
INDUSTRY OVERVIEW

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INTRODUCTION AND SOURCE OF INFORMATION

We engaged Frost & Sullivan, an independent market research consultant, to conduct an analysis of, and to prepare a report on, the pan-entertainment market in the PRC for use in this document. The information from Frost & Sullivan disclosed in this document is extracted from the Frost & Sullivan Report, a report commissioned by us for a fee of RMB695,000, and is disclosed with the consent of Frost & Sullivan. The Frost & Sullivan Report has been prepared by Frost & Sullivan independently without any influence from us or other interested parties. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York and its services include, among others, industry consulting, market strategic consulting and corporate training.

Frost & Sullivan conducted (i) primary research, which involved discussing the status of the industry with certain leading industry participants; and (ii) secondary research, which involved reviewing company reports, independent research reports and data based on its own research database. Frost & Sullivan adopted the following primary assumptions while making projections: (i) global social, economic and political environment is likely to remain stable in the forecast period; (ii) purchasing power is expected to continue to rise rapidly in emerging regions and to grow steadily in developed regions; and (iii) related industry key drivers are likely to drive the market in the forecast period.

INDUSTRY OVERVIEW

GLOBAL ENTERTAINMENT MARKET AND CHINA PAN-ENTERTAINMENT MARKET

Global Entertainment Market

The global entertainment market mainly consists of four sub-segments, namely, the music market, the variety program market, the drama series market, and the movie market. The global entertainment market has experienced growth with the CAGR of 5.8% between 2017 and 2019, reaching US\$370.7 billion in 2019. In 2020, global entertainment market decreased by 9.7% to US\$334.6 billion due to the negative influence of COVID-19. The global entertainment market is expected to gradually recover and further increase to US\$504.8 billion in 2026 with CAGR of 6.2% between 2021 and 2026.

The established integrated entertainment companies in developed countries, such as the Walt Disney company, equip themselves with distinguished competitive edges and continuously expand their business horizontally based on their IP operation capabilities and proactively introduce diversified entertainment offerings, ranging from movies, drama series to theme parks and co-branded consumer goods. Such IP-centered development strategy further strengthen their competitive advantages and contribute to maximizing the intrinsic commercial value of their IPs.

China Pan-entertainment Market

The entertainment industry in China has developed into the pan-entertainment stage, thanks to the largest internet use base in the world and high proliferation of innovative digital technologies. It is featured as extensively integration of multi-level creative and innovative products, in addition to the traditional entertainment sectors such as drama series, movie and music. In addition, industry participants use full value chain sharing and symbiosis to build powerful IP network. In detail, China pan-entertainment market mainly consists of eight categories in terms of display products, which are drama series, movie, variety program, digital music, live streaming, short form video, online literature, and animation segments.

Market size of China Pan-Entertainment Market

China’s pan-entertainment market experienced rapid growth in the past years with the market size increased from RMB299.2 billion in 2017 to RMB700.3 billion in 2021 at a CAGR of 23.7%. By 2026, the market is expected to further increase to RMB1,345.6 billion, representing a CAGR of 14.0% between 2021 and 2026.

Among eight categories, the variety program market is expected to increase from RMB56.4 billion in 2021 to RMB63.3 billion in 2026. As to digital music segment, people’s increasing awareness of copyright protection and willingness to pay contribute to the significant development of digital music industry. The market size expanded from RMB14.2 billion in 2017 to RMB44.0 billion in 2021, representing a CAGR of 32.7%. By 2026, the market size of digital music is expected to reach RMB72.1 billion at a CAGR of 10.4% during 2021 and 2026. The market of drama series, as one of the pivotal pillars in pan-entertainment market in China, increased slightly from RMB86.8 billion in 2017 to RMB90.2 billion in 2021.

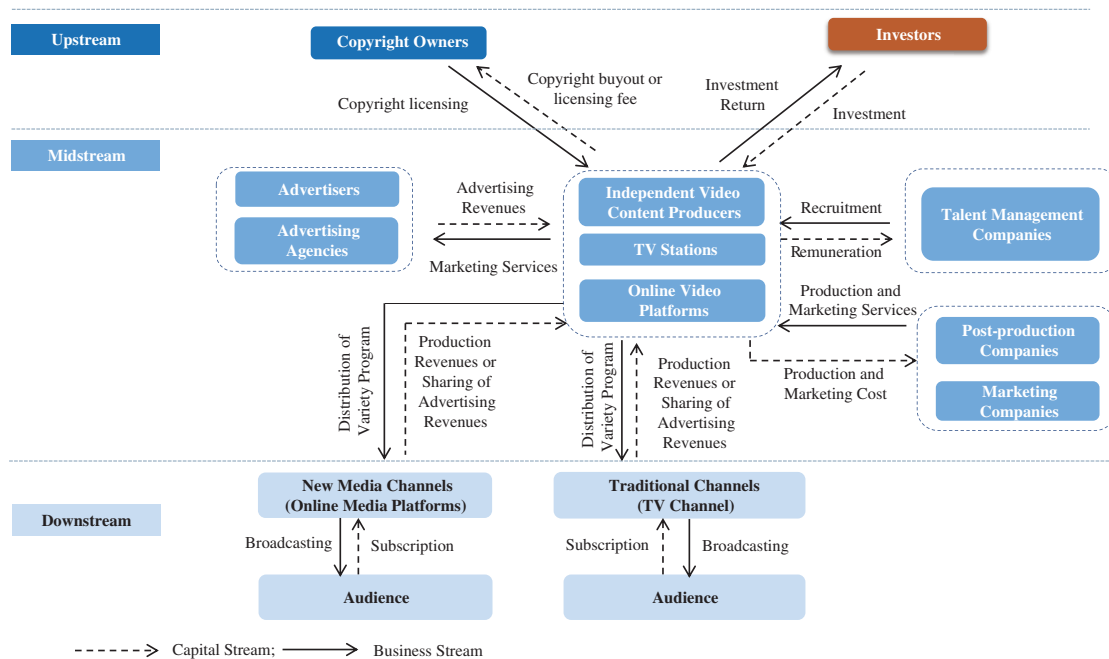
INDUSTRY OVERVIEW

VARIETY PROGRAM MARKET IN CHINA

The variety program is characterized as a type of interactive audio-visual entertainment video content with different themes, incorporating comprehensive artistic factors with engaging nature, such as music variety program, dance variety program, talent show, talk show and other variety programs. Based on the type of first broadcasting channels, variety program could be classified into TV variety program and web variety program.

Value Chain Analysis of Variety Program Market in China

The value chain of variety program market in China could be divided into (i) upstream, which includes copyright owners and investors; (ii) midstream, which includes advertisers, independent video content producers, TV stations, online video platforms, post-production companies, marketing companies and talent management companies, among others, and (iii) downstream, which includes online media platforms and TV channels. Major participants in the variety program market in China consist of the producers with different backgrounds and differentiated capabilities, advertisers and their agencies, copyright owners, post-production companies, marketing and distribution companies, and broadcasting channels. There are a small number of companies in China with an integrated capability to develop, produce, market and distribute video content programs, such as the Company. The diagram below illustrates the value chain of the variety program market in China.



Source: Frost & Sullivan Report

INDUSTRY OVERVIEW

Market Size of Variety Program Market in China

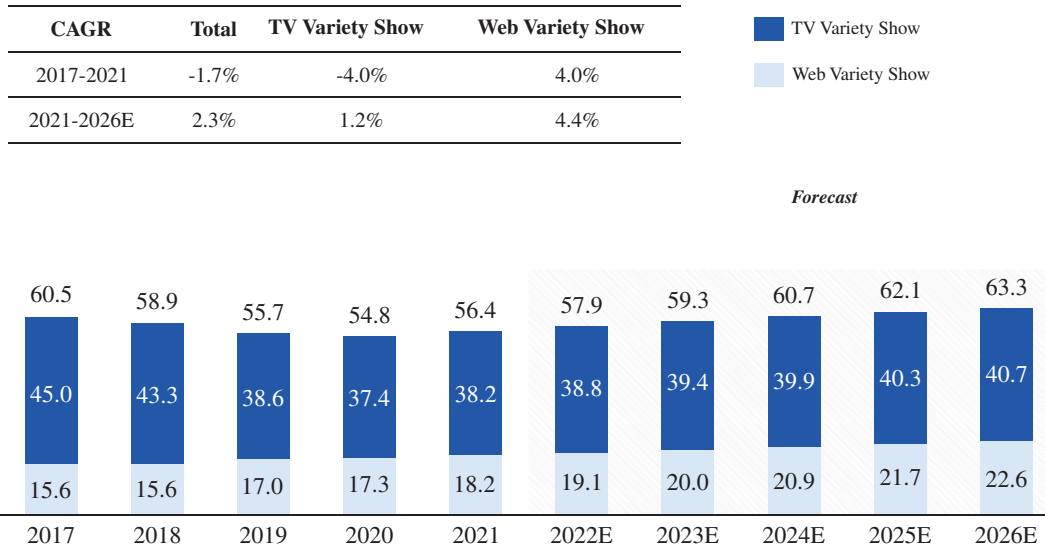
The market size refers to the advertising revenue, sub-licensing revenues and derivative product revenues of TV variety program and web variety program. Due to the decrease of advertising revenues of TV stations and decline in the number of broadcast TV variety programs between 2017 and 2020, the TV variety programs market experienced slight decrease during the same period. In particular, the outbreak of COVID-19 in 2020 led to the delay of filming and distribution of the variety program and the shrink of marketing budget of the brand owners, resulting in the further decrease of TV variety programs market size in 2020. In addition, the licensing fees that online video platforms paid for the broadcasting rights of TV variety programs experienced a downward trend in the past years. Although the IP owners of TV variety programs proactively diversify their monetization based on the content of variety programs, the rapid growth of the derivative revenue cannot offset the decline in advertising revenue and licensing revenue. In the meantime, web variety market experienced steady growth from RMB15.6 million in 2017 to RMB18.2 million in 2021, thanks to the continuing growth of the advertising revenues, representing a CAGR of 4.0% in the same period, which partially offset the decrease of TV variety program market.

In the next following years, the annual number of broadcast TV variety programs is forecasted to remain stable as the market is expected to develop into a mature stage. In addition, the annual number of broadcast web variety programs is forecasted to increase slightly, which to certain extent contribute to the increase of the variety programs market. Meanwhile, the further development of IP-centered content operation, including development of derivative products, such as co-branded consumer goods, organization of offline commercial events and collaboration with overseas streaming platform, will bring new growth potential to this market. Thus, the TV variety programs market is forecasted remain stable at CAGR of approximately 1.2% between 2021 and 2026 and reach approximately RMB40.7 billion by 2026, and the web variety program market is expected to increase to RMB22.6 million in 2026, representing a CAGR of 4.4% from 2021 to 2026.

INDUSTRY OVERVIEW

The following chart illustrates the actual and forecasted market size of the variety program market in China in terms of revenue generated by variety program by category for the period indicated.

Market Size Breakdown of Variety Program Market by Category (China)
RMB Billion; 2017-2026E



Note: The market size refers to the advertising revenue, sub-licensing revenues and derivative products of TV variety program and web variety program.

Source: Frost & Sullivan Report

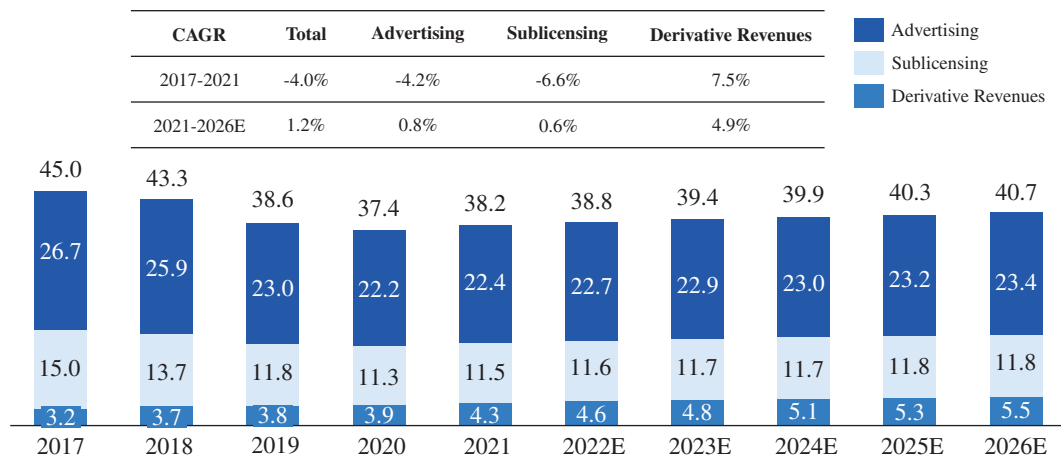
TV Variety Program

Revenue from TV variety program primarily generated from advertising, sub-licensing and derivation. Between 2017 and 2019, the market size of China TV variety program market experienced slightly decrease from approximately RMB45.0 billion to approximately RMB38.6 billion, mainly due to the decrease of TV advertising and the decreasing number of broadcast TV variety shows, primarily being affected by the popularity and competition of web variety shows, and decrease of sublicensing revenues, primarily being affected by the development of regulations and policies toward entertainment industry and platform’s tendency to control costs. The outbreak of COVID-19 in 2020 led to the delay of filming and distribution of the variety program and the shrink of marketing budget of the brand owners, resulting in the further decrease of TV variety programs market size to RMB37.4 million in 2020. In 2021, the pace of the decline in advertising revenues of TV channels significantly narrowed and the number of broadcast TV variety shows slightly increased, and the TV variety program market reached RMB38.2 billion. It indicates that the negative impact of the outbreak of COVID-19 and the development of regulations and policies toward entertainment industry that leads to the decline of TV variety shows market have been gradually diminishing.

INDUSTRY OVERVIEW

The TV variety program market is expected to experience a moderate increase in the following years. The decrease of TV advertising revenues is expected to cease due to the recovery of the market from the affect of COVID-19. Furthermore, the market size of TV variety programs is expected to gradually recover and have a moderate growth as the producers of TV variety program are actively exploring diversified monetization approaches based on premium variety program IP, including developing derivative products, organizing offline commercial events and collaborating with overseas streaming platforms. In particular, the emergence and rapid development of derivative products industry is expected to contribute to the increase of TV variety program market going forward. In addition, The rapid development of online video platforms gradually changes the viewing behavior and preference of the audience, especially the young generations who are the mainstream customers in the media and entertainment market. Therefore, online video platforms attract a massive audience base, which attribute to the increase of TV variety programs’ touch points and generation of more monetization opportunities. The TV variety programs have developed and will continue to develop to cater to the diverse needs of the audience, and this trend will further increase the popularity of TV variety programs in the following years. By 2026, the market size of China TV variety program market is forecasted to reach approximately RMB40.7 billion, representing a CAGR of 1.2% during 2021 to 2026, taking into consideration the potential adverse affect of resurgence of COVID-19 cases in certain regions and/or cities in China. The following chart illustrates the market size for TV variety program by type of revenue for the period indicated.

Market Size Breakdown of TV Variety Program Market by Type (China)
RMB Billion; 2017-2026E



Note: The market size refers to the advertising revenue, sub-licensing revenues and derivative revenues of TV variety program.

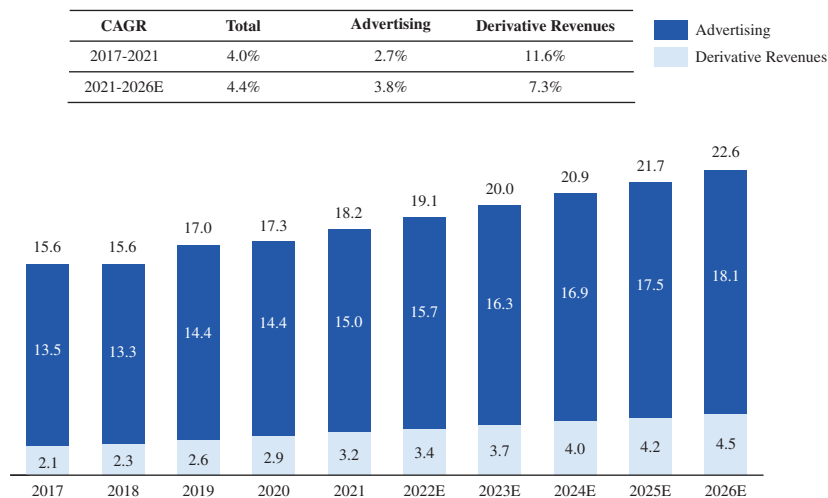
Source: Frost & Sullivan Report

INDUSTRY OVERVIEW

Web Variety Program

Revenue from web variety program primarily generated from advertising and derivation, which includes the revenues from IP licensing to consumer goods brand and various forms of IP operating income. As Chinese video platform users become more focused on the quality and originality of video content, online video platforms start to focus on professional-produced content or co-produced content to cater viewers’ ever-changing demands. As a result, between 2017 and 2021, the market size of web variety program market in China increased from RMB15.6 billion in 2017 to RMB18.2 billion in 2021. The following chart illustrates the market size for web variety program market by source of revenue for the period indicated.

Market Size Breakdown of Web Variety Program Market by Type (China)
RMB Billion; 2017-2026E



Note: The market size refers to the advertising revenue and derivative revenues of web variety program.

Source: Frost & Sullivan Report

Competitive Landscape of Variety Program Market in China

In 2021, the market size of variety program market in China reached approximately RMB56.4 billion. The growth of China variety program market attracts a wide range of participants with differentiated capabilities. The producers and operators of variety programs in China could be classified into three categories: (i) independent producers and operators, (ii) in-house producers and operators from TV stations and (iii) in-house producers and operators from online video platforms. Compared with the latter two, the independent producers and operators of variety programs usually pay more attention to the quality of program content to subsequently monetize the IPs originated from their programs. Besides, the relationship between the independent producers and operators of variety programs and another two types of market players is more cooperative than competitive. The former could license the broadcasting rights of their programs to the latter two or co-produce programs with them. In

INDUSTRY OVERVIEW

this case, there is limited competition between different market players. In 2020, the market share of top five independent producers and operators reached 5.5% with revenues generated from variety programs of RMB3.1 billion, indicating its highly fragmented landscape.

The Company ranked first in the variety program market among the market players without proprietary broadcasting channels in China in 2021, in terms of revenue generated from advertising, sub-licensing and derivative products, and it accounted for 1.6% of total variety program market.

Ranking	Variety Program producers and operators	Principal Business	Market Share (%)
1	Our Company	Variety program, music, drama series and movie producers	1.6
2	Company A ¹	Production and distribution of TV variety program	0.7
3	Company B ²	Production and distribution of comedy variety program and offline performance of talk show	0.5
4	Company C ³	Production and distribution of variety program	0.4
5	Company D ⁴	Production and distribution of web variety program	0.4
Total			3.6

Source: Frost & Sullivan Report

Notes:

1. Company A is a private company and was established in 2015 in Nanjing, with a focus on the production and distribution of TV variety programs. It mainly produces dating shows and science competition reality shows.
2. Company B is a private company and was established in 2014 in Shanghai, with a focus on the offline performance of talk show and the production of comedy variety programs.
3. Company C is a private company and was established in 2011 in Shanghai, with a focus on the production and distribution of comedy competition variety programs.
4. Company D is a private company and was established in 2014 in Beijing, with a focus on the production and distribution of web variety programs. It mainly produces trainee talent shows and music competition shows.

The costs of variety programs, drama series and movies primarily consist of artist costs, production costs, post-production costs, costs to acquire the ownership or right of use of copyrights, if applicable, and other miscellaneous costs to procure materials and services required in the process of shooting and post-production.

INDUSTRY OVERVIEW

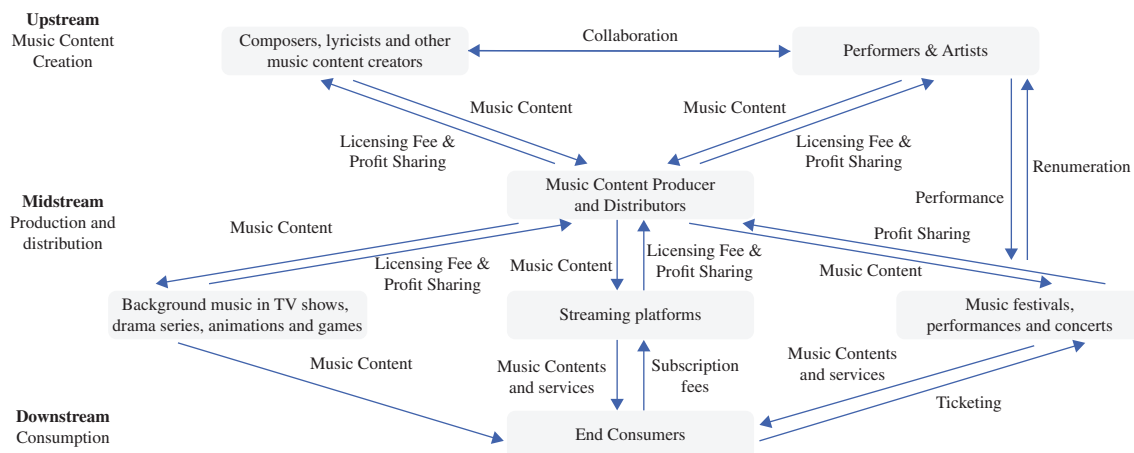
The cost per variety program normally ranges between RMB50.0 million and RMB400.0 million. Among the total costs, marketing costs normally take up 5% to 10% and post-production costs normally take up approximately 10%. The percentage of marketing costs and post-production costs remained relatively stable in the past few years. Being affected by the regulatory authorities’ restrictions on the artists’ compensation since 2018, the percentage of the artists’ remuneration in total production cost decreased from approximately 50%-60% to approximately 35%-40%, and remained stable since then. Correspondingly, the production cost in the process shooting, including fees paid to directors, stage designers, lighting engineers, photographers, and logistics fees, among others, increased to approximately 35%-40%. The cost structure is forecasted to remain stable in the following years.

MUSIC MARKET IN CHINA

The music market is a general term for all parties involved in the creation, performance, recording, promotion and managing process. The main stakeholders in the music market include creative professionals (songwriters and composers), performance professionals, business professionals and professional supporting staff. The market players in music market generate their revenues by creating new songs and lyrics, selling recordings of performances, audio and radio and providing agent services to music professionals.

Value Chain Analysis of Music Market in China

The upstream participants are mainly individuals that create music content, including composers, lyricists and performing artists. The midstream participants are music content producers and distributors who usually own plenty of music IPs and generate revenues from music licensing, selling albums and holding music-related activities, such as concerts and music festivals. They also cultivate talented musicians to continuously produce high-quality music content. The downstream participants are consumers, including subscribers of streaming platforms, buyers of physical and digital music albums, or audience of music concerts, music performances and festivals.



Source: Frost & Sullivan Report

INDUSTRY OVERVIEW

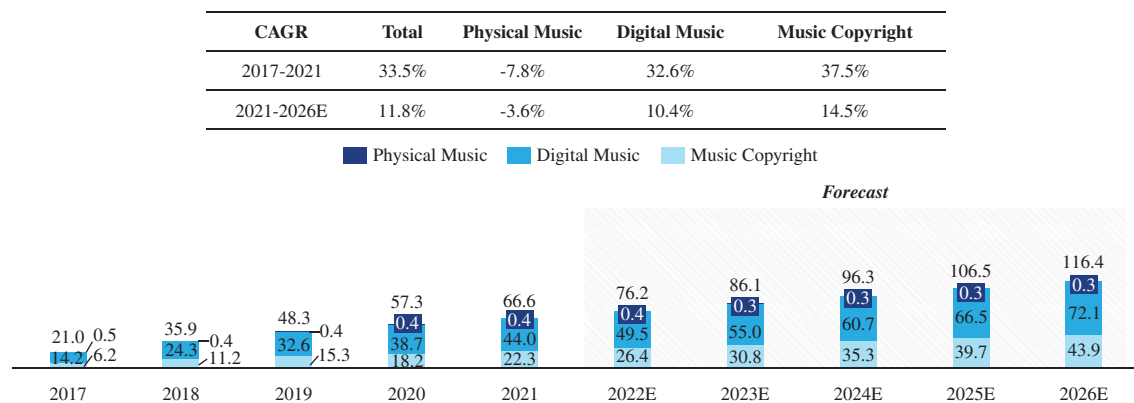
Market Size of Music Market in China

The music market in China can also be divided into physical music, online music and music copyright segments. Physical music refers to music recorded by physical music albums, cassettes and other physical forms. Online music refers to the music that is stored and downloaded from online platforms in the form of data. Music copyright refers to all royalties and fees collected during the process of creation and distribution of music. The market size of music copyright market witnessed impressive growth, increasing from RMB6.2 billion in 2017 to RMB22.3 billion in 2021, with a CAGR of 37.5%, mainly due to China’s nationwide copyright protection, which lead to the significant growth of online music market. Attributing to the same reason, the market size of China music copyright market is expected to further increase to RMB43.9 billion in 2026, representing a CAGR of 14.5% from 2021 to 2026.

The total market size of music market increased from RMB21.0 billion in 2017 to RMB66.6 billion in 2021, representing a CAGR of 33.5%, and is estimated to further increase to RMB116.4 billion in 2026, representing a CAGR of 11.8%. The following chart illustrates the market size of China music market by segments for the period indicated.

Market Size Breakdown of Music Market (China)

RMB Billion; 2017-2026E



Note: The market size refers to revenue generated from physical music, digital music and music copyright.

Source: Frost & Sullivan Report

INDUSTRY OVERVIEW

Competitive Landscape of Music Market in China

The music market in China is highly fragmented, with the market share of top ten markets players amounting to 7.6% in terms of revenue in 2021, while our Company ranked seventh and accounted for 0.4% of the total music market.

Ranking	Company	Principal Business	Market Share (%)
1	Company E ¹	Recorded music, music publishing, merchandising and audiovisual content	2.0
2	Company F ²	Recorded music operation and publishing	1.5
3	Company G ³	Operation of music label for singers	1.4
4	Company H ⁴	Artist services, copyright publishing, audiovisual services and live performance	0.7
5	Company I ⁵	Operation of music label for singers and music publishing	0.5
6	Company J ⁶	Operation of music label for singers, music publishing and artist management	0.4
7	Our Company	Variety program, music, drama series and movie producers	0.4
8	Company K ⁷	Recorded music production and publishing, artist management	0.3
9	Company L ⁸	Recorded music production and publishing, artist management	0.3
10	Company M ⁹	Investment and operation of film, drama series, artist management, recorded music	0.2
Total			7.6

Source: Frost & Sullivan Report

Notes:

- Company E was established in 1934, which is a listed company on Euronext Amsterdam Stock Exchange, and is engaged in business of recorded music, music publishing, merchandising and audiovisual content, etc. The headquarter of company E is in Hilversum, Netherlands and its operational headquarters are located in Santa Monica, California, USA.

INDUSTRY OVERVIEW

2. Company F was established in 1967, which is a listed company on Nasdaq Stock Exchange. It is a multinational entertainment and record label company headquartered in New York, with its focus on the provision of recorded music operation and publishing, etc.
3. Company G was established in 1929, with its headquarter in New York. It is a subsidiary of a Tokyo and New York Exchange listed company, focusing on the operation of music label for singers, etc.
4. Company H is a private company established in 2014 in Beijing, which focus on the provision of music related services including artist services, copyright publishing, audiovisual services and live performance, etc.
5. Company I is a private company established in 1986 in Taiwan, which focus on the business of operation of music label for singers and music publishing, etc.
6. Company J was established in 1999 in Taiwan and is a listed company on Taiwan Stock Exchange. Its business focuses on the operation of music label for singers, music publishing and artist management, etc.
7. Company K was established in 1999 in Hong Kong, which is a subsidiary of a company listed on Hong Kong Stock Exchange, and focus on recorded music production and publishing, artist management, etc.
8. Company L is a private company established in 1992 in Taiwan, and focus on recorded music production and publishing, artist management, etc.
9. Company M was established in 2004 in Beijing, which is a listed company on Shenzhen Stock Exchange and focus on investment and operation of film, drama series, artist management, recorded music, etc.

DRAMA SERIES AND MOVIE MARKET IN CHINA

Drama Series Market in China

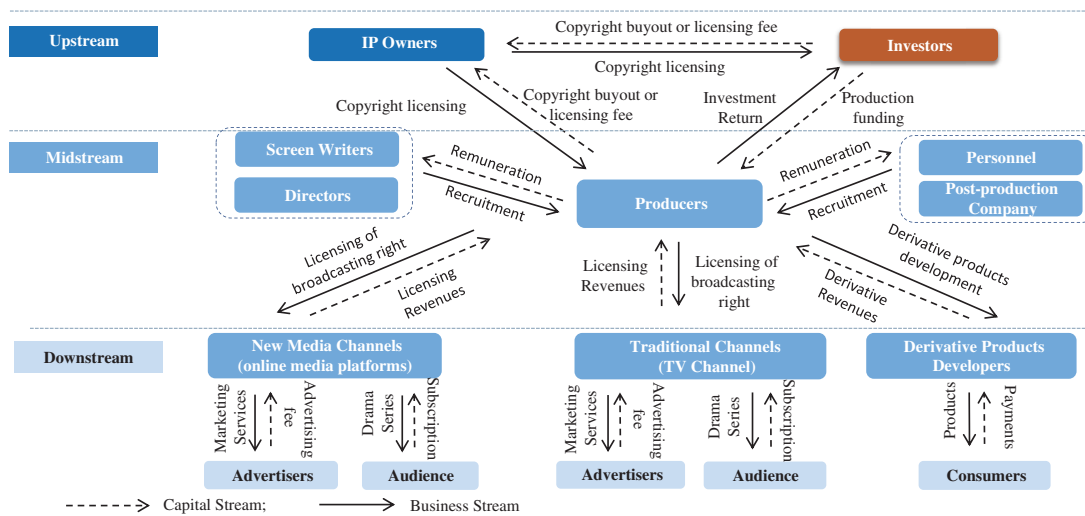
Drama series market mainly consists of two sub-segments, namely TV series market and web series market. TV series is defined as the type of drama series with distribution license issued by State Administration Radio, Film and Television of the PRC (the “SARFT”). Web series is defined as another type of drama series that is only broadcasted on online video platforms, which need to be filed and reviewed by SARFT as well.

INDUSTRY OVERVIEW

Value Chain Analysis of the Drama Series Market in China

The value chain of the drama series market in China could be generally divided into (i) upstream, which includes IP owners and investors, who keep track of the evolving expectation and interest of the consumers and put resources to create IPs; (ii) midstream, which includes producers, TV networks, online video platforms and derivative product developers, who produce and distribute the drama series and (iii) downstream, which includes advertisers, audience and consumers.

Value Chain Analysis



Source: Frost & Sullivan Report

Market Size of Drama Series Market in China

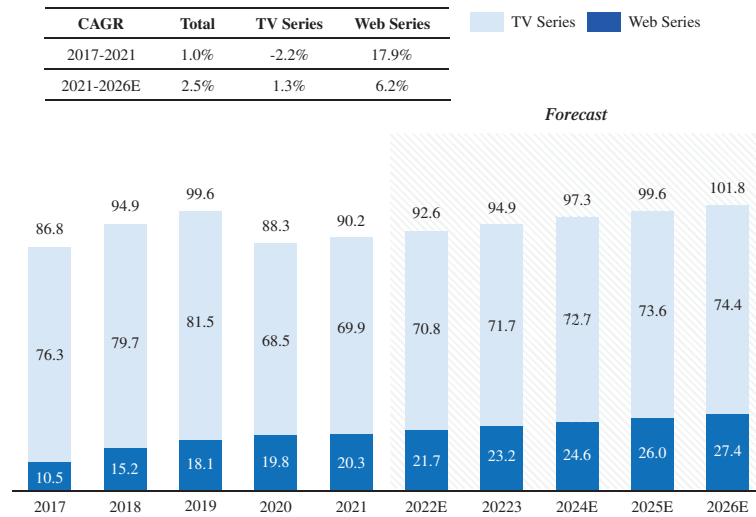
Jointly fueled by the cumulative effect of rising income levels and upgrading of consumption patterns, Chinese consumers increasingly seek high quality and diversified entertainment products, which naturally lead to the sustainable growth of demands for entertainment activities. Drama series, consisting of TV series and web series, flexibly incorporating comprehensive artistic factors to achieve the purpose of narratives, become a popular entertainment activity in consumers’ fragmented spare time.

The market size of drama series market, as measured by licensing revenues and advertising revenues, experienced fluctuations during 2017 to 2021, reaching RMB90.2 billion in 2021. It is forecasted to have a moderate growth and reach RMB101.8 billion by 2026, representing a CAGR of 2.5% between 2021 and 2026. The following chart illustrates the market size of drama series market by category in China for the period indicated.

INDUSTRY OVERVIEW

Market Size Breakdown of Drama Series Market by Category (China)

RMB Billion; 2017-2026E



Note: The market size refers to the advertising revenues and licensing revenues of TV series and web series.

Source: Frost & Sullivan Report

Competitive Landscape of Drama Series Market in China

The drama series market in China is fragmented, with the market share of top five market players being 18.2% in terms of revenue in 2021.

Ranking	Company	Principal Business	Market Share (%)
1	Company N ¹	Production and distribution of drama series and films	6.0
2	Company O ²	Production and distribution of drama series	3.9
3	Company P ³	Production and distribution of drama series	3.4
4	Company Q ⁴	Production, distribution and investment of drama series and films	2.5
5	Company R ⁵	Production and distribution of drama series	2.3
Total			18.2

Source: Frost & Sullivan Report

INDUSTRY OVERVIEW

Notes:

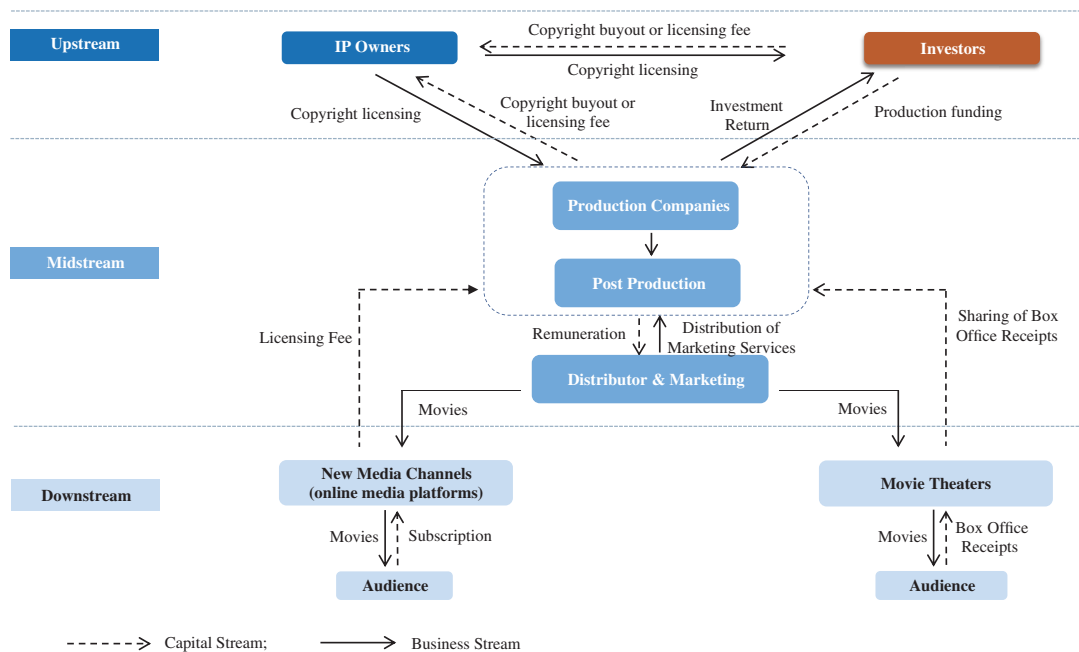
1. Company N was established in 2005 in Hangzhou, which is a listed company on Shenzhen Stock Exchange, with its focus on the production and distribution of drama series and films.
2. Company O was established in 2014 in Nanjing, which is a listed company on Hong Kong Stock Exchange, with its focus on production and distribution of drama series.
3. Company P was established in 2011 in Dongyang, which is a private company with its focus on the production and distribution of drama series.
4. Company Q was established in 2014 in Shanghai, which is a listed company on Hong Kong Stock Exchange, with its focus on the production, distribution and investment of drama series and films.
5. Company R was established in 2007 in Dongyang, which is a subsidiary of a listed company on Hong Kong Stock Exchange and mainly focus on the production and distribution of drama.

Movie Market in China

Movie market in China could be divided into two categories in term of channels of distribution, which are theatrical movie and online movies.

Value chain analysis of movie market in China

The value chain of the movie market in China could be divided into: (i) upstream resources providers, which includes investment party and content suppliers, such as author of original IP and artist agency; (ii) midstream content products and distributors, which includes movie producers, drama series producers, publishers, social media and broadcast platforms, and (iii) downstream customers.



Source: Frost & Sullivan Report

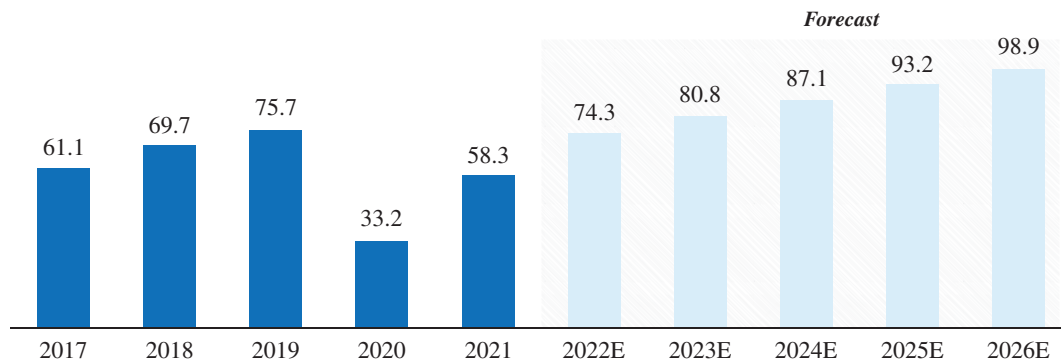
INDUSTRY OVERVIEW

Market size of movie market in China

The quality of Chinese movies has been continuously improved and achieved increasing recognition internationally. Besides, the genres of Chinese movies widely range from comedies and action to horror and science fiction, which appeal to a wide audience. The number of movie audience has recorded considerate growth between 2017 and 2019, resulting in the increase of market size from RMB61.1 billion in 2017 to RMB75.7 billion in 2019. Due to the COVID-19 pandemic, especially social distancing measures such as temporary closure of theaters, the movie market plummeted in 2020 with a market size of RMB33.2 billion. Along with the sustainable growth of demands for entertainment consumption due to the cumulative effects of rising income level, the theatrical movie market is forecasted to reach a size of RMB98.9 billion by 2026, representing a CAGR of 11.2% between 2021 and 2026. The following chart illustrates the size of movie market in China for the period indicated.

Movie Market (China)
RMB Billion; 2017-2026E

CAGR	2017-2021	2021-2026E
Movie Market	-1.2%	11.2%



Note: The market size refers to the box office receipts and non-box office receipts of theatrical movies and revenues of online movies.

Source: Frost & Sullivan Report

INDUSTRY OVERVIEW

Competitive Landscape of Movie Market in China

The movie market in China is fragmented, with the market share of top five market players being 16.0% in terms of revenue in 2021.

Ranking	Company	Principal Business	Market Share (%)
1	Company S ¹	Film production, distribution, film screening and related services	5.2
2	Company T ²	Film production, distribution, cinema investment and management, artist management	4.2
3	Company U ³	Content production, IP licensing, cinema management and artist management,	3.3
4	Company V ⁴	Production, distribution and investment of films and drama series, operation of movie theatre and distribution and operation of online game	1.7
5	Company W ⁵	Investment, production, distribution of films and drama series, artist management	1.6
Total			16.0

Source: Frost & Sullivan Report

Notes:

1. Company S was established in 2010 in Beijing, which is a listed company on Shanghai Stock Exchange with its focus on film production, distribution, film screening and related services.
2. Company T was established in 2003 in Urumchi, which is a listed Company on Shenzhen Stock Exchange with its focus on film production, distribution, cinema investment and management, artist management, etc.
3. Company U was established in 1994, which is a listed company on Hong Kong Stock Exchange. It is an internet-driven integrated platform that covers content production, promotion and distribution, IP licensing, cinema ticketing management, and data services in the entertainment industry.
4. Company V was established in 2005 in Beijing, which is a listed company on Shenzhen Stock Exchange with its focus on the production, distribution and investment of films and drama series, operation of movie theatre and distribution and operation of online game.
5. Company W was established in 2005 in Beijing, which is a listed company on Shenzhen Stock Exchange, and focus on the investment, production, distribution of films and drama series, and artist management, etc.

INDUSTRY OVERVIEW

MARKET DRIVER OF CHINA PAN-ENTERTAINMENT MARKET

- *Sustainable growing demands for high-quality and creative entertainment products:* The cumulative effect of rising disposable income levels and living standards for decades lead to the growing demand of Chinese consumers to high-quality and creative spirit-oriented consumptions. Integrated entertainment companies proactively explore and cultivate high-quality original IPs, ranging from drama series, variety program, music, movies and derivative products. The market players aim to provide high-quality and creative entertainment products to further intensify their competitive edges across the whole industry value chain.

In particular, the ever-evolving preferences of Generation Z for variety programs drives the market progress. Featured by personalized, social-media-dependent and digital-native, Generation Z is more likely to pursue the trend and even lead the trend, which makes them maintain high-level sensitivity towards the quality of variety programs. To cater to Generation Z’s ever-evolving preferences for the variety programs, the variety producers are dedicated to the innovation of variety programs, including the content selections and applications of advanced technologies, which positively contribute to the diversification of variety program market. Meanwhile, Generation Z is heavily addicted to sharing, interacting and recreating content on social media and short-form video platforms, which could effectively expand the market exposure of the variety IPs and also strengthen the brand image of its producers.

- *The willingness of young generations to pay for premium entertainment content and derivative products:* Young generation has become a major consumption group for pan-entertainment products in China. As the purchasing power of the young generation grows and conscious to protect copyrights increase, they are more willing and being able to pay for pan-entertainment products, especially those catering to their diversified needs. A growing number of entertainment companies have introduced various spinoffs related to hot IPs to target the younger generation consumers, many of which have already obtained considerable financial rewards.
- *Partnership with emerging content media leads to breakthroughs.* TV channels and online video platforms which serve as the major channels for the distribution of variety programs contribute largely to the emergence and rapid growth of variety program market in past few years. Currently, both of the two aforesaid channels are experiencing development bottleneck in terms of advertising sales and new user acquisition. Meanwhile, the short-form video platforms and living streaming platforms have become the critical traffic portals. In such case, the partnership with these emerging content media allows the variety program producers to achieve breakthroughs in the aspect of content selection, program production and traffic capture.

INDUSTRY OVERVIEW

- *Development of digital technologies expands distribution channels and enriches the forms of the pan-entertainment products:* The proliferation of digital technologies gradually changes the consuming behaviors of the pan-entertainment consumers. The unlimited geographic coverage, inclusivity and promptness of the Internet benefits the evolution of pan-entertainment industry. In addition, the emerging technologies, powerful processors and high-definition screens not only expand the channels to distribute pan-entertainment content, but also diversify the forms of the pan-entertainment content presentation, such as the short-form video and interactive screens, making online reading and video viewing more enjoyable and convenient.

In particular, advanced technologies empower production of variety programs. Driven by technological advancement, emerging technologies strongly empowers the production of variety programs in the aspect of interaction and visualization, including but not limited to live streaming, artificial intelligence (AI), augmented reality (AR) and virtual reality (VR). The emerging technologies not only innovatively improve the audience’s viewing experience, but also stimulate new opportunities for the commercialization of variety programs.

ENTRY BARRIER OF CHINA PAN-ENTERTAINMENT MARKET

- *Capabilities to cultivate high-quality IPs:* High-quality IPs is the core of the pan-entertainment business. The experienced market players in pan-entertainment market in China are capable of cultivating high-quality IPs from a wide range of forms, including variety programs, drama series, music, movies, and online games. These premium IPs have shown strong monetization capabilities and accumulated a large audience base, which positively contribute to the commercial operation of IPs and broaden the scale of the pan-entertainment business. The lack of capabilities to cultivate superior IPs poses challenges to new entrants.
- *Capabilities to integrate various resources:* The pan-entertainment business expand entertainment contents wildly, including variety programs, drama series, digital music, short-form video, etc. The participants usually engage in various business activities throughout the value chain, including creation, production, promotion and distribution of different types of the pan-entertainment contents. On the production side, experienced teams are scarce resources since they possess strong creation and development capabilities and are more capable of delivering high-quality contents. In the aspect of promotion, it has become increasingly pivotal for the market players to embrace integrated marketing strategies to deploy campaigns across multiple channels such as social media platforms, user communities and short-form video platforms to promote contents. As for the distribution, the market players which have strong business relationships with different channels have critical impact on major monetization stream of the contents, which are required to equip with sophisticated negotiation skills. The existing market players have established solid partnership with the participants in multiple aspects and have shown proved capabilities to integrate various resources.

INDUSTRY OVERVIEW

- *Market experience and industry expertise:* Market experience and industry expertise is extremely critical to the success of market players in the pan-entertainment industry, including their (i) capability to coordinate all parties effectively, (ii) ability to keep abreast of the latest market trends and satisfy the audiences’ ever-changing preferences, and (iii) ability to manage the cooperative relationship with different distribution channels. In addition, it takes time for market players to establish a well-recognized image.
- *Capabilities to diversify monetization approaches:* Advertising is the largest revenue source for producing pan-entertainment products. The experienced market players have established long-term and stable cooperative relationships with advertisers in the market with their accumulated user base, established brand image and market recognition. In addition, experienced market players could develop other extensive monetization approaches and capture ample monetization opportunities, which contribute to the companies’ sustainable expansion. The diversified monetization approaches are difficult for new entrants to achieve in a short period.

FUTURE TRENDS OF CHINA PAN-ENTERTAINMENT MARKET

IP-centered development strategies are vital for future success of the market players

In the foreseeable future, the pan-entertainment market players are expected to hold on to the strategies to develop IP-centered products, which emphasize the stable sources of high-quality IPs and the capabilities to operate and diversify its monetization approaches. High-quality IPs could attract a large base of audience, which enhance the competitiveness of the market players. Besides, the high-quality IPs could be widely applied in a wide range of forms. IPs owners have more bargaining power in the market to influence the direction of capital flow. In view of above-mentioned facts, there is a trend for the market players in pan-entertainment market to adhere to the IP-centered development strategies to further intensify their own competitive advantage in the near future.

Monetization of pan-entertainment content trends to be extensive and diversified

At present, the revenues of the pan-entertainment products are mainly generated from advertising, licensing and membership services. However, the business of the sales of co-branded derivative consumer goods or associated services is still in its infancy, which provide opportunities for the market players who already own and have capabilities to cultivate high-quality IPs. Meanwhile, the young generation is gradually becoming the main consumption group in pan-entertainment market in China. The young generation consumers are willing and able to pay for IP-related products, providing new momentum for the pan-entertainment business. The owners or operators of pan-entertainment IPs will proactively seek new ways to expand their products and content offering to cater the personalized needs of the young generations, so that the monetization of pan-entertainment content trends will be extensive and diversified.

INDUSTRY OVERVIEW

Synergy effect between high-quality IPs and multi-level creative products

China’s pan-entertainment market consists of diversified sub-segments, including variety programs, drama series, digital music, films, short-form video, etc. The development of these sub-segments is not independent from each other. Specifically, leveraging premium contents, these sub-categories are cohesively evolving and organically integrating with each other. For instance, the music works derived from variety programs could be monetized through digital music platforms, the popular films could be adapted into drama series, and some contents could even approach more audience through short-form videos. The synergy effect from the sophisticated integration among various high-quality contents is expected to escalate the pan-entertainment market into a new stage featured with intercorrelation and symbiosis of value sharing and content linkage, which attributable to building up an IP ecosystem.