



TMT Industry Outlook
After the storm, confidence remains



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In the past year and a half, two black swan events—the US-China trade war and the COVID-19 outbreak—have affected the entire global TMT industry, with repercussions most likely to be felt over the next few months or even longer. To understand the industry's expectations of what the remainder of 2020 will hold, Deloitte conducted a survey of TMT industry executives in China. The survey also explores what countermeasures executives will take to contend with the trade war post-pandemic and the impact these events will have on the company's business models and operation processes.

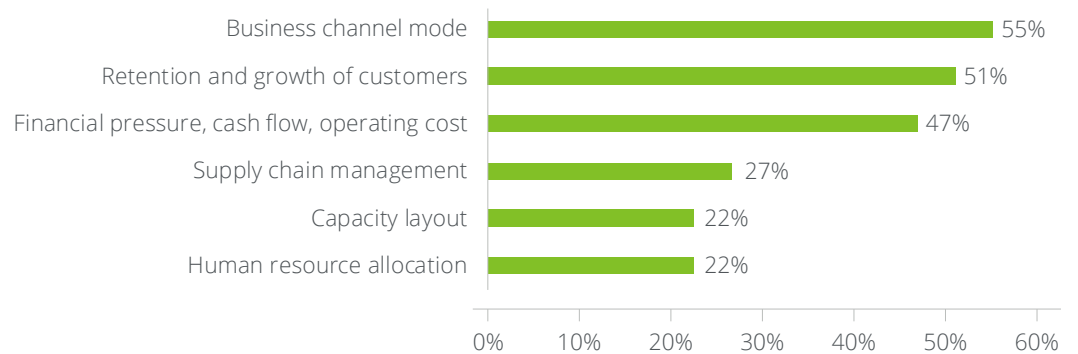
Mounting operational pressure

Research shows that the impacts from the two black swan events on TMT enterprises include the transformation of business channel modes, the retention and growth of customers, and financial pressure related to cash flow and operating costs. These impacts were only intensified under the double attack of weakening consumer demand and channel reduction.

In addition, most enterprises are facing operational and financial challenges in regard to supply chain management; capacity layout; and lost working days due to the pandemic.

The electronics industry, in particular, faces the challenges of slower production line operations and a shortage of materials, resulting in insufficient productivity. In the communications industry, some 5G application demonstration projects have been postponed. With the largest optical fiber supply chain in the world located in Wuhan, and the demand for 5G optical fiber more than twice that of 4G, the impact on the existing development process of 5G has been significant.

Figure: what is the most likely impact of this outbreak on your company?

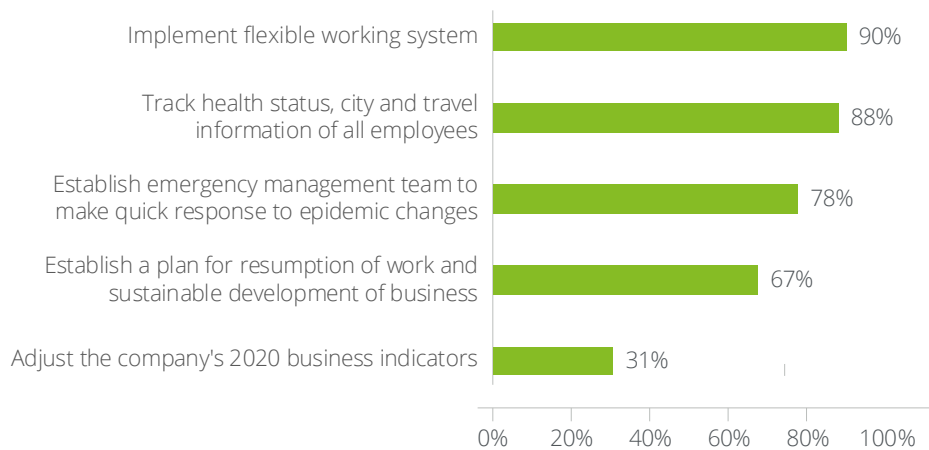


Quick response, mobile response

Technology-based enterprises took many measures to deal with the pandemic, including the implementation of flexible working systems, tracking the health of all employees and establishing an emergency management team. They also set up rapid response teams, which established a sustainable development plan for returning to work.

At present, most TMT enterprises in China have reopened and workers have returned.

Figure: what measures have you taken to deal with the epidemic?



The growth of technology

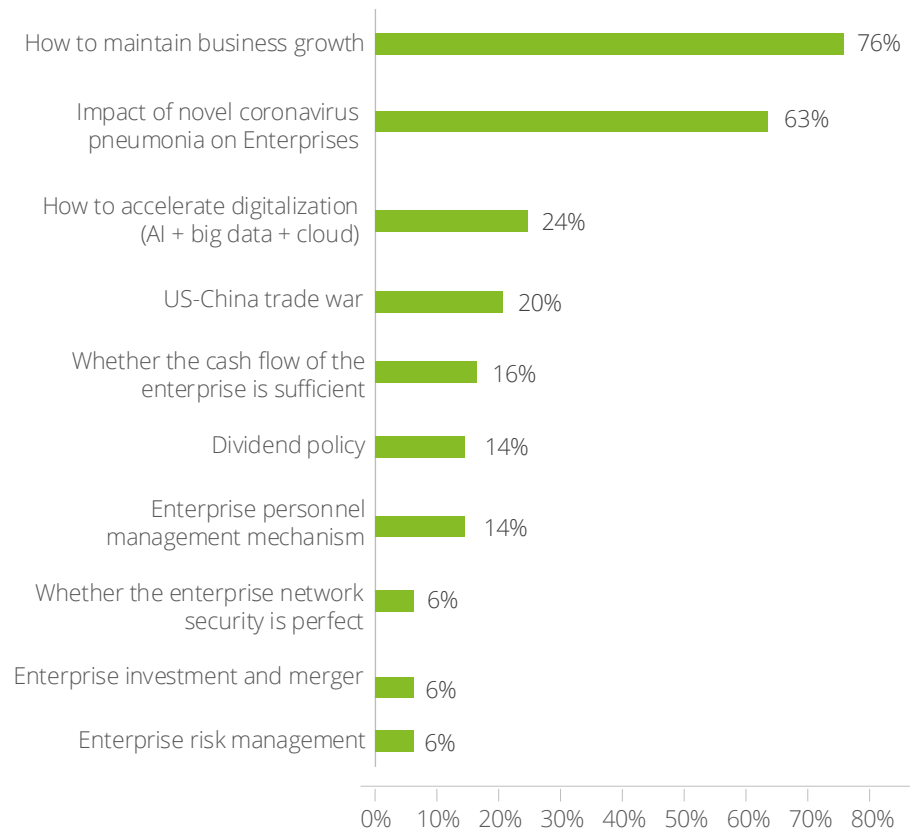
Going forward, technology-based enterprises will focus on how to maintain business growth. This will require clear strategic planning, keen market insight, operation and technology support, and reasonable risk management and control. In addition, enterprises are speeding up the pace of digitization and the use of technology—such as artificial intelligence, cloud, and big data—to gain competitive advantage.

Given more time spent at home, technology has seen a large shift in consumer demand and usage of online resources. Telecoms, media and entertainment industries show an increasing number of users and online education platforms.

With universities and primary and secondary schools across the country delaying the start of school, online education platforms and the number of users have grown. With this opportunity, online education platforms are expected to increase in popularity, and provide long-term opportunities in personalized education. Adult vocational online education seems to have even more opportunities because of its clear target customer and their willingness and ability to pay.

In addition, we are also seeing that e-commerce, with the help of intelligent logistics and digital technology, will achieve further breakthroughs and growth.

Figure: what is your most concerned topic in 2020?



With the development of digital technology and algorithm in recent years, e-commerce platform can more accurately match the needs of consumers. The security and efficiency of logistics will become more important issues, providing new impetus for the upgrading of e-commerce. AR / VR, UAV and robot will also provide technical support for various e-commerce application scenarios.

Markets such as fitness and telemedicine consultation have increased the demand of applications supported by 5G and are promoting the development and deployment of other technologies including artificial

intelligence, block chain, cloud computing, big data, edge computing and Internet of things.

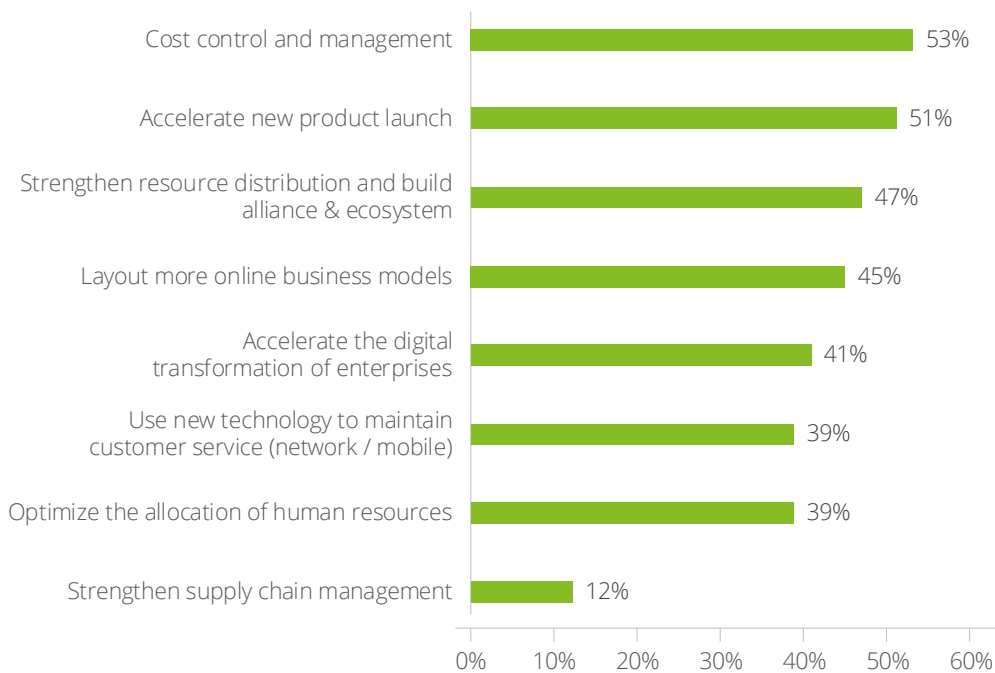
Another shift in technology is also happening around telecommuting and internet companies launching online office service platforms for enterprises. With the growth of demand, "cloud office" may become a new trend and change the operation mode of the office.

Revitalizing the business

For the enterprises in this survey, the two most important ways to revitalize their business in 2020 will be cost control management and accelerating the launch of new products. In addition, strengthening the layout of resources as well as alliance and ecosystems are a priority.

Nearly half of the enterprises said they would explore more online business models, while enterprises with a slower digital pace said they would speed up digital transformation and improve market competitiveness

Figure: what measures will you take to revitalize your business after the outbreak?



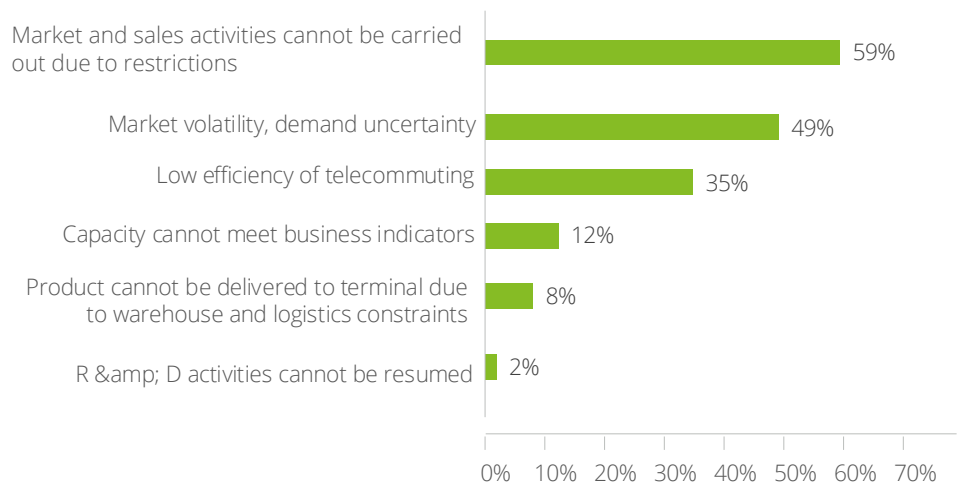
Market challenges

The biggest challenges in 2020 come from the limited market and sales activities, as well as the demand uncertainty caused by market fluctuations, which become the most important obstacles to business growth.

On the contrary, for products where production automation is high and worker physical presence is not delaying production, including chip design or wafer production, the impact is less.

Limitations on warehouse production and logistic challenges are resulting in delays of product delivery which is having a negative effect on demand and target growth numbers for global electronic related industries.

Figure: what is the biggest challenge for your 2020 business?

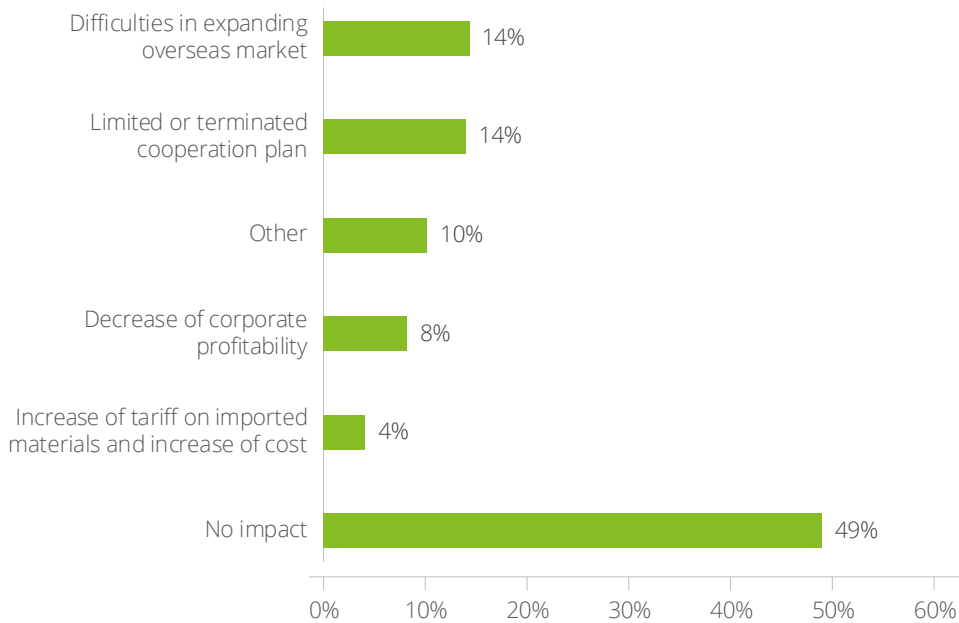


Expansion difficulties

Research shows that nearly 70% of the enterprises have no import and export business with the United States, so the impact in the US-China trade dispute is relatively small. However, some enterprises who were affected by

the US-China trade war said that they had encountered obstacles in expanding to overseas markets, with their plans limited or even suspended.

Figure: so far, what is the biggest impact of US-China trade war on your company's import and export?

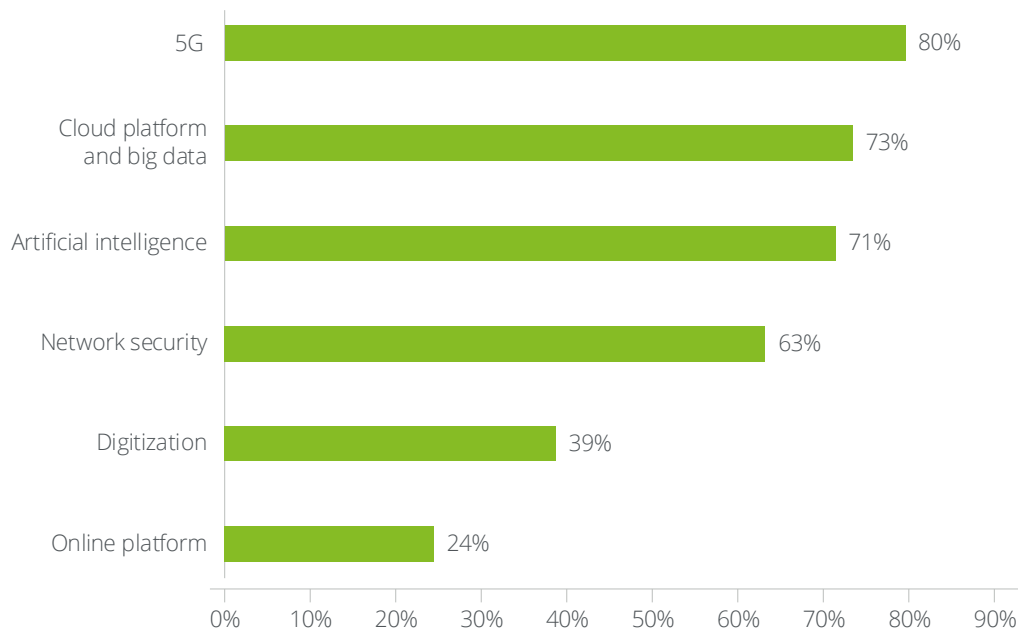


Looking forward to upgrading the industry

At present, the national development and Reform Commission and other relevant departments are drafting the basic ideas of the 14th five-year plan. Aiming at high-quality development and improving the quality and efficiency of China's economy, we should focus on making up for shortcomings, promoting upgrading and enhancing industrial innovation and competitiveness. Promoting economic transformation and upgrading will be one of the key contents of the 14th five-year plan. Develop strategic emerging industries, focus on the needs of strategic

emerging industries, break through technological bottlenecks, master core technologies, while interviewees think that the 14th five-year plan will focus on 5G, cloud platform big data, artificial intelligence and network security. Although these technologies have been widely used at present, how to apply them to various industries in a deeper level, and how to accelerate the research and development of new technologies, and how to use high and new technologies to accelerate the transformation and upgrading of traditional industries towards digitalization are extremely important.

Figure: which of the following areas do you think the 14th five-year plan TMT will focus on?



After the storm, confidence remains

In general, most of the executives are still confident in 2020. More than 60% of the respondents expressed their optimistic attitude towards the confidence and Prospect of the TMT industry in 2020. Nearly half of the respondents think that the business can meet the standards

in the whole year, and about 30% of the executives are reserved. As for the performance of enterprise revenue in 2020, about 30% said that the annual revenue would decline slightly, below the 20% range.

Figure: Overall, what are your confidence and prospects for TMT industry in 2020?

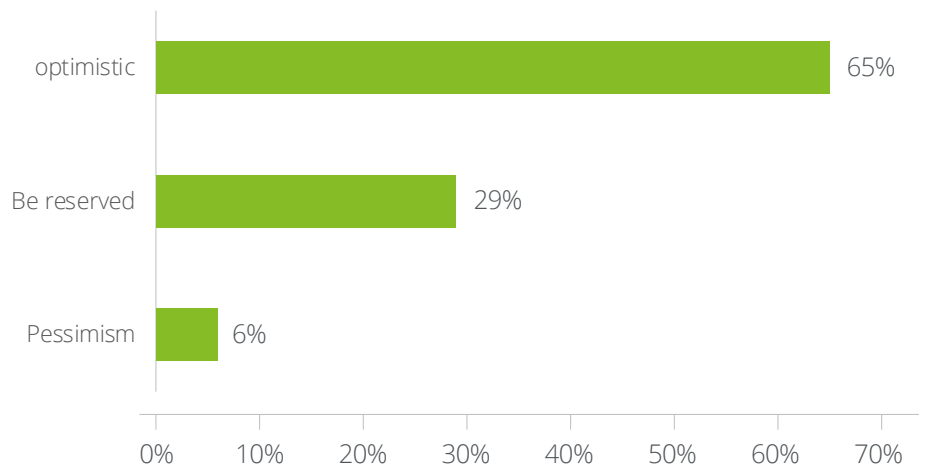
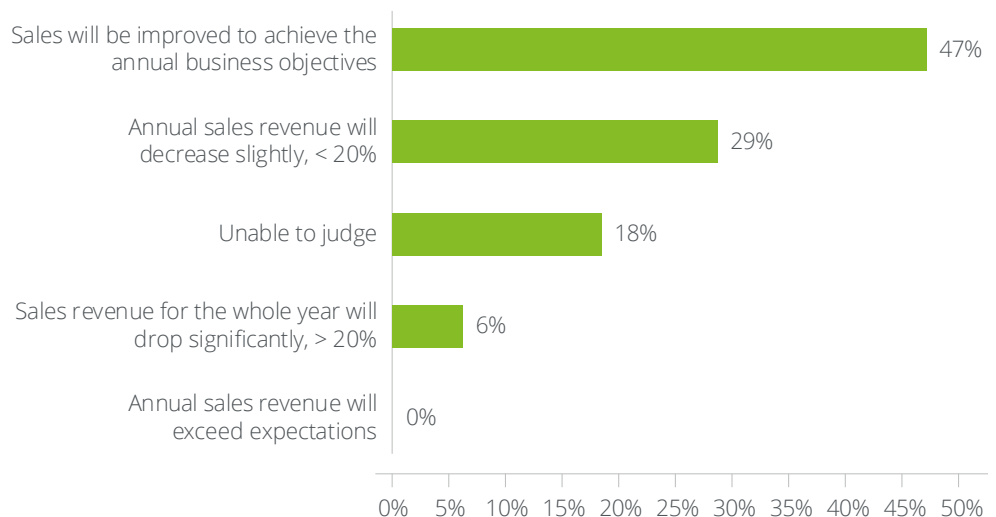


Figure: How does your operating revenue look like in 2020?



From this survey, it can be seen that many TMT industry executives have greater confidence in 2020. In the short term, two black swans will indeed have some impact on some technology companies, but in the long term, it will more test the current situation of China's science and technology development, and also see the accelerated landing of many hard technologies, such as autonomous vehicles, UAVs and thermal imaging cameras.

Therefore, if the enterprises in the economic downturn cycle can make effective investment in strategic management, they will usually be able to exceed the market value after the retrograde cycle. Whether an enterprise can seize the opportunity to resolve the crisis and turn it into a subversive turning point depends on its own strategic choice and reserve. For enterprises, in the short term, under proper strategic adjustment, it is necessary to have insight into market demand, multi scenario simulation of supply and demand, control cost, optimize structure, adjust production and marketing plan, adjust production arrangement flexibly, strengthen upstream and downstream visibility and coordination, resolve supply chain uncertainty, start supply chain emergency plan, monitor supply risk, give appropriate support to suppliers and overcome difficulties, In order to promote the steady growth of enterprises, optimize the structure and increase efficiency. In the medium and long term, enterprises need to continue to promote digitalization and intelligence, deepen ecosystem collaboration and long-term win-win, build resource networks, and open up new online services to create an integrated service system.

Under the active and flexible strategic adjustment, we believe that in the future, TMT industry will be able to rebound strongly and get more substantial development, support the implementation of the national innovation and development strategy, and become a powerful driving force to promote the high-quality development of China's economy.

Contacts

Taylor Lam

**TMT Industry Leader
Telecom, Media & Entertainment
Sector Leader
Deloitte China**

Tel: +86 10 8520 7126

Email: talam@deloitte.com.cn

Frank Li

**Technology Sector Leader
Deloitte China**

Tel: +86 10 8520 7920

Email: frli@deloitte.com.cn

Roger Chung

**TMT Industry Research Director
Deloitte China**

Tel: +86 21 2316 6657

Email: rochung@deloitte.com.cn

Lisa Zhou

**TMT Industry Manager
Deloitte China**

Tel: +86 10 8512 5909

Email: liyzhou@deloitte.com.cn

Office locations

Beijing

12/F China Life Financial Center
No. 23 Zhenzhi Road
Chaoyang District
Beijing 100026, PRC
Tel: +86 10 8520 7788
Fax: +86 10 6508 8781

Changsha

20/F Tower 3, HC International Plaza
No. 109 Furong Road North
Kaifu District
Changsha 410008, PRC
Tel: +86 731 8522 8790
Fax: +86 731 8522 8230

Chengdu

17/F China Overseas
International Center Block F
No.365 Jiaozi Avenue
Chengdu 610041, PRC
Tel: +86 28 6789 8188
Fax: +86 28 6317 3500

Chongqing

43/F World Financial Center
188 Minzu Road
Yuzhong District
Chongqing 400010, PRC
Tel: +86 23 8823 1888
Fax: +86 23 8857 0978

Dalian

15/F Senmao Building
147 Zhongshan Road
Dalian 116011, PRC
Tel: +86 411 8371 2888
Fax: +86 411 8360 3297

Guangzhou

26/F Yuexiu Financial Tower
28 Pearl River East Road
Guangzhou 510623, PRC
Tel: +86 20 8396 9228
Fax: +86 20 3888 0121

Hangzhou

Room 1206-1210
East Building, Central Plaza
No.9 Feiyunjiang Road
Shangcheng District
Hangzhou 310008, PRC
Tel: +86 571 8972 7688
Fax: +86 571 8779 7915 / 8779 7916

Harbin

Room 1618, Development Zone Mansion
368 Changjiang Road
Nangang District
Harbin 150090, PRC
Tel: +86 451 8586 0060
Fax: +86 451 8586 0056

Hefei

Room 1201 Tower A
Hua Bang ICC Building
No.190 Qian Shan Road
Government and Cultural
New Development District
Hefei 230601, PRC
Tel: +86 551 6585 5927
Fax: +86 551 6585 5687

Hong Kong

35/F One Pacific Place
88 Queensway
Hong Kong
Tel: +852 2852 1600
Fax: +852 2541 1911

Jinan

Units 2802-2804, 28/F
China Overseas Plaza Office
No. 6636, 2nd Ring South Road
Shizhong District
Jinan 250000, PRC
Tel: +86 531 8973 5800
Fax: +86 531 8973 5811

Macau

19/F The Macau Square Apartment H-N
43-53A Av. do Infante D. Henrique
Macau
Tel: +853 2871 2998
Fax: +853 2871 3033

Mongolia

15/F, ICC Tower, Jamiyan-Gun Street
1st Khoroo, Sukhbaatar District, 14240-
0025 Ulaanbaatar, Mongolia
Tel: +976 7010 0450
Fax: +976 7013 0450

Nanjing

6/F Asia Pacific Tower
2 Hanzhong Road
Xinjiekou Square
Nanjing 210005, PRC
Tel: +86 25 5790 8880
Fax: +86 25 8691 8776

Shanghai

30/F Bund Center
222 Yan An Road East
Shanghai 200002, PRC
Tel: +86 21 6141 8888
Fax: +86 21 6335 0003

Shenyang

Unit 3605-3606, Forum 66 Office Tower 1
No. 1-1 Qingnian Avenue
Shenhe District
Shenyang 110063, PRC
Tel: +86 24 6785 4068
Fax: +86 24 6785 4067

Shenzhen

9/F China Resources Building
5001 Shennan Road East
Shenzhen 518010, PRC
Tel: +86 755 8246 3255
Fax: +86 755 8246 3186

Suzhou

24/F Office Tower A, Building 58
Suzhou Center
58 Su Xiu Road, Industrial Park
Suzhou 215021, PRC
Tel: +86 512 6289 1238
Fax: +86 512 6762 3338 / 3318

Tianjin

45/F Metropolitan Tower
183 Nanjing Road
Heping District
Tianjin 300051, PRC
Tel: +86 22 2320 6688
Fax: +86 22 8312 6099

Wuhan

Unit 1, 49/F
New World International Trade Tower
568 Jianshe Avenue
Wuhan 430000, PRC
Tel: +86 27 8526 6618
Fax: +86 27 8526 7032

Xiamen

Unit E, 26/F International Plaza
8 Lujiang Road, Siming District
Xiamen 361001, PRC
Tel: +86 592 2107 298
Fax: +86 592 2107 259

Xi'an

Room 5104A, 51F Block A
Greenland Center
9 Jinye Road, High-tech Zone
Xi'an 710065, PRC
Tel: +86 29 8114 0201
Fax: +86 29 8114 0205

Zhengzhou

Unit 5A10, Block 8, Kailin Center
No.51 Jinshui East Road
Zhengdong New District
Zhengzhou 450018, PRC
Tel: +86 371 8897 3700
Fax: +86 371 8897 3710

Sanya

Floor 16, Lanhaihuating Plaza
(Sanya Huaxia Insurance Center)
No. 279, Xinfeng street
Jiyang District
Sanya 572099, PRC
Tel: +86 0898 8861 5558
Fax: +86 0898 8861 0723

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