Global Entertainment & Media Outlook 2020-2024: Hong Kong summary

October 2020
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Overview: Entertainment & Media Outlook

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<th>Consumer/end-user &amp; advertising spending</th>
<th>5 year historical &amp; 5 year forecast data</th>
<th>53 Territories</th>
<th>14 segments</th>
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</thead>
<tbody>
<tr>
<td>Access</td>
<td>Read</td>
<td>Listen</td>
<td>Play</td>
</tr>
<tr>
<td>Internet access</td>
<td>Books</td>
<td>Music, Radio &amp; Podcasts</td>
<td>Video games and eSports</td>
</tr>
<tr>
<td>Data consumption</td>
<td>B2B</td>
<td></td>
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<tr>
<td>Newspaper &amp; magazines</td>
<td>Traditional TV &amp; home video</td>
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<tr>
<td>Out-of-home</td>
<td>OTT video</td>
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<td>TV advertising</td>
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<td></td>
<td>Public licence fees</td>
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<tr>
<td>COVID-19 caused severe impact on the E&amp;M industry, which have been taken into account in Outlook, but is expected to rebound from 2020 onwards.</td>
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Global E&M Outlook 2020-2024: Hong Kong summary

<table>
<thead>
<tr>
<th></th>
<th>Global 2019-2024:</th>
<th>Hong Kong 2019-2024:</th>
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<tbody>
<tr>
<td>Projected industry growth</td>
<td>2.8%</td>
<td>1.1%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Global 2020-2024:</th>
<th>Hong Kong 2020-2024:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected industry growth</td>
<td>5.0%</td>
<td>4.4%</td>
</tr>
</tbody>
</table>
Pulling the future forward: The entertainment and media industry reconfigures amid recovery

Global Entertainment & Media Outlook perspectives

• **Consumer habits can take a lifetime to learn—but just a lockdown to lose.** In only a few short months, COVID-19 accelerated ongoing changes in consumers’ behaviour, pulling forward a series of digital disruptions that would have occurred in future years

• **New opportunities for new business models present themselves** to meet consumers who are predominantly at home and online – businesses are creating new arrangements and combinations aimed at opening up new revenue opportunities

• **Consumer spending trumps advertising** – E&M companies are increasingly in the business of delivering experiences and content directly to consumers, not delivering audiences and eyeballs to advertisers

• **Reconfiguration is underway** as consumers and businesses adapt. Although there will still be challenges for E&M companies as we move beyond the pandemic, the digital migration that it has pulled forward will also generate opportunities in all segments
Shifting patterns of consumer behaviour
The pandemic has propelled consumers even faster towards digital behaviours in many areas of their lives.

<table>
<thead>
<tr>
<th>From</th>
<th>To</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attending live music events (e.g., concerts, festivals)</td>
<td>• Live performances streamed online • Viewing concerts on gaming platform event</td>
</tr>
<tr>
<td>Viewing movies in the cinema</td>
<td>• Viewing films on over-the-top (OTT) platforms (e.g., myTV SUPER, Netflix, ViuTV)</td>
</tr>
<tr>
<td>Attending fitness classes at studios</td>
<td>• On-demand online fitness classes • Live-streamed fitness classes</td>
</tr>
<tr>
<td>Attending B2B trade shows</td>
<td>• Virtual events, online digital tours and multimedia</td>
</tr>
</tbody>
</table>
Innovative E&M companies are identifying and adopting new ways to seek out growth and adapt to consumers’ preferences

Companies shift from advertisers to subscriptions

- Drive towards subscriptions reflects a wider attribute of the accelerated digital future: the power of direct-to-consumer connections
- A company charging for subscriptions can provide either very focused content, sector-specific content, or it can focus on volume

Digital event spaces present new opportunities

- Companies are exploring different ways to bring live experiences into the home in a more personalised and engaging way, some examples during the pandemic includes:
  - Live music: Live streaming performances, recorded VR performances
  - B2B: Virtual events, online digital tour and multimedia (e.g. Trade shows, Expos)
  - Gaming: Gaming platforms have transformed into concert venues and event spaces

Data takes off

- 5G rollout from CSL, China Mobile, SmarTone and 3HK and the pandemic have accelerated data consumption growth – fixed broadband is projected to see its 3 million household in 2020 while unique mobile internet subscribers will grow to 7 million by the end of the year
Global and Hong Kong digital revenue as % of total revenue

Overview: Entertainment & Media Outlook – Global and Hong Kong

- Digital revenue will continue to make up more of the industry’s income – over 60% in 2020.

**Global**

- 2015: 44.8%
- 2016: 48.0%
- 2017: 51.4%
- 2018: 54.1%
- 2019: 56.5%
- 2020: 61.7%
- 2021: 61.5%
- 2022: 61.8%
- 2023: 63.0%
- 2024: 64.0%

**Hong Kong**

- 2015: 43.9%
- 2016: 47.5%
- 2017: 51.3%
- 2018: 52.4%
- 2019: 55.1%
- 2020: 62.6%
- 2021: 60.7%
- 2022: 61.1%
- 2023: 62.2%
- 2024: 63.3%

Note: 2019 is the latest available data. 2020-2024 values are forecast projections.

Global E&M Outlook 2020-2024: Hong Kong summary
Overview: Entertainment & Media Outlook – Global and Hong Kong


Entertainment and media revenue in Hong Kong dropped 11.8% from 2019 ($8.5 billion) to $7.5 billion in 2020 due to the COVID-19 pandemic. **Hong Kong revenue was the worst hit compared to global and Asia Pacific markets.**

Note: 2019 is the latest available data. 2020-2024 values are forecast projections.

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### Internet access will see the largest % gain

**Share of E&M revenue by segment: 2018 vs. 2024**

<table>
<thead>
<tr>
<th>Segment</th>
<th>2018 actual</th>
<th>2019 actual</th>
<th>Pre-COVID 2024 forecast</th>
<th>2024 forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet access</td>
<td>28.8%</td>
<td>31.8%</td>
<td>33.7%</td>
<td>34.5%</td>
</tr>
<tr>
<td>Internet advertising</td>
<td>13.2%</td>
<td>14.5%</td>
<td>17.9%</td>
<td>15.9%</td>
</tr>
<tr>
<td>TV and home video</td>
<td>12.2%</td>
<td>11.3%</td>
<td>8.7%</td>
<td>9.4%</td>
</tr>
<tr>
<td>B2B</td>
<td>9.4%</td>
<td>8.5%</td>
<td>7.6%</td>
<td>8.0%</td>
</tr>
<tr>
<td>Video games and esports</td>
<td>5.8%</td>
<td>6.1%</td>
<td>6.5%</td>
<td>7.3%</td>
</tr>
<tr>
<td>TV advertising</td>
<td>8.0%</td>
<td>7.2%</td>
<td>6.0%</td>
<td>6.1%</td>
</tr>
<tr>
<td>Newspapers and consumer magazines</td>
<td>9.0%</td>
<td>7.4%</td>
<td>5.0%</td>
<td>4.9%</td>
</tr>
<tr>
<td>Music, radio and podcasts</td>
<td>4.9%</td>
<td>4.3%</td>
<td>4.0%</td>
<td>4.2%</td>
</tr>
<tr>
<td>OTT video</td>
<td>1.9%</td>
<td>2.2%</td>
<td>3.1%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Books</td>
<td>2.9%</td>
<td>2.8%</td>
<td>2.4%</td>
<td>2.6%</td>
</tr>
<tr>
<td>OOH</td>
<td>1.8%</td>
<td>1.8%</td>
<td>1.7%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Cinema</td>
<td>2.1%</td>
<td>2.1%</td>
<td>2.0%</td>
<td>1.6%</td>
</tr>
<tr>
<td>VR</td>
<td>0.1%</td>
<td>0.1%</td>
<td>0.2%</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

**COVID impact on market size**

- Internet access rises 2.7%
- Newspapers and consumer magazines decline 2.5%
- 5G network is catalyst to enable emerging technologies like AI, AR / VR to improve the user experience
- When comparing pre-COVID 2024 forecast market size share of E&M revenue, some segments saw acceleration in growth while some declined
  - Winners: Video games and esports, OTT video, Music, radio and podcasts, OOH
  - Losers: Cinema, Newspapers and consumer magazines, Internet advertising
Individual segment market size as % of **Hong Kong** E&M revenue, **Internet access** will see the largest gain

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<td>29.9%</td>
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<td>30.6%</td>
</tr>
<tr>
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<td>7.1%</td>
<td>7.9%</td>
<td>9.1%</td>
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**COVID impact on market size**

- Internet access rises 1.5%
- Newspapers and consumer magazines declines 0.9%
- 5G network is catalyst to enable emerging technologies like AI, AR / VR to improve the user experience
- When comparing pre-COVID 2024 forecast market size share of E&M revenue, some segments saw decline
  - **Winner:** Internet access, video games and esports, OTT video
  - **Losers:** Cinema, Newspapers and consumer magazines, Internet advertising

*Note: 2019 is the latest available data. 2020-2024 values are forecast projections.*

*Source: PwC Global Entertainment & Media Outlook 2020-2024, [www.pwc.com/outlook](http://www.pwc.com/outlook)*

Global E&M Outlook 2020-2024: Hong Kong summary
The Global and APAC live E&M sector will be hit hard by COVID-19 obviously

Physical events disrupted

- Lockdowns have kept cinemas, concert halls, exhibition centres and stadiums closed for most of 2020
- By April 2020, over 750 music festivals globally had already been cancelled or postponed
- Some events have started to innovate and shift online. For example, in the gaming sector, Epic Games’ *Fornite* has transformed itself into an event space that is able to put on major attractions

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*Note: 2019 is the latest available data. 2020-2024 values are forecast projections*

*Source: PwC Global Entertainment & Media Outlook 2020-2024, www.pwc.com/outlook*

*Global E&M Outlook 2020-2024: Hong Kong summary*
Hong Kong live E&M sector will continue to be disrupted by COVID-19

Physical events disrupted

- Cancelled events in 2020 include: Rugby Sevens, Clockenflap music festival, Esports and music festival
- B2B events: Hong Kong Book Fair, HKTDC trade shows, expos, industry conferences and more.

<table>
<thead>
<tr>
<th>Year</th>
<th>Trade shows revenue</th>
<th>Box office revenue</th>
<th>Live music revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>700</td>
<td>200</td>
<td>500</td>
</tr>
<tr>
<td>2020</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>2021</td>
<td>200</td>
<td>200</td>
<td>200</td>
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<tr>
<td>2022</td>
<td>300</td>
<td>300</td>
<td>300</td>
</tr>
<tr>
<td>2023</td>
<td>400</td>
<td>400</td>
<td>400</td>
</tr>
<tr>
<td>2024</td>
<td>500</td>
<td>500</td>
<td>500</td>
</tr>
</tbody>
</table>

Note: 2019 is the latest available data. 2020-2024 values are forecast projections.

OTT video maintains rapid growth at 10.2%, with Mainland China at 12.2% by 2024

Segment CAGR 2020 - 2024

- OTT video
- Internet advertising
- Video games and esports
- Cinema
- Out-of-home advertising
- Music, radio and podcasts
- Business-to-business
- TV advertising
- Books
- Traditional TV and home video
- Newspaper and consumer magazine

• Resilient segments are those leveraging digital platforms, as evident for Hong Kong, Mainland China and global - OTT video, video games and Internet advertising.

• OTT video growth in Mainland China is faster than Global and Hong Kong

• Global entertainment and media revenue will rise at a 2.8% CAGR from 2020-2024 at US$2.45tn

Note: 2019 is the latest available data. 2020-2024 values are forecast projections
Segment deep dives
Segment deep dive
Internet advertising
Digital advertising revenue steadily moves to digital, in line with digital content consumption rates

Hong Kong advertising revenues vs. Asia Pacific advertising revenues, in terms of digital and non digital, 2015 vs. 2024 (%)

**Hong Kong**

- Non-digital advertising: 81.2% in 2015, 56.1% in 2024
- Digital advertising: 18.8% in 2015, 43.9% in 2024

**Asia Pacific**

- Non-digital advertising: 63.0% in 2015, 35.1% in 2024
- Digital advertising: 37.0% in 2015, 64.9% in 2024

Note: 2019 is the latest available data. 2020-2024 values are forecast projections.


**Relentless shift to Internet**

- Advertising revenue in Hong Kong continues to dominate the non-digital market. However, continued growth in digital advertising will reach 43.9% of the market by 2024.
- Digital advertising pie grows steadily to 43.9% but still lags behind Asia Pacific with 64.9% of digital revenues.
- Growth in digital advertising in Asia Pacific will reach 65% of the market by 2024, which is dominant to the market.
- High speed mobile internet penetration reaches 87% in Hong Kong.
Internet advertising in Hong Kong continues to grow at 3.5% CAGR, reaching US$772mn in 2024 from US$674mn in 2020

Internet advertising segment revenue 2015-2024: APAC vs. Hong Kong

- Growing smartphone penetration is driving mobile ad spend significantly faster than the wired sub-segment.
- New types of connected devices are changing the way consumers interact with digital media services and content.

- Hong Kong is a middle-sized market in terms of total Internet advertising revenue in the Asia Pacific region, with revenue of US$689mn in 2019.
- The people of Hong Kong are active on social media with Facebook, the most widely used network, followed by YouTube and Instagram.
- Media players and advertisers shift greater attention to influencer marketing (KOLs), powered by e-commerce and live streaming. (網紅帶貨).

Note: 2019 is the latest available data. 2020-2024 values are forecast projections.
Mobile Internet advertising growth at 7.62% CAGR to reach US$377mn in 2024, bypassing wired paid search

- Hong Kong wired internet advertising remains stagnant.
- Mobile internet advertising is growing at 7.62% CAGR and gaining market share.
- In line with 5G uptake and rising consumption of OTT video, this will spur growth in mobile internet advertising.

Note: 2019 is the latest available data. 2020-2024 values are forecast projections.
Hong Kong mobile video Internet advertising grows at 11.47% to US$57mn in 2020, similar to Asia Pacific growth of 19.24%.

Video will become an increasingly important part of the mobile display mix due to:

- Continued focus on video by mobile social platforms;
- Shifts towards out-stream video inventory on publishers’ mobile sites and apps;
- Increased mobile video consumption driven by faster and more reliable mobile connectivity.

Note: 2019 is the latest available data. 2020-2024 values are forecast projections.

Segment deep dive
OTT video
OTT video revenue in Hong Kong will increase at a 10% CAGR from US$254mn in 2020 to US$373mn in 2024

**OTT video segment revenue 2015-2024: APAC vs. Hong Kong**

- **Increasing broadband speeds and penetration are fuelling the growing demand for OTT video**
- **Homegrown player ViuTV increased its strategy in 2019 in response to moves by Netflix to target Asia Pacific.**
- **TVB’s own OTT service, myTV SUPER, continues to grow with weekly time spent watching exceeding 20mn man-hours at the end of June 2019. The service had turned profitable during 2018.**

Note: 2019 is the latest available data. 2020-2024 values are forecast projections

Global E&M Outlook 2020-2024: Hong Kong summary
OTT video to bypass traditional TV and video by 2024 reaching US$373mn

OTT revenue 2015 – 2024 and 2020-2024 CAGR: Hong Kong

• OTT video in Hong Kong will see significant growth of 10% CAGR from 2020 to 2024, with expected revenue of US$373mn by 2024.

• This is driven by behaviour shift around consumer preference to access content at anytime and anywhere) and over 80% penetration rate.

• OTT video will grow at +10 CAGR, which is slightly lower than Asia Pacific +13% CAGR. Hong Kong OTT will bypass traditional TV and video by 2024.

• 5G will hasten existing trends toward personalisation and enable more consumption and higher quality video entertainment on mobile devices.

• Hong Kong OTT video segments will experience significant growth of US$119 million from 2020 to 2024.

• Hong Kong traditional TV and video will see a drop of -2.5% CAGR from 2020-2024, while Asia Pacific will have a flat growth.

Note: 2019 is the latest available data. 2020-2024 values are forecast projections
OTT video on a rapid growth path for Hong Kong, Asia Pacific and Global with more premium services

Revenue growth (2020-24 CAGR): OTT video
Asia Pacific vs. Global vs. Hong Kong

- OTT video revenue in Hong Kong will grow at a 10.1% CAGR of US$254mn in 2020 to US$373mn in 2024.
- Asia Pacific will grow at a 12.9% CAGR of US$19.6bn in 2020 to US$31.9bn in 2024. And Global will grow at a 10.4% CAGR of US$58.5bn in 2020 to US$86.8bn in 2024.
- Premium services include higher definition content, niche content types and commercial free.

Note: 2019 is the latest available data. 2020-2024 values are forecast projections.

Global E&M Outlook 2020-2024: Hong Kong summary
Hong Kong SVOD revenue will overtake box office spend in 2020 to hit US$231mn in 2020

SVOD slides past box office

- COVID-19 has accelerated OTT platform adoption
- In 2015, total box office revenue was 7 times more than that of SVOD revenue (US$35mn vs US$ 255mn)
- Box office revenue is expected to see a strong rebound but revenue will not return to pre-COVID levels.

**Hong Kong SVOD vs box office revenue, 2015-2024 (US$mn)**

Note: 2019 is the latest available data. 2020-2024 values are forecast projections.

Segment deep dive
Video games
Video games is the third fastest growing segment in Hong Kong to hit US$1.1bn by 2024 at 6.2% CAGR (2020 to 2024)

- Mainland China and Hong Kong has almost full smartphone penetration and mobile games developers are increasingly successful in taking advantage of this market through highly popular free-to-play games with in-game purchases.
- Mainland China and Singapore still experience a high growth rate in the coming years.
- As Hong Kong is a regional distribution centre for games, gaming revenue per person is much higher than in Mainland China. Hong Kong’s unrestricted access to global game titles and growth trajectory boost advantages as a regional gaming hub.

![Graphs showing gaming revenue growth in Mainland China, Hong Kong, and Singapore from 2019 to 2024]
Mainland China and Hong Kong video game revenue will grow at a similar rate from 2020 to 2024 and reaching US$38.5bn and US$1.1bn in 2024

- Mainland China and Hong Kong are few markets where traditional gaming is growing marginally faster than social/casual. This represents traditional gaming will grow at 8.7% and 8.5% CAGR from 2020 to 2024 respectively.
- Social/casual games will account for 70.4% and 46% of total video games revenue in Mainland China and Hong Kong in 2024 at US$26.8bn and US$518mn respectively.
- Traditional gaming has been helped by recent hardware releases – Nintendo’s innovative, semi-portable Switch, PS5 and Xbox One from Sony and Microsoft.
US, Mainland China, Japan and South Korea dominates the video game market. They will represent 61% market share by 2024

Video games top countries by 2024 revenue and growth 2020-2024

Top 10 video game countries by revenue 2024
1. Mainland China
2. US
3. Japan
4. South Korea
5. UK
6. Germany
7. France
8. Italy
9. India
10. Canada

Top 10 countries with highest CAGR 2020-2024
1. Pakistan
2. Nigeria
3. India
4. Peru
5. Egypt
6. Norway
7. Philippines
8. Indonesia
9. Kenya
10. Brazil

Country on both lists
India

Note: 2019 is the latest available data. 2020-2024 values are forecast projections
Advantages of operating gaming businesses in Hong Kong

- **Overseas licensors of IP**
  - Royalties/Licence fee payments – generally subject to relatively low withholding tax (4.95% or lower if two-tiered rates or tax treaty rate apply)

- **Self-developed/acquired IP**
  - Legal protection for intellectual property

- **Hong Kong company**
  - Free flow of money
  - No additional licence required for conducting gaming business
  - Relatively low profits tax rate (generally 16.5%; 8.25% on first HK$2mn assessable profits if two-tiered rates apply)

- **Gaming revenue**
  - Hong Kong gamers – No VAT/GST
  - Overseas gamers – may be subject to VAT/GST/ Digital Services Tax in the overseas countries

- **Gaming revenue**
  - May be subject to VAT/GST/Digital Services Tax in the overseas countries

- **Overseas gamers**
  - Gaming revenue – No VAT/GST

- **Hong Kong gamers**
  - Gaming revenue – may be subject to VAT/GST/Digital Services Tax in the overseas countries
What can we learn from other jurisdictions to increase our competitiveness in the region?

- **Programmes to nurture / attract talents**
  - e.g. universities in Mainland China and Singapore offer courses on gaming studies in order to build talent pipeline for the industry; incubation and mentorship programmes arranged by Singapore government

- **Financial support**
  - e.g. Singapore government’s funding schemes for games industry

- **Relevant tax incentives**
  - e.g. Mainland China’s preferential tax rates for High and New Technology Enterprises / software industries; various preferential schemes in Singapore

- **Enhanced tax laws regarding IP**
  - e.g. more friendly provisions for claiming deductions and double tax relief
New trend
Smart speakers, podcasts
Mainland China will overtake the US to become the world’s largest smart speakers market and reaching US$159mn devices by 2024

Smart speakers, a new addition to the Outlook, will become the central smart home device.

- A significant share of households will have smart speakers, but not any other form of installed smart home technology over next 5 years.
- Device ownership is set to rise at a 26.7% CAGR to hit US$543mn devices globally in 2024.
- In 2019, Apple launched its HomePod device in Mainland China, the first of a large US-based smart speaker company to launch a product in Mainland China.
- Smart speakers shall bring a new style of behaviour and provide more subscription and bundling products.

Note: 2019 is the latest available data. 2020-2024 values are forecast projections.

Global, smart speaker markets by number of devices (mn) 2015-2024

Mainland China will overtake the US to become the world’s largest smart speakers market by 2020.
Mainland China podcast revenue reached US$193mn in 2019 and is the second largest market in the world by 2024


- Smartphone usage and smart speakers are driving consumption of podcasts.
- Chinese podcast revenue reached US$193mn in 2019. On the back of expanding listener numbers, revenue is set to rise strongly at a 37.3% CAGR from 2020 to 2024 to total US$689mn in 2024.
- Mainland China will remain as the fastest growing player in the podcast market.
- Mainland China’s leading platform is Ximalaya FM, which has a 50%-plus podcast market share. In 2016, it also began moving heavily into paid-for professional content.

Note: 2019 is the latest available data. 2020-2024 values are forecast projections.
Global E&M Outlook 2020-2024: Hong Kong summary
Mainland China is the second largest market in terms of revenue of US$689mn in 2024 in podcasts segment

Note: 2019 is the latest available data. 2020-2024 values are forecast projections

• Mainland China Podcast revenue is growing at 37.3% CAGR and will reach US$689mn by 2024.
• The number of monthly listeners ran to 274mn in 2020, and will expand at a 15.3% CAGR to 485mn listeners in 2024, to make Mainland China the largest market in the world. While US monthly listeners ran to 153mn in 2020 and will expand at a 11.3% CAGR to 235mn listeners in 2024.
• Podcasts offer various content including music, books, news, user generated content to its listeners.
How companies are adopting new innovation models to seize growth and adapt to new consumer preferences

1. 5G vision for the future of media experiences
2. AI in the home
3. Pandemic boosts virtualisation
4. Global polarisation looms
About the Global Entertainment & Media Outlook and glossary

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<th>Global Entertainment &amp; Media Outlook</th>
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<td>• PwC’s 21st annual edition of the Global Entertainment &amp; Media Outlook is a comprehensive online source of global analysis for consumer and advertising spending. With like-for-like, five-year historical and five-year forecast data and commentary for 14 defined industry segments in 53 territories, the Outlook makes it easy to compare and contrast consumer and advertising spending across segments and territories. Find out more at <a href="http://www.pwc.com/outlook">www.pwc.com/outlook</a>.</td>
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<td>• A total of 53 countries are represented within the Outlook spread across North America, Western Europe, Central Europe, Middle East &amp; Africa, Latin America and Asia Pacific.</td>
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<td>• Revenue includes: Advertising and consumer revenue streams</td>
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<td>• Digital revenue - Digital is revenue delivered through the Internet. Internet access revenue is obviously included in, and the majority part of, “digital.” In advertising, this is effectively Internet advertising and digital OOH advertising. In consumer it's areas like OTT video revenue, digital forms of books/newspaper/magazine purchases, video game downloads and online/microtransaction revenue, VR revenue, and digital music revenue (downloads, streaming, ringtones).</td>
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Key contacts

Wilson Chow
PwC Global TMT Industry Leader
wilson.wy.chow@cn.pwc.com

Cecilia Yau
PwC Mainland China and Hong Kong Media Leader
cecilia.yau@cn.pwc.com

Gwenda Ho
PwC Hong Kong TMT Tax Leader
gwenda.kw.ho@hk.pwc.com
Thank you.

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