
**A Presentation
by
The Record Industry in HK**

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Where do we come from

- *The Hong Kong music market was firmly established after 1949 when movie producers and top recording artists from the music capital of China found new home in HK*
- *The popular local music in the '50s was highly associated with soundtracks. The local movie industry had since contributed to the success of local music. As of today, the highly successful local recording artists are connected with the local film industry as well.*

What made it tick for Hong Kong ?

- Hong Kong have always had a sound copyright law of international standard including control of parallel importation rights
- Freedom of speech, a pre-requisite for creativity
- A highly concentrated society that had strong and stable economic growth in the last 5 decades
- Censorship is nearly nil, HK continues to be exposed to all kinds of music culture
- No import and sales tax

What made it tick for Hong Kong ?

Con't

- The first territory to rid of piracy. It was in the year 1977, a head start of over 10 years compared to most other territories in the region
- A very successful local movie industry
- A very productive television contents industry, especially important in the export of programs to all Chinese communities globally
- It continues to be a broadcasting hub in the region

What is our market ?

- International repertoire began to grow in popularity from the '50s, gradually took over in market penetration from the diverse Chinese music culture in the '60s
- The 2nd generation local born Chinese created for themselves the Canto Pop music phenomenon from 1973
- It further developed the Canto Karaoke entertainment market from 1988 and propelled the industry in a 75%+ Chinese music contents, peaking an estimated HK\$2.5 billion music retail in Hong Kong by the turn of the '90s
- It was the gradual opening up of the Chinese mainland market from the '80s that played a part in the prosperity of the Hong Kong music market
- Hong Kong legitimate music market was devastated by CD piracy from 1992
- It dropped to no more than HK\$832 million in music retail. By the middle of 1999, CD piracy rate was over 70%

Where are we today ?

- Hong Kong has done it again. By the relentless attack on retail piracy by the Customs and Excise Department of the HKSAR, piracy rate is now established at around 25%. The music and movie industries were resuscitated.
- The re-bounce was a little slow however. Year 2000 saw a mild growth of about 5% in total market revenue.
- The encouraging fact remains that Hong Kong is an important music centre for Chinese the world over.
 - The only source for Canto Pop with a market size of 200 million Cantonese speakers
 - Itself easily adaptable to the production of Mandarin to cater to the mainland markets
 - Export of Hong Kong music continues. In 1996 under a survey by SRH, the revenue from export of music is HK\$260 million against local music retail market of HK\$1.5 billion

Where are we today ?

Con't

- Though not directly comparable, the latest industry survey of the revenue of other Chinese markets generated from Hong Kong repertoire accounts for an additional 60% increase in size from the home market. In fact, one major record company with a different A&R approach had its own home market turnover increased by an additional 200%.
- Hong Kong is adopting the model of creating a global Chinese music enterprise serving overseas markets by the popularity of artists created at the home base, much like the model of UK and the US music centres like New York, LA and Nashville.

What opportunities lie ahead ?

- Mainland China joins WTO
- As a content centre, Hong Kong is poised for a favorable ecommerce future for music

What are our threats ?

- Internet piracy
- Depravation of home market protection by an impending discussion by the Hong Kong SAR Government to de-control parallel importation of music and film products
- It is a widespread belief that the indigenous repertoire requires a sound home base, free from the perils of parallel importation to survive. HK enjoyed such protection since the 1956 UK copyright extended to HK
- We can also envisage that any e-commerce model hinges on the possession of copyright assets. The de-control of parallel importation of music copyright to any degree will discourage the investors in making music in Hong Kong and hence stopped the continued supply of successful music copyrights out of HK

Some Facts

There are now 56 members in IFPI Hong Kong Group

Hong Kong music is mainly used in a HK\$2.5 billion per annum Karaoke Entertainment business

Chinese music accounts for 55% of total music retail estimated at HK\$900 million in Yr 2000.

Mandarin music is on the increase, but still remain low at 20% of Chinese music sales locally.

There are no less than 30,000 direct and in-direct employees connected with the HK music entertainment industry

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