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## INDUSTRY OVERVIEW

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*The information and statistics set out in this section and other sections of this document were extracted from the iResearch Report, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged iResearch to prepare the iResearch Report, an independent industry report, in connection with the [REDACTED]. The information from official government sources has not been independently verified by us, the Joint Sponsors, the [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED] and the [REDACTED], any of their respective directors and advisors, or any other persons or parties involved in the [REDACTED], and no representation is given as to its accuracy.*

### SOURCE OF INFORMATION

This section includes information from the iResearch Report commissioned by us, as we believe information imparts a greater understanding of China’s online video and audio social entertainment market. We believe that iResearch has specialized research capabilities and experience in this industry in China. iResearch is an independent market intelligence provider that provides market research, information and advice to companies in various industries, including China’s online video and audio social entertainment market. We have agreed to pay a commission fee of RMB730,000 for the iResearch Report. We are of the view that the payment of such fee does not impair the fairness of the conclusions drawn in the iResearch Report. Figures and statistics provided in this document and attributed to iResearch or the iResearch Report have been extracted from the iResearch report and published with the consent of iResearch.

In preparing the iResearch Report, iResearch conducted detailed research which involved primary research that involved expert interviews and company interviews, and secondary research analyzing information and statistics published by government departments, industry associations, publications and studies by industry experts, public company annual and quarterly reports, iResearch’s other research reports, online resources and data from iResearch’s research database. iResearch also assumes that (1) the social, economic and political environments of China will remain stable during the forecast period, (2) the data quoted from authoritative agencies remains unchanged, (3) related market drivers are expected to continue to drive the growth of the relevant markets in the forecast period, such as the steady development of China’s mobile internet industry and Generation Z’s demand of video and audio social entertainment content, and (4) there is no extreme force majeure events or new industry regulation which would dramatically or fundamentally affect the relevant markets.

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### DIRECTORS’ CONFIRMATION

After making reasonable inquiries, our Directors confirm that, to the best of their knowledge, there has been no adverse change in the market information presented in the iResearch Report since the date of the iResearch Report, which may disqualify, contradict or impact the information in this document.

### CHINA’S ONLINE CULTURAL ENTERTAINMENT MARKET

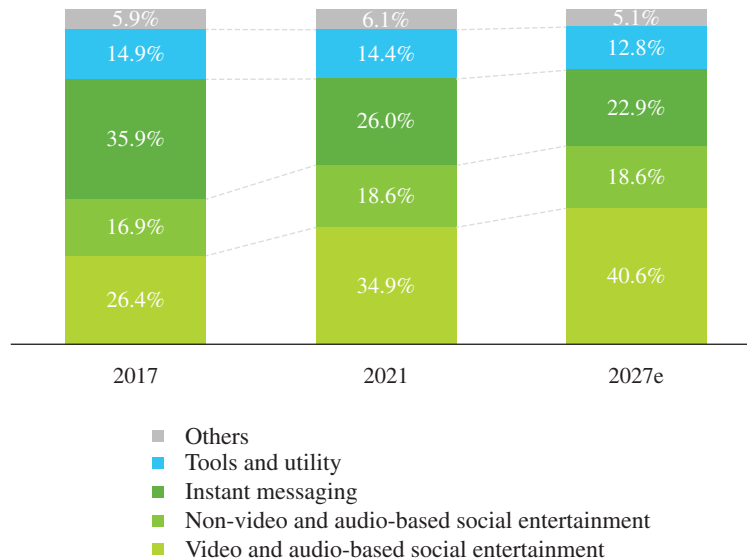
In recent years, the demand for cultural entertainment among consumers in China has continued to grow. The steady economic growth in China has driven the continuous growth in per capita disposable income of Chinese consumers. Despite the impact of COVID-19, the per capita disposable income in China is expected to grow, supporting the increasing per capita spending on education, culture and entertainment by Chinese consumers. China’s cultural entertainment market, which consists of online and offline cultural entertainment, in terms of revenues, increased from RMB773.8 billion in 2017 to RMB1,479.6 billion in 2021 at a CAGR of 17.6% and is expected to reach RMB2,667.2 billion in 2027 at a CAGR of 10.3% from 2021 to 2027. With the development of internet technology, including 5G, big data and AI technologies, and the proliferation of online social media and mobile apps in China, online cultural entertainment is expected to become the primary source of cultural entertainment.

China’s online cultural entertainment market mainly includes short video, live streaming and online music (including karaoke), as well as online audio, online literature and online games. With the fast-paced technological innovation, industry participants, which are mainly online cultural entertainment platforms (including mobile apps and PC clients), are able to accurately identify target users and their preferences for content through quantitative analysis to efficiently distribute relevant content to audience. Riding on this favorable industry development, China’s online cultural entertainment market, in terms of revenues, increased from RMB389.3 billion in 2017 to RMB1,085.3 billion in 2021 at a CAGR of 29.2% and is expected to reach RMB2,182.5 billion in 2027 at a CAGR of 12.3% from 2021 to 2027.

The continued growth of China’s online cultural entertainment market is further supported by the proliferation of the internet as the primary venue for entertainment. The penetration rate of China’s online cultural entertainment users as a percentage of the total number of internet devices stabilized at approximately 92.7% in 2021, showing a great growth potential for further monetization of online cultural entertainment market. Furthermore, Chinese internet users are spending more time on video and audio online social entertainment. In 2021, internet users in China spent more than one-third of their total internet surfing time on video and audio social entertainment apps, and are expected to spend more than 40.6% of their internet surfing time on video and audio social entertainment content in 2027. With the acceleration of 5G technology deployment, online video and audio content, such as short videos and live streaming, will become one of the most important avenues for mobile internet users to access information and entertainment content. The following chart sets out a breakdown of Chinese internet users’ internet surfing time by content types for the years indicated.

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### Breakdown of China’s Internet Users’ Internet Surfing Time by Content Types 2017-2027E

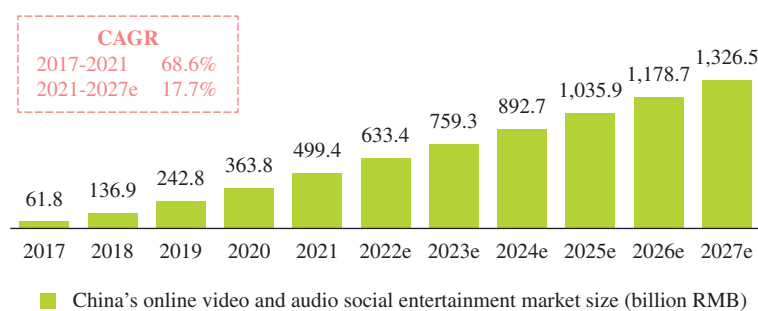


Source: iResearch Report

### CHINA’S ONLINE VIDEO AND AUDIO SOCIAL ENTERTAINMENT MARKET

Internet users are no longer satisfied with graphics-based entertainment and social interaction, and are increasingly attached to real-time, video- and audio-based social entertainment content. Live streaming and short video are currently the most widely used form of video-based interaction to meet users’ daily social entertainment demand. Audio social entertainment enables users to interact or enjoy entertainment in scenarios that are not covered by video social entertainment, such as smart wearable devices, smart home devices and in-vehicle devices. China’s online video and audio social entertainment market, in terms of revenues, grew from RMB61.8 billion in 2017 to RMB499.4 billion in 2021 at a CAGR of 68.6%, and it is expected to reach RMB1,326.5 billion in 2027 at a CAGR of 17.7% from 2021 to 2027. The following chart sets out the market size of China’s online video and audio social entertainment market for the years indicated.

### China’s Online Video and Audio Social Entertainment Market by Revenues 2017-2027E



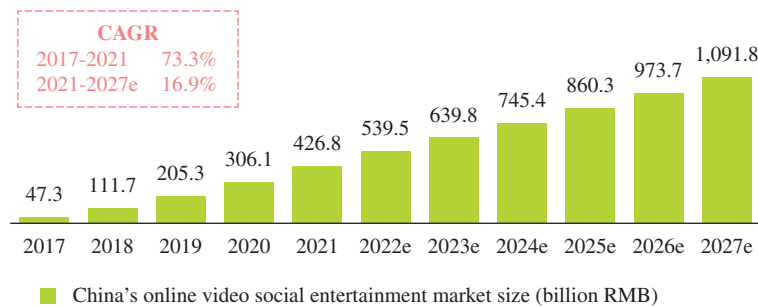
Source: iResearch Report

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### China’s Online Video Social Entertainment Market

China’s online video social entertainment market mainly includes short video and live streaming platforms. China’s online video social entertainment market, in terms of revenues, increased from RMB47.3 billion in 2017 to RMB426.8 billion in 2021 at a CAGR of 73.3%. As viewing short videos and live streaming online has become an integral part of daily life for more than half of China’s mobile internet users, it has created a strong market demand for high-quality entertaining streaming content, inspired the creative enthusiasm of content creators, which drives social entertainment platforms to refine their operations. China’s online video social entertainment market, in terms of revenues, is expected to reach RMB1,091.8 billion in 2027 at a CAGR of 16.9% from 2021 to 2027. The following chart sets out the market size of China’s online video social entertainment market by revenues for the years indicated.

#### China’s Online Video Social Entertainment Market by Revenues 2017-2027E



Source: iResearch Report

### China’s live streaming market

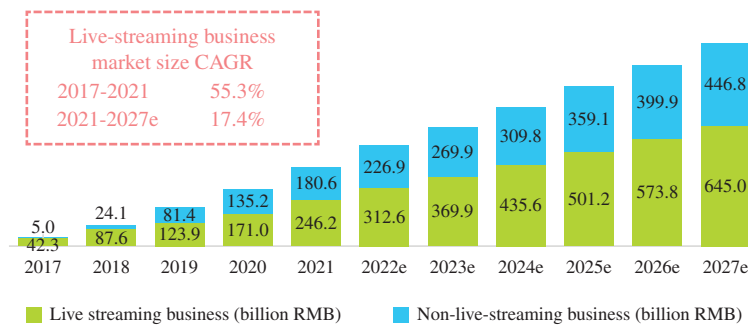
Live streaming is an enduring form of online entertainment that features multiple-party real-time interactions with diversified content. Hosts and viewers may interact with each other on a real-time basis, by live chat and gifting. China’s online video social entertainment live streaming market, in terms of revenues, grew from RMB42.3 billion in 2017 to RMB246.2 billion in 2021 at a CAGR of 55.3% and is expected to reach RMB645.0 billion in 2027 at a CAGR of 17.4% from 2021 to 2027.

Platforms offering live streaming services primarily generate revenues from virtual gifting and other monetization methods, such as advertisement and e-commerce. Virtual gifting refers to the gifting of virtual items by live streaming users to streamers as a means to express their appreciation, admiration and support, which also enriches interactions among streamers and their viewers. Since the beginning of the live streaming market in China, virtual gifting has been a major source of revenue for live streaming platforms. Revenues generated from virtual gifting were approximately RMB172.9 billion, representing approximately 70.2% of the total revenues generated from live streaming services by China’s video live streaming platforms in 2021. Virtual gifting as a business model is expected to have strong monetarization potential.

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According to a survey conducted by iResearch in July 2021, more than half of viewers are aged under 35 and they tend to have relative higher income and are more willing to pay for quality live streaming content. As virtual gifting as a business model has gradually matured over years and platforms continue to invest in the innovation of visual effects and playstyles of virtual items, China’s video social entertainment live streaming market, in terms of revenues, is expected to reach RMB645.0 billion in 2027 at a CAGR of 17.4% from 2021 to 2027. The following chart sets out the market size of China’s video living streaming market for the years indicated.

### China’s Video Social Entertainment Market by Revenues Types 2017-2027E



Source: iResearch Report

There are four major participants in the value chain of China’s video social entertainment live streaming industry, including (1) live steaming platforms, (2) hosts and talent agencies, (3) viewers, and (4) supporting companies.

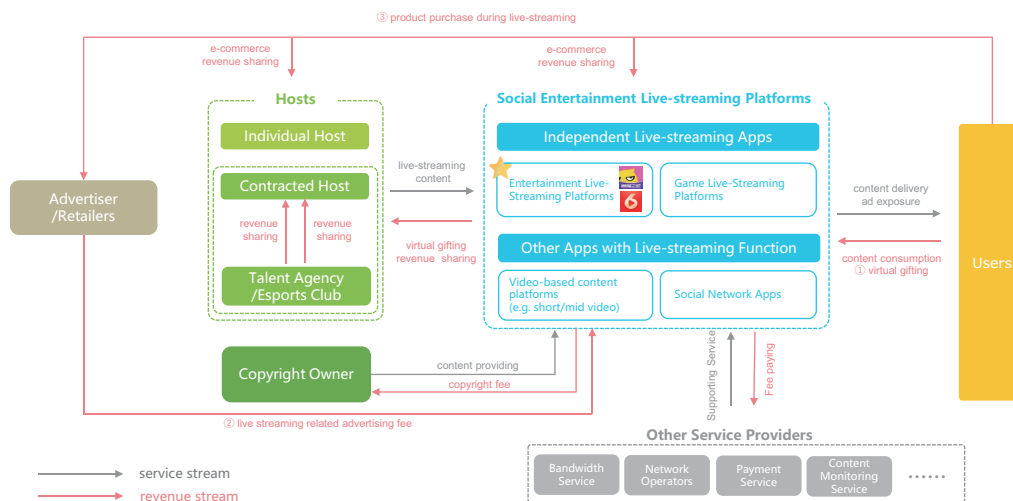
- *Live streaming platforms.* Live streaming platforms connect users with hosts of desirable personalities, appearance or talents, and provide a wide array of real-time, interactive features. Live streaming platforms primarily monetize their user base through sales of virtual items to users, and share the gross billings with hosts or their associated talent agencies.
- *Hosts and talent agencies.* Hosts perform on a live streaming platform as a “freelancer” or as a member of a specific streamer association on that platform. They provide a wide range of performances in their streaming rooms to showcase their talents, knowledge and skills, as well as share their life stories with users. Streamers primarily generate income from receiving virtual gifts from users. They may also monetize their fan base through advertising services, sponsored product sales or brand endorsements. Hosts may be associated with talent agencies, which consist of MCNs, streamer associations, or other entertainment companies. They generally cooperate with multiple live streaming platforms as a source of viable hosts and content. They generate revenues primarily from sharing a portion of the gross billings from the sales of virtual items on live streaming platforms attributed to their hosts.

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- Users.* Users generally find live streaming attractive because of the immersive interaction experiences. They can watch live streaming content on live streaming platforms for free; alternatively, they may gift virtual items to their preferred hosts to show their affection and support. They may use other features on live streaming platforms to interact with desirable hosts, such as private messages and co-streaming.
- Supporting companies.* A number of supporting companies, such as advertisement agencies, e-commerce merchants, hardware and software providers, technical support and third-party payment channels, also take a role in the development of China’s video social entertainment live streaming industry.

The following diagram illustrates the value chain of China’s online video social entertainment live streaming industry.

### China’s Online Video Social Entertainment Live-streaming Value Chain



Source: iResearch Report

### China’s entertainment live streaming market

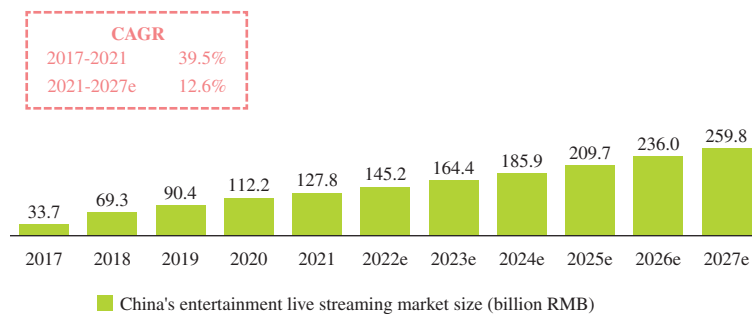
Based on content offerings, China’s live streaming market can be further divided into entertainment, gaming and e-commerce. Entertainment live streaming is currently the largest market by revenue, which primarily includes music, dancing, beauty and talk shows. In 2021, total revenue of entertainment live streaming platforms accounted for approximately 20.2% of online video social entertainment live streaming market in terms of revenue. The origin of entertainment live streaming can be traced back to early 2000s, with PC client-based platforms such as *6.cn* and *9158* pioneered in the era of PC-based live streaming. With the proliferation of mobile devices in China, live streaming has been gradually migrating from the PC clients to mobile apps. At the same time, live streaming of gaming (including e-sport competition) and e-commerce has also gained increasing popularity in recent years. Entertainment live streaming

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has become a new development trend to meet the diverse demands of viewers. However, due to the interactive and social nature of the entertainment live streaming market, first-mover platforms such as *Huajiao*, *YY* and *Inke* can leverage their technological advantages, operational experiences, brand influence and user base to capture market shares.

Entertainment live streaming is currently the primary source of live streaming content, as users have strong demands for live streaming content arising out of the emotional need or admiration and support for hosts. The average revenue per monthly paying user of entertainment live streaming platforms in China increased from RMB470 in 2016 to RMB516 in 2021, and is expected to reach RMB541 in 2026. China’s entertainment live streaming, in terms of revenues, is expected to increase from RMB127.8 billion in 2021 to RMB259.8 billion in 2027 at a CAGR of 12.6% from 2021 to 2027. The following chart sets out China’s entertainment live streaming market by revenues for the years indicated.

### China’s Entertainment Live Streaming Market by Revenues 2017-2027E



Source: *iResearch Report*

The following factors are the key drivers for China’s entertainment live streaming market:

- *Popularity of live streaming to promote quality content.* Live streaming has continued to gain popularity as a form of content consumption and to experience improved public perception, which has stimulated the continuous development of professional hosts and professional content production.
- *User attraction and stickiness.* The proliferation of mobile internet has enabled more diversified forms of content consumption. Compared with graphics and video, the strong sense of interactivity, affinity and immersion provided by live streaming makes it uniquely compatible with entertainment formats such as music, dancing and gaming and further facilitates user engagement during live streaming session. Diverse and quality entertainment content is expected to attract a wider range of user groups and increase the stickiness of existing users. The expansion of the professional host base and their content creation capabilities have also enabled users

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to access more diversified, interesting and high-quality live streaming content. The increasingly sophisticated content distribution system also enables users to easily locate their favorite hosts based on their preferences.

- *Increased user willingness to pay for quality content.* On one hand, hosts have the dual identities of ordinary people and internet influencers to satisfy the differentiated emotional needs of users. Users also gradually form a strong relationship with hosts as they spend more time on the content provided by such host, and as a result, they will be more willing to support the performance by such hosts. On other hand, paying users are rewarded with unique status and privileges in the live streaming room, which can improve their sense of satisfaction and accomplishment. With the proliferation of live streaming and the emergence of large platforms, users’ trust in the gifting feature and top-up services also continues to improve, which can systematically improve users’ willingness to pay for quality live streaming content. The average conversion ratio from MAU to MPU for leading mobile-based entertainment live streaming platforms in 2021 was approximately 3.0%. On the other hand, the ARPPU of platforms can be affected by operational activities, such as the promotion of the sales of virtual items. Due to the difference in user cohort and characteristics among platforms, the ARPPU for major platforms ranged between RMB250 to RMB600 from 2019 to 2021.

The following factors will contribute to the success of an entertainment live streaming platform:

- *Talented hosts.* Entertainment live streaming platforms rely on quality content to attract users. In order to maintain a consistent supply of quality content, platforms collaborate with top-tier MCNs and actively discover and provide training to promising streamers. They also assist in the production of professional generated content and connect premium hosts with performance opportunities and variety shows.
- *Competition for users.* Entertainment live streaming platforms compete for the recognition and loyalty of users, which requires them to continually supply and distribute quality content, optimize operations to introduce new products and playstyles and curate a group of influential hosts. In addition, platforms also conduct effective marketing and promotion to expand brand influence and improve user retention by enhancing customer satisfaction.
- *Technological capabilities and infrastructure.* Entertainment live streaming platforms compete for users attention and screen time, which requires them to strengthen their creative and research efforts and continually introduce innovative products, features and functionality to increase user engagement and stickiness. In addition, they improve their technologies to efficiently distribute relevant content to



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a large and growing number of users. Compared with traditional entertainment format, live streaming platforms occupy more bandwidth resources and must continually improve their technological infrastructure to ensure the streaming quality and user experience.

- *Brand influence.* Brand reputation affects user perception and user stickiness. The community atmosphere and platform attributes form an inherent impression and reputation among the user groups, which affects the inflow of new users and the retention of existing users.
- *Regulatory compliance.* Entertainment live streaming platforms are required to obtain certain approvals, licenses and permits to conduct their business operations from the relevant PRC government authorities, including the Online Culture Operating License (網絡文化經營許可證) and the ICP License (增值電信業務經營許可證), and maintain a strict content review and monitor policy to ensure continuous compliance with applicable laws. Platforms with sufficient capital and human resources to obtain the required licenses and bear the high compliance costs will have a competitive advantage in light of the evolving regulatory regime governing China’s live streaming industry.
- *Capital.* Entertainment live streaming platforms require abundant high-quality content to attract user traffic. They compete with each other for superior content creators, and to this end, offer suitable talent supporting system and flexible incentive division policy, which requires access to sufficient capital on reasonable terms.

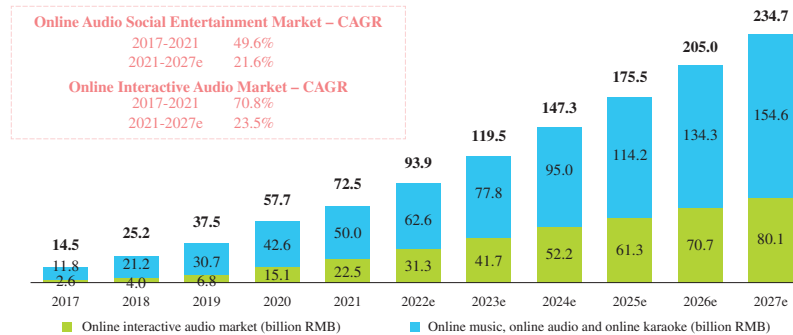
### China’s Online Audio Social Entertainment Market

China’s online audio social entertainment market primarily consists of online music platforms, online audio platforms, online karaoke platforms, and other innovative platforms providing real-time audio interactive services. Since 2017, revenues generated from content subscription and virtual gifting by top-tier online audio social entertainment platforms have increased significantly, leading to significant increase in the overall market growth. China’s online audio social entertainment market, in terms of revenues, increased from RMB14.5 billion in 2017 to RMB72.5 billion in 2021 at a CAGR of 49.6%. In the long term, the growth of China online audio social entertainment platforms will be mainly driven by user payment such as virtual gifting and content subscriptions. China’s online audio social entertainment market, in terms of revenues, is expected to reach RMB234.7 billion in 2027 at a CAGR of 21.6% from 2021 to 2027. Compared to video live streaming, online audio interactive entertainment can preserve anonymity, which caters to the need of a wider range of users for social experiences with privacy, security and mystery. Driven by the pursuit of emotional companionships among the growing younger population in China, the online interactive audio

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market, in terms of revenues, grew from RMB2.6 billion in 2017 to RMB22.5 billion in 2021 at a CAGR of 70.8% and is expected to reach RMB80.1 billion in 2027 at a CAGR of 23.5% from 2021 to 2027. The following chart sets out the market size of China’s online audio social entertainment market by segments.

**Market Size of China’s Online Audio Social Entertainment Market by Segment 2017-2027E**



Source: iResearch Report

The following are key drivers for China’s online audio social entertainment market:

- Generation Z users’ demand for self-expression.* Generation Z users have strong demand for building their unique social image online. They are eager to communicate with and express themselves through virtual social images and are willing to share their lives online. Generation Z users seek spiritual resonance on the internet and are eager to connect with others through content sharing and audio-based interaction. Online audio interaction platform has become a hotspot for young people to interact freely.
- User anonymity.* Unlike real-time video interaction, audio live streaming and audio social networking do not require users to reveal their faces on the internet, which provides greater privacy and protection against identity leak in real life. A user can also assume separate persona in different scenarios, as voice is the main perceivable identification. This new interactive mode subverts traditional video-based social interaction and has become increasingly popular among young users.
- Diversified user interest promoting growth of audio interaction.* Diversified content categories gather users with similar interests and emotions to form various groups and participate in audio-based social discovery activities, which have become an important driver to construct audio interaction ecosystem, Audio-based interaction is different from traditional video-based social discovery, which focuses on one-on-one interaction. Such groups are also important for building cultural and group identity among Generation Z users.

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The following factors will contribute to the success of offering audio social entertainment products:

- *Products and technologies.* Products backed by advanced technology infrastructure that attract users are the prerequisites for the success of online audio interaction platforms. Rapid innovation of platform features and product functionality are crucial to attract users interested in real-time interactive social experience. Audio interaction platforms also need to retain and train experienced research and operational staff to enhance technical infrastructure of the platforms.
- *Operational capability.* In order to effectively manage the growing user base and at the same time accurately identify promising hosts and assist them in creating quality content, an audio social entertainment platform needs to maintain an effective operation system which encompasses every key aspect of operations, from resource management, customer services, to efficient marketing and promotion campaigns, to grow its business in a sustainable manner.
- *Community culture.* The diverse and inclusive online community continues to attract users to participate in group discussion, interaction and other group-based activities, which help further attract users to the platform.
- *Regulatory compliance.* Online audio interaction services are also subject to regulatory policies to ensure the orderly development of the market. Online audio interaction market participants need to have strict internal control and content review system, comply with relevant laws, regulations and policies and adjust platform operational strategies in a timely and flexible manner, so as to avoid any negative impact and economic loss caused by non-compliance incidents.

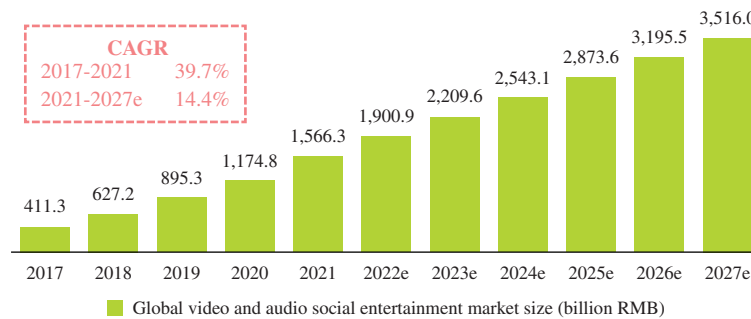
## GLOBAL OPPORTUNITIES OF CHINA’S ONLINE VIDEO AND AUDIO SOCIAL ENTERTAINMENT PLATFORMS

Globally, video and audio social entertainment platforms are experiencing rapid development as the user base of online social entertainment market continues to grow with the proliferation of global mobile internet infrastructure. Global online social entertainment market had a user base of approximately 3.8 billion in 2021. The penetration rate of online social entertainment users in many regions in the world, such as North America, most of Europe and parts of Asia, have ranged from 60% to 70% in 2021. The Far East and MENA markets have strong growth potentials. The user base of global online social entertainment market is expected to reach 4.6 billion in 2027.

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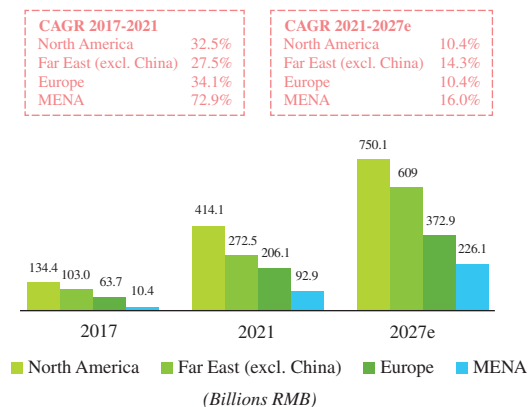
The global video and audio social entertainment market has experienced robust growth in the past five years and is expected to maintain steady growth in the next five years. Riding on the steady development of the global online social entertainment market, the global video and audio social entertainment market, in terms of revenues, increased from RMB411.3 billion in 2017 to RMB1,566.3 billion in 2021 at a CAGR of 39.7% and is expected to reach RMB3,516.0 billion in 2027 at a CAGR of 14.4% from 2021 to 2027. The following charts set out the market size of the global and certain regional video and audio social entertainment market for the years indicated.

### Global Video and Audio Social Entertainment Market by Revenues, 2017 – 2027E



Source: iResearch Report

### Main Regional Video and Audio Social Entertainment Market Size, 2017-2027E



Source: iResearch Report

The growth in social live streaming users in the Far East and MENA is significantly higher than that of North America and Europe, and social live streaming services are gaining greater popularity as COVID-19 changed the lifestyle of many people. Compared with the Chinese market, where live streaming services are more developed, the penetration rate of social live streaming in other overseas regions still has ample room to catch up, which represents significant monetization potential. Leveraging their rich operational experience and effective localization strategies, many of China’s online video and audio social entertainment

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platforms have launched successful overseas operations, and created strong market appeal among overseas users. Since global users’ needs for social entertainment are universal and transcend cultural and national boundaries, there is significant opportunity for China’s online social entertainment platforms to implement localized operations and marketing strategies.

### COMPETITIVE LANDSCAPE OF CHINA’S ENTERTAINMENT LIVE STREAMING MARKET

Within China’s online entertainment market, some market participants primarily focus on providing entertainment live streaming content and serving a diversified user base, while others focus more on specific content genres and tailor their services to targeted user groups. While there are certain degrees of user overlap among them, platforms differentiate themselves with distinctive user experiences. Platforms with more diverse content and more vibrant content creation ecosystems are better equipped to address the evolving needs of users with different backgrounds and interests.

As an online entertainment live streaming platform that caters to a diverse range of users in both mobile apps and PC clients, we compete with other entertainment live streaming platforms offering similar products and services. In addition, we compete with other major companies in the internet industry that have also established their own live streaming businesses for user time.

China’s entertainment live streaming market contains many market players that have relatively unstable business and short product life cycle as a result of the intensive market competition. It is estimated that, in 2021, there were approximately 20 entertainment live streaming platforms with an average MAUs of above 0.5 million, which are considered as platforms with relatively stable business.

According to the iResearch Report, we ranked third among entertainment live streaming platforms in China, in terms of revenue generated from apps and websites on mobile and PC, as well as WeChat mini programs in 2021, accounting for approximately 13.1% of total revenue of China’s entertainment live streaming platforms. We ranked among the top two entertainment live streaming platforms in China in terms of monthly active users and monthly paying users from apps and websites on mobile and PC, as well as WeChat mini programs, and monthly usage time of online entertainment live streaming on mobile apps and PC clients in 2021. The following tables set out our market positions as compared with other industry participants for the periods indicated.

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### Market Share by Revenue Generated from Entertainment Live Streaming Platforms (Apps and Websites on Mobile & PC and WeChat Mini Programs) 2021

Company	by Revenue (%)
Tencent Music Entertainment Group ( <i>Kugou Live &amp; Kuwo Live</i> ) <sup>(1)</sup>	31.0
Baidu ( <i>YY Live</i> ) <sup>(2)</sup>	28.6
Huafang Group ( <i>Huajiao &amp; 6.cn</i> )	13.1
Inkeverse ( <i>Inke Live</i> ) <sup>(3)</sup>	7.3
Tencent ( <i>Now Zhibo</i> ) <sup>(4)</sup>	6.3

### Monthly Active Users of Entertainment Live Streaming Platforms (Apps and Websites on Mobile & PC and WeChat Mini Programs)<sup>(6)</sup> 2021

Company	MAUs (million)
Huafang Group ( <i>Huajiao &amp; 6.cn</i> )	59
Tencent Music Entertainment Group ( <i>Kugou Live &amp; Kuwo Live</i> ) <sup>(1)</sup>	45
Inkeverse ( <i>Inke Live</i> ) <sup>(3)</sup>	28
Tencent ( <i>Now Zhibo</i> ) <sup>(4)</sup>	5
Weibo ( <i>Yi Zhibo</i> ) <sup>(5)</sup>	4

### Total Monthly Usage Time on Entertainment Live Streaming Platforms (Mobile Device and PC Client) 2021

Company	Usage Time (million minutes)
Baidu ( <i>YY Live</i> ) <sup>(2)</sup>	3,600
Huafang Group ( <i>Huajiao &amp; 6.cn</i> )	1,400
Tencent Music Entertainment Group ( <i>Kugou Live &amp; Kuwo Live</i> ) <sup>(1)</sup>	1,200
Inkeverse ( <i>Inke Live</i> ) <sup>(3)</sup>	700
Tencent ( <i>Now Zhibo</i> ) <sup>(4)</sup>	300

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### Monthly Paying Users of Entertainment Live Streaming Platforms (Apps and Websites on Mobile & PC and WeChat Mini Programs) 2021

Company	Average Monthly Paying Users (millions)
Baidu ( <i>YY Live</i> ) <sup>(2)</sup>	1.94
Huafang Group ( <i>Huajiao &amp; 6.cn</i> )	1.40
Tencent Music Entertainment Group ( <i>Kugou Live &amp; Kuwo Live</i> ) <sup>(1)</sup>	1.25
Inkeverse ( <i>Inke Live</i> ) <sup>(3)</sup>	0.81
Tencent ( <i>Now Zhibo</i> ) <sup>(4)</sup>	0.14

- (1) Tencent Music Entertainment Group is a listed company headquartered in Shenzhen and a leading online music and audio entertainment service provider in China. It operates two well-known entertainment live streaming platforms, *Kugou Live & Kuwo Live*, in China.
- (2) Baidu is a listed company headquartered in Beijing and operates *YY Live*, a leading video entertainment live streaming platform in China.
- (3) Inkeverse is a listed company headquartered in Beijing offering entertainment live streaming and social networking services. It operates *Inke Live*, a well-known entertainment live streaming platform in China.
- (4) Tencent is a listed company headquartered in Shenzhen and a leading internet technology company in China with various Internet-related products and services. It operates *Now Zhibo*, a well-known entertainment live streaming platform in China.
- (5) Weibo is a listed company headquartered in Beijing and a leading social media platform in China. It also operates *Yi Zhibo*, a well-known entertainment live streaming platform in China.
- (6) *YY Live*'s data is not currently available. However, based on available market data, iResearch estimates that *YY Live* would rank among top two entertainment live streaming platforms in terms of monthly active users of entertainment live streaming on all channels in 2021.

Entry barriers of China's entertainment live streaming market mainly include (1) operational capability, which refers to a platform's ability to generate user traffic, attract and retain users and convert active users to paying users, (2) capital investment, which refers to a platform's ability to raise sufficient capital to maintain its operations and cover the increasing operational expenses as its user base grows, and (3) content creation capability, which refers to a platform's ability to attract and retain a sufficient number of talented hosts to generate a wide range of quality content and attract users and improve user loyalty.

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### COST OF HOSTS RETENTION

As platforms compete for user traffic through quality content created by a large number of talented hosts, revenue shared with hosts and their associated talent agencies, including MCNs, typically accounts for a significant portion of a platform’s cost of sales. As there is a limited supply of talented hosts capable of generating a large fan base, platforms compete aggressively to retain hosts in order to attract users and drive business growth. The demand for quality hosts is expected to remain strong, and the cost to retain quality hosts is expected to remain at the similar level in the future. Revenue-sharing is the primary method of retaining hosts in the industry, and leading entertainment live streaming platforms with established operations typically can maintain a base revenue-sharing ratio of approximately 50%, and may adjust their base revenue-sharing ratio based on market condition to attract hosts and talent agencies. When platforms strive to cooperate with or retain specific hosts talent agencies, they may raise the revenue-sharing percentage to approximately 80%.