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GLOBAL AND CHINA'S IP DERIVATIVE PRODUCT INDUSTRY

Overview of the Global and China's IP derivative product Industry

IP derivative products are physical products developed based on the characters, scenes and stories in entertainment content such as comics, novel, film, television series, animation, game, artist images, etc. IP derivative products can bring greater emotional value and form connections between fans and original IP works, enriching people's spiritual and entertainment lives. More and more consumers are choosing to express their love for the original IP works by collecting related products.

IP derivative products mainly include IP toys, IP clothing and other IP derivative products such as trading cards, home goods, daily necessities, etc. IP toy is the largest segment in IP derivative product market.

Value chain analysis of IP derivative product industry

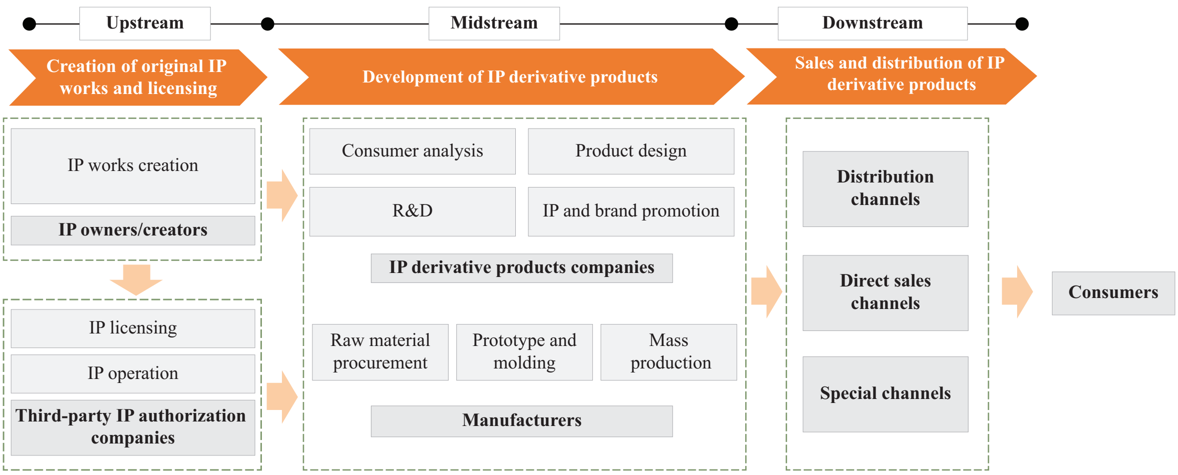
Major market activities in the value chain of IP derivative product industry can be divided into:

Upstream: creation and licensing of original IP works. The major market participants in the upstream of value chain are IP owners/creators and third-party IP licensing companies. IPs with high recognition, profound cultural connotations and a broad fan base can significantly enhance the competitiveness of IP derivative product market. The IP owners/creators and third-party IP licensing companies mainly cooperate with IP derivative product companies through either fixed licensing fees or profit-sharing model.

Midstream: development of IP derivative products. The major market participants in the mid-stream of value chain are IP derivative product companies and manufacturers. IP derivative product companies focus on the design of IP derivative products which are tailored to fans' preference while maintaining the authenticity of original IP works. IP derivative product companies also work closely with well-known designers and artists in developing certain crossover products. Leading IP derivative product companies could further establish their own brands by extending their R&D ability, quality control experience and consumer reputation. IP derivative products can be produced either in IP derivative product companies' own manufacturing facilities or through third-party manufacturers after the design is finished by IP derivative product companies.

Downstream: sales and distribution of IP derivative products. IP derivative products will be sold to consumers through various downstream sales channels, including distribution channels, direct sales channels, and special channels which adopt consignment sales model, such as museums, amusement parks, etc.

Value chain of IP derivative product industry

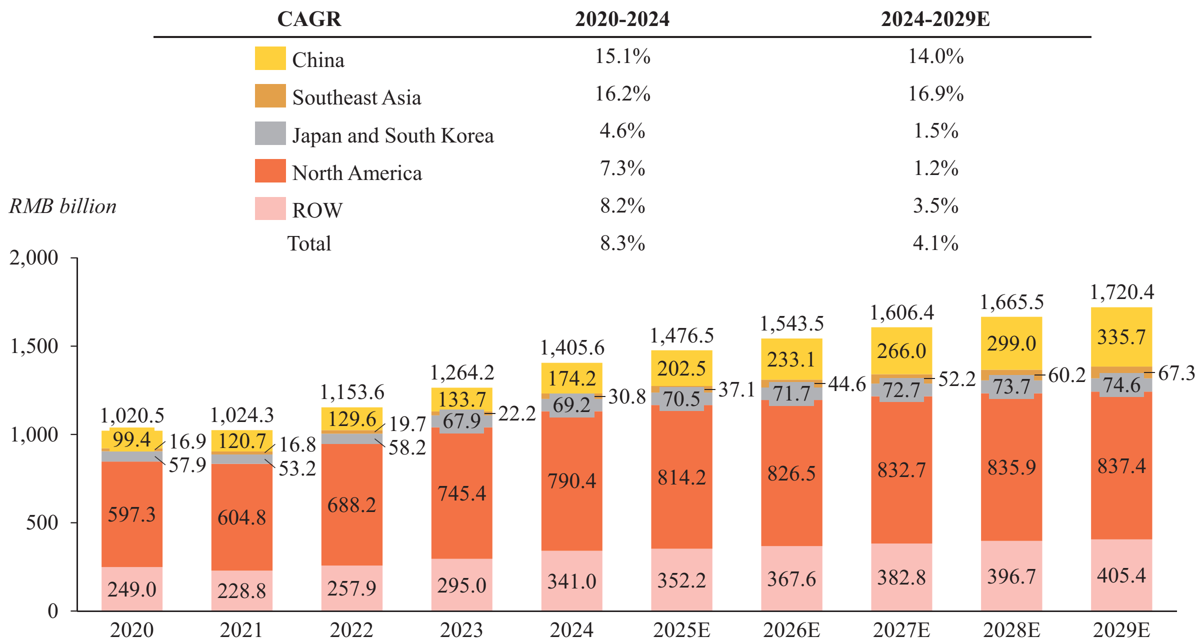


Source: CIC Report

Market size of Global and China's IP derivative products

Driven by the booming development of the cultural and entertainment industry, the consumer base of IP works and IP derivative products continue to expand. In addition, the consumer demand is becoming increasingly diversified, driving more diverse IP derivative product offerings. The market size of the global IP derivative products in terms of GMV increased from RMB1,020.5 billion in 2020 to RMB1,405.6 billion in 2024, representing a CAGR of 8.3% from 2020 to 2024, and is expected to further reach RMB1,720.4 billion in 2029, representing a CAGR of 4.1% from 2024 to 2029.

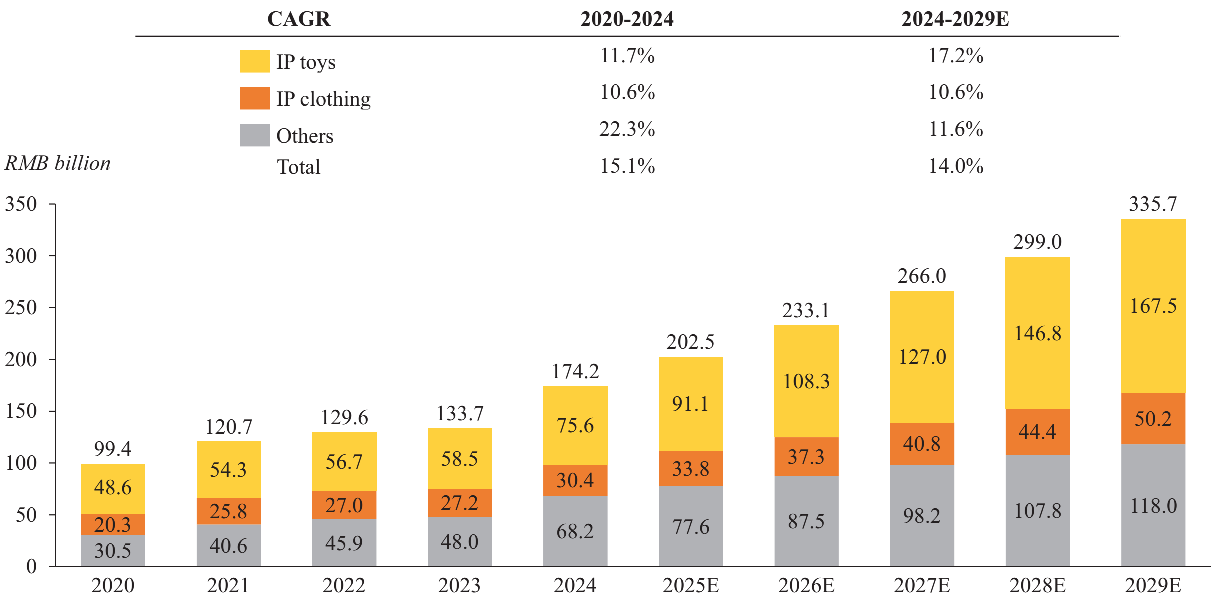
Global IP derivative product market size in terms of GMV, by region, 2020-2029E



Source: Licensing International, CIC Report

Driven by increasing disposable income as well as the emergence of new popular IPs, consumers are more willing to spend on IP derivative products. China's IP derivative product market has been showing great growth potential in recent years. China's IP derivative product market size in terms of GMV increased from RMB99.4 billion in 2020 to RMB174.2 billion in 2024, representing a CAGR of 15.1%, and is expected to reach RMB335.7 billion in 2029, representing a CAGR of 14.0% from 2024 to 2029.

China's IP derivative product market size in terms of GMV, by category, 2020-2029E



Source: National Bureau of Statistics of China, CIC Report

Overview of the Global IP Toy Industry

IP toy is the largest segment within the global IP derivative product market. IP toys are gaining popularity in the market with their unique cultural connotations and emotional resonance, encouraging a wide variety of products creation, such as figures of popular anime characters and related products of films and television shows. Toys are being recognized as an increasingly important commercialization tool for IP creation, especially for IPs with long lifecycle, the creation of which involved larger investments.

IP toy companies are increasingly focusing on product differentiations to enhance the continuous innovation in the IP toys category. Generally, IP toys can be categorized into figures, movable figures, building and assembly toys, plush toys and others.

Main types and definitions of IP toys

Type	Definition
Figures	Figures are fixed character toys based on IP works, and mainly include character figures, statues, pop toys, etc.
Movable Figures	Movable figures are movable model toys based on IP works, and mainly include action figures, wind-up toys, mecha transformable toys, ball-jointed dolls, etc.
Building and Assembly Toys	Building and assembly toys are toys made of multiple parts, which consumers play with by using the parts to complete the construction of toys, mainly include building blocks, hobby model kits, assembly models, etc.

Plush Toys	Plush toys are toys made of textiles as the main material and contain various fillings, usually designed in the shape of animals or characters, and mainly include traditional short plush toys, long plush toys and plush toys with vinyl parts, etc.
Others	Other IP toys include candy toys, car models, handicrafts, sports toys, etc.

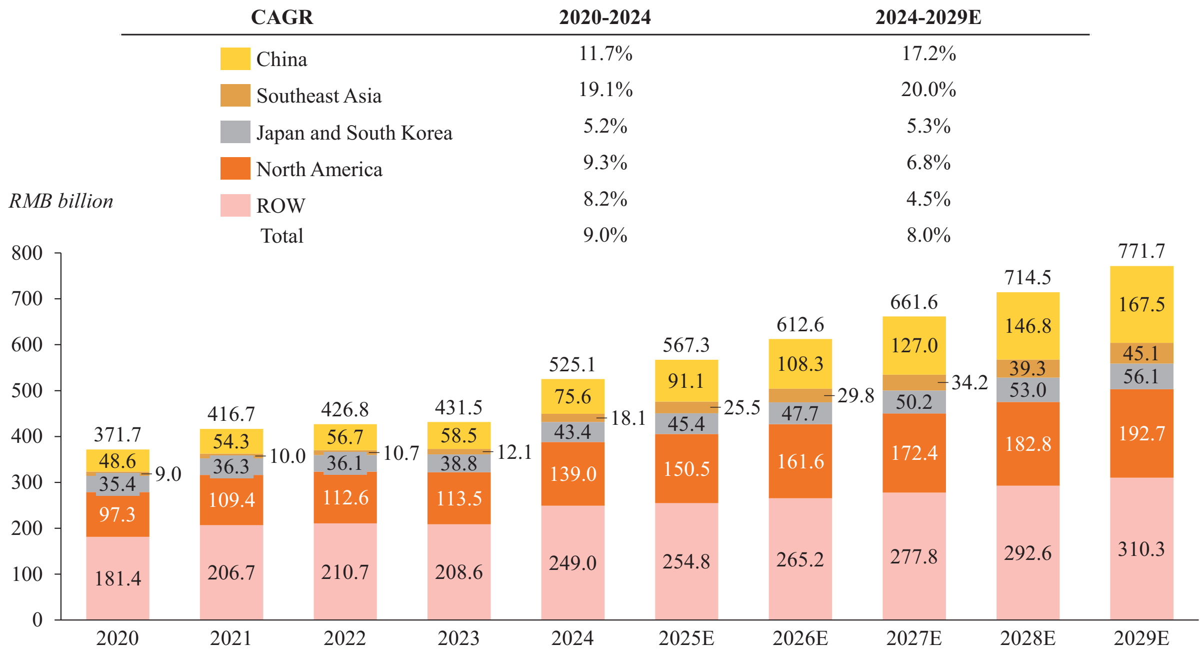
Source: CIC Report

The global IP toy market size in terms of GMV reached RMB525.1 billion, accounting for 37.4% of the global IP derivative product market in 2024.

The consumer base of the IP toy market continues to expand. In addition to kids and teenagers, adults have also become an important purchasing group. Such "kidults" (adults with interests in toys, games, and youth-centric pop culture) have shown greater interest in IP toys with collection value. Meanwhile, emerging markets such as Southeast Asia also showed a great potential for future growth. In the foreseeable future, the global IP toy market is expected to maintain its growth momentum.

The global IP toy market is expected to reach RMB771.7 billion in 2029, representing a CAGR of 8.0% from 2024 to 2029. Among all regions, North America is the largest regional market, accounting for 26.5% of the global IP toy market in 2024. China and Southeast Asia are the top two fastest growing regions from 2020 to 2024, with a CAGR of 11.7% and 19.1%, respectively, during the same period. It is expected that the market size in these two regions will achieve a CAGR of 17.2% and 20.0% from 2024 to 2029, respectively.

Global IP toy market size, by region, 2020-2029E



Source: The Japanese Toy Association, CIC Report

IP TOY INDUSTRY IN CHINA

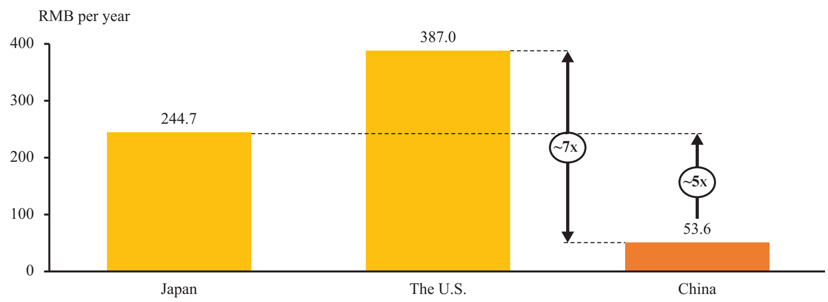
Overview of China's IP Toy Market

China's IP toy market is still in its early stage of development, gradually transitioning from a phase of limited product offering to a maturer stage characterized by diversified product categories, creative designs and premium branding. Market growth and innovation are predominantly driven by leading enterprises who are enhancing product quality and fostering the standardization of the market.

China's IP toy market has increasingly gained public attention, supported by a boarder user base and rapid market expansion in recent years. The primary consumer demographic consists of youths, a majority of which aged under 35. This group is generally passionate about IP work, has diverse and unique interests, values immersive experiences, and pursues fashion and individuality.

Despite the rapid development of China's IP toy market, the per capita expenditure on IP toys still lags behind that of other mature markets. In 2024, the per capita expenditure on IP toys in the United States and Japan reached RMB387.0 and RMB244.7, respectively, as compared to RMB53.6 in China, which was significantly lower than the levels in the United States and Japan, indicating immense growth potential. Drawing from the experience of mature markets, once a nation's GDP per capita surpasses USD10,000, consumers tend to allocate more of their spending toward cultural and entertainment products and services, driving a stronger willingness to invest in beloved IPs, which in turn supports the growth of the IP toy market. Once its economic growth surpassed this threshold, the expansion of its middleclass population and the rise in household disposable income paved the way for the rapid growth of the content industry. As China's economy continues to grow steadily and disposable income levels rise, per capita expenditure on IP toys is expected to increase accordingly.

Per capita expenditure on IP toys, by country/region, 2024

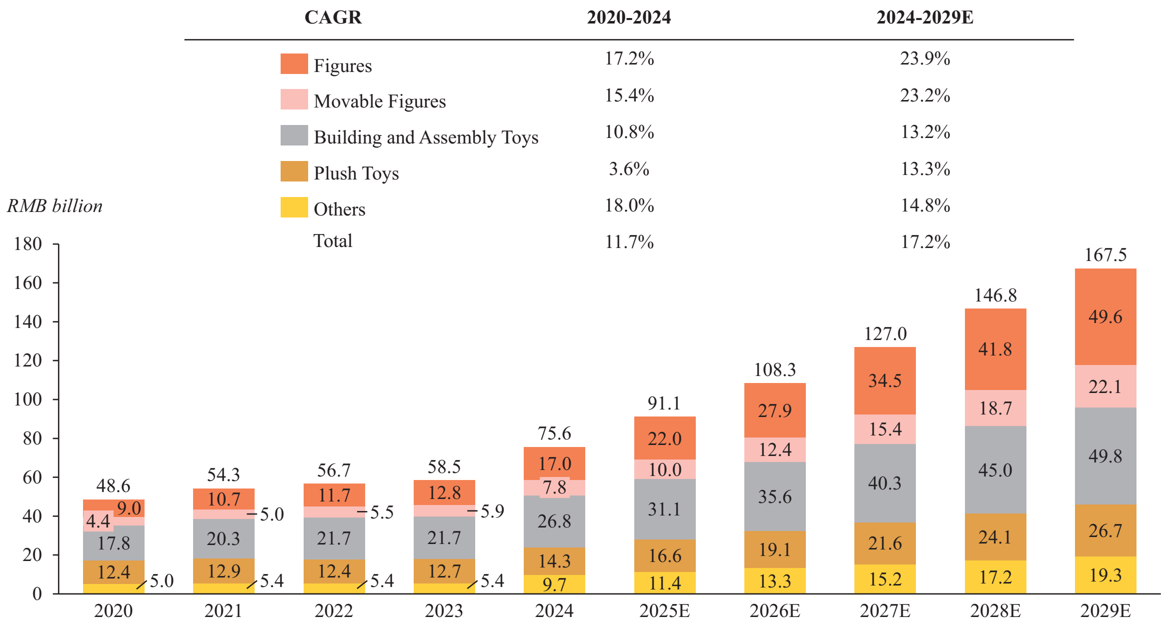


Source: National Bureau of Statistics, IMF, CIC Report

Market size of IP toys in China

In 2024, China's IP toy market size reached RMB75.6 billion, representing 43.4% of China's IP derivative product market. As more high-quality IPs emerge and the IP commercialization capabilities improve, the share of China's IP toy market in the China's IP derivative product market will continue to increase, and is expected to reach 49.9% in 2029. Among all the IP toy segments, figures and movable figures have been the fastest-growing subcategories, with a CAGR of 17.2% and 15.4%, respectively, from 2020 to 2024 and is estimated to further grow at a CAGR of 23.9% and 23.2%, respectively, from 2024 to 2029.

China's IP toy market size in terms of GMV, by category, 2020-2029E



Source: China Toy & Juvenile Products Association, CIC Report

Market Drivers for IP Toy Market in China

i) ***Expanding consumer base and increasing willingness to pay:*** Due to the rise in personal disposable income and upgrades in cultural consumption, consumer demand for spiritual and cultural products has been steadily increasing. IP toys as carriers of IP, possess distinctive artistic and cultural attributes, serving as important mediums for fans to express their emotions. The expanding consumer base has become a key driving factor for the development of the IP toy industry. As individuals gain a deeper understanding of IP toys, their willingness to pay for beloved IPs is expected to grow. Purchasing behavior is likely to progress from initial trial purchases to collecting a variety of IP toys and even paying premiums for innovative, high-quality products. On the other hand, China's per capita expenditure on IP toys remains significantly lower than that of the U.S. and Japan, highlighting the significant growth potential of the Chinese IP toy market. Meanwhile, the rising kidults trend indicates great growth potentials of IP toy market.

ii) ***Booming IP works Creation:*** The global cultural entertainment industry is booming, with a substantial amount of pan-entertainment IP being created and published annually, reflecting continuous innovation in form and content. IPs derived from movies, anime, games, and literary works have achieved global dissemination, which significantly enrich the spiritual and cultural lives of consumers and expands the licensing scope for the IP toy industry, providing an ongoing source of creative inspiration. The contribution of domestic IPs has been steadily increasing. In addition, domestically produced IPs have dominated China's IP licensing market since 2021, accounting for the majority of licenses and surpassing the share of U.S. IPs, positioning domestic IPs as the primary source of IP licensing in China. The emergence of globally renowned phenomenal IP works will further drive the popularity of various IP derivative products.

iii) ***The emergence of high-quality products drives supply-side upgrades:*** With the booming development of the IP market, consumers increasingly prioritize not only the design and craftsmanship of toys but also their accuracy in capturing the worldview, character traits and cultural essence of the IP. By accurately aligning with the tone of the IP and incorporating new technologies and innovative features, companies are continually developing toys that evoke stronger emotional resonance and possess higher collectible value. These products successfully capture the attention of IP fan communities, strengthen brand loyalty, and differentiate themselves in a competitive market, driving the industry toward a trajectory of high-quality, value-added growth.

iv) ***Supportive policies towards industry upgrades:*** In 2025, multiple government ministries jointly issued a document encouraging the integration of outstanding traditional Chinese culture into product design, supporting enterprises in developing original IP brands, and promoting consumption in fields such as animation, gaming, e-sports, and their derivatives. The initiative aims to expand the domestic and international markets for trendy Chinese products. Furthermore, it encourages localized creativity and innovation, increases support for China-chic IPs, and fosters the diversified development of the overall IP derivative products and IP toy industry.

Future Trends of China's IP Toy Market

i) ***Kidult trend:*** "Kidults" refers to a growing demographic of adults who enjoy and collect toys. As adults increasingly seek collectible, aesthetically appealing and emotionally meaningful IP toys, the toy industry has quietly undergone a transformation. An increasing portion of its consumer base now consists of adults purchasing toys not for children, but for themselves. Such trend has also been identified in mature market such as Japan and the U.S. In Japan, despite a continuous decline in the youth population, Japan's toy industry has adopted strategies to expand its consumer base by targeting a wider age range, with adult consumers now forming the primary customer segment in Japan's IP toy market. Similar to Japan, the U.S. market also exhibits trends aligned with such patterns, as economically mature kidults, are contributing an increasing share to the market. In 2024, adult consumers became the largest age group in the U.S. toy market for the first time. It is expected that, as China's market continues to grow to a maturer stage, adults will account for the largest proportion in the market following the kidult trend in the future.

ii) ***Further product category extension:*** Japan's IP toy market is relatively mature and offers valuable insights for the development of China's IP toy market. A significant number of Japanese anime and manga creations have gained global influence, driving the entire IP toy value chain into a continuous growth of product category extension. The globally popular blind box culture, for instance, can trace its origins back to Japan's capsule toy (Gacha) market. With the increasing diversification and personalization of consumer demand, IP toy companies are continually expanding their product lines to cover a wide range of categories, including animation, film, gaming and traditional culture. By integrating various materials, techniques and design styles, they are introducing a diverse portfolio of products. Additionally, companies are incorporating technological elements such as articulated joints, sound and light effects, and smart interactions to enhance the playability and collectible value of toys.

iii) ***Stronger cooperation-bond throughout the industry:*** The collaboration between players throughout the value chain in China's IP industry is expected to become increasingly close, emerging as a key future trend. For instance, production committee model has been widely adopted in Japan IP industry. A production committee is a group of companies or individuals who collaborate to fund and oversee the production of an IP. They typically pool resources and expertise to share the financial risk and bring the project to fruition. Such model helps to establish strong interest alignment and exclusive cooperations between IP owners and toy companies in the IP conceptualization stage. The success of production committee model has been proven in Japan's market and it is expected that more Chinese IP toy companies may follow the implementation for further growth. Furthermore, other parties within the IP industry also realize the importance of IP derivative products and may seek deeper cooperation with IP toys companies. For instance, cinema-chain operators and producers in China had begun to work with IP toys companies for the development of related products to consumers along with the release of certain movie titles. These trends collectively strengthen the collaboration between IP toy companies and other stakeholders across the value chain. This enhanced coordination will help optimize IP monetisation, maximize its value, and extend the lifecycle of IPs.

iv) ***Market consolidation:*** The top three IP toy companies in China hold a combined market share of 33.1% in terms of GMV in China in 2024, reflecting a relatively fragmented industry. In contrast, mature markets such as Japan and the U.S. are more consolidated, with the top three players accounting for 72.2% and 49.3% of GMV in the respective country in 2024, respectively. As the Chinese market matures, a similar consolidation trend is expected. Large, multi-category players are better positioned to serve as long-term partners for IP owners, offering one-stop solutions, greater operational efficiency and coordinated IP promotion.

IP Toy Market in Southeast Asia

With the rapid development of the overseas IP toy market and the growing recognition of Chinese IP toys, Chinese IP toy companies are increasingly focusing on their performance in international markets. Through local store openings, cross-border e-commerce platforms and international exhibitions, Chinese IP toy companies are accelerating their expansion into overseas markets, capturing the attention of global IP toy enthusiasts. This internationalization not only opens new growth opportunities for businesses but also serves as a critical avenue for enhancing global competitiveness. Looking ahead, China's IP toy industry is poised to gain greater prominence on the global stage.

Southeast Asia, which has a significant population and over half of its people under 35 years old, shows strong demand from young consumers for trendy and creative products. These consumers seek individuality and innovation, driving an overall upgrade in consumption preferences and fostering the prosperity of the local IP toy market. Leveraging a more mature product system, exceptional product designs and the advantages of a localized supply chain in China, Chinese IP toys hold a significant competitive edge in Southeast Asia. In recent years, the market has shown immense growth potential and vibrancy, with the market size in terms of GMV of IP toys in Southeast Asia projected to increase from RMB18.1 billion in 2024 RMB45.1 billion in 2029, representing a CAGR of 20.0% between 2024 and 2029.

COMPETITIVE LANDSCAPE OF THE IP TOY MARKET IN CHINA

In 2024, there were numerous players in China's IP toy market, and the market was relatively fragmented, with the top 10 companies in China together accounting for 46.1% of the aggregate GMV in China. In 2024, we ranked third among Chinese IP toy companies and second among multi-genre Chinese IP toy companies in China's IP toy market in terms of GMV in China. The following chart lists the top 5 Chinese companies in the China's IP toy market in 2024:

Top 5 Chinese IP Toy Companies in China, by GMV, 2024

Ranking	Group	Main categories	GMV (RMB billion)	Market share
1	Company A(1)	Figures, Movable Figures, Building and Assembly Toys, Plush Toys, Others	8.72	11.5%
2	Company B(2)	Building and Assembly Toys	4.30	5.7%
3	**the Company**	Figures, Movable Figures, Building and Assembly Toys, Plush Toys, Others	0.93	1.2%
4	Company C(3)	Figures, Plush Toys	0.90	1.2%
5	Company D(4)	Figures, Movable Figures, Plush Toys	0.88	1.2%
		Subtotal	**15.7**	**20.8%**
		Total GMV of China's IP toy market	**75.6**	**100.0%**

Source: CIC Report

Notes:

(1) Company A: a Chinese company founded in 2010, headquartered in Beijing, listed on the Hong Kong Stock Exchange, which mainly offers IP toys.

(2) Company B: a Chinese company founded in 2014, headquartered in Shanghai, listed on the Hong Kong Stock Exchange, which mainly offers IP toys.

(3) Company C: a Chinese private company founded in 2022, headquartered in Hangzhou, Zhejiang, which mainly offers IP toys.

(4) Company D: a Chinese company founded in 1997, headquartered in Shantou, Guangdong, listed on Shenzhen Stock Exchange, which mainly offers IP toys and animation.

As the industry develops and consumer preferences diversify, broad product portfolio has become a key competitive advantage for IP toy companies. Companies that provide over three categories of IP toys are classified as multi-genre companies. Similar to the development trends in mature markets like Japan and the U.S., large-scale IP toy companies with multi-genre product design abilities can provide one-stop solutions and comprehensive collaboration plans tailored to different IPs for IP owners, enabling such companies to maintain a stronger competitive advantage in the market. We ranked second among multi-genre IP toy Chinese players in China's IP toy market in terms of GMV in 2024. The following chart lists the top 5 multi-genre Chinese companies in the China's IP toy market in 2024:

Top 5 Multi-genre IP Toy Chinese Companies in China, by GMV, 2024

Ranking	Group	Main categories	GMV (RMB billion)	Market share
1	Company A	Figures, Movable Figures, Building and Assembly Toys, Plush Toys, Others	8.72	11.5%
2	**the Company**	Figures, Movable Figures, Building and Assembly Toys, Plush Toys, Others	0.93	1.2%
3	Company D	Figures, Movable Figures, Plush Toys	0.88	1.2%
4	Company E(1)	Figures, Movable Figures, Plush Toys, Others	0.84	1.1%
5	Company F(2)	Figures, Movable Figures, Plush Toys	0.61	0.8%
		Subtotal	**12.0**	**15.8%**
		Total GMV of China's IP toy market	**75.6**	**100.0%**

Source: CIC Report

Notes:

(1) Company E: a Chinese private company founded in 2009, headquartered in Guangzhou, Guangdong, which mainly offers IP toys.

(2) Company F: a Chinese company founded in 2018, headquartered in Shenzhen, Guangdong, which mainly offers IP toys.

We ranked seventh in China's IP toy market in terms of GMV in 2024. The following chart lists the top 10 companies in the China's IP toy market in 2024:

Top 10 IP toy companies in China, in terms of GMV, 2024

Ranking	Group	Nation	Main categories	GMV (RMB billion)	Market share
1	Company G(1)	Denmark	Building and Assembly Toys	12.00	15.9%
2	Company A	China	Figures, Movable Figures, Building and Assembly Toys, Plush Toys, Others	8.72	11.5%
3	Company B	China	Building and Assembly Toys	4.30	5.7%
4	Company H(2)	USA	Figures, Movable Figures, Plush Toys	2.50	3.3%
5	Company I(3)	Japan	Figures, Movable Figures, Building and Assembly Toys, Plush Toys, Others	2.30	3.0%
6	Company J(4)	USA	Figures, Movable Figures, Plush Toys	1.50	2.0%
7	**the Company**	China	Figures, Movable Figures, Building and Assembly Toys, Plush Toys, Others	0.93	1.2%
8	Company C	China	Figures, Plush Toys	0.90	1.2%
9	Company D	China	Figures, Movable Figures, Plush Toys	0.88	1.2%
10	Company E	China	Figures, Movable Figures, Plush Toys, Others	0.84	1.1%
		Subtotal		**34.9**	**46.1%**
		Total GMV of China's IP toy market		**75.6**	**100.0%**

Source: CIC Report

Notes:

(1) Company G: a privately owned company founded in 1932, based in Billund, Denmark, which mainly offers IP toys.

(2) Company H: a multinational mass media and entertainment conglomerate in U.S. founded in 1923, headquartered in Burbank, California, listed on the New York Stock Exchange, which engages in sectors including IP derivative products, media networks, parks and resorts, IP licensing, among others.

(3) Company I: a Japanese company which engages in the development, production and sales of entertainment-related products and services, headquartered in Tokyo and listed on the Tokyo Stock Exchange, founded in 2005 by the merger of two leading Japanese entertainment companies.

(4) Company J: a multinational toy manufacturing and entertainment company in the U.S. founded in 1945, headquartered in El Segundo, California, listed on the New York Stock Exchange, which engages in IP toy development and IP works publication.

The successful experience in IP operation and creating popular products can be replicated to other IPs. The Company's Crayon Shin-chan and Tom & Jerry product series each ranked first in terms of GMV in China among all products based on the same IPs. The BeastBox products, which was developed based on the first domestic self-developed transformable mecha IP series targeting all age groups, also rank first among toys of this category.

Entry barriers of China's IP toy industry

i) ***Product design and R&D capabilities:*** Leading companies in China's IP toy market must possess strong product design and development capabilities to meet increasingly diverse and personalized consumer demands. Firstly, innovative product design requires a thorough understanding of target consumers' needs and preferences, which necessitates profound market insight and extensive design expertise. New entrants, however, often lack in-depth knowledge of market trends and consumer behaviors, making precise product positioning challenging. Secondly, the product development process presents both technical and creative challenges, as it requires seamlessly integrating an IP's distinctive characteristics with the toy's functionality and entertainment value. New companies often fall short in such experience, struggling to launch market-driven, high-demand products through continuous innovation. Lastly, the development cycle for IP toys is lengthy. Without a well-established R&D team and efficient development processes, new entrants to the market may not able to successfully develop IP toys that meets the market demand in short term.

ii) ***Strong IP operation capabilities:*** To fully realize the value of renowned IPs, industry participants must possess robust IP operation capabilities, including: a) IP value identification and analysis, to conduct in-depth analysis of IPs to understand their core value, target audience, and market potential; b) creativity and development capabilities, to design and develop related products, content or services based on IP characteristics, including derivative product creation, storyline development and character building to expand IP appeal across multiple sectors and attract diverse consumer groups; c) marketing and promotion strategies, to enhance IP market recognition and consumer purchasing intent through precise marketing techniques, including advertising, promotional campaigns and integrated online and offline initiatives. New entrants face significant barriers due to limited market experience, undeveloped operational capabilities, weaker brand influence and lack of fan bases.

iii) ***IP resources:*** Accumulated IP resources enhance the creativity, adaptability, and competitiveness to satisfy diverse consumer preferences. Robust IP resources go beyond the ownership of a single IP, encompassing cross-IP integration and collaborative efforts. Leading IP toy companies typically possess a diversified IP portfolio of both own IPs and third-party authorized IPs, allowing them to flexibly adjust product offerings based on varied market demands and consumer interests. In addition, having multiple IPs enables risk diversification and reduces dependence on single IP or product. New entrants often lack a mature IP resource pool and industry networks, facing extended resource accumulation cycles and higher operational costs.

iv) ***Strong brand recognition:*** Brands with strong recognition are often more successful at cultivating loyal consumer groups. Consumers are generally more confident when purchasing products from well-established brands, as brand recognition is typically founded on a proven track record of delivering high-quality products. In the IP derivative product sector, leading companies generally enjoy a significant competitive edge in brand awareness, far surpassing new market entrants. Consumer awareness and trust in a brand are critical factors influencing purchasing decisions, and well-known IP toy brands often leverage their reputation and market impact accumulated over time to foster strong customer loyalty. Building brand recognition requires significant market investment and long-term dedication. This involves not only advertising, promotional campaigns, and public relations efforts, but also consistently delivering high-quality products to gain consumer trust. New companies often lack the financial resources and scale to execute large-scale marketing initiatives. Brand recognition, on the other hand, tends to be established gradually through sustained marketing efforts and product excellence. Consequently, companies without robust brand influence often struggle to attain sufficient market exposure, which in turn impacts product sales and consumer preferences.

v) ***Well-established sales network:*** IP toy companies require an extensive sales network to ensure effective product promotion, distribution and sales. Established companies benefit from extensive and efficient sales channels, including physical stores, e-commerce platforms and partnerships with retailers, which enable rapid market entry and direct connections with consumers. New entrants must build their sales networks from scratch, and address challenges related to inventory management, logistics and channel optimization.

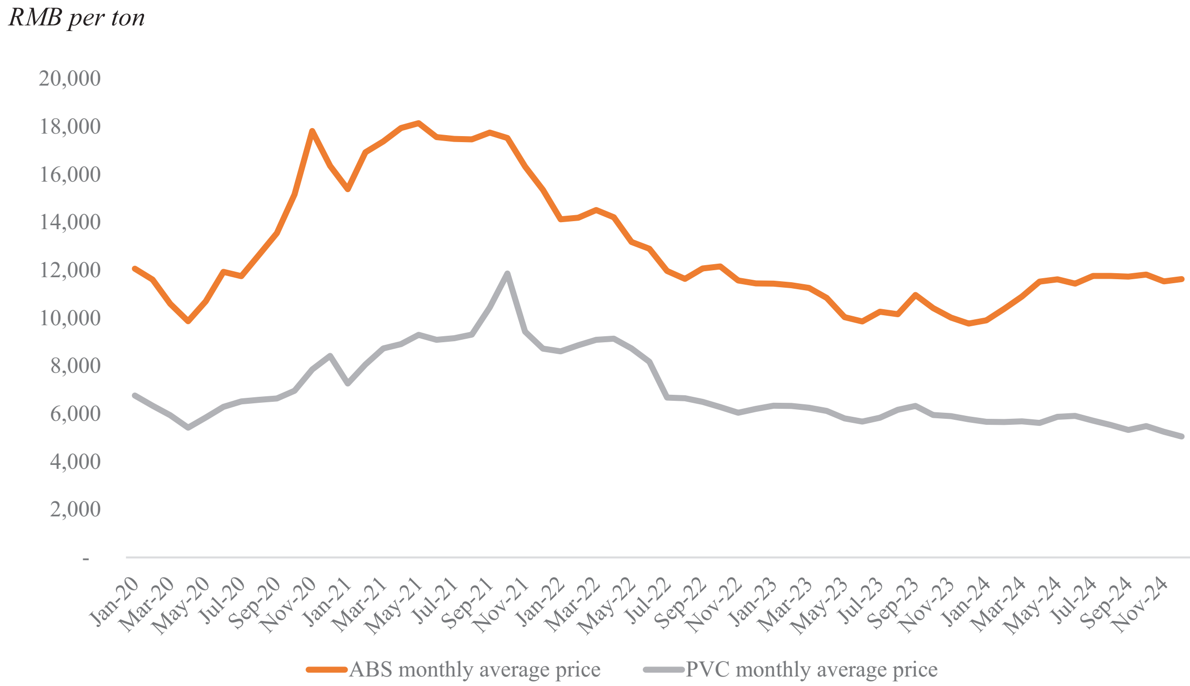
vi) ***Comprehensive supply chain management capabilities:*** The supply chain management capabilities in the IP toy industry encompass a comprehensive set of competencies, including innovation in product design and development, meticulous craftsmanship and quality control, as well as coordinated supply chain operations. In terms of product design and development, companies must work closely with designers to precisely convey and execute design concepts, ensure an engaging user experience, and achieve faithful recreation of characters' essence. For craftsmanship and quality control, firms must either leverage in-house production or oversee third-party manufacturers to maintain high product quality and consistency, ensuring strict oversight across processes such as product engineering, manufacturing and quality inspections. Additionally, companies need to coordinate suppliers, manufacturers and distributors, optimizing inventory management and logistics. These capabilities often require significant time to build. Leading companies not only achieve efficient production with competitive costs but also deliver exceptional product quality.

Raw material price analysis

The core raw materials of the major categories of IP toys are ABS and PVC, which are all mature and stable industries in China. Between 2020 and 2024, the highest average price of ABS was RMB18,142.1 per ton, while the highest average price of PVC was RMB11,862.0 per ton.

The following chart sets out the average prices of ABS and PVC in China during between 2020 and 2024:

Average price of ABS and PVC, China, 2020-2024



Source: Dalian Commodity Exchange, CIC Report

SOURCES AND RELIABILITY OF INFORMATION

We commissioned CIC to conduct research on, provide an analysis of, and to produce the CIC Report on the IP derivative product industry in Global and China. CIC is an independent market research and consulting company that provides industry consulting services, commercial due diligence, and strategic consulting services to both institutional investors and corporations. We have agreed to pay RMB600,000 to CIC for the preparation of the CIC Report. CIC conducted both primary and secondary research. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analyzing data from publicly available data sources, such as the National Bureau of Statistics, the Association of Japanese Animation, the Japanese Toy Association and the U.S. Toy Association.

CIC's projection on the market size of each of the IP derivative product industry and related industries in Global and China are based on the following assumptions: (i) the overall global social, economic and political environment is expected to maintain a stable trend over the next decade; (ii) related key industry drivers are likely to continue propelling growth in the IP derivative product industry and related industries in Global and China during the forecast period; and (iii) there are no extreme force majeure events or industry regulation changes which may dramatically or fundamentally affect the market situation. Unless otherwise specified, all data and forecasts contained in this section are derived from the CIC Report. Our Directors confirm that, after making reasonable enquiries, there has been no adverse change in the market information since the date of the CIC Report that may qualify, contradict or have a material impact on the information in this section.