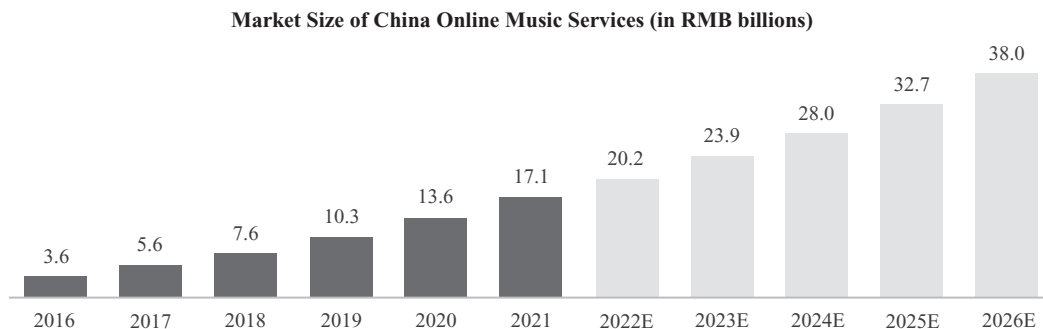

INDUSTRY OVERVIEW

The information presented in this section, including certain facts, statistics and data, is derived from the market research report prepared by iResearch, which was commissioned by us, and from various official government publications and other publicly available publications, unless otherwise indicated. The information derived from official government publications has not been independently verified by our Company, the Joint Sponsors, any of our or their respective directors, officers or representatives or any other person involved in the Listing.

CHINA ONLINE MUSIC SERVICES MARKET OVERVIEW

Sizable Market with Significant Growth Potential

According to iResearch, China is the second largest online music services market in the world in terms of total revenues in 2021. The market size of China's online music services increased from RMB3.6 billion in 2016 to RMB17.1 billion in 2021, and is expected to reach RMB38.0 billion in 2026, according to iResearch, demonstrating rapid growth historically and significant room for future growth. In China, online music services are primarily monetized through membership subscriptions and advertising services from music content offerings.

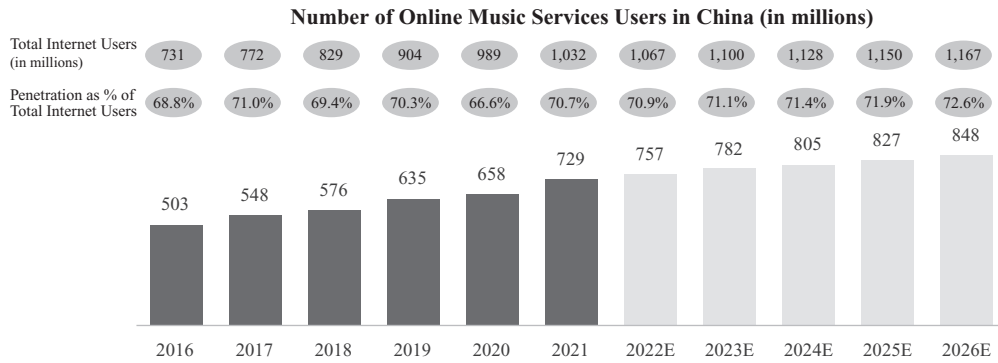


Source: iResearch

With technologies, music entertainment has evolved from a pure “listening” experience to diversified use cases. This has greatly improved user experience, leading to increased popularity of online music entertainment among China's internet users and increasing paying ratio and user spending.

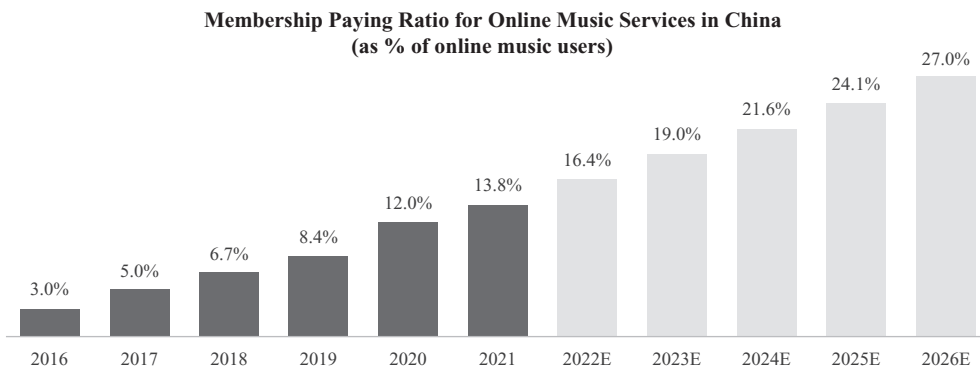
- China has a massive audience with a growing demand for music entertainment. According to the China Statistical Report on Internet Development published by the China Internet Network Information Center, the number of online music services users in China had grown from 503 million in 2016 to 729 million in 2021. It is expected that the number of online music services users in China will further reach 848 million in 2026, according to iResearch. Apart from growth, this also represents a consistently high penetration rate (defined as the number of online music services users as a percentage of total internet population) of approximately 70%, demonstrating that online music stands out as one of the most popular forms of entertainment among China's internet users.

INDUSTRY OVERVIEW



Source: China Internet Network Information Center, iResearch

- Online music services users in China are increasingly willing to pay for music, due to the efforts in the promotion of copyright protection in China, as well as superior music entertainment experience offered by major online music platforms through innovative products and technologies. According to iResearch, membership paying ratio for online music in China increased from 3.0% in 2016 to 13.8% in 2021 and is expected to nearly double and reach 27.0% in 2026. Compared to the membership paying ratio of more than 40% in the U.S. as of 2021, which was more than three times the ratio in China in the same year, there remains substantial opportunities for monetization as major online music platforms continue to enrich their content library, diversify their offerings, and provide a more innovative user experience.



Source: iResearch

Emerging Trends & Opportunities in China's Online Music Services Market

China's online music services market presents significant opportunities for leading players who can capitalize on the following market trends.

- **Evolving user demand for diversified content:** With the increasing user needs for the diversity of content, the ability to dynamically optimize content creation strategy to cater for diverse and evolving users' preferences has become a key differentiating factor. Online music platforms are in pursuit of diversification across content types, music genres

INDUSTRY OVERVIEW

and formats via (i) partnerships with music labels and leading industry players, (ii) offering all-in-one services and rich resources to support the creation of original works by indie musicians, and (iii) enhancements of in-house content development capabilities powered by advanced technology.

- **User demands for a multi-dimensional music experience:** As user demands for online music services continue to evolve, the format of music enjoyment has transcended beyond merely listening to songs, and online music platforms have continued to innovate by permeating music into various music entertainment formats or channels. The COVID-19 pandemic has also boosted users' demands for multi-dimensional music experience that helps them stay connected with friends and families. As a result, a myriad of innovations to create novel user experience of music enjoyment have emerged, such as (i) combining music sharing with interactive features to facilitate connections among users, (ii) online-merge-offline performance platforms designed to deliver immersive and convenient music entertainment experience to users, (iii) hosting of virtual music festival where users can interact with artists and fellow music lovers in an immersive virtual setting, (iv) application of AR/VR and other technologies in music and audio content offerings. As a result, online music services platforms that can offer a one-stop experience to satisfy users' diverse entertainment and social needs will be better positioned to attract, retain and monetize their user bases.
- **Continued technological innovations to improve users' experience:** Online music platforms that are able to innovate continuously in their technologies to enhance users' experience will stand out. Examples of these technologies include music recommendation algorithms that enhance efficiency in distribution and marketing, song recognition technology that enables users to quickly discover their favorite songs and artists, audio text-to-speech technology that enables more immersive listening experience, and synthetic audio for virtual artists and idols.

Competitive Landscape

China's online music services market currently has a relatively small number of players. The early movers in this market typically have longer and deeper relationships with content suppliers and have accumulated larger content libraries than their peers. Additionally, the significant time and resources needed to develop advanced technologies, establish brand recognition and nurture long-term user loyalty have given industry early movers and leaders competitive edges over their competitors.

INDUSTRY OVERVIEW

The table below summarizes the operating metrics of the key players in China's online music services market:

Key Operating Metrics of Key Players in Online Music Services Market in China in 2021

	Our Group	Company A⁽²⁾
Revenues (RMB, billion) ⁽¹⁾	11.5	3.3
Mobile MAUs (million) ⁽¹⁾	622	183
Paying users (million) ⁽¹⁾	68.6	28.9
Paying ratio (%) ⁽¹⁾	11.0	15.8
Monthly ARPPU (RMB) ⁽¹⁾	8.9	6.7

Source: iResearch

Notes:

- (1) Please see "Glossary of Technical Terms" for more information about how we calculate our mobile MAUs and paying users. Please note that each company has its own methods for calculating its operating metrics, which may be materially different. As a result, our operating metrics may not be directly comparable to similarly titled metrics used by other companies.
- (2) Founded in Hangzhou, China in 2016, Company A is an online music entertainment platform offering both online music and social entertainment services that was listed on the Hong Kong Stock Exchange in 2021.

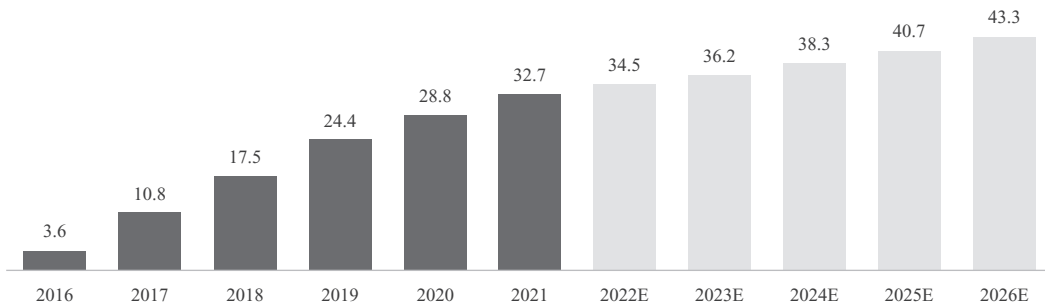
China's online music services market has long been characterized by intense competition in terms of breadth and diversity of content, product features, social interaction features, evolving user preferences, brand awareness and reputation. In recent years, we have faced increased competition for users and their time and attention from other online music providers and providers of new, emerging formats of online music and entertainment content. We believe we are well positioned to continue to scale our business and drive our profitability as we are capable of continuously growing our core online music subscription basis by offering a compelling music content library and user experience. Amid the increasingly intense competition, leading players in China's online music services market are beginning to place more emphasis on the quality of the growth in terms of user engagement and willingness to pay, rather than merely focusing on driving the size of their overall user bases.

INDUSTRY OVERVIEW

CHINA MUSIC-CENTRIC SOCIAL ENTERTAINMENT SERVICES MARKET OVERVIEW

Music-centric social entertainment services enable users to sing, perform, and socialize in online music communities and share their performances with friends and other users who have common music interests. Music-centric social entertainment services in China, offered in the form of online karaoke as well as audio and video live streaming, are primarily monetized through sales of virtual gifts or premium memberships.

Market Size of China Music-centric Social Entertainment Services (in RMB billions)



Source: iResearch

Emerging Trends, Challenges & Opportunities in China's Music-Centric Social Entertainment Services Market

The main growth drivers, trends, challenges and opportunities in China's music-centric social entertainment services market include:

- **Massive and increasing user need for quality music-centric content and services and competition brought by new content and product formats.** China has a massive internet user audience with an increasing demand for quality music-centric social entertainment content and services. This has given rise to emergence of music-centric social entertainment platforms and is expected to continue to drive the long-term growth of the market. In recent years, new content formats, such as audio and short-form videos, have emerged and quickly gained traction among users. Music-centric social entertainment platforms must respond effectively to changing user needs and preferences and invest in improving and diversifying content in order to remain competitive.
- **Adoption of innovative technologies driving user engagement.** Music-centric social entertainment platforms have continued to leverage cutting-edge technologies to offer more diversified engaging content and provide users with new, innovative ways to communicate, perform and socialize. Music-centric social entertainment platforms which have stronger technology capabilities and a more diversified product portfolio are better positioned than their peers to engage users and drive sustainable, profitable growth.

INDUSTRY OVERVIEW

- Changing market environment.** In recent years, China’s music-centric social entertainment services market has been characterized by changing user needs and preferences, increasing competition, and heightened regulations. For more information about the regulations relating to social entertainment services, see “Summary — Recent PRC Regulatory Developments — Recently Adopted Live Streaming Regulations” and “Regulatory Overview.” Companies that are able to adapt to these challenges and changing market conditions are more likely than their peers to retain competitive advantages.

Competitive Landscape

China’s music-centric social entertainment services market has been and is expected to continue to be relatively fragmented in terms of market shares. The table below sets forth the key operating metrics of the key players in this market:

Key Operating Metrics of Key Players in Music-centric Social Entertainment Services Market in China in 2021

	<u>Our Group</u>	<u>Company A⁽²⁾</u>	<u>Company B⁽³⁾</u>	<u>Company C⁽⁴⁾</u>
Revenues (RMB billion) ⁽¹⁾	19.8	3.7	2.1	1.0
Mobile MAUs (million) ⁽¹⁾	203	20.0	9.4	5.5
Paying users (million) ⁽¹⁾	10.3	0.68	0.19	0.17
Paying ratio (%) ⁽¹⁾	5.1	3.6	2.0	3.0
Monthly ARPPU (RMB) ⁽¹⁾	160	448	352	637

Source: *iResearch*

Notes:

- Please see “Glossary of Technical Terms” for more information about how we calculate our mobile MAUs and paying users. Please note that each company has its own methods for calculating its operating metrics, which may be materially different. As a result, our operating metrics may not be directly comparable to similarly titled metrics used by other companies.
- Founded in Hangzhou, China in 2016, Company A is an online music entertainment platform offering both online music and social entertainment services that was listed on the Hong Kong Stock Exchange in 2021.
- Founded in Guangzhou, China in 2007, Company B is an online audio platform offering both (i) audio entertainment services and (ii) podcast and other services that was listed on Nasdaq in 2020.
- Founded in Shanghai, China in 2012, Company C is a privately owned online audio platform that focuses on providing online audio services and audio- and music-centric entertainment services.

China’s music-centric social entertainment services market is highly competitive. Market players compete based on their ability to meet increasing and constantly evolving user need for quality content and services, drive user engagement, and effectively adapt to the evolving market and regulatory environment. In particular, the increased competition from providers of new content formats, such as audio and short-form videos, in recent years have driven music-centric social entertainment platforms like us to devote more resources to diversifying content offerings (including video content) and exploring new monetization strategies in order to meet changing user preferences and remain competitive. At the same time, such dynamic competitive landscape has, and is expected to continue to, put pressure on our short-term growth in terms of the overall user base and monetization of our social entertainment services. See “— Emerging Trends, Challenges & Opportunities in China’s Music-Centric Social Entertainment Services Market.”

INDUSTRY OVERVIEW

SOURCES OF INFORMATION

We commissioned Shanghai iResearch Co., Ltd., an independent market research consulting firm that is principally engaged in the provision of market research consultancy services, to conduct a detailed study of the online music services market and music-centric social entertainment services market in China.

We have included certain information from the iResearch Report in this listing document because our Directors believe that such information facilitates an understanding of the relevant markets for potential investors. The market research process for the iResearch Report has been undertaken through detailed primary research and secondary research. Primary research involved expert interviews and company interviews. Secondary research involved statistical data and special reports issued by government departments or industry associations, the prospectus, annual reports and quarterly reports of listed or proposed listed companies, views and forecasts of industry experts in public reports, other research reports of iResearch, research database data of iResearch, etc.

Analysis and forecasts contained in the iResearch Report are based on major assumptions at the time of compiling such report: China's social, economic and political environment will remain stable during the forecast period, and China's mobile Internet industry can maintain relatively stable development. The quoted data of government departments, industry associations and institutions remain unchanged. The key forces driving the development of the industry are still relevant and applicable in the forecast period. There is no significant change in the environment of relevant industries. Our Directors confirm that after taking reasonable care, there has been no material adverse change in the overall market information since the date of the iResearch Report that would materially qualify, contradict or have an impact on such information. The reliability of the iResearch Report may be affected by the accuracy of the foregoing assumptions and factors.

We have agreed to pay a fee of RMB550,000 to iResearch in connection with the preparation of the iResearch Report. We have extracted certain information from the iResearch Report in this section, as well as in the sections headed "Summary," "Risk Factors," "Business," "Financial Information," and elsewhere in this listing document to provide our potential investors with a more comprehensive presentation of the industries where we operate.