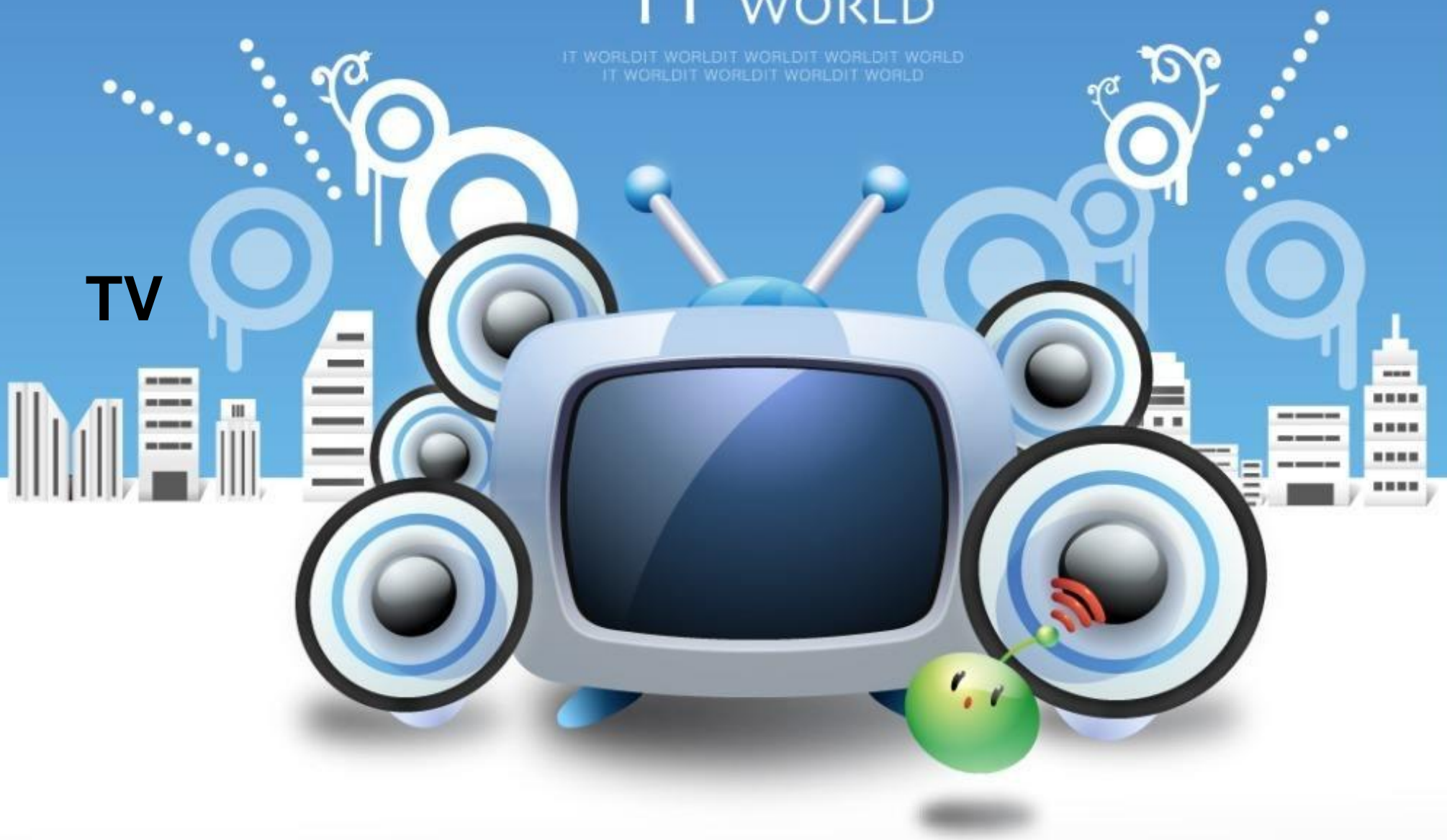


# IT WORLD

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TV



## Summary:

- In the past decade, TV media's coverage rate tended to be saturated, approaching 99%. However, in the last five years, the per capita television watching time of Chinese viewers has been getting shorter and shorter. In the first half of 2017, the per capita daily television watching time was only 144 minutes. The watching time of loyal viewers remained long, but the reach rate of TV viewers has been declining year by year, and the number of TV viewers has continued to shrink.
- TV audiences are tending to aging. The older they are, the longer they watch TV, and the average watching time for viewers over 65 is more than four hours per day.
- In the first half of 2017, the CCTV channels were still the most popular channels among viewers, with market share reaching 30.1%, followed by provincial-level satellite channels, accounting for 29.7%. CCTV channels attracted more elder audience who were born before 1960, while the provincial satellite TVs, provincial and municipal channels had relatively balanced audience.

## Summary:

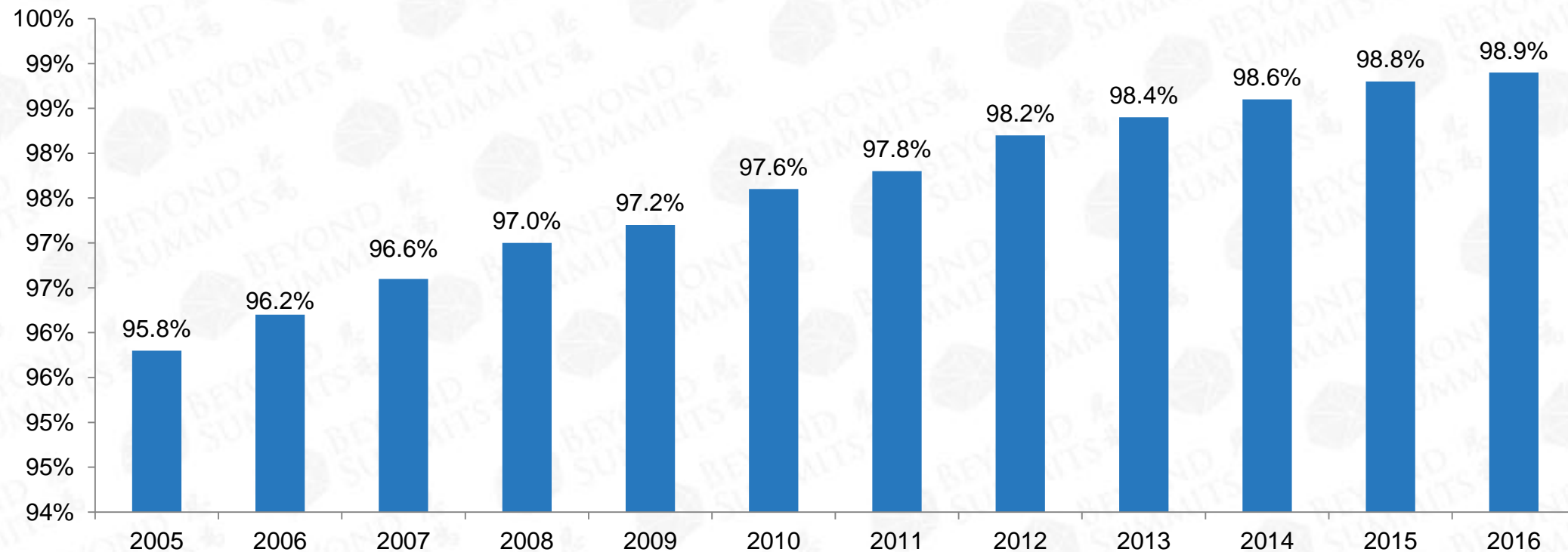
- Among the major PSTVs, the average audience rating of Hunan Satellite TV was the highest from 2015 to 2017. It was worth noting that the average audience rating of DRAGON TV jumped from the third to the second in the first quarter of 2017.
- In the first half of 2017, the TV programs were mainly about TV series, news and variety shows, accounting for 57.1% of all the programs. PSTV channels relied more on TV series and variety shows to get high ratings, while CCTV channels focused more on TV series and news.
- In the TV series market, the ratings share of provincial satellite channels are relatively high, and 82.4% of the variety show ratings were contributed by satellite channels.

## Summary:

- In 2016, TV advertising revenue and advertising length continued to decline, but the decline was lower than that of 2015. Except CCTV channels, the revenue of advertisements of all other channels declined to varying degrees compared to 2015, especially for provincial capital city channels, with a year-on-year decrease of 19%.
- In 2016, the total length of advertisements for CCTV channels and PTV began to rise somewhat in response to the downturn in 2015. In particular, CCTV's total advertising length increased by 11.4% over the previous year.
- From 2014 to 2016, Hunan Satellite TV's advertising revenue was the highest among all PSTVs and increased year by year, followed by Zhejiang Satellite TV and GRAGON TV.
- Among the Top 5 industries with the most TV advertising expenditure, the pharmaceutical industry's expenditure in 2016 has grown at a double-digit rate for two consecutive years. Brands that spend the most on television advertising are mainly health care products and FMCG products. Among them, the expenditure on television advertising of Hongmao Pharmaceutical Liquor has increased the most, almost doubled.

In 2016, TV media's coverage rate tended to be saturated, approaching 99%.

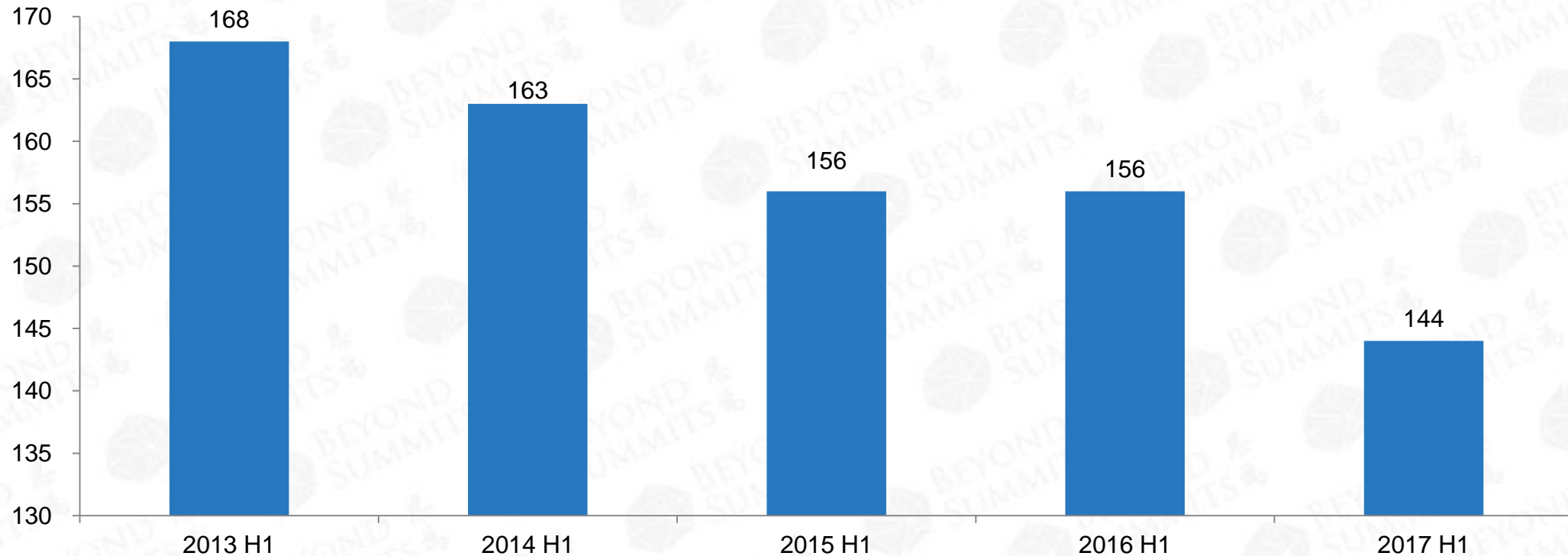
### TV Program's Coverage Rate in 2005-2016



Source: National Bureau of Statistic

In the last five years, the per capita television watching time of Chinese viewers has been getting shorter and shorter. In the first half of 2017, the per capita daily television watching time was only 144 minutes.

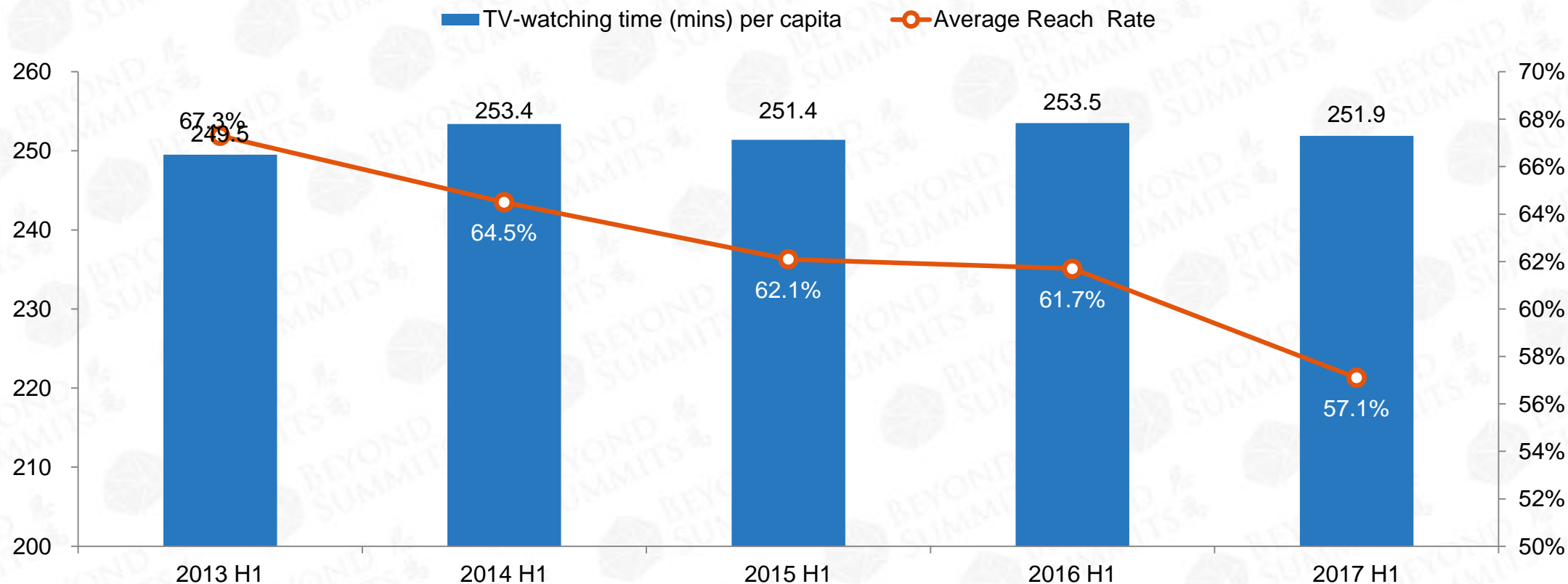
**Chinese Audience's Daily TV-watching time (min) 2013 H1-2017 H1**



Source: CSM Rating China TV market review 2017 H1

The watching time of loyal viewers remained long, but the reach rate of TV viewers has been declining year by year, and the number of TV viewers has continued to shrink.

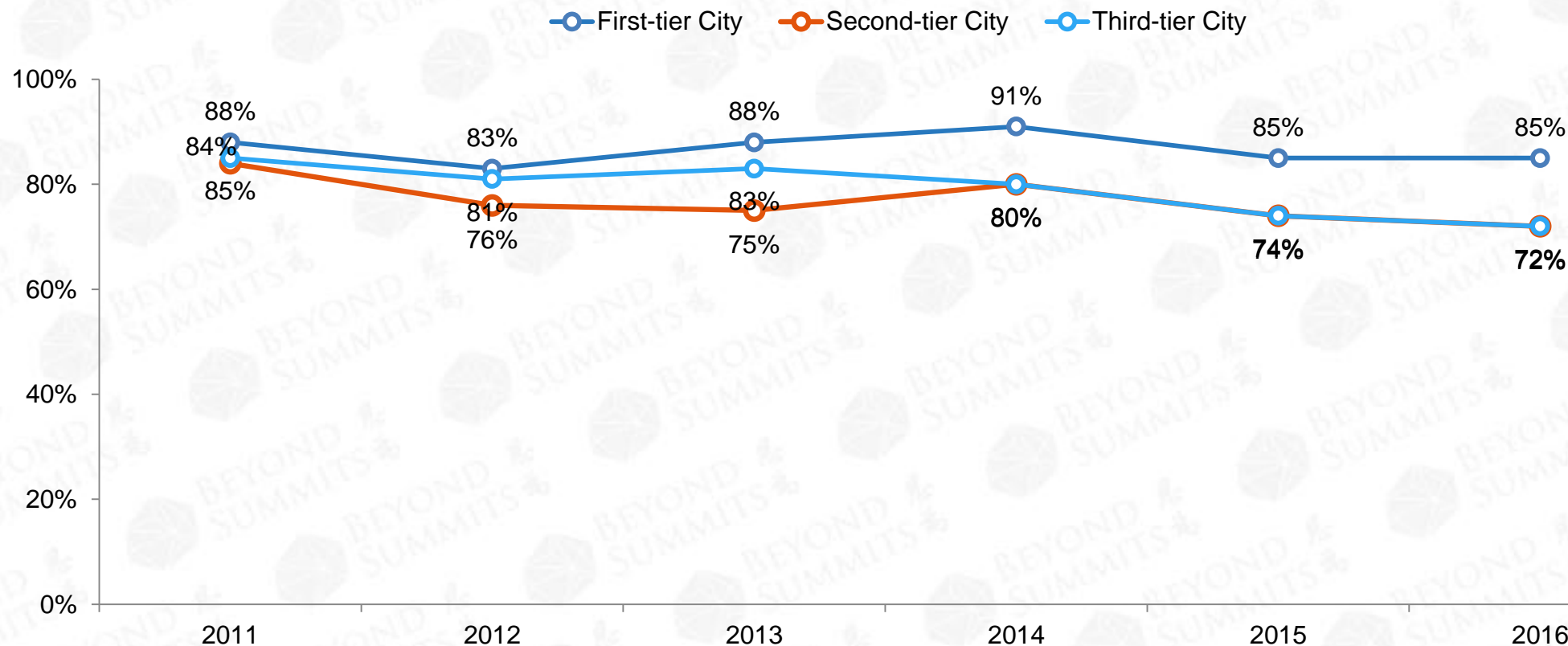
### Chinese Audience's Scale and TV-watching Time 2013 H1 – 2017 H1



Source: CSM Rating China TV market review 2017 H1

Starting from Jan 1, 2015, one Chinese TV series could no longer be allowed to broadcast on more than two satellite channels at the same time during the primetime every night, according to the latest regulation issued by China's top media authority. Such a policy enabled TV's daily reach rate in all levels of cities to stabilize in 2016.

### Daily Reach Rate of TV in All Levels of Cities

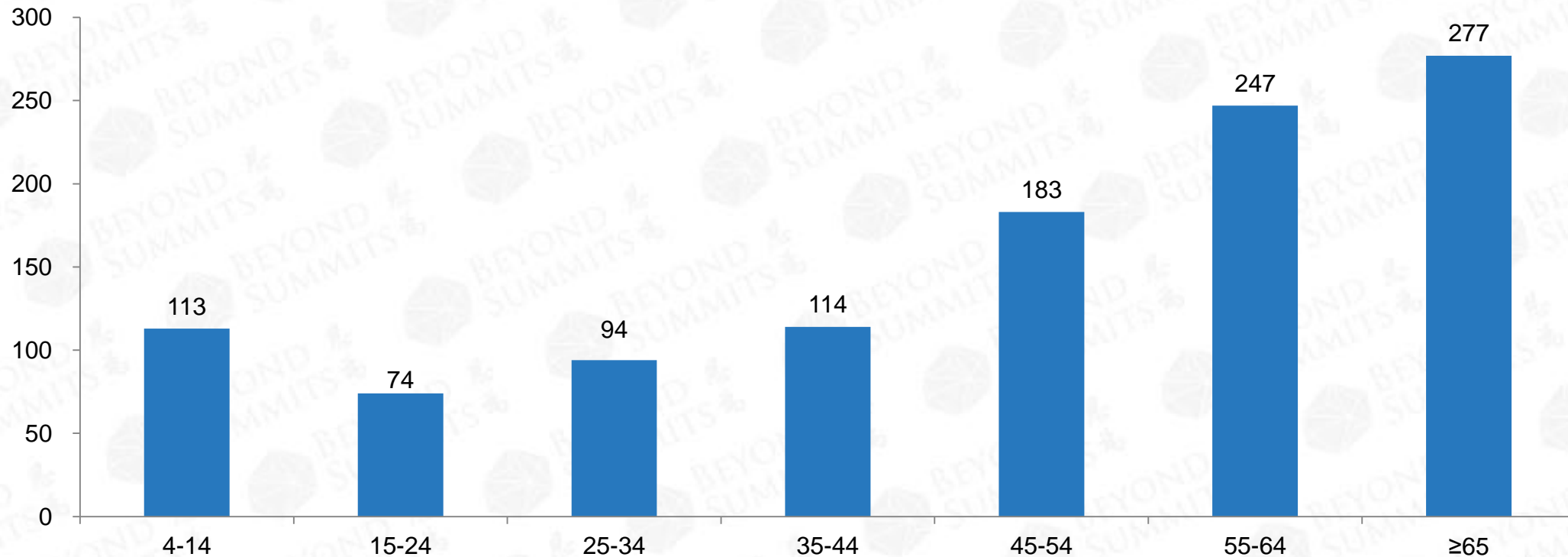


Source: Review of China's Media Market, 2016



TV audiences are tending to ageing. The older they are, the longer they watch TV, and the average watching time for viewers over 65 is more than four hours per day.

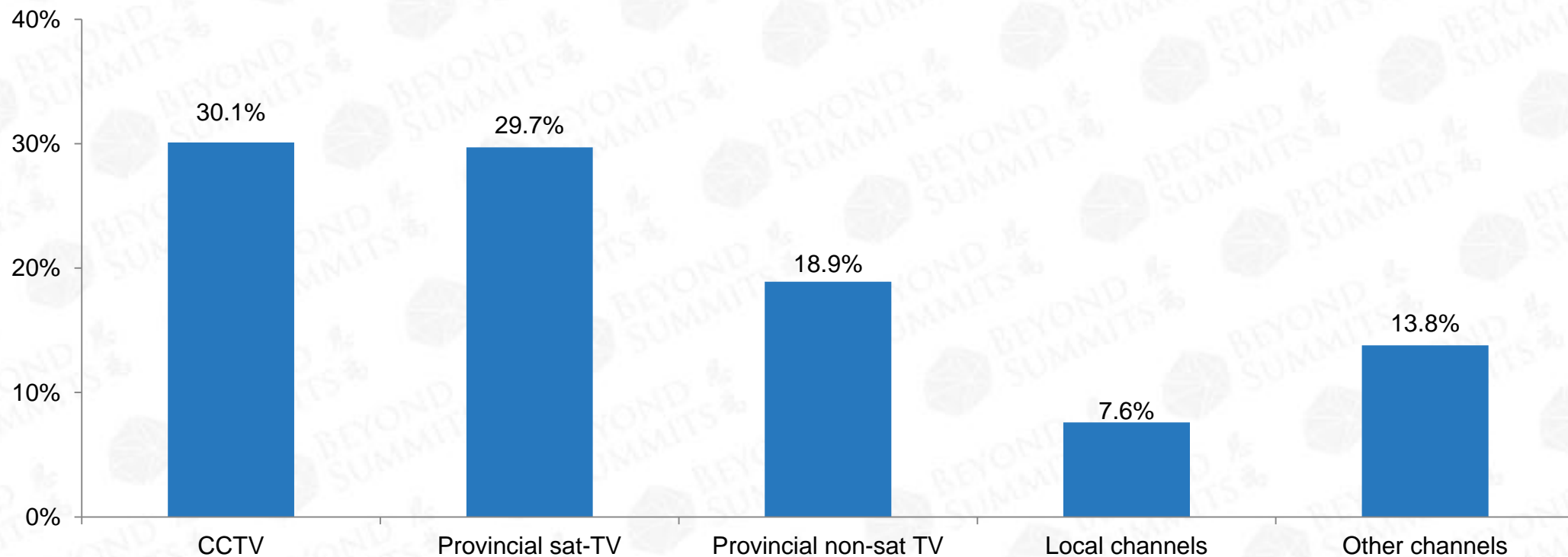
### Chinese Audience's TV-watching Time by Age in 2017 H1 (min)



Source: CSM Rating China TV market review 2017 H1

In the first half of 2017, CCTV channels were still the most popular channels among viewers, with the market share reaching 30.1%, followed by provincial-level satellite channels, accounting for 29.7%.

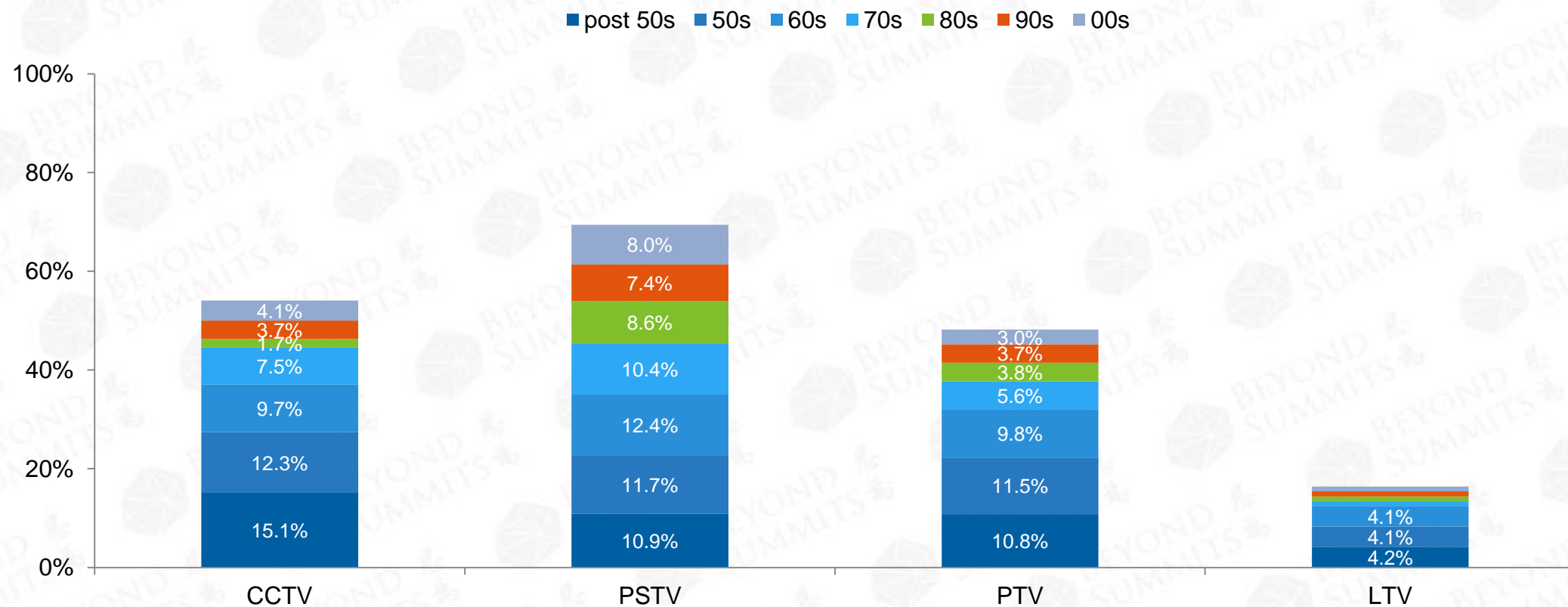
### Market Share of TV Channels in 2017 H1



Source: CSM Rating China TV market review 2017 H1

CCTV channels attracted the elder audience who were born before 1960, while the provincial TV, PTV and LTV channels had relatively balanced audience.

### Audience Rating among All Ages in 2016 (Period: 19:30-23:30)

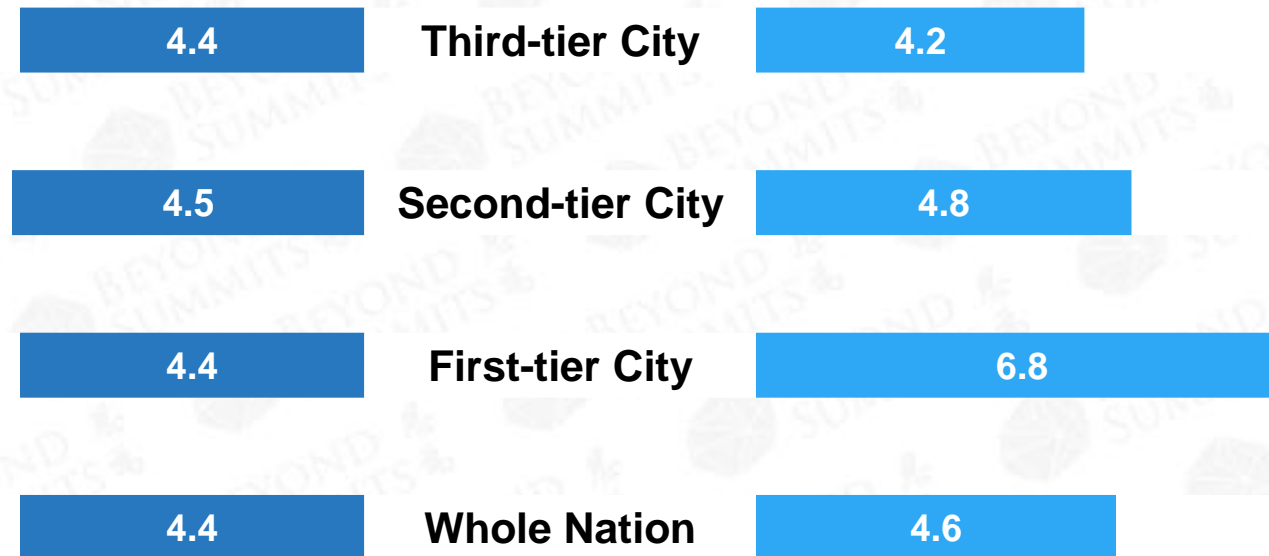


Source: Review of China's Media Market, 2016

Compared to high-tier cities, the number of satellite channels that audience watch in the low-tier cities is the same, but there are fewer types of programs to watch.

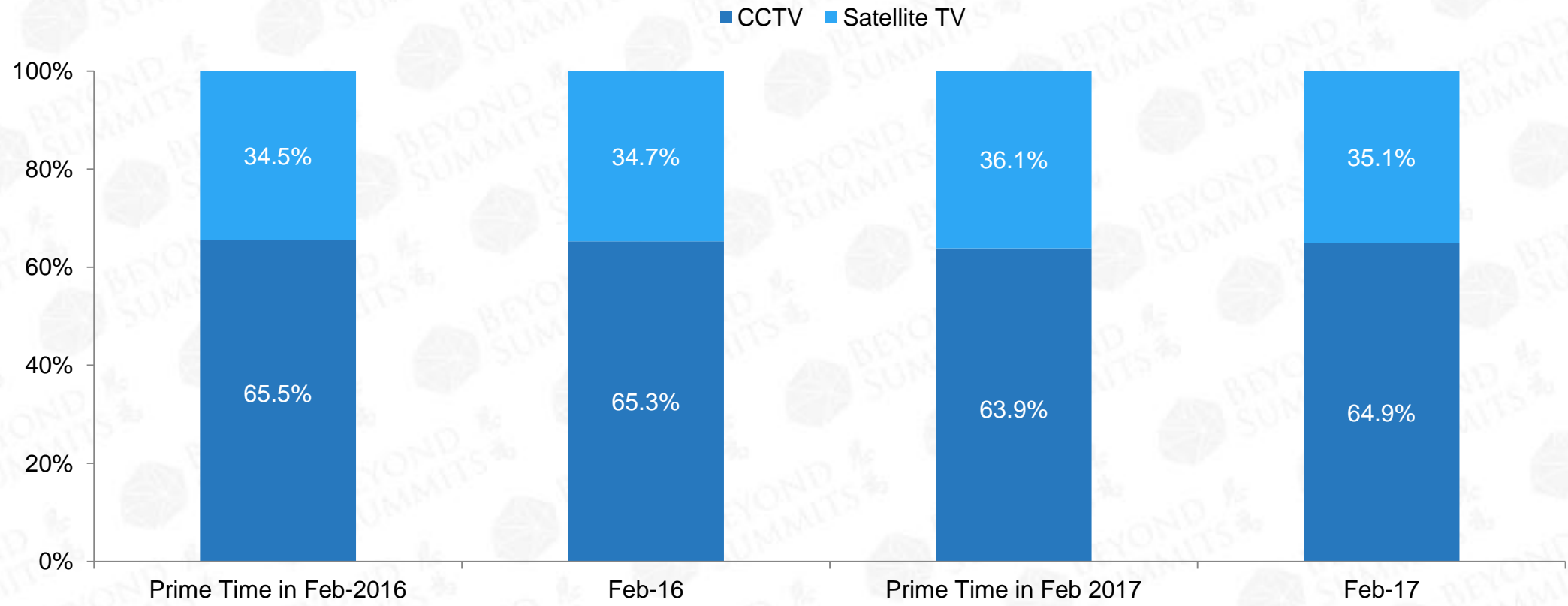
### Number of Satellite Channels and TV Programs Watched in 2016

■ Average Number of Satellite Channels Watched Weekly    ■ Average Number of TV Programs Watched



Whether it is prime time period or an all-day time period, the CCTV channels' overall TV share is higher than that of the satellite TV, and the audience share of February 2017 has declined compared to February 2016.

### CCTV and Satellite TV's Audience Share



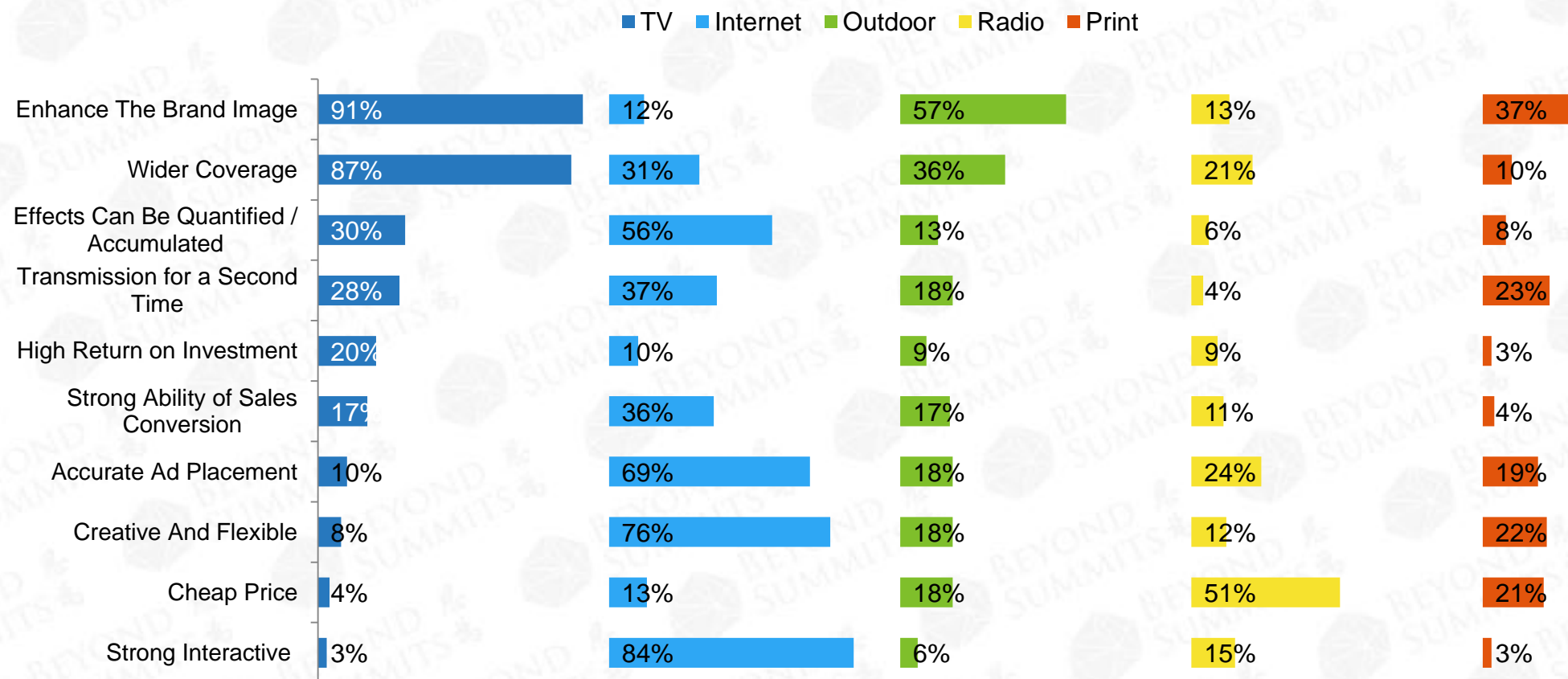
Source: Nielsen

Among the major PSTV, the average audience rating of Hunan Satellite TV was the highest from 2015 to 2017. It was worth noting that the average audience rating of DRAGON TV jumped from the third to the second in the first quarter of 2017.

	2015		2016		2017Q1	
	Satellite TV	Average Audience Rating	Satellite TV	Average Audience Rating	Satellite TV	Average Audience Rating
1	Hunan Satellite TV	0.408	Hunan Satellite TV	0.306	Hunan Satellite TV	0.332
2	Zhejiang Satellite TV	0.313	Zhejiang Satellite TV	0.297	DRAGON TV	0.288
3	Jiangsu Satellite TV	0.246	DRAGON TV	0.292	Zhejiang Satellite TV	0.266
4	BEI JING SATELLITE TV	0.227	Jiangsu Satellite TV	0.238	Jiangsu Satellite TV	0.238
5	DRAGON TV	0.227	BEI JING SATELLITE TV	0.223	BEI JING SATELLITE TV	0.202
6	Shandong TV	0.177	Anhui TV Station	0.167	Shandong TV	0.153
7	Anhui TV Station	0.164	Shandong TV	0.146	Anhui TV Station	0.153
8	TIAN JIN SATELLITE TV	0.138	SHEN ZHEN SATELLITE TV	0.124	TIAN JIN SATELLITE TV	0.138
9	SHEN ZHEN SATELLITE TV	0.121	TIAN JIN SATELLITE TV	0.113	SHEN ZHEN SATELLITE TV	0.112

According to CTR's survey in 2016, television has absolute advantages in improving brand image and covering more audience compared with other media.

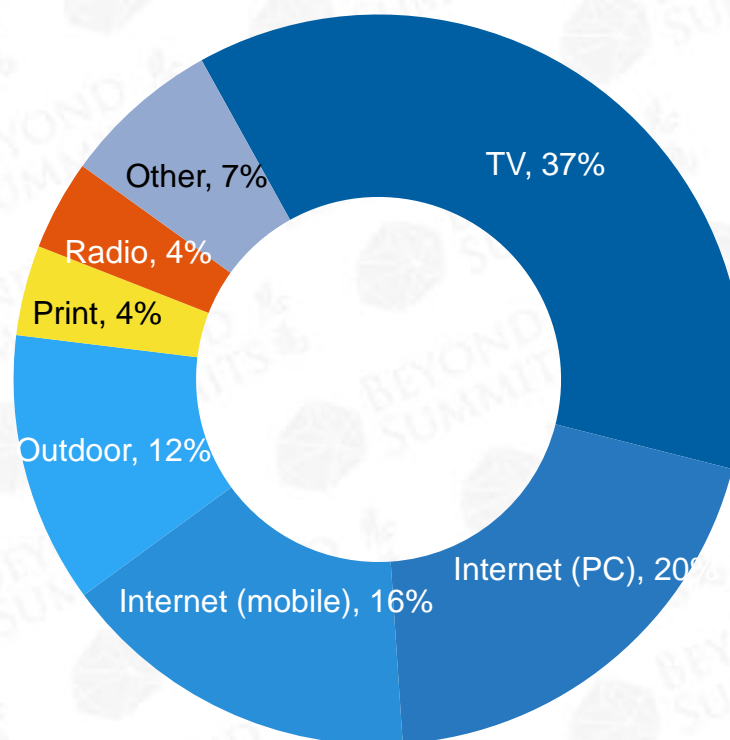
### The Advantages of TV in Communication



Source: CTR Media Intelligence "2016 advertisers marketing trend survey"

TV was still an important media for advertisers to spend the largest amount of money on, accounting for 37% of the total marketing budget in 2016.

### Media Buying in 2016

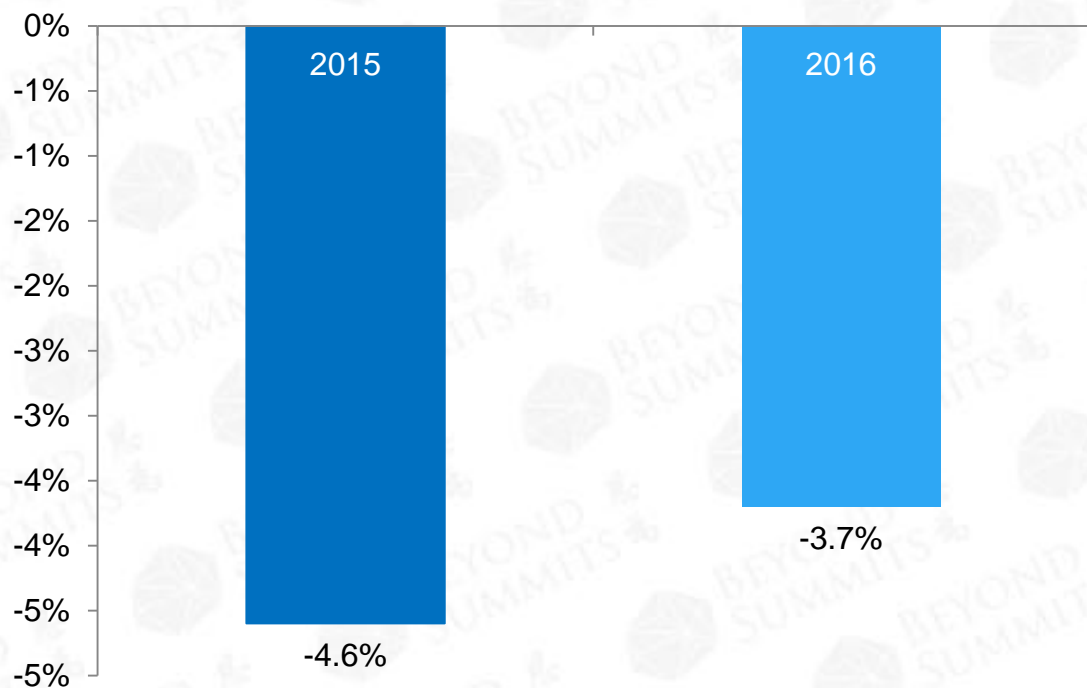


Source: CTR Media Intelligence "2016 advertisers marketing trend survey"

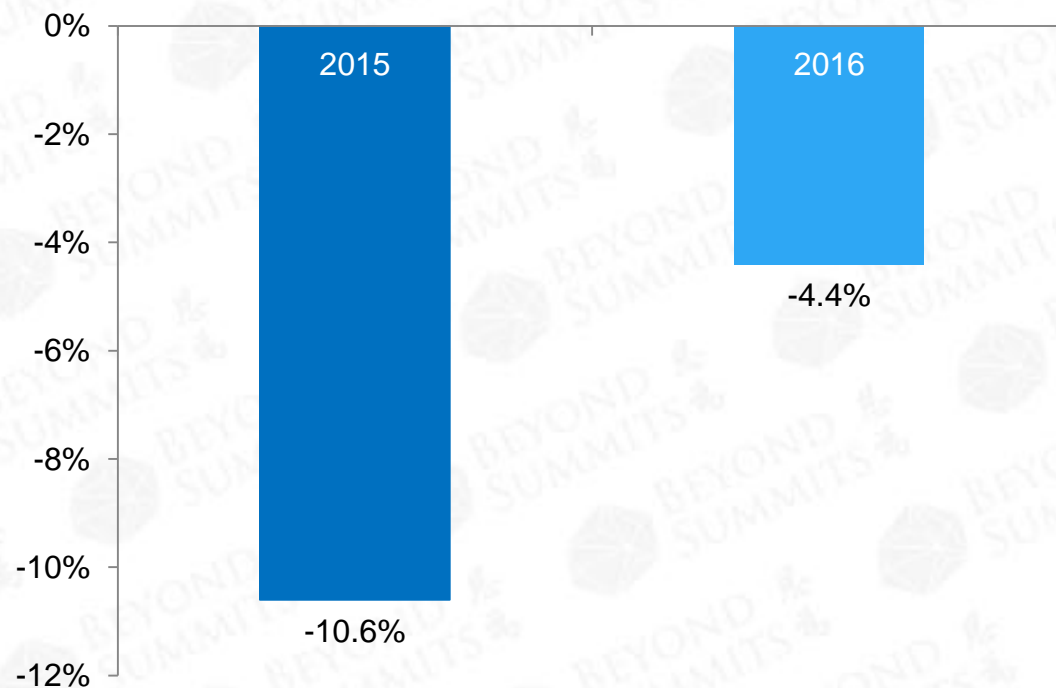


In 2016, TV advertising revenue and advertising length continued to decline, but the decline was lower than that of 2015.

**Growth Rate of TV Advertising Revenue in 2015-2016**

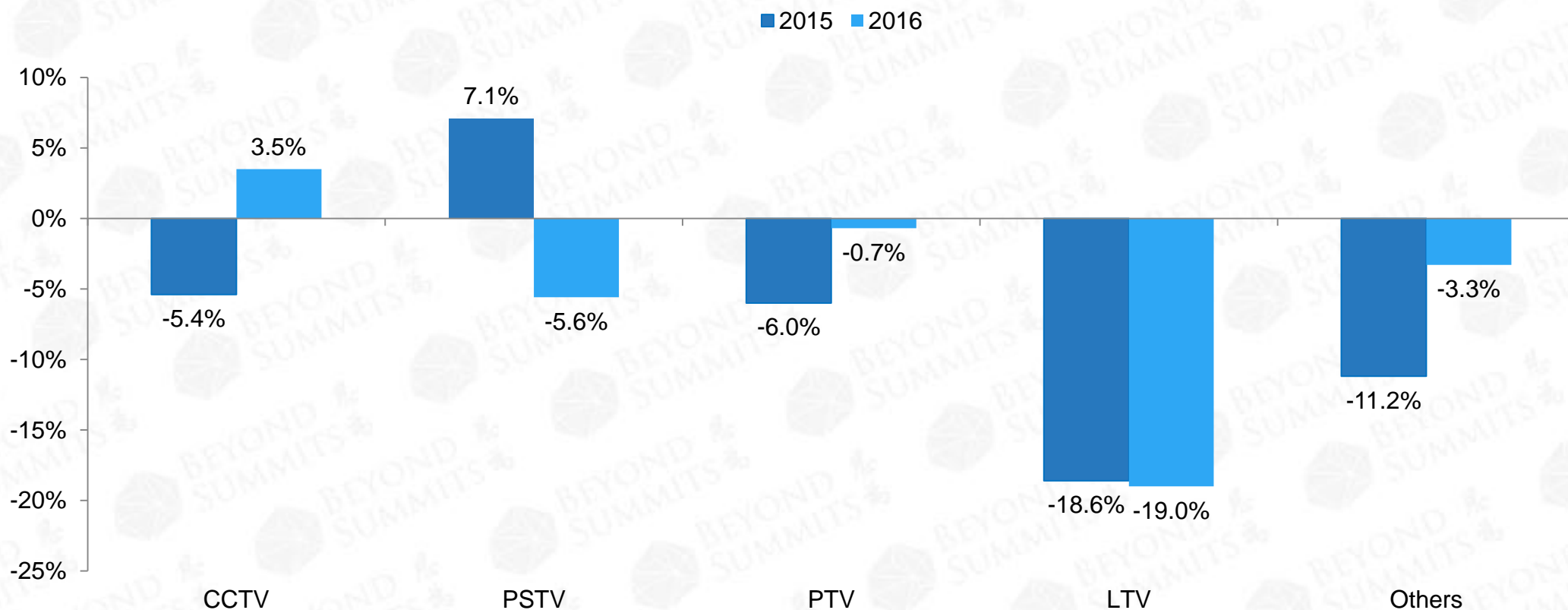


**Growth Rate of TV Advertising Length in 2015-2016**



Except CCTV channels, the revenue of advertisements of all other channels declined to varying degrees compared to 2015, especially in provincial capital city channels, with a year-on-year decrease of 19%.

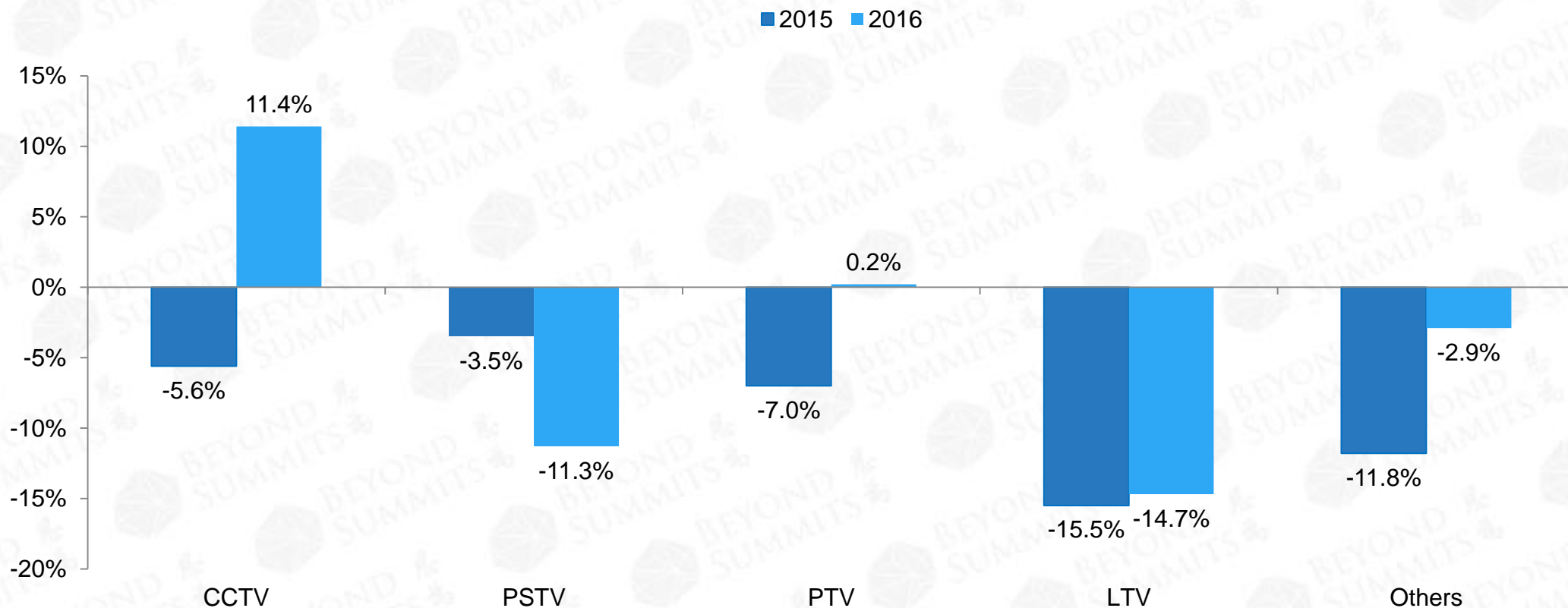
### Growth Rate of TV Advertising Revenue in 2015-2016



Source: CTR Market Research

In 2016, the total duration of advertisements for CCTV channels and PTV began to rise somewhat in response to the downturn in 2015. In particular, CCTV's total advertising duration increased by 11.4% over the previous year.

### Growth Rate of TV's Ad Duration in 2015-2016



Source: CTR Market Research

In 2016, PSTV's ad length fell compared with 2016 except Hubei Satellite TV, Tianjin satellite TV, Shanxi satellite TV, Yunnan satellite TV, Beijing Satellite TV, Qinghai Satellite TV.

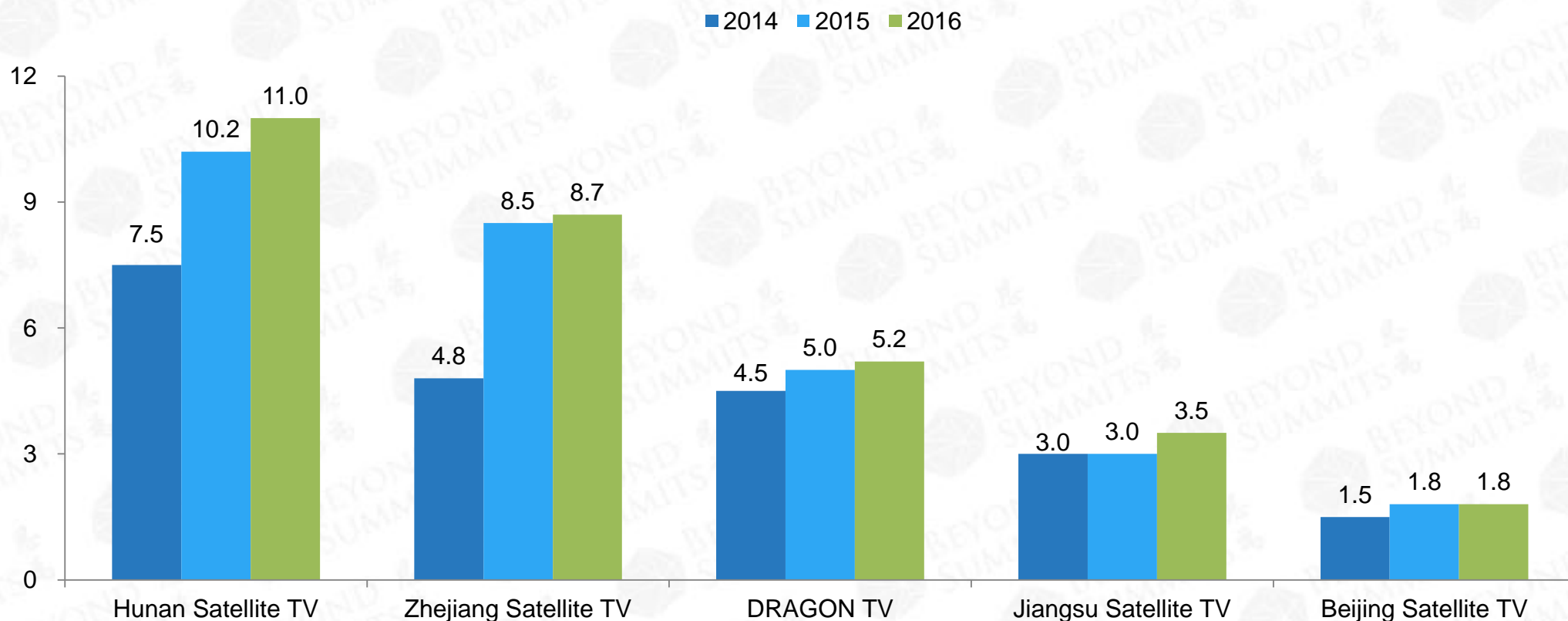
PSTV	Growth Rate of Ad Length ( 2016 vs 2015 )
Hubei Satellite TV	5.8%
Shandong TV	-3.3%
Tianjin Satellite TV	4.2%
Shanxi Satellite TV	33.4%
Yunnan Satellite TV	7.5%
Heilongjiang Satellite TV	-18.4%
Jiangsu Satellite TV	-19.1%
Beijing Satellite TV	9.8%
CQTV	-10.2%
Anhui TV Station	-4.9%
GSTV	-12.4%
SETV	-28.7%
Liaoning Satellite TV	-18.4%
Henan Satellite TV	-5.5%
DRAGON TV	-5.5%

PSTV	Growth Rate of Ad Length ( 2016 vs 2015 )
Zhejiang Satellite TV	-23.3%
JiangXi TV	-20.4%
Jilin Satellite TV	-13.8%
Guangxi satellite TV	-13.4%
Guizhou Satellite TV	-32.0%
Sichuan Satellite TV	-26.5%
Hunan Satellite TV	-23.1%
Ningxia Satellite TV	-8.1%
GRT Satellite Channel	-16.0%
Inner Mongolia Satellite TV	-7.6%
Shaanxi Satellite TV	-12.5%
Hebei Satellite TV	-4.9%
Xinjiang Satellite TV	-40.9%
The Travel Channel	-24.3%
XZTV	-19.1%
Qinghai Satellite TV	9.5%

Source: CTR Market Research

From 2014 to 2016, Hunan Satellite TV's advertising revenue was the highest among all PSTV and increased year by year, followed by Zhejiang Satellite TV and GRAGON TV.

### TOP 5 PSTV's Advertising Revenue in 2014-2016 (billion)



Source: Chinabaogao

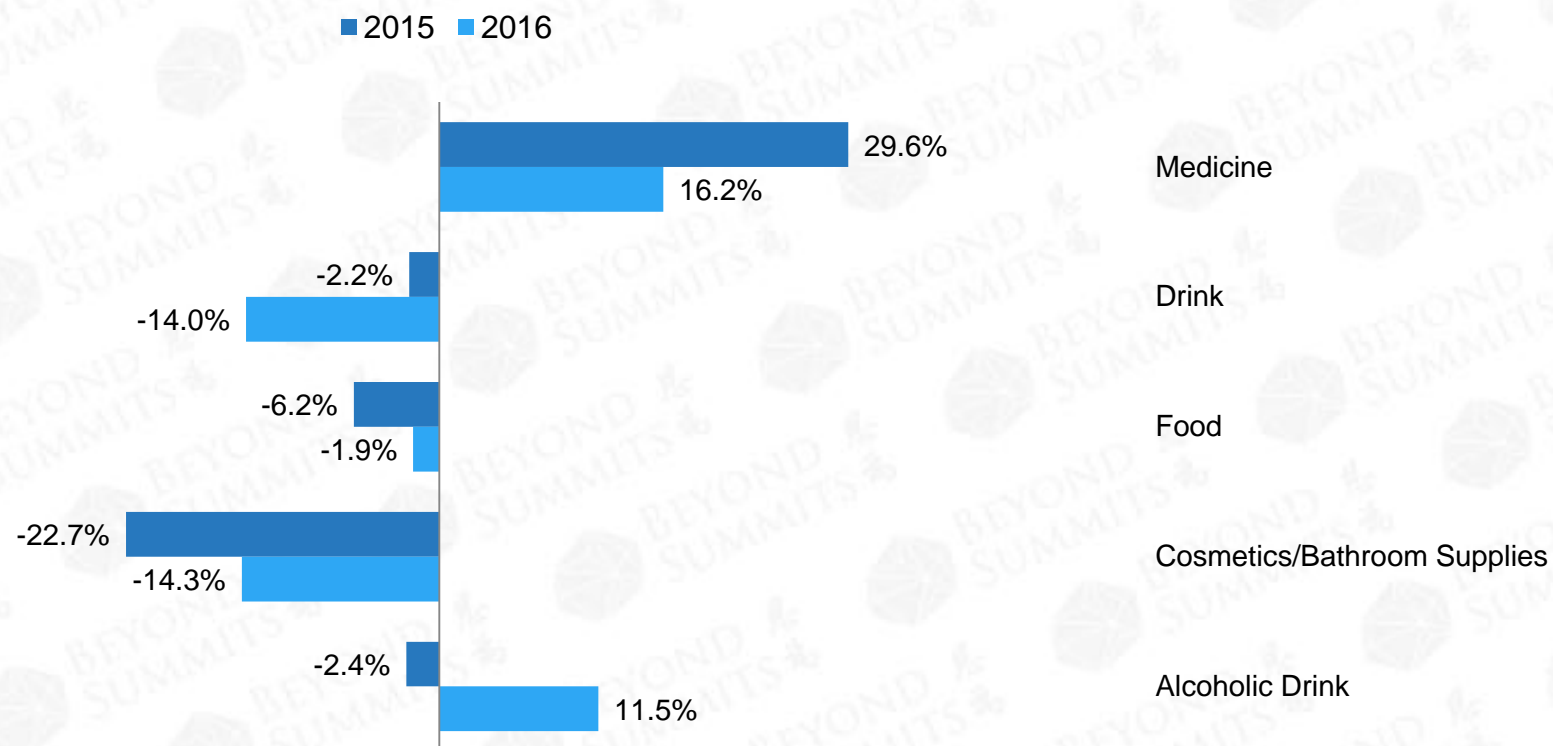
## TOP 5 PSTV's Ad Rate Card for Prime Time/Weekly Broadcast, 2015-2017

PSTV		2015		2016		2017	
		Prime Time	Weekly Broadcast	Prime Time	Weekly Broadcast	Prime Time	Weekly Broadcast
Hunan Satellite TV	Price ( RMB/15s )	103,180	71,400	152,000	12,000	165,000	138,000
	YOY	29.30%	19.40%	47.32%	76.47%	8.55%	9.52%
Zhejiang Satellite TV	Price ( RMB/15s )	135,000	128,000	180,000	165,000	200,000	165,000
	YOY	12.50%	11.30%	33.33%	28.91%	11.11%	0.00%
Jiangsu Satellite TV	Price ( RMB/15s )	180,000	150,000	180,000	150,000	200,000	150,000
	YOY	31.67%	0.00%	0.00%	0.00%	11.11%	0.00%
DRAGON TV	Price ( RMB/15s )	158,000	108,000	158,000	120,000	Real Price	158,000
	YOY	31.67%	10.20%	0.00%	11.11%	-	31.60%
Beijing Satellite TV	Price ( RMB/15s )	86,000	40,000	108,000	30,000	167,000	87,000
	YOY	22.86%	100.00%	25.58%	-25.00%	54.63%	190.00%

Source: Chinabaogao

Among the Top 5 industries with the most TV advertising expenditure, the pharmaceutical industry's expenditure in 2016 has grown at a double-digit rate for two consecutive years.

### Industries with the Most TV Advertising Expenditure and Its Growth Rate



## Growth Rate of TOP 5 Categories of Main Industries' Spending on TV Advertising in 2016

### Beverage

Category	Growth Rate in 2016
Drinks for Special Purpose	-14.5%
Carbonated Drink	-4.8%
Infant Milk Powder	-30.9%
Milk Beverage	-13.0%
Tea	-41.7%

### Food

Category	Growth Rate in 2016
Health Food	-0.3%
Snack & Candy	-7.5%
Fast Food	38.3%
Cake & Cookie	-26.9%
Edible Oil	42.7%



## Growth Rate of TOP 5 Categories of Main Industries' Spending on TV Advertising in 2016

### Cosmetics/Bathroom Supplies

Category	Growth in 2016
Shampoo/Hairdressing/Haircare	-6.3%
Skin Care	-22.9%
Oral Sanitary Appliances/Toothpaste	-28.6%
Infant Health and Bathroom Supplies	8.7%
Bathroom Supplies	-12.3%

### Alcoholic Beverage

Category	Growth in 2016
Medicinal Liquor/Tonic Wine	92.4%
Chinese Table Wine	-12.1%
Beer	-18.5%
Beer-Corporate Image	26.1%
Foreign Wine	-5.7%

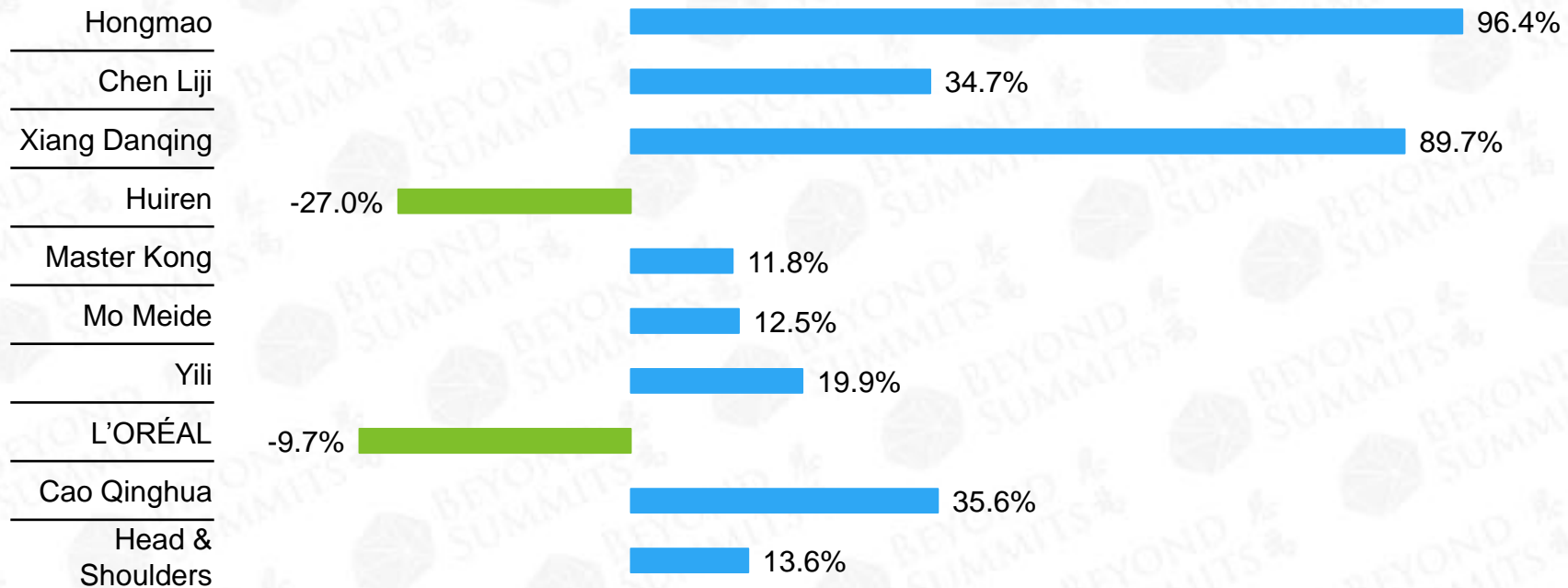
## Growth Rate of TOP 5 Categories of Main Industries' Spending on TV Advertising in 2016

Spending Rank in 2016	CCTV			PSTV			PTV			LTV		
	Industry	Growth Rate in 2015	Growth Rate in 2016	Industry	Growth Rate in 2015	Growth Rate in 2016	Industry	Growth Rate in 2015	Growth Rate in 2016	Industry	Growth Rate in 2015	Growth Rate in 2016
1	Transportation	-0.1%	-4.6%	Beverage	18.2%	-13.1%	Medicine	57.7%	37.7%	Commercial and Service Industry	-26.4%	-15.7%
2	Food	6.3%	-14.4%	Food	-2.8%	12.6%	Beverage	-13.3%	-11.2%	Cosmetics/Bathroom Suppliers	-41.3%	-43.3%
3	Recreation & Leisure	-22.5%	34.3%	Cosmetics/Bathroom Supplies	11.5%	-7.1%	Food	-12.0%	-7.9%	Activity	35.3%	-48.4%
4	Beverage	-14.1%	-17.6%	Medicine	4.9%	-20.0%	Cosmetics/Bathroom Suppliers	-33.2%	-14.9%	Medicine	36.9%	49.7%
5	Posts and Telecommunication	-1.7%	61.3%	Transportation	6.8%	-9.4%	Alcoholic Drink	14.5%	25.9%	Beverage	-25.2%	-37.4%

Source: CTR Market Research

The brands that spend the most on television advertising are mainly health care products and FMCG products. Among them, the spending on television advertising of Hongmao Pharmaceutical Liquor has increased the most, almost doubled.

### Top 10 Brands That Have Spent Most on TV Advertising and Its Growth Rate (2016 VS 2015)

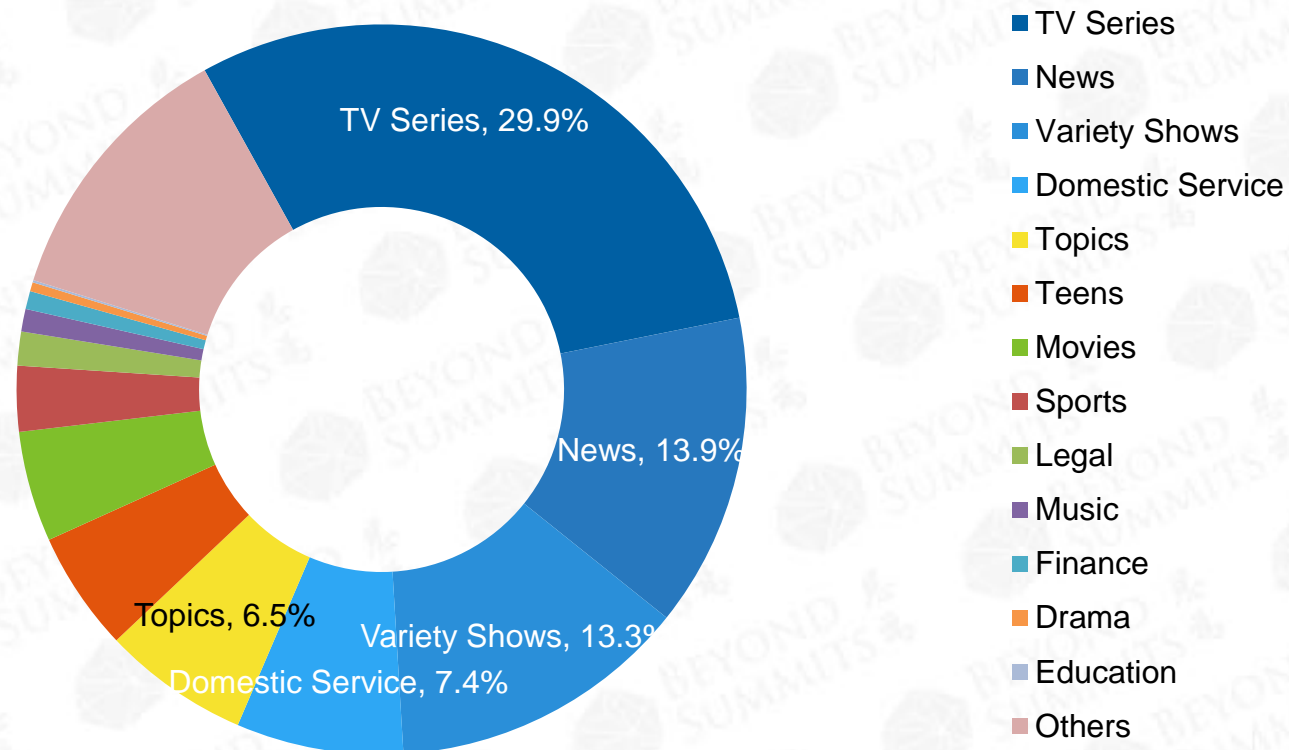


## Top 10 Brands That Have Spent the Most on TV Advertising and Its Growth Rate (2016 VS 2015)

CCTV		PSTV		PTV		LTV	
Ubbie	119.5%	Hui ren	-22.3%	Hongmao	113.5%	L'ORÉAL	-49.5%
8848	> 1000%	JuneYao	37.1%	Chenliji	40.3%	Hongmao	18.5%
Country Garden	> 1000%	JZJT	-65.0%	Xiang Danqing	52.4%	Tiandihe	12.4%
Evergrande	169.6%	Yili	27.2%	Mo Meide	6.0%	Xiangdanqing	62.4%
Jiajia	81.2%	Master Kong	40.6%	Cao Qinghua	34.9%	Lancome	-42.0%
Yeecare	3.4%	Daili-group	-53.7%	Hui ren	-26.8%	Chen Liji	19.1%
Yili	8.7%	Melatonin	239.6%	Tiancao	26.0%	Tiancao	204.7%
Chaoneng	60.1%	Panpan	-8.1%	Tongyitang	192.0%	Master Kong	-31.6%
Yunnan Baiyao	60.7%	HI-TIGER	-19.3%	L'ORÉAL	-23.2%	Maybelline	50.0%
Wahaha	24.1%	Wantwant	-22.7%	Yili	14.7%	Gehong	> 1000%

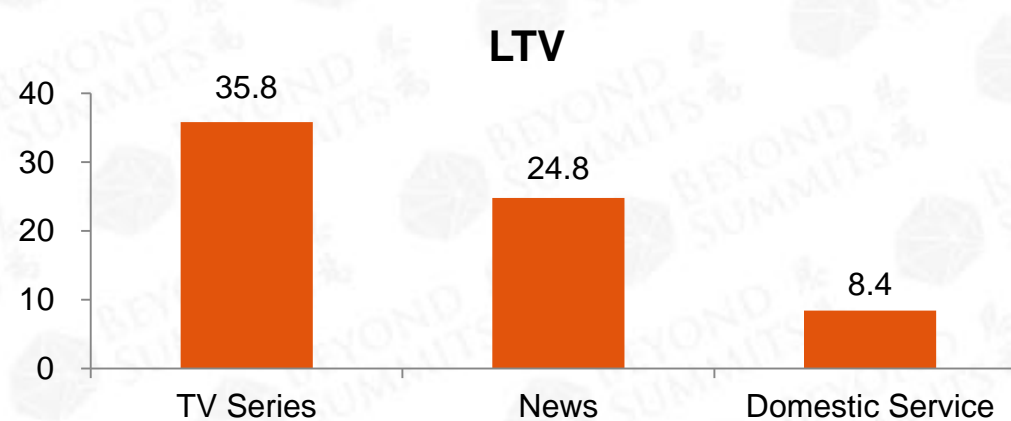
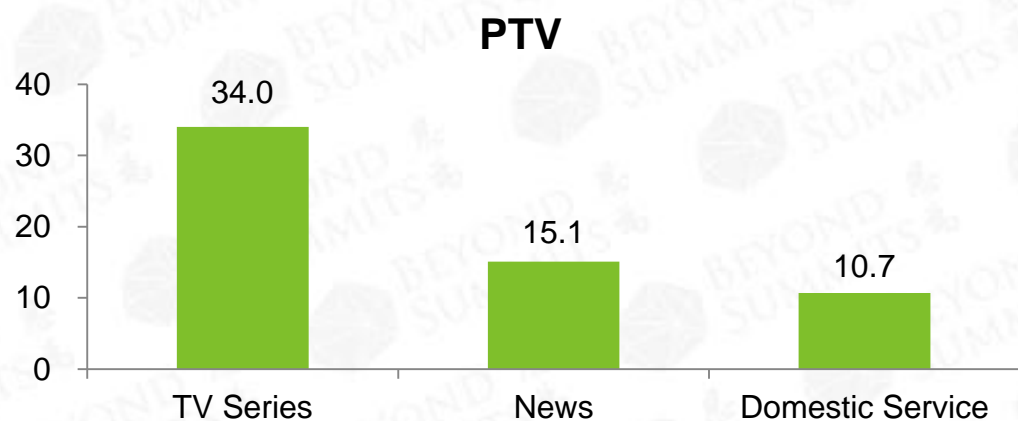
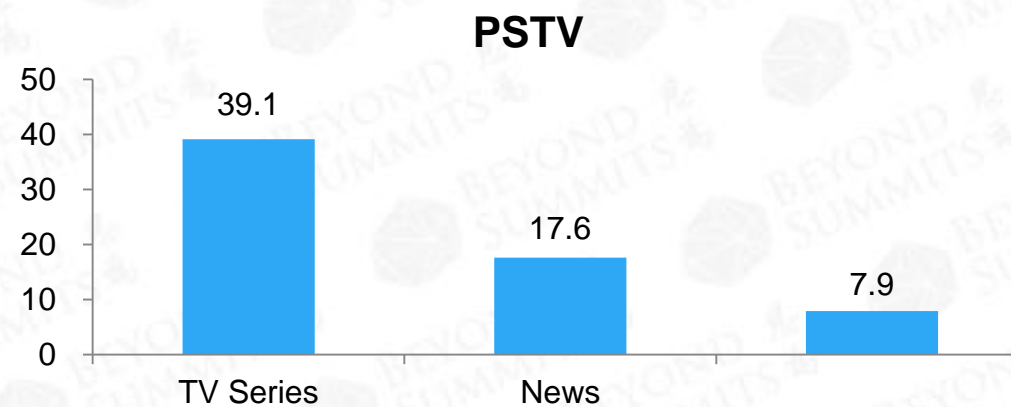
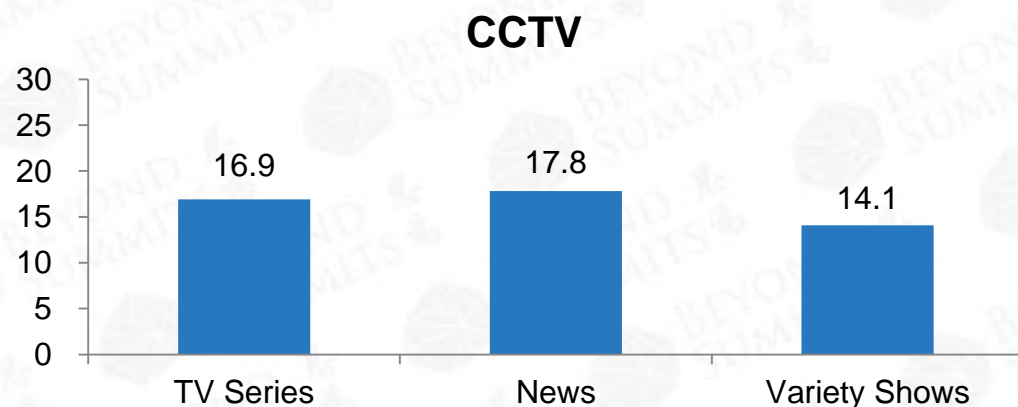
In the first half of 2017, the TV programs were mainly about TV series, news and variety shows, accounting for 57.1% of all the programs.

### Viewing Shares of Programs in 2017 H1



PSTV channels relied more on TV series and variety shows to get high ratings, while CCTV channels focused more on TV series and News.

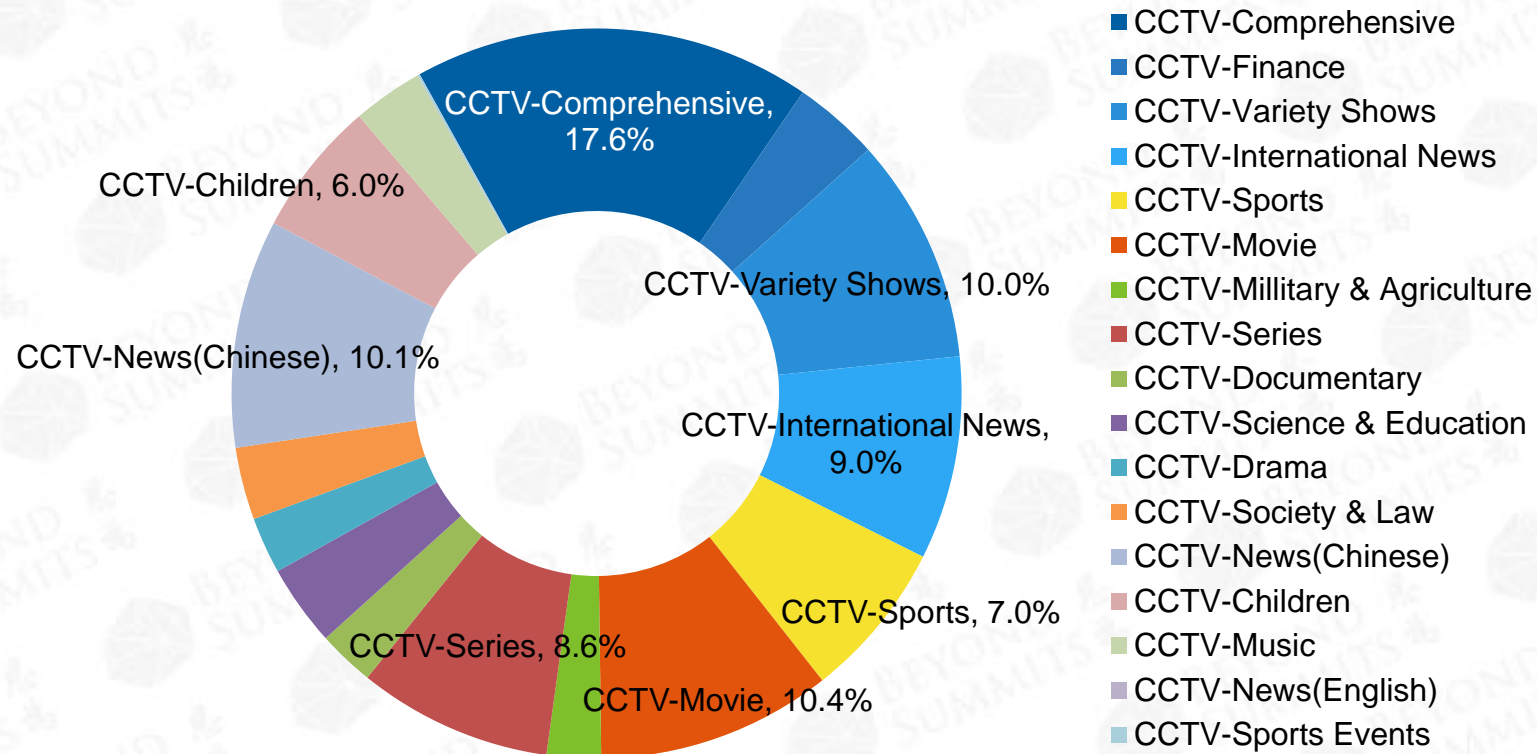
## TV Programs' Audience Contribution to Various Channels in 2017 H1



Source: CSM Media Research

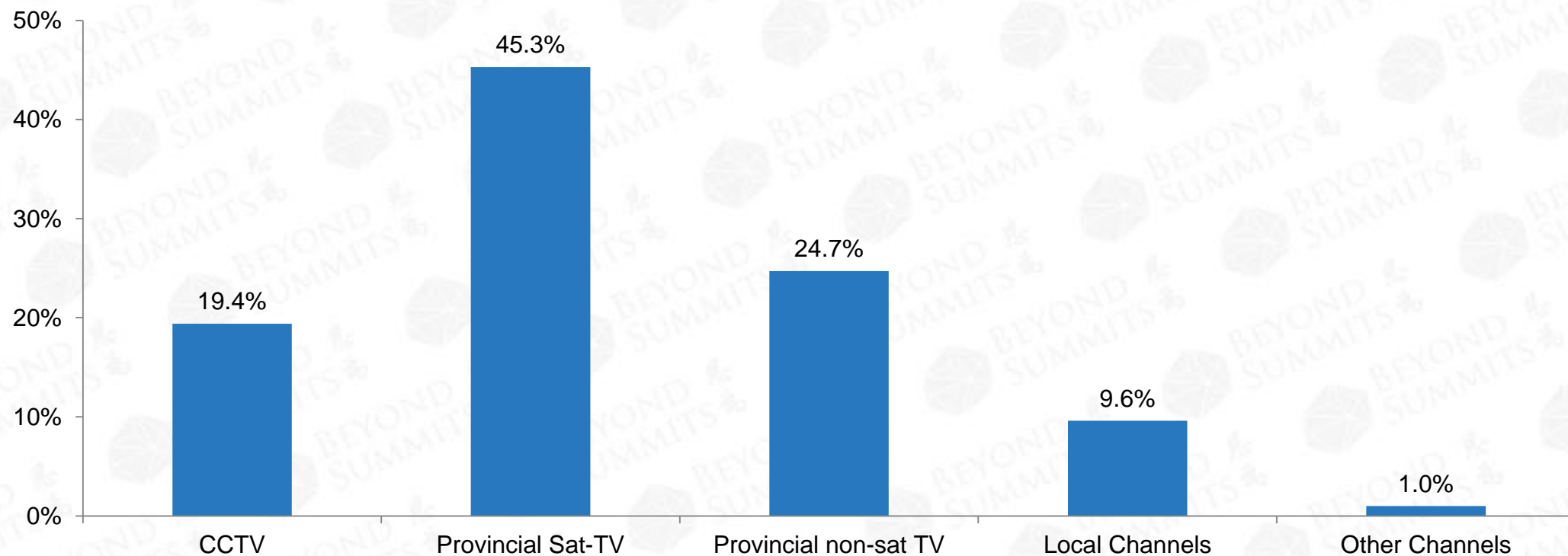
In 2015, among all CCTV channels, CCTV-Comprehensive (CCTV-1) got the highest audience rating, followed by CCTV-Movie, CCTV-Variety Shows and CCTV-News(Chinese).

### 2015 CCTV Channels' Audience Rating



According to the data, provincial sat-TV's audience share was the highest in the TV series market.

### Various Channel's Audience Share in TV Series Market in 2017 H1

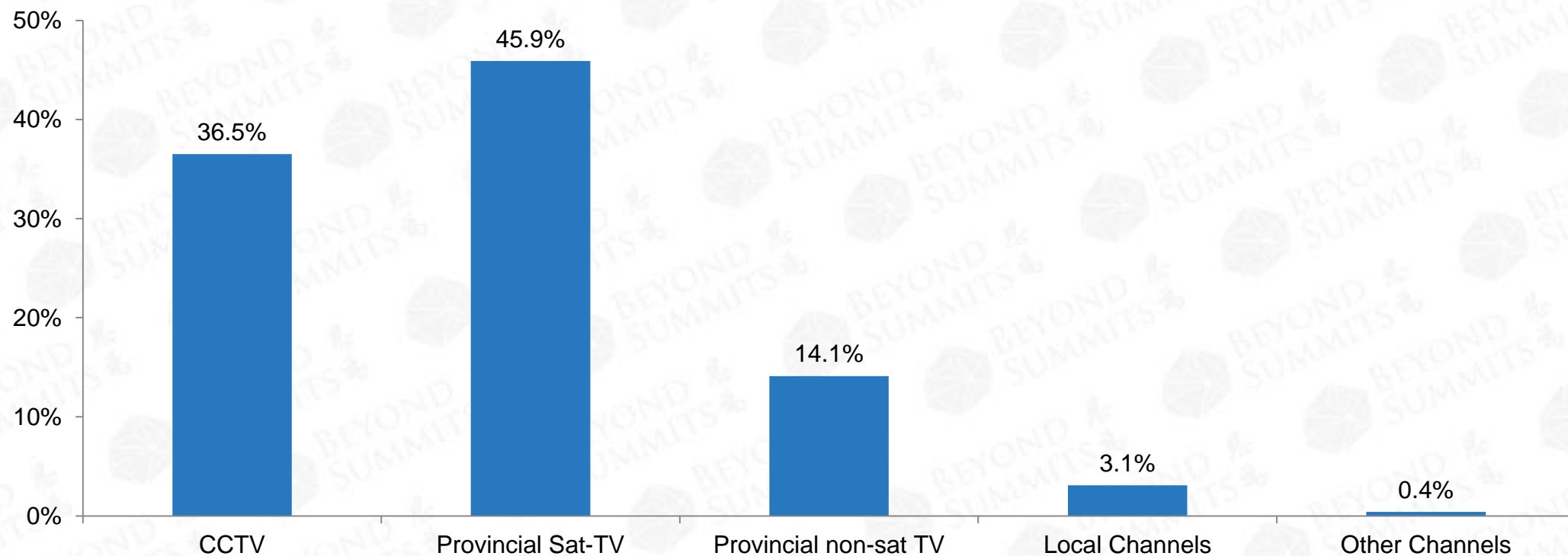


Source: CMS Media Research



In the first half of 2017, 82.4% of variety shows' audience share were contributed by satellite channels.

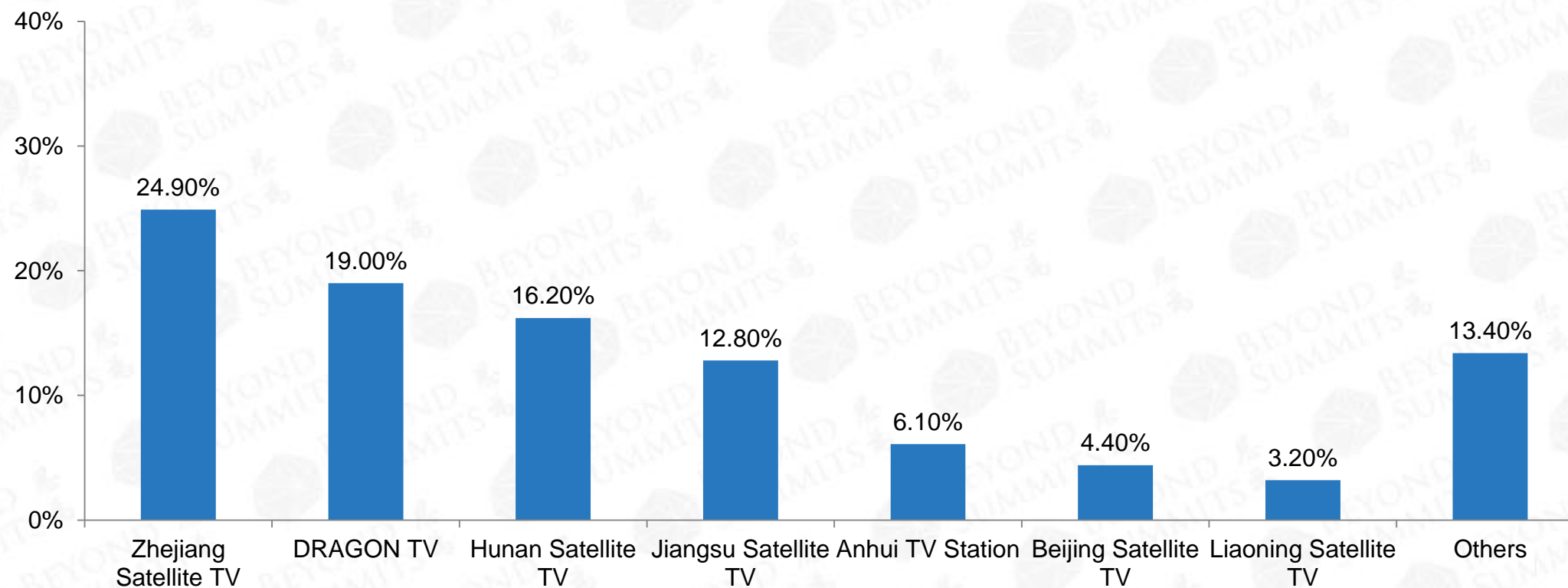
### Various Channel's Audience Share in Variety Shows Market in 2017 H1



Source: CMS Media Research

In the first half of 2017, Zhejiang Satellite TV's variety shows had the highest audience share, followed by DRAGON TV and Hunan Satellite TV.

### Variety Shows' Audience Share in PSTV in 2017 H1



Source: CMS Media Research

According to data, in February 2017, almost all the Top 10 evening variety shows were broadcasted by Hunan Satellite TV, Zhejiang Satellite TV, Dragon TV and Jiangsu TV.

Ranking	Variety Shows	Satellite Channel	Audience Rating (%)	Audience Share (%)
1	Our Singer	Hunan Satellite TV	2.82	5.9
2	Singer	Hunan Satellite TV	2.65	7.2
3	Happy Camp	Hunan Satellite TV	2.43	4.9
4	Jing Xing Time	Dragon TV	2.33	5.8
5	Happy Comedy	Dragon TV	2.22	4.7
6	If You are the One	Jiangsu Satellite TV	2.06	4.2
7	Jing Xing Show	Dragon TV	1.95	4.2
8	Seraphim Falls	Zhejiang Satellite TV	1.79	3.4
9	Strongest Brain	Jiangsu Satellite TV	1.73	3.5
10	Chinese Blind Date	Dragon TV	1.69	3.4
11	Make Progress Every Day	Hunan Satellite TV	1.68	3.9
12	Yearning Life	Hunan Satellite TV	1.68	4.4
13	Burning Your Brian	Jiangsu Satellite TV	1.59	3.6
14	24 Hours	Zhejiang Satellite TV	1.47	3.4
15	Big Drama in the East	Dragon TV	1.45	2.8



Source: Nielsen, 01/02/2017 – 28/02/2017

The development of Internet TV has made it possible for users to return to the living room. On the one hand, users have the need to enjoy radio and television and Internet content through large screens. On the other hand, under the continued exploration of the Internet TV industry, a large number of users have already tried to create some entertainments in the living room.

### The trend of Chinese audience returning to the living room in 2016

- Smart TV with more functions, being intelligent and controllable.

- Users have got used to the internet services on the PC and mobile terminals, and are more demanding for larger screens.

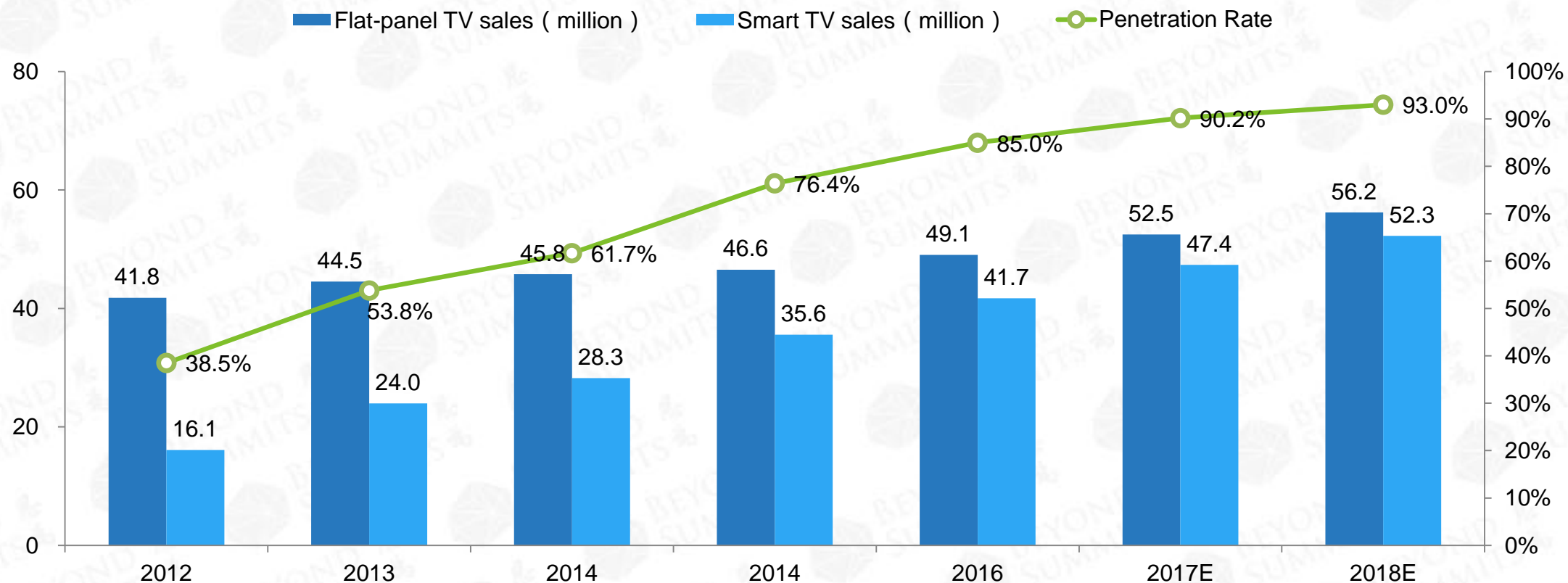


- With the enhanced interactivity of TVs, users no longer need to passively accept TV programs.

- Habits of using mobile electronic products accelerate the upgrade of electronic devices.

In the coming few years, the smart TV will become more popular in China. It is estimated that in 2020, smart TV's penetration rate will reach 93%.

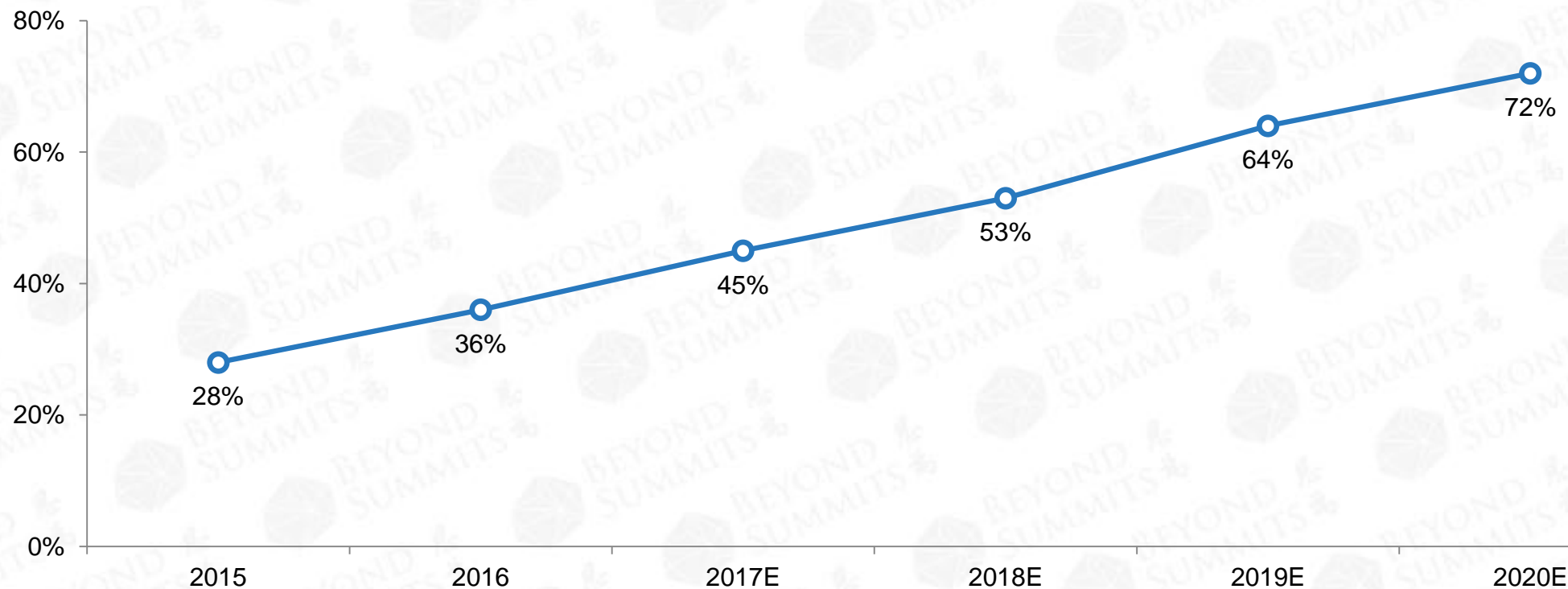
### Smart TV Sales in China from 2012 to 2018



Source: 2016 China's Internet TV Industry Research Report

It is expected that in the next 3-4 years, the scale of China's OTT terminal households will be upgraded, and the coverage rate will continue to rise, reaching 72% by 2020.

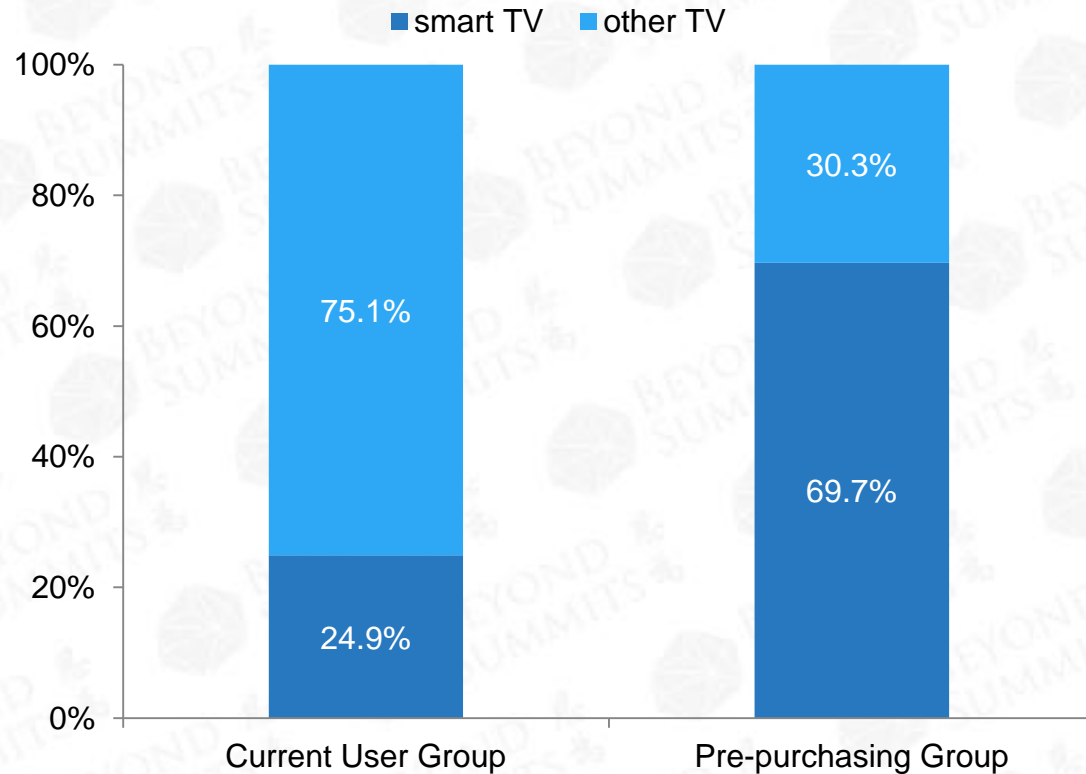
### Coverage of China's OTT Terminal Households



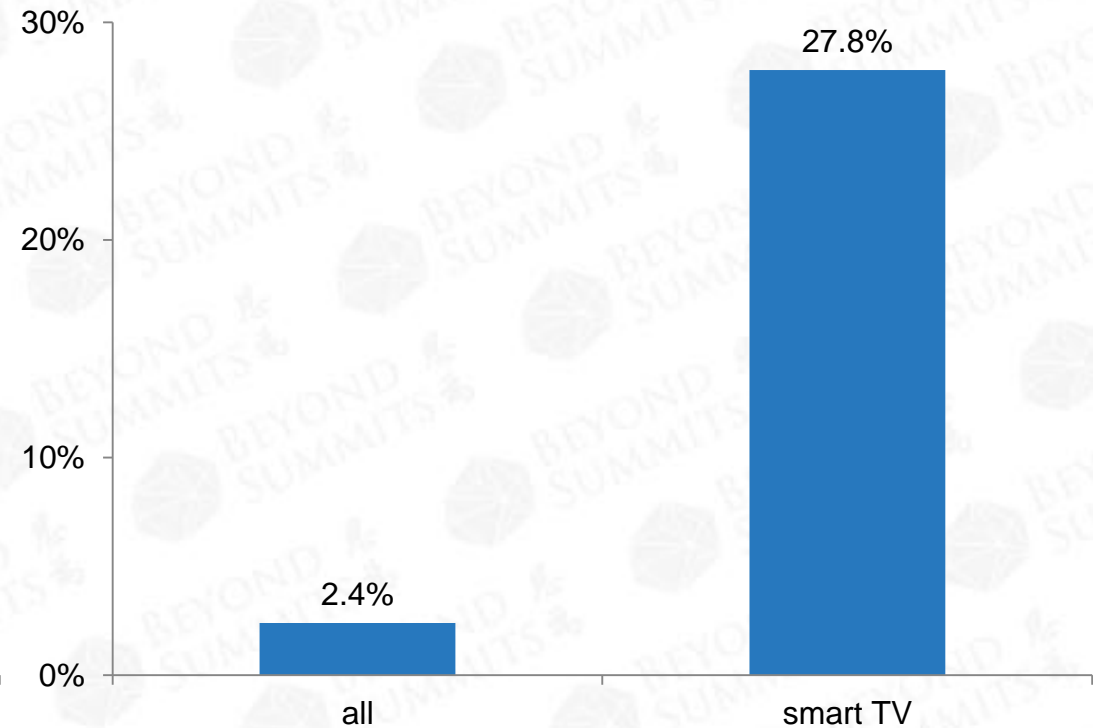
Source: Review of China's Media Market, 2016

The data showed that among the pre-purchasing users, the proportion of smart TV users is close to 70%, and smart TV users are increasing rapidly.

### Smart TV Users and Pre-purchasing Consumers



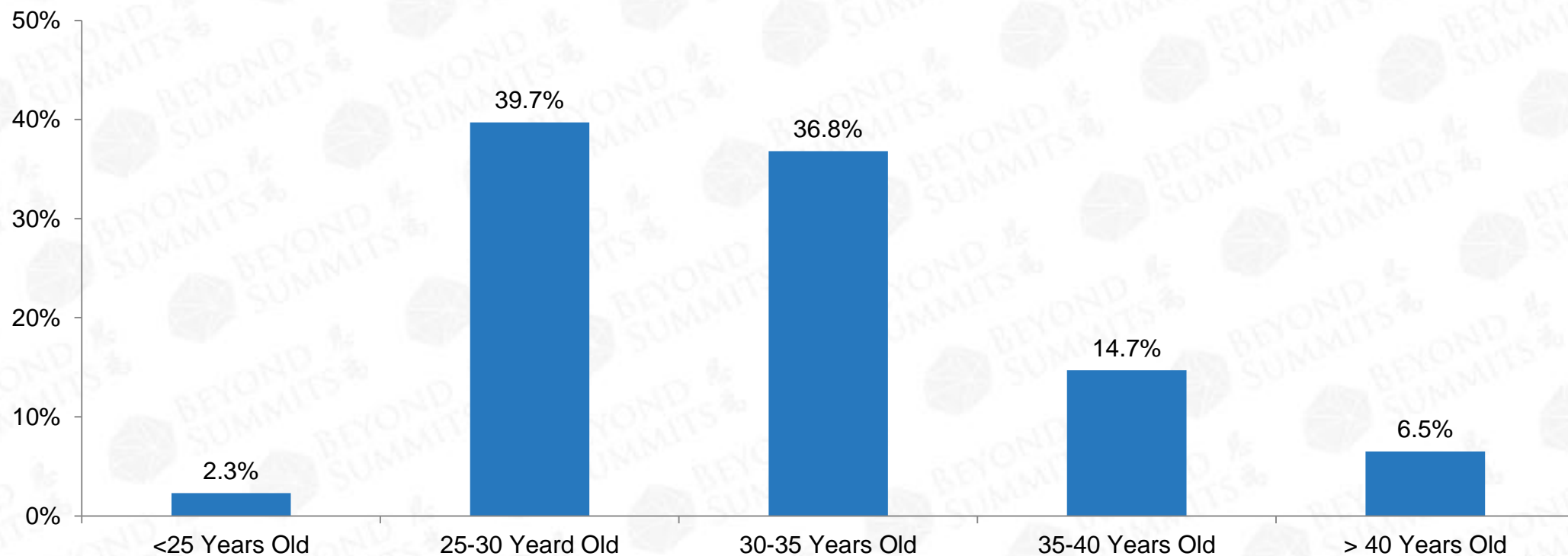
### User Growth Year on Year



Source: China's smart TV market research report

Smart TV users were mostly distributed in the age groups of 25-30 and 30-35, accounting for 39.7% and 36.8%, respectively.

### Smart TV Users' Age in 2016

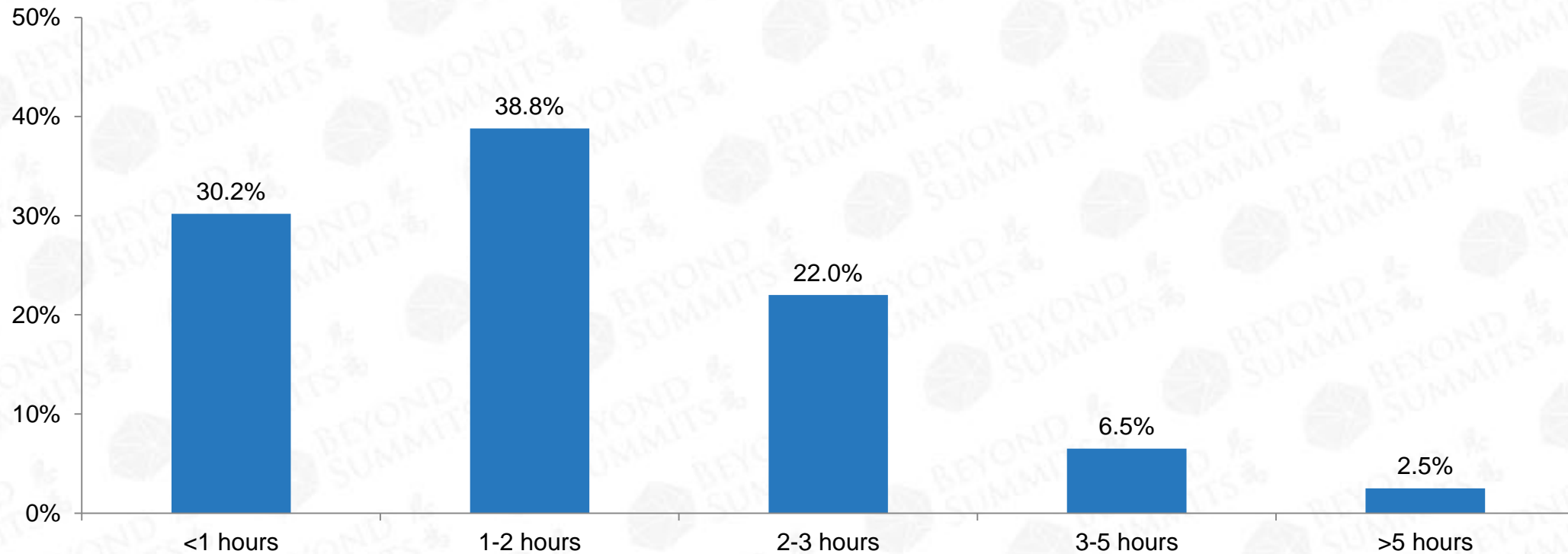


Source: Tencent Big Data: Smart TV's Data Report, 2016



More than two-thirds of smart TV users watched TV for less than two hours every day in 2016.

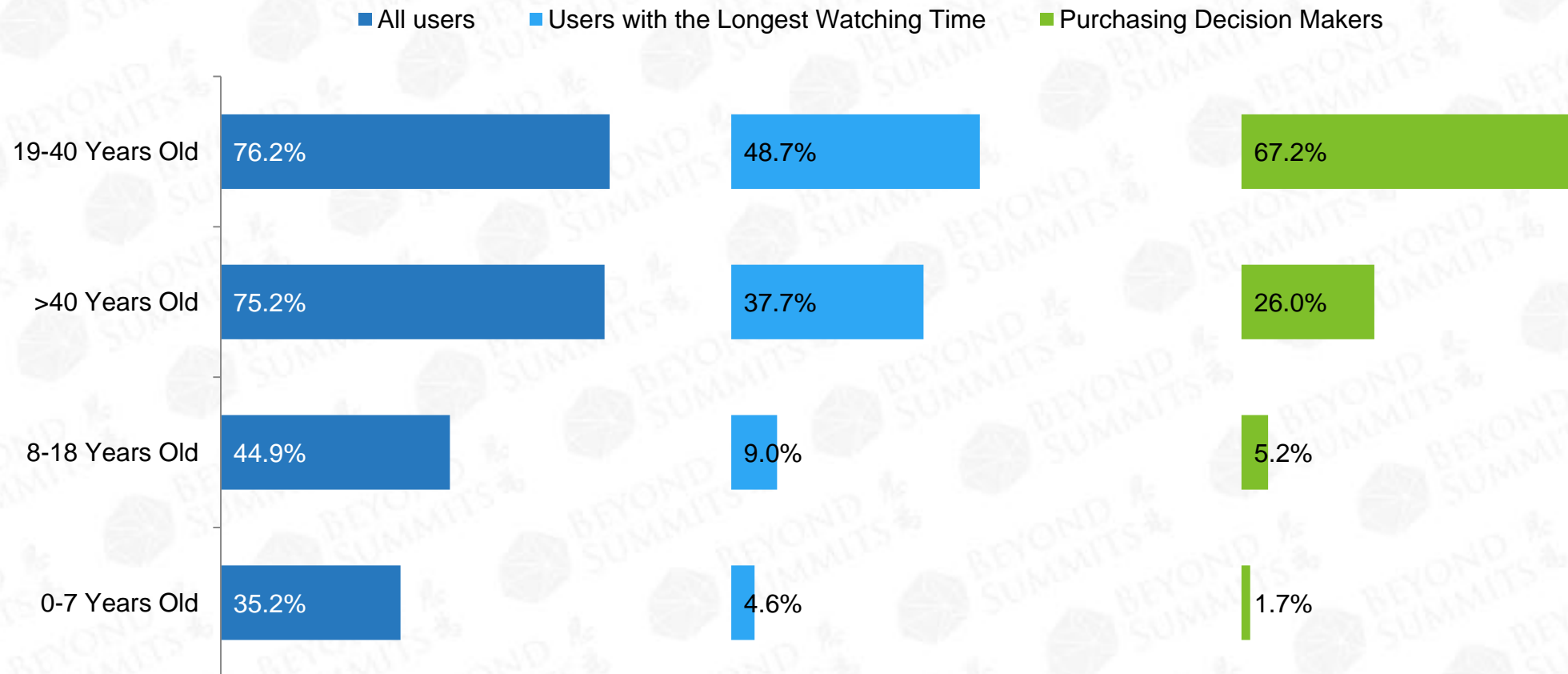
### Smart TV Users' Average Viewing Time Daily in 2016



Source: Tencent Big Data: Smart TV's Data Report, 2016

According to data, people aged 19-40 are the most important audience for Internet TV, and most purchasing decisions were made by them.

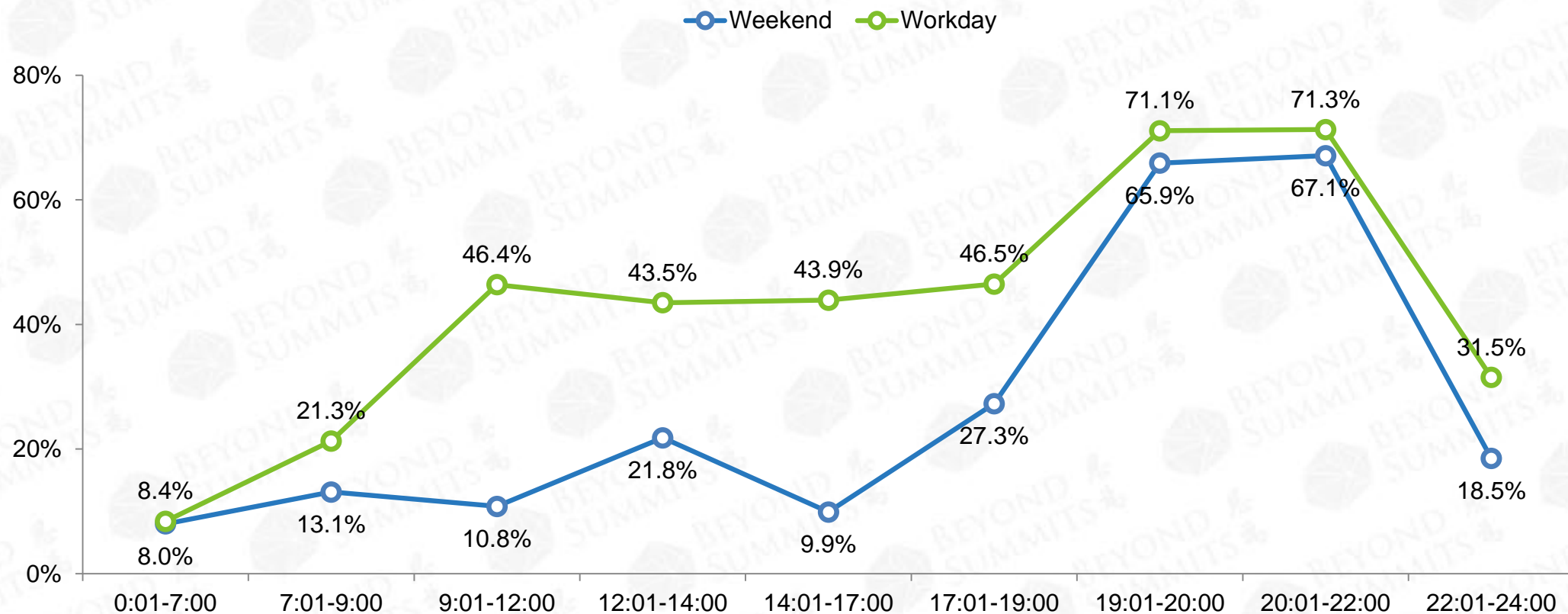
### Chinese Internet TV Users' Usage and Purchasing Decision in 2016



Source: 2016 China's Internet TV Industry Research Report

The data shows that on workdays, Internet TV users mainly watch TV during the prime time of the evening; while on weekends, they may watch TV at any time throughout the day.

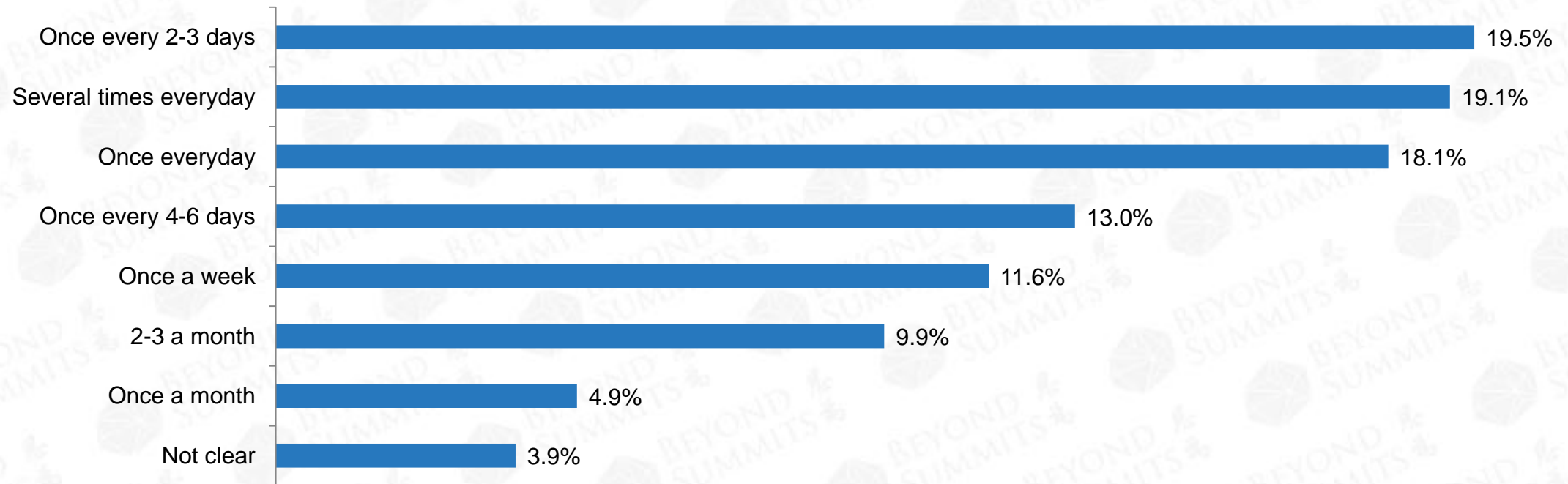
### Time that Users Watch Internet TV in 2016



Source: 2016 China's Internet TV Industry Research Report

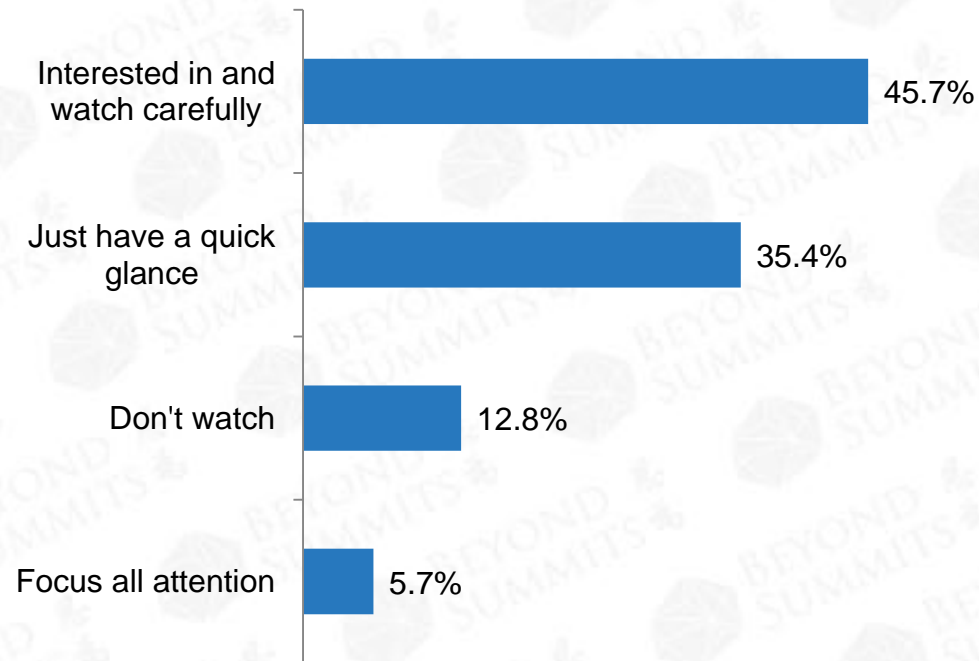
Not so many Internet TV audience will frequently use mobile apps, and only 37.2% of them will use mobile apps every day.

### Frequency of App Using for Internet TV Audience in 2016

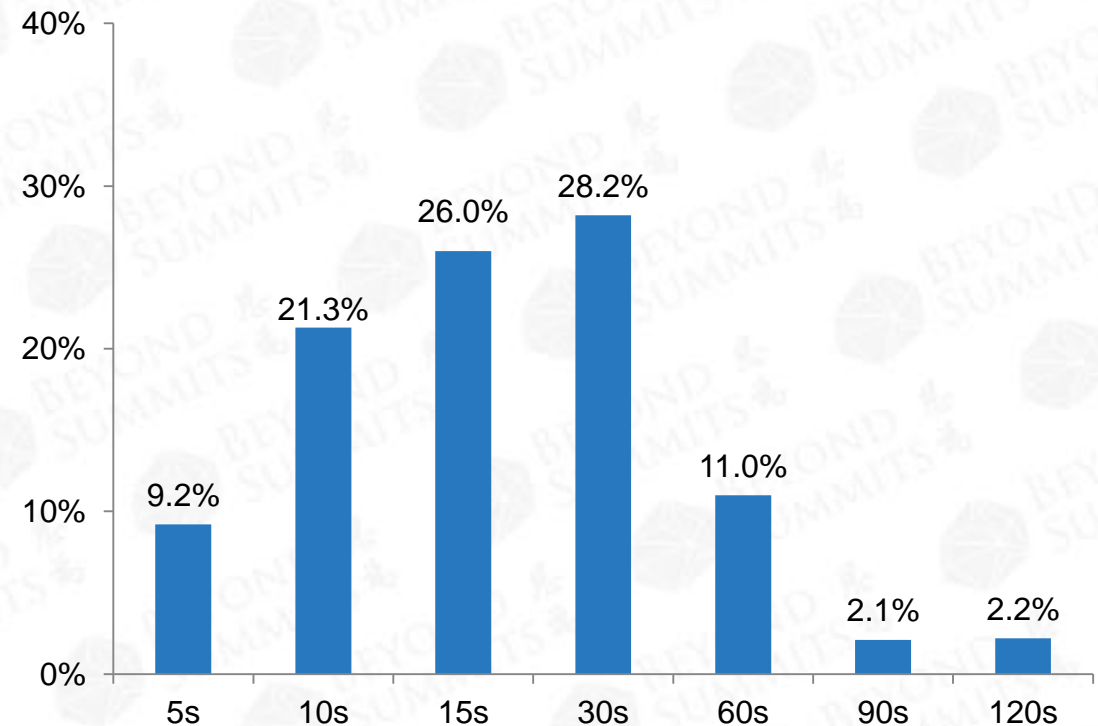


According to data, most Internet TV users have positive attitudes towards ads, and most of the users can accept ads of no more than 30 seconds.

**Internet TV Users' Attitudes Towards Ads  
in 2016**



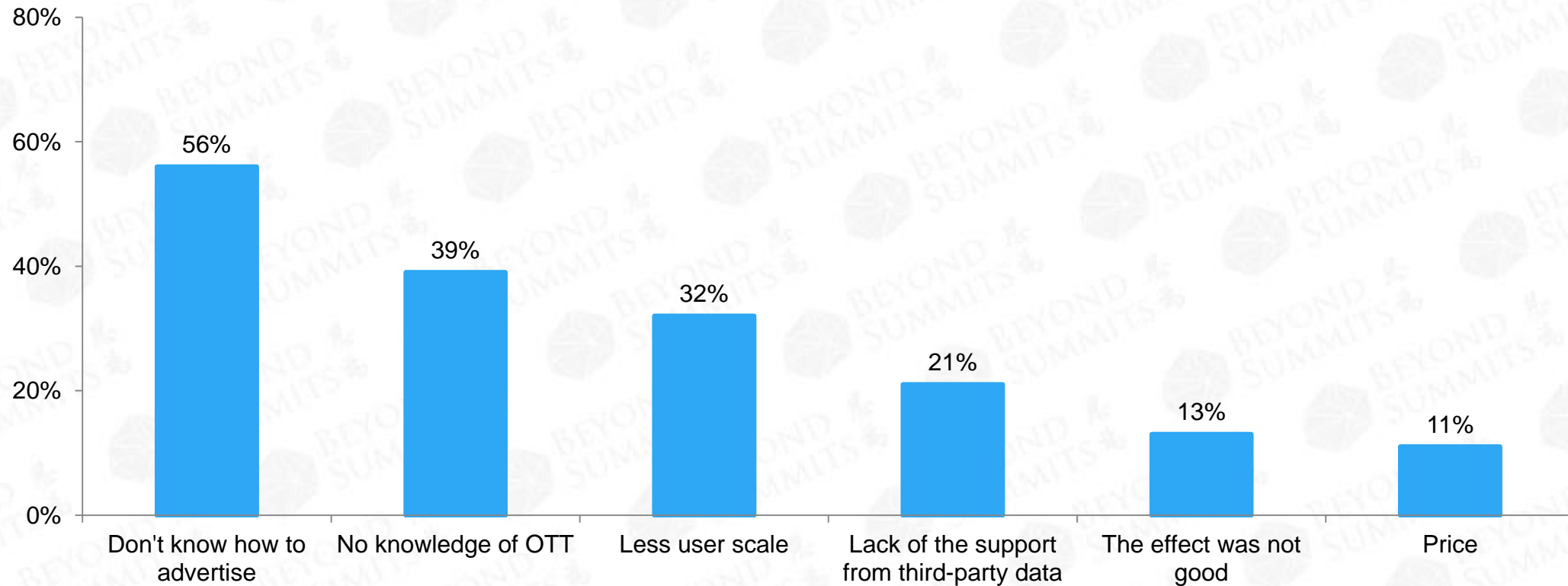
**The Length of the Ads That Internet TV  
Users Can Accept in 2016**



Source: 2016 China's Internet TV Industry Research Report

In 2016, for those advertisers who did not choose OTT advertisements, not knowing how to advertise was their main concern, followed by lacking OTT information knowledge.

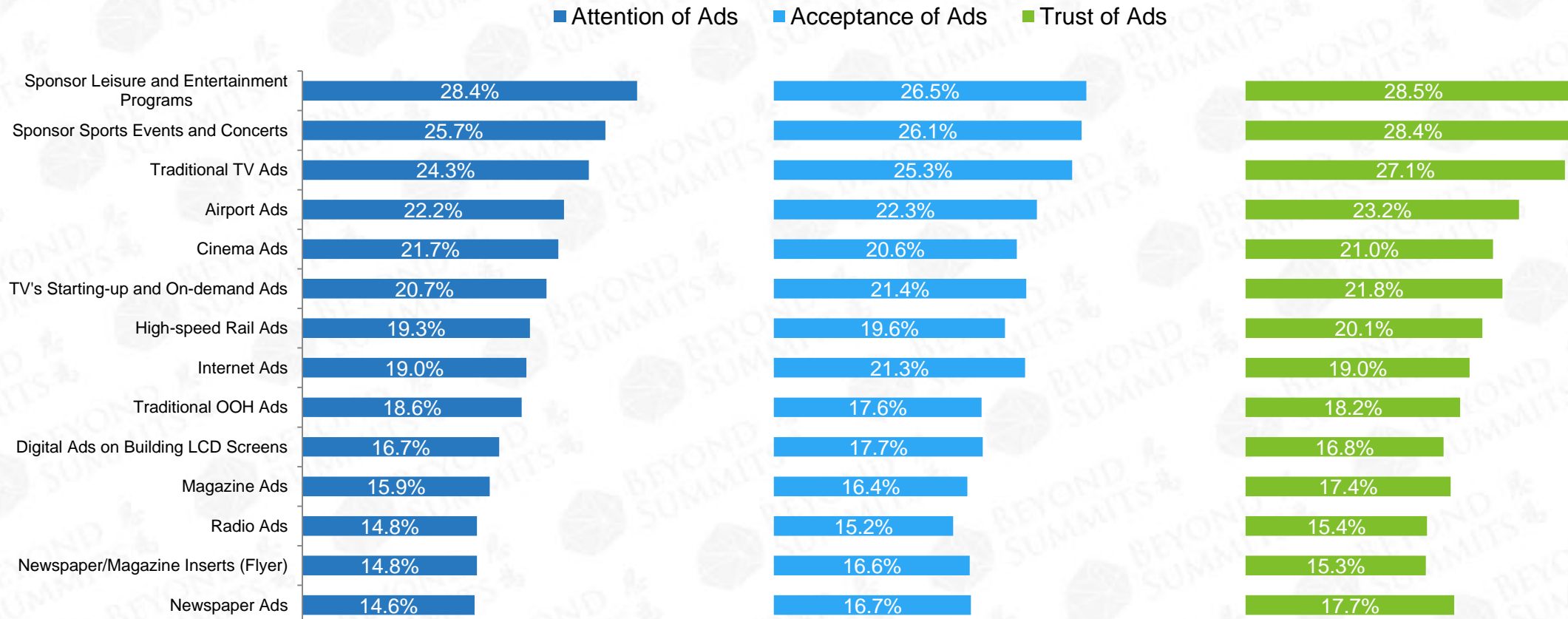
### Advertisers' Concerns on OTT Advertisement in 2016



Source: Review of China's Media Market, 2016

In 2016, smart TV viewers' attention on smart TV advertising was lower than TV commercials but higher than Internet advertising. Besides, smart TV viewers have rather positive attitudes towards brands sponsoring leisure & entertainment programs.

### Smart TV Audience's Attitude on Ads



Source: Kantar, Research on Viewing by Family's Big Screen



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