
INDUSTRY OVERVIEW

Certain information and statistics set out in this section and elsewhere in this prospectus are derived from various government and other publicly available sources and from the market research report prepared by iResearch. iResearch is an independent industry consultant engaged by us, and we commissioned iResearch to prepare a market research report. The information extracted from the iResearch Report should not be considered to be a basis for investments in the Offer Shares or an opinion of iResearch with respect to the value of any securities or the advisability of investing in our Company. We believe that the sources of such information are appropriate for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false in any material respect or misleading or that any fact has been omitted that would render such information false in any material respect or misleading. No independent verification has been carried out on such information by our Company or any other parties involved in the Global Offering (excluding iResearch), or their respective directors, officers or representatives, and no representation is given as to the accuracy or completeness of such information.

Accordingly, you should not place undue reliance on such information. For discussions of risks relating to our industry, please see “Risk Factors — Risks Relating to Our Business and Industry.”

SOURCE OF INFORMATION

Founded in 2002, iResearch is an independent provider of online user data and consumer insights in China. Headquartered in Beijing and Shanghai, iResearch has a management team with over 400 employees worldwide and has accumulated extensive experience in researching and monitoring the development of the internet industry in the PRC.

We have agreed to pay a commission fee of RMB1.0 million for the iResearch Report. Data for the iResearch Report on market size and online users is mainly obtained through interviews with industry participants, marketing surveys, secondary sources and other research methods. Due to the limitations of such research methods, sample and size and scope of data collection, such data may not precisely reflect actual market conditions.

iResearch has prepared the iResearch Report on the assumptions that (i) the global and China’s social, economic and political environments will remain stable during the forecast period, which will ensure a sustainable and steady development of online marketing industry; and (ii) the data quoted from authoritative agencies remains unchanged. iResearch believes that the basic assumptions used in preparing the iResearch Report, including those used to make future projections, are correct, reasonable and not misleading. iResearch has independently analyzed the information obtained from its research, but the findings contained in the iResearch Report largely rely on the accuracy of the information collected.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the iResearch Report. After making reasonable inquiries, our Directors confirm that there has been no adverse change in the market information presented in the iResearch Report since the date of its issuance which may materially qualify, contradict or impact the information in this section.

THE INTERNET MARKET IN CHINA

China’s internet market, in particular the mobile internet market, has experienced rapid growth over the past five years and is expected to further grow in the future. China’s population of internet users increased at a CAGR of 5.6% from 688.3 million in 2015 to 854.5 million in 2019, and is expected to increase further at a CAGR of 4.8% from 915.3 million in 2020 to 1,101.9 million in 2024. China’s population of mobile internet users increased at a CAGR of 8.1% from 619.8 million in 2015 to 846.8 million in 2019, and is expected to increase at a CAGR of 4.8% from 909.8 million in 2020 to 1,098.6 million in 2024. As mobile internet develops, people place increasing reliance on mobile apps in their

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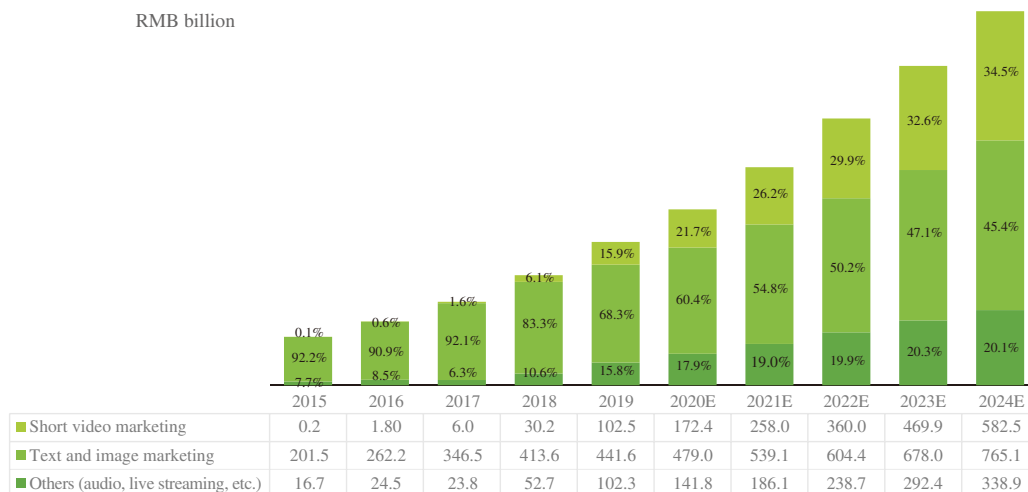
daily life. In particular, the daily average time internet users spent online increased from 3.7 hours in 2015 to 4.0 hours in 2019, and is expected to further increase from 4.3 hours in 2020 to 4.4 hours in 2024. The large population of China's internet users and the increasing time spent online have created an enormous market for online marketing.

With the increasing scale of internet users, the average mobile internet traffic cost in China decreased rapidly at a CAGR of 50.9% from RMB86.0 per GB in 2015 to RMB5.0 per GB in 2019, and is expected to further decrease at a CAGR of 11.8% from RMB3.8 per GB in 2020 to RMB2.3 per GB in 2024. Due to the introduction of the high speed 4G network and the reduced internet traffic cost, the mobile internet traffic consumption in China increased rapidly at a CAGR of 132.2% from 4.2 billion GB in 2015 to 122.0 billion GB in 2019, and is expected to further grow at a CAGR of 54.9% from 201.9 billion GB in 2020 to 1,161.5 billion GB in 2024. With the improvement of hardware performance and network infrastructure and the decrease in internet traffic cost, internet users are more exposed to various types of content, especially short videos, creating tremendous opportunities for content producers, distributors and advertisers. In particular, it is expected that the popularization of 5G network will make short video more easily accessible and affordable, resulting in more monetization opportunities for short video marketing.

THE ONLINE MARKETING MARKET IN CHINA

The online marketing in China primarily comprises short video marketing, text and image marketing, live streaming marketing and audio marketing. Driven by continuous innovations in internet and mobile technologies and the increasing amount of time consumers spend on digital devices as well as the data-driven potential of online marketing, marketers are increasingly shifting their marketing spending from offline channels, such as television advertising, print advertising and radio advertising, to online channels in order to achieve wider but more target audience reach and provide more tailored marketing messages in a cost effective manner. Online marketing in China, as measured by total advertising revenue, grew at a CAGR of 31.1% from RMB218.5 billion in 2015 to RMB646.4 billion in 2019, and is expected to further grow at a CAGR of 20.8% from RMB793.2 billion in 2020 to RMB1,686.5 billion in 2024. Among the various forms of online marketing solutions, short video marketing is an important component and driver of the overall online marketing market, due to the easy access to and attention catching content of short videos. The market share of short video marketing, as a percentage of online marketing market, increased rapidly from 0.1% in 2015 to 15.9% in 2019, and is expected to further increase from 21.7% in 2020 to 34.5% in 2024.

The Online Marketing Market Size in China, 2015 – 2024E



Source: iResearch.

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Competitive Landscape

The online marketing market in China is highly fragmented and competitive. The top five online marketing solutions providers in China accounted for approximately 12.4% of the overall online marketing market in terms of revenue in China in 2019. Top market players in the online marketing market are mainly traditional advertising and media companies.

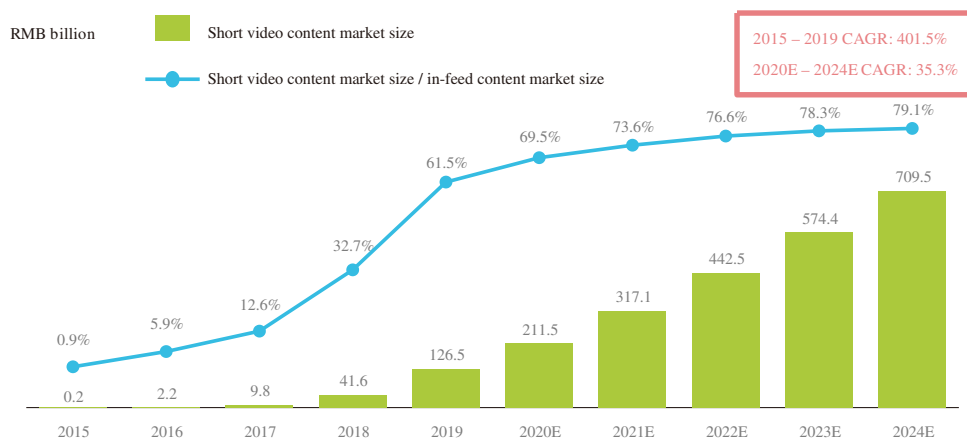
We are one of those online marketing solutions providers having revenue of more than RMB1.0 billion in 2019, of which the aggregate market shares accounted for approximately 30.0% of the overall online marketing market. We contributed to approximately 0.5% of the total revenue of the overall online marketing market in China in 2019.

THE SHORT VIDEO CONTENT MARKET IN CHINA

Short videos are online videos that usually lasts for less than five minutes. The short video content market includes short video marketing market and short video content production market.

As short videos are more appealing and time saving, it has gained great popularity among audiences and become a major form of entertainment. Compared to texts and images, short videos are intrinsically (i) able to convey more abundant and diversified content; (ii) easier to capture the attention of internet users and more memorable, enabling internet users to retain more information from the video content; and (iii) more engaging, enhancing internet users' social interaction and driving more user traffic. With the rapid development of the mobile internet era and technological advancement of network infrastructure, short video content market has experienced rapid growth. Specifically, the size of short video content market increased at a CAGR of 401.5% from RMB0.2 billion in 2015 to RMB126.5 billion in 2019. In particular, the introduction and popularization of 5G will accelerate data transmission, reduce mobile internet traffic costs per GB, and advance the technology development of short videos, such as AR and VR, which in turn will improve short video user experiences, diversify short video presentation formats, and enhance the appeal of short videos. Therefore, the size of short video content market is expected to further increase at a CAGR of 35.3% from RMB211.5 billion in 2020 to RMB709.5 billion in 2024.

The Short Video Content Market Size in China, 2015 – 2024E



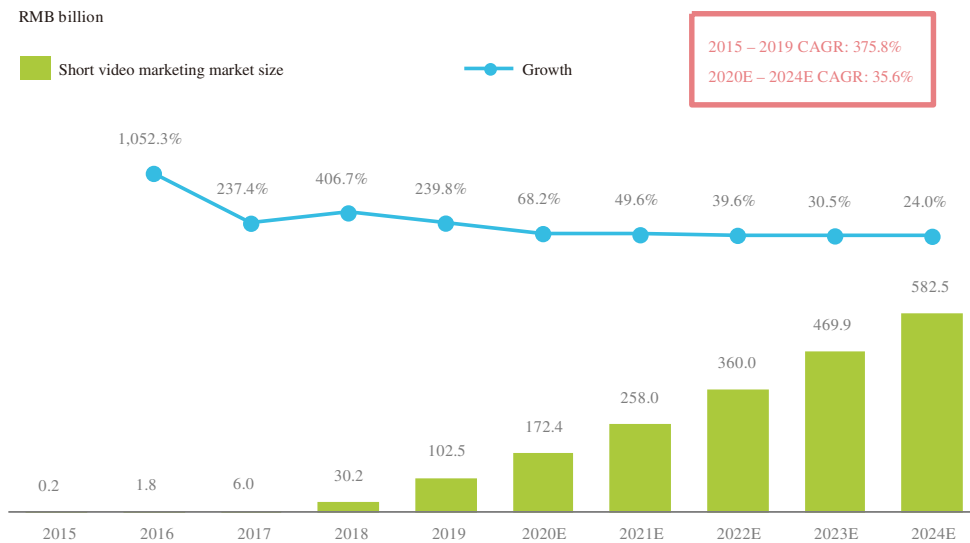
Source: iResearch.

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Short Video Marketing Market

Short video marketing has various forms of online marketing, including short video in-feed marketing, event marketing and product placement marketing, and is an important component and driver of the overall online marketing market. The market share of short video marketing, as a percentage of online marketing market, was 15.9% in 2019, and is expected to further increase to 34.5% in 2024. Revenue generated from short video marketing in China increased at a CAGR of 375.8% from RMB0.2 billion in 2015 to RMB102.5 billion in 2019, and is expected to further increase at a CAGR of 35.6% from RMB172.4 billion in 2020 to RMB582.5 billion in 2024, which outpaced the growth of overall online marketing market.

The Short Video Marketing Market Size in China, 2015 – 2024E

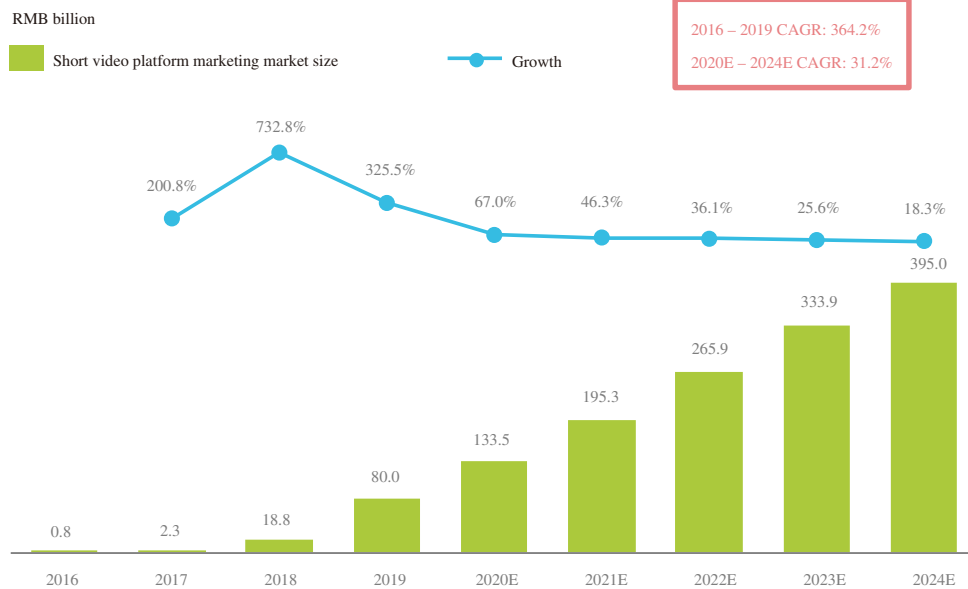


Source: iResearch.

The rise of top short video platforms in China has created enormous opportunities for in-feed marketing. In addition, the increasing allocation of advertising budgets on short video platforms by advertisers and the industry-specific expertise of the professional content producers which caters to the interests and preferences of advertisers also contributed to the rapid growth of the short video platform advertising market. Revenue generated from advertisements placed on short video platforms in China increased at a CAGR of 364.2% from RMB0.8 billion in 2016 to RMB80.0 billion in 2019, and is expected to further increase at a CAGR of 31.2% from RMB133.5 billion in 2020 to RMB395.0 billion in 2024.

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The Short Video Platform Marketing Market Size in China, 2016 – 2024E



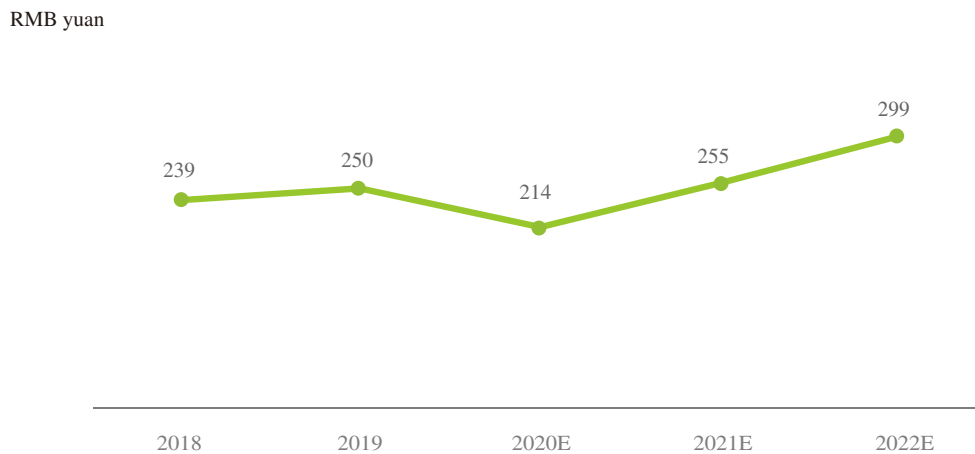
Source: iResearch.

Note:

- (1) Short video platforms began to generate revenue from advertisements in 2016.

The price of ad inventories is a key factor that affects the profitability of short video platforms and short video marketing solutions providers who purchase such ad inventories. Due to the popularity and the superior marketing effectiveness of short video platforms, the price of leading short video platforms' ad inventories increased accordingly. Affected by the outbreak of COVID-19, the price decreased a little bit in 2020 but is expected to further increase in the future.

Average Published Price of In-feed Ad Inventories by CPM/oCPM of Top Short Video Platforms in China, 2018-2022E



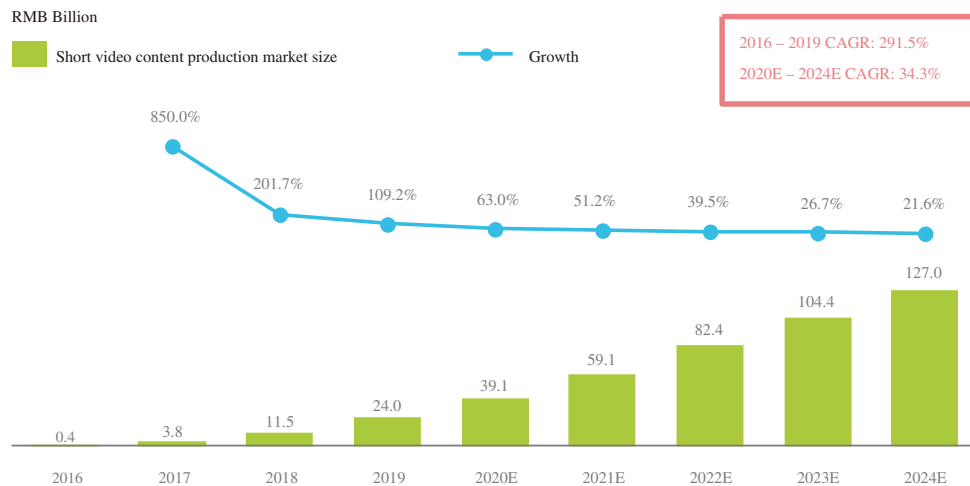
Source: iResearch.

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Short Video Content Production Market

Short video is a major form of in-feed content. Due to the popularity of short videos and the rise of short video platforms, short video content production market has grown rapidly. The size of short video content production market in China, measured by revenue from (i) subsidies granted by online publishers and (ii) payment by advertisers for product placements, has grown significantly at a CAGR of 291.5% from RMB0.4 billion in 2016 to RMB24.0 billion in 2019, and is expected to further grow at a CAGR of 34.3% from RMB39.1 billion in 2020 to RMB127.0 billion in 2024.

The Short Video Content Production Market Size in China, 2016 – 2024E



Source: iResearch.

Note:

(1) Short video content production market began to generate revenue in 2016.

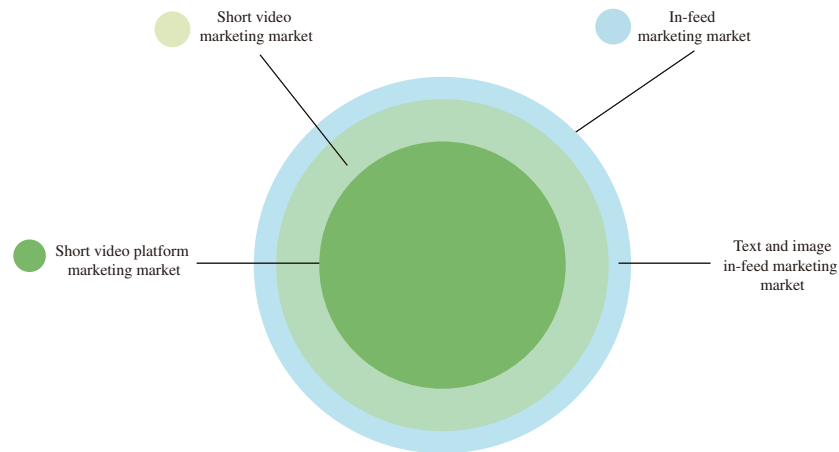
THE IN-FEED CONTENT MARKET IN CHINA

Overview

In-feed content is integrated seamlessly in the content of the feeds of an app or website, or consistent with the components of the app or web interface. Due to its non-disruptive nature and rendering of pleasant audience experience, in-feed content has gained increasing popularity. In-feed content is usually presented in the form of text and image and short video. In terms of business model, in-feed content market can be also divided into two sectors, namely, in-feed marketing and in-feed content production.

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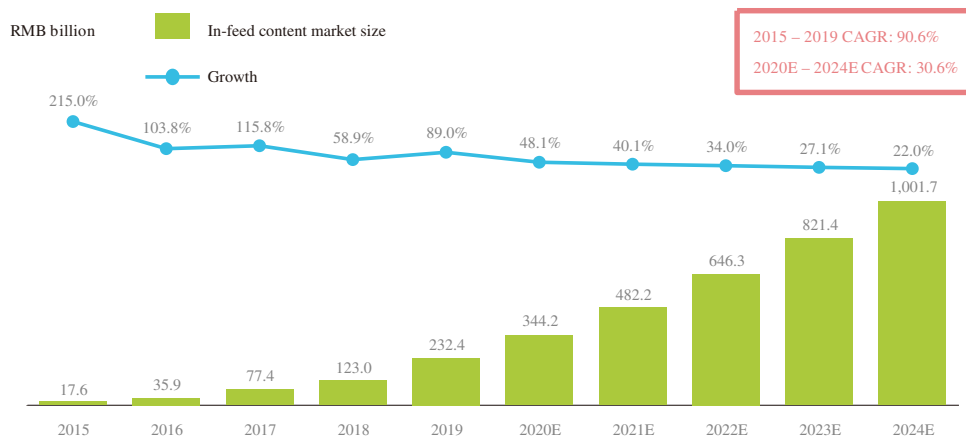
The diagram below shows the primary market sectors in which we operate:



Market Size

The size of in-feed content market, comprising (i) revenue generated by online publishers through in-feed advertisements placed on their platforms and (ii) revenue generated by in-feed content producers, increased at a CAGR of 90.6% from RMB17.6 billion in 2015 to RMB232.4 billion in 2019, and is expected to further increase at a CAGR of 30.6% from RMB344.2 billion in 2020 to RMB1,001.7 billion in 2024.

The In-Feed Content Market Size in China, 2015 – 2024E



Source: iResearch.

The size of text and image in-feed content market increased at a CAGR of 57.5% from RMB17.2 billion in 2015 to RMB105.9 billion in 2019, and is expected to further increase at a CAGR of 21.8% from RMB132.7 billion in 2020 to RMB292.2 billion in 2024; while the size of short video in-feed content market increased at a CAGR of 401.5% from RMB0.2 billion in 2015 to RMB126.5 billion in 2019, and is expected to further increase at a CAGR of 35.3% from RMB211.5 billion in 2020 to RMB709.5 billion in 2024.

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THE IN-FEED MARKETING MARKET IN CHINA

Overview

In terms of ad format, internet advertisements can be mainly categorized into native advertisements and non-native advertisements, and the native advertisements can be further classified into in-feed advertisements and non-in-feed advertisements. In-feed advertisements are primarily in the form of text and image or short video and placed on (i) short video platforms, (ii) social media platforms, and (iii) news and information content platforms.

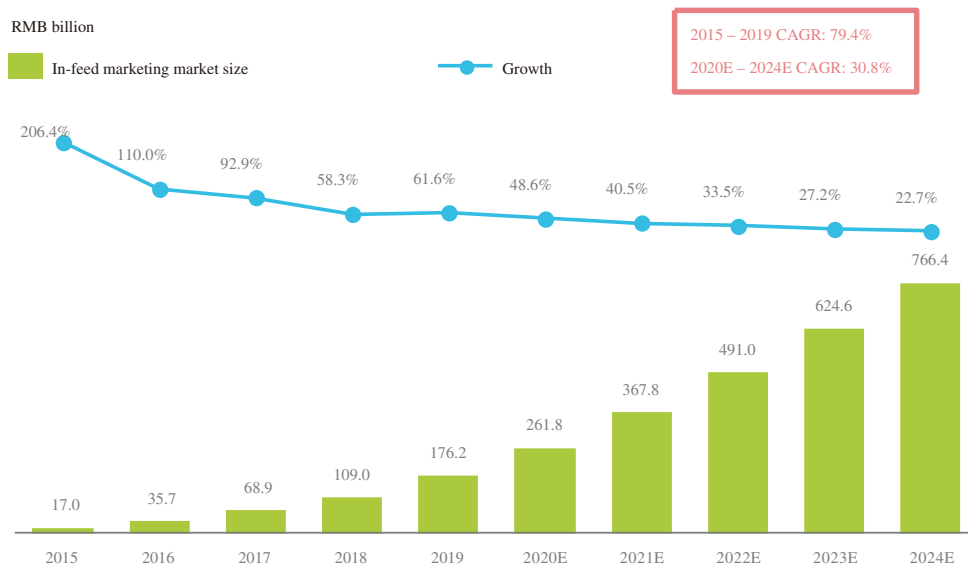
Marketing solutions providers connect advertisers and online publishers. On one hand, marketing solutions providers help advertisers acquire, convert and retain consumers directly or through advertising agencies by planning, launching and managing advertising campaigns. On the other hand, marketing solutions providers also acquire user traffic from online publishers directly or through media agents to publish in-feed advertisements.

It is common in the in-feed marketing market that both the advertisers and online publishers connect to marketing solutions providers through intermediaries, such as the advertising agencies and media agents. The marketing solutions providers may be engaged by advertising agencies on behalf of advertisers to market their products or services, and may acquire user traffic from online publishers through media agents.

Market Size

The in-feed marketing market in China has experienced rapid growth and is expected to continue to grow at a relatively high speed. Revenue generated from in-feed advertisements in China increased at a CAGR of 79.4% from RMB17.0 billion in 2015 to RMB176.2 billion in 2019, and is expected to further increase at a CAGR of 30.8% from RMB261.8 billion in 2020 to RMB766.4 billion in 2024.

The In-feed Marketing Market Size in China, 2015 – 2024E



Source: iResearch.

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While engaging visitors with entertaining visuals, short video in-feed advertisements are easier to capture the attention of visitors and are able to deliver large quantities of bite-sized pieces of information that are more digestible, enabling them to retain more information from the advertisements and enhancing the marketing efficiency for the advertisers. Revenue generated from short video in-feed marketing in China increased at a CAGR of 375.8% from RMB0.2 billion in 2015 to RMB102.5 billion in 2019, and is expected to further increase at a CAGR of 35.6% from RMB172.4 billion in 2020 to RMB582.5 billion in 2024, showing a faster growth than the overall in-feed marketing market in China.

Key Drivers of Short Video Marketing Market in China

The short video marketing market in China is expected to continue its growth and such expectation is determined by several key drivers as set out below:

- ***Increasing recognition of short video marketing.*** As short videos are appealing and easier to capture the attention of internet users, which will stimulate target consumers' desires to spend, they are able to improve the overall marketing efficiency and maximize the rate of return of advertising spending of advertisers. Therefore, the value of short video marketing has been increasingly recognized by advertisers. Short video marketing has become the most effective, efficient and prevalent form of marketing for advertisers.
- ***A large base of short video audiences.*** The short video platforms have accumulated a large audience base due to the popularity of short videos, and thus have created an enormous market for short video marketing. The MAUs of short video platforms have been increasing dramatically and reached 855.7 million in the fourth quarter of 2019, accounting for approximately 60.6% of the total devices in China for the same period. It is expected that the user base of short video platforms will further grow as the service and content of short video platforms constantly develop and improve and the introduction and commercialization of 5G, which will prompt the expansion of short video marketing market.
- ***Commercialization of short video platforms.*** The growth of short video platforms has entered into a steady development phase and they are motivated to commercialize their products and services. The short video platforms monetize their user traffic by offering ad inventories to advertisers, which brings immense business opportunities for the short video marketing solutions providers.
- ***Application of advanced technologies.*** The application of advanced technologies will also drive the expansion of short video marketing market. The application of 5G technology and infrastructure will improve short video user experience, diversify short video presentation forms and advance the technology development of short videos. In particular, big data analytics are able to optimize ad performance on a real-time basis and improve the marketing efficiency. AR is able to provide more vivid visual effects and improve the immersive and interactive user experiences for the short video advertisements. AI is able to achieve accurate audience profiling through deep learning and help advertisers precisely target and reach the types of audiences best suited in the advertising campaigns. All of the abovementioned advanced technologies help stimulate target consumers' desires to spend and maximize the rate of return of the advertising spending of advertisers, which in turn further expands the short video marketing market.

Barriers to Entry of Short Video Marketing Market in China

New entrants of the short video marketing market in China face the following entry barriers:

- **Media sources.** The short video platforms in China are highly concentrated, with the number of top 10 short video platforms' MAUs in 2019 accounting for approximately 96.9% of the total MAUs of all short video platforms in China in the same year. Therefore, it is critical for marketing solutions providers to maintain established business relationships with top short video platforms. The top short video platforms are relatively stricter in selecting marketing solutions providers, considering, among others, their track record, financial position, and industry reputation. Therefore, it takes a significant amount of time for marketing solutions providers to build their proven track record so as to gain trust from top short video platforms.
- **Advertiser resources.** The experience and understanding gained through long-term cooperation with advertisers of different industry verticals can enhance the effectiveness of the advertising campaigns with more customized solutions catering to specific industry needs, which creates entry barrier to new market entrants.
- **Technology barriers.** Proprietary technologies, including AI and big data analytics capabilities, are essential for the provision of precise marketing solutions. In addition, reliable technology infrastructure serves as the foundation for launching and managing large scale advertising campaigns in real-time, which cannot be replicated by new market entrants in a short period of time.
- **Data assets.** Big data that marketing solutions providers have accumulated can help them achieve better audience profiling and precise targeting and also serves as the foundation for new types of data-based services.
- **Traffic resources.** Sufficient traffic resources are critical in expanding online marketing business. Traffic resources comprise traffic of public media channel from external online publishers or content distribution partners, and traffic of private media channel from self-operated distribution platforms. New entrants usually lack both top media partners to acquire quality traffic of public media channel and well-established self-operated platforms to generate sufficient traffic of private media channel.

Competitive Landscape

The short video marketing market in China is currently highly fragmented. It is expected that the competition in the short video marketing market in China will become more intensive. In the foreseeable future, the currently fragmented market will begin to concentrate, with a few leading marketing solutions providers to consolidate smaller competitors in this market.

We ranked the third among all the marketing solutions providers in China in 2019 in terms of gross billing generated from short video advertisements. In addition, we ranked the third among all the marketing solutions providers in China in 2019 in terms of gross billing generated from performance-based advertisements placed on short video platforms.

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Top 5 Marketing Solutions Providers in terms of Gross Billing Generated from Short Video Advertisements in 2019

Ranking	Company	Gross Billing (RMB billion)	Market Share	Background
1	Company A	11.3	12.6%	A private comprehensive online media and communication group, engaging primarily in online advertising, mass media, and marketing and planning, with a registered capital of RMB10.0 million, founded in 2014
2	Company B	11.0	12.3%	An online targeted marketing solutions provider, providing one-stop marketing solutions, including strategy consulting, media buying, creative planning and performance optimization, founded in 2009. Company B recorded net profits of RMB109.3 million, RMB127.7 million, RMB25.5 million and RMB6.6 million for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, and total assets of RMB1.4 billion, RMB2.0 billion, RMB2.4 billion and RMB1.8 billion as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively. It is a wholly-owned subsidiary of a public company listed on the Shanghai Stock Exchange in China
3	Our Company	3.1	3.4%	See “Business”
4	Company C	3.0	3.3%	A private mobile digital marketing solutions provider, providing integrated services in internet search, in-feed advertisements, apps and app stores, with a registered capital of RMB3.0 million, founded in 2015
5	Company D	2.0	2.2%	A private integrated targeted marketing solutions provider with a registered capital of approximately RMB1.3 million, founded in 2014. Company D recorded net profits of RMB13.6 million, RMB36.2 million and RMB23.6 million for the years ended December 31, 2017 and 2018 and the nine months ended September 30, 2019, respectively, and total assets of RMB149.8 million, RMB547.3 million and RMB536.2 million as of December 31, 2017 and 2018 and September 30, 2019, respectively

Source: iResearch.

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Top 5 Marketing Solutions Providers by Gross Billing Generated from Performance-based Advertisements Placed on Short Video Platforms in 2019

Ranking	Company	Gross Billing (RMB billion)	Market Share	Background
1	Company A	6.6	14.6%	A private comprehensive online media and communication group, engaging primarily in online advertising, mass media, and marketing and planning, with a registered capital of RMB10.0 million, founded in 2014
2	Company B	3.5	7.7%	An online targeted marketing solutions provider, providing one-stop marketing solutions, including strategy consulting, media buying, creative planning and performance optimization, with total assets of RMB2.4 billion as of December 31, 2019, founded in 2009. Company B recorded net profits of RMB109.3 million, RMB127.7 million, RMB25.5 million and RMB6.6 million for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, and total assets of RMB1.4 billion, RMB2.0 billion, RMB2.4 billion and RMB1.8 billion as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively. It is a wholly-owned subsidiary of a public company listed on the Shanghai Stock Exchange in China
3	Our Company	2.7	5.9%	See "Business"
4	Company C	2.1	4.6%	A private mobile digital marketing solutions provider, providing integrated services in internet search, in-feed advertisements, apps and app stores, with a registered capital of RMB3.0 million, founded in 2015
5	Company D	1.8	3.9%	A private integrated targeted marketing solutions provider with a registered capital of approximately RMB1.3 million, founded in 2014. Company D recorded net profits of RMB13.6 million, RMB36.2 million and RMB23.6 million for the years ended December 31, 2017 and 2018 and the nine months ended September 30, 2019, respectively, and total assets of RMB149.8 million, RMB547.3 million and RMB536.2 million as of December 31, 2017 and 2018 and September 30, 2019, respectively

Source: iResearch.

Future Trends of Short Video Marketing Market in China

The short video marketing market in China is expected to be influenced by the following trends:

- **Full cycle service capability.** Marketing solutions providers tend to provide full cycle advertising services, including traffic acquisition, production of ad creatives, precise targeting and data analysis, rather than acting only as an intermediary.
- **Establishment of in-house content production team.** Content production capability is a key factor that differentiates online marketing solutions providers as the attractiveness of quality content contributes to the success of advertising campaigns. It is expected that an increasing number of marketing solutions providers will establish in-house content production team to diversify and strengthen their service offerings.
- **Competition for high quality media sources.** High quality media sources will become more important for marketing solutions providers and the competition for top short video platforms, which have accumulated a large audience base and thus can help expose advertisers to mass public and increase brand recognition rapidly, will intensify.

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- **Development of data technologies.** Data assets are critical to marketing solutions providers. With data analytics technologies, marketing solutions providers are able to collect, monitor and analyze data assets to obtain valuable insights and evaluate the performance of advertising campaigns. This allows both advertisers and marketing solutions providers to adjust and implement marketing strategies more accurately.

THE IN-FEED CONTENT PRODUCTION MARKET IN CHINA

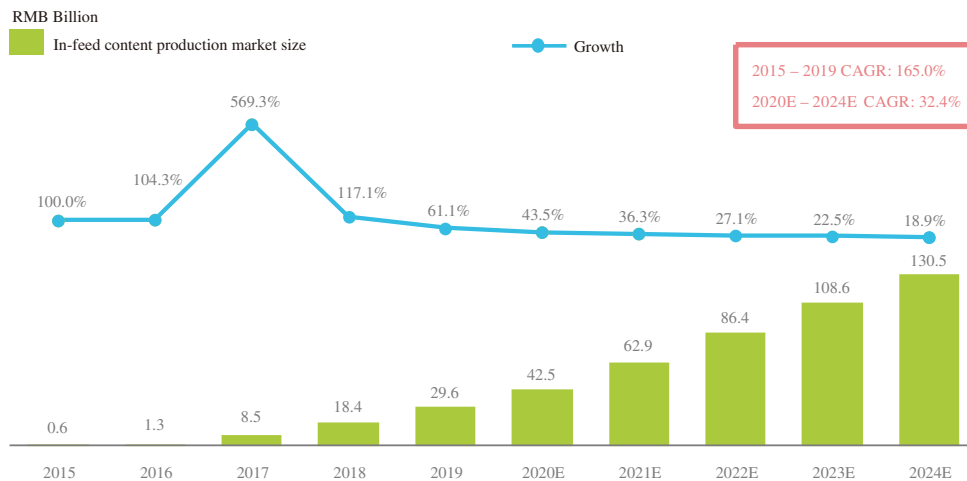
Overview

The popularity and prevalence of in-feed content has prompted the in-feed content production market. In-feed content, in terms of origin, falls broadly into three types: professional-generated content, or PGC, user-generated content, or UGC, and professional user-generated content, or PUGC.

Market Size

As the mobile internet infrastructure further develops to provide high volume and high speed internet traffic, internet users can make full use of their fragmented time to enjoy in-feed content, which is reader-friendly and time-saving. The numerous and diversified content producers have also expedited the in-feed content production market. In addition, due to the popularity of in-feed content among internet users, online publishers have also implemented a series of incentive policies to encourage content producers to produce quality content, which in turn help expand the in-feed content production market. In particular, revenue generated by in-feed content producers consists primarily of (i) subsidies granted by online publishers and (ii) payment by advertisers for product placements. The size of in-feed content production market in China, measured by revenue, experienced rapid growth at a CAGR of 165.0% from RMB0.6 billion in 2015 to RMB29.6 billion in 2019, and is expected to further grow at a CAGR of 32.4% from RMB42.5 billion in 2020 to RMB130.5 billion in 2024.

The In-Feed Content Production Market Size in China, 2015 – 2024E



Source: iResearch.

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Key Drivers of Short Video Content Production Market in China

The short video content production market in China is expected to continue its growth and such expectation is determined by several key drivers as set out below:

- ***Increasing demand from internet users.*** Short videos are more appealing and time saving and have become a major form of entertainment. Internet users are devoting more time on watching short videos, creating a huge demand for short video content production market.
- ***Support from online publishers.*** As short videos are able to attract massive audiences, thus generating monetization opportunities, major online publishers are providing financial subsidies and user traffic to stimulate the production of quality short videos.
- ***Participation of professional content producers.*** Given the prevalence and high marketing efficiency of short videos, more talents are entering into the short video content production market, including those experts from traditional media, which in turn improves the overall quality and attractiveness of short videos.
- ***Mature value chain of short video content production.*** The short video content production market has developed a mature value chain, in particular the emergence of MCNs, which provide integrated and professional supports for short video content producers from idea development and planning, to content production, and further to the identification of suitable advertiser and online publisher resources.

Barriers to Entry of Short Video Content Production Market in China

New entrants of the short video content production market in China face the following entry barriers:

- ***Quality content and users' stickiness.*** The quality and attractiveness of short videos are vital in attracting new audiences and retaining existing audiences. Users' stickiness also plays a critical role in audiences accumulation. New market entrants usually lack the knowledge of market trend and the industry-specific expertise to produce quality and appealing short videos.
- ***Sufficient professional content producers.*** Short video content production market relies on experienced and professional content producers to continuously produce quality and appealing content. It is generally difficult for new market entrants to engage sufficient seasoned content producers, or to frequently produce quality content to maintain attractiveness.
- ***Regulatory risks.*** The short video content production market is relatively highly regulated in China. The short videos are prohibited from contradicting public interest, social morality or cultural traditions as well as portraying certain themes, such as superstition and gambling and sex. New market entrants usually lack the relevant regulatory knowledge and experts and may be fined for such violation.

Competitive Landscape

We ranked the first among all the pan-entertainment oriented information websites in terms of average DAUs in China in 2019.

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Top 5 Pan-entertainment Oriented Information Websites in China in terms of Average DAUs in 2019

Ranking	Company	Average DAUs (million)	Background
1	<i>Huabian</i>	1.73	See “Business”
2	Website E	0.64	A Chinese film website and its mobile terminal, providing latest movie news and information as well as sales of movie tickets, operated by a private company with a registered capital of RMB10.0 million, founded in 2005
3	Website F	0.60	The official website of the movie channels of the PRC central government, providing online streaming service, operated by a state-owned enterprise with a registered capital of RMB30.0 million, founded in 2010
4	Website G	0.57	An entertainment news website, providing latest news and information relating to TV series, variety shows, movies, stars, etc., starting operation in 2013 and currently operated by a private company with a registered capital of RMB0.1 million
5	Website H	0.10	An entertainment news website, providing latest news and information about popular idols, operated by a private company with a registered capital of RMB10.0 million, founded in 2013

Source: *iResearch*.

Note:

- (1) For purpose of this ranking, only DAUs from the official websites or mobile wap, rather than those derived from other content distribution platforms. Integrated information platforms are not included for comparison.

Future Trends of Short Video Content Production Market in China

The short video content production market in China is expected to be influenced by the following trends:

- **Professionalization of content production.** Given the intense competition in the short video content production market, the content producers are becoming more professional. On one hand, professionals from traditional media, such as 4A advertising companies and film producers, are entering into the short video content production market bringing in their industry knowledge and experiences; on the other hand, MCNs enhance the professional training and support for short video producers and set out industry standard quality control on the production of short videos.
- **Industry-specific content production.** As audiences have differentiated preferences on the themes and topics of short videos and advertisers are from different industries, content producers need to develop industry-specific ideas to create suitable short videos to cater to the diversified tastes of audiences and the different marketing goals of advertisers.