

Report on the Development of China's Online Copyright Industries (2018)

Online Copyright Industry Research Base of National
Copyright Administration of China

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1 Structure and Development of China's Online Copyright Industry in 2018

1.1 Market Size: the Size of China's Online Copyright Industry Exceeded RMB740 Billion in 2018

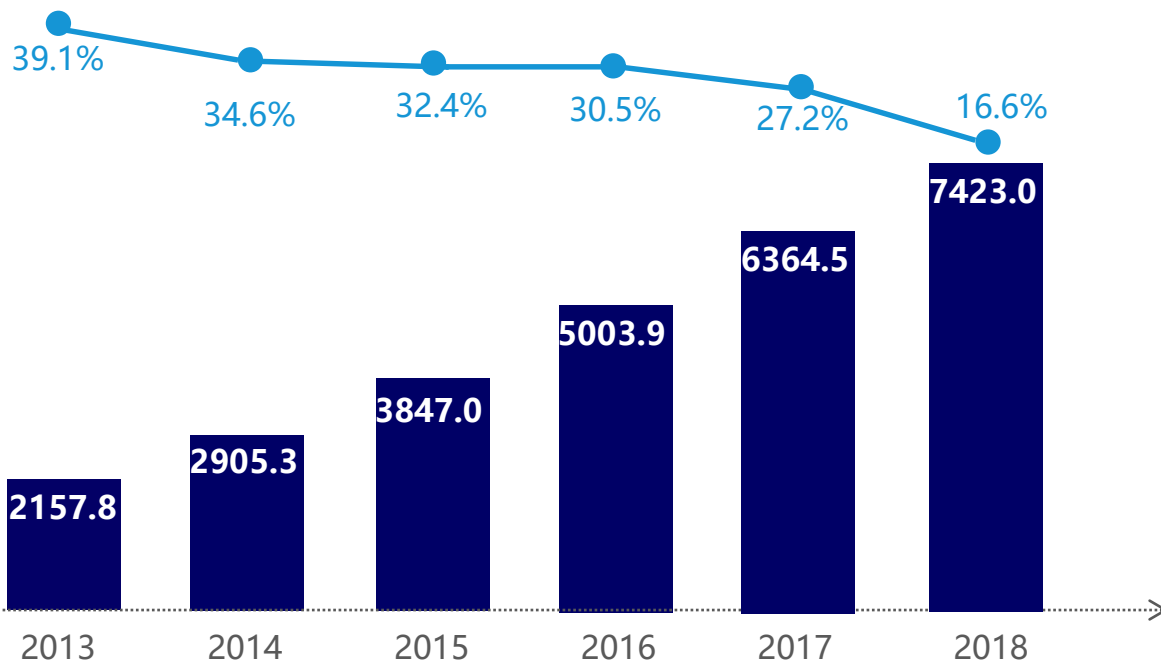
- In 2018, the market size of China's online copyright industry reached RMB742.3 billion, 16.6% or RMB105.9 billion more than the RMB634.5 billion registered in 2017.

Market Size of China's online Copyright Industries in 2013-2018

■ Size(RMB100 million)
— YoY Growth (%)

Data Source:

China Audio-visual and Digital Publishing Association, Game Publishing Committee under China Audio-video and Digital Publishing Association, iResearch, EnterGroup, calculations by Tencent Research Institute, February 2019



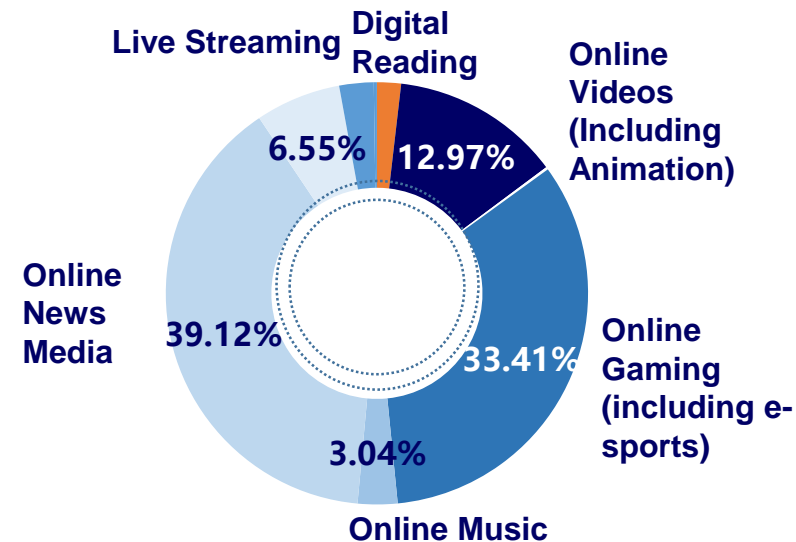
1.2 Industry Structure: News, Games and Videos Are the Three Pillars, and the New Segmented Industries Exhibited Strong Development Momentums.

- Online news media, online games and online videos constituted the center of gravity of the Industries, and accounted for **85%** of the market.

**Breakdown of China’s Online Copyright Industries
2018: Market Size and Share**

Online Copyright Industries	Market Size (RMB100 million)	Share (%)
Digital Reading	136.3	1.84%
Online Videos (Including animation)*	962.7	12.97%
Online Comics (excluding Animations)*	15.0	0.20%
Online Games(Including e-sports)	2480.0	33.41%
Online Music	226.0	3.04%
Online News Media*	2904.0	39.12%
Live Streaming	485.8	6.55%
Online short videos	195.2	2.63%
VR & AR	18.0	0.24%

2018 China’s Online Copyright Industry Subdivision Structure



Data Source : China Audio-visual and Digital Publishing Association, Game Publishing Committee under China Audio-video and Digital Publishing Association, iResearch, EnterGroup, calculations by Tencent Research Institute, February 2019

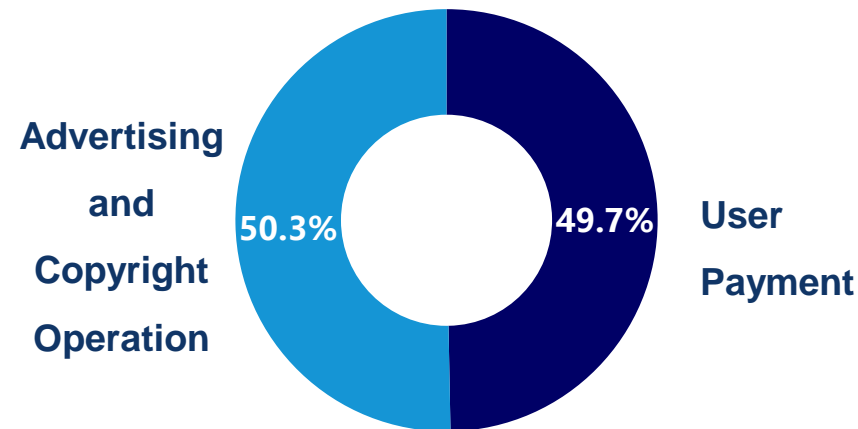
1.3 Profit Model: User Payments Account for Nearly Half of the Total revenue, and Advertising Revenue is Growing Steadily

- In 2018, user payments of China's online copyright industry was nearly **368.6** billion, up by 15.8% YoY. Among them, online videos and digital reading played prominent roles, while online games and live streaming subscribers' payment growth slowed down.

**User Payment in 2018
for China's Online Copyright Industries***

Online Copyright Industry	User Payment (RMB100 million)
Digital Reading	122.7
Online Videos (Including Animations)	355.0
Online Comics	15.0
Online Gaming (Including e-sports)	2480.0
Online Music	220.0
Online Media Content (Including Pay-for-Knowledge)	30.0
Live Streaming Virtual Gifts	437.2
Online short videos Virtual Gifts	18.0
VR/AR Content	8.0
Total	3685.9

**Profit Model in 2018 of China's
Online Copyright Industries**

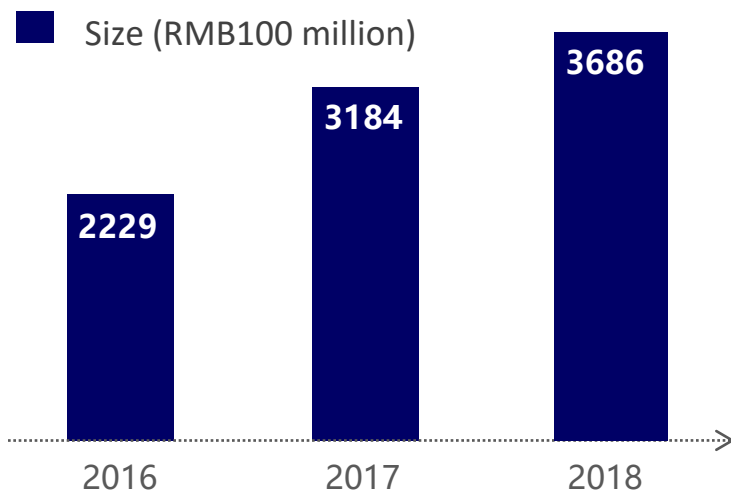


Data Source: China Audio-visual and Digital Publishing Association, Game Publishing Committee under China Audio-video and Digital Publishing Association, iResearch, EnterGroup, calculations by Tencent Research Institute, February 2019

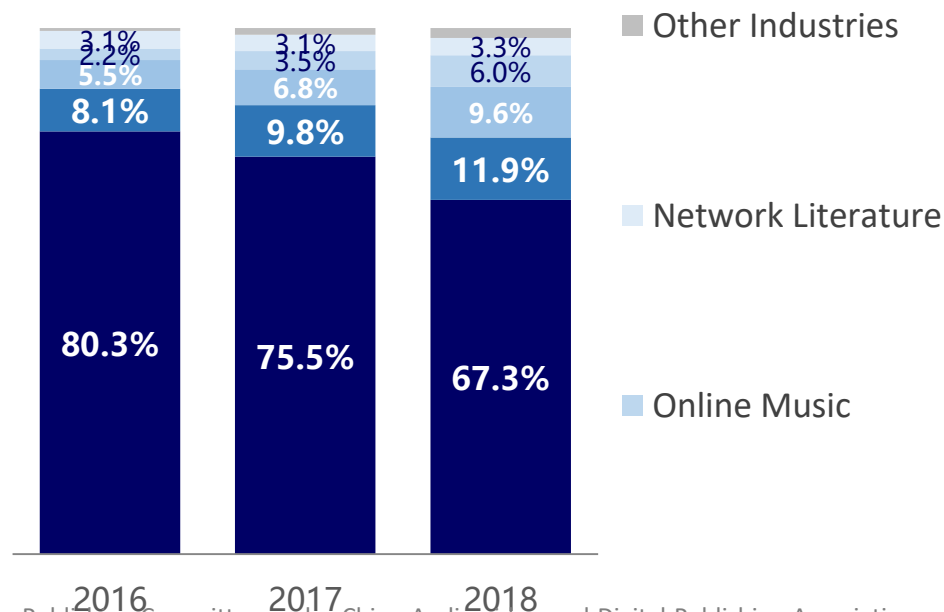
1.4 User Payment: the Amounts of User Payments Augmented by Nearly 150 Billion Yuan in the Last Three Years, and Its Share Increased Significantly.

- Over the three years from 2016 to 2018, the overall user payment scale of China's online copyright industry had continued to grow, from **222.9 billion** yuan to **RMB368.6 billion**, an increase of **65%**.

User Payment 2016-2018 for China's Online Copyright Industries



Structure of User Payment 2016-2018 for China's Online Copyright Industries



Data Source: China Audio-visual and Digital Publishing Association, Game Publishing Committee under China Audio-video and Digital Publishing Association, iResearch, EnterGroup, calculations by Tencent Research Institute, February 2019

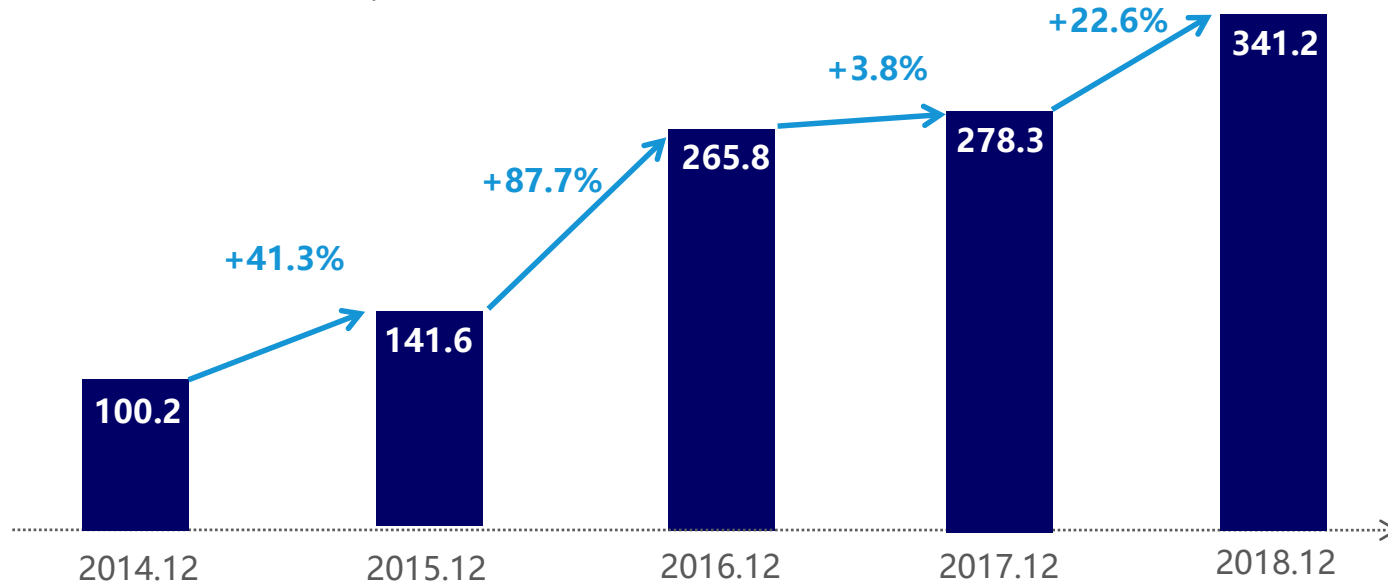
1.5 Users and Traffic: The Overall Traffic of Online Copyright Industry Has Continued to Grow

- In 2018, the per capita usage of mobile Internet user in China increased by more than **22%** year on year. In terms of per capita per day, the increase was about one hour.

Per Capita Daily Usage of Chinese Mobile Internet Users

■ Usage (minutes) — YoY Growth (%)

Data Source: Quest Mobile, Annual Consolidated Report on China Mobile Internet 2018, calculations by Tencent Research Institute, February 2019.





2

Development Status and Highlights of China's Online Copyright Industry by segments in 2018

2.1

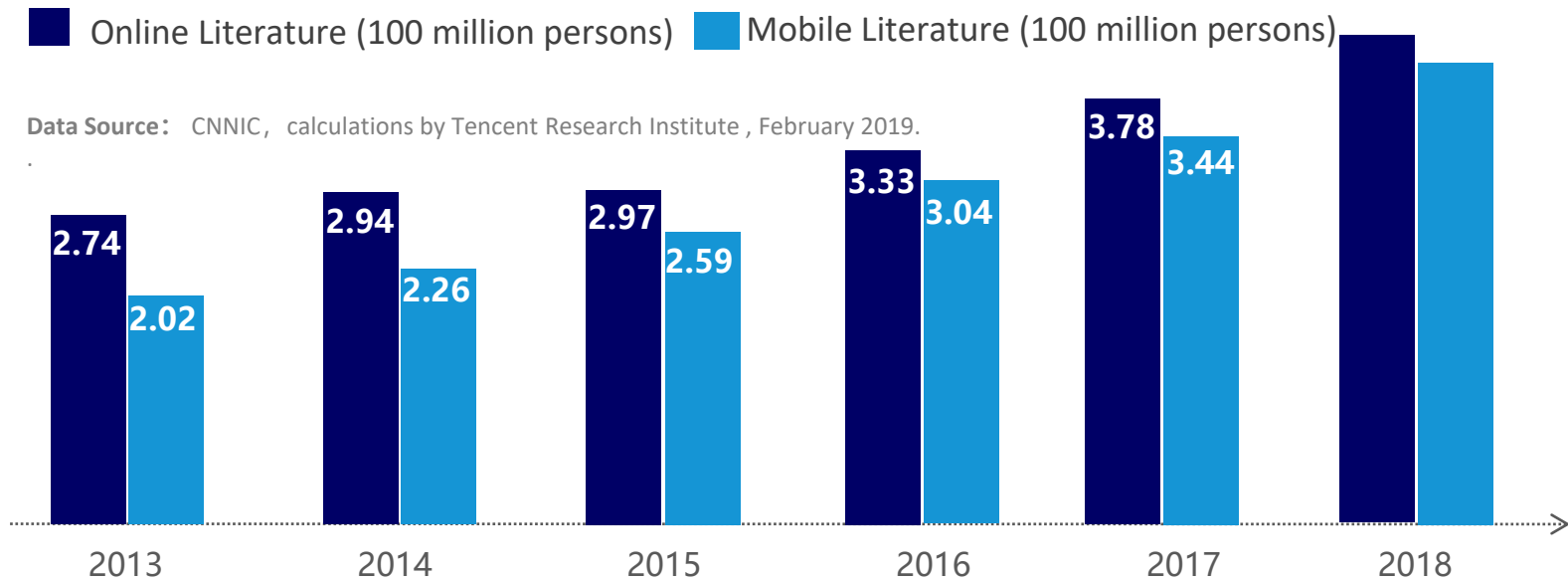
New Development of Digital Reading: Enhancing Copyright Operation, from Content Integration into Industry Integration



2.1.1 User Base: Good Works+ Successful Adaptation of Film and Television Series, Adding 50 Million New Users

- In 2018, its user base soared to **432** million, **54.27** million more than 2017, penetrating **52.21%** of internet users. Within these numbers, the user base of mobile literature reached **410** million, **66.66** million more than 2017, penetrating **50.2%** of mobile phone users.
- Good works incessantly emerged, thanks to effective content creation and talent cultivation; Good works were embraced in the adaptation market and gained more reputation after adaptation into films and TV series, converting video users into literature users; and Platforms launched free reading products and attracted many new readers.

User Base of China's Online Literature in 2013-2018



2.1.2 Market Size: User Payment + IP Development and Operation, the Market Size Reached 13 Billion

- In 2018, the online literature market reached **9.05 billion** yuan, the e-book market reached **4.58 billion** yuan, and the digital reading market totaled **13.63 billion** yuan, a year-on-year increase of **30%**.
- The growth of the market size was dual-engine driven: 1) user-paid market was effectively nurtured and yielded strong revenue growth; and 2) the IP of online literature was increasingly adapted into other copyrighted content, bringing the revenue growth of copyright operation onto a fast track.

Size of China's Digital Reading Market in 2013 - 2018

■ Size (RMB100 million)

Data Source: China Audio-visual and Digital Publishing Association, Publishing Association, China Literature, CICC, Zhongtai Securities, iResearch, calculations by Tencent Research Institute, February 2019.



2.2

Online Videos Industry: Content and Operation Pushing Ads Revenue and User Payment



2.2.1 User Base: Hardware Terminal + Good works, User Base Exceeded 600 million

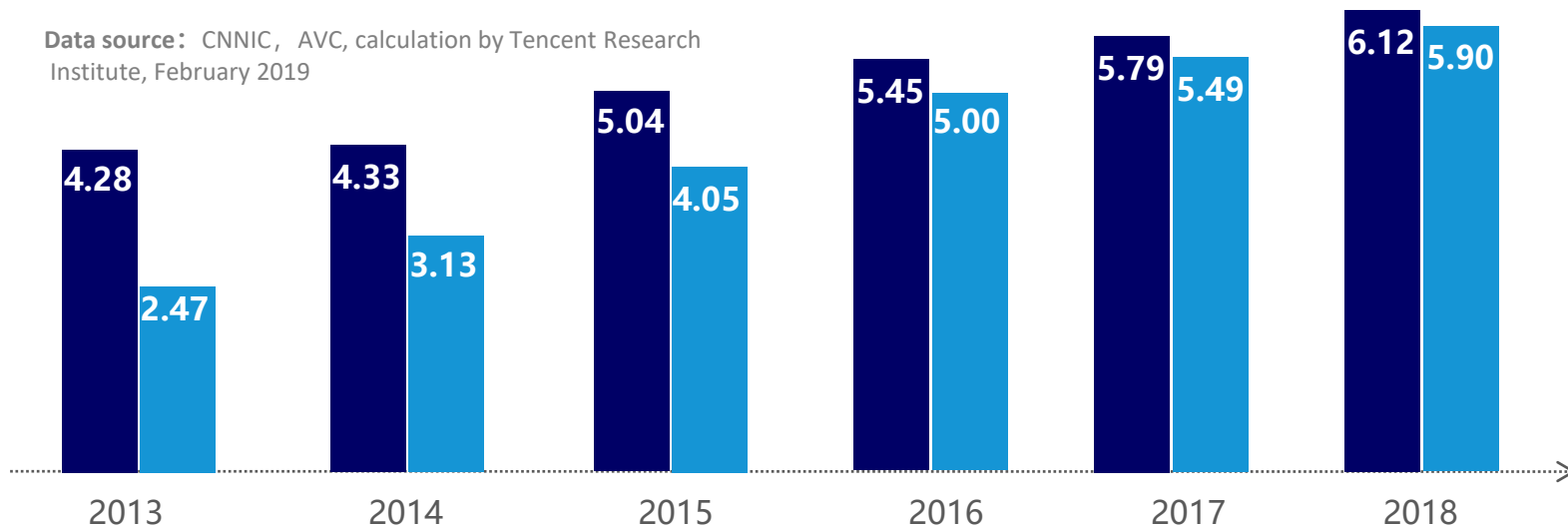
- The user base of online videos at large amounted to **612** million in 2018, **33.09** million more than 2017, representing a **73.9%** penetration among internet users. That of mobile videos specifically amounted to **590** million in 2018, **41.04** million more than 2017, representing a **72.2%** of mobile internet users.
- 2018 also witnessed the popularization of OTT (smart TV and networked set-top-boxes). With 210 million units activated, online video applications integrated therein more powerfully penetrated their living rooms.
- The video platforms paid close attention to the content quality of the films and variety shows which led to closer user attention.

User Base of China's Online Video Industry in 2013-2018

■ Online Videos (100 million persons)

■ Mobile Videos (100 million persons)

Data source: CNNIC, AVC, calculation by Tencent Research Institute, February 2019



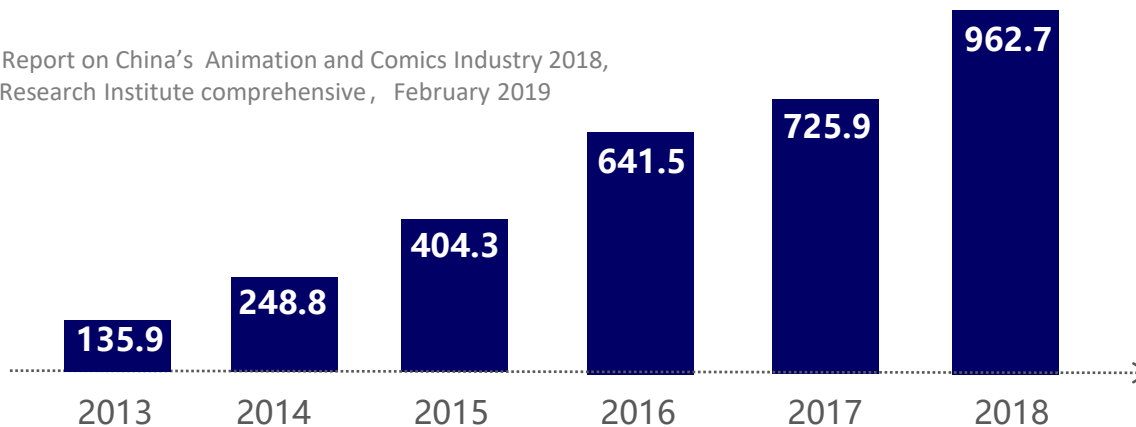
2.2.2 Market Size: Integrated Video Advertising, Improved Membership Operations, the Size Was Near to 100 Billion

- China's online video sector soared in 2018, and its market size exceeded RMB**96.3** billion, up by **32%**YoY.
- Ads revenue stood at RMB**45.4** billion, up by **26%** YoY, accounting for **47.1%** of the overall market size.
- The paying user base of online videos skyrocketed during the same period. By the end of 2018, that of main video platforms has not been reduced.
- Across the leading video platforms, paying users totaled **230** million, and the user-paid market RMB**35.5** billion, up by **62.8%** YoY, representing **37%** of the overall video market..

Size of China's Online Video Market

■ Size (RMB 100 million)

Data source: iResearch, Report on China's Animation and Comics Industry 2018, calculations by Tencent Research Institute comprehensive, February 2019





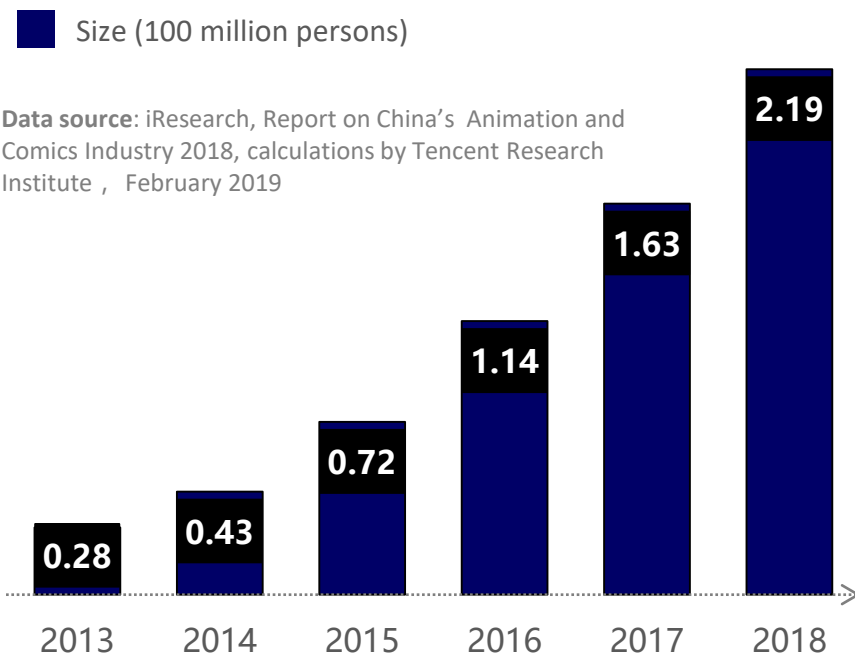
2.3 The New Status of Online Animation and Comics: More and Stickier Users, Paid Content Making Increasingly Robust



2.3.1 User Base: Popularization of Users + Highly Attractive Content, User Base Exceeded 200 Million

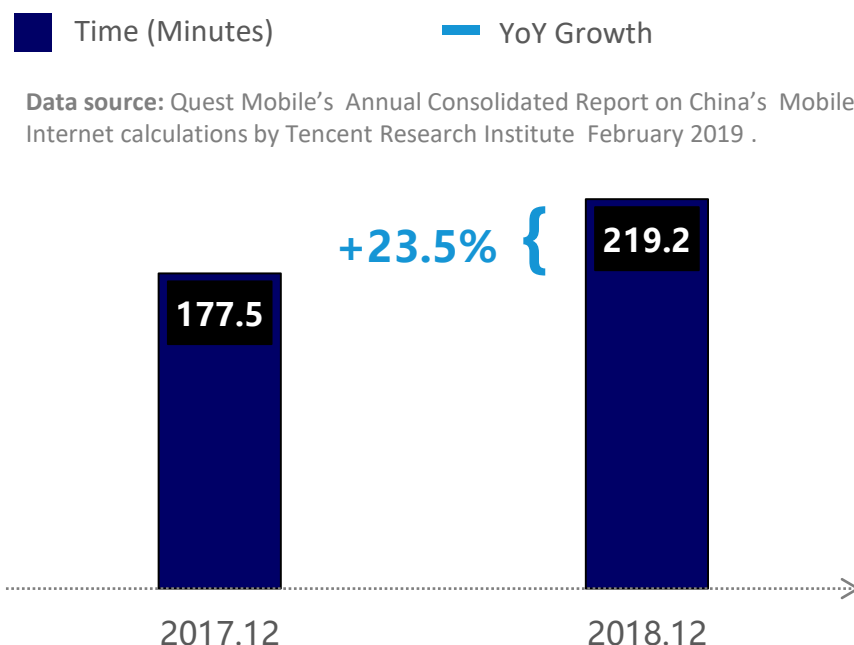
- The number of Chinese online A&C users in broad sense (pan-2D users) surpassed **350** million, including **219** million for online A&C. With the continuous emergence of high-quality works, the base of online animation user would continue to expand in the future.
- Online A&C was not only penetrating minors but also older groups, such as the 80's and 90's, making it possible for in-depth content to be created for adults.

User Base of China's Online A&C Industry 2013-2018



Data source: iResearch, Report on China's Animation and Comics Industry 2018, calculations by Tencent Research Institute, February 2019

Monthly Usage Time of Chinese Mobile A&C Users in 2017-2018



Data source: Quest Mobile's Annual Consolidated Report on China's Mobile Internet calculations by Tencent Research Institute February 2019.

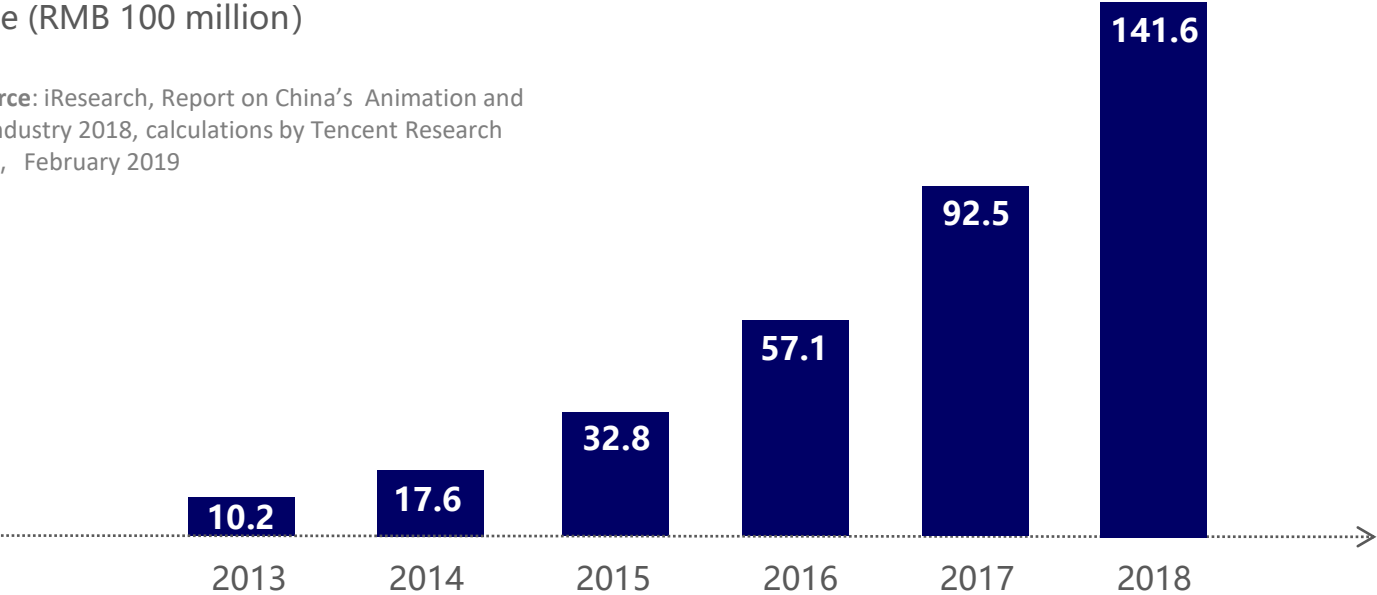
2.3.2 Market Size: Advertising + User Payment + IP License, Multiple Business Models Guarantee Sustainable Growth

- In 2018, the size of the online animation content market (excluding animation peripheral products) has increased to **14.16** billion yuan, a year-on-year increase of **53%**.
- Advertising + user payment + IP authorization constitutes a multi-profit model for the animation industry.

Size of China's Online A&C Market 2013-2018

■ Size (RMB 100 million)

Data source: iResearch, Report on China's Animation and Comics Industry 2018, calculations by Tencent Research Institute , February 2019



2.4 New Online Gaming Engine: E-Sports Rising, Outbound Expansion Quickening



2.4.1 Market Size: Adapt to the New Situation + Open up New Markets, Market Size Reached 248 Billion

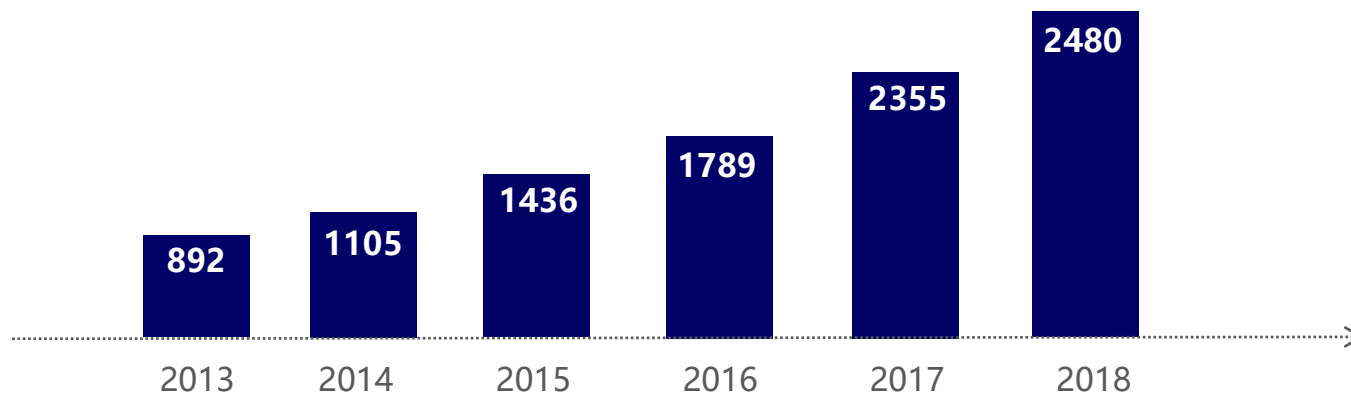
- In 2018, the size of China's online gaming market reached RMB**248** billion, up by **5.3%** YoY.
- Online gaming companies took the initiative to reform, focusing on new kinetic energy such as e-sports games, national wind games, function games and overseas markets, and the goal of steady growth has been achieved.

Size of China's Online Gaming Market in 2013-2018

■ Size (RMB 100 million)

Note: Online gaming market size includes PC games, PC Web games, mobile games, but not e-sports and console games

Data source: Game Publishing Committee under China Audio-video and Digital Publishing Association, iResearch, Analyses, calculations by Tencent Research Institute ,February,2019.



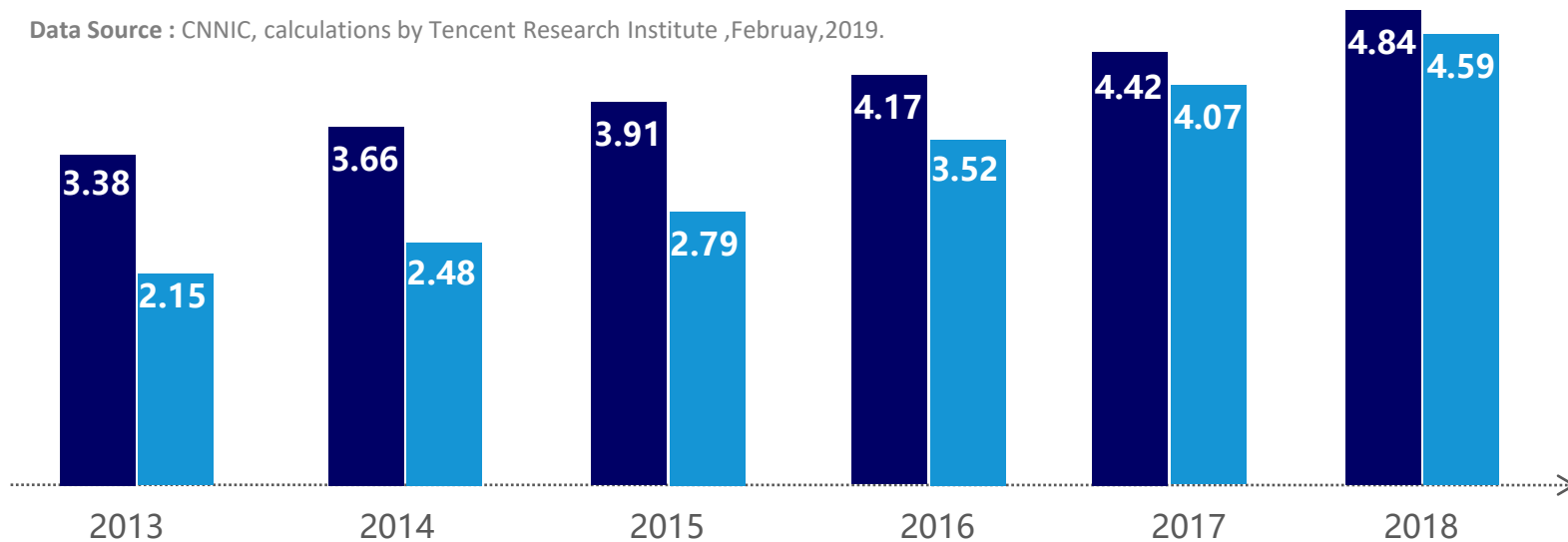
2.4.2 User Base: Driven by E-sports, User Base of Online Gaming Has Been Steadily Increasing

- In 2018, the size of China's online gaming market reached RMB**248** billion, up by **5.3%** YoY. User base further increased to **484** million, **42.24** million more than 2017, penetrating **58.4%** of the internet users. That for mobile games amounted to **459** million, **51.69** million more than 2017, penetrating **56.2%** of mobile internet users.
- The enlargement of user base turned around to boost the development of e-sports competitions, which were systemized in 2018, and fueled by the regularizing operation of leagues and clubs and incessant emergence of famous players and teams.

User Base of China's Online Gaming Industry in 2013-2018

■ Online Gaming (100 million persons) ■ Mobile Gaming (100 million persons)

Data Source : CNNIC, calculations by Tencent Research Institute ,February,2019.



2.5

New Trends of Online Music:
Music Platforms Expand New
Situations for Music
Consumption, and the “Music
Plus” Model Ensures the
Growth of the Industry



2.5.1 Market Size: Thanks to the “Music+” Model, the Online Music Industry Underwent Considerable Expansion in Both Market Size and User Base

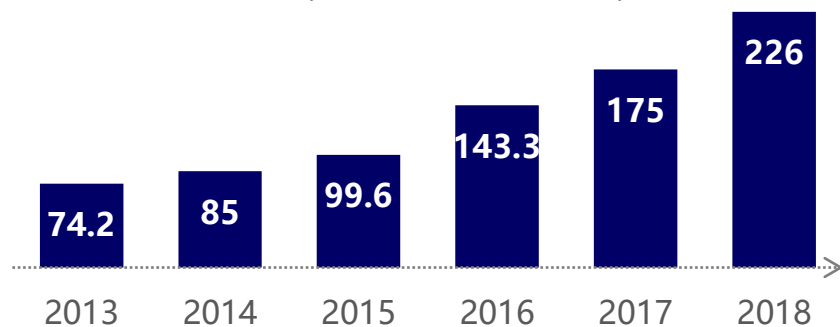
- The market size (excluding telecommunication music value-added service) totaled RMB**22.6** billion, up by 29% YoY.
- The user base totaled **576** million, **27.51** million more than 2017, penetrating **69.5%** of internet users. Mobile music amassed a user base of **553** million, **41.23** million more than 2017, penetrating **67.7%** of mobile internet users.
- “Music+” quickly overwhelmed the market in 2018. Online and offline karaoke was integrated at a greater depth. Music platforms introduced virtual gift model (tipping) from live streaming. Social elements were explored to market music. In this industry, diversity ensured vitality.

Size of China's Online Music Market 2013-2018

■ Size (RMB100 million)

*Online music market size includes the service value of both the PC and mobile music, but excludes revenue from value-added telecommunication music service. Revenue from live streaming of music APP is included here, and not double-counted in revenue of live streaming.

Data Source: Music Industry Promotion under China Audio-Video and Digital Publishing Association, Panoramic View of China's Internet 2019, calculations by Tencent Research, February 2019

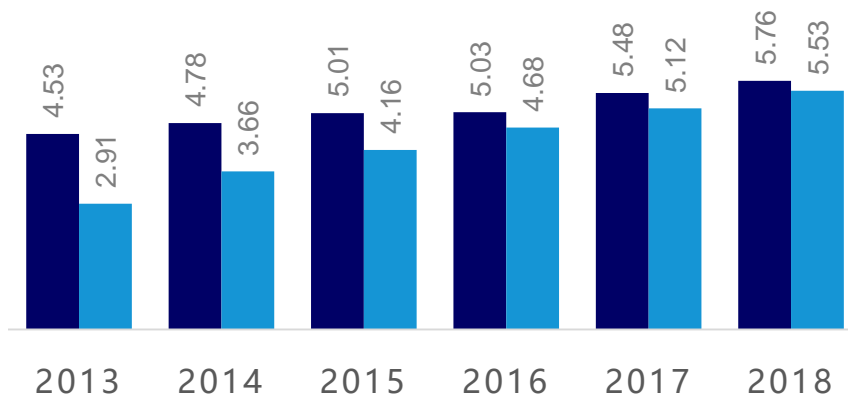


User Base of China's Online Music 2013-2018

■ Online Music (100 billion persons)

■ Mobile Music (100 billion persons)

Data Source: CNNIC, calculations by Tencent Research, February 2019



2.6

New Forms of Online News Media:

Precise Push by AI, Multi-Directional Exploration with Fusion



2.6.1 User Base : High Quality Content and New Media is Further Integrated, and the Number of Online Users Reaches 675 million

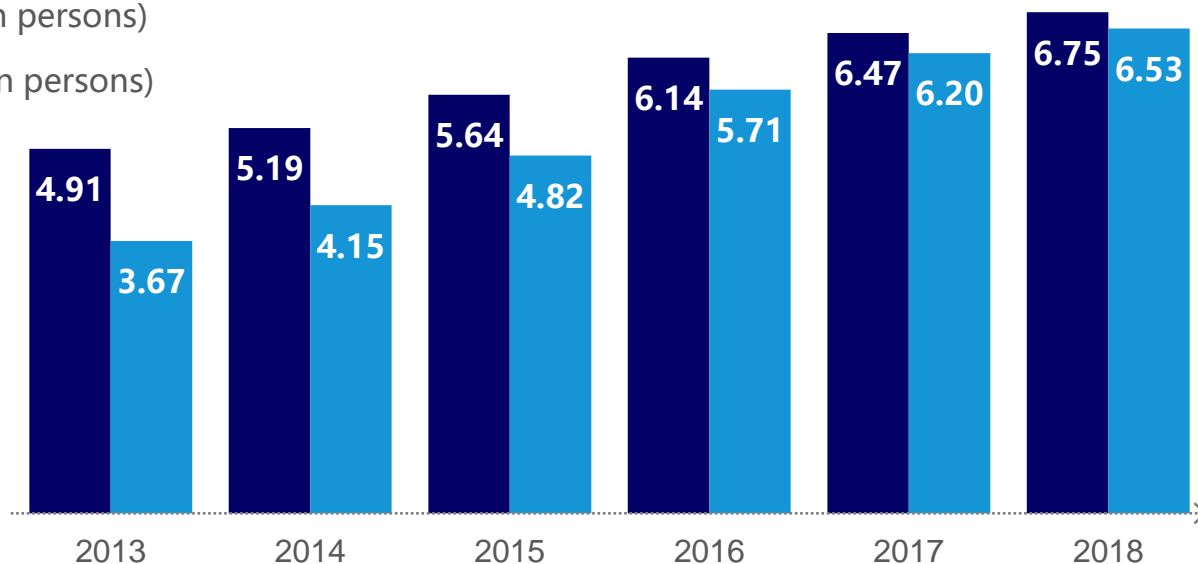
- In 2018, the user base of online media amounted to **675** million in China, up by **4.5%** YoY, penetrating **81.4%** of the internet users. That for mobile news amounted to **653** million, up by **5.4%** YoY, penetrating **79.9%** of the mobile internet users.
- In 2018, media fusion was followed as its strategy, quality content relied on as its basis, technological innovation leveraged as its driver, and AI-powered automatic news writing, short videos, A&C and voice narration used as its supplements. As a result, more users were attracted.

User Base of China's Online News in 2013-2018

■ Online News (100 million persons)

■ Mobile News (100 million persons)

Data Sources:
CNNIC, calculations by Tencent
Research, February 2019



2.6.2 Market Size: Ads in Streaming Feed and Multi-Exploration, Driving the Overall Online Advertising Market to Reach 290 Billion

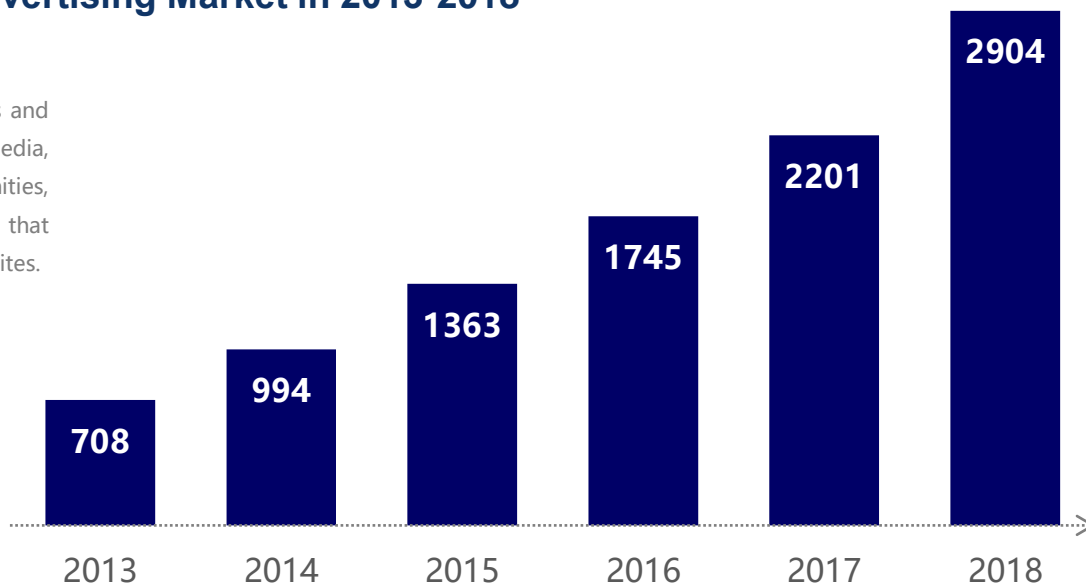
- The convergence of information flow advertising and media's original content continued to increase, driving the overall online media advertising market to grow to **290.4 billion** yuan in 2018, maintaining a growth of more than **30%**.
- Online news media kept transforming. Social and e-commerce elements merged into online media, which explored fusion-based development strategies, by relying on news content, building online-offline interactive communities, introducing e-commerce elements, embedding live streamed short videos and piloting paid usership, and constantly explores and practices Integrate development strategies of new media.

Size of China's Online Media Advertising Market in 2013-2018

■ Size (RMB100 million)

Note:Online media not only contains pure news sites and applications, but also includes all types of vertical media, social media, self-media platforms, media communities, search engine communities and search affiliate sites that produce copyrighted content except for e-commerce sites.

Data Source: iResearch, Panoramic View of China's Internet 2019, calculations by Tencent Research, February 2019



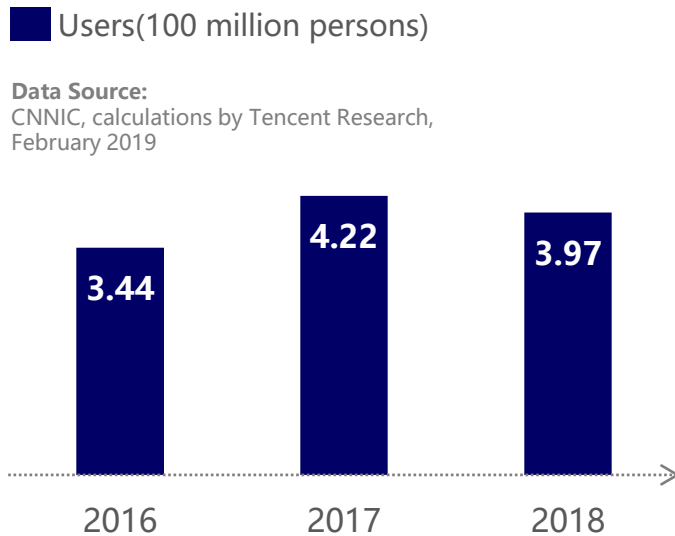
2.7 New Changes to Online Live Streaming: Expansion of Supply and User Experience Optimization



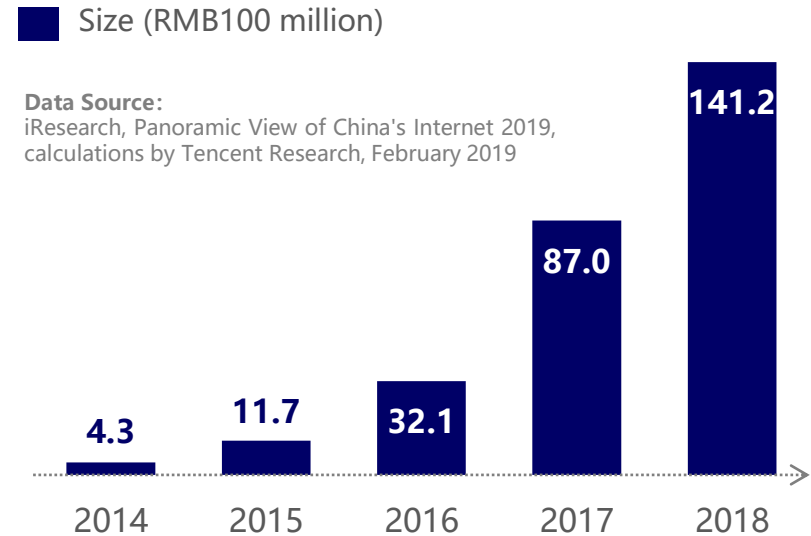
2.7.1 User base: The overall Scale Has Declined, but the Live Broadcast of Games Has Grown Significantly

- By 2018, its user base amounted to **397** million, **25.33** million less than 2017, penetrating **47.9%** of internet users. For game streaming, however, the user base amounted to **238** million, **13.91** million more than 2017, penetrating **28.7%** of internet users.
- This fresh fashion of the “streaming+” model boasted broad prospects in expansion. In 2018, the Asian Games admitted e-sports as an exhibition event. Chinese players won champions in international e-sports competitions. Owing to such opportunities, live e-sports streaming received record-high level of user attention, and the size of the game streaming market surpassed **RMB14** billion, up by **62%** YoY.

**User Base of China’s Live Streaming
in 2016-2018**



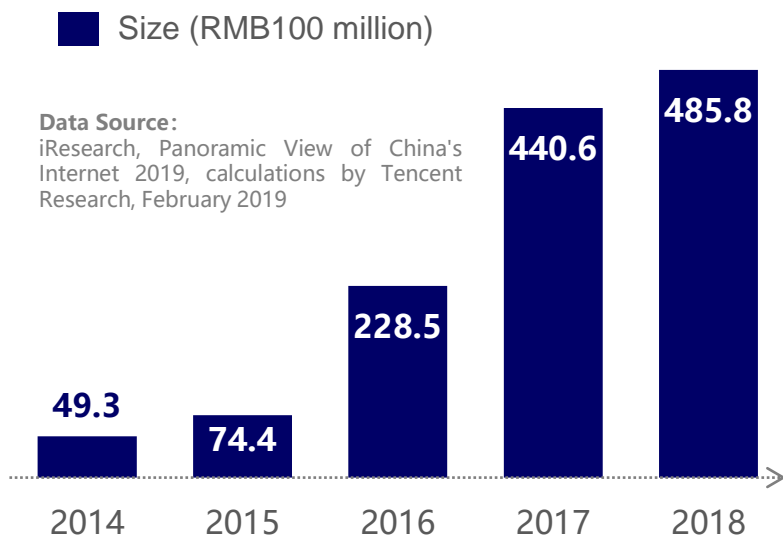
**Size of China’s Game Streaming Industry
in 2014-2018**



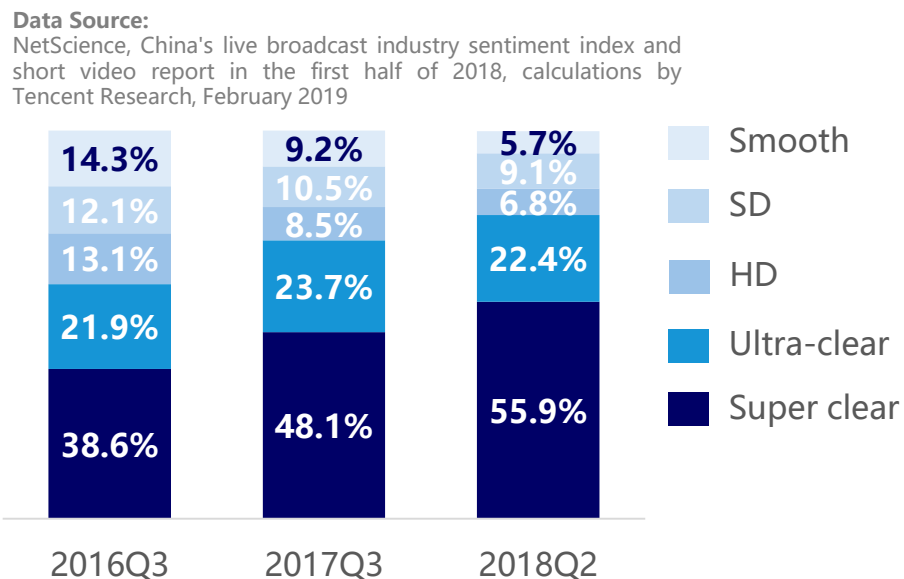
2.7.2 Market Size: The Growth Rate of the Online Live Broadcast Market Slows Down, and Multi-profit Model Has Been Actively Explored

- In 2018, the market size of live streaming came close to RMB**48.6** billion, up by **10%** YoY, of which nearly **90%** was the revenue from paying users. The industry possessed a large user base and robust business model.
- The industry possessed a large user base and robust business model, which showed a clear tendency of paying for content. With 5G on the horizon, live streaming will place more emphasis on the premiumization of leading content. Thus, better content quality and bigger market size are expectable for live streaming.

Size of China's (Pan-Entertainment) Living Streaming Market in 2014-2018



Distribution of Resolution for China's Game Streaming in 2016-2018



2.8

New Evolution of Short Video: Increase of Ratio of the Usage and Business Integration



2.8.1 User Base: Extra Long Usage Time + Highly Attractive Content: User Base Exceeds 600 Million

- In 2018, short videos amassed **648** million users, **240** million more than 2017, and penetrated **79.3%** of mobile internet users.
- Monthly usage time surged by **170%** YoY. Their share in total usage time of mobile internet redoubled again and again from **1.2%** in 2016 to **11.4%** in 2018. Short video became the fastest growing online copyright format.

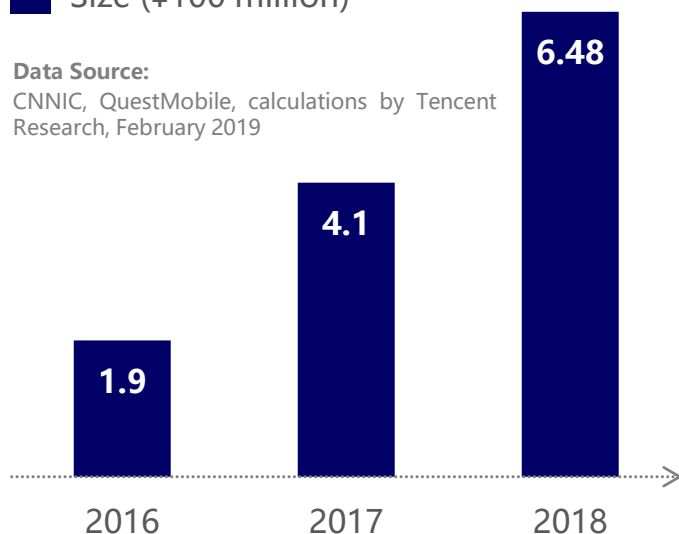
User Base of China's Online Short Video

in 2016-2018

■ Size (¥100 million)

Data Source:

CNNIC, QuestMobile, calculations by Tencent Research, February 2019

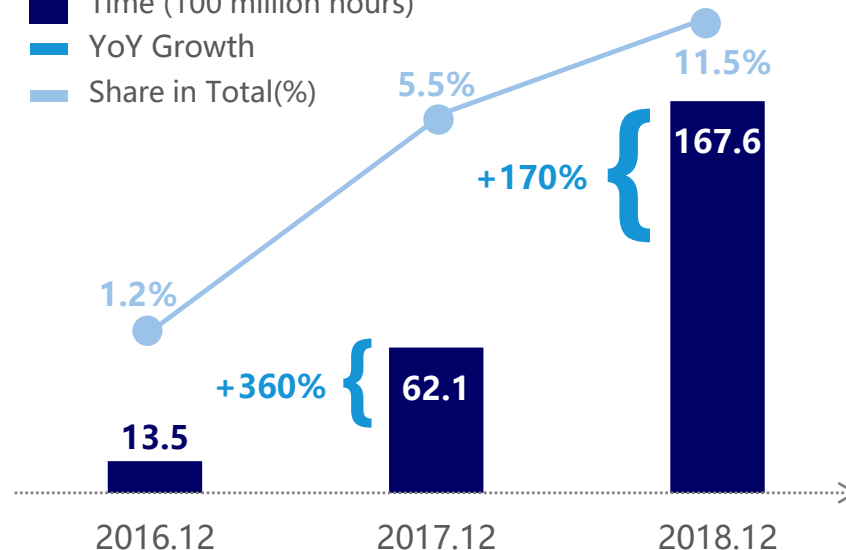


Monthly Usage Time of China's Online Short Videos in 2016-2018

■ Time (100 million hours)

■ YoY Growth

■ Share in Total(%)



Data Source:

Quest Mobile, Panoramic View of China's Internet 2019, calculations by Tencent Research, February 2019

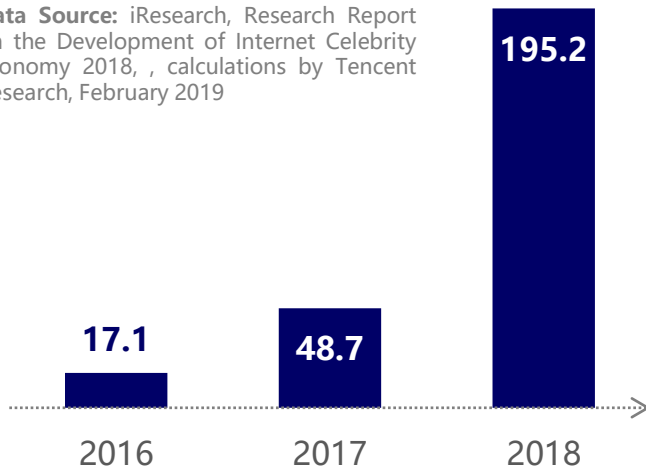
2.8.2 Market Size: Business Integration + One-stop Platform, the Short Video Market Size is Near to 20 Billion

- Such hypergrowth in 2018 attracted the attention of advertisers, which pushed the market size of short videos up to RMB19.5 billion.
- Short videos coincide with the fragmentation of content consumption in the age of mobile internet, generate synergistic effect with other formats of copyright, and blur the boundary among the various copyright industries. Being no longer silos, audio-video platforms, information platforms and other format-centric platforms are merging into integrated platforms, and yielding the utmost traffic dividend in today's market

Size of China's Online Short Videos Market in 2016-2018

■ Size (RMB100 million)

Data Source: iResearch, Research Report on the Development of Internet Celebrity Economy 2018, , calculations by Tencent Research, February 2019

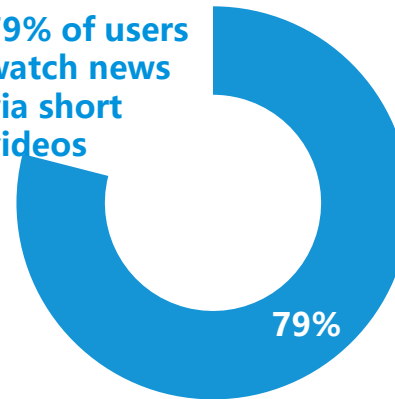


Use of Other Copyright content by China's Online Short Videos users in 2018

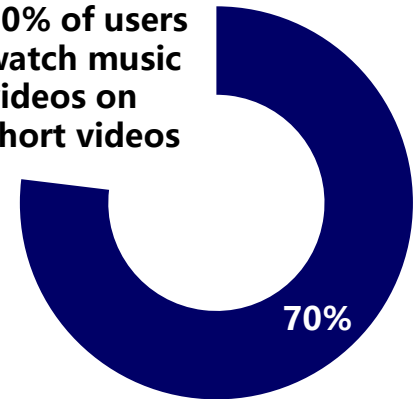
Data Source:

TrustData, Brief Analysis on the Development of Short Video Industry 2018, calculations by Tencent Research, February 2019

79% of users watch news via short videos



70% of users watch music videos on short videos





3

New Features of China's Online Copyright Industry in 2018

Five New Features of China's Online Copyright Industry

- 1** Enterprises take social responsibility actively, and copyrighted contents reflect real life and promote traditional culture
- 2** User's copyright awareness is significantly improved, and their willingness to pay is enhanced
- 3** Copyright industries explore cross-border integration, and industrial ecology innovates constantly
- 4** Creative forms continue to innovate, and technologies drive industrial development
- 5** Copyright industry accelerates abroad layout, and the original culture will be recognized globally



Thanks