



**DEZAN SHIRA & ASSOCIATES**

Your Partner for Growth in Asia

# Media Series: Breaking Asian Barriers – Opportunities for UK Business

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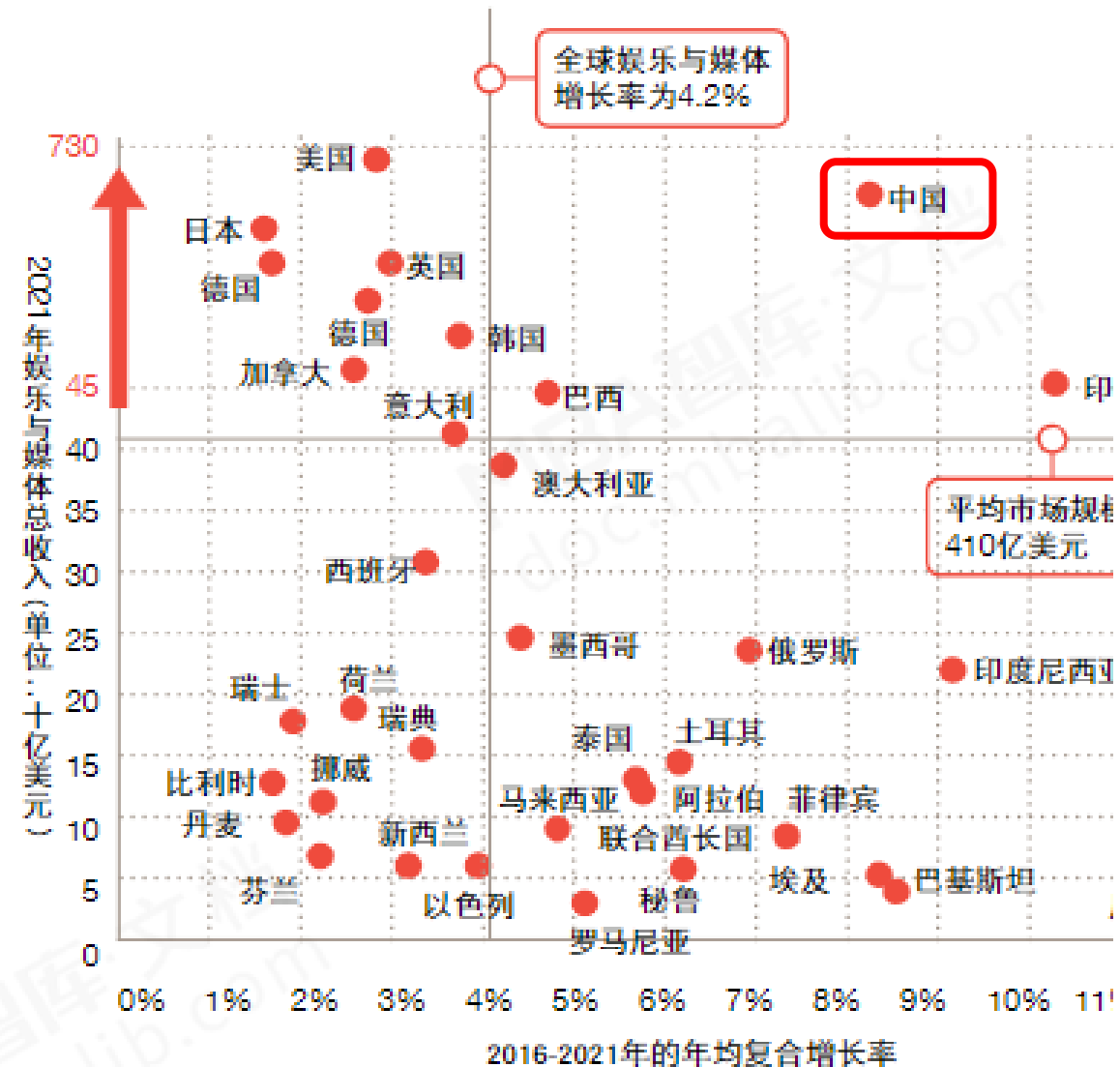
# Market overview



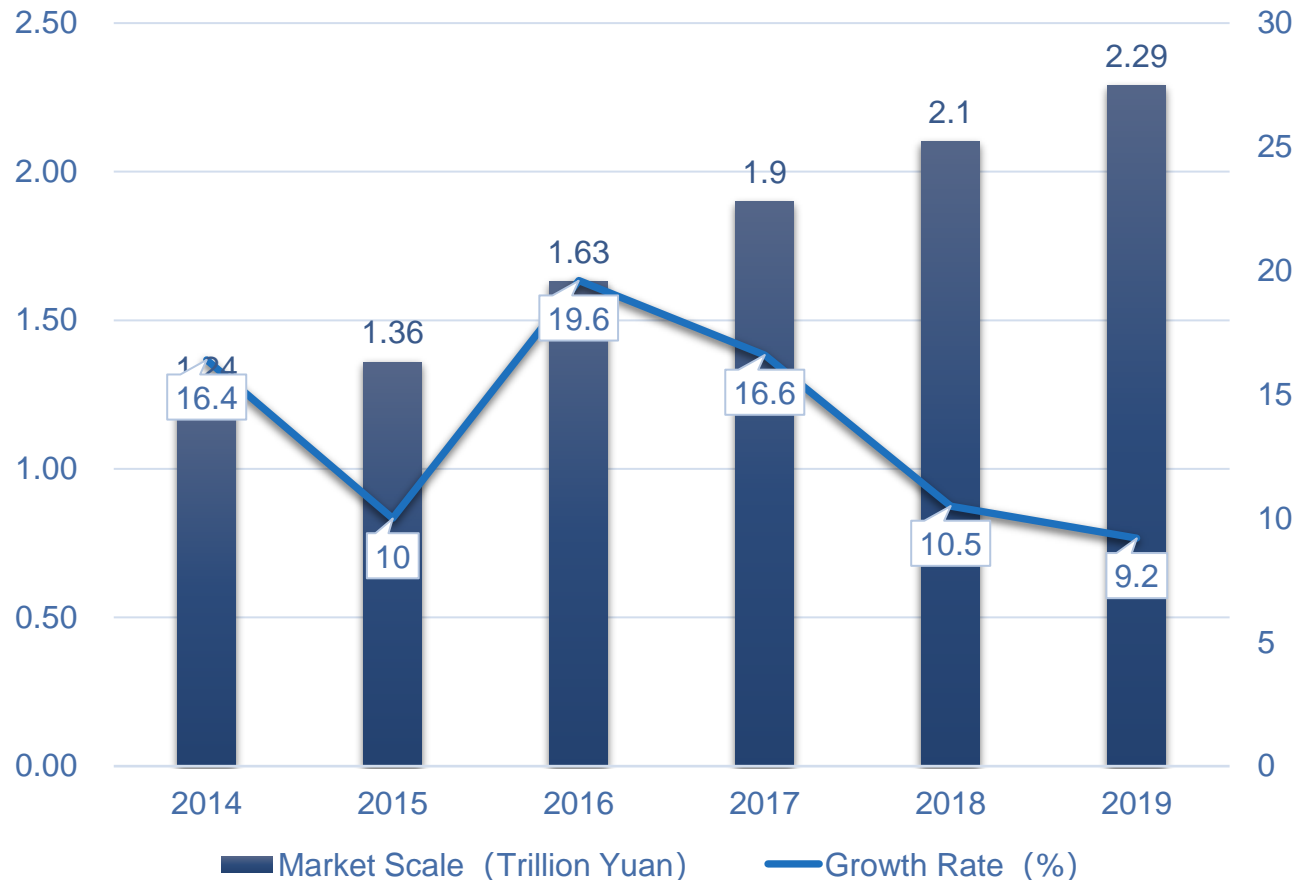
# International Trend of Entertainment & Media Industry

- The estimated revenue of each country in the Entertainment & Media industry in 2021
- Developed countries' E&M industry is becoming mature
  - The growth rate of developing countries is high, but per capita consumption is rather low

Unit: billion USD



# Market Overview in China



- CAGR of **17%** between 2010-2015
- In 2019, total market scale has reached 2.29 trillion yuan.
- From 2017 to 2020, the expected CAGR rate is 8.8%, which is higher than the global average of 4.2%.
- Due to the Covid-19 outbreak, CAGR will drop in 2020, but the CAGR will be 5.2% from 2020 to 2024.



Section 2

# Developments in E&M Industry

# Impact of Covid-19: Shifting Patterns of Consumer Behavior

## Before



Join the Live Show (concert, music festival)



Watching movies in the cinema



Exercise in the gym



Join the B2B Trade Fair, events

## After



Online live show;  
Watching the concert on the platforms



Watching movies on the OTT platforms  
(such as Netflix, Tencent, Youku, iQIYI)



Online fitness course;  
Live fitness course.

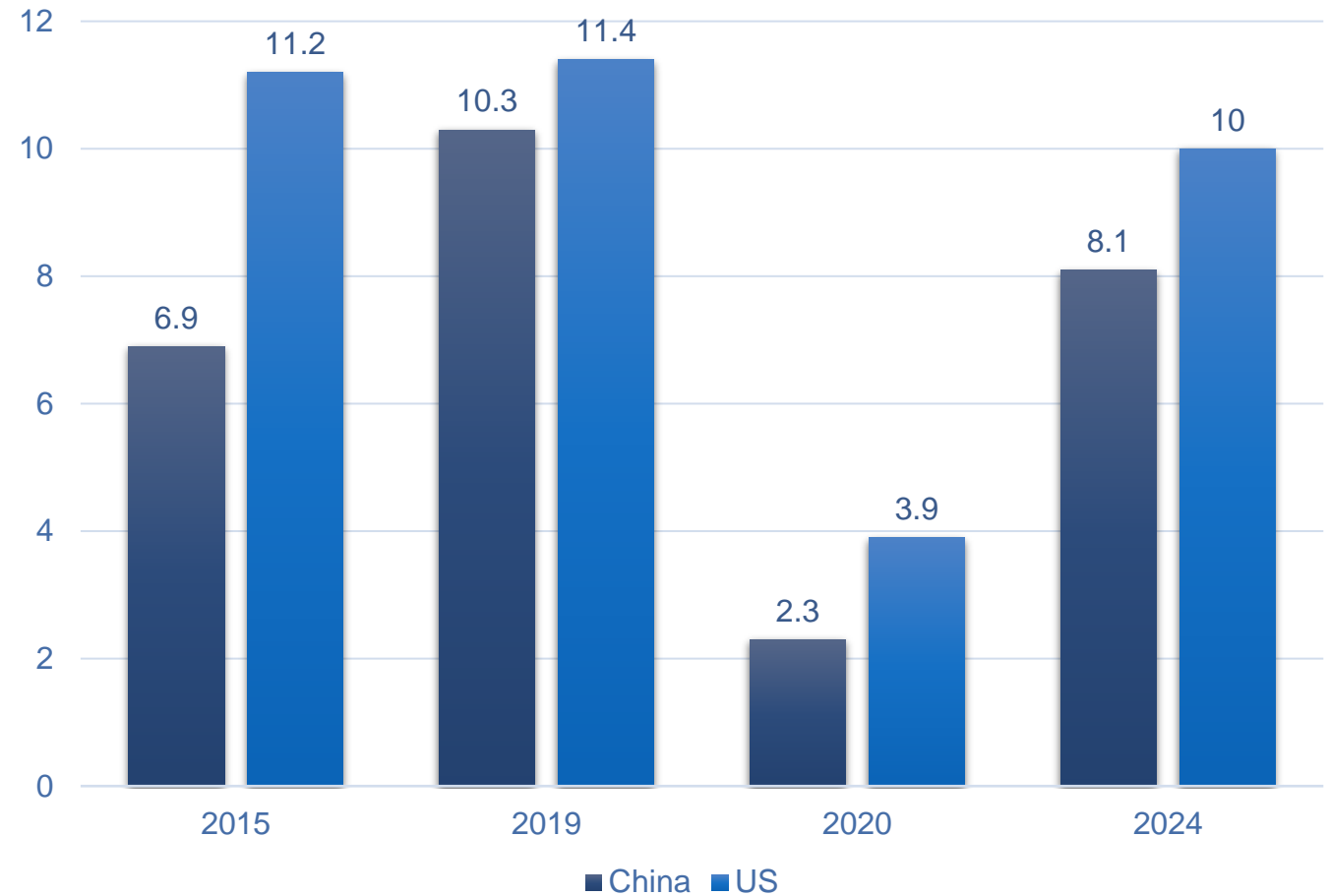


Online multimedia exhibition

## Film Market – Negative Effect of Covid-19 and Trend

- An estimated 7 billion revenue this year may go down the drain, due to the movies withdrawn and cinemas have been shut down. The revenue of China film market of Y2020 will drop 78.1%.
- In 2020, the attendance in China is expected to fall to 400 million, but it will be back to 1.4 billion by 2024.
- From 2020 to 2024, China's CAGR will be increase, but it still takes time to recover.
- China shall still be the second largest film market in the next five years.

## 2015-2024 Total Revenue Comparison - US VS China

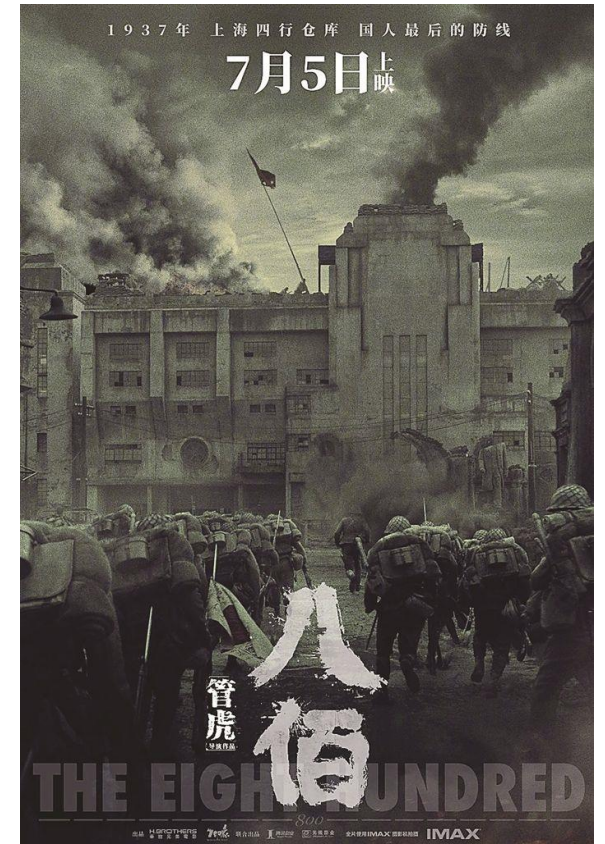


Unit: billion USD



# 2019 Film Market

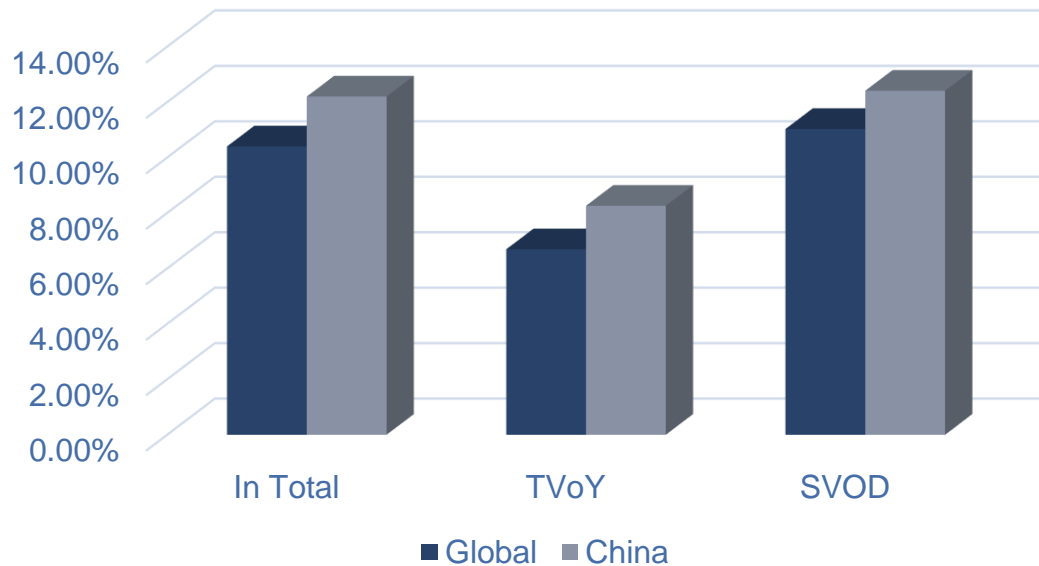




# 2020 Film Market

# Market Segment – Over-the-top Media Services

CAGR of OTT Video from 2020 to 2024



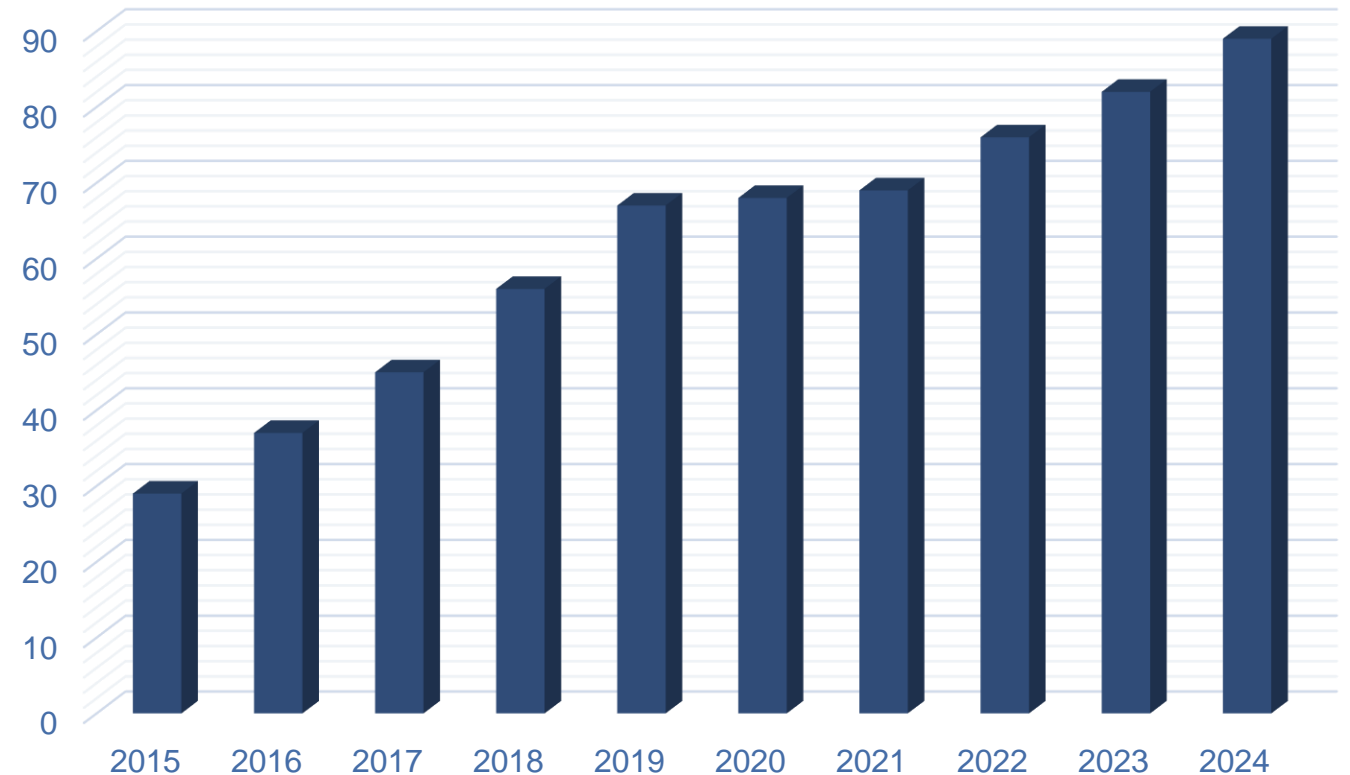
- In 2019, top three OTT service provider – iQIYI, Tencent and Youku occupied 80% of the market.
- Chinese customers' watching habit has been changed from free service oriented to good-quality service oriented.
- In 2020 amid the Covid-19 outbreak, some movies have been released on streaming media service platforms directly.
- The revenue of SVOD will surpass that of box office from 2020.

	Traditional Market	Online Market (Over-the-top media service)
<b>US</b>	Movie industry overlord; Experiencing a downward trend	Netflix, HBO
<b>China</b>	With large developing potential; Still have a big gap between USA	Tencent, iQIYI, Youku, etc.

# Market Segment – Internet Advertisement and Live Video

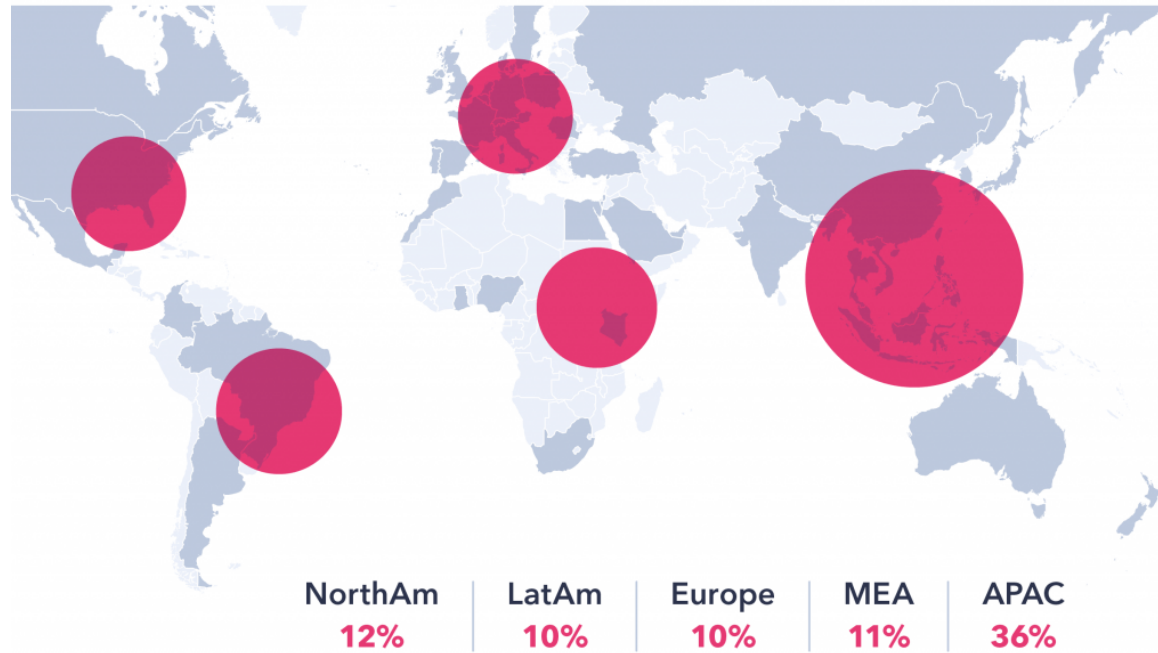
- Media platform and advertisers are driving the rapid growth of internet advertisement.
- Mobile display of internet advertisement has the most rapid CAGR and it will reach 8.21% by 2024, surpassing the global CAGR of 7.06%.
- Live streaming media is interactive and entertaining which started from low-end market but already reached high-end market.
- E-commerce livestreaming has huge potentials. Its annual growth rate from 2018 to 2022 is 115% and it shall be increased with the development of 5G.

China's Online Advertisement Revenue from 2015 to 2024

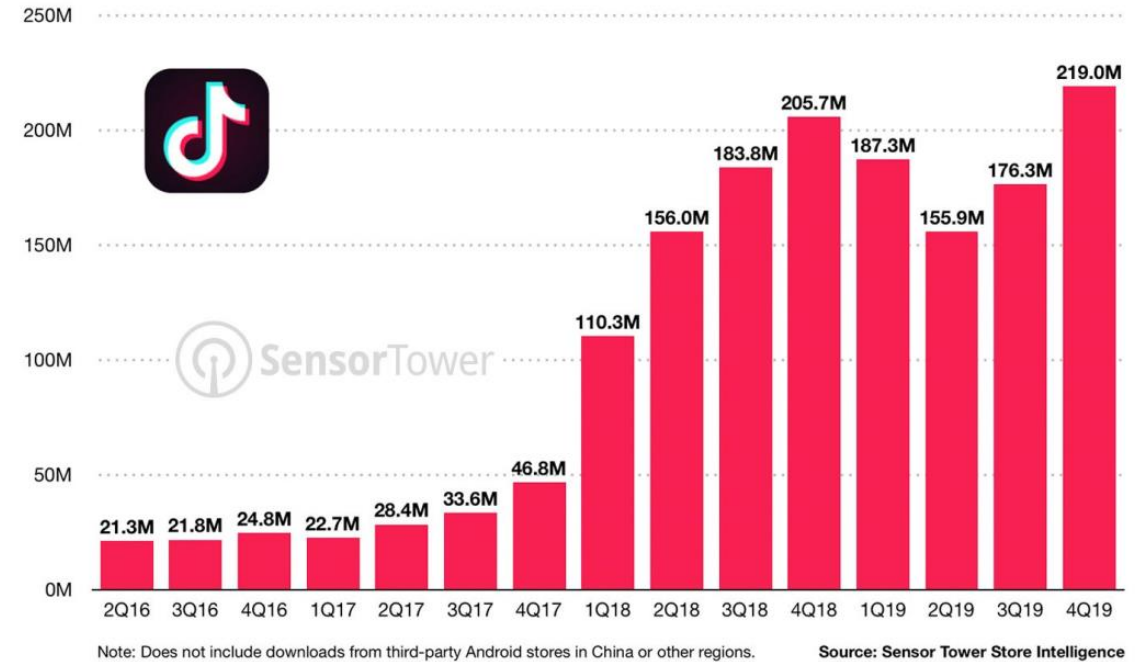


Unit: billion USD

% of internet users aged 16-64 who are members of TikTok by global region



TikTok Quarterly First-Time Installs Since 2016



## Market Segment – Internet Advertisement and Live Video

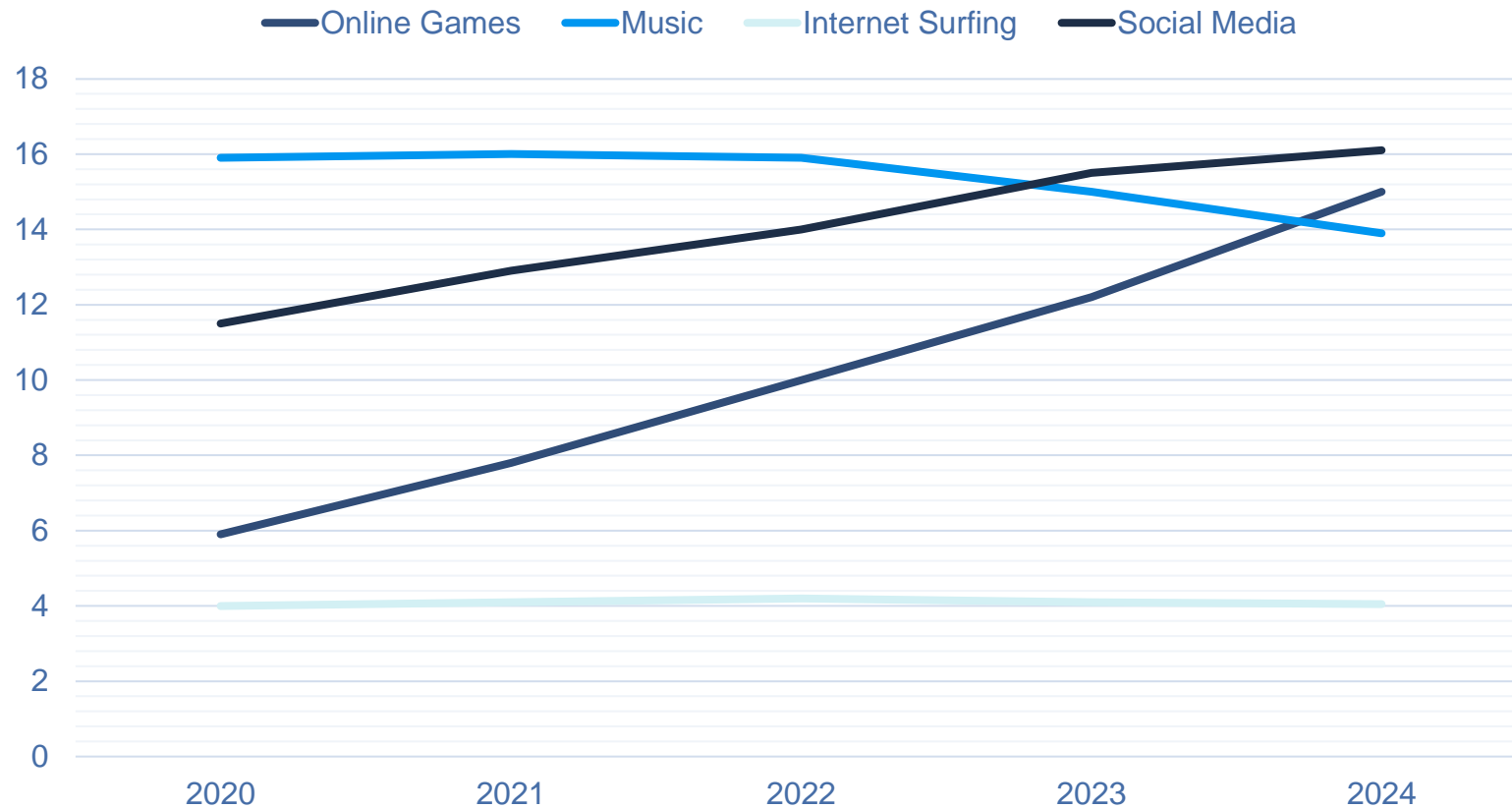


# Ban on TikTok in the US

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# Market Segment – Online Games

## Consumption Data of China's Market from 2020 to 2024



Unit: 10 trillion USD

# Investment Environment in China for E&M Industry

## Negative List in Pilot Free Trade Zone Comparison: 2013 VS 2020

No	Item	2013	2020
1	Investment in Radio station, television station, radio and television channels	Prohibited	On the whole, it's still prohibited. However, landing of overseas satellite channels could be invested but shall be subject to examination and approval.
2	Investment in Information business	Except for App store, foreign investment ratio shall not exceed 50% for other internet information service.	The restriction has been lifted in the latest Negative List. However, it still shall be subject to local government's practice.
3	Investment in online game operation service directly or indirectly	Prohibited	The restriction has been lifted in the latest Negative List. However, it still shall be subject to local government's practice.
4	Investment in internet news service, internet publishing service, internet audio-visual program service, cyber culture operation (except for music) and internet information dissemination service	Prohibited	If the contents have been put into the WTO commitments, they shall be opened up to foreign investors.



# Investment Environment in China

## Negative List in Pilot Free Trade Zone Comparison: 2013 VS 2020

No	Item	2013	2020
5	Investment in news organizations, editing, publishing and production of books, newspapers, periodicals, audio-visual products and electronic publications	Prohibited	<p>Updates in the latest version:</p> <ul style="list-style-type: none"> <li>a) <u>Establishment of resident news agencies in China and assignment of resident reporters to China</u> by foreign news agencies shall be subject to approval by the Chinese Government.</li> <li>b) <u>Provision of news services by foreign news agencies in China</u> shall be subject to examination and approval by the Chinese Government.</li> <li>c) The business cooperation between Chinese and foreign news agencies <u>shall be led by the Chinese Party</u> and be subject to the approval of the Chinese government.</li> <li>d) Upon approval by the Chinese government, the Chinese and foreign publishing entities may carry out sino-foreign cooperative press and publication projects, provided that <u>they ensure the business leadership and the right of final review of contents of the Chinese party</u> to the cooperation and comply with other conditions specified in the Chinese government's approval.</li> </ul>

# Investment Environment in China

## Negative List in Pilot Free Trade Zone Comparison: 2013 VS 2020

No	Item	2013	2020
6	Investment in construction and operation of movie theatres	The controlling stake for construction and operation of movie theatres shall be held by the Chinese party.	The restriction has been lifted.
7	Investment in companies producing and operating radio and television programmes	Prohibited	Updates in the latest version: a) The import of overseas films and TV plays, and the import of other overseas TV programs through satellite transmission shall be applied for by entities designated by the National Radio and Television Administration. b) A licensing system shall be adopted for the production of TV plays (including TV cartoons) through Sino-foreign cooperation.
8	Investment in film production companies, distribution companies, cinema companies and film importation business	Prohibited	Updates in the latest version: Upon approval, Chinese and foreign enterprises are permitted to cooperate in the production of films
9	Investment in construction and operation of large-scale theme parks	Restricted	The restriction has been lifted.
10	Investment in business activities of internet access services	Prohibited	The restriction has been lifted.



Section 3

# Forecast and Market Entry Options



## ... Market Segment - Film



### 01. New Distribution Model

More and more movies shall be released on the streaming media service platform directly instead of in cinema.

### 02. Recovery

Chinese movies operators shall focus on recovery of revenue and profit-making strategies.

### 03. Cooperation

Cooperation with foreign companies shall be the trend.

### 04. Supportive Policies

Government shall issue more and more new policies to support the film industry.

# Market Segment – OTT Media Service

## Major Income Source

...

Membership subscription model shall be the major income source of OTT media service industry. Members could pay through different channels such as alipay, wechat and are expecting to have seasonal discount, such as double eleven.

## Multiple-industry Service

...

OTT media service platform will have more cooperation with different platforms, such as music, social media, travelling agency, take-away service, etc. One membership account could be bundled to other platforms.

## Growth

...

The number of members shall continue to grow, which will also request OTT media service providers to deliver service and products of better quality.

## Personal Information Protection

...

New regulation in terms of personal information protection will be released by Chinese government very soon. Service providers shall take it into consideration from now on.



# Market Segment Internet Advertisement and Live Video

...

## Major Income Source

Revenue from mobile displace of internet advertisement will grow further.

## 5G

Internet advertisement and live video market will become much bigger due to the development of 5G.

## Customization

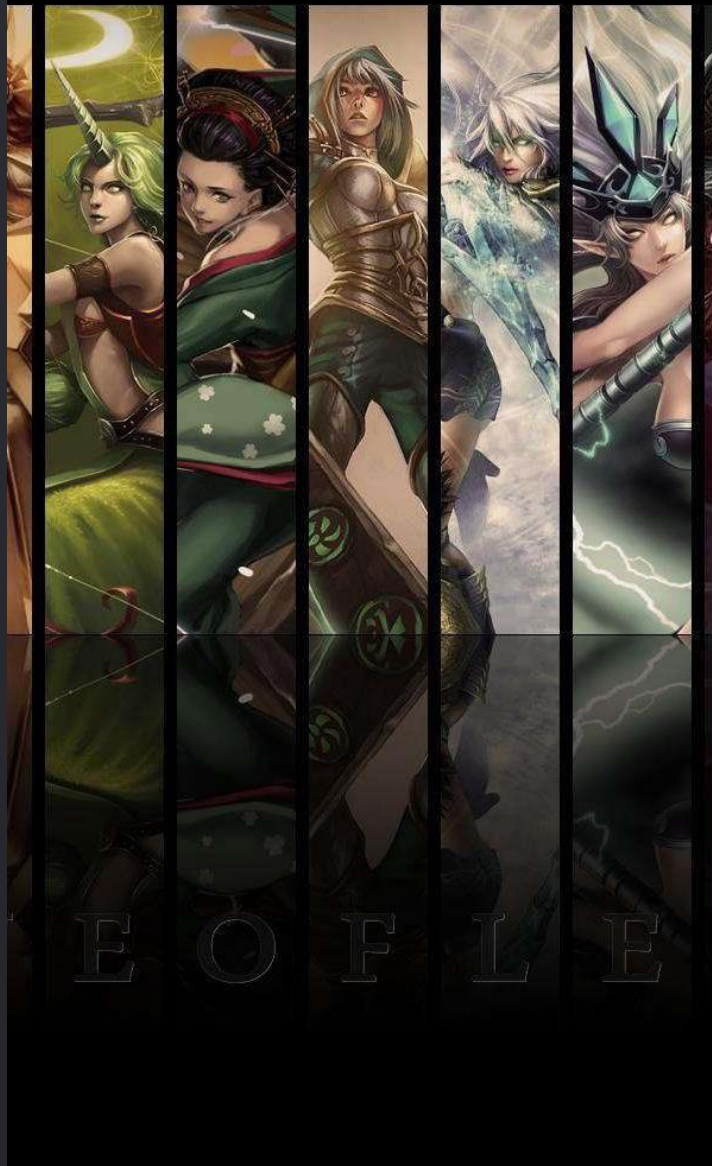
Companies will further explore how to provide more customized and attractive service to end clients, such as for live video and E-commerce.

## Censorship

Chinese authorities already implemented the censorship to tighten the control on the contents, in order to make the market healthier and more sustainable.



# Market Segment - Online Games



01

Online games will become the major channels to release the mobile advertisement.

02

Mobile games will become the new social media platforms and it will further stimulate the expenditure on shopping, catering, working, studying, etc.

03

E-sports market will grow further and more policies shall be released to support the industry by government.





Merge & Acquisition

Main Modes for Entering Chinese Market

VIE Structure

Foreign Direct Investment



License





# Numbers

**1992** Dezan Shira's establishment

**300+** Our team of legal, tax, accounting and audit professionals

**2000+** Multinational clients that have already chosen us

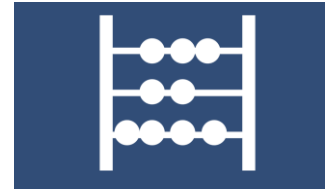
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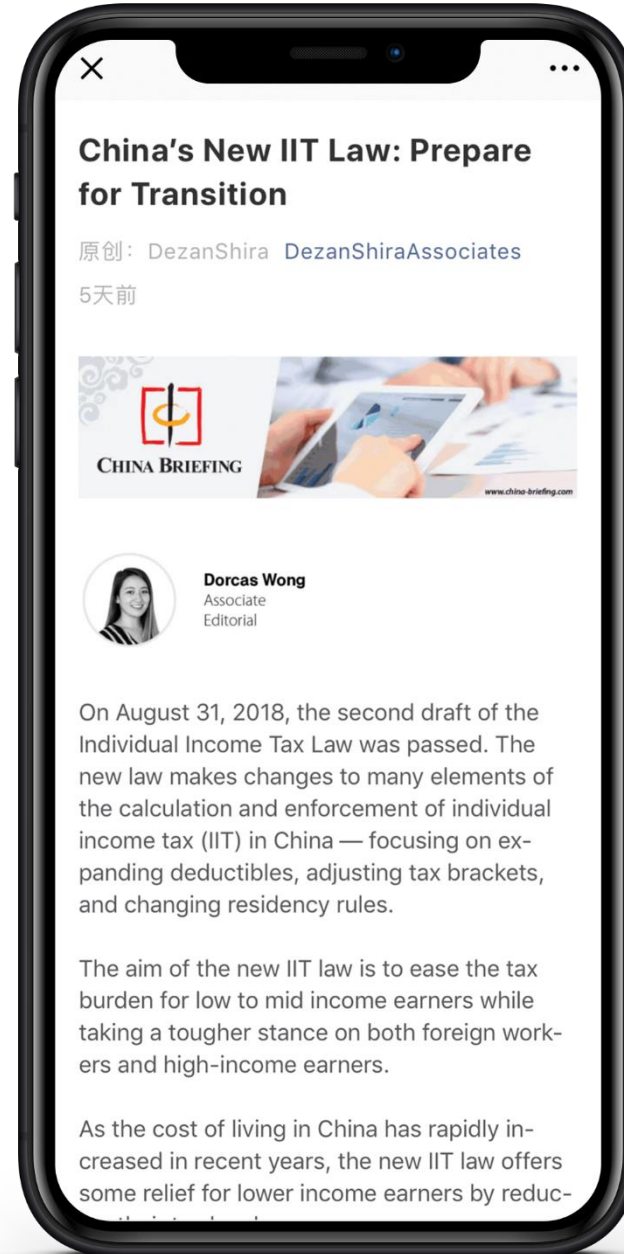


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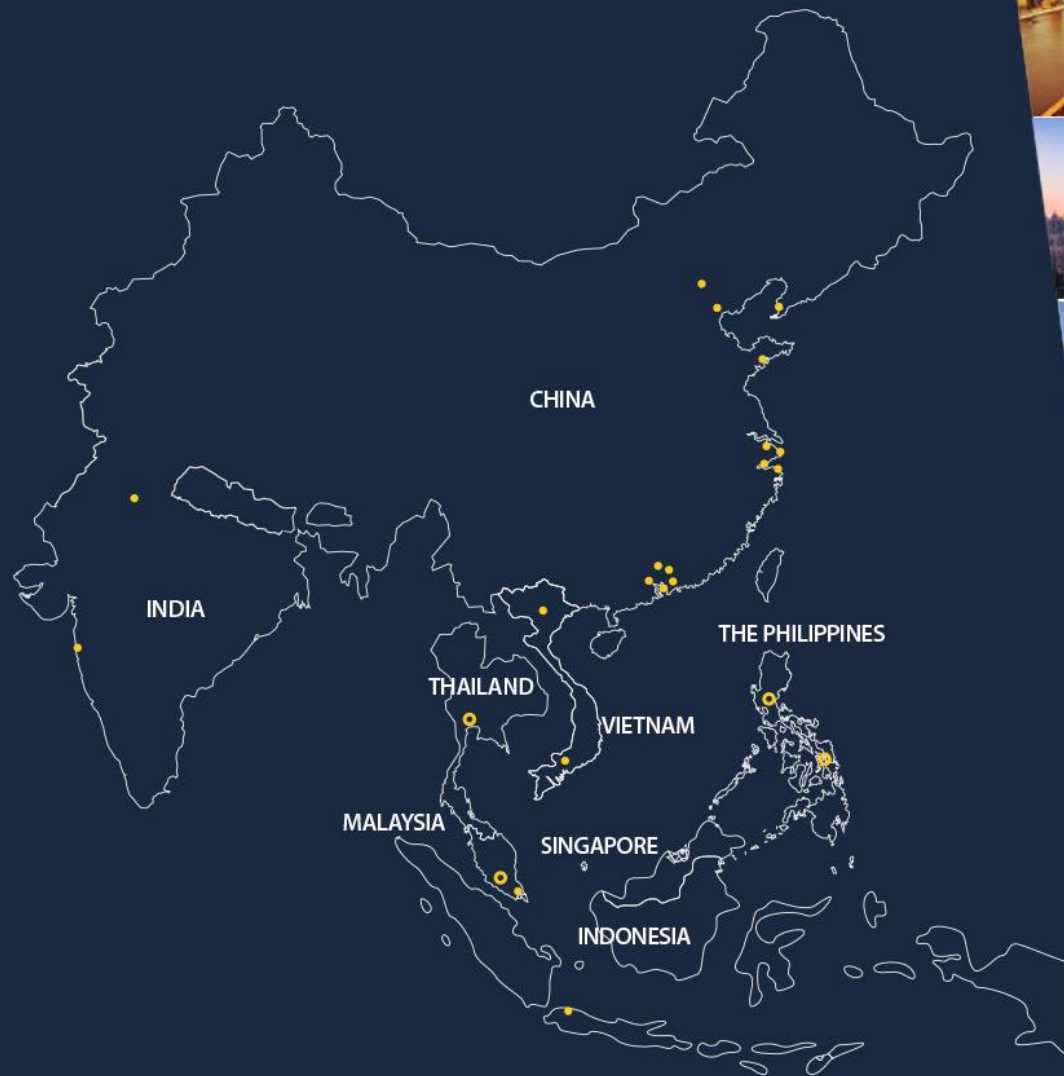
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