
INDUSTRY OVERVIEW

The information and statistics set out in this section and other sections of this document were extracted from the report prepared by CIC, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged CIC to prepare the CIC Report, an independent industry report, in connection with the [REDACTED]. We believe that the sources of this information and statistics are appropriate sources for such information and statistics and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading. The information from official government sources has not been independently verified by us, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED] or the [REDACTED], any of their respective directors and advisers, or any other persons or parties involved in the [REDACTED] and no representation is given as to its accuracy.

SOURCE AND RELIABILITY OF INFORMATION

We commissioned CIC, an independent market research and consulting company that provides industry consulting services, commercial due diligence and strategic consulting to conduct a detailed research and analysis of the FMCG outdoor marketing market in China. We have agreed to pay a fee of RMB790,000 in connection with the preparation of the CIC Report. We have extracted certain information from the CIC Report in this section, as well as in “Summary,” “Risk Factors,” “Business,” “Financial Information,” and elsewhere in this document, to provide our potential [REDACTED] with a more comprehensive presentation of the industry in which we operate. Our Directors confirm that, after taking reasonable care, they are not aware of any material adverse change in the overall market information since the date of the CIC Report that would materially qualify, contradict or have an adverse impact on such information.

During the preparation of the CIC Report, CIC performed both primary and secondary research, and obtained knowledge, statistics, information and industry insights on the industry trends of the FMCG outdoor marketing market in China. Primary research was conducted via interviews with key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources. Projected market data were based on the following assumptions: (i) global economy development is likely to maintain a steady growth trend in the next decade based on the International Monetary Fund’s forecasts for the global economy; (ii) related industry key drivers, such as intensified competition among FMCG brands, development of technology, emerging FMCG outdoor marketing scenarios and facilities, are likely to drive the continuing growth of the FMCG outdoor marketing market in China; and (iii) there is not any extreme unforeseen circumstance or industry regulation in which the market may be affected dramatically or fundamentally. The information and data collected by CIC have been analyzed, assessed and validated using CIC’s in-house analysis models and techniques.

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FMCG MARKETING MARKET IN CHINA

FMCG Industry in China

As one of the world’s largest consumer market and benefitting from the healthy macroeconomic environment and rising *per capita* disposable income in past decades, China has experienced a stable growth in the retail sales value of consumer goods over the past five years with increasing product diversification offered to consumers, notwithstanding impact from COVID-19 pandemic since 2020. The total retail sales value of consumer goods in China increased from RMB41.2 trillion in 2019 to RMB47.2 trillion in 2023 at a CAGR of 3.5% from 2019 to 2023, and is expected to reach RMB60.0 trillion in 2028 with a CAGR of 4.9% from 2023 to 2028, according to CIC.

As an important category in China’s consumer market, fast-moving consumer goods (“**FMCGs**”) generally comprise daily-use products, including food and beverages, beauty and skincare products and daily necessities. FMCGs are characterized by shorter shelf life, higher consumption frequency and highly iterative preferences from consumers, exhibiting distinctive characteristics compared with other consumer goods, such as home utensils, footwear, apparels and accessories, furniture appliances and others.

The market size of China’s FMCG industry reached RMB6.5 trillion in 2023, and is expected to continue to grow in line with Chinese residents’ living standards improvements and consumption upgrades, according to CIC. As such, China’s FMCG industry is projected to reach RMB8.1 trillion in 2028, with a CAGR of 4.5% from 2023 to 2028, according to the same source.

Overview of FMCG Marketing Market in China

The main target consumer group of FMCG brands, i.e., the “new middle class¹” and young consumers.

To address the diversified consumer preferences that keep evolving, continuous innovation and launching new products has been a common strategy for various FMCG brands to sustain growth, where new products refer to products with new brands, categories, taste, formula, or appearance that have been launched in the market for less than one year. And generally, once products have been launched on the market for over one year, they will be deemed as mature products. For FMCG new products, marketing programs mainly focus on promoting public awareness, market recognition and sales solicitation; while the promotion of mature products, on the other hand, tends to emphasize the broadness of marketing exposure, improve market penetration, harness competitive barriers, in a way to effectively extend product life. In particular, industry players invest more and more in utilization of advanced technology features and innovative theme designs, so that relevant marketing campaigns may create a more immersive and personalized experience for target consumers, which further results in enhanced incentive for consumers to provide necessary feedback and creates strong consumer bonds that inspire brand loyalty.

¹ New middle class typically refers to the group of people whose annual income exceeds RMB150,000.

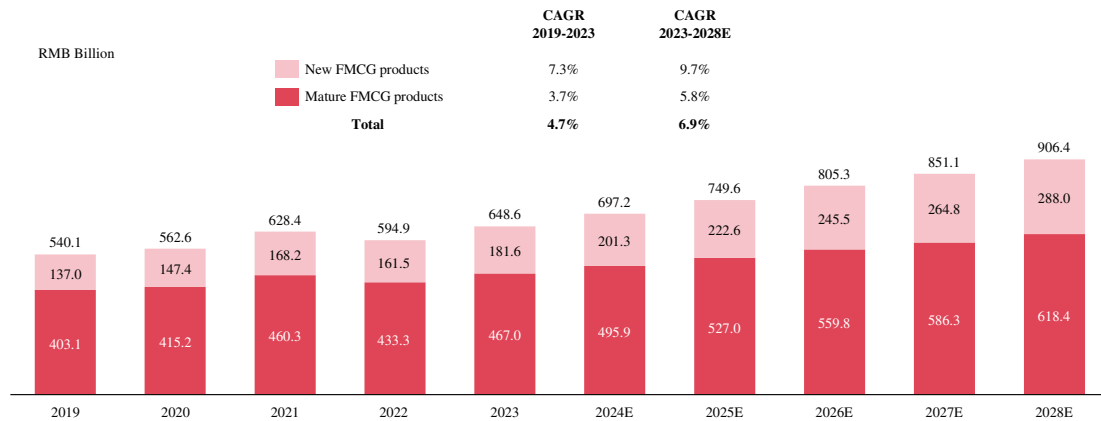
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Market Size of FMCG Marketing Market in China

In addition to optimizing product portfolio and performance, FMCG brands in China are also spending increasing amount of marketing and sales expense to further capture market share against the intensifying competitions. The total marketing and sales expense of FMCG industry in China increased from RMB540.1 billion in 2019 to RMB648.6 billion in 2023 at a CAGR of 4.7% from 2019 to 2023, and is expected to reach RMB903.5 billion in 2028 at a CAGR of 6.9% from 2023 to 2028, according to CIC.

Since 2018, both new and mature FMCG products have experienced steady increase in marketing and sales expense, while new FMCG products enjoyed a higher growth rate in this respect, recording a CAGR of 7.3% from 2019 to 2023. The following diagram illustrates the market size of China’s FMCG marketing market by product maturity from 2019 to 2028.

The market size of China’s FMCG marketing market by product maturity, 2019-2028E



Sources: CIC Report, third party institutes such as Euromonitor and QuestMobile, interviews with industry players, and websites of China’s major FMCG brands.

CHINA’S FMCG OUTDOOR MARKETING MARKET

Overview

FMCG outdoor marketing market is one of the subsegment of the FMCG marketing market. In 2023, China’s FMCG outdoor marketing market accounted for approximately 6.4% of China’s overall FMCG marketing market measured by total sales and marketing expenses. It refers to the marketing service provided to FMCG brands in public settings, such as office buildings, residential apartments, shopping centers, transportation stations, and streets. Its purpose is to enable FMCG brands to deliver product information and brand imagery to consumer in a vivid, intuitive, and impactful manner. This form of marketing encompasses diverse forms, including vending machine marketing, elevator media, transportation station media, fleet media, and others. These scenarios are centered around consumers’ daily life, travel, and consumption scenes, capturing their attention through electronic screens, posters,

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billboards, and other formats. Additionally, the introduction of various advanced technologies such as interactive functions integrated into mechanical devices, big data analytics, and IoT technology make it possible for FMCG outdoor marketing to create engaging and precise marketing effect.

FMCG outdoor marketing allows brands to initiate a variety of marketing activities in a scalable and cost-effective manner, effectively and rapidly drawing the attention of a broad target audience for relevant products. Such marketing media that provide continuous, stable, and easily accessible reach to the consumer, combined with the new generation of consumers’ preferences in sharing consumption experiences through digital forms, may create synergy effects beyond expectations which greatly empower the market awareness and sales of relevant FMCG products.

Pain Points in FMCG Brands’ Marketing

Though pressured by accelerating new product launches, intensifying competitions as well as evolving and quickly iterative consumer preferences, FMCG brands are typically faced with the following pain points in their marketing efforts:

- ***Significant Resource and Time Investment in New Product Launches With Limited Consumer Reach.*** It is usually costly and time-consuming for FMCG brands to carry out on-site marketing events. For instance, for events taking place in supermarkets, FMCG brands have to bear a broad range of fees, including supermarket shelving fees, delivery expenses and manpower costs. In addition, the cycle from new product marketing planning to market launch generally takes at least two months for FMCG brands.

Notwithstanding such heavy investments, the effect of consumers’ purchase conversion is generally limited, given that FMCG brands’ on-site marketing usually heavily relies upon the number of marketing staff involved and their experience in acquiring and retrieving consumers’ feedback therein. Furthermore, the limited geographical coverage of on-site marketing makes it difficult for new products to spread quickly in multiple cities at the same time.

- ***Close-to-Saturation Online Traffic and High Consumer Acquisition Costs.*** The overall public domain online traffic in China covering e-commerce, social platforms and search engines, etc. was close to saturation in recent years, among which that of e-commerce had been dominated by a few leading Internet companies. Accordingly, the cost of consumer acquisition through these online channels kept increasing. For instance, the consumer acquisition cost of mainstream e-commerce platforms exceeded RMB300 *per capita* in 2023. With the acceleration of new product launches and increase of marketing expenses, FMCG brands are eager to seek alternative marketing service that may exhibit advantages of online marketing channels, such as comprehensive consumer behavior analysis and traceable record, with effectively reduced costs associated therein.

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- *Significant challenges in effectively achieving both brand building and encouragement of purchasing behaviors (品效合一).* FMCG brands generally pursue two objectives during their marketing, firstly, the establishment of enduring consumer awareness through the creation of a brand image that deeply resonates with consumers, and secondly, directly arousing consumers’ purchasing desire thereby boosting sales. The former typically demands substantial financial investment and sustained advertising efforts, while the latter, even when achieved, usually fails to provide consumers with comprehensive knowledge about the brand, therefore lacking engine to drive their long-lasting purchasing desire. Therefore, FMCG brands urgently need to identify a stable and efficient marketing channel that effectively reaches the target audience while striking a balance between brand building and influencing purchase decisions.

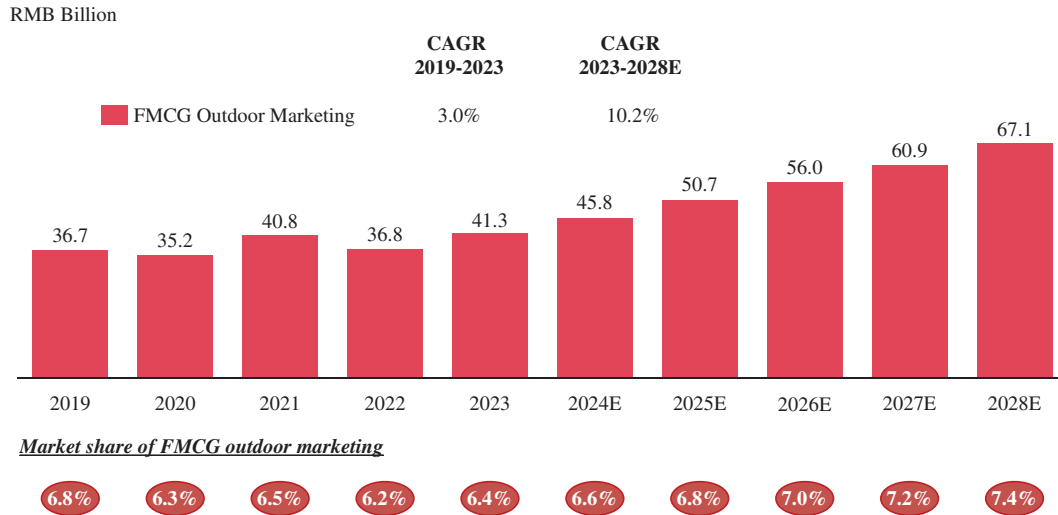
Given highly frequent new product launches and marketing campaigns that FMCG brands need to undertake, the highly scattered nature of consumer attention, and the above-mentioned under-served demands, more and more FMCG brands turn to outdoor marketing service providers to address their needs, contributing to the continuous growth of FMCG outdoor marketing market.

Market Size of FMCG Outdoor Marketing

Capitalizing on the continuous growth of FMCG industry in China and leveraging FMCG outdoor marketing service’s advantages and ability to effectively address the unsolved needs from FMCG brands, the market size of FMCG outdoor marketing has witnessed a growth from RMB36.7 billion in 2019 to RMB41.3 billion in 2023 at a CAGR of 3.0% from 2019 to 2023, which is expected to keep growing at a CAGR of 10.2% from 2023 to 2028. Between 2020 and 2022, the FMCG outdoor marketing market, closely tied to public settings such as transportation scenarios, was adversely affected by the COVID-19, which led to less public pedestrian flow and in turn a reduction in FMCG brands’ investment in marketing campaigns. Nonetheless, since 2023 and along with the decline of the spread of COVID-19 in China, the FMCG outdoor marketing market is experiencing a resurgence, with significant market growth potential in the future. The following diagram illustrates the market size and market share of China’s FMCG outdoor marketing market from 2019 to 2028.

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Market size of China’s FMCG outdoor marketing, 2019-2028E



Sources: CIC Report, website of government department, such as State Administration for Market Regulation, third-party institutes such as CTRChina (央視市場研究), QuestMobile and Community Marketing Research Institute, interviews with industry players, and websites of China’s major FMCG marketing service providers.

Drivers of the FMCG Outdoor Marketing Market in China

Catering to strong demands from FMCG brands for marketing services that truly captivate consumers’ attention and leave a long-lasting impression on their minds, FMCG outdoor marketing has been increasingly empowered by development of technologies, and enjoying growing market recognition and opportunities. Specifically, the following drivers have been facilitating the growth of the FMCG outdoor marketing market in China:

- Strong Demands From FMCG Brands for Captivating Marketing Service:** Faced with intensifying competitions as well as short consumer attention span, FMCG brands need to not only continuously launch competitive new products to grasp market opportunities, but also embrace more captivating marketing service at relatively affordable costs. FMCG outdoor marketing, being among the marketing channels closest to consumers’ daily lives, is diversifying and enriching its presence, extending from commercial areas to residential zones, and from transportation scenarios to living environments, continually reaching consumers and strengthening brand awareness in a direct and long-lasting manner. Furthermore, leveraging visualized images, FMCG outdoor marketing inherently creates an impactful marketing effect by leaving an intuitive impression on consumers’ minds. Consequently, FMCG outdoor marketing has been seen as an essential approach for FMCG brands to capture consumer attention and has gained increasing market recognition.

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- **Development of Technologies:** In recent years, technological developments have become increasingly sophisticated and have been widely applied in various marketing scenarios. As a demonstration, the application of technologies such as interactive functions integrated into mechanical devices, big data analytics and IoT technology has strengthened the impact of FMCG outdoor marketing. The advancement of technology has significantly contributed to the creative transformation of marketing campaigns. Fueled by such technological progress, FMCG outdoor marketing now delivers more vivid and memorable experiences for the target audience. Simultaneously, brand owners are provided with an opportunity to assess the effectiveness of FMCG outdoor marketing through data analytics, which enables increasingly precise marketing planning and creative marketing content design, resulting in more personalized and precise audience outreach, ultimately enhancing the efficiency of marketing activities.
- **The Emergence of New Outdoor Marketing Scenarios and Facilities:** FMCG outdoor marketing service providers are consistently exploring new display locations for outdoor marketing, serving as a growth engine of the FMCG outdoor marketing market. Concurrently, innovative and convenient facilities, such as vending machines, are emerging and prompting FMCG outdoor marketing service providers to search for new market opportunities centered around daily consumption scenarios and gain added attraction to consumers by means such as integrating interactive functions. The strategic expansion and innovation of FMCG outdoor marketing service, catering to varying consumer needs across diverse scenarios, has become a pivotal growth factor in the FMCG outdoor marketing market.

Competitive Landscape of FMCG Outdoor Marketing Market in China

We are the seventh, fifth and fourth largest service provider in China’s FMCG outdoor marketing market in terms of FMCG outdoor marketing revenue in 2021, 2022 and 2023, respectively, with a market share of approximately 0.8%, 0.9% and 1.2%, respectively. Other major market players in China’s FMCG outdoor marketing market primarily include Asiaray Media, Beijing Bashi Media, Focus Media, Huamei Holdings, JCDecaux Group, Mega-info Media, Ubox, Voyage Media, and Xinchao Media. The largest market player had a market share of 13.1%, 12.7% and 14.3% in terms of FMCG outdoor marketing revenue in 2021, 2022 and 2023, respectively. The respective comparable revenue and market share of each such service provider in 2021, 2022 and 2023 is shown in the following tables:

Competitive landscape of FMCG outdoor marketing market in China, 2021

Ranking	Company name	FMCG outdoor marketing revenue <i>RMB million</i>	Market share %
1	Company A ⁽¹⁾	5,327	13.1%
2	Company C ⁽²⁾	1,200	2.9%
4	Company B ⁽³⁾	418	1.0%
3	Company D ⁽⁴⁾	868	2.1%

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Ranking	Company name	FMCG outdoor marketing revenue RMB million	Market share %
5	Company E ⁽⁵⁾	345	0.8%
6	Company F ⁽⁶⁾	321	0.8%
7	Our Group	311	0.8%
8	Company G ⁽⁷⁾	240	0.6%
9	Company H ⁽⁸⁾	186	0.5%
10	Company I ⁽⁹⁾	104	0.3%

Sources: Independent research conducted by CIC which includes interviews with industry players and research on public information available on websites of the companies mentioned above.

Notes:

- (1) Company A is a listed company which has been listed on the Shenzhen Stock Exchange since 2004. The listed entity of Company A has a registered capital of RMB14 billion. Established in 2003 and headquartered in Shanghai, Company A mainly specializes in the development and operation of marketing through outdoor media and engages in outdoor marketing through various media channels, including inner-building advertising media and cinema screen advertising media, etc.
- (2) Company C is a private company. The registered capital of the head office of Company C is RMB130 million. Established in 2007 and headquartered in Chengdu, Company C specializes in advertising both inside and outside office and residential buildings. Its primary focus is on outdoor marketing through inner-building media, which includes screens located inside elevators, offices, and residential buildings.
- (3) Company B is a French company which has been listed on the Euronext Paris since 2001. The entity within the group of Company B that predominantly conducts FMCG outdoor marketing in China, located in Shanghai, possesses a registered capital of USD78 million. Established in 1964 and headquartered in France, Company B entered the Chinese market in 2005, initially focusing on bus-stop advertising systems, billboards, public bicycle rentals, and street furniture. The entity within the group of Company B is primarily dedicated to outdoor marketing, offering customized bus wraps, screen media, and billboards in locations such as airports, bus shelters, etc.
- (4) Company D is a listed company which has been listed on the Stock Exchange since 2015. The entity within the group of Company D that predominantly conducts FMCG outdoor marketing in China, located in Shanghai, possesses a registered capital of RMB200 million. Established in 1999 and headquartered in Hong Kong, Company D primarily specializes in the development and operation of outdoor advertising media. Its main focus is on outdoor marketing through transportation station media at locations such as airports, subway stations, and train stations.
- (5) Company E is a listed company which has been listed on the Shenzhen Stock Exchange since 1996. Company E has a registered capital of RMB1 billion. Established in 1993 and headquartered in Hangzhou, Company E offers newspapers advertising, internet advertising and outdoor marketing in subways through broadcasting and on streets through LED screens, etc.
- (6) Company F is a listed company which has been listed on the Beijing Stock Exchange since 2012. Company F has a registered capital of RMB204 million. Established in 2009, and headquartered in Beijing, Company F mainly engages in airport marketing media including billboards, lightboxes, LED screens, etc.
- (7) Company G is a listed company which has been listed on the Stock Exchange since 2023. Company G has a registered capital of RMB757 million. Established in 2011 and headquartered in Beijing, Company G is a leading vending machine operator that conducts outdoor marketing through vending machines.

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- (8) *Company H is a listed company which has been listed on Shenzhen Stock Exchange since 2022. Company H has a registered capital of RMB290 million. Company H was established in 1997 and headquartered in Beijing. Company H is dedicated to marketing media in high-speed railway stations through LED screens, etc.*
- (9) *Company I is a listed company which has been listed on Shanghai Stock Exchange since 2021. Company I has a registered capital of RMB806 million. Established in 1999 and headquartered in Beijing, initially focusing on urban public transportation and subsequently transformed to a comprehensive service provider mainly engaged in advertising media, automotive services, and investment and financing businesses. Company I mainly engages in marketing media in bus frame, bus shelter, and in-bus advertising media.*

Competitive landscape of FMCG outdoor marketing market in China, 2022

Ranking	Company name	FMCG outdoor marketing revenue RMB million	Market share %
1	Company A	4,675	12.7%
2	Company B	1,050	2.9%
3	Company C	969	2.6%
4	Company D	495	1.3%
5	Our Group	339	0.9%
6	Company E	316	0.9%
7	Company F	296	0.8%
8	Company G	200	0.5%
9	Company H	173	0.5%
10	Company I	92	0.3%

Sources: Independent research conducted by CIC which includes interviews with industry players and research on public information available on websites of the companies mentioned above.

Competitive landscape of FMCG outdoor marketing market in China, 2023

Ranking	Company name	FMCG outdoor marketing revenue RMB million	Market share %
1	Company A	5,906.0	14.3%
2	Company C	1,207.5	2.9%
3	Company B	1,160.0	2.8%
4	Our Group	495.1	1.2%
5	Company D	483.0	1.2%
6	Company F	339.0	0.8%
7	Company E	306.0	0.7%
8	Company H	179.2	0.4%
9	Company G	115.6	0.3%
10	Company I	88.1	0.2%

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Entry Barriers in FMCG Outdoor Marketing Market

- ***Data Accumulation and Application of Innovative Technologies:*** FMCG outdoor marketing service providers can leverage innovative technologies to accumulate and analyze operational data, enabling a deeper understanding of consumer demands and precise advertising placement. The accumulated operational data also facilitates AI training, enhancing marketing performance and accuracy, ultimately improving marketing effectiveness. However, for new entrants in the industry, collecting a sufficient amount of operational data within a short period of time can be challenging, hindering precise consumer demand analysis and desired advertising placement results.
- ***Industry Know-How:*** Industry know-how is crucial for FMCG outdoor marketing service providers, including a deep understanding of market trends, insights into customer preferences and creative advertising strategies. By possessing such knowledge, FMCG outdoor marketing service providers can effectively serve FMCG brand customers and establish strong collaborative relationships with a diverse range of FMCG brand customers. New entrants in the industry often encounter challenges due to their limited industry experience and insights. They have to invest considerable time and effort in learning and building trust and cooperative relationships with their respective customers.
- ***Geographic Location:*** The exposure and marketing effectiveness of FMCG outdoor marketing terminals depends largely on their location and potential outreach of target customers. FMCG outdoor marketing service providers with strong bargaining power can secure better locations. However, for new entrants in the industry, acquiring premium location poses a challenge as existing FMCG outdoor marketing service providers have already established stable commercial relationships with venue operators, usually occupying prime locations.
- ***Capital Requirement:*** New entrants in the FMCG outdoor marketing market need to make a substantial capital investment in procuring advertising placement equipment, such as vending machines, screens, posters and billboards, etc. Simultaneously, in the current landscape of emerging technologies such as big data analytics, various FMCG outdoor marketing service providers have to allocate additional funds towards research and development thereon to maintain their competitiveness in the market. They also need to invest substantially in initial market development, location acquisition, and equipment maintenance. Therefore, a significant amount of capital is required during the early stages of development for new entrants in the FMCG outdoor marketing market.

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Major Challenges in FMCG Outdoor Marketing Market

- ***The FMCG Industry is Highly Sensitive to Macroeconomic Conditions:*** The slowdown in macroeconomic growth may lead to a decrease in consumers’ purchasing power, resulting in a decline in revenue for FMCG brands and a reduction in their outdoor marketing budgets, which may in turn lead to a decline in FMCG outdoor marketing service providers’ revenue.
- ***Iterating Consumer Demands and Preferences:*** Consumer demands and preferences are constantly changing, leading to increasing requirements for FMCG product quality, personalization and brand reputation. FMCG outdoor marketing service providers need to continuously innovate, adjust, and optimize their advertising strategies to better respond to the highly iterative consumer demands and preferences, serve brand customers, constantly deliver satisfactory marketing service and help brand customers achieve revenue growth.
- ***Difficulties in Achieving and Maintaining High Operational Efficiency:*** FMCG outdoor marketing service providers are faced with the challenge in achieving and maintaining high operational efficiency, including implementing an effective advertisement placement strategy to fully utilize their sites and facilities, optimizing their internal operation system through digitalization transformation and acquiring and maintaining favorable sites with affordable costs.

Key Success Factors in FMCG Outdoor Marketing Market in China

With continuously developing technologies, some FMCG outdoor marketing services demonstrate better marketing capacities, such as enabling direct interactions with marketing audiences through sound, vision, touch, movement, and even smell while analyzing advertising effectiveness through data analytics and implementing precision marketing via big data, therefore creating a more innovative and personalized experience for consumers while empowering brand promotion and product iteration. Leading FMCG outdoor marketing service providers typically demonstrate the following advantages, among others:

- ***Comprehensive and Diversified Marketing Service Capabilities:*** Leading FMCG outdoor marketing service providers have the ability to provide multi-layered and comprehensive marketing services ranging from online and offline marketing campaigns, on-site flash events, user interaction, offline distribution, feedback collection, to private traffic channeling. In the future, leading FMCG outdoor marketing service providers are expected to further improve and expand their service scope to include diversified value-added services such as training courses, video advertising and various brand name promotional campaigns. Continuously expanding its operations and dismantling the barriers between online and offline realms, foremost FMCG outdoor marketing service providers construct a diverse marketing and service matrix for FMCG brands, accompanied by a more robust marketing toolkit. This capability allows leading FMCG outdoor marketing service providers to systematically explore new customer segments and broaden its business footprint.

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- ***Technological Strengths and Operation Refinement Capabilities:*** Leading FMCG outdoor marketing service providers can effectively leverage industrial technology innovations to digitize and automate the promotion of FMCG products as well as enhance the effectiveness of their internal operations. The successful applications of cutting-edge technologies such as big data, AI algorithms and cloud computing involve high technological barriers and require substantial resource investment, thereby reinforcing leading FMCG outdoor marketing service providers’ competitiveness. Additionally, they standardize and modularize their entire marketing and promotional process and can formulate new service packages that flexibly cater to customer requirements, and readily replicate benchmark cases for each product segment, thereby enhancing operational margins.
- ***In-Depth Understanding of Consumer Preferences and Industry Know-How on Marketing and Products:*** Leading FMCG outdoor marketing service providers have accumulated deep understandings of consumer needs and preferences as well as FMCG brands’ marketing strategies. Therefore, they are able to offer their brand customers with valuable advice on products mass production, geographical layout as well as marketing focus. At the same time, their sharp insights and identification of potential blockbuster products allow them to assist FMCG brands to incubate their next-generation products with great market potentials.

Trends of FMCG Outdoor Marketing Market in China

- ***Increasing Emphasis on Deeper Consumer Experience:*** In response to consumers’ personalization needs and short attention span in the information explosion era, FMCG outdoor marketing services will increasingly focus on creating deeper perceptions for consumers and making stronger and long-lasting impressions on their minds. Such purpose can be effectively facilitated by making technology-enabled multi-sensory interactions with them, as well as getting closer to their actual consumption scenes and penetrating into their daily life scenarios. With such efforts, FMCG brands are enabled to capture consumers’ attention and establish deeper bonds with them, achieve higher purchase conversion rate and cultivate consumer stickiness.
- ***More Comprehensive and Robust Service Portfolio:*** While FMCG brands are seeking to diversify and optimize their products to cater to iterative consumer preferences and short consumer attention span, FMCG outdoor marketing service providers are also expected to further expand their service portfolio in line. Such efforts include adopting more diversified marketing methods, enhancing marketing customization capability, developing various value-added services including advertising performance analysis and advertising content optimization, as well as leveraging digital intelligence technology to create technological synergies for their services.

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- ***Increasing Demands for One-Stop and End-to-End Marketing Services:*** FMCG brands’ rapid product launches and increasing demands for marketing generate growing needs for one-stop and end-to-end marketing services. FMCG outdoor marketing service will evolve towards a closed marketing loop covering product positioning, advertising planning, multi-channel delivering, and consumer feedback collecting, therefore further optimizing marketing effectiveness to empower the overall business growth of FMCG brands.
- ***Increasing Demands for Vending Machine Marketing Services:*** Vending machine marketing services refer to FMCG outdoor marketing services that utilize the vending machine as a medium or touchpoint. The vending machine marketing market is a promising subsegment of the FMCG outdoor marketing market, characterized by its ability to save manpower, which is particularly important for marketing of FMCG products that may involve sophisticated training, and/or language or marketing skills of large human forces, should such event does not utilize machine-based interactions, such as those events involving FMCG products carrying innovative features, foreign culture concepts and/or other specifications that are strange to potential consumers within reach of relevant machines. In addition, vending machine marketing is able to integrate retail and marketing features. It enables consumers to immediately experience FMCG products within marketing campaigns, aligning with consumers’ pursuit of convenient, real-time, and interactive consumption experiences. The market size of China’s vending machine marketing market in terms of marketing revenue reached RMB2.5 billion in 2023, and is expected to reach RMB17.1 billion in 2028, representing a CAGR of 46.6%, according to CIC. Our Group ranked the first in 2023 in China’s vending machine marketing market, in terms of the revenue generated from vending machine marketing market. Going forward, within the vending machine marketing market, vending machines equipped with various modules to facilitate technology-driven interactive functions are expected to gain greater favor among consumers.

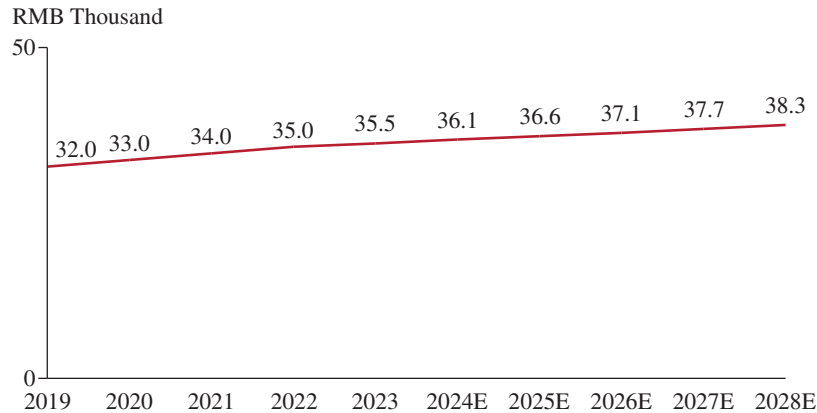
HISTORICAL AND FORECAST TRENDS OF MAJOR COST COMPONENTS OF FMCG OUTDOOR MARKETING SERVICE BUSINESS

The major cost components of our Group’s FMCG outdoor marketing service mainly consist of the procurement costs of vending machines and information technology service fees.

Over the past few years, the procurement costs of vending machines have exhibited a modest upward trend, which was primarily due to the application of various technologies, such as AI technology, as well as the deployment of complex internal operating software and mechanical systems. It is anticipated that in the future, with further application of refined AI functionalities, such procurement costs may continue to experience a slight increasing trend. The following diagram illustrates the average price of vending machines from 2019 to 2028.

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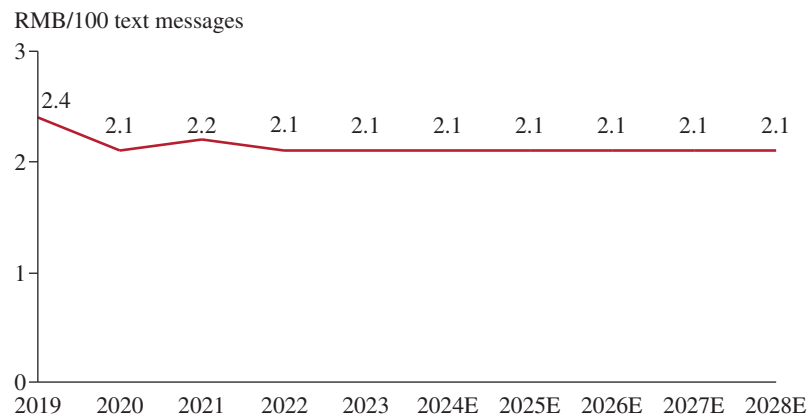
Average price of vending machines, 2019-2028E



Information technology service fees include costs of SMS packages and social media platform resources. With the intensifying competition in the SMS industry, the price of SMS packages has gradually decreased over the past five years and is currently close to cost. It is expected that the price of SMS packages will remain stable in the future, with a slight decreasing trend. The advertising costs on social media platforms over the past few years has gradually increased due to the intensified competition for acquiring online traffic, and it is expected to continue a slight upward trend in the future.

The following diagram illustrates the average price of SMS packages from 2019 to 2028.

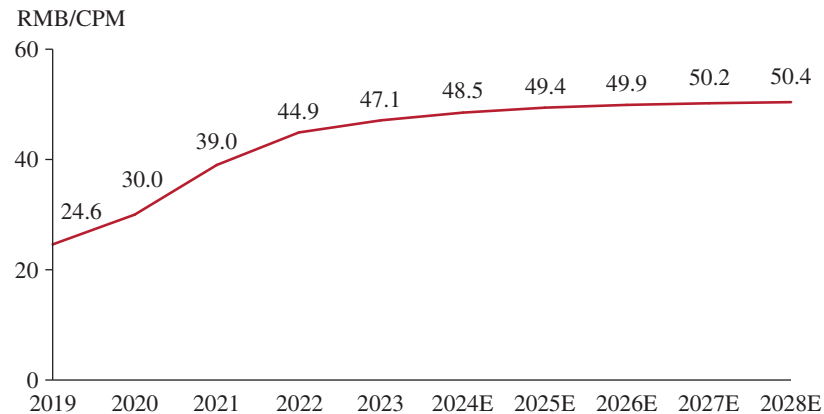
Average price of SMS packages, 2019-2028E



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The following diagram illustrates the average price of the cost per thousand impressions (CPM) on social media platforms from 2019 to 2028E.

Average price of the cost per thousand impressions (Cost per Mille) on social media platforms, 2019-2028E

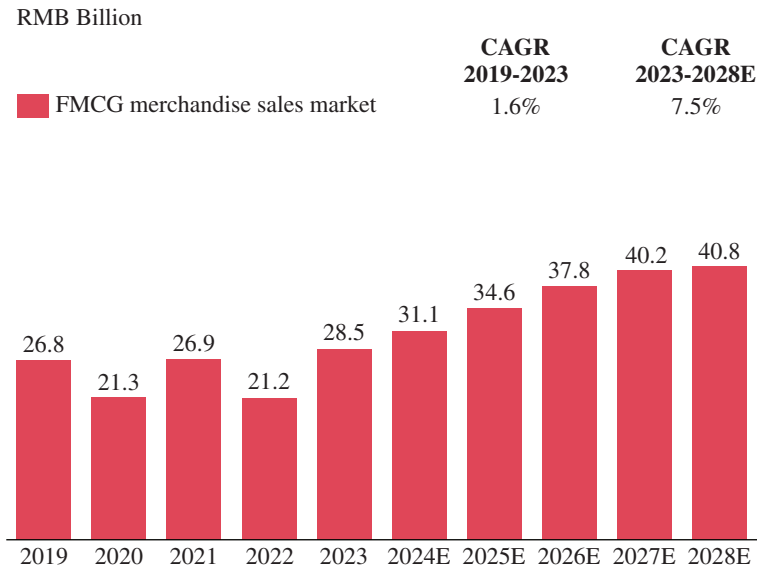


CHINA'S FMCG MERCHANDISE SALES MARKET

On top of FMCG marketing service business, a number of FMCG marketing service providers also engage in the merchandise sales of FMCG products, which refers to the sales of FMCG products through vending machines. The merchandise sales value of FMCG products in China increased from RMB26.8 billion in 2019 to RMB28.5 billion in 2023 at a CAGR of 1.6% from 2019 to 2023, according to CIC. In the future, the growth of China's FMCG merchandise sales market will be further facilitated by increasingly attractive shopping experience created for consumers driven by technological developments, increasing product variety benefitting from warehousing and logistics infrastructure developments, and growing consumer demands for safe, convenient and contactless retail services. As such, the merchandise sales value of FMCG products in China is expected to further increase to RMB40.8 billion in 2028 at a CAGR of 7.5% from 2023 to 2028, according to CIC. The following diagram illustrates the market size of China's FMCG merchandise sales market from 2019 to 2028E.

INDUSTRY OVERVIEW

Market size of China’s FMCG merchandise sales market, 2019-2028E



Sources: CIC report, interviews with industry players, and websites of China’s major FMCG merchandise sales market players.

Competitive Landscape of China’s FMCG Merchandise Sales Market

The FMCG merchandise sales market in China is highly fragmented. Our Group recorded a GMV of approximately RMB0.1 billion in 2023, accounting for a market share of 0.5% in the FMCG merchandise sales market in China. Major market players in China’s FMCG merchandise sales market primarily include Chi Forest, Fengyi Technology, Nongfu Spring, Swire Bcd, and Ubox. The respective comparable revenue and market share of each such player in the FMCG merchandise sales market in 2023 is shown in the following table:

Competitive landscape of China’s FMCG merchandise sales market, in terms of GMV, 2023

Ranking	Company name	GMV RMB Billion	Market share %
1	Company G ⁽¹⁾	2.5	8.8%
2	Company K ⁽²⁾	1.1	3.9%
3	Company L ⁽³⁾	1.1	3.9%
4	Company M ⁽⁴⁾	0.5	1.8%
5	Company N ⁽⁵⁾	0.5	1.8%

Notes:

- (1) Company G is a listed company which has been listed on the Stock Exchange since 2023. The listed entity of Company G has a registered capital of RMB757 million. Established in 2011 and headquartered in Beijing, Company G is a leading operator in merchandise sales business. Company G’s core business focus includes merchandise sales operations, advertising and system support services, wholesale business, and the sales and leasing of vending machines for merchandise sales.

INDUSTRY OVERVIEW

- (2) *Company K is a listed company which has been listed on the Stock Exchange since 2020. The listed entity of Company K has a registered capital of RMB1 billion. Established in 1996 and headquartered in Hangzhou, Company K has established itself as a leading player in the packaged drinking water and beverage market.*
- (3) *Company L is a subsidiary of a listed company which has been listed on the Shenzhen Stock Exchange since 2017. Company L has a registered capital of RMB109 million. Established in 2017 and headquartered in Shenzhen, Company L specializes in operating AI cabinets and unmanned vending machines.*
- (4) *Company M is a subsidiary of a listed company which has been listed on the Stock Exchange since 1977. Company M has a registered capital of USD60 million. Established in 1987 and headquartered in Beijing, Company M is a leading player in the Chinese beverage market.*
- (5) *Company N is a private company with a registered capital of RMB43 billion. Established in 2016 and headquartered in Beijing, Company N has gained recognition as a prominent Chinese indie beverage brand.*

HISTORICAL AND FORECAST TRENDS OF MAJOR COST COMPONENTS OF FMCG MERCHANDISE SALES

The major cost components FMCG merchandise sales players, including our Group, mainly consist of FMCG products purchasing costs.

China’s consumer price index (CPI), which reflects price fluctuation of daily goods including FMCG products, has fluctuated around 100 over the past decade, and is expected to remain at this level in the years ahead, therefore, FMCG products purchasing costs in the merchandise sales business is expect to remain stable. The following diagram illustrates China’s CPI level from 2019 to 2028.

China’s consumer price index (CPI), based on the previous year as 100, 2019-2028E

