311 billion yuan, a year-on-year increase of 25%. The government financial support was 96.876 billion yuan, basically the same as last year; Other income was 84.694 billion yuan, a year-on-year increase of 58%.

The revenue from traditional radio and television advertising remained stable, and the revenue from new media advertising grew rapidly. Advertising revenue was 307.942 billion yuan, a year-on-year increase of 58%.

The business income of cable TV decreased slightly. Cable TV was 73.456 billion yuan, a year-on-year decrease of almost 3%. Among them, the revenue from traditional cable TV services such as viewing maintenance fees, subscription fees and equipment fees was 48.76 billion yuan, a year-on-year decrease of 6%.

The official register online audio-visual products continued to grow rapidly in the last four years. The online audio-visual revenue was 359.465

billion yuan, a year-on-year increase of 22.10%. **Among them, the revenue from users' subscription and copyright of the programs increased significantly**, reaching 97.405 billion yuan, a year-on-year increase of 17.24%; **Other revenues such as web-cast and short video grew rapidly**, reaching 262.06 billion yuan, a year-on-year increase of 24.02%.

By the end of 2021, there were about 60.000 institutions carrying out radio and television and network audio-visual services nationwide. Among them, there are 2.542 broadcasting institutions such as radio stations, television stations, radio and television stations, 675 official registered online audio-visual institutions, more than 2.000 county-level media centers have obtained network audio-visual program licenses, and more than 50.000 institutions engaged in the production and operation of radio and television programs.

1.3. Films

Year	2017	2018	2019	2020	2021
Attendance (Billion)	1.624	1.718	1.728	0.549	1.167
Box Office (RMB Billion yuan)	55.88	60.688	64.149	20.314	47.036
Box Office (USD Billion yuan)	8.382	9.103	9.62235	3.0471	7.0554
Screen Numbers	52694	61517	68324	72710	75255
Ticket price (RMB yuan)	34.42	35.32	37.11	36.98	40.29
Ticket price (USD)	5.22	5.35	5.62	5.60	6.10
Released Film Numbers	518	559	611	365	684

Chinese Film Market Overview[9]

1.3.1. Film productions[10]

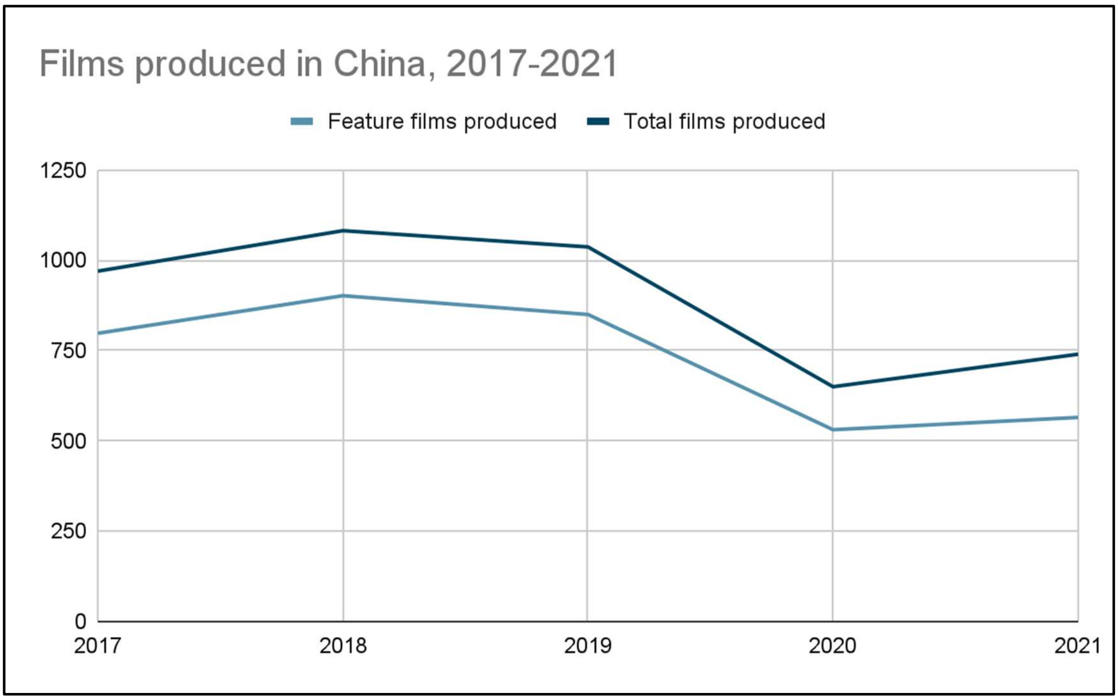
Film production in 2020-2021 continued the basic trend of declining numbers that had marked from 2019 because of the tax crisis, but was of course marked by the dramatic impact of the pandemic. There were 531 feature films produced throughout 2020. Combined with animation, science and educational films, and documentaries and special films, a total of 650 domestic films were issued with public screening licenses. This was down 37% from previous years[11]. There were 565 feature films produced throughout 2021. Combined with animation, science and educational films, and documentaries and special films, a total of 740 domestic films were issued with public screening licenses[12]. The number in 2019 was 1.037.

9 Source from Dengta

10 Source from Dengta

11 https://mp.weixin.qq.com/s/RDqWVSD5_RscakwfP07Rjg

12 https://baijiahao.baidu.com/s?id=1721094405067391429&wfr=spider&for=pc



Chinese film production from 2017-2021

Despite moments of total lockdowns and cinemas being unable to operate at all, 2021 marks a milestone for the Chinese film industry, which seems to have recovered faster than others worldwide.

According to the data of Dengta, a private application based database regarding the Chinese film market operated by Alibaba Group, the total box office of China's theatrical film market in 2020 was 20.417 billion yuan, about 3.1 billion US dollars, surpassing North America (USD 2.1 bn) to become the world's first ticket warehouse. China Retains Global Box Office Crown With $7.3B in 2021, down 26 % compared to 2019.

The domestic Chinese industry, meanwhile, continued its remarkable post-COVID recovery (or mid-COVID, depending on how 2022 unfolds…). **Some 472 Chinese movies were released in 2021, exceeding the 428 titles the country put out in 2019 before the pandemic. And total sales revenue for Chinese films reached RMB 39.9 billion (USD 6.19 bn), just shy of 2019's total of RMB 41.2 billion (about USD 6 bn).**

Since the resumption of work in July 2020, cinemas have recovered rapidly. In 2020, the number of cinemas and screens in China's film market bucked the trend. Cinema number reached 11.856, an increase of 4% compared to 2020; The number of screens increased by 8% to 75,581. The screen numbers reached 82,248 in 2021.

China's effective control of the pandemic is the primary reason behind this achievement. But it seems the downward trend in theatrical film production is likely to continue as more films move to online releases.

1.3.2. Film Attendances

There were 549 million[13] cinema attendances in 2020, down 70.78% from 1879 million[14] of the previous year. Cinema attendance in 2021 was 1167 million. The per capita frequency of cinema attendance was 0.39 times in 2020, and 0.83 times in 2021[15]. During 2020, China ranked first in the world in terms of total film viewings. The total size of the cinema audience and the frequency of cinema attendance trended downward due to the impact of the pandemic as well as the diversification toward new media.

Year	Domestic Films	Imported Films	Others	Total
2014	514	267	53.26	834.26
2015	810	443	5.94	1258.94
2016	760	612	1.01	1373.01
2017	860	762	1.16	1623.16
2018	1073	642	3.41	1718.41
2019	1059	669	0.89	1728.89
2020	435	114	0.16	549.16
2021	901	266	0.37	1167.37

Film attendance from 2014 to 2021 (in million people)[16]

Relying on the Dengta data platform, 56% of the movie theater audience is female in 2022[17], it was 52% in 2021[18]. The proportion of box office in tier 1 cities decreased by another 2% compared with 2021, and the box office in tier 3 and tier 4 cities exceeded 40% of the total number for the first time.

[13] Source from Dengta

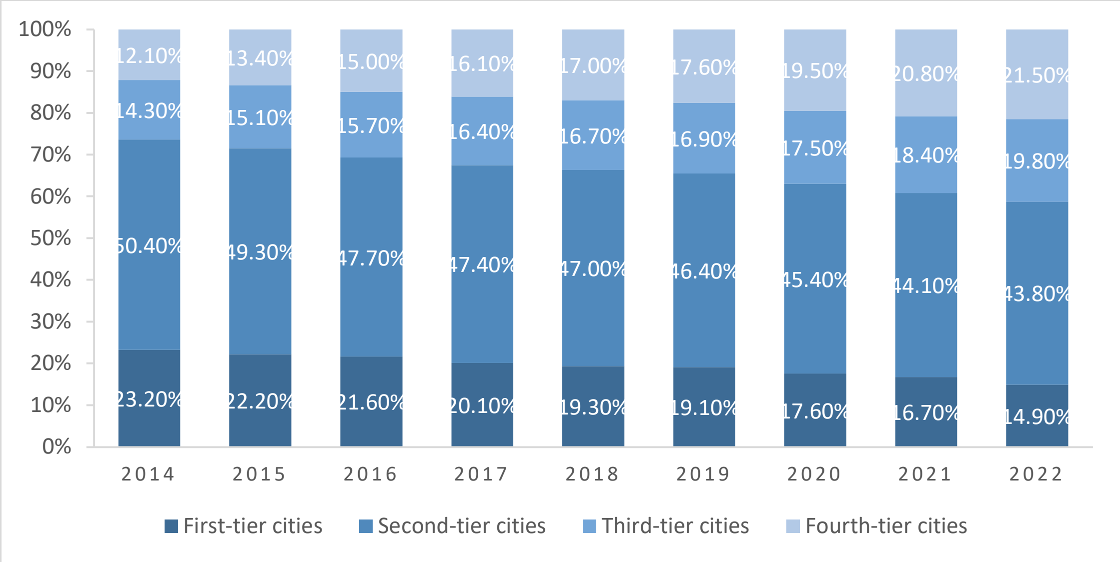
[14] Source from Dengta

[15] China 2021 population is estimated at 1.413 billion

[16] Source from Dengta

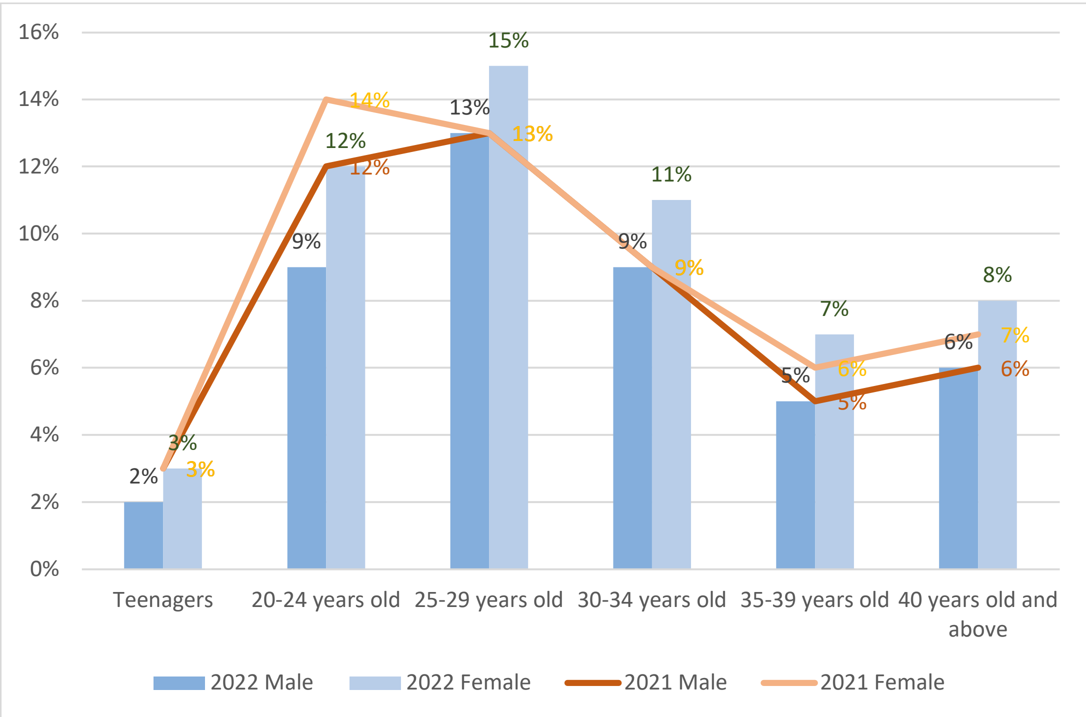
[17] https://mp.weixin.qq.com/s/GBrLWNxDGMiXp_IpAi8SfQ

[18] https://baijiahao.baidu.com/s?id=1729695602321817665&wfr=spider&for=pc



Box Office by cities[19]

In 2022, 26% audience is under 25 years old and 74% audience is over 25 years old. However, 32% of audience was under 25 in 2021.[20] It can be seen that the number of young audiences is decreasing, audience over 30 years old have significantly increased. Mature audience have a stronger demand for film diversity, and left more possibility for market expansion.



Cinema Audiences' Gender and Age[21]

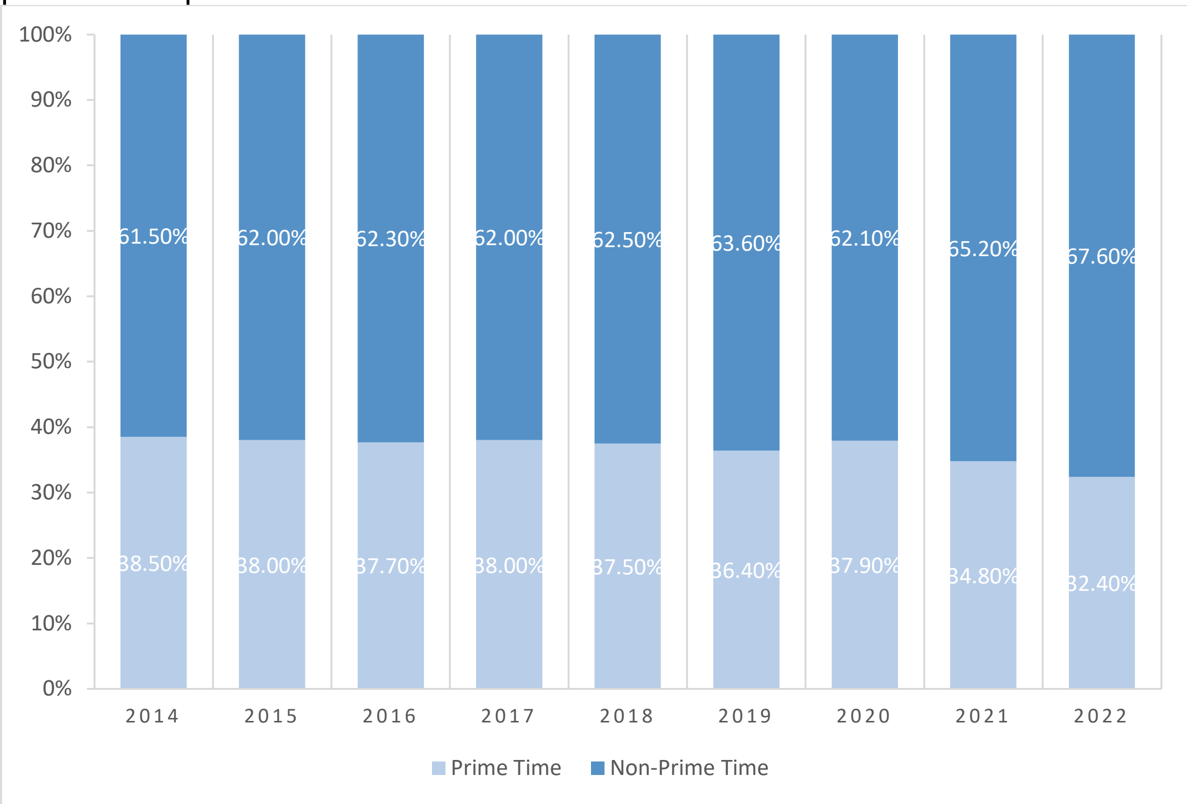
At the same time, the proportion of audiences who choose to watch movies in

[19] Source from Dengta

[20] https://mp.weixin.qq.com/s/GBrLWNxDGMiXp_IpAi8SfQ

[21] https://mp.weixin.qq.com/s/GBrLWNxDGMiXp_IpAi8SfQ

non-prime time increases year by year. One of the reasons is due to the high prices of the prime-time films.



Prime and non-prime time in cinema[22]

With the application of smart TV, and the closure of cinemas during the pandemic, more and more people who like to watch films have gradually accustomed to watching movies at home. If we want get the audience back to the cinema, the cinema must have functions other than just watching. From 2020 to 2022, there was no significant change in the number of tickets purchased by each person, it was 1.9 tickets in the past three years. More than 70% of the audience would prefer to watch a movie with two or more people.[23] For today's audience, aesthetic attributes give way to social attributes.

1.3.3. Screens and Cinemas[24]

The total number of screens in China's mainland market reached 72,710 in 2020, with 4,386 new screens, an increase of 6.42% over 2019. Number of screens in 2021 reached 75,255, an increase of 10.14% over 2019. There are 50 theater chains and a total of 11,856 cinemas collecting box office returns nationwide in 2020. The screening market is now ranked first in the world in terms of volume. At the same time, the operational difficulties of the cinema have increased. The average cinema ticket price was RMB 37 (USD 5.55) in

[22] Source from Dengta
[23] https://mp.weixin.qq.com/s/GBrLWNxDGMiXp_IpAi8SfQ
[24] Source from Dengta

2020, and RMB 40.3 (USD 6) in 2021. The average attendance in 2020 was 9.7, down 3.9 from 2019. The attendance rate was 10.9% in 2019, 8.1% in 2020 and 7.9% in 2021. The single screen output was 269,000 in 2020, down 70.8% from 2019. The single screen output was 938,000 RMB (USD 140,700) in 2019, 279,000 RMB (USD 41,850) in 2020 and 625,000 RMB (USD 93,750).

Year	**First-tier City**	**Second-tier CIty (round number)**	**Third-tier CIty (round number)**	**Fourth-tier CIty (round number)**	**Total**
2014	3159	11000	5043	6780	26034
2015	3654	14000	6657	9875	34027
2016	4764	28000	8170	12000	42909
2017	5840	22000	10000	15000	52694
2018	6991	26000	12000	17000	61517
2019	7809	29000	13000	19000	68324
2020	8210	30000	15000	20000	72710
2021	7994	31000	15000	21000	75255

Change in the number of screens from 2014 to 2021 (in units)[25]

1.3.4. Internet Films[26]

Youku, iQIYI, and Tencent released a total of 270 films in 2020, an increase of 81% from the previous year. Of these, 77 had earned more than 10 million RMB (USD 1.5m).

With cinemas shut down for nearly half a year, films from streaming networks have propped up half of the film industry. A total of 756 films were released on these platforms nationwide, up 7% from the previous year. Among them, 270 films were released by Youku, iQIYI, and Tencent, an increase of 81% from previous years, and 77 films grossed more than 10 million RMB (USD 1.5m) in revenue. **In terms of subject matter, films on streaming platforms have followed the traditions of fantasy, martial arts, comedy, and suspense.** Due to both political guidance and the emergence of excellent film creators, original realistic and patriotic themes also began to appear in films made by streaming networks.

[25] Source from Dengta

[26] https://m.maoyan.com/asgard/information/9012424?_v_=yes

Streaming platforms have promoted the development of the streaming film industry through reviewing content, updating revenue-sharing policies, scheduling, and marketing. The main market for films on streaming platforms is stable, and companies such as Qishu Youyu, TMENG, New Film Studio, and Jolimark maintain their leading positions in the industry. Films produced by Qishu Youyu, Xiang Bros Studio, and Jing Ying Media, topped the 2020 revenue-sharing box office with 56.42 million RMB (USD 8.46m). In addition, traditional film and television companies such as Wanda, Huace, TVZ ONE, Dongfang Feiyun International Film, and Huayi Brothers have all participated in the streaming film market through their investments. **Although streaming films are far inferior to theatrical films in terms of both the resources at their disposal and their influence, their production values and creativity have improved significantly.** They have become a complement to theatrical films as well as a new way for distributing small and medium budget films.