
INDUSTRY OVERVIEW

Certain information and statistics set out in this section and elsewhere in this document are derived from various government and other publicly available sources and from the market research report prepared by Frost & Sullivan. Frost & Sullivan is an independent industry consultant engaged by us, and we commissioned Frost & Sullivan to prepare a market research report. The information from official governmental sources has not been independently verified by our Company, the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED] and 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 the accuracy.

For discussions of risks relating to our industry, please see “Risk Factors – Risks Relating to Our Business and Industry.”

SOURCE AND RELIABILITY OF INFORMATION

In connection with the [REDACTED], we engaged Frost & Sullivan, an independent market research consultant, to conduct an analysis of, and to prepare an industry report on the markets we operate in with a commission fee of RMB850,000. Founded in 1961 in New York, Frost & Sullivan provides market research on a variety of industries, among other services. The information from Frost & Sullivan disclosed in this document is extracted from the Frost & Sullivan Report with its consent.

In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan used the following key methodologies to collect multiple sources, validate the data and information collected, and cross-check each respondent’s information and views against those of others: (i) secondary research, which involved reviewing published official statistical sources including company reports, independent research reports and data based on Frost & Sullivan’s in-house research database; and (ii) primary research, which involved in-depth interviews with the industry experts and competitors, and in-house analysis using appropriate models and indicators to arrive at an estimate.

Frost & Sullivan adopted the following primary assumptions while making projections for preparing the Frost & Sullivan Report: (i) global social, economic and political environment is likely to remain stable in the forecast period; (ii) purchasing power is expected to continue to grow rapidly in emerging regions and to grow steadily in developed regions; and (iii) related industry key drivers are likely to drive the market in the forecast period.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report. Our Directors confirm that after taking reasonable care, there is no material adverse change in the overall market information since the date of the Frost & Sullivan Report that would materially qualify, contradict or have an impact on such information.

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CHINA’S CROSS-BORDER E-COMMERCE EXPORT B2C MARKET

Overview

Driven by the increase of internet users and penetration rate of internet, cross-border e-commerce, as one of the international trade activities, digitalizes the whole process of trade by breaking the time and space constraints in the conventional offline trade and connecting companies and customers from different countries across the world. Leveraging the unrestrained geographical coverage, convenience and promptness, cross-border e-commerce has been attracting massive industry participants and become one of the most significant factors affecting people’s daily life in the past years from global perspective.

In general, cross-border e-commerce exports are categorized into two major categories: (i) cross-border e-commerce export business to business; and (ii) cross-border e-commerce export business to customer (the “**Cross-border e-commerce export B2C**”). Cross-border e-commerce export B2C in China refers to a trading activity where overseas customers visit Chinese sellers’ self-operated online stores or their seller stores on third-party e-commerce platforms, to select goods, make payments, and receive goods from Chinese sellers via overseas logistics. According to Frost & Sullivan, there were over 16,000 sellers in China’s cross-border e-commerce export market in 2021, amongst whom over 5,000 sellers focuses on B2C business. Participants of China’s cross-border e-commerce export B2C market typically comprise Chinese sellers, third-party e-commerce platforms, self-operated online stores operated by Chinese sellers, third-party payment service providers, logistics service providers and overseas customers.

By the nature of business model, Chinese sellers of cross-border e-commerce export B2C market is categorized into two major categories: platform-based sellers and self-operated online store sellers.

Platform-based sellers refer to the individuals or enterprises who establish online stores on and sell products to customers through various third-party e-commerce platforms, including among others, Amazon, eBay, AliExpress and Wish. In line with the industry norm, platform-based sellers rely on third-party e-commerce platforms, for their large customer base, vast user traffic and the infrastructure of such e-commerce platforms to carry out business including sales and marketing, online order processing, warehousing, delivery and most of the after-sales services. Therefore, platform-based sellers can efficiently scale their business and reach more customers across the world and limit their works to product designs, procurement and display, order processing, and after-sales services. Leveraging the vast user traffic visiting leading third-party e-commerce platforms, platform-based sellers enjoy more exposure of their products to customers.

Self-operated online stores refer to enterprises that sell their products to overseas customers through their proprietary websites or mobile applications. Generally, self-operated online stores have sufficient SKU to satisfy customer demands and are responsible for the whole transaction process, with their services covering product procurement, sales and marketing, online transactions, product delivery and after-sales services to customers. Compared to platform-based sellers, sellers who are at the early stage to sell products through

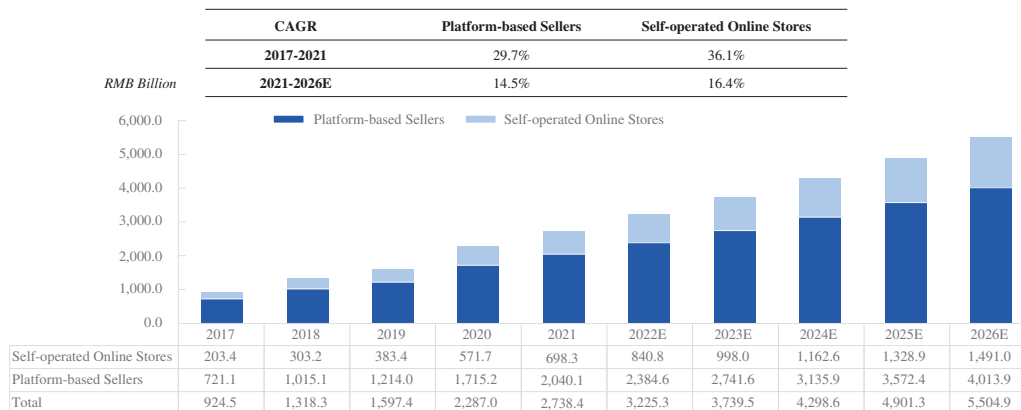
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self-operated online stores generally incur higher customer acquisition cost and devote more time and efforts in warehousing arrangement, delivery arrangement and customer data analytics. However, with the development of self-operated online stores, sellers can enjoy their economies of scale with accumulated customer base and enhanced bargaining power, and in turn reduce their cost of sales. Meanwhile, sellers who sell products through self-operated online stores typically have easier access to customers and are able to build and enhance their own brand awareness and influence, which is essential for their sustainable long-term development.

Market Size

China has a sizable and steadily expanding cross-border e-commerce export B2C market. According to Frost & Sullivan, the overall market size of China’s cross-border e-commerce export B2C market, as measured by GMV in 2021, was approximately RMB2,738.4 billion, of which 74.5% was attributable to platform-based sellers and 25.5% was attributable to self-operated online stores. The total market share of the top five participants in China’s cross-border e-commerce export B2C market was approximately 6.5% in 2021. The market size of China’s cross-border e-commerce export B2C market attributable to platform-based sellers increased from RMB721.1 billion in 2017 to RMB2,040.1 billion in 2021, and is forecasted to increase constantly and steadily, reaching RMB4,013.9 billion by 2026, representing a CAGR of 14.5% from 2021 to 2026, according to Frost & Sullivan. The market size of China’s cross-border e-commerce export B2C market attributable to self-operated online stores increased from RMB203.4 billion in 2017 to RMB698.3 billion in 2021, and is forecasted to further increase to RMB1,491.0 billion by 2026, representing a CAGR of 16.4% from 2021 to 2026, according to Frost & Sullivan. The following diagram sets forth the historical and forecasted market size of China’s cross-border e-commerce export B2C market by type of participants from 2017 to 2026:

Cross-border E-commerce Export B2C Market in China – Platform-based Sellers & Self-operated Online Stores (2017 – 2026E)



Note: The market size refers to the total GMV generated by platform-based sellers (exports) and self-operated online stores (exports) in cross-border e-commerce export B2C market.

Source: Frost & Sullivan Analysis and Estimates

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Major Sales Channels of China’s Cross-border E-commerce Export B2C Market

To reach the vast online customers and sell products efficiently, a large number of sellers in China’s cross-border e-commerce export B2C market choose to sell products through third-party e-commerce platforms. As a cross-border sales channel, the main function of third-party e-commerce platforms is to provide a virtual platform and extend services to assure and facilitate the trading process between global sellers and customers.

Major third-party cross-border e-commerce platforms include Amazon, eBay, AliExpress and Wish. In 2021, the total market share of these four platforms as measured by GMV amongst that of all e-commerce platforms in the world was approximately 10.6%, according to Frost & Sullivan. The total GMV generated by third-party platform business of these four platforms increased steadily from US\$240.1 billion in 2017 to US\$518.8 billion in 2021, and is expected to reach US\$935.2 billion in 2026 at a CAGR of 12.5% from 2021 to 2026. Amongst those four platforms, Amazon has been bearing the largest market share and accounted for approximately 70.9% of the total GMV generated by third-party platform business of these four third-party e-commerce platforms in 2021, followed by eBay, AliExpress and Wish, which accounted for approximately 16.8%, 9.3% and 3.0%, respectively.

As one of the most active participants on major third-party cross-border e-commerce platforms, China-based sellers generated GMV of US\$228.7 billion on major third-party cross-border e-commerce platforms, namely, Amazon, eBay, AliExpress and Wish, in the year of 2021, accounting for 44.1% of the total GMV generated by all platform-based sellers on such e-commerce platforms in the same year. The following diagram sets forth the historical and forecasted GMV generated by China-based sellers in major third-party e-commerce platforms from 2017 to 2026:

GMV Generated by China-based Sellers on Major Third-Party E-commerce Platforms (2017 – 2026E)



Note: The market size refers to the GMV generated by China-based sellers on Amazon, Wish, eBay and AliExpress.

Source: Frost & Sullivan Analysis and Estimates

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CHINA’S CROSS-BORDER E-COMMERCE EXPORT B2C APPAREL & FOOTWEAR MARKET

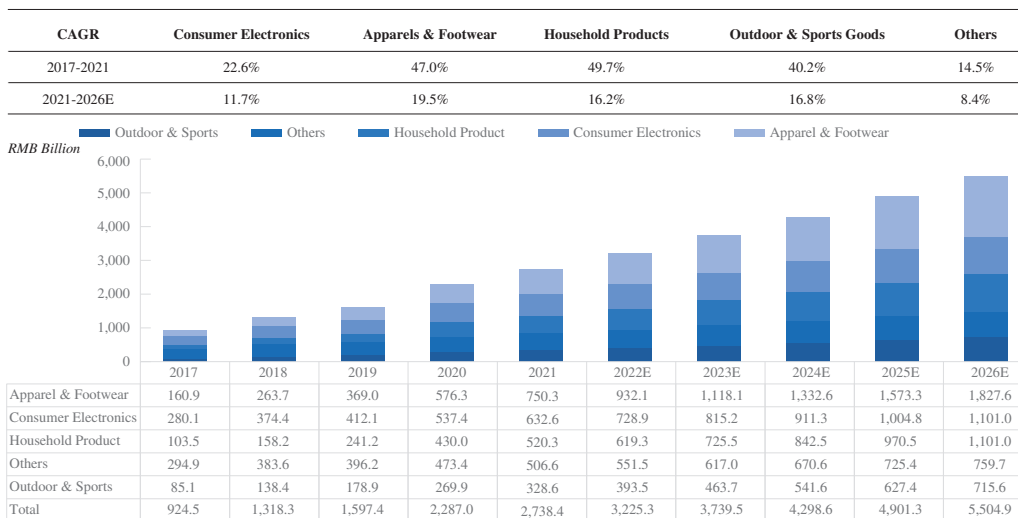
Overview

China’s cross-border e-commerce export B2C industry is segmented by product categories, including consumer electronics market, apparel and footwear market, household product market, outdoor and sports goods market and others. Amongst these markets, consumer electronics market, apparel and footwear market and household product market are the three largest markets. China’s cross-border e-commerce export B2C apparel and footwear industry, comprising apparel market and footwear market, is a significant component of China’s cross-border e-commerce export B2C market. Typical apparel products include overcoats, dresses, skirts, trousers, vests, jackets, tops and blouses. Typical footwear products include athletic footwear, outdoor footwear, casual footwear, dress or formal footwear and footwear accessories.

Market Size

Driven by the development of online sales channels and rising income level of customers, the market share of apparel and footwear in cross-border e-commerce export B2C market, as measured by GMV, increased steadily from 17.4% in 2017 to 27.4% in 2021, becoming the largest component of cross-border e-commerce export B2C market in China in 2021, which is forecasted to further increase to 33.2% in 2026, according to Frost & Sullivan. The following diagram sets forth the historical and forecasted total GMV generated from cross-border e-commerce export B2C market and its components by product category from 2017 to 2026:

China’s Cross-border E-commerce Export B2C Market Breakdown by Category (2017 – 2026E)



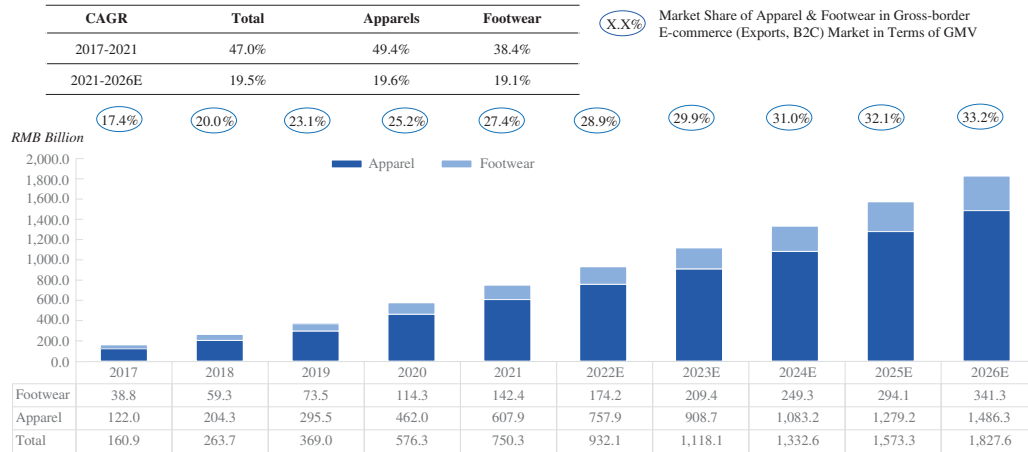
Note: The market size refers to the total GMV generated by platform-based sellers (exports) and self-operated online stores (exports).

Source: Frost & Sullivan Analysis and Estimates

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Cross-border e-commerce export B2C apparel and footwear market in China has achieved significant growth in the past several years and is expected to maintain its growth trend in the next few years. The market size of cross-border e-commerce export B2C apparel industry in China increased from RMB122.0 billion in 2017 to RMB607.9 billion in 2021, and is forecasted to reach RMB1,486.3 billion by 2026, representing a CAGR of 19.6% from 2021 to 2026, according to Frost & Sullivan. Meanwhile, the market size of cross-border e-commerce export B2C footwear industry in China increased significantly from RMB38.8 billion in 2017 to RMB142.4 billion in 2021, and is forecasted to reach RMB341.3 billion by 2026, representing a CAGR of 19.1% from 2021 to 2026. The following diagram sets forth the historical and forecasted GMV of apparel and footwear products generated from cross-border e-commerce export B2C market in China from 2017 to 2026:

GMV of Apparel & Footwear Generated from Cross-border E-commerce Export B2C Platforms in China (2017 – 2026E)



Note: The market size refers to the GMV of apparel and footwear products generated from cross-border e-commerce export B2C platforms.

Source: Frost & Sullivan Analysis and Estimates

Geographical Distribution

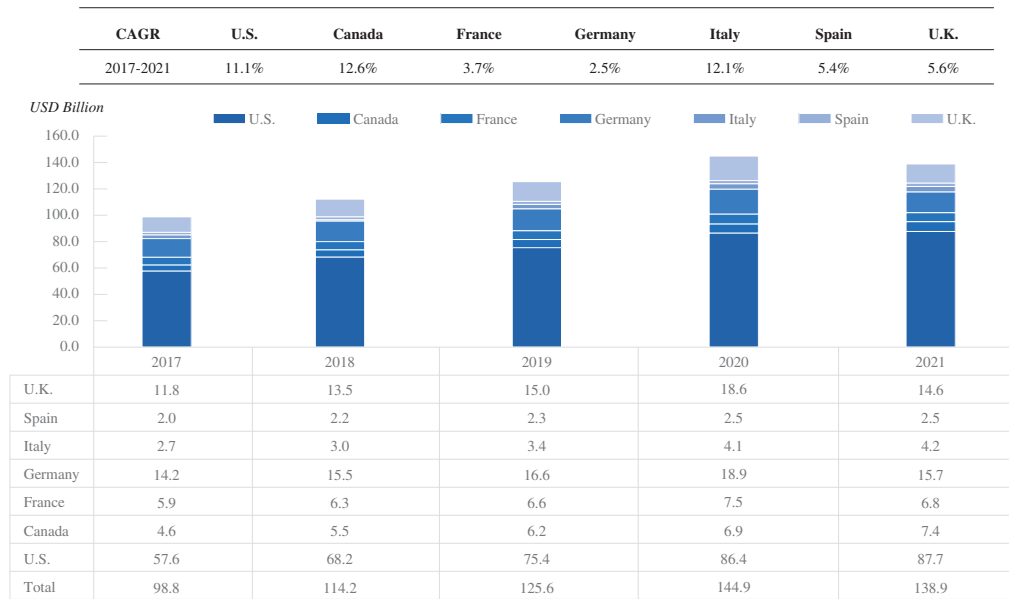
Driven by the continuous development of IT and the penetration of third-party payment, customers across different countries in the world are able to visit the e-commerce platforms and online stores, and search for their ideal products according to the massive product information displayed online. The United States, Canada, Germany, France, the United Kingdom, Italy and Spain have been the major markets of China’s cross-border e-commerce export B2C apparel and footwear industry, as measured by the retail sales value.

From 2017 to 2021, the retail sales value of apparel products to these major countries through e-commerce channels increased from US\$98.8 billion to US\$138.9 billion, according to Frost & Sullivan. Amongst these major countries, the United States contributed the highest

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retail sales value, followed by Germany and the United Kingdom. In particular, retail sales value of apparel products to the United States through e-commerce channels increased from US\$57.6 billion in 2017 to US\$87.7 billion in 2021.

Retail Sales Value of Apparel Products through E-commerce Channels to Major Countries (2017 – 2021)



Note: The market size refers to the online retail sales value of apparel products.

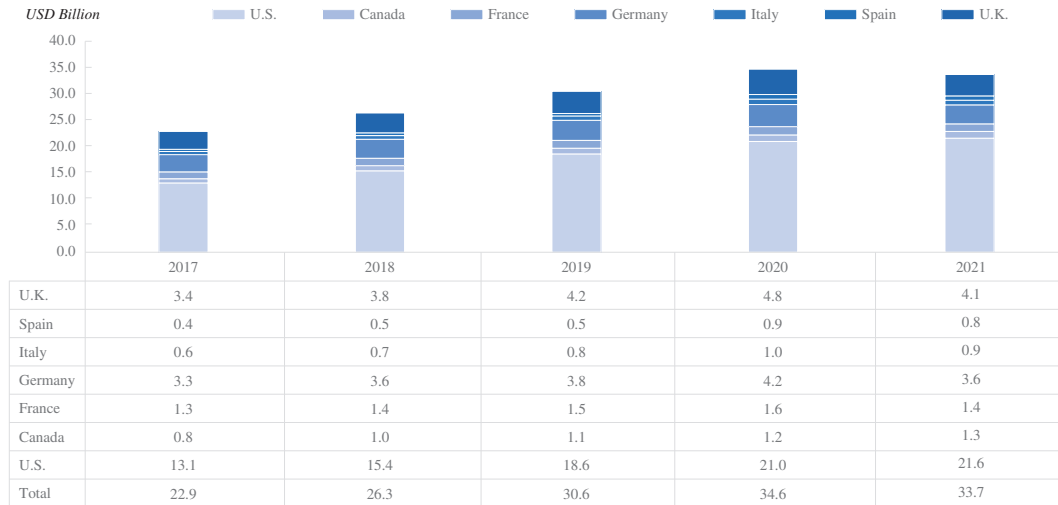
Source: Frost & Sullivan Analysis and Estimates

From 2017 to 2021, the retail sales value of footwear products to these major countries through e-commerce channels increased from US\$22.9 billion to US\$33.7 billion. Similar to the apparel product market, amongst these major countries, the United States also contributed the highest retail sales value, followed by the United Kingdom and Germany, according to Frost & Sullivan. In particular, retail sales value of footwear products to the United States through e-commerce channels increased from US\$13.1 billion in 2017 to US\$21.6 billion in 2021.

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Retail Sales Value of Footwear Products through E-commerce Channels to Major Countries (2017 – 2021)

| CAGR | U.S. | Canada | France | Germany | Italy | Spain | U.K. |
|-----------|-------|--------|--------|---------|-------|-------|------|
| 2017-2021 | 13.2% | 11.9% | 2.6% | 2.7% | 10.6% | 17.6% | 4.9% |



Note: The market size refers to the online retail sales value of footwear products.

Source: Frost & Sullivan Analysis and Estimates

Key Drivers of Cross-border E-commerce Export B2C Apparel and Footwear Industry

Cross-border e-commerce export B2C apparel and footwear industry is driven by the following factors:

- Diversified demands promote market proliferation.** With the increasing e-commerce penetration in the U.S., which is the main export destination for cross-border e-commerce export B2C business, as well as the diversified product offering through online channels, global customers’ demand for apparel and footwear products has been transitioning from price-driven and basic need oriented to personalized, diversified and fashion oriented. The diversified demands for apparel and footwear products vary in occasions, from meeting functional requirements to implicating social identities, which result in the considerate growth in customers’ purchasing frequency and product price, thereby promoting market prosperity. Generally, customers’ purchasing frequency on apparel and footwear products is much higher than non-essentials, indicating the increasingly vast demand from customers and a prosperous market prospect. As the competitive landscape of apparel and footwear industry is extremely fragmented, apparel and footwear sellers can capture emerging opportunities and achieve rapid growth in their respective market segments through providing products of high-quality and good design.

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- ***Customers’ purchasing behaviors are well-cultivated by digitalization.*** Attributable to the increasing internet penetration, particularly on the mobile terminal, apparel and footwear sellers can reach more potential customers. In line with the increased number of sellers utilizing e-commerce sales channels to carry out cross-border apparel and footwear business, more and more customers are getting used to shopping online and enjoying the convenient shopping experience. The cultivation of customers’ online shopping habits has been accelerated by the digitalization of payment process and product display. Through providing abundant information and enabling vivid interaction with customers, the emergence and popularization of the live videos and short videos gradually replace the conventional face-to-face sale, solving the pain points of online sale of apparel and footwear products. In addition, a growing number of people have been getting used to online payment method, which further increases the penetration of e-commerce sales.
- ***Matured and specialized supporting services lower the operating, product procurement and fulfilment costs.*** In line with the increasingly specialized supporting services provided, such as warehousing, logistics and operating services, sellers can improve their operating efficiency and enhance the profit margin through outsourcing certain non-core procedures and focusing on their core competitiveness. Leveraging the accumulated domestic production resources for apparel and footwear products, and the matured and localized warehousing and delivery services in those developed countries, sellers in China are able to integrate resources both domestic and abroad, from upstream to downstream.

Key Entry Barriers of Cross-border E-commerce Export B2C Apparel and Footwear Industry

New entrants into China’s cross-border e-commerce export B2C apparel and footwear industry primarily face the following entry barriers:

- ***Capability to acquire customers (獲客力) – efficient utilization and conversion of user traffic:*** Customer acquisition capability is essential for business expansion and achieving economies of scale. Leveraging their strong market analysis capabilities, platform-based sellers are able to capture customer preference and timely launch products to satisfy the preference of and demand from customers on third-party e-commerce platforms. Sellers who sell products through self-operated online stores attract and retain customers through strengthening the infrastructure of their stores, diversifying their product portfolio and gradually establishing brand awareness amongst customers.

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- ***Capability of operation (運營力) – managing product portfolio across various platforms and attracting customers through multiple channels:*** Numerous factors affect market participants’ operating capability, including among others, efficient mechanism of operation and management, accumulated operating experience in the apparel and footwear industry, in-depth observation and understanding of customers’ preferences. To satisfy customers’ diversified preferences, sellers in the cross-border e-commerce export B2C apparel and footwear industry constantly capture new fashion features, such as decoration details or color, and add them into their product designs to better cater for evolving needs of different groups of customers across regions.
- ***Capability of supply chain management (供應力) – integrating and managing the supply chain:*** With the penetration of e-commerce business model in the apparel and footwear industry, more and more offline sellers attempt to sell products to overseas customers through online sales channels, implicating increasing participants in the cross-border e-commerce export B2C apparel and footwear industry. To control cost and realize profitability, new market entrants need to streamline the supply chain by integrating their resources efficiently. Existing market participants in the industry are also required to further optimize the cost structure of their products through outsourcing production to OEM suppliers and further integrate the upstream of the industry. Some of the market participants in the industry sell through their self-operated online stores, striving to establish brand awareness and enhance their market influence.
- ***Capability to strengthen the product portfolio (產品力) – upgrading and optimizing product portfolio:*** With the development of cross-border e-commerce export B2C apparel and footwear industry, categories of apparel and footwear products sold through online sales channels have been largely increased. Meanwhile, customers’ demands and preferences are diversified and evolving. The ability to timely identify and forecast the latest fashion trends, customer preferences and market demand, and timely reflect in their products is one of the core factors that affect the competitive landscape of the industry participants. Generally, new entrants have less industry expertise in capturing the latest trends, predicting the future sales performance of new products thus are less likely to survive or achieve sustainable growth.
- ***Capability to fulfill the contractual obligation (履約力) – localization of service offering:*** Online customers generally focus more on delivery efficiency and the convenience of product return. As a result, the capability of market entrants to provide the localized service is essential for their competitiveness. Apart from restrictions in financial resources and product supply, new market entrants are more likely to face difficulties in providing localized customer service in the overseas market.

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Key Market Challenges for Cross-border E-commerce Export B2C Apparel and Footwear Industry

Key market challenges for China’s cross-border e-commerce export B2C apparel and footwear industry can be primarily summarized as follows:

- ***Difficulties in differentiating from other competitors.*** There are numerous players in China’s cross-border e-commerce export B2C apparel and footwear market, which makes the market highly fragmented. Market players are likely to face difficulties to differentiate themselves from other competitors due to the relatively homogeneous nature of apparel and footwear products. Due to the low switching cost, it is difficult for market participants to maintain customer loyalty and repurchase rate at a relatively high level.
- ***High requirements on after-sales services and supply chain management.*** Compared with other types of products, apparel and footwear products generally have a relatively high return rate, which places high requirements for the market participants on the after-sales services as well as their capabilities to manage the overall supply chain. Lengthy logistics transportation and complex supply chain structure also create challenges for their business operations.
- ***Reliance on third-party e-commerce platforms.*** In order to benefit from the brand influence and customer traffic of renowned third-party e-commerce platforms such as Amazon and Wish, platform-based sellers in the cross-border e-commerce export B2C industry rely on third-party e-commerce platforms in multiple aspects, such as customer acquisition, logistics and after-sales services, which may pose a challenge to the subsequent business expansion of such platform-based sellers.

Future Trends of Cross-border E-commerce Export B2C Apparel and Footwear Industry

Future trends of China’s cross-border e-commerce export B2C apparel and footwear industry can be primarily summarized as follows:

- ***The increasingly mature products and customer service of cross-border e-commerce business make the strong players stronger.*** At early stage, in order to enter into overseas markets and attract foreign customers, China-based sellers used to provide high quality products at low prices leveraging the benefit of economy of scale, which constituted a highly homogeneous characteristic of cross-border e-commerce export B2C apparel and footwear market. In the long run, China-based sellers strive to enhance efficiency at each stage of the industry chain and enhance self-design capability based on their deep understanding of customer preference and diversified customer demand, and consistently launch new products to meet the evolving demands in the changing market. It is foreseeable that small and medium sized market participants with lower efficiency and limited industry expertise will be eliminated from the market thus further increasing the market concentration.

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- ***Both marketing effectiveness and supply chain management are essential to the market participants.*** In recent years, customers in cross-border e-commerce export B2C apparel and footwear industry have been focusing more on quality, design and cost-effectiveness of the products. It is expected that top players in the industry to have deep insights in the market trends and customer preferences. In addition, market players must also have efficient management on the supply chain, integrating relevant resources while managing the cost, such as labor costs and raw material costs, to achieve high operating efficiency and gain competitive strength.
- ***The development of integrated platforms will enhance industry centralization and cultivate quality e-commerce market participants.*** The increasing penetration of sale of apparel and footwear products through online channels stimulates the diversification of products categories. Leveraging their user traffic, third-party e-commerce platforms are able to achieve mutual complementarity with quality platform-based sellers providing diversified product offering. Meanwhile, increasing market participants with strong product design capability and high operating efficiency choose to establish self-operated online stores to cultivate their brand awareness and accumulate their own customer base.
- ***Enhance the integration of global resources and localized customer service through capital investment.*** With the maturity of cross-border e-commerce export B2C apparel and footwear market, it is foreseeable that overseas customers tend to have higher expectation on customer services and thus the ability to provide enjoyable shopping experience and localized customer service would be increasingly important for industry participants. Meanwhile, integration of the resources along the supply chain, such as raw materials, labor, warehousing and delivery, imposed intense requirement on their capital investment. It can be increasingly difficult for new market entrants to integrate the above-mentioned resources without collaboration with third-party e-commerce platforms.

COMPETITIVE LANDSCAPE AND RANKING

Competitive Landscape of Cross-border E-commerce Export B2C Apparel and Footwear Market in China

As the largest component of China’s cross-border e-commerce export B2C market, China’s cross-border e-commerce export B2C apparel and footwear market took a market share of approximately 27.4% in terms of GMV in 2021. The total market share of the top five participants in China’s cross-border e-commerce export B2C apparel and footwear market was approximately 1.8% in terms of GMV generated through third-party e-commerce platforms in 2021.

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We are one of the leading players in China’s cross-border e-commerce export B2C apparel and footwear market, according to Frost & Sullivan. Market participants in this market primarily compete on (i) brand awareness and customer loyalty; (ii) the diversification of product portfolio; (iii) marketing and promotion; (iv) sales network coverage; (v) operation capabilities; (vi) pricing; and (vii) delivery efficiency.

In 2021, the total market share of the top five participants in China’s cross-border e-commerce export B2C apparel and footwear market in terms of GMV generated through third-party e-commerce platforms in North America market was approximately 2.1%, indicating a highly fragmented market. We ranked first in terms of GMV generated through North America amongst all platform-based sellers in China’s cross-border e-commerce export B2C apparel and footwear market in 2021, holding a market share of 0.7% in the RMB303.0 billion market. Amongst these top five participants, all of them are platform-based sellers who also operate their self-operated online stores. The chart below sets forth the top five participants in China’s cross-border e-commerce export B2C apparel and footwear market in terms of GMV generated through third-party e-commerce platforms in North America market in 2021:

Top Five Participants in China’s Cross-border E-commerce Export B2C Apparel and Footwear Market – by GMV Generated Through Third-party E-commerce Platforms in North America Market (2021)

| <u>Ranking</u> | <u>Company</u> | <u>GMV</u> <i>(RMB in millions)</i> | <u>Market Share</u> % |
|----------------|----------------|--|--------------------------|
| 1 | Our Group | 2,204 | 0.7 |
| 2 | Competitor C | 2,100 | 0.7 |
| 3 | Competitor A | 1,200 | 0.4 |
| 4 | Competitor B | 690 | 0.2 |
| 5 | Competitor E | 195 | 0.1 |

Note: The GMV of apparel and footwear products generated through third-party e-commerce platforms in North America by platform-based sellers in China was RMB303.0 billion in 2021.

We ranked third amongst China’s platform-based sellers in cross-border e-commerce export B2C apparel and footwear market in terms of GMV of apparel and footwear products sold through third-party e-commerce platforms in 2021, holding a market share of 0.4% in the RMB596.5 billion market. Amongst the top five participants in China’s cross-border e-commerce export B2C apparel and footwear market in terms of GMV generated through

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third-party e-commerce platforms in 2021, all of them are platform-based sellers who also operate their self-operated online stores. The chart below illustrates the competitive landscape of these top five participants.

Top Five Participants in China’s Cross-border E-commerce Export B2C Apparel and Footwear Market – by GMV Generated Through Third-party E-commerce Platforms (2021)

| Ranking | Company | GMV <i>(RMB in millions)</i> | Market Share % |
|---------|--------------|---------------------------------|-------------------|
| 1 | Competitor C | 2,800 | 0.5 |
| 2 | Competitor A | 2,700 | 0.5 |
| 3 | Our Group | 2,462 | 0.4 |
| 4 | Competitor B | 2,300 | 0.4 |
| 5 | Competitor D | 480 | 0.1 |

Note: The GMV of apparel and footwear products generated through third-party e-commerce platforms by platform-based sellers in China was RMB596.5 billion in 2021.

Meanwhile, we ranked second in terms of GMV generated through Amazon amongst all platform-based sellers on Amazon in China’s cross-border e-commerce export B2C apparel and footwear market in 2021. We have gradually expanded our business focuses to include Amazon since 2019 and our sale through Amazon grew rapidly. Amongst the top five participants in China’s cross-border e-commerce export B2C apparel and footwear market in terms of the GMV generated through Amazon in 2021, all of them are platform-based sellers who also operate their self-operated online stores. The below chart illustrates the competitive landscape of these top five participants.

Top Five Participants in China’s Cross-border E-commerce Export B2C Apparel and Footwear Market – by GMV Generated Through Amazon (2021)

| Ranking | Company | GMV <i>(RMB in millions)</i> | Market Share % |
|---------|--------------|---------------------------------|-------------------|
| 1 | Competitor C | 2,380 | 1.0 |
| 2 | Our Group | 2,211 | 1.0 |
| 3 | Competitor A | 1,500 | 0.6 |
| 4 | Competitor B | 800 | 0.3 |
| 5 | Competitor D | 190 | 0.1 |

Note: The GMV of apparel and footwear products generated through Amazon by platform-based sellers in China was RMB231.4 billion in 2021.

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The table below sets forth background information of the top competitors listed above:

| Competitors | Background |
|--------------------|--|
| Competitor A | A cross-border e-commerce B2C platform-based seller incorporated in Shenzhen in 2011, possessing more than 100 self-owned brands on eBay, Amazon, AliExpress, Wish, Shopee, Walmart and Lazada, and selling numerous categories of products, including apparel and footwear products, cosmetics, 3C products and baby and maternal products. It is a subsidiary of a public company listed on the Shanghai Stock Exchange in China. |
| Competitor B | A cross-border e-commerce export B2C company incorporated in Guangzhou in 2009, mainly operating its comprehensive self-operated online stores and selling products through eBay, Amazon, AliExpress and Wish. The company sells over 300,000 products in 25 categories and has established stable and sustainable cooperative relations with over 300,000 suppliers. |
| Competitor C | A cross-border e-commerce export B2C company incorporated in Shenzhen in 2012, selling numerous categories of products, including apparel and footwear products, sports and entertainment products and household supplies through Amazon, Walmart, eBay and Wish, as well as its self-operated online stores. The company is in the process of application for an initial public offering on the Growth Enterprise Market of Shenzhen Stock Exchange in China. |
| Competitor D | A cross-border e-commerce export and import company incorporated in Taiyuan in 2003, focusing on the sale of maternal and baby products, electronics, apparel products and household supplies. It is a public company listed on the Shenzhen Stock Exchange in China. |
| Competitor E | A cross-border e-commerce export B2C company incorporated in Shenzhen in 2011, focusing on data analysis, brand marketing and selling electronics and women’s apparel products. |

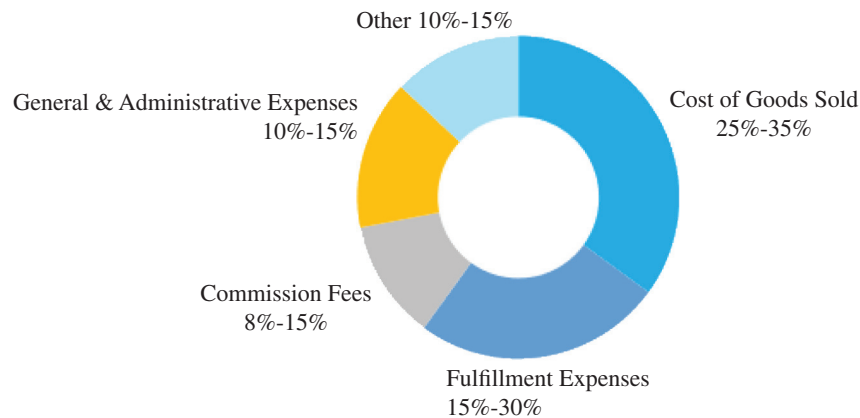
INDUSTRY OVERVIEW

COST ANALYSIS OF CROSS-BORDER E-COMMERCE INDUSTRY AND APPAREL INDUSTRY

Cost Analysis of Cross-border E-commerce Industry

The cost for platform-based sellers in cross-border e-commerce business mainly consists of five categories, namely (i) cost of goods sold; (ii) fulfillment expense; (iii) commission fees; (iv) general and administrative expenses; and (v) others. Amongst them, cost of goods sold accounts for the largest proportion with a share of approximately 25% to 35%. It is foreseeable that the increase of labor cost will continuously increase the cost of goods sold and general and administrative expenses of platform-based sellers in cross-border e-commerce business.

Cost Structure of Cross-border E-commerce Business



Note: Others mainly comprise marketing and advertising expenses and custom clearance tax.

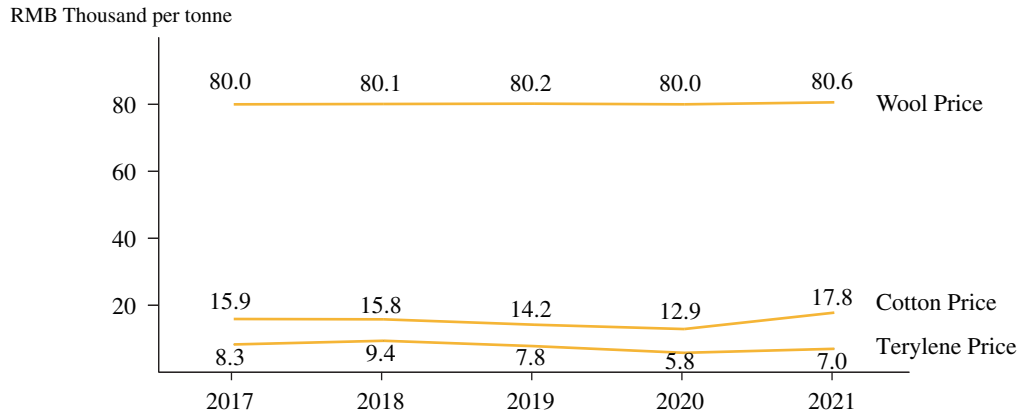
Source: Frost & Sullivan Analysis and Estimates

Cost Analysis of Apparel Industry

Raw materials are essential for the cost management of production process of apparel products. Typically, raw materials for the apparel products can be categorized into natural fibers, such as cotton, flax, wool and silk, and artificial fibers, such as rayon and nylon. In the past five years, the price of main raw materials such as cotton, wool and terylene has been relatively stable. The price of cotton experienced a decrease from approximately RMB15.9 thousand per tonne in 2017 to approximately RMB12.9 thousand per tonne in 2020, then increased to RMB17.8 thousand per tonne in 2021. The price of wool slightly increased from RMB80.0 thousand per tonne in 2017 to RMB80.6 thousand per tonne in 2021. The price of terylene experienced fluctuation during the past five years. It increased from RMB8.3 thousand per tonne in 2017 to RMB9.4 thousand per tonne in 2018, but decreased from RMB9.4 thousand per tonne in 2018 to RMB5.8 thousand per tonne in 2020. Subsequently, the price of terylene increased to RMB7.0 thousand per tonne in 2021.

INDUSTRY OVERVIEW

The Price of Wool, Cotton and Terylene in China (2017-2021)



Source: Frost & Sullivan Analysis and Estimates

IMPACT OF COVID-19 ON CROSS-BORDER E-COMMERCE EXPORT B2C INDUSTRY

Since early 2020, COVID-19 pandemic has demonstrated its adverse impact on the global economy and the cross-border e-commerce export B2C industry. The cancellation of international flight and lock down measures of foreign countries, especially the United States and European countries, negatively affected the cross-border delivery of products.

However, in the long term, the outbreak of COVID-19 is not expected to adversely and severely impact the overall development of cross-border e-commerce export B2C industry. In particular, COVID-19 pandemic has influenced the cross-border e-commerce export B2C industry in the following metrics:

- Changes in customers’ consumption habits.*** Due to strict restrictions on travel and offline business operations during the spread of COVID-19, customers tend to spend more time online and their consumption habits and purchasing behaviour have changed, implicating large growth potential for cross-border e-commerce export B2C industry in the long run.
- Development in supply chain.*** The supply chain of cross-border e-commerce export industry experienced disruption due to the interruptions to logistics services and the suspension of operations of OEM suppliers in regions exposed to high infection risks. In particular, the delivery volume of international direct mail decreased by 46.1% in the first quarter of 2020 compared with that in the first quarter of 2019. To reduce the adverse impact caused by COVID-19, some logistics service providers have been positively improving their logistics infrastructure and expanding the coverage of their overseas warehouses, indicating the sustainable development of supply chain for the cross-border e-commerce export B2C industry.

INDUSTRY OVERVIEW

- ***Rapid expansion of overseas market.*** Considering the success of the anti-pandemic efforts in China, China’s macro economy has recovered at a higher rate comparing to most of the foreign countries. Currently, logistics service providers and OEM suppliers in China have resumed normal operations. Chinese sellers of cross-border e-commerce export B2C industry are seizing this emerging opportunity to diversify their export product offerings and expand their overseas business coverage.
- ***Favorable government policies.*** During the COVID-19 pandemic, multiple government policies favorable to cross-border e-commerce export B2C industry have been promulgated, such as *Guideline on further Stabilizing International Trade Business* (《關於進一步做好穩外貿穩外資工作的意見》) and *Reply of the State Council on Agreeing to Establish Comprehensive Cross-border E-commerce Pilot Zones in 46 Cities and Regions including Xiong’an New District* (《國務院關於同意在雄安新區等46個城市和地區設立跨境電子商務綜合試驗區的批復》). These policies have brought and will continue to bring long-term benefits to cross-border e-commerce export B2C industry in China. Recently, the government further promulgated rules and regulations to support the development of cross-border e-commerce export industry, supporting the establishment of logistics infrastructure and expansion of the coverage of overseas warehouses.