

INDUSTRY OVERVIEW

The information and statistics set out in this section and other sections of this [REDACTED] were extracted from the report prepared by China Insights Industry Consultancy Limited, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged China Insights Industry Consultancy Limited to prepare the CIC Report, an independent industry report, in connection with the [REDACTED]. The information from official government sources has not been independently verified by us, the Joint Sponsors [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.

SOURCES OF INFORMATION

We commissioned China Insights Industry Consultancy Limited, an independent market research consulting firm that is principally engaged in the provision of market research consultancy services, to conduct a detailed study of the fitness markets in China and globally.

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 fitness markets in China and globally. Primary research involved discussing the status of the industry with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports, and available data based on CIC’s own research database. In addition, CIC also conducted a survey, or the “CIC Survey” in March 2023 with a total of 1,000 valid samples to study fitness market in China.

The CIC Report was compiled and the expected growth in the global and China’s fitness markets was estimated based on the following assumptions and factors: (i) that the trend of overall global social, economic, and political environments is expected to remain stable over the next decade; (ii) that related key industry drivers are likely to continue to drive the growth of the global and China’s fitness market during the forecast period; and (iii) that there is no extreme *force majeure* or set of industry regulations that may affect the market situation dramatically or fundamentally. The reliability of the CIC Report may be affected by the accuracy of the foregoing assumptions and factors. To address the impact of COVID-19 on market forecast, it is assumed that the global economy is expected to sustain a protracted and moderate growth since 2022. The reliability of the CIC Report may be affected by the accuracy of the foregoing assumptions and factors.

CIC is an independent consulting firm, which was founded in Hong Kong in 2015. It offers services include industry consulting service, commercial due diligence, strategic consulting, and so on. We have agreed to pay a fee of approximately US\$206,000 to CIC 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 industries where we operate.

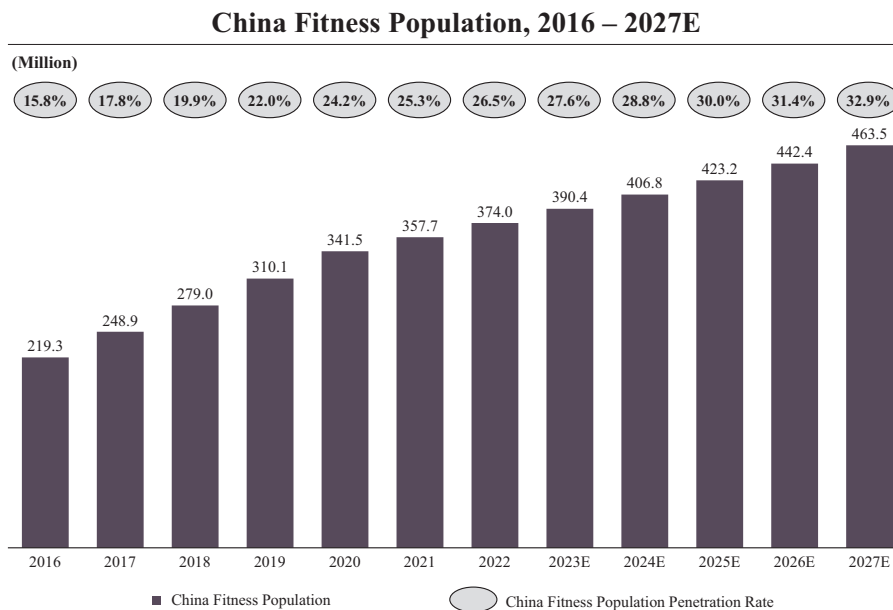
CHINA’S FITNESS MARKET

Driven by growing health awareness, increased access to fitness activities, increased spending in fitness, and access to more affordable fitness products and services, China’s fitness market is growing at an accelerated pace. It is expected that online fitness industry will continue to enjoy a

INDUSTRY OVERVIEW

strong growth with the increasing acceptance of home-gym concept. For the overall fitness industry, the offline fitness industry was more severely impacted by the COVID-19 as most gyms experienced prolonged period of shutdown due to the quarantine policies during the pandemic in 2020, 2021 and 2022. In 2020, the market size of offline fitness membership and classes recorded a decrease of 11.9% in China while the market size of online fitness content segment recorded an increase of 125.9% in China. Furthermore, COVID-19 in certain major cities in China, including Shanghai and Beijing, also impacted both the online and offline segments. For offline segment, due to the temporarily lockdown and quarantine measures taken by the government, offline gyms experienced shut down of an average of three months in Shanghai and over one month in Beijing in the first half of 2022. For online segment, COVID-19 mainly resulted in increased users and usage of online fitness platforms. However, due to the disruptions in supply chain and logistics services, product sales were negatively impacted by the pandemic.

According to the CIC Report, China had the world’s largest fitness population as of December 31, 2022. The fitness population in China, which refers to people who engage in fitness activities more than twice per week, was 374.0 million in 2022 and is expected to reach 463.5 million by 2027, representing a CAGR of 4.4% from 2022 to 2027. The forecasted CAGR of the fitness population in China from 2022 to 2027 is significantly higher than those of the United States and Europe, which are 1.7% and 2.9%, respectively. The following diagram sets forth the historical and forecasted fitness population in China from 2016 to 2027.



Source: the CIC Report

According to the CIC Report, in 2022, the fitness population penetration rate in China, which represents the fitness population as a percentage of the total population in China, was 26.5%, as compared to that of 47.8% in the U.S. and 42.5% in Europe. In particular, the gym membership penetration rate in China was 2.8% in 2022, much lower than that of 19.9% in the U.S. and 7.9% in Europe. According to the CIC Report, the fitness population penetration rate in China is expected to reach 32.9% in 2027. According to the CIC Report, China had the world’s largest fitness population of 374.0 million in 2022, which is expected to reach 463.5 million by 2027. The average annual spending of the fitness population in 2022 was RMB2,518 per person in China, which was much lower than that

INDUSTRY OVERVIEW

of RMB16,425 in the United States, demonstrating significant growth potential, according to the CIC Report. At the same time, the market size of the fitness market in China is expected to increase to RMB2,079.6 billion in 2027 from RMB941.9 billion in 2022, at a CAGR of 17.2%.

Key Growth Drivers of China’s Fitness Market

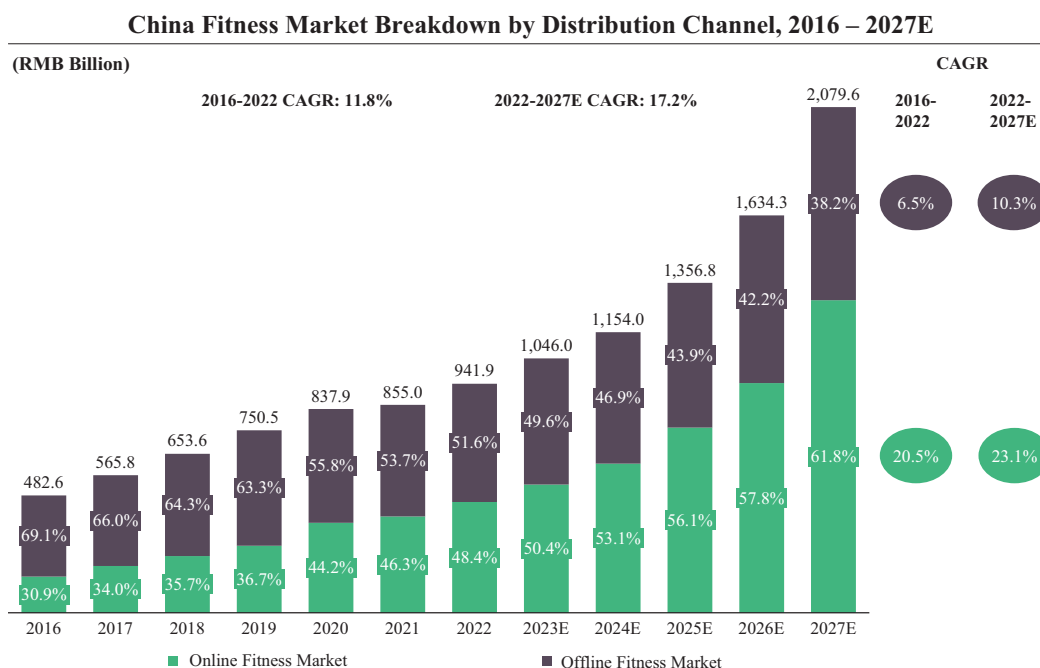
The significant growth potential of China’s fitness market is driven by the following factors:

- *Increasing Disposable Income:* China’s average disposable income per capita increased at a CAGR of 7.3% from RMB26,000 in 2017 to RMB36,900 in 2022, and is expected to grow at a CAGR of 8.3% to RMB47,900 in 2025, according to the CIC Report. As the per capita disposable income in China continues to increase, more people are getting aware of their physical appearance and increasing health awareness. Such trend is expected to stimulate the demand for fitness engagement and will drive the further growth of the market.
- *Expanding Mass-affluent and Emerging Middle Class:* Middle-class and mass affluent population generally have higher income level, higher standard of living, and are more focused on personal health and have higher willingness to purchase fitness services and products. According to the CIC Report, China’s mass-affluent and emerging middle class population, reached 561.9 million in 2020, which signaled an increasing demand for fitness services and products.
- *Young Population:* As younger population in China is generally more well-educated and seeks to build healthy lifestyle, they tend to have higher interest in purchasing fitness products and are more engaged in fitness activities. According to the CIC Report, over 50% of the fitness population in China in 2022 were aged between 18 and 30, and the general young population aged between 18 and 30 in China reached 267.1 million in 2021. Young population in China has been driving and will continue to drive increasing demand for fitness products and activities in China.
- *Government Supports:* Government policies in China in recent years encouraged more investment in the fitness industry to strengthen the fitness infrastructure nationwide. For example, the State Council and China’s Cabinet jointly launched National Fitness Program, which gives guidelines to deepen sports reform, increase participation in fitness activities, and promote fitness activities throughout the country. General Administration of Sport of China also released The 14th Five-Year Plan for Sport Industry Development, which encourages developing “Internet + Fitness” and “IoT+ Fitness” models, increasing the resources of fitness products and services, optimizing the integration of online and offline fitness interaction, and promoting home fitness scenarios and online fitness activities.

China’s fitness market includes: (i) online fitness membership and content, (ii) offline fitness membership and classes, (iii) smart fitness devices, (iv) fitness gear and apparel, and (v) fitness food. Much of the future growth of China’s fitness market will be attributable to China’s online fitness market. In addition, during COVID-19 pandemic, most offline gyms in China experienced temporarily shut down and limited hours of operation. As a result, more and more people are shifting to online fitness platform for content and classes which resulted in much higher growth of the online fitness market compared to that of the offline fitness market. Furthermore, the growing awareness of health and well-being has also led to increased spending on fitness related services and products. According

INDUSTRY OVERVIEW

to the CIC Report, China’s online fitness market accounted for 48.4% of the overall fitness market in China in 2022, and is expected to account for 61.8% in 2027. China’s online fitness market refers to revenue generated from online fitness memberships and content, and online sales of smart fitness devices, fitness gear and apparel, and fitness food. The following diagram sets forth the historical and forecasted market size and breakdown of the fitness market in China from 2016 to 2027.

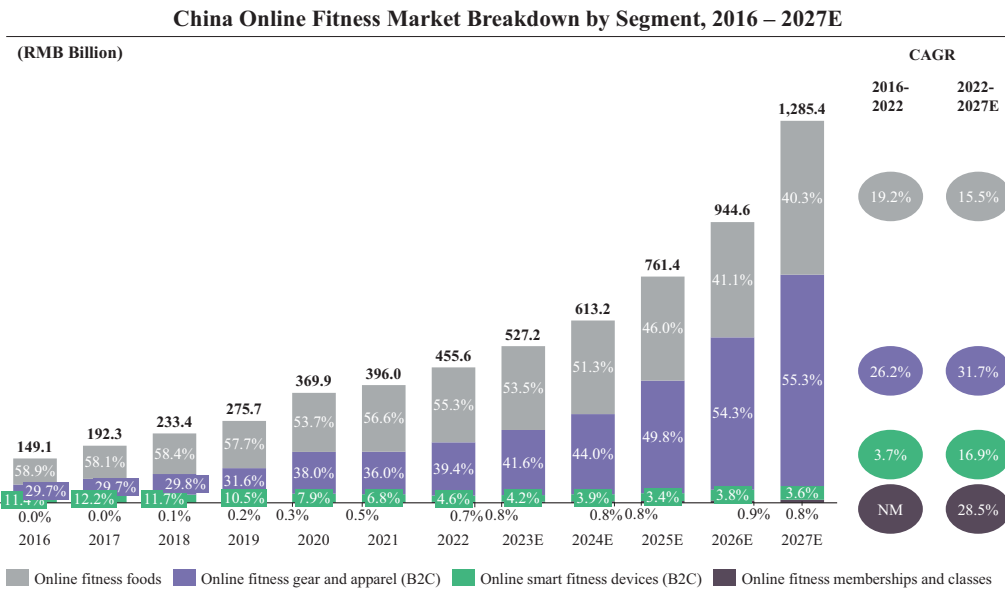


Source: the CIC Report

CHINA’S ONLINE FITNESS MARKET

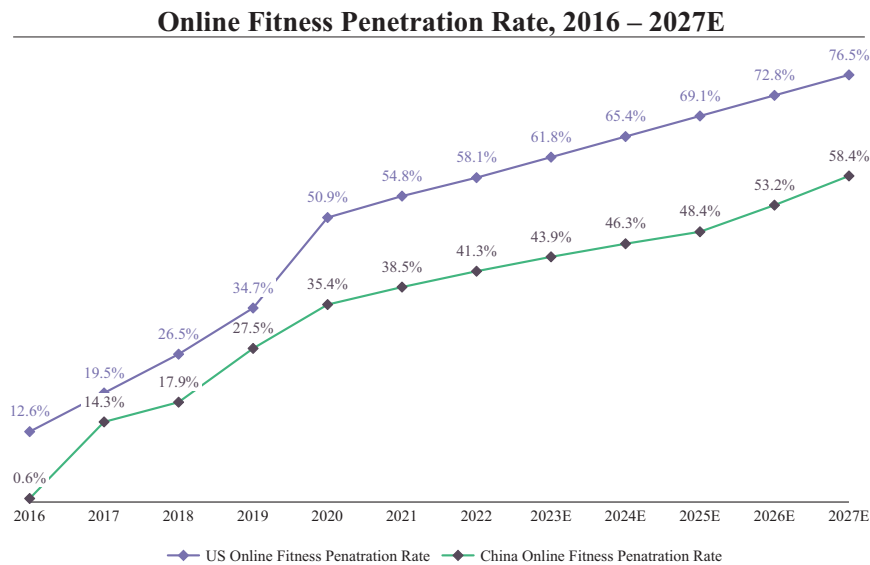
Advanced technologies, such as big data and artificial intelligence, and wide digitalization have been transforming the way people engage with fitness. Supported by increased internet penetration and digitalization in the fitness industry, the online fitness market in China has been growing rapidly. According to the CIC Report, the online fitness market in China reached RMB455.6 billion in 2022 and is expected to increase to RMB1,285.4 billion in 2027, representing a CAGR of 23.1%. In addition, all sectors within the online fitness market in China are growing faster than the offline fitness market in China. In particular, according to the CIC Report, the revenue generated from online fitness memberships and content are expected to grow at a CAGR of 28.5% from 2022 to 2027, significantly higher than the CAGR of 7.6% for offline fitness memberships and classes for the same period. Similarly, revenue generated from online fitness gear and apparel is expected to grow at a CAGR of 31.7% from 2022 to 2027, as compared to the CAGR of 11.2% for offline fitness gear and apparel sales for the same period, according to the CIC Report. The following diagram sets forth the historical and forecasted market size and breakdown of the online fitness market in China from 2016 to 2027.

INDUSTRY OVERVIEW



Source: the CIC Report

The online fitness population penetration rate refers to the annual average online fitness monthly active users as a percentage of the average monthly number of fitness population, which refers to people who engage in fitness activities more than twice per week. In 2022, China’s online fitness population penetration rate reached 41.3%, as compared to 58.1% in the United States, according to the CIC Report. As various key factors continue to drive the growth of China’s online fitness market, the online fitness population penetration rate in China is expected to reach 58.4% by 2027, according to the CIC Report.



Source: the CIC Report

INDUSTRY OVERVIEW

KEY GROWTH DRIVERS OF CHINA’S ONLINE FITNESS MARKET

The following factors have contributed to, and will continue to drive the growth of China’s online fitness market:

- *Active internet users and increased dependency on online services:* The wide adoption of smartphones boosted mobile internet user growth in China in the past few years. According to the CIC Report, the total number of mobile internet users reached 1,029 million with a penetration rate of approximately 73% in 2022. At the same time, the average daily time spent on mobile apps of China’s mobile internet users also exceeded 250 minutes in 2022, approximately 70% of which were spent on mobile apps for online content, according to the CIC Report. The well-established mobile internet infrastructure in China and extensive mobile phone usage enable convenient access to online fitness content, driving further growth in China’s online fitness population.
- *Prevalence of fitness workouts at home that are suitable for all athletic levels:* Affordable fitness workouts at home have become a compelling alternative to gym memberships, leading to increased demand for online fitness content. In addition, offline gyms are not suitable for all, in particular those beginners without experience on using gym equipment or knowledge of gym workout plans. These people may feel more comfortable exploring fitness content at home. Online fitness platforms offer a comprehensive solution to address users’ varying fitness needs and athletic levels. According to the CIC Survey, 89.8% of the respondents spent more time on online fitness platforms in 2022 compared to 2021.
- *Increasing willingness to pay for fitness content:* Gym memberships and offline training courses have an average price of RMB394 per month in China in 2022, according to the CIC Report. Online fitness platforms have lower operating costs and offer free fitness content and more affordable membership subscriptions. Users have gradually realized the value propositions from online fitness memberships, which offer personalized fitness curriculums, access to premium fitness content, and discounts on fitness gear and food. In addition, the young generation also attaches greater importance to fitness and health and are more willing to pay for online fitness content. As a result, according to the CIC Report, the online fitness subscription penetration rate was increasing in the past few years and reached 5.6% in 2022.
- *Availability of professional online fitness content and engaging online fitness communities:* The lack of professional and qualified trainers, particularly in lower-tier cities, has been a pain point in the fitness industry in China. According to the CIC Report, the offline gym membership penetration rate in tier-3 and below cities was only 1.4% in 2022, as compared to 5.6% in tier-2 and above cities in China. Online fitness platforms attract users with easily accessible content developed and demonstrated by fitness professionals through a variety of formats, such as pre-recorded video courses and live streaming classes. Furthermore, engaging fitness communities formed on online fitness platforms create a social and interactive layer to online fitness.
- *Evolving customer behavior:* Consumers in China are more receptive to online content and inclined to purchase products and services through online channels, this trend is more particularly more prevalent in the younger generation. In addition, there has been growing mindshare and support for domestic brands especially among the younger generation in China due to the improvement in overall competitiveness of domestic brands in terms of

INDUSTRY OVERVIEW

product innovation, design, technology, value for money and customer reputation. Such evolving consumer mindset and behavior are expected to further drive the growth of China’s online fitness market.

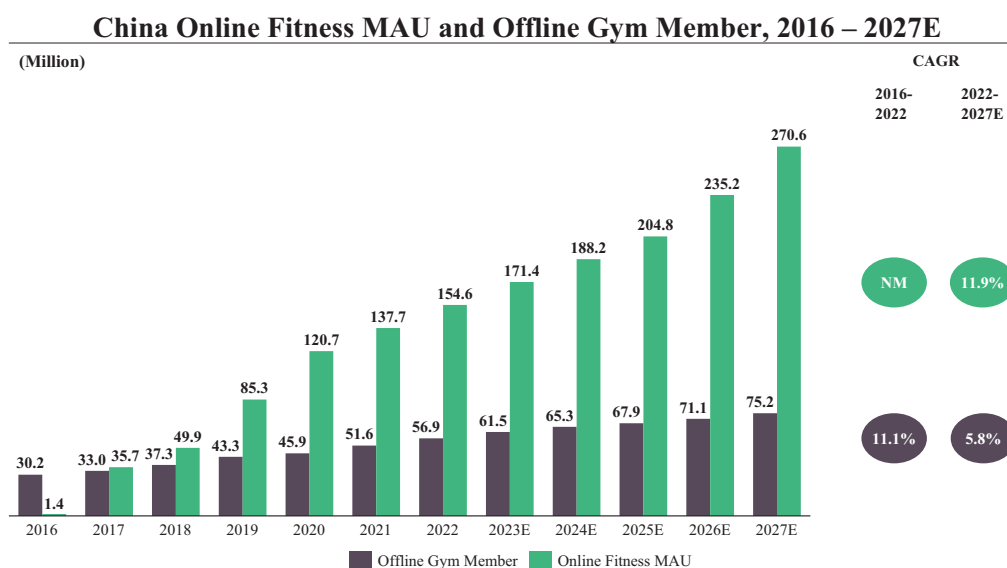
Trends of China’s Online Fitness Market

The online fitness market in China has been demonstrating the following trends.

- *Higher market concentration:* According to the CIC Report, the aggregated MAUs of top 10 online fitness content platforms in 2022 accounted for over 75% of the total users in China’s online fitness content platforms. It is expected that players with high market concentration will sustain market positions by attracting and retaining users with high-quality fitness content offerings.
- *More professional and interactive online fitness content:* As online fitness gains a growing popularity, there will be increasing demand for more professional and specialized content that can cater to users’ personalized fitness demand. In addition, online fitness content is also expected to be delivered in various formats, such as structured courses, long videos and short videos, and live streaming, among others, to provide users with a more interactive and engaging workout experience.
- *Further integration with fitness hardware:* Home fitness hardware products and software-based fitness content platforms are expected to be further integrated to enable a more robust, real-time and smart fitness assistant for users.

CHINA’S ONLINE FITNESS MEMBERSHIPS AND CONTENT SECTOR

According to the CIC Report, the annual average MAUs for online fitness memberships and content grew from approximately 1.4 million in 2016 to 154.6 million in 2022, and is expected to reach 270.6 million by 2027, representing a CAGR of 11.9% from 2022 to 2027. Online fitness memberships and content refer to fitness workout courses with or without fitness gear and other fitness video content developed for the fitness population. In comparison, the total number of offline gym members in China is expected to grow to 75.2 million in 2027 from 56.9 million in 2022, representing a lower CAGR of 5.8%, according to the CIC Report. The following diagram sets forth the historical and forecasted MAUs of online fitness memberships and content and offline gym members in China from 2016 to 2027.



Source: the CIC Report

INDUSTRY OVERVIEW

China’s fitness industry is still at the early stage of digitalization. In 2022, the online fitness subscription penetration rate was 5.6% in China, as compared to 11.5% in the U.S., according to the CIC Report. Compared with other industries, such as online music and online video, the current online fitness subscription penetration rate is significantly lower in China. Revenue from online fitness memberships and content in China are expected to experience strong growth driven by the increasing online fitness population, greater demand for premium and personalized fitness content and increasing online fitness subscription penetration rate. According to the CIC Report, the online fitness memberships and content sector in China is expected to grow from RMB2,984.5 million in 2022 to RMB10,474.5 million by 2027, at a CAGR of 28.5%, which is the fastest growing sector in China’s online fitness market.

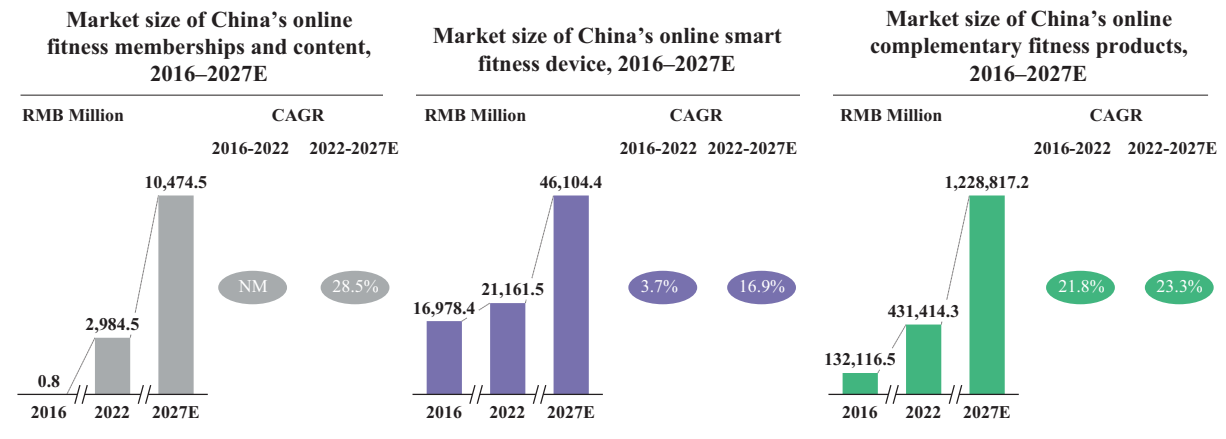
CHINA’S ONLINE SMART FITNESS DEVICE SECTOR

The online smart fitness device sector in China refers to online sales of smart fitness devices used for fitness. Key categories of smart fitness devices in China include smart bikes, fitness wristbands, smart scales, and treadmills. These smart fitness devices typically provide a smart fitness experience for users based on fitness data. According to the CIC Report, the online sales of smart fitness devices in China grew from RMB17.0 billion in 2016 to RMB21.2 billion in 2022, representing a CAGR of 3.7%, and are expected to continue to grow at a CAGR of 16.9% to reach RMB46.1 billion by 2027. The growing demand for smart fitness devices can be attributed to the increasing demand for users to keep track of various fitness data, such as heart rate, sleep, calories burnt, and others. Furthermore, as the fitness population seeks a more immersive and interactive fitness experience, the industry participants start to offer more fitness solutions that integrate software and hardware, making smart fitness devices more popular.

CHINA’S ONLINE COMPLEMENTARY FITNESS PRODUCTS SECTOR

The online complementary fitness products sector refers to online sales of (i) fitness gear, such as dumbbells, yoga mats, kettlebells, and other fitness tools and equipment without smart features, (ii) fitness apparel, and (iii) fitness food, including meal replacements, fitness nutrition supplements and pre-prepared fitness meal plans. According to the CIC Report, the online sales of complementary fitness products in China grew from RMB132.1 billion in 2016 to RMB431.4 billion in 2022, representing a CAGR of 21.8%, and are expected to grow at a CAGR of 23.3% to reach RMB1,228.8 billion by 2027. The fitness population increasingly looks to equip themselves with innovative and functional fitness gear, and complement their workout sessions with fitness food to optimize training results. In addition, the increasingly personalized fitness curriculums also drive the demand for personalized fitness gear, apparel and diet programs. The following diagrams set forth the historical and forecasted market size of online fitness market by sectors in China from 2016 to 2027.

INDUSTRY OVERVIEW



Source: the CIC Report

RAW MATERIAL AND COMPONENTS PRICE ANALYSIS OF CHINA'S ONLINE FITNESS MARKET

The price of raw material and components of China's online fitness market varies among different product categories. For example, the major raw materials and components of smart fitness devices include motors and chips, among others, while the major raw materials and components of complementary fitness products include fabric and textile, among others. As most online fitness platforms tend to focus on fitness content and the operation of platform and outsource the production and raw material and component purchasing to third-party manufacturers, the fluctuation of the price of raw materials and components generally has limited impact on online fitness platforms. The cost of raw materials and components may still be subject to industry-wide shortages at times and may experience significant commodity pricing fluctuations. In particular, the price of the chips increased significantly since 2020 due to supply shortage and may continue to grow in the future if shortage continues.

COMPETITIVE LANDSCAPE

Key constituents in China's online fitness market include fitness apps, video apps, livestreaming apps, fitness vloggers, smart fitness device brands and manufacturers, and fitness product brands. Online fitness platforms may compete with other market players such as video apps and live streaming apps for advertising revenue and fitness product brands and smart fitness device brands and manufacturers for product sales. Benefiting from the ability to integrate online contents with offline experience and develop an active fitness community, online fitness platforms enjoy a favorable competitive advantage over other types of players in the online fitness industry.

In comparison with other online channel such as video apps and livestreaming apps, fitness training videos from influencers on free video-streaming platforms are typically generated at will as a type of “content creation” by these individual users who may not possess professional knowledge and structured training. Nor do they organize their fitness content creation in a systematic manner. Fitness influencers' fitness content on other free online platforms also lacks quality and consistency in terms of video editing, language/subtitles, audio quality, recording background, disruption from advertisement, video length, among others, which leads to less desirable fitness experience that discourages users to follow or complete a workout. Meanwhile, the fitness content on online fitness platforms cater into

INDUSTRY OVERVIEW

users’ strong exercise intent when they log on the app and focus on an interactive “work-out” experience. These platforms aim to encourage users to actually participate in and complete workout sessions rather than browsing fitness videos casually.

Major products in the smart fitness device segment include smart bikes, smart wristbands and treadmills, among others. Major players in the market include online fitness platform, consumer electronics brands and fitness device brands. Our Company ranked first in smart bikes as of December 31, 2022 in China in terms of the accumulative GMV of bikes sold.

For complementary fitness products, the market is highly fragmented considering the variety of products in this segment. Major players are globally well-known sporting goods brands. However, in certain product categories, there are emerging brands that focus on such niche segment and enjoyed high growth in recent years. Our Company is China’s largest yoga mat brand in terms of GMV in 2022, with a 18.3% market share in the premium yoga mat market.

Among all the online fitness platforms with launch of fitness apps and offering of online content, our Company ranked first in China in terms of 12-month average MAUs and 12-month average monthly subscribing members in 2022, both more than double those of any individual competitor, according to the CIC Report. In addition, our Company also ranked first among online fitness platforms in terms of the number of workout sessions in 2022, according to the CIC Report.

Ranking of China’s Online Fitness Platforms in 2022

Ranking	Players	12-month average MAU (million)	12-month average monthly subscribing members (million)	Number of workout sessions completed (billion)
1	Our Company	36.4	3.62	2.1
2	Platform A ⁽¹⁾	8.7	0.26	0.5
3	Platform B ⁽²⁾	7.5	0.51	0.3
4	Platform C ⁽³⁾	6.1	0.42	0.2
5	Platform D ⁽⁴⁾	3.0	0.11	0.1

Source: the CIC Report

Notes:

- (1) Founded in 2016, Platform A is an online fitness platform which mainly offers health monitor services along with exercise and online fitness lessons. Platform A is owned by one of the leading global providers of information and communications technology (ICT) infrastructure and smart devices. The revenue of the Platform A is mainly from the sales of smart fitness devices.
- (2) Founded in 2019, Platform B is an online fitness platform which initially acted as a step counter app and provides rewards for users. It has launched online fitness lessons and online fitness stores. The revenue of Platform B is mainly from online advertising.
- (3) Founded in 2010, Platform C is an online fitness platform that offers online fitness lessons and health monitor services. The revenue of Platform C is mainly from online advertising.
- (4) Founded in 2018, Platform D is an online fitness platform that offers step counter, running records and online fitness lessons. The revenue of Platform D is mainly from online advertising.

According to the CIC Survey, our Company also ranked highest in the following aspects:

- Our Company ranked first in terms of brand awareness among fitness apps and smart fitness device brands, as 77.5% of fitness users in China and 72.7% of smart fitness device users in China knew of the *Keep* mobile app.
- Our Company had the highest market share in online fitness apps market and smart fitness devices market of 30.8% and 25.7%, respectively, among fitness population in China.

INDUSTRY OVERVIEW

Key Entry Barriers to China’s Online Fitness Market

The online fitness market in China demonstrates the following entry barriers.

- *Massive user base and active community.* The capability to develop a large and vibrant user base and engaging community is one of the key entry barriers to China’s online fitness market. Interaction among users that are gathered by common topics based on the community’s professional content can generate enormous influences in terms of boosting brand affinity and helping appeal and retain more users. An online fitness community can outperform its peers if it has a vast number of active users. By properly stimulating users’ enthusiasm on online fitness platforms, coupled with premium content, market participants can gradually foster a vibrant community culture, thereby enhancing user loyalty and attracting more potential users, which in turn generates a positive feedback loop.
- *Strong brand recognition.* It is difficult for online platforms to build brand awareness, trust, and deep connection with their users. This would require company’s continuous excellence in content and product offerings and iteration, deep customer insight, differentiated value proposition, and strategic brand positioning. The ability to become a leading and well-recognized brand in China’s online fitness market, particularly among the young generation with growing attention to personal health and wellness, will bring strong and long-lasting brand equity that can support market participant’s long-term growth.
- *Capability to sustainably develop high-quality and innovative content at scale.* Comprehensive interactive content has been and is expected to remain a critical element for the development of online fitness communities. Content, including diverse online training courses to improve core strength, lose weight and for rehabilitation, should be as multi-dimensional, professional, and systematic. Those market participants who are able to continually generate and upgrade a wide range of interactive fitness content can better attract and obtain users.
- *Extensive product offerings.* To ensure the steady development of an online fitness community, online platforms offer a large variety of fitness-related products to satisfy their users’ various needs, which also provides a means to further stimulate the company’s revenue. Users not only focus on engaging in fitness activities, but also value the effectiveness of workouts, especially with the assistance of a wide selection of products. To support such broad offering of products, it is also critical to build up a robust supply chain system to streamline numerous production lines, organize stock keeping units (SKUs) and provide manage fulfillment and logistics services in an efficient manner.
- *Offering an integrated online-to-offline fitness experience.* A one-stop comprehensive fitness solution is increasingly valued nowadays. As consumers are spending more time on the internet, they tend to find a way to keep fit more easily and conveniently, which accordingly requires a practical solution to accommodate their daily routines. Market participants that can offer solutions connecting online service with offline products for the benefit of users are usually more well-positioned to play a dominant role in the market.
- *Advanced technologies.* Technology plays a fundamental role in the development of a vibrant online community. People expect that their workout efficiency can be improved as the platforms receive and analyze their past fitness activities and provide suggestions to enhance their fitness performance. Hence, the ability to apply advanced, especially AI-driven, technologies to fitness contents, products and devices has become vitally important for online platforms to build sustainable competitive advantage.