

China Firms Stake Claim on Hollywood

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Chinese companies are increasingly staking their claim on Hollywood, with Dalian Wanda Group Co. closer to its goal of becoming the world's dominant cinema company after reports that it is in talks to buy a minority stake in the Paramount Pictures movie studio.

The flood of Chinese money isn't only reshaping Hollywood, but giving Western films and firms entry into what will one day be the world's largest box-office market. China's swelling middle-class consumers -- and their demand for entertainment -- are seen as one of the key profit drivers for production studios and theater chains globally.

"Very few foreign companies have ever successfully cracked the Hollywood code in a big way," said Peter Schloss, chief executive of Castle Hill Partners, a specialist merchant bank that advises companies on asset sales to Asian buyers. Mr. Schloss says Chinese buyers are getting closer to this goal.

Wanda is in talks with Viacom about buying 49% of the studio, according to people familiar with the discussions. Another, undisclosed, suitor is also on the hunt for Paramount, one of the people said. Viacom is seeking a deal that would value Paramount at between \$8 billion and \$10 billion, one of the people said.

Wanda didn't respond to a request for comment.

The purchase, if it were to happen, would be the latest in a string of deals for the Chinese property-and-entertainment conglomerate run by billionaire Wang Jianlin.

In recent years, Wanda has acquired production and finance company Legendary Entertainment and U.S. cinema chain AMC Entertainment. AMC said this week that it is buying Europe's largest movie theater chain Odeon & UCI Cinemas.

The deal for Odeon & UCI would make AMC the world's largest exhibitor, and put Wanda closer to its goal of controlling 20% of the global box office by 2020. A global cinema chain of Wanda's size has the potential to become its own distributor, booking movies in its theaters and guaranteeing a de facto world-wide release.

The scale of the cinema chain also allows it to control how billions of consumers watch movies, since Wanda's practices have been steadily adopted by competitors world-wide. AMC has been spending hundreds of millions of dollars renovating theaters with plush recliner chairs and expanded food-and-beverage menus, a strategy that has been replicated by rivals and one that AMC plans to bring to Odeon circuits in Europe.

Internet giants Alibaba Group Holding Ltd. and Tencent Holdings are among the Chinese companies looking for Hollywood film assets.

"We're seeing plane loads of Hollywood executives coming to China looking for funding," said Mr. Schloss. "It's a ground shift that's happening as the world becomes more globalized."

China's booming box office has been fueled by rapid-fire theater construction in cities of all sizes, many of which are getting a multiplex for the first time. That construction activity has been a boon to theater contractors like IMAX Corp. and Dolby Laboratories Inc., which have seen sizable revenue increases in their China divisions.

Sizable obstacles remain for Hollywood studios hoping China becomes a reliable cash cow. Most studios only receive about 25% of ticketing revenue, as opposed to the typical 50/50 split in the U.S. and other Western countries. China has also maintained a quota on the number of foreign releases it allows into the country each year. That number is 34 at the time, but many in Hollywood are hoping it will increase when the current arrangement expires next year.

As China's investment in Hollywood grows, so has the country's influence.

Films such as Legendary's "Warcraft" and "Pacific Rim" are finding more commercial success in China than stateside. A sequel to "Pacific Rim" has been announced even though the movie disappointed at the U.S. box office.

Chinese actors and products are also increasingly appearing in films developed by Hollywood studios. For instance, in this year's science fiction flick "Independence Day: Resurgence" -- about the aftermath of an alien invasion that killed billions of people -- the actors drink Chinese milk brand Mengniu and use Tencent's QQ instant-messaging application.

"We see more and more the intrusion of Chinese commercial interests into Western movies," said Christopher Bremble, chief executive of Base FX, a Beijing-based special-effects company.

The partnerships are bringing together two cultures who view artistic moviemaking with different priorities.

"Because of the special situation in China's market, we prefer to choose films 'with positive energy'," said Zhou Shixing, chief content officer of Hunan TV & Broadcast Intermediary Co.

Lilian Lin contributed to this article.