INDEPENDENT MARKET RESEARCH
CHINA'S CROSS-BORDER DIGITAL MARKETING SERVICES MARKET STUDY

Confidential for

Powerwin

Frost & Sullivan

Mar 2023

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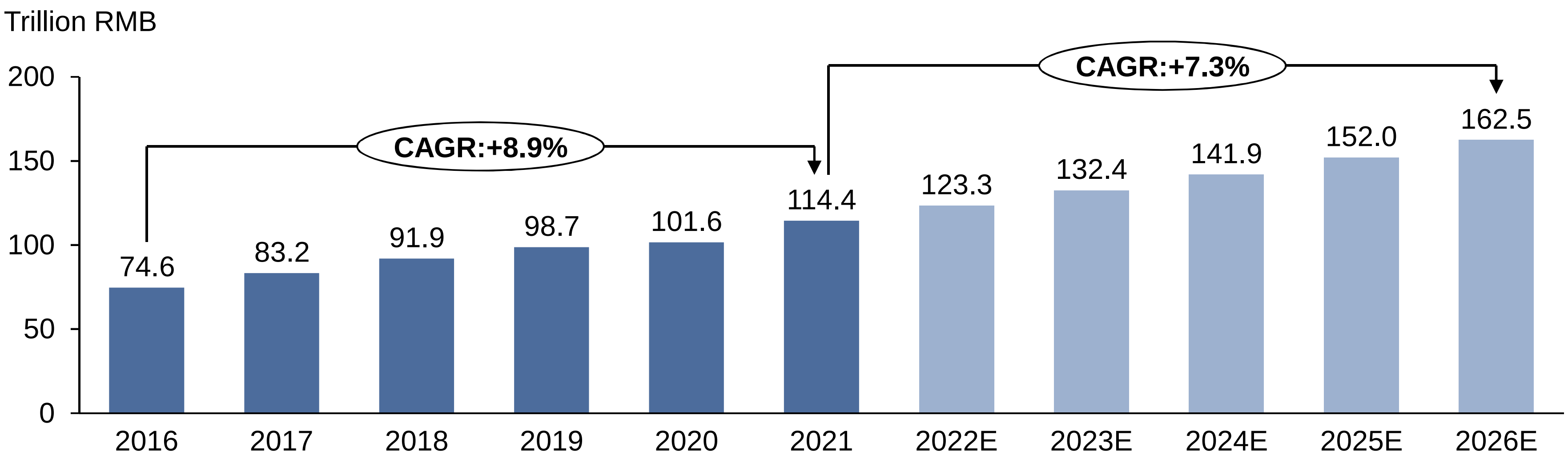
Overview of China's Macro Economy

Nominal GDP Analysis

Nominal GDP (China), 2016 - 2026E



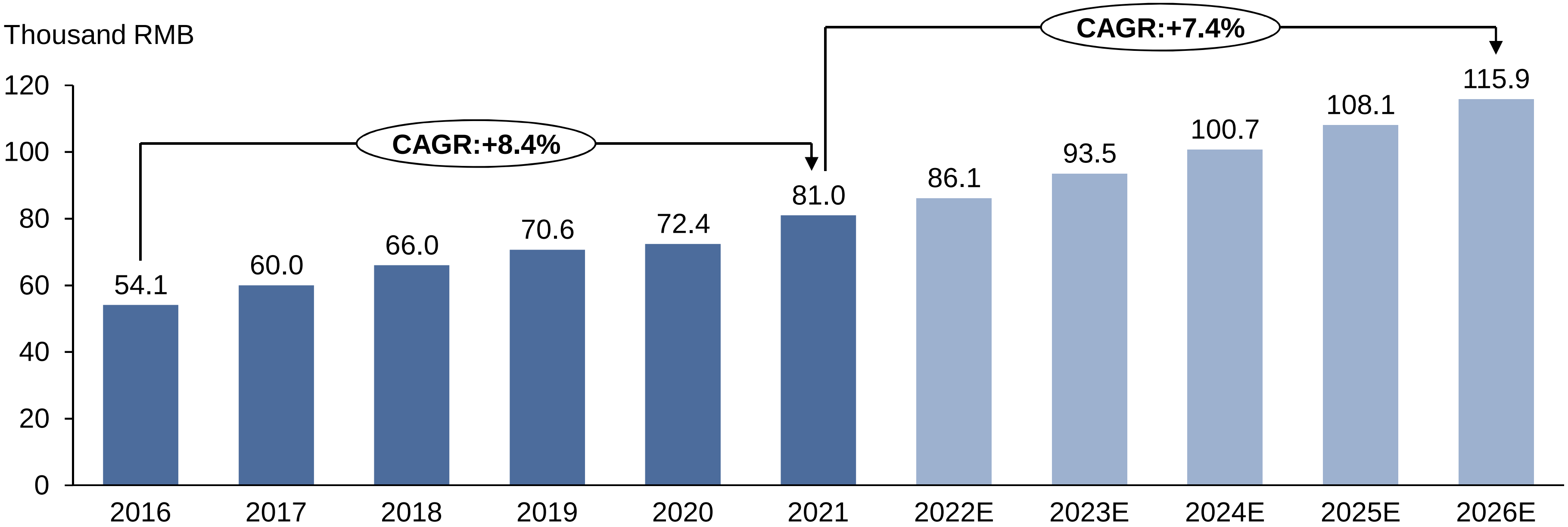
- According to the National Bureau of Statistics of China, the Chinese economy grew at a CAGR of 8.9% from 2016 to 2021. Going forward, the Chinese authorities are likely to maintain the consistency and stability of macroeconomic policies so as to maintain macroeconomic stability. In the meantime, structural adjustment of the economy is predicted to be strongly pushed forward by the Chinese authorities to improve the quality and efficiency of economic development. The Chinese economy is likely to transfer from an investment-driven model to a consumption-driven model with the share of final consumption in GDP picking up. Under this trend, the Chinese economy is likely to maintain a sound and healthy development. According to the International Monetary Fund (IMF), the Chinese economy is forecasted to keep growing at a CAGR of 7.3% from 2021 to 2026.
- The Chinese government is working to mitigate the negative impact of COVID-19 on the economy, through anti-crisis measures, liquidity provision, fiscal measures, and financial support. The Chinese economy has been adversely affected since late January 2020 and is taking steps to gradually recover as enterprises in China started to reopen in February 2020. According to the Ministry of Industry and Information Technology of the PRC, by the end of March 2020, 98.6% of the industrial enterprises with annual revenues of no less than RMB20 million, and over 70% of the small and medium-sized enterprises in China had resumed their operations. By April 8, 2020, the lockdown of Wuhan had ended. China's economy has gradually back to normal in the second half of 2020 and is expected to keep stable in the long term.

Source: National Bureau of Statistics, Frost & Sullivan Analysis

Overview of China's Macro Economy

Per Capita Nominal GDP Analysis

Per Capita Nominal GDP (China), 2016 - 2026E



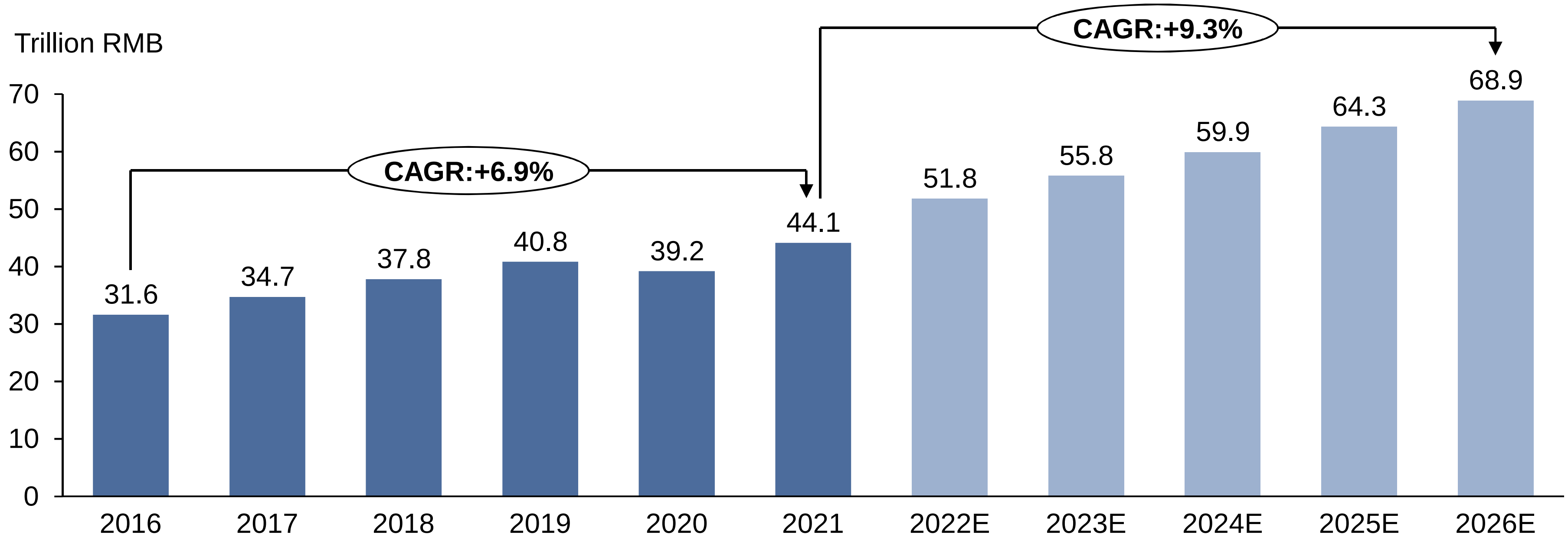
- As total population of China has remained and is expected to remain stable in the future, the growth of per capita GDP is in line with the growing Chinese economy. Per capita nominal GDP in China has kept growing at a fast pace over the past and is expected to maintain the solid growth. For 2021, the per capita nominal GDP in China has reached RMB81.0 thousand.
- In the future, with the sound growth of the Chinese macro economy, the per capita nominal GDP in China is also likely to maintain a steady growth. According to the International Monetary Fund (IMF), the per capita nominal GDP in China is predicted to reach RMB115.9thousand in 2026, growing at a CAGR of 7.4% from 2021.

Source: National Bureau of Statistics, Frost & Sullivan Analysis

Overview of China's Macro Economy

Retail Sales of Consumer Goods Analysis

Total Retail Sales of Consumer Goods (China), 2016 - 2026E



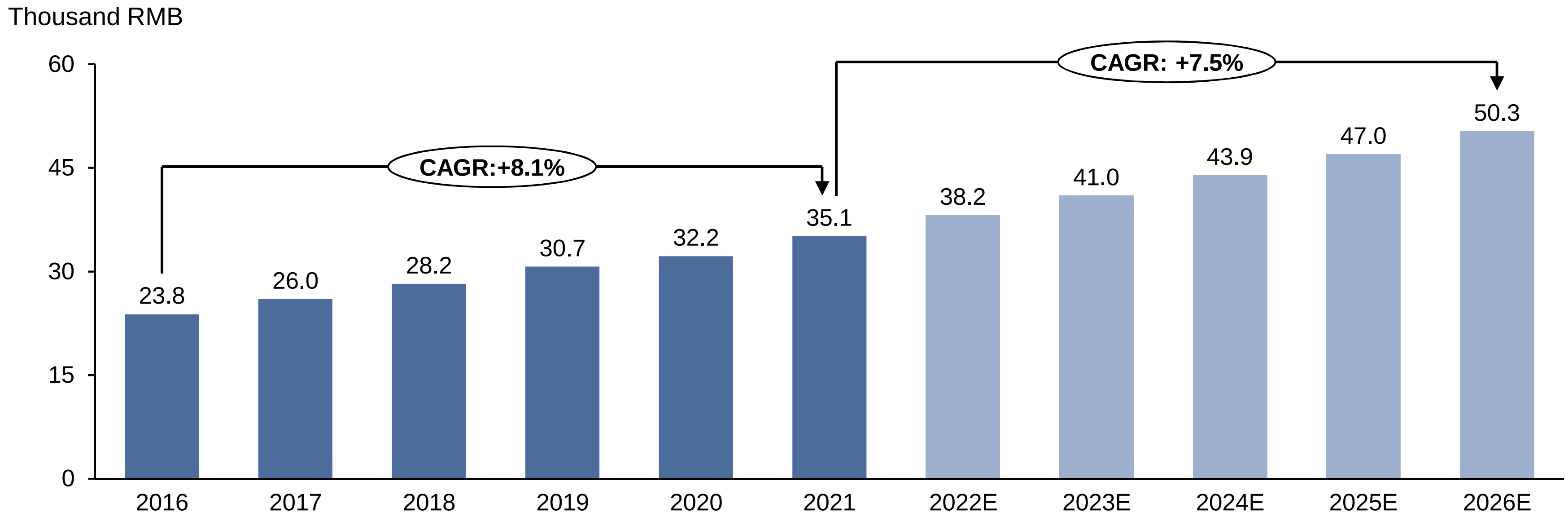
- Total retail sales of consumer goods directly reflects the total amount of merchandise that is sold to consumers. The total retail sales of consumer goods has increased from RMB31.6 trillion in 2016 to RMB44.1 trillion in 2021 with a CAGR of 6.9%. Total retail sales of consumer goods slightly dropped in 2020 due the COVID-19 outbreak and it started to grow back to normal after Chinese government effectively controls the issue of COVID-19.
- Along with increasing China's nominal GDP and per capita annual disposal income, total retail sales of consumer goods is expected to increase to RMB68.9 trillion in 2026 at a CAGR of 9.3% from 2021. Along with the recovery from the impact of the COVID-19, there's an significant growth of total retail sales of consumer goods from 2020 to 2021, contributing to a rapid CAGR from 2021 to 2026. Total retail sales of goods is expected to grow with a CAGR of 9.3% from 2021 to 2026.

Source: National Bureau of Statistics, Frost & Sullivan Analysis

Overview of China's Macro Economy

China's Per Capita Annual Disposable Income

Per Capita Annual Disposable Income (China), 2016 - 2026E



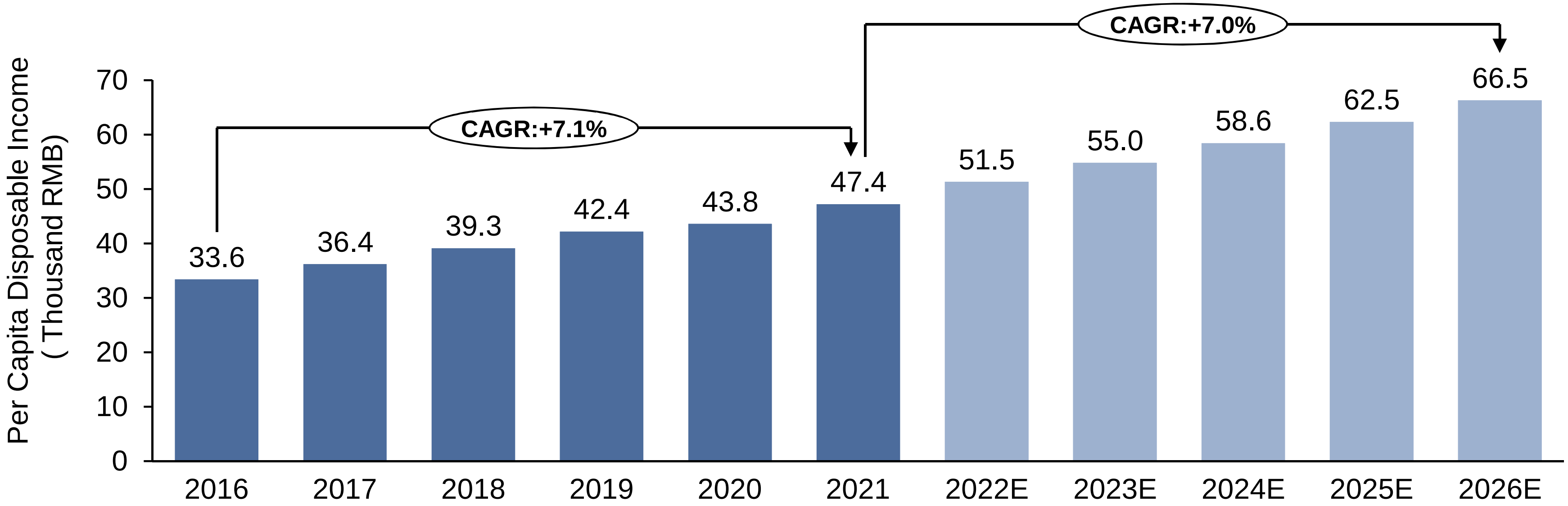
- Together with the continuous growth in economy and urbanization, the average income level of Chinese households has also increased continuously in recent years. In 2021, the per capita annual disposable income has increased to RMB35.1 thousand in 2021 from RMB23.8 thousand in 2016.
- The growth of Chinese per capita annual disposable income has demonstrated positive effect on Chinese residents' purchasing power. Based on the prediction of steady increase of nominal GDP and urbanization rate in China for the next five years, which are expected to increase to RMB162.5 trillion and 74.2% in 2026 respectively, Frost & Sullivan estimates that by 2026, the per capita annual disposable income in China is expected to increase to RMB50.3 thousand with a CAGR of 7.5% from 2021.

Source: National Bureau of Statistics, IMF

Overview of China's Macro Economy

Per Capita Annual Disposable Income of Urban Households

Per Capita Annual Disposable Income of Urban Households (China), 2016 – 2026E



- Together with the continuous growth in economy and urbanization, the average income level of Chinese households has also increased continuously in recent years. In 2021, the per capita annual disposable income of urban households has increased to RMB47.4 thousand in 2021 from RMB33.6 thousand in 2016.

- The growth of Chinese per capita annual disposable income of urban households has demonstrated positive effect on Chinese residents' purchasing power. Based on the prediction of steady increase of nominal GDP and urbanization in Mainland China for the next five years, which are expected to increase to RMB162.5 trillion and 74.2% in 2026 respectively, Frost & Sullivan estimates that by 2026, the per capita annual disposable income of urban households is expected to increase to RMB66.5 thousand with a CAGR of 7.0% from 2021.

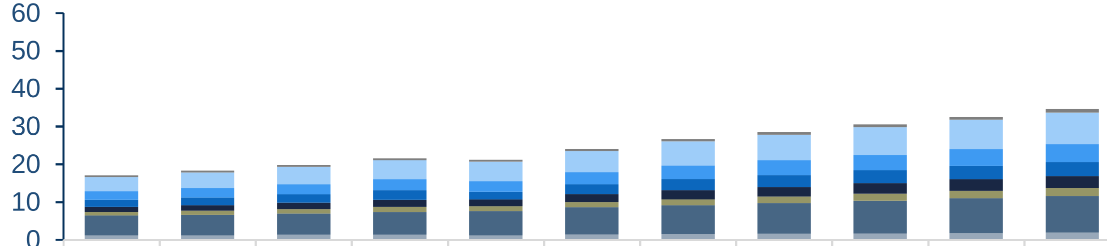
Source: National Bureau of Statistics, IMF

Overview of China’s Macro Economy

Per Capita Annual Expenditure of Urban Households

Per Capita Annual Expenditure of Urban Households, Breakdown by Category (China), 2016 – 2026E

Thousand RMB



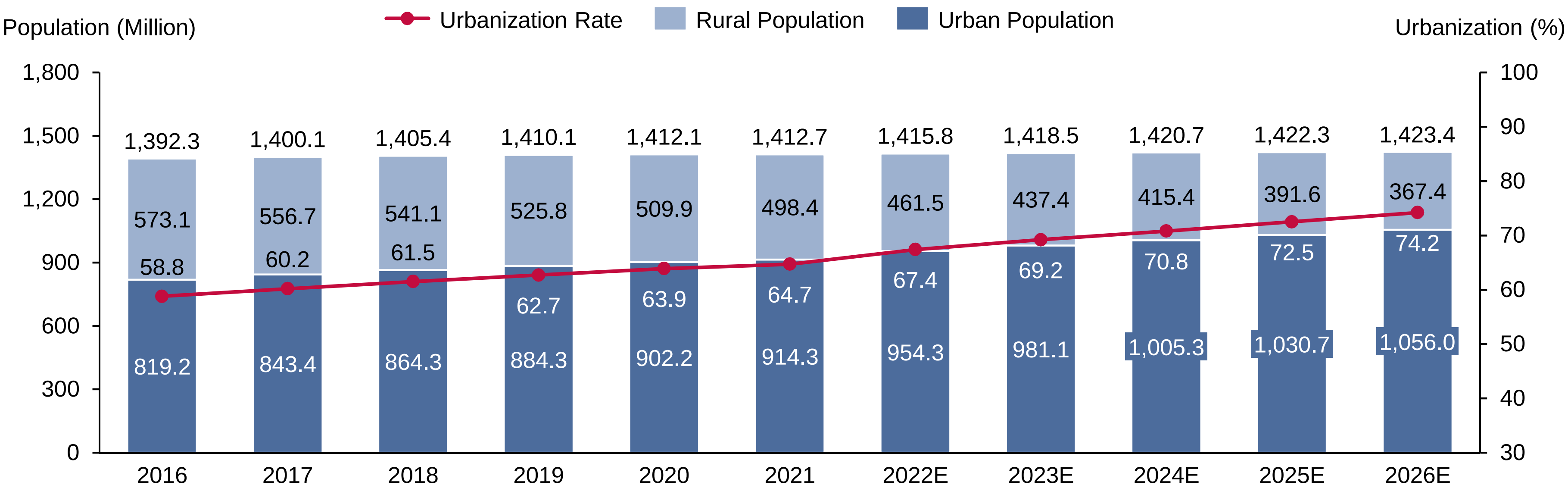
	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	CAGR (16-21)	CAGR (21-26E)
Total	17.1	18.3	19.9	21.6	21.2	24.1	26.6	28.4	30.4	32.4	34.6	7.1%	7.5%
Others	0.4	0.5	0.5	0.5	0.5	0.6	0.6	0.7	0.7	0.7	0.9	8.4%	8.4%
Residential	3.7	4.1	4.6	5.0	5.2	5.6	6.3	6.8	7.3	7.8	8.4	8.6%	8.4%
Traffic and communication	2.3	2.5	2.7	2.9	2.8	3.2	3.6	3.9	4.1	4.4	4.7	6.8%	8.0%
Education, culture and entertainment	1.9	2.1	2.2	2.5	2.0	2.6	3.0	3.1	3.4	3.6	3.7	6.5%	7.3%
Medical care	1.3	1.4	1.7	1.9	1.8	2.1	2.4	2.6	2.8	3.0	3.2	10.1%	8.8%
Daily necessities and services	1.0	1.1	1.2	1.3	1.3	1.4	1.6	1.7	1.9	2.0	2.1	7.0%	8.4%
Food,tobacco and alcohol	5.2	5.4	5.6	6.1	6.4	7.2	7.6	8.1	8.6	9.2	9.7	6.7%	6.1%
Clothing consumption	1.2	1.2	1.3	1.3	1.2	1.4	1.5	1.6	1.7	1.8	1.9	3.1%	6.3%

- In 2021, in terms of permanent residence, the per capita consumption expenditure of urban residents was RMB24.1 thousand, an increase of 13.6%, and the actual increase was 4.0% after excluding price factors.
- In 2021, China's urban per capita consumption expenditure includes food, tobacco and alcohol, daily necessities and services, medical care, education, culture and entertainment, etc. Clothing consumption and food, tobacco, and alcohol consumption accounted for 5.8% and 29.9% respectively.
- As Improvement of people's living standards in China, Frost & Sullivan estimates that per capita annual expenditure of urban households will reach RMB34.6 thousand in 2026, representing a CAGR of 7.5% from 2021 to 2026.

Source:
1. *Historical Data: National Bureau of Statistics of China;*
2. *Forecast Data: Frost & Sullivan*

Overview of China's Macro Economy
Population and Urbanization

Population and Urbanization (China), 2016 – 2026E



- China has the world's largest population. In 2021, China's total population reached 1,412.7 million. With the PRC Government investing a tremendous effort into controlling the enormous population, the population growth rate has been stable over the past five years. However, with the release of two child policy, the total population of China is estimated to grow at a moderate level, reaching 1,423.4 million in 2026.
- Due to the rapid economic development of China and the influx of migrants from rural areas to developed areas, Chinese urban population has been steadily increasing. China's rapid economic growth has fuelled the unprecedented urbanization of its population since the 1990s. From 2016 to 2021, China's urban population increased from 819.2 million to 914.3 million, with a CAGR of 2.2%. During the same period, the urbanization rate in China increased by 5.9%, from 58.8% to 64.7%.
- With the continuous growth of urbanization, the urban population is expected to maintain a CAGR of 2.9% from 2021 to 2026. Frost & Sullivan forecasts that by 2026, China's urban population is expected to reach 1,056.0 million. Under the 'National Plan for Promoting Healthy Urbanization (《全国促进城镇化健康发展规划》)' raised in 2013, a new-style urbanization is expected to promote the urban-rural coordination and reasonable distribution. Accordingly, Frost & Sullivan forecasts China's urbanization rate is likely to increase gradually from 2021 to 2026, reaching 74.2% by 2026.

Source: National Bureau of Statistics, Frost & Sullivan

Overview of China's Macro Economy

Comparison with Selected Countries (1/5)

Nominal GDP (China and Selected Countries), 2016-2026E														
Country	Unit	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	CAGR(%) 16/21	CAGR(%) 21/26E
China	Bil US$	11,227.1	12,265.3	13,841.9	14,340.6	14,722.8	16,574.9	17,622.4	19,136.1	20,585.4	22,068.8	23,628.4	8.1%	7.3%
United States	Bil US$	18,745.1	19,543.0	20,611.9	21,433.2	20,932.8	22,997.5	25,346.8	26,695.2	27,745.5	28,790.4	29,855.9	4.2%	5.4%
United Kingdom	Bil US$	2,703.2	2,664.7	2,861.0	2,833.3	2,711.0	3,187.6	3,376.0	3,686.9	3,914.8	4,131.7	4,346.0	3.4%	6.4%
France	Bil US$	2,472.3	2,594.2	2,791.2	2,717.2	2,598.9	2,935.5	2,936.7	3,086.2	3,227.5	3,366.3	3,495.9	3.5%	3.6%
Germany	Bil US$	3,468.9	3,681.3	3,965.6	3,861.6	3,803.0	4,225.9	4,256.5	4,564.8	4,786.7	4,985.5	5,177.0	4.0%	4.1%
Indonesia	Bil US$	932.1	1,015.3	1,022.5	1,111.7	1,204.8	1,186.1	1,289.3	1,410.8	1,518.5	1,628.9	1,745.2	4.9%	8.0%
Malaysia	Bil US$	301.3	319.0	358.6	365.3	381.5	372.8	439.4	482.0	517.7	556.2	594.4	4.4%	9.8%
Vietnam	Bil US$	201.3	220.4	241.3	261.6	284.8	366.2	408.9	462.6	515.6	571.1	629.6	12.7%	11.4%
Thailand	Bil US$	412.4	455.3	504.9	529.2	557.3	513.2	522.0	556.4	599.9	632.4	667.1	4.5%	5.4%

- Compared with developed countries, the CAGRs of nominal GDP in China and Southeast Asia countries are rather high from 2016 to 2021. In 2021, the nominal GDP of China increased to US$16,574.9 billion in 2021 from US$11,227.1 billion in 2016, representing a CAGR of 8.1%. The CAGRs nominal GDPs of southeast Asia countries were above 5.0%.
- Compared with the other three Southeast Asia countries, the CAGR of nominal GDP in Vietnam was relatively high, about 12.7% from 2016 to 2021. In 2021, the increase of nominal GDP in developed countries was steady. The nominal GDP of the U.S., U.K., France and Germany were US$22,997.5 billion, US$3,187.6 billion, US$2,935.5 billion and US$4,225.9 billion respectively.

Source: IMF; Frost & Sullivan

Overview of China's Macro Economy

Comparison with Selected Countries (2/5)

Per Capita Nominal GDP (China and Selected Countries), 2016-2026E

Country	Unit	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	CAGR(%) 16/21	CAGR(%) 21/26E
China	Thd US$	8.1	8.8	9.9	10.2	10.5	11.7	14.1	15.5	16.7	18.0	19.3	7.6%	10.5%
United States	Thd US$	58.0	60.1	63.1	65.3	63.4	69.2	76.0	79.7	82.4	85.1	87.8	3.6%	4.9%
United Kingdom	Thd US$	41.2	40.3	43.1	42.4	40.4	47.2	49.8	54.1	57.2	60.2	63.1	2.8%	6.0%
France	Thd US$	38.3	40.1	43.0	41.8	39.9	44.9	44.7	46.9	48.9	50.9	52.7	3.2%	3.3%
Germany	Thd US$	42.1	44.5	47.8	46.5	45.7	50.8	51.1	54.8	57.4	59.8	62.1	3.8%	4.1%
Indonesia	Thd US$	3.6	3.8	3.8	4.1	4.4	4.4	4.7	5.1	5.4	5.8	6.1	4.1%	6.8%
Malaysia	Thd US$	9.8	10.3	11.4	11.4	11.8	11.4	13.3	14.4	15.3	16.2	17.1	3.1%	8.4%
Vietnam	Thd US$	2.1	2.3	2.5	2.7	2.9	3.7	4.1	4.6	5.1	5.6	6.1	12.0%	10.5%
Thailand	Thd US$	6.0	6.6	7.3	7.6	8.0	7.3	7.4	7.9	8.5	9.0	9.5	4.0%	5.4%

- Compared with developed countries, the CAGR of per capita nominal GDP in China is rather high from 2016 to 2021, presenting 7.6% during the period. In 2021, the per capita nominal GDP of China was US$11.7 thousand, while the per capita nominal GDP of the U.S., U.K., France and Germany were US$69.2 thousand, US$47.2 thousand, US$44.9 thousand and US$50.8 thousand respectively. Frost & Sullivan estimates that the per capita nominal GDP in China will increase from US$11.7 thousand in 2021 to US$19.3 thousand in 2026, representing a CAGR of 10.5%.
- In 2021, the per capita nominal GDP of Indonesia, Malaysia, Vietnam and Thailand were US$4.4 thousand, US$11.4 thousand, US$3.7 thousand and US$7.3 thousand respectively.

Source: IMF; Frost & Sullivan

Overview of China's Macro Economy

Comparison with Selected Countries (3/5)

Population (China and Selected Countries), 2016-2026E

Country	Unit	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	CAGR(%) 16/21	CAGR(%) 21/26E
China	Mil Persons	1,382.7	1,390.1	1,395.4	1,410.1	1,414.4	1,412.6	1,412.5	1,412.0	1,410.8	1,409.2	1,407.0	0.4%	-0.1%
United States	Mil Persons	323.1	325.1	326.9	328.5	331.2	332.2	333.4	334.9	336.6	338.3	340.0	0.6%	0.5%
United Kingdom	Mil Persons	65.6	66.0	66.4	66.8	67.1	67.5	67.8	68.1	68.4	68.7	68.9	0.6%	0.4%
France	Mil Persons	64.5	64.6	64.8	65.0	65.3	65.4	65.6	65.8	66.0	66.2	66.4	0.3%	0.3%
Germany	Mil Persons	82.3	82.7	82.9	83.1	83.2	83.2	83.3	83.4	83.4	83.4	83.3	0.2%	0.0%
Indonesia	Mil Persons	261.6	264.7	267.7	270.6	270.2	272.2	274.9	277.4	280.0	282.5	284.9	0.8%	0.9%
Malaysia	Mil Persons	30.7	31.1	31.5	31.9	32.6	32.7	33.1	33.5	33.9	34.3	34.7	1.3%	1.2%
Vietnam	Mil Persons	93.6	94.6	95.5	96.5	97.3	98.3	99.2	100.1	101.0	101.8	102.5	1.0%	0.8%
Thailand	Mil Persons	69.0	69.2	69.4	69.6	69.8	70.0	70.1	70.2	70.3	70.3	70.4	0.3%	0.1%

- Compared with developed countries, the population in China is rather high. In 2021, the population of China was 1,412.6 million, while the population of the U.S., U.K., France and Germany were 332.2 million, 67.5 million, 65.4 million and 83.2 million respectively. The population in China has increased from 1,382.7 million in 2016 to 1,412.6 million in 2021, representing a CAGR of 0.4% during the period.
- Taking Indonesia, Malaysia, Vietnam and Thailand as representative countries, in 2021, the population of these countries were 272.2 million, 32.7 million, 98.3 million and 70.0 million respectively.

Source: IMF; Frost & Sullivan

Overview of China's Macro Economy

Comparison with Selected Countries (4/5)

Per Capita Annual Expenditure (China and Selected Countries), 2016-2026E

Country	Unit	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	CAGR(%) 16/21	CAGR(%) 21/26E
China	Thd US$	2.5	2.7	2.9	3.1	3.1	3.5	3.6	3.8	4.1	4.3	4.5	7.0%	5.2%
United States	Thd US$	65.5	67.4	70.9	74.7	70.0	73.4	80.6	84.5	87.4	90.3	93.1	2.3%	4.9%
United Kingdom	Thd US$	12.4	12.0	12.8	12.6	12.0	10.5	14.7	15.9	16.8	17.7	18.5	-3.3%	12.0%
France	Thd US$	18.0	18.8	19.7	18.8	18.0	22.6	22.3	23.6	24.5	25.3	26.1	4.7%	2.9%
Germany	Thd US$	3.0	3.2	3.4	3.3	3.3	3.0	3.6	3.9	4.1	4.2	4.4	0.0%	8.0%
Indonesia	Thd US$	0.5	0.5	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.8	0.8	3.7%	5.9%
Malaysia	Thd US$	1.6	1.6	1.8	2.0	2.0	1.9	2.3	2.6	2.8	3.0	3.2	3.5%	11.0%
Vietnam	Thd US$	1.6	1.7	1.9	2.1	2.1	2.1	2.4	2.6	2.7	2.8	2.9	5.6%	6.7%
Thailand	Thd US$	1.1	1.2	1.3	1.4	1.4	1.4	1.3	1.4	1.5	1.6	1.7	4.9%	4.0%

- Compared with developed countries, the per capita annual expenditure in China is rather low. In 2021, the per capita annual expenditure of China was US$3.5 thousand, while the per capita annual expenditure of the U.S., U.K., France and Germany were US$73.4 thousand, US$10.5 thousand, US$22.6 thousand and US$3.0 thousand respectively.
- In 2021, increases of Indonesia, Malaysia, Vietnam and Thailand are relatively high, repenting CAGRs of 3.7%, 3.5%, 5.6% and 4.9% respectively

Source: IMF; Frost & Sullivan

Overview of China's Macro Economy

Comparison with Selected Countries (5/5)

Total Retail Sales (China and Selected Countries), 2016-2026E

Country	Unit	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	CAGR(%) 16/21	CAGR(%) 21/26E
China	Trillion US$	4.58	5.03	5.48	5.91	5.68	6.39	7.51	8.09	8.68	9.32	9.99	6.9%	9.3%
United States	Trillion US$	4.85	5.04	5.25	5.41	5.58	4.91	5.82	5.96	6.11	6.26	6.42	0.2%	5.5%
United Kingdom	Trillion US$	0.52	0.53	0.55	0.56	0.56	0.52	0.59	0.60	0.60	0.61	0.62	0.0%	3.6%
France	Trillion US$	0.50	0.52	0.53	0.55	0.54	0.54	0.57	0.58	0.59	0.60	0.60	1.6%	2.1%
Germany	Trillion US$	0.61	0.63	0.65	0.68	0.71	0.73	0.70	0.71	0.71	0.71	0.71	3.7%	-0.6%
Indonesia	Trillion US$	0.25	0.26	0.29	0.31	0.33	0.38	0.35	0.38	0.40	0.42	0.44	8.7%	3.0%
Malaysia	Trillion US$	0.14	0.14	0.14	0.14	0.11	0.11	0.14	0.14	0.14	0.14	0.14	-4.7%	4.9%
Vietnam	Trillion US$	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.0%	0.0%
Thailand	Trillion US$	0.19	0.20	0.21	0.22	0.20	0.22	0.22	0.22	0.24	0.24	0.25	3.0%	2.6%

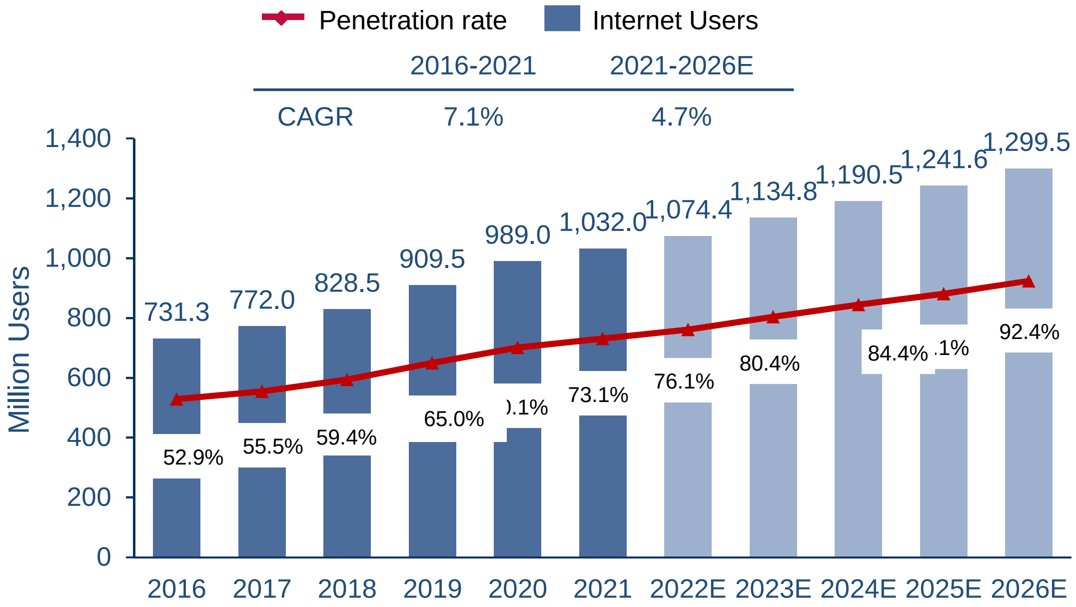
- In 2021, the total retail sales of China was US$6.39 trillion, while the total retail sales of the U.S., U.K., France and Germany were US$4.91 trillion, US$0.52 trillion, US$0.54 trillion and US$0.73 trillion respectively.
- From 2016 to 2021, increases of Indonesia, Malaysia, Vietnam and Thailand are relatively high, repenting CAGRs of 8.7%, -4.7%, 0.0% and 3.0% respectively

Source: IMF; Frost & Sullivan

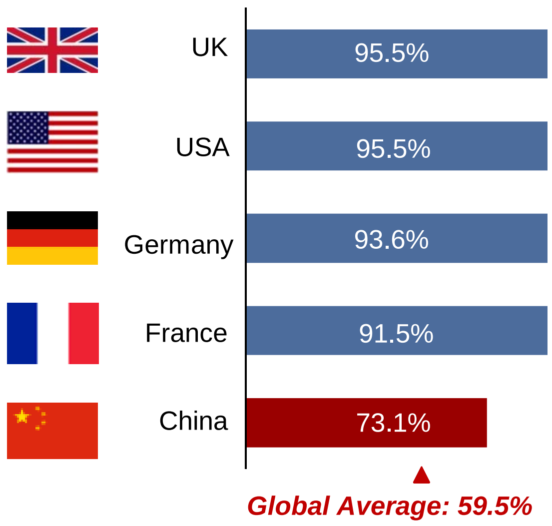
Overview of China's Macro Economy

Number of Internet Users and Penetration Rate

Number of Internet Users and Penetration Rate (China), 2016-2026E



Internet Penetration Rate comparison with other developed countries, 2021



- In recent years, internet devices are becoming more popular in China while there are more internet users in urban and rural areas with the overall development progress in China. In the meanwhile, the rapid growth of internet technology promotes overall internet usage. The number of internet users has increased from 731.3 million in 2016 to 1,032.0 million in 2021, representing a CAGR of 7.1% during the period. The penetration rate of internet usage increased from 52.9% to 73.1%.
- With continual improvement of technology and features, as well as the construction of Internet infrastructures in China, internet penetration rate is expected to further increase to 92.4% in 2026.

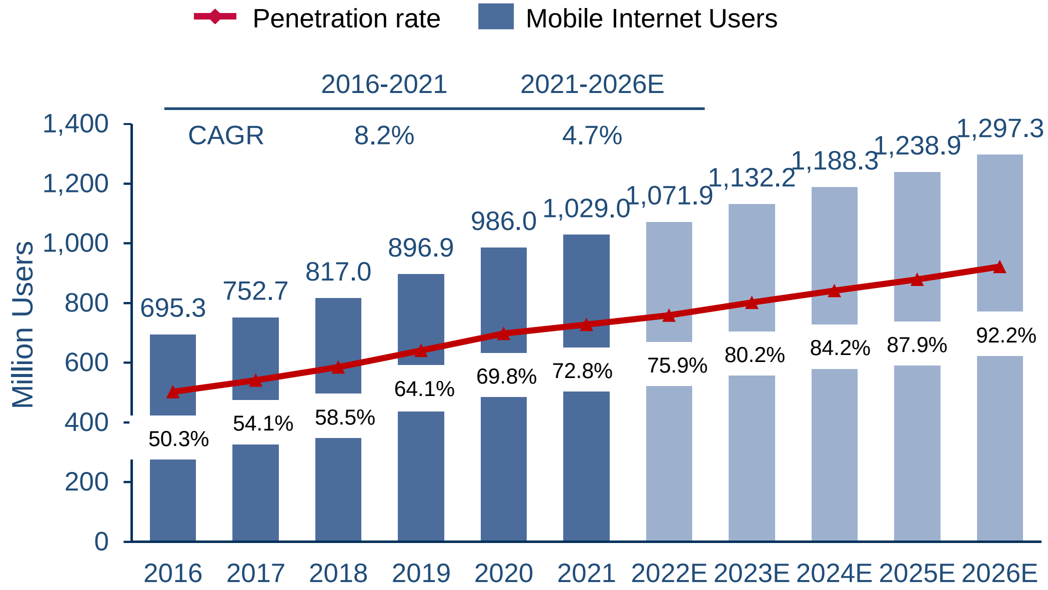
Note : Internet penetration rate refers to the Internet users as a percentage of the total population.

Source: CNNIC; GSMA; Frost & Sullivan

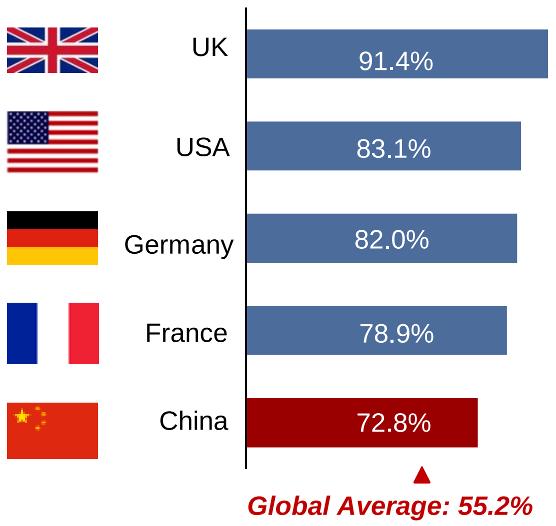
Overview of China's Macro Economy

Number of Mobile Internet Users and Penetration Rate (1/2)

Number of Mobile Internet Users and Penetration Rate (China), 2016-2026E



Mobile Internet Penetration Rate comparison with other developed countries, 2021



- In recent years, along with the growth of internet usage, mobile devices are becoming more prevalent in China in both the younger and older age segments. The robust growth of mobile devices promotes mobile Internet usage. The number of mobile Internet users has increased from 695.3 million in 2016 to 1,029.0 million in 2021, representing a CAGR of 8.2% during the period. The penetration rate of mobile Internet increased from 50.3% to 72.8% from 2016 to 2021. With continual improvement of features and applications, as well as the construction of Internet infrastructures in China, mobile Internet penetration rate is expected to further increase to 92.2% in 2026. Growth in online media consumption, driven by growing consumer appetite for videos and short videos, online games, and social media, is generating strong demand for data storage and bandwidth on cloud.

- In 2021, China's penetration rate of mobile Internet reached 72.8%, which is still lower than other developed countries in the world, indicating there is still strong growth potential for mobile Internet traffic in China in the following years.

Note : Mobile Internet penetration rate refers to the mobile Internet users as a percentage of the total population.

Source: CNNIC; GSMA; Frost & Sullivan

Overview of China's Macro Economy

Number of Mobile Internet Users and Penetration Rate (2/2)

Number of Mobile Internet Users (China and Selected Countries), 2016-2026E

Country	Unit	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	CAGR(%) 16/21	CAGR(%) 21/26E
China	Mil Users	695.3	752.7	817.0	896.9	986.0	1029.0	1071.9	1132.2	1188.3	1238.9	1297.3	8.2%	4.7%
United States	Mil Users	232.7	247.1	258.6	272.7	274.7	276.0	279.9	283.1	288.6	293.5	306.0	3.5%	2.1%
United Kingdom	Mil Users	57.5	58.4	59.3	60.3	61.1	62.3	62.8	63.5	64.2	64.8	65.4	1.6%	1.0%
France	Mil Users	48.5	49.0	50.5	50.8	50.9	51.6	52.4	53.0	53.6	54.2	54.8	1.2%	1.2%
Germany	Mil Users	55.2	61.6	64.8	68.6	69.5	71.6	71.6	72.7	73.1	73.0	72.3	5.3%	0.2%
Indonesia	Mil Users	126.2	123.1	151.4	162.1	176.1	188.6	192.2	206.7	220.9	234.9	248.7	8.4%	5.7%
Malaysia	Mil Users	21.3	24.0	26.6	27.3	28.1	28.8	29.4	30.0	30.3	30.7	31.2	6.2%	1.6%
Vietnam	Mil Users	59.8	62.2	64.4	66.9	68.9	71.5	73.7	75.9	78.0	80.0	82.0	3.6%	2.8%
Thailand	Mil Users	43.5	44.3	47.9	48.0	51.0	54.5	54.7	55.8	56.7	57.4	57.9	4.6%	1.2%

Mobile Internet Users Penetration Rate (China and Selected Countries), 2016-2026E

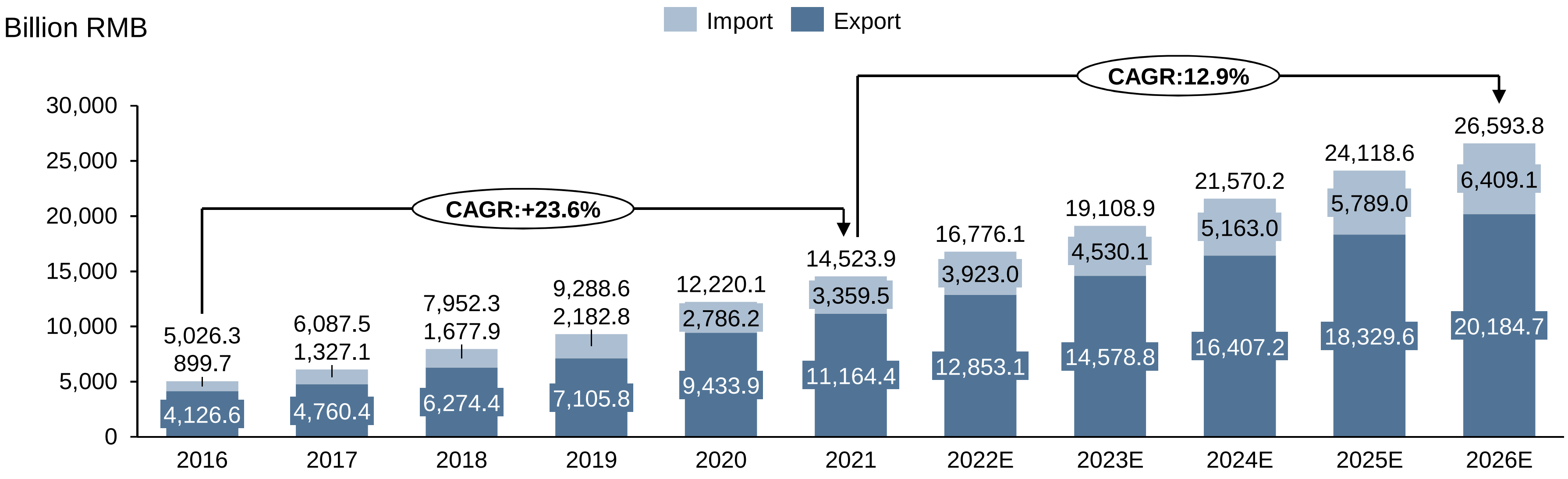
Country	Unit	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E
China	%	50.3%	54.1%	58.5%	63.6%	69.7%	72.8%	75.9%	80.2%	84.2%	87.9%	92.2%
United States	%	72.0%	76.0%	79.1%	83.0%	82.9%	83.1%	84.0%	84.5%	85.7%	86.8%	90.0%
United Kingdom	%	87.7%	88.5%	89.3%	90.3%	91.1%	92.3%	92.6%	93.2%	93.9%	94.3%	94.9%
France	%	75.2%	75.9%	77.9%	78.2%	77.9%	78.9%	79.9%	80.5%	81.2%	81.9%	82.5%
Germany	%	67.1%	74.5%	78.2%	82.6%	83.5%	86.1%	86.0%	87.2%	87.6%	87.5%	86.8%
Indonesia	%	48.2%	46.5%	56.6%	59.9%	65.2%	69.3%	69.9%	74.5%	78.9%	83.2%	87.3%
Malaysia	%	69.4%	77.2%	84.4%	85.6%	86.2%	88.1%	88.8%	89.6%	89.4%	89.5%	89.9%
Vietnam	%	63.9%	65.8%	67.4%	69.3%	70.8%	72.7%	74.3%	75.8%	77.2%	78.6%	80.0%
Thailand	%	63.0%	64.0%	69.0%	69.0%	73.1%	77.9%	78.0%	79.5%	80.7%	81.7%	82.2%

Source: IMF; Frost & Sullivan

Overview of China's Macro Economy

Cross-border E-commerce

GMV of China's Cross-border E-commerce Import And Export, (China), 2016 – 2026E



- With the boom of social media and powerful government support, the GMV of China's cross-border e-commerce import and export has increased rapidly. The GMV of China's cross-border e-commerce import and export has increased from RMB5,026.3 billion to RMB14,523.9 billion from 2016 to 2021, representing a CAGR of 23.6%. As of 2021, percentage of cross-border e-commerce export to Europe, North America, Southeast Asia and South America accounted for approximately 42%, 23%, 9% and 7% in terms of GMV. From 2020 to 2021, the GMV of China's cross-border e-commerce import and export has increased by 18.9%.
- In the future, as a continuous increase in market demand for Chinese products, the market structure of China's cross-border e-commerce industry will gradually mature. The GMV of China's cross-border e-commerce import and export is estimated to increase to RMB26,593.8 billion in 2026 with a CAGR of 12.9%.

Note: GMV refers to the value of confirmed orders of products and services on marketplaces for cross-border e-commerce enterprises.

Source:
1. *Historical Data: National Bureau of Statistics of China;*
2. *Forecast Data: Frost & Sullivan*

Content

1 Overview of China's Macro Economy

2 *China's Digital Marketing Services Industry*

3 China's Cross-border Digital Marketing Services Industry

4 Competitive Landscape

5 China's Cross-Border Online-Shop SaaS Solutions Industry

6 Appendix

China's Digital Marketing Services Industry

Definition and Value Chain

Definition of Digital Marketing Services

- ***Digital marketing services*** refer to a marketing method that uses the internet website, mobile technology and digital interactive multimedia to achieve marketing goals. Digital marketing services include various types of methods, such as personal computers (PCs), mobiles, messages, banner advertisements, and digital outdoor advertisements, etc.
- ***Digital marketing services*** also have various advantages comparing with traditional marketing method since it utilizes modern technology to execute the marketing process. Compare with traditional marketing, digital marketing services have greater marketing effectiveness to attract new consumers and are able to promote products and services in distance to save more time and costs. In addition, digital marketing services allow marketers and marketing services providers to customize the advertisements for different groups of consumers.
- The main pricing models for digital marketing services providers, including CPM (Cost Per Mille), CPC (Cost Per Clicks) and CPA (Cost Per Action). CPM and CPC are major pricing models for purchasing traffic from top media. CPM and CPA are major pricing models for purchasing traffic from small and medium-sized media. Digital marketing services providers charge their customers under one pricing model per transaction and receive advertising fees based on the total number of agreed actions.

Value Chain of Digital Marketing Services

- ***Digital marketing services providers*** act as the midstream players in the value chain in digital marketing services industry. The upstream mainly contains those marketers and the downstream mainly includes media publishers in the market. There are three major platforms to perform an advertisement to different media, including DSP (Demand-side Platform), SSP (Supply-side Platform) and ADX (Advertisement Exchange). DSP allows marketers to manage their pricing strategy for the placement of advertisements; SSP enables marketing channels to manage the advertisement inventories and ADX is a technical platform that facilitates the trades of advertisement from multiple networks. In addition, digital marketing services providers offer value-added services, including advertising optimizers' services, data processing and analyzing capabilities, etc. These value-added services help marketers develop efficient advertising plans. The downstream includes different media and digital tools where most of consumers are able to access to the advertisement then finally the marketing material is delivered to consumers.

Source: Frost & Sullivan

China's Digital Marketing Services Industry

Development History and Milestones

1997-2004
Introduction Stage

- In 1997, the first commercial online advertisement appeared in China, which marked the birth of digital marketing.
- At this stage, digital marketing was mainly introduced to advertising and marketing industries in the form of concepts. With the continuous improvement of digital marketing theories and knowledges, growing number of companies began to benefit from digital marketing. As a personalized way of communication, digital marketing has been gradually differentiated from traditional marketing methods.

2005-2010
Exploration stage

- Since 2005, concepts of digitalization has gradually been combined with marketing methods, thereby digital marketing was given a deeper meaning and wider application.
- In online social interaction, most consumers promote the development of digital marketing through online word-of-mouth and social networks. User-generated content has become popular during this period.

2011-2014
Growth Stage

- With the popularity of the Internet and mobile Internet, the widespread application of big data, programmatic buying ads appear was applied. Marketers or agents began to use digital platforms to automatically execute the buying, placement and optimization of advertising media.
- The Internet has fully entered the era of social media during this period. Companies began to use social media as an important channel for collecting market intelligence.

2015-Present
Prosperity stage

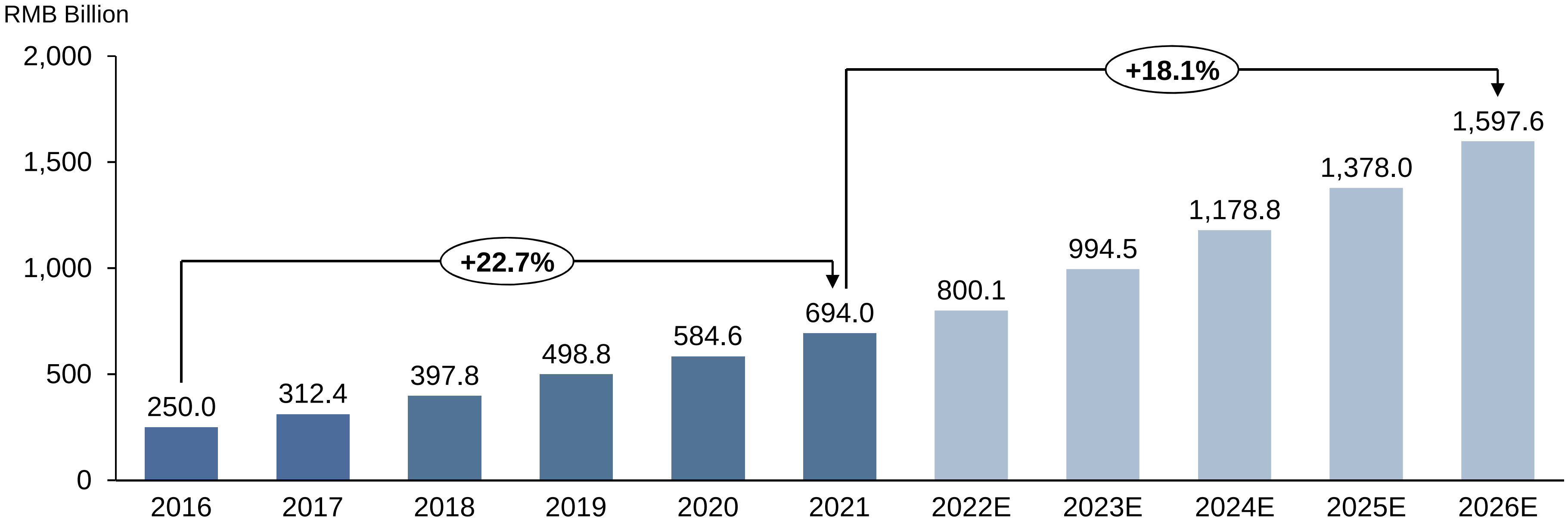
- The digital marketing industry is turning to be mature gradually. And derivative concepts appeared, including big data marketing, precision marketing, mobile smart marketing, marketing automation, etc. Cloud computing, artificial intelligence, VR/AR, blockchain and other emerging technologies are achieving breakthroughs in technology and application fields, through the continuous integration of big data.

Source: Frost & Sullivan Analysis

China's Digital Marketing Services Industry

Market Size Analysis

Total Market Size of Digital Marketing Services Industry (China), 2016 – 2025E



- As a modern method of marketing, digital marketing services industry also has increased in past five years along with the growth of total marketing services industry. Digital marketing services industry has increased from RMB250.0 billion in 2016 to RMB694.0 billion in 2021 with a CAGR of 22.7%.
- Digital marketing services industry is expected to grow due to the technology innovation and the arrival of 5G internet in the future. Digital marketing services industry is estimated to reach RMB1,597.6 billion in 2026 and the CAGR is approximately 18.1% from 2021 to 2026.

Source: Frost & Sullivan

China's Digital Marketing Services Industry

Comparison with Selected Countries

Global Digital Marketing Services Industry(China and Selected Countries), 2016-2026E

Country	Unit	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	CAGR(%) 16/21	CAGR(%) 21/26E
Global	Billion US$	208.7	260	286.9	347.8	375.2	506.5	553.1	604.0	659.6	720.3	786.2	19.4%	9.2%
United States	Billion US$	72.5	88.3	107.5	124.6	139.8	206.6	225.4	245.7	269.4	294.9	206.6	21.2%	9.3%
China	Billion US$	38.8	48.4	61.7	77.3	90.6	107.6	124.1	154.2	182.8	213.7	247.7	22.6%	18.1%
United Kingdom	Billion US$	13.3	15.2	17.4	20.1	21.2	29.9	30.1	33.5	37.3	41.4	46.0	17.6%	9.0%
Germany	Billion US$	8.2	9.1	8.2	10.7	11.8	14.0	16.9	18.7	20.5	22.5	24.6	11.3%	11.9%
France	Billion US$	4.7	5.3	5.9	6.9	7.1	7.1	10.2	11.2	12.2	13.7	15.0	8.6%	16.2%

- Compared with developed countries, the digital marketing services industry in China is relatively high. In 2021, the global digital marketing services industry was US$506.5 billion, while the global digital marketing services industry of the U.S., U.K., Germany and France were US$206.6 billion, US$29.9 billion, US$14.0 billion and US$7.10 billion respectively.
- The CAGR of digital marketing services industry in China is higher than the CAGR of global digital marketing services industry. The CAGR of global digital marketing services industry is approximately 9.2% from 2021 to 2026.
- In 2021, the penetration rates of digital marketing for U.S., China, U.K., Germany and France were around 79.0%, 56.4%, 91.5%, 79.0% and 61.2% respectively.

Note: penetration rate refers to the percentage of digital marketing of total marketing market in selected countries

Source: IMF; Frost & Sullivan

China's Digital Marketing Services Industry
Market Drivers

Major Drivers

1 **Increasing Number of Mobile Internet Users**

2 **Development of Big Data and AI Technology**

3 **Increasing Demands for Efficient Marketing tools**

Major Driver	Description
Increasing Number of Internet Users	In line with the steady growth of internet users which has increased around 7.5% in past five years, digital marketing services industry also has gone through a rapid growth stage in the same period of time. Based on the large population, China's digital marketing services industry still has a great opportunity to attract more consumers. Those large online platforms for shopping, online games, music and videos are still able to maintain a lot of daily users. In this case, marketers are able to use those platforms to obtain more consumers' information in order to accurately place the advertisements. Thus, digital marketing services industry is still expected to grow based on the large group of internet users.
Development of Big Data and AI Technology	According to China Internet Development Report 2021 (《中国互联网发展报告2021》), China's digital economy has reached 39.2 trillion which accounted for approximately 38.7% of China's nominal GDP in 2020. This rate has increased from 30.3% in 2016 to 38.7% in 2020, which indicates that China has paid a lot more attention on developing digital-related market including digital marketing services market. In addition, favored by the development of big data, AR/VR and facial ID technologies, digital marketing services are able to interact more with consumers to proceed accurate marketing services. Under this circumstance, digital marketing services industry is expected to grow in the future.
Increasing Demands for Efficient Marketing tools	Due to the increasing number of products and services offered in the market, marketers are paying more attention to accurately reaching consumers and improve marketing efficiency. Under the general trend of digitization, cloud computing, artificial intelligence and other technologies, digital marketing can accurately reach consumers based on their needs through the construction of user portraits and algorithms. The efficiency of advertising delivery has been improved accordingly. With increasing demands for efficient marketing tools, the digital marketing services industry in China is expected to see continuous development.

Source: Frost & Sullivan

China's Digital Marketing Services Industry

Opportunities, Trends, Threats and Challenges

Opportunities and Trends

Developing Technology of Marketing

- Marketing automation and other technologies will further promote the growth of the digital marketing industry. With more developed technology, digital marketing services providers are able to track the preference of consumers based on customer data like browsing history. Developed technology like big data allows marketers to know comprehensive image of consumers so that achieving precise adverting on the appropriate media platform. In addition, developed technology like SaaS for marketing combines advertising technology with marketing technology, thus improving advertising efficiency and reducing the cost of marketing services.

Growth Trend of Qualified Content Marketing

- From the consumer's point of view, they are willing to pay for high-quality content. High-quality content can not only present brand value, but also improve marketing effects. And provide multiple marketing shocks and conversion space. With the development of mobile apps, such as WeChat, TikTok and Xiaohongshu, there is growing number of self-created videos. Self-created video is becoming one of the major ways to execute marketing services due to various topics and customization. Growing number of brands now change their focus from general content to a more specific content like self-created videos that matches with their products and services. Thus, digital marketing services industry is expected to continuously grow in the future.

Threats and Challenges

Fragmentation Increases the Difficulty of Media Strategy

- With the popularization of mobile Internet and social media. The attention of the people has become fragmented. Mobile advertising will continue to develop towards video and socialization. The media has become widespread. In the past, communication was enterprise-centric and point-to-many communication. Now it is a very discrete decentralized structure. For example, there are KOLs, key consumers, and ordinary consumers, all of whom have become important communication nodes. Also, in the future, digital marketing methods will focus on segmented areas such as mobile marketing, social marketing, content marketing, and short video marketing.

Source: Frost & Sullivan

Content

1 Overview of China’s Macro Economy

2 China’s Digital Marketing Services Industry

3 ***China’s Cross-border Digital Marketing Services Industry***

4 Competitive Landscape

5 China’s Cross-Border Online-Shop SaaS Solutions Industry

6 Appendix

China's Cross-border Digital Marketing Services Industry

Definition and Value Chain

Definition of Cross-border Digital Marketing

- Cross-border digital marketing refers to the marketing approach of enterprises that aim to target overseas potential users by conducting cross-border marketing activities through digital channels. The core value of cross-border digital marketing is to help marketers reach overseas consumers by Internet advertising technology and digital media platforms.
- Cross-border digital marketing service providers can be divided into two categories, agents and resellers of media publishers. Agents obtain advertisement inventory from resellers and provide digital marketing services to marketers. Meanwhile, agents provide services including, among others, marketing content creation, optimization and performance assessment. Resellers refer to services providers that cooperate with media publishers directly in the cross-border digital marketing service market. Limited number of market players obtained reseller qualifications in China from media publishers. Generally, only cross-border digital marketing service providers with sizable marketer scale and comprehensive service capacity can meet the criteria to be a reseller. Resellers can help leverage their extensive customer base to identify and explore potential customers for media publishers. Unlike agents which acquire advertisement inventory from resellers, resellers are able to provide marketing services to marketers and assist them to acquire advertisement inventory directly from media publishers. Resellers can provide marketers with full-cycle services instead of merely marketing services, thereby improving customer satisfaction and increasing customer stickiness. Meanwhile, with close relationships with top media, resellers are able to assist marketers in informing and familiarizing the latest policies and regulations issued by top media publishers. Due to their direct business relationships with media publishers, resellers are likely to have more bargaining power to negotiate commercial terms with media publishers and more autonomy in cooperating with industry participants along the industry value chain when comparing to non-reseller agents. As Chinese companies usually face challenges like information asymmetry, cultural differences and lack of customer traffic, there is an increasing demand for cross-border digital marketing services.
- Cross-border digital marketing service providers mainly derive the revenue from services fee and the difference between the net spending with media publisher and the marketers' net billing. Net billing of marketers equals to gross billing of marketers minus applicable incentives to marketers; net spending with media publishers equals to gross spending with media publishers minus applicable rebates from media publishers.

Value Chain of Cross-border Digital Marketing

- ✓ ***Marketers*** refers to the persons, organizations or companies with the purpose to be exposed to their consumers in their target market.

- ✓ ***Cross-border Digital Marketing Service Providers*** refers to agents and resellers of the media publishers.
- ✓ Agents refer to the providers that obtain advertisement inventory from resellers and provide digital marketing services to marketers. Resellers refer to providers that cooperate with media publishers directly in the cross-border digital marketing service market.
- ✓ Meta and Google are the leading media platforms for Chinese enterprises for cross-border digital marketing .

- ✓ ***Media publishers*** refer to various media platforms where the digital marketing content is displayed. Users would generate a large amount of online traffic by searching on Google, sharing life on Instagram or watching video on YouTube. Target consumers can be acquired by implementing digital marketing campaigns on media publishers' platforms. Therefore, precise marketing, large-scale marketing and efficient marketing can be achieved.

Note: 1. Rebates: refers to the compensates from media publishers to cross-border digital marketing services providers; 2. Marketer incentive: refers to the compensates from cross-border digital marketing services providers to marketers for the use of cross-border digital marketing services; 3. Facebook changed its corporate name to Meta on October 28 2021.

Source: Frost & Sullivan Analysis

China’s Cross-border Digital Marketing Services Industry

Development History and Milestones

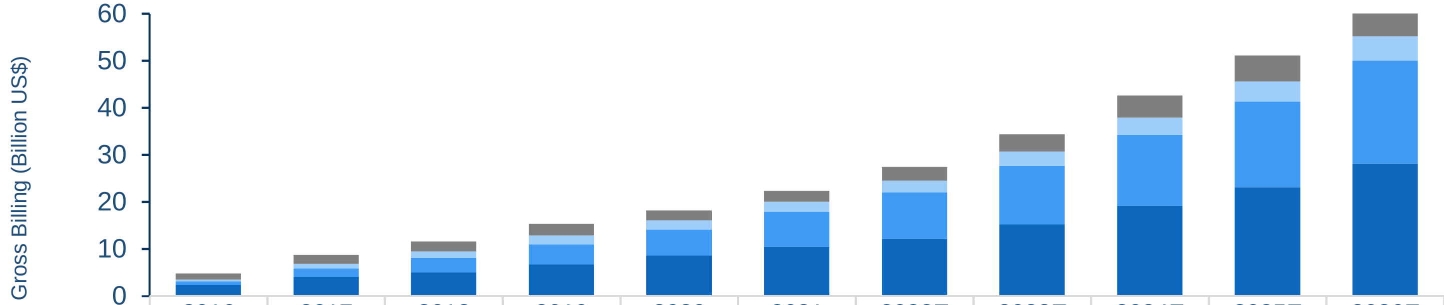
Before 2014 Exploration stage	➢ Along with the development of mobile internet, digital marketing is fast becoming one of the most effective ways to reach consumers across the World. With ongoing innovation in digital platforms, evolving consumer behavior and enhanced infrastructure and logistics, it is becoming easier than ever before for small and medium businesses to go global, even with modest marketing budgets and product lines. Some digital marketing services providers began to provide marketers with cross-border marketing services through its role as a Chinese advertising agent for leading global media platforms, in order to meet their demand on promoting products and services abroad.
2014-2018 Growth Stage	➢ As China’s e-commerce industry has experienced fast development during this period, there were growing demand for high quality cross-border digital marketing services. Since 2014, leading media platforms like Meta and Google began to seek partnership with cross-border digital marketing service providers in China. Five cross-border digital marketing services providers, including Cheetah Mobile, Meetsocial, Bluefocus, Papaya and Powerwin, provide customizable and completed productized services based on vertical scenarios to enterprises that expand business to oversea market.
2019-Present Prosperity stage	➢ From 2019, as Chinese apps are becoming popular overseas, especially games, tool, photography and video apps. Growing number of cross-border digital marketing service providers that focus on certain vertical industry are emerging in the market. In addition, new technologies like big data and AI technology are being applied to conduct ad optimization and management automatically.

Source: Frost & Sullivan Analysis

China's Cross-border Digital Marketing Services Industry

Market Size Analysis (1/3)

Market Size of China's Cross-border Digital Marketing Services Industry, Breakdown of Gross Billing by Media (China), 2016 – 2026E



	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	CAGR (16-21)	CAGR (21-26E)
Total	4.8	8.7	11.6	15.3	18.2	22.3	27.4	34.4	42.6	51.1	61.6	36.0%	22.5%
Others	1.3	1.9	2.1	2.4	2.1	2.3	2.9	3.7	4.7	5.5	6.4	12.1%	22.7%
Amazon	0.4	0.9	1.4	1.9	2.0	2.1	2.5	3.1	3.7	4.3	5.2	39.3%	19.9%
Google	0.8	1.9	3.1	4.3	5.5	7.5	9.9	12.4	15.1	18.2	21.9	56.5%	23.9%
Meta	2.3	4.0	5.0	6.7	8.6	10.4	12.1	15.2	19.1	23.1	28.1	35.2%	22.0%
Growth Rate (%)		81.3%	33.3%	31.9%	19.0%	22.5%	22.9%	25.5%	23.8%	20.0%	20.5%		

With the expansion of domestic enterprises to overseas market, China's cross-border digital marketing services industry has experienced a rapid growth during the past five years. Cross-border digital marketing services industry has increased from US$4.8 billion in 2016 to US$22.3 billion in 2021 at a CAGR of 36.0%.

China's cross-border digital marketing services industry is expected to keep growing along with technology innovation and growing demand of Chinese companies with the market size estimated to reach US$61.6 billion in 2026 at a CAGR of approximately 22.5% from 2021 to 2026.

Meta and Google are two major media publishers for cross-border digital marketing in China. In 2021, the gross billing by marketers on the platforms of Meta and Google accounted for respectively 46.6% and 33.6% of the total gross billing of China's cross-border digital marketing services industry. The market share of Media Publisher A is estimated to be 44.2% in 2022 in terms of gross billing. As of 2021, the top five media publishers in the cross-border digital marketing industry in China are Media Publisher A, Google, Amazon, TikTok, and Snapchat, together accounting for a total of 97.7% of the total gross billing of China's cross-border digital marketing services industry. Media Publisher A still has a dominant industry position among existing media publishers. China's cross-border digital marketing services market for the e-commerce and game industry is dominated by Media Publisher A. TikTok's market share in China's cross-border digital marketing industry was approximately 6.3% in terms of gross billing in 2021.

Meta is the major media publisher for e-commerce marketers. The average monthly active users of the largest media platform of Media Publisher A increased from 2.50 billion for 2019 to 2.96 billion for 2022, ranking the first among all social media platforms in the world over such a period. Apart from Meta's large number of online users, Meta offers precision marketing strategies based on users' interests, increasing the conversion rates and attracting more customers for e-commerce marketers. As one of the largest social media platforms in the World, the monthly active users (MAUs) of Instagram has increased from approximately 1.0 billion for 2019 to 1.5 billion for 2022.

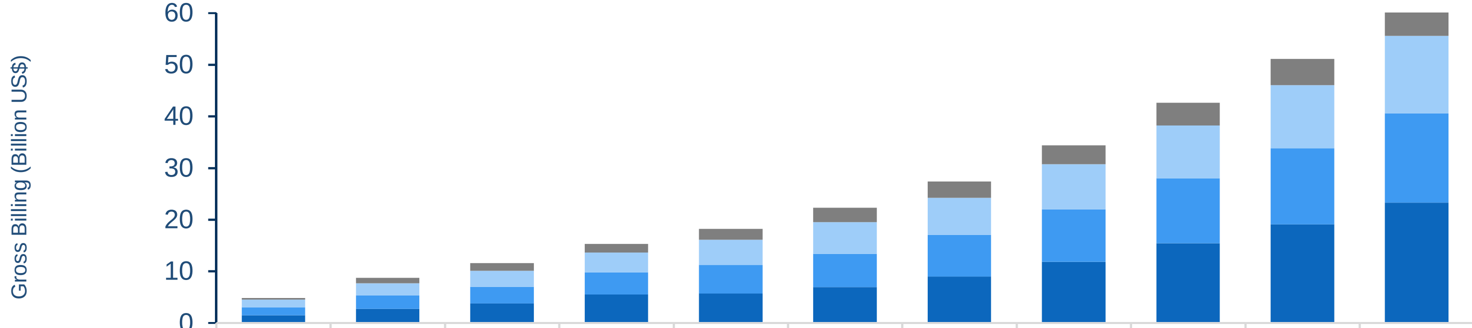
Note: 1. 'Others' refers to other premium media such as Twitter, Snapchat, TikTok, Pinterest, LinkedIn etc..
2. The market size is in terms of gross billing

Source: Frost & Sullivan

China's Cross-border Digital Marketing Services Industry

Market Size Analysis (2/3)

Market Size of China's Cross-border Digital Marketing Services Industry (China) Breakdown of Gross Billing by Industry, 2016 – 2026E



	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	CAGR (16-21)	CAGR (21-26E)
Total	4.8	8.7	11.6	15.3	18.2	22.3	27.4	34.4	42.6	51.1	61.6	36.0%	22.5%
Others (1)	0.3	1.0	1.5	1.7	2.1	2.8	3.2	3.7	4.4	5.1	6.0	56.3%	16.5%
Apps (2)	1.5	2.4	3.1	3.8	4.9	6.1	7.2	8.7	10.2	12.2	15.0	32.4%	19.7%
Online games (3)	1.5	2.6	3.2	4.3	5.5	6.5	8.0	10.2	12.6	14.7	17.3	34.1%	21.6%
E-commerce	1.5	2.7	3.8	5.5	5.7	6.9	9.0	11.8	15.4	19.1	23.3	35.7%	27.6%

- In the realm of industries, the entire cross-border digital marketing industry can be divided by e-commerce, apps, online games and other sectors. E-commerce, online games and app are major industries for cross-border digital marketing services in China, accounting for approximately 30.9%, 29.1% and 27.4% of the market size of cross-border digital marketing services industry in 2021, respectively. Cross-border digital marketing services for e-commerce industry is estimated to reach US$23.3 billion in 2026 at a CAGR of approximately 27.6% from 2021 to 2026.

Notes:
(1) Others refer to other industry participants including consumer electronics companies, travel and airline companies, fast-moving consumer goods companies, etc.
(2) Apps refer to apps industry participants in relation to video-based apps, utility apps, and social networking apps but excluding e-commerce and games-related apps
(3) Online games include mobile games and PC online games.

Source: Frost & Sullivan

China's Cross-border Digital Marketing Services Industry

Market Size Analysis (3/3)

Market Size of China's Cross-border Digital Marketing Services Industry (United States, Southeast Asia), 2016 – 2026E

Country	Unit	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	CAGR(%) 16/21	CAGR(%) 21/26E
United States	Billion US$	1.4	2.6	3.5	4.7	5.6	7.0	8.7	11.0	13.8	16.7	20.3	37.8%	23.7%
Southeast Asia	Billion US$	0.6	1.1	1.5	2.1	2.6	3.3	4.2	5.4	6.9	8.6	10.7	41.1%	26.4%

- With a large end customer base and strong purchasing power, the United States is a major destination for marketers and cross-border digital marketing services. The market size of China's cross-border digital marketing services targeting end customers in the United States had reached US$7.0 billion in 2021 in terms of gross billing, accounting for approximately 31.4% of such market size targeting global end customers, and is expected to reach US$20.3 billion in 2026 at a CAGR of approximately 23.7% from 2021 to 2026. China's cross-border digital marketing services industry targeting end customers in the United States was relatively concentrated with around 50 to 100 cross-border digital marketing services providers in 2021. The top five players taking up a market share of around 60.9% in 2021. Key market players generally have a revenue of over $10 million in 2021, serve marketers in e-commerce, online games and apps industries from multiple countries and regions worldwide.
- As a fast-growing emerging region, Southeast Asia has been a popular destination for Chinese companies conducting cross-border digital marketing and is gradually becoming an incremental market for brand owners to capture. Singapore, as the financial center of Southeast Asia and the gateway to connect the global and Southeast Asian markets, is becoming a preferred choice for cross-border digital marketing services providers. Leading cross-border digital marketing services providers are establishing local teams in Singapore to capture the business opportunities of China-based marketers targeting the Southeast Asian market. The market size of China's cross-border digital marketing services targeting end customers in Southeast Asia had reached US$3.3 billion in 2021, accounting for approximately 14.8% of such market size targeting global end customers, and is expected to reach US$10.7 billion in 2026 at a CAGR of approximately 26.4% from 2021 to 2026. China's cross-border digital marketing services industry targeting end customers in Southeast Asia has around 50 to 100 cross-border digital marketing services providers in 2021. The top five players taking up a market share of around 44.8% in 2021. Key market players generally have a revenue of over $10 million in 2021, serve marketers in e-commerce, online games and apps industries from multiple countries and regions worldwide.

Note: Southeast Asia is composed of eleven countries: Brunei, Burma (Myanmar), Cambodia, Timor-Leste, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam.

Source: Frost & Sullivan

China's Cross-border Digital Marketing Services Industry

Market Drivers

Major Drivers

1. **Expansion of Domestic Companies in Overseas Market**
2. **Development of SaaS-based One-stop Digital Marketing Services**
3. **Booming Demand of Export Products**
4. **Powerful Government Policy Support**

Major Driver	Description
Expansion of Domestic Companies in Overseas Market	Companies in China now actively deploy and expand markets overseas. With the support of economic development, reputable domestic companies are expanding their business overseas and actively participate in international competition. Expansion of domestic companies in overseas market has boosted the demand for cross-border digital marketing service in order to explore overseas market in a more effective way, thereby contributing to the growth of cross-border digital marketing services industry in China.
Development of SaaS-based One-stop Digital Marketing Services	With rapid development of technologies, including big data, AI technology, and marketing automation, marketing tools are gradually turning to standardization and digitalization. Digital marketing has become an endogenous driving force for corporate development. As marketing SaaS becomes one of the advanced digital marketing tools, growing number of cross-border digital marketing services providers are launching SaaS-based one-stop services to conduct marketing optimization and management automatically. SaaS-based one-stop services cover various aspects, including content creation, optimization and performance evaluation, as well as marketing SaaS platform, in order to enhance efficiency of marketing services. Therefore, the development of SaaS-based one-stop digital marketing services is considered as a major driver of China's cross-border digital marketing services industry.

Source: Frost & Sullivan

China’s Cross-border Digital Marketing Services Industry
Market Drivers

Major Drivers

1 **Expansion of Domestic Companies in Overseas Market**

2 **Development of SaaS-based One-stop Digital Marketing Services**

3 **Booming Demand of Export Products**

4 **Strong Government Policy Support**

Major Driver	Description
Booming Demand of Export Products	Due to the impact of the COVID-19, stores and malls were closed down and offline consumption decreased in 2020. With consumers gradually shifting to online shopping, the e-commerce industry has thus flourished. Moreover, due to the rapid recovery from the impact of COVID-19 in China in 2021, the GMV of China’s cross-border e-commerce import and export has increased from RMB5,026.3 billion to RMB14,523.9 billion from 2016 to 2021, representing a CAGR of 23.6%. In addition, demand for entertainment has also increased rapidly due to COVID-19. Overseas customers have spent more time on gaming and apps during lockdowns and social distancing, which made the China-based apps and online games become more popular with overseas customers. Rising demand for acquiring overseas customer traffic has prompted e-commerce companies to look for cross-border digital marketing services, thereby promoting the development of the industry.
Strong Government Policy Support	Policies in support of cross-border e-commerce are also stimulating the development of the cross-border digital marketing services industry in China. The state promotes the development of overseas warehouses actively, and encourages enterprises to use cross-border third party e-commerce platforms or self-built platforms to take orders, thus driving domestic brands' expansion into the international arena. In September 2018, the Ministry of Finance, the State Administration of Taxation, the Ministry of Commerce, and the General Administration of Customs issued the Tax Policies for Retail Exports in Cross-Border E-commerce Comprehensive Pilot Zones (《关于跨境电子商务综合试验区零售出口货物税收政策的通知》). Value-added tax or consumption tax exemption policies have been implemented for the goods which are exported by an e-commerce export enterprise in a comprehensive pilot zone without any valid voucher for the purchase of goods. In July 2021, the General Office of the State Council issued the Opinions on Accelerating the Development of New Formats and New Models of Foreign Trade (《关于加快发展外贸新业态新模式的意见》), putting forward 25 opinions on promoting the development of new formats and new models of cross-border trade from seven aspects. In November 2021, the Plan for the High-quality Development of Foreign Trade during the 14th Five-Year Plan Period (《“十四五”对外贸易高质量发展规划》) issued by the Ministry of Commerce. The Plan was issued to optimize the international market layout and the structure of service import and export and promote the sustainable development of cross-border e-commerce, steadily deepening the opening up of the market.

Source: Frost & Sullivan

China's Cross-border Digital Marketing Services Industry
Opportunities & Trends

Opportunities and Trends

Application of Technological Innovations

Innovations such as augmented reality (AR), artificial intelligence (AI), and big data enable cross-border digital marketing services providers to achieve technological changes. AR represents a new frontier for marketers to connect with their consumers. AR campaign is a valuable tool for marketers in storytelling as it can be cost-efficient through immersion. In addition, through learning experience from massive data and analyzing marketing performance, AI empowers marketing services providers with more precise marketing capabilities. Application of technological innovations is expected to promote the growth and development of China's cross-border digital marketing services industry.

Growing Popularity of Social Media and Short Videos

The popularity of social media and short videos promotes the cooperation between cross-border digital marketing providers and overseas social media publishers. The cooperation with media and celebrities overseas strengthens the marketing effects of marketers. Also, active customer traffic of social media publishers undoubtedly brings new business opportunities. It is easier to reach target audiences and achieve large-scale marketing effect by promoting products on various social media publishers and through short videos.

International Policy Support

The Regional Comprehensive Economic Partnership (RCEP) entered into effect on January 1, 2022, involving ten countries of the Association of Southeast Asian Nations (ASEAN) and five non-ASEAN countries, including China, New Zealand, Australia, Japan and South Korea. The RCEP is a free trade agreement that will create the world's largest trade bloc. China, as a member state, is able to benefit from the RCEP, including in connection with customs duty planning and mitigation, further optimization of supply chain, non-tariff measures and trade facilitation. The implementation of RCEP could create a unified, market for trading of goods and services. Marketers are able to benefit from reduced trade barriers along with the implementation of RCEP. As far as the cross-border digital marketing services industry is concerned, as marketers could easily access different markets across the region, it would bring growing demand for cross-border digital marketing services. Marketers are expected to turn to experienced cross-border digital marketing services providers in order to target overseas potential customers. Thus, international policy support brings an opportunity to the cross-border digital marketing service providers which plays an important role in introducing China-based marketers to the global market.

Source: Frost & Sullivan

China's Cross-border Digital Marketing Services Industry

Threats & Challenges

Threats and Challenges

Increasing Labor Costs

As a knowledge-intensive industry, China's cross-border digital marketing services industry has a strong demand for IT talents. Especially with the rapid development and iteration of technologies, companies are increasingly in need of high-end talents. Average wage of employed persons in information transmission, software and information technology in China had increased from approximately RMB120,000 per year in 2016 to approximately RMB177,500 in 2021 at a CAGR of 8.1% in China. The increasing labor costs add to the operating pressure of industry players and by and large pose as a threat for cross-border digital marketing services providers in China.

Localization

Cross-border digital marketing services providers may face challenges of localization during their expansion to overseas market. Cross-border digital marketing is conducted all over the world and is targeted at customers from diverse backgrounds. As the cultural backgrounds, life habits, and local government policies may varies in different countries and regions, localization is considered as a challenge for cross-border digital marketing services industry in China.

Uncertainty of the Relationship between China and the U.S.

Recent international trade disputes, including the trade war between the U.S. and China, and the uncertainties created by such disputes may cause disruptions in the international flow of goods and services and may adversely affect the Chinese economy as well as global markets and economic conditions. Even though the implementation of the "Phase One" deal between China and the U.S. as cut U.S. tariffs on imports from China for the foreseeable future, the U.S. tariffs on imports from China are still higher than those before the trade war began in 2018. In addition, in June 2021, President Biden signed an executive order calling for a rigorous, evidence-based analysis of potential risks posed by apps designed, developed, manufactured or supplied by China and other foreign countries. This order may post potential risk for Chinese app marketers on promoting their apps to overseas market. There is still uncertainty over the long-term effects of the monetary and fiscal policies adopted by the central banks and financial authorities of the U.S. on goods and services of Chinese marketers, bringing threats to cross-border digital marketing services industry in China.

Source: Frost & Sullivan

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4 ***Competitive Landscape***

5 China’s Cross-Border Online-Shop SaaS Solutions Industry

6 Appendix

Competitive Landscape

Ranking of Top 5 Cross-border Digital Marketing Services Companies in China

Ranking of Top 5 Cross-border Digital Marketing Services Providers, (China), 2021

Rank	Company	Gross Billing ($ Billion)	Market Share (%)
1	Meetsocial	4.5	20.2%
2	BlueFocus	4.3	19.3%
3	Tec-Do	1.1	4.9%
4	**The Group**	**0.6**	**2.7%**
4	Mobvista	0.6	2.7%
Top 5 Subtotal		**11.1**	**49.8%**
Others		**11.2**	**50.2%**
Total		**22.3**	**100.0%**

- There were around 1,000 cross-border digital marketing services providers in China in 2021. Top five cross-border digital marketing services providers in China took approximately 49.8% of the market size in 2021.
- With a gross billing of US$0.6 billion in cross-border digital marketing services in 2021, our Group ranked the 4th and accounted for around 2.7% market share of China's cross-border digital marketing services industry.

Source: Frost & Sullivan Analysis

Competitive Landscape

Ranking of Top 5 Cross-border Digital Marketing Services Companies in China

Ranking of Top 5 SaaS-Based Cross-border Digital Marketing Services Providers, (China), 2021

Rank	Company	Gross Billing ($Billion)	Market Share (%)
1	BlueFocus	0.87	21.2%
2	Mobvista	0.60	14.6%
3	**The Group**	**0.23**	**5.6%**
4	Meetsocial	0.11	2.7%
5	Tec-Do	0.09	2.2%
Top 5 Subtotal		**1.90**	**46.3%**
Others		**2.20**	**53.7%**
Total		**4.10**	**100.0%**

- In 2021, the market size of China's SaaS-based cross-border digital marketing services industry had reached approximately US$4.1 billion in terms of gross billing, accounting for 18.4% of China's overall cross-border digital marketing services industry. China's SaaS-based cross-border digital marketing services industry is relatively fragmented with around 200 to 300 players in China in 2021. Top five SaaS-based cross-border digital marketing services providers in China took approximately 46.3% of the market size in 2021.
- With a gross billing of US$0.23 billion in SaaS-based cross-border digital marketing services in 2021, our Group ranked the 3rd and accounted for around 5.6% of the market share of China's SaaS-based cross-border digital marketing services industry.

Source: Frost & Sullivan Analysis

Competitive Landscape

Ranking of Top 5 Cross-border Digital Marketing Services Companies in China

Ranking of Top 5 Cross-border Digital Marketing Services Providers for E-commerce Industry, (China), 2021

Rank	Company	Gross Billing ($ Billion)	Market Share (%)
1	Meetsocial	2.24	32.5%
2	BlueFocus	2.16	31.3%
3	**The Group**	**0.43**	**6.2%**
4	Papaya	0.29	4.2%
5	Yeahmobi	0.28	4.1%
Top 5 Subtotal		**5.40**	**78.3%**
Others		**1.50**	**21.7%**
Total		**6.90**	**100.0%**

- In 2021, the top two players for China's cross-border digital marketing industry serving e-commerce accounted for 63.8%.
- With a gross billing of around US$0.43 billion in 2021, our Group ranked the 3rd and accounted for around 6.2% market share of China's cross-border digital marketing services for e-commerce industry.

Note: The gross billing refer to the gross billing of e-commerce customers

Source: Frost & Sullivan Analysis

Competitive Landscape

Ranking of Top 5 Cross-Border Online-Shop SaaS Solutions Companies in China

Ranking of Top 5 Cross-Border Online-Shop SaaS Solutions Providers, (China), 2021

Rank	Company	Revenue ($ Million)	Market Share (%)
1	Shopify	343.9	58.0%
2	Shopline	38.2	6.4%
3	Shoplazza	24.0	4.0%
4	FunPinPin	23.3	3.9%
5	DHgate	6.6	1.1%
Top 5 Subtotal		**436.0**	**73.4%**
Others		**157.0**	**26.6%**
Total		**593.0**	**100.0%**

- In 2021, China's cross-border online-shop solution market industry was relatively concentrated with the top five players taking up a market share of around 73.4%.
- The Group, with revenue of approximately US$0.03 million in 2021, accounted for 0.01% of the market share in 2021.

Note: The gross billing refer to the gross billing of e-commerce customers

Source: Frost & Sullivan Analysis

Competitive Landscape

Ranking of Resellers for Gross Billing Attributable to Meta

Company Name	Gross Billing Attributable to Meta ($ Billion)	Customized Digital Marketing Services	SaaS Based Digital Marketing Services
Meetsocial	2.24	√	√
BlueFocus	1.73	√	√
PowerWin	**0.61**	√	√
Tec-Do	0.43	√	√
PandaMobo	0.15	√	√
Papaya	0.14	√	√
YUGUO	0.09	N/A	N/A
CheetahMobile	<0.1	√	√
GatherOne	<0.1	√	N/A
WEZO	<0.1	√	√
YinoLink	<0.1	√	N/A

Note : Meta's reseller list for the years ended December 31, 2021.

Source: Frost & Sullivan Analysis

Competitive Landscape

Entry Barriers

Entry Barriers

Comprehensive Service Capacity	• The cross-border digital marketing industry is concentrated and subject to rapid and frequent changes in technology, evolving marketer needs and introduction of new and enhanced services. A limited number of service providers are able to provide deeply customized cross-border digital marketing services combined with SaaS based digital marketing services for large-scale marketers. Large cross-border digital marketing service providers are able to provide comprehensive and customized services combined with latest technological applications like SaaS. Accordingly, providing marketers with comprehensive services and solutions is becoming a barrier for new entrants.
Brand Reputation and Awareness	• In cross-border digital marketing services industry, a company with a highly-recognized reputation is expected to attract more marketers for its services. Given successful projects and long-term business partners, existing companies with good reputation and brand awareness are able to prove themselves in completing marketing projects with more professional skills. In addition, leading media publishers, such as Meta, generally work with a limited number of 11 resellers, which are usually recognized and well-known cross-border digital marketing services providers that have marketers resources. Thus, new entrants may have a hard time competing with more reputable players.
Talent Requirements	• For the cross-border digital marketing services industry, the talent requirement is relatively high. Talent for cross-border digital marketing services providers is required to have sufficient industry experience for providing comprehensive marketing solutions to marketers, as well as maintaining data security and conducting technology innovation. New entrants to the market might find it relatively difficult to set up a professional and technically skilled team for cross-border digital marketing services providers in a short period of time.

Source: Frost & Sullivan

Competitive Landscape

Company Profile (1/2)

Company Name	Partnership With Meta	Customers' Industries	Description
BlueFocus	Reseller	Online games, APPs, e-commerce, branding, etc..	Established in 2002, this company is a listed company on Shenzhen Stock Exchange. Headquartered in Beijing, this company has around 3,000 employees and primarily focuses on a wide spectrum of marketing and brand management services across disciplines of strategy, digital, advertising, media, social, PR, etc. It mainly provides integrated marketing services for automotive, fast-moving consumer goods, and internet companies. This company became one of Meta's resellers in 2015. The service region covers the major global markets. In 2021, this company achieved a revenue of RMB40 billion. The number of customers is around 6,000 in 2021.
Meetsocial	Reseller	Online games, APPs, e-commerce, branding, etc..	Established in 2013, this company, as of the Latest Practicable Date, is a non-listed company headquartered in Shanghai, China. This company has around 670 full-time employees and primarily provides cross-border digital marketing services to marketers based in China. This company became one of Meta's resellers in 2014. Marketing services of this company are delivered in America, Asia, Europe etc.
Tec-Do	Reseller	Online games, APPs, e-commerce, branding, financial, etc..	Established in 2017, this company as of the Latest Practicable Date a non-listed company headquartered in Guangzhou, Guangdong, China. This company has around 500 employees and primarily engages in cross-border digital marketing services in typical industries such as online games, apps, and e-commerce. This company is more focused on games and apps industries. This company became one of Meta's resellers in 2020. Business of this company has covered more than 200 countries and regions worldwide.
Papaya	Agent	Interactive entertainment, APPs, e-commerce, branding, etc..	Established in 2008, this company as of the Latest Practicable Date a non-listed company and is headquartered in Beijing, China. This company has around 200 employees and primarily focuses on media advertising, including search and performance advertisements. The advertising media resources connected by this company cover more than 200 countries and regions worldwide. The number of customers is around1,000 in 2021.
Mobvista	Agent	Interactive entertainment, APPs, e-commerce, branding, etc..	Established in 2013, this company as of the Latest Practicable Date a listed company on the Main Board of the Stock Exchange of Hong Kong. This company is headquartered in Guangzhou, China and has around 1000 employees and primarily provides services of SaaS tooling ecosystem that includes products and solutions for mobile marketing, data analytics, creative automation, monetisation, and elastic cloud cost optimisation. Marketing services of this company are delivered in China, Europe, Africa, the Middle East, Asia Pacific etc. In 2021, this company achieved a revenue of around USD755 million.
Yeahmobi	Agent	Entertainment, APPs, e-commerce, branding, etc..	Established in 2011, this company is a listed company on Shenzhen Stock Exchange. Headquartered in Xi'an, Shaanxi, China, this company is an international intelligent marketing service provider that provides global marketing services of performance advertising services, brand advertising services, and head media account management services. Services of this company have covered over 200 countries and regions worldwide. In 2021, this company achieved a revenue of around RMB3.3 billion.

Source: Frost & Sullivan Analysis

Competitive Landscape

Company Profile of Leading Marketing Services Company (2/2)

Logo	Company Name	Headquarter Location	Established Year	Description
	Shopify	Ottawa, Ontario, Canada	2006	Established in 2006, this company is listed on the New York Stock Exchange. Headquartered in Ottawa, Ontario, Canada. This company offers online retailers a suite of services, including payments, marketing, shipping and customer engagement tools. This company reported that it had businesses in approximately 100 countries using its platform.
	Shopline	Shenzhen, Guangdong	2013	Established in 2013, this company, as of the Latest Practicable Date, is a non-listed company headquartered in Shenzhen, Guangdong, China. This company has around 800 employees and provides a total commerce solution and customised services to support businesses of all sizes to go online and go global.
	Shoplazza	Shenzhen, Guangdong	2017	Established in 2017, this company, as of the Latest Practicable Date, is a non-listed company headquartered in Shenzhen, Guangdong, China. This company is a cloud-based and multi-channel commerce platform design for online brands to go borderless. This company has approximately 50 employees and primarily provides an e-commerce platform, which provides a simple website builder for e-commerce businesses of all shapes and sizes to start.
	FunPinPin	Shenzhen, Guangdong	2020	Established in 2020, this company, as of the Latest Practicable Date, is a non-listed company headquartered in Shenzhen, Guangdong, China. This company has around 200 employees and provides a website-building SaaS service platform for merchants with one-stop solutions from site establishment to marketing. This company offers an easy-to-use e-commerce platform trusted by China's Sellers. Customisable store design with a secure shopping cart.
	DHgate	Beijing	2004	Established in 2004, this company, as of the Latest Practicable Date, is a non-listed company headquartered in Beijing. This company has around 600 employees. This company is the first one-stop cross-border export B2B e-commerce platform with buyers covering around 200 countries and regions. The sellers are mainly located in China.

Source: Frost & Sullivan Analysis

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5 ***China’s Cross-Border Online-Shop SaaS Solutions Industry***

6 Appendix

China's Cross-Border Online-Shop SaaS Solutions Industry
Definition and Development History

Definition of Cross-border Online-shop SaaS Solutions Industry

- Cross-Border online-shop SaaS solutions providers offer building tools and services for standalone online shops of cross-border e-commerce businesses. These services are integrated on a specific SaaS-based platform online. E-commerce businesses are directly served on the platform that data do not have to be calculated or stored locally. Cross-Border online-shop SaaS solutions are able to realize marketing automation, artificial intelligence, and eventually data precipitation on the platform.
- Apart from third-party e-commerce platform where multiple online vendors list their products and services, a standalone online shop is e-commerce merchants' own official website platform to release and offer products. Through standalone online shops, e-commerce businesses can provide a series of services such as marketing, order reservation, payment and delivery for overseas customers.
- In addition, cross-Border online-shop SaaS solutions providers provide a series of services including daily operation, software installation, customer relations, resource allocation, marketing and other value-added services.
- There are limited numbers of industry players that can provide both SaaS based online-shop building tool and services and cross-border digital marketing functions.

Value Chain of Cross-border Online-shop SaaS Solutions Industry

- ✓ **Website Building Tools**
- ✓ **Marketing**
- ✓ **Payment**
- ✓ **Logistics, Warehousing, Financing, Etc.**

Technical and Equipment Supporters → **Cross-border Online-shop SaaS Solutions Providers** → **E-commerce Businesses**

Technical and Equipment Supporters

- ✓ ***Technical and Equipment Supporters*** refers to the system developer, network service provider and equipment suppliers.
- ✓ Most SaaS products on the market are based on Windows system development. Network service providers are the foundation of cross-Border online-shop SaaS solutions development.

Cross-border Online-shop SaaS Solutions Providers

- ✓ ***Cross-border Online-shop SaaS Solutions Providers*** Provide subscription service and value-added services. Subscription services mainly include web page construction, order management and customer management services. Annual fees and transaction commissions are the main source of income for cross-Border online-shop SaaS solutions providers.
- ✓ Value-added services mainly include marketing, attracting traffic, establishing a private domain traffic pool, payment channels, logistics, warehousing, financing, etc.

E-commerce Businesses

- ✓ ***E-commerce Businesses*** Refers to the entities complete transactions and settle payments through e-commerce standalone online shop and deliver goods and complete transactions through cross-border logistics.

Source: Frost & Sullivan Analysis

China's Cross-Border Online-Shop SaaS Solutions Industry

Development History and Milestones

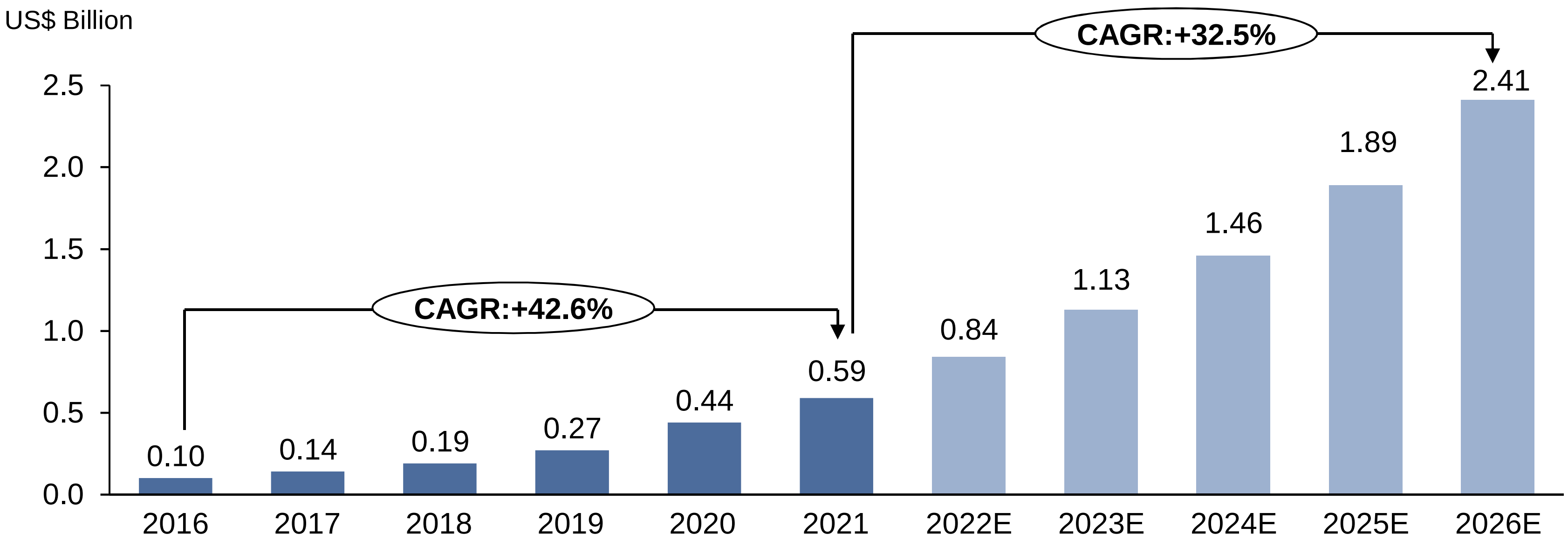
1999-2003 Introduction Stage	➢ At early stages, businesses mainly traded overseas through exhibition channels. Due to the limitation of language and technology, the concept of establishing businesses' own product display websites appeared. The role of the website is to provide an online display platform for businesses and their products, but did not involve any transactions on the Internet.
2004-2012 Development Stage	➢ Since 2002, cross-border e-commerce gradually emerged. There were not many platforms during the time, eBay and Amazon were not popular. At this stage, export businesses desire to expand overseas business. Standalone online shops were their only choice. However, the qualification for developing code was relatively high. User access experience and data information security issues were relatively difficult to be improved. At the same time, standalone online shops building platforms such as Shopify became popular gradually.
2010-2014 Exploration stage	➢ Leading businesses began to deploy their store platforms in public clouds such as Amazon Cloud, Google Cloud, and Alibaba Cloud. The leading businesses have their own official websites and standalone online shops. However, only a few small and medium businesses have their own website platforms. In 2009, Shopify launched API and app store. Businesses apply the tools of third-party developers for further developing their own online stores.
2015-Present Prosperity stage	➢ Competition among businesses on third-party platforms has become fierce gradually. Gross profit margins of businesses on third-party platforms have begun to decrease. And third-party platforms have strong dominance. High fines and frequency of changing policies make it difficult for many businesses to survive on the platforms. From 2017 to 2018, social media platforms entered a period of explosive growth. The growth brought businesses' standalone online shops new traffic. Since then, the standalone online shops construction platform has entered a stage of rapid growth.

Source: Frost & Sullivan Analysis

China’s Cross-Border Online-Shop SaaS Solutions Industry

Market Size Analysis (1/2)

Market Size of China’s Cross-Border Online-Shop SaaS Solutions Industry (China), 2016 – 2026E



- As one of the modern tools of building standalone online shops for cross-border e-commerce businesses, cross-Border online-shop SaaS solutions industry has increased in the past few years along with the growth of cross-border e-commerce business. Cross-Border online-shop SaaS solutions industry in China has increased from US$0.10 billion in 2016 to US$0.59 billion in 2021 at a CAGR of 42.6%. In 2021, there were around 100 cross-Border online-shop SaaS solutions providers in China.
- Cross-Border online-shop SaaS solutions industry is expected to grow with the technology progress, prosperity of social media and the support of government policies in the future. Cross-Border online-shop SaaS solutions industry in China is estimated to reach US$2.41 billion in 2026 at a CAGR of approximately 32.5% from 2021 to 2026.
- China’s cross-Border online-shop SaaS solutions market is at a relatively early development stage. There are players like cross-border digital marketing service providers, SaaS solution providers and other related technology companies serving China-based marketers targeting overseas markets

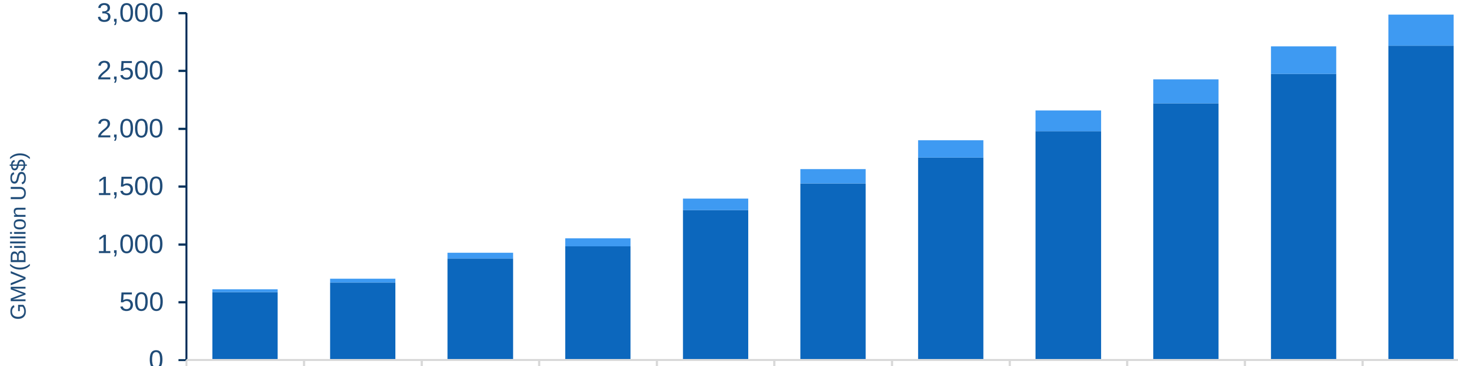
Note: market size is measured by cross-Border online-shop SaaS solutions providers

Source: Frost & Sullivan

China's Cross-Border Online-Shop SaaS Solutions Industry

Market Size Analysis (2/2)

Total GMV of China's Cross-border E-commerce Market (China), Breakdown by Platform, 2016 – 2026E



	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	CAGR (16-21)	CAGR (21-26E)
Standalone Online Shops	23.9	35.1	51.4	67.3	100.3	124.3	149.9	177.9	207.6	238.0	268.0	39.1%	16.6%
Third-Part Platforms	586.5	669.0	876.7	983.8	1,295.1	1,527.1	1,751.3	1,978.5	2,219.3	2,473.2	2,717.6	21.1%	12.2%
Penetration Rate (%)	3.9%	5.0%	5.5%	6.4%	7.2%	7.5%	7.9%	8.3%	8.6%	8.8%	9.0%		

- Gross Merchandise Volume (GMV) of China's cross-border e-commerce market is expected to grow with increasing demand for Chinese products worldwide. The total volume of GMV in the cross-border e-commerce market can be divided by standalone online shops and third-part platforms, accounting for approximately 7.5% and 92.5% of the total volume of GMV in 2021. In 2021, the penetration rate of cross-border standalone online shops is around 7.5% in terms of GMV.
- The total volume of GMV for China's cross-border e-commerce market increased from US$0.6 trillion in 2016 to US$1.7 trillion in 2021 at a CAGR of 22.0% and is estimated to reach US$3.0 trillion in 2026 at a CAGR of 12.6% from 2021 to 2026. The total volume of GMV on standalone online shops is expected to grow to US$268.0 billion in 2026, representing a CAGR of 16.6%. The penetration rate of China's cross-border standalone online shops is around 7.5% in terms of GMV in 2021 and is expected to grow to 9.0% in 2026.

Note: (1) market size is measured by cross-Border online-shop SaaS solutions providers; penetration rate is measured by the GMV of standalone online shops divided by total GMV of China's cross-border e-commerce market. (2) The exchange of USD/RMB is 6.76.

Source: Frost & Sullivan

China’s Cross-Border Online-Shop SaaS Solutions Industry

Market Drivers (1/2)

Major Drivers

1 **Technological Progress and Innovation**

2 **Government Policy Support**

3 **Prosperity of Social Media**

4 **Development of E-commerce Industry**

Major Driver	Description
Technological Progress and Innovation	Cloud computing, big data, artificial intelligence (AI) and other technologies have driven the technological innovation of cross-Border online-shop SaaS solutions industry. Cloud computing helps e-commerce businesses process large amount of data generated during daily operations, and deploy websites or applications in multiple regions worldwide easily. Meanwhile, cross-Border online-shop SaaS solutions providers apply big data on prediction of sales and production capacity in order to adjust strategies flexibly. In addition, AI is widely applied on the daily maintenance and update of SaaS software, thereby helping e-commerce businesses collect data of consumers' behavior to improve user experience.
Government Policy Support	Policies are issued by central government to encourage cross-border e-commerce businesses to build standalone online shops, promoting the development of cross-Border online-shop SaaS solutions industry. Cloud computing helps e-commerce businesses process large amount of data generated during daily operations. With the development of cross-border e-commerce, cross-border e-commerce businesses prefer to build their own standalone online shops to access private user traffic, rather than public user traffic. Private traffic can be attained repeatly and freely by the e-commerce merchants, and is owned directly by the merchants, not affected by platforms with public user traffic. The government has issued favorable policies to promote the high-quality development of foreign trade. In 2021, the general office of the state council issued the opinions on accelerating the development of new formats and new models of foreign trade (《关于加快发展外贸新业态新模式的意见》). According to these opinions, the government has proposed to encourage cross-border businesses to build e-commerce online shops and support professional construction of platforms, promoting the demand for cross-Border online-shop SaaS solutions.

Source: Frost & Sullivan

China's Cross-Border Online-Shop SaaS Solutions Industry

Market Drivers (2/2)

	Major Drivers
1	Technological Progress and Innovation
2	Government Policy Support
3	Prosperity of Social Media
4	Development of E-commerce Industry

Major Driver	Description
Prosperity of Social Media	At present, google-based search channels and Meta-based social media channels are the main channels for standalone online shops to attract traffic. At the same time, there is the emergence of various social and short video apps, as well as the emergence of marketing methods such as influencer and KOLs. Social media is an important source of information for consumers when making purchase decisions. In other words, social media can inspire users' consumption appetite. For standalone online shops, there are growing demand for cross-Border online-shop SaaS solutions that have a comprehensive set of marketing services encompassing marketing on various social media publishers and cooperating with overseas KOLs to attract traffic to standalone online shops, further establishing their own brand image, and achieving better marketing effects and more efficient monetization.
Development of E-commerce Industry	Impacts of COVID-19 brings opportunities to China's cross-border e-commerce industry. Due to the outbreak of COVID-19, some offline stores were closed and a lot of the consumers' consumption habits are transforming from offline to online gradually. The e-commerce industry is favored by consumers in overseas market with its advantages of low cost, high accessibility, flexibility and efficiency. The GMV of China's cross-border e-commerce import and export has increased from RMB5,026.3 billion in 2016 to RMB14,523.9 billion in 2021, representing a CAGR of 23.6%. Rising demand for operation efficiency boosts the needs of e-commerce for cross-Border online-shop SaaS solutions.

Source: Frost & Sullivan

China's Cross-Border Online-Shop SaaS Solutions Industry

Opportunities & Trends, Threats & Challenges

Opportunities and Trends

Opportunity Driven by Decentralization Trend

- The traffic dividends of traditional centralized e-commerce and offline business districts are gradually decreasing. E-commerce businesses are faced with problems like homogenization competition, high platform charge, low customer retention ratio and limited marketing methods, etc. There still exists a huge business development potential for decentralized e-commerce and private traffic. Compare to centralized cross-border e-commerce platforms, decentralized cross-border e-commerce platforms in the form of standalone online shops can enable merchants to have more control over customer management and the entire customer experience, thus improving their competitiveness in the market. With the development of decentralized cross-border e-commerce, cross-Border online-shop SaaS solutions providers are helping merchants further explore the area of decentralization through integrated SaaS solutions and in-depth operations, enabling merchants to complete digital upgrades and comprehensively improve their business efficiency.

Catering to the Consumption Habits of Overseas Consumers

- Overseas consumers usually have high requirements on product design, shopping experience and brand image while shopping online. Traditional third-party e-commerce platforms are becoming less attractive to both e-commerce businesses and consumers whereas standalone online shops standalone online shops serve customers with unique shopping experience and tailored services, which is in line with the consumption habits of overseas consumers. Cross-Border online-shop SaaS solutions providers enable e-commerce businesses to adopt diversified operation modes on their standalone online shops for building a robust brand image which third-party platforms generally are not able to offer. Consumption habits of overseas customers may be considered as an opportunity for cross-Border online-shop SaaS solutions.

Threats and Challenges

Rising Logistics Cost Caused by COVID-19

- Impacts of the COVID-19 caused the global transportation capacity short of meeting market demand. Major logistics service providers have increased prices in different ways, causing the logistics costs of cross-border e-commerce businesses to surge. The supply chain is short of manpower. Efficiency of distribution operations has declined, which may result in the delay of orders. Decrease of the capacity of international delivery affects the timeliness of logistics. Rising logistics costs may affect the operation of cross-border e-commerce businesses, thus decreasing their budget on SaaS solutions for standalone online shops.

Source: Frost & Sullivan

China's Cross-Border Online-Shop SaaS Solutions Industry
Entry Barriers

Entry Barriers

Brand Recognition	• The brand recognition and industry experience of services providers are directly related to their long-term cooperation with businesses and the accumulation of resources. Well-known cross-Border online-shop SaaS solutions providers generally enter the marketplace earlier and their products and services have gone through multiple versions of iterative updates. Therefore, they usually have stronger brand recognition because of customer loyalty and high conversion rate of paid businesses. New entrants generally lack brand recognition and industry experience, which is difficult to compete with their more reputable counterparts.
Advanced R&D Capability	• Cross-Border online-shop SaaS solutions providers are required to have in-depth industry experience and advanced R&D capability to satisfy the diversified and evolving needs of e-commerce businesses with different product and services focuses. Existing market participants have already accumulated such R&D capability and resources to serve various e-commerce businesses and therefore setting up a high technical barrier for new entrants.
Qualified Project Team	• The project team members of cross-Border online-shop SaaS solutions providers need to have sufficient industry experiences and technical qualification to satisfy customer needs. Existing participants generally have experienced project teams comprising experts in multiple industries to provide industry-specific guidance, training and business advice to e-commerce businesses for their daily operation. It takes time and resources to cultivate a thorough understanding of the industry-specific needs of e-commerce businesses, therefore setting up a barrier for new entrants.

Source: Frost & Sullivan

Content

1 Overview of China's Macro Economy

2 China's Digital Marketing Services Industry

3 China's Cross-border Digital Marketing Services Industry

4 Competitive Landscape

5 China's Cross-Border Online-Shop SaaS Solutions Industry

6 *Appendix*

Abbreviations and Terms (1/2)

Abbreviations and Terms

- **Bn:** Billion
- **Mn:** Million
- **CAGR**: compound annual growth rate
- **China**: if not specified refers to mainland China, excluding Hong Kong, Taiwan and Macau
- **PRC:** People's Republic of China
- **GDP:** gross domestic product

Limitations in Source of Information

- Interviews with industry experts and market participants are conducted to collect information for this report, based on a best-efforts basis.
- Frost & Sullivan will not be responsible for any information gaps where interviewees have refused to divulge confidential data or figures.
- In instances where information is not available, figures based on similar indicators combined with Frost & Sullivan in-house analysis will be deployed to arrive at an estimate.
- Frost & Sullivan will state the information sources at the bottom right-hand corner of each slide for easy reference.

Note to Numeric Calculations

- Value and figures in this report are all rounded. Figures may not add up to the respective totals owing to rounding. CAGRs may not be reproducible from the rounded figures exhibited in the charts.
- The base year is 2021. The historic period is from 2016 to 2020. The forecast period is from 2021 to 2026.

Source: Frost & Sullivan

Abbreviations and Terms (2/2)

Chinese Name	English Abbreviation	English Name
北京蓝色光标数据科技股份有限公司	BlueFocus	BlueFocus Intelligent Communications Group Co., Ltd.
飞书深诺数字科技(上海)股份有限公司	Meetsocial	Meetsocial Co., Ltd.
广州钛动科技有限公司	Tec-Do	GuangzhouTec-Do Technology Co., Ltd.
北京木瓜移动科技股份有限公司	Papaya	Beijing Papaya Mobile Technology Inc.
汇量科技有限公司	Mobvista	Mobvista Inc.
易点天下网络科技股份有限公司	Yeahmobi	Easy Click Worldwide Network Technology Co.,Ltd.

Source: Frost & Sullivan

Impact of COVID-19 Outbreak

Background of COVID-19

- Since the end of December 2019, the outbreak of a novel strain of coronavirus named COVID-19 has materially and adversely affected the global economy. In response, China has imposed widespread lockdowns, closure of work places and restrictions on mobility and travel to contain the spread of the virus. Since March 2020, most Chinese cities had eased or lifted travel restrictions and resumed work and production. By August 5th, 2022, there are 1,772 existing confirmed cases of COVID-19 in China. In the first half of 2022, provinces such as Shandong Jiangsu and cities such as Shenzhen and Shanghai have experienced temporary lockdowns for quelling a resurgence of COVID-19. The temporary lockdowns caused by COVID-19 resulted in the closure of public institutions, schools, office buildings, etc.

COVID-19 Impact on Domestic Merchants

- The COVID-19 outbreak affected the sales and operation of domestic merchants in China in various ways. The COVID-19 outbreak had influence the sales operations of those merchants with offline stores across China due to a number of factors such as the overall reduced economic activities, lockdowns, closure of work places and transportation and travel restrictions, which in turn affected the short-term budgets and working capitals of such merchants. Meanwhile, there is broad adoption of e-commerce among merchants as they were getting aware of the opportunities they can derive from online shopping. Although retail sales of consumer goods has experienced a drop in 2020 due to the COVID-19 virus outbreak, online retail sales of consumer goods still increased with a year-on-year growth of approximately 15.3% in 2020 as online shopping was the primary choice for residents to buy necessaries during the country-wide lockdown. In addition, due to the outbreak of COVID-19, worldwide economies have fallen into a recession since 2020 while China takes the lead in realizing economic growth from negative to positive. In 2020, China has achieved a growth rate of approximately 2.9% in nominal GDP, becoming the one of the few major economies that achieved positive growth worldwide. With the support of economic development, reputable domestic merchants are expanding their business overseas and actively participate in international competition.

Impact of COVID-19 on Cross-border Digital Marketing Services Industry and Online-shop SaaS Solutions Industry

- As a result of various lockdown restrictions during the initial outbreak of COVID-19, cross-border digital marketing services industry in China was affected in the first quarter of 2020. However, along with the expansion of domestic companies in overseas market and booming demands for Chinese products and services, the cross-border digital marketing services industry in China soon recovered itself in 2020 from the initial negative impact brought by COVID-19. Meanwhile, as COVID-19 has caused lockdown and stay-at-home orders for many countries and regions in the world, media platforms, including social media platform operated by Meta, are increasingly generating user traffic worldwide. Growing user traffic on media platforms has given more opportunities to both media publishers and cross-border digital marketing services providers. There has been an acceleration of digital transformation of marketers in their cross-border marketing. In the long-term, cross-border digital marketing services industry is expected to benefit from the growing demand of cross-border digital marketing following COVID-19. Meanwhile, impacts of COVID-19 brings opportunities to China's cross-border e-commerce industry as the consumption habit of overseas market is transforming from offline to online gradually. The e-commerce industry is favored by consumers abroad with its advantages of low cost, high accessibility, flexibility and efficiency. Rising demand for operation efficiency boosts the needs of e-commerce businesses for cross-border online-shop SaaS solutions. In the first quarter of 2022, Chinese authorities tightened up restrictive measures for quelling a resurgence of COVID-19 in Southern China, which included a city-wide lockdown on Shenzhen for seven days in March. The lockdown in Shenzhen has disrupted global supply chains, including those in connection with cross-border e-commerce, as Shenzhen has one of the world's largest ports. Since March 21, 2022 Shenzhen has resumed normal work and production and the PRC authorities are rolling out measures to ensure the safety and stability of industrial and supply chains, as well as the orderly life and work for locals. On April 2022, Shanghai imposed a citywide lockdown to counteract the spread of COVID-19. The temporary lockdown in Shanghai has caused economic disruption in global supply chains and local manufacturing. The closed-loop working arrangements adopted by manufacturers in Shanghai during lockdown had limited production levels in factories. In addition, the lockdown had affected traffic in Shanghai port, which caused delays and rising costs for cross-border logistics. On June 1,2022, Shanghai authorities lifted the two-month-long lockdown. Businesses and institutions have gradually resumed offline operations in an orderly manner in Shanghai.
- On December 7 2022, the PRC authorities announced the "Ten New Guidelines", which followed "The 20 Measures" released on November 11 2022 to accelerate the economic recovery and resume normal operations of the society. The relaxation of rules, which include allowing infected people with mild or no symptoms to quarantine at home and dropping testing for people travelling within the country, is a strong sign on promoting economic recovery since the outbreak of COVID-19 in 2020. According to the "Ten New Guidelines", low-risk areas are not allowed to control movement or suspend any services, work, or production. It is expected that local manufacturing and global supply chain will return to normal operation in the near future. Hence, the negative impact on cross-border digital marketing services industry and online-shop SaaS solutions industry is expected to be gradually diminishing.

Source: Frost & Sullivan

Appendix and Methodology

- Frost & Sullivan is an independent global consulting firm, which was founded in 1961 in New York. Frost & Sullivan has over 45 global offices with more than 3,000 industry consultants, market research analysts, technology analysts and economics. It offers industry research and market strategies and provides growth consulting and corporate training. Its industry coverage in China includes automotive and transportation, chemicals, materials and food, commercial aviation, consumer products, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics, industrial and machinery, and technology, media and telecom.
- The market research process for this study has been undertaken through detailed primary research which involves discussing the status of the industry with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database.
- Primary interviews are conducted with relevant institutions to obtain objective and factual data and prospective predictions. Secondary research involves information integration of data and publication from publicly available resources, including official data and announcements from PRC government departments, and market research on industry and enterprise player information issued by our chief competitors.
- Projected total market size was obtained from historical data analysis plotted against macroeconomic data as well as specific related industry drivers.
- Frost & Sullivan's report was compiled based on the below assumptions:
    - China's and overseas economy is likely to maintain steady growth in the next decade;
    - China's and overseas social, economic, and political environment is likely to remain stable in the forecast period;
    - Expansion of domestic companies in overseas market, development of one-stop digital marketing services, booming e-commerce industry, and favourable government policy are likely to drive the future growth of the industry. The impact of COVID-19 has been incorporated in the assumptions.
- All the data and information regarding the Group is provided by the Group.

Source: Frost & Sullivan Analysis

Industry Norm (1/11)

Cross-border Digital Marketing Services Industry

- It is the industry norm that Meta generally enter into cooperation agreements with its resellers on an annual basis, as parties may need to renew stipulation of the rights and obligations, pricing mechanism, payment mechanism, as well as partner rebates mechanism annually. The cooperative relationship between Meta and the cross-border marketing services provider is long-term.
- In digital marketing services industry, the industry average of cross-border digital marketing service contract term is about one year or shorter. Marketers with a contract term of over three years are defined as customers with relatively high loyalty for services providers.
- It is industry practice for provide cross-border marketers to provide marketers with marketing services based on marketers' willing of media publisher preference. Meta is one of the most important mediums for generating brand awareness and interacting with large customer base. Thus, the reliance on the Meta is determined by the willing of e-commerce marketers.
- Meta is the world’s leading online social networking service provider and a dominant digital media content provider. The majority of Meta‘s marketers use its self-service ad platform to launch and manage their advertising campaigns. Meta focuses on attracting and retaining advertisers and providing support to them throughout the stages of the marketing cycle from pre-purchase decision-making to real-time optimizations to post-campaign analytics. Meta works directly with these advertisers, as well as through advertising agencies and resellers. Meta also invests in and relies on self-service tools to provide direct customer support to Meta‘s users and partners.
- The average monthly active users of the largest media platform of Media Publisher A increased from 2.50 billion for 2019 to 2.96 billion for the third quarter of 2022, ranking the first among all social media platforms in the world over such a period. Meta dominating position as a supplier of user traffic and social media publisher may not be replaced in the near future. Meta offers advertising services by displaying advertisement products on Facebook, Instagram, Messenger, and third-party affiliated websites or mobile applications. Meta generates approximately 97% of its revenue from advertising and marketing business in 2021.
- Meta is the leading media platform for cross-border marketers in China. . As of December 31, 2019, 2020, 2021 and 2022 and the Latest Practicable Date, there were nine, ten, 11, 11 and 11 resellers for Media Publisher A in China. The market share of Meta in global digital advertising market has increased from approximately 23% in 2020 to approximately 25% in 2021 in terms of revenue.
- It is industry practice that cross-border marketing services providers receive rebates from the media publishers.
- It is industry norm that cross-border marketing services providers return rebates to marketers.
- The Group is one of the major ad inventory resellers that serve sizeable marketers in China.
- Generally, if the relationships of cross-border marketing services providers with Meta is adversely changed or terminated, cross-border marketing services providers are able to effectively mitigate their exposure to these adverse changes or to termination of the relationship with Meta by sourcing through other resellers or agents.
- Generally, limited number of resellers of Meta have a broad coverage of vertical industries in China’s cross-border digital marketing services industry. The Group is among the few resellers for Meta in China that are authorized to serve marketers across all industries.
- Current 11 resellers of Meta are maintaining stable and good relationship with Meta that there is non discontinuation of their collaboration with Meta.
- It is industry practice for cross-border marketing services providers to receive rebates from media publishers.
- Adorado platform of the Group is one of the few players which are able to connect sizeable e-commerce business operators with SaaS-based technology capability, and offer marketers with fully-customized cross-border digital marketing solutions.
- It is "normal" in China's cross-border digital marketing services industry that a reseller of Meta may enter into agency agreement with another reseller(s) to act as an agent as a preventive measure to continue operation in case the reseller is interrupted or terminated with Meta.
- Media Publisher A engages a limited number of resellers in China. The annual gross billings of such resellers generally range from $0.1 billion to $5.0 billion. In 2021, the revenue and number of marketers are generally above $10 million and 500, respectively.

Source: Frost & Sullivan Analysis

Industry Norm (2/11)

Cross-border Digital Marketing Services Industry and Cross-Border Online-Shop SaaS Solutions Industry

- It is quite common for cross-border digital marketing service providers, in particular major players to work mostly with top media such as Meta and Google for acquiring user traffic and conducting cross-border digital marketing campaigns, campaigns, which is mainly out of the need of the
- type of marketers served by digital marketing service providers and due to the dominant market leadership and market share of such top media.
- As an industry norm, marketers usually do not directly liaise with media publishers, especially top media, since it is not cost-effective for top media to maintain a large team of manpower to handle marketing requests from large numbers of marketers.
- It is industry norm for media publishers to not provide value-added services in cross-border digital marketing. Value-added services in cross-border digital marketing includes content and creative, optimization and performance evaluation, data and technology services and etc. Value-added services are beyond advertisement placement, aiming to meet diverse demands of marketers and enhance marketing performance.
- From time to time, certain marketers and media publishers that are overlapping, which is a common practice in our industry as resellers and agents of media publishers may offer to one another different media resources depending on their respective focused media platforms and media coverage, and in certain cases, media publishers may become marketers when they have products or services to market on their own.
- Generally, the third and fourth quarters of each calendar year were the peak seasons for cross-border digital marketing services serving marketers from the e-commerce industry which customarily allocate a significant portion of their marketing budgets to holiday seasons (such as Christmas, New Year and Chinese New Year) and on special promotional occasions (such as Black Fridays) when increased consumer spending is expected.
- The limited coverage of commercial insurance is a customary industry practice in the cross-border digital marketing and e-commerce SaaS solutions markets in China.
- The utilization of SaaS products and platforms in digital marketing and cross-border e-commerce solutions markets is relatively new in China.
- It is industry practice that the gross spending on media publisher may not equal to the gross billing of marketer in the cross-border marketing services market. The difference is mainly caused by factors such as the difference in settlement methods.
- It is industry practice for cross-border marketers to entrust a third-party payment entity to make the payment to cross-border digital marketing services providers‘ subsidiaries. As the transactions between cross-border marketers and cross-border digital marketing services providers are settled in US dollars, the reason for cross-border marketers to entrusted a third-party payment may be lacking of sufficient US dollar accounts of domestic cross-border marketers.
- As of Q4 2021, the monthly active users (MAUs) of Tik Tok reached to 1.2 billion, ranking the 6th among all social media platforms in the world and is the largest cross-border social networking platform operator in terms of MAUs in 2021.
- Alibaba is the largest cross-border e-commerce platform in China as of revenue in 2021.
- In 2021, Lilith was the top 10 game companies in terms of revenue in China.
- SHEIN was the largest standalone online shopping platform for women’s apparel in 2021 as of revenue.
- It is industry norm for a mature standalone online shop to have a GMV of around US $0.2 million to US $0.5 million per month. The gross billing in digital marketing services of a standalone online shop is around 20% to 50% of its GMV. Closed standalone online shops account for about 10% to 50% of total standalone online shops per year.
- The group is one of the few digital marketing service providers in China to transform into a “digital marketing + online-shop SaaS” dual business mode, serving China-based cross-border e-commerce merchants along the industry value chain.

Source: Frost & Sullivan Analysis

Industry Norm (3/11)

Cross-border Digital Marketing Services Industry and Cross-Border Online-Shop SaaS Solutions Industry

- As an industry norm, the marketers' choice of pricing model is shifting in recent years from CPA/CPI to CPM/CPC, mainly because (i) the CPA/CPI model is prone to risk of fraud clicks when marketers engage certain long-tail or even unknown media publishers at relatively lower cost but with lower guarantee on media resource quality, (ii) ad inventory from premium media publishers on the other hand is likely to guarantee good quality but comparatively more expensive if adopting the CPA/CPI model, and (iii) with the help of big data and AI technology, marketers tend to adopt the CPM/CPC model for more impressions or clicks from premium media publisher platforms while in the meantime leveraging in-house optimization team or third-party service providers to help improve the return on investment in the later stages of the marketing campaigns.
- Generally, the problem of click fraud normally happens when marketers choose long-tail or unknown media publishers for their ad inventories. Click fraud occurs when a person, through automated scripts or computer programs, repeatedly clicks on the marketing content without a genuine interest in such content.
- As a general market practice, marketers in the gaming and apps industries tend to allocate the larger portion of their marketing budgets in the second and third quarters of the year during the summer vacations and ahead of the holiday seasons starting from the fourth quarter.
- In 2021, Apple introduced a new app tracking transparency feature in its iOS software which requires explicit permission from iOS device users before tracking them across other apps for cross-selling and other marketing activities among the apps (the "ATT Policy"). This policy affects how consumers using iOS devices receive targeted digital marketing content on the platforms of media publishers, as consumers may opt to share less information with media publishers about their off-site user behaviours in other apps. It is generally recognized that many of the media publishers (including Meta) engaging in digital marketing, had seen fluctuations in their online marketing activities in the short term following the implementation of the ATT Policy. This was particularly the case in the third and the fourth quarters of 2021 when media publishers were still in the process of adapting to such tracking policy changes and working on feasible adjustment on the marketing products in response to such changes and likewise for marketers, especially those in the app and online games industries, which had accordingly slowed their pace in marketing spending by that time. However, Meta does not seem to expect a noticeable long-term impact from the ATT Policy for the following reasons: (i) the effect of the ATT Policy was generally on all media publishers alike, not on Meta alone. As of the Latest Practicable Date, there were no other media publishers with similar industry strength and position as Meta that remained unaffected by the ATT Policy. Meta is the largest social media platform operator in the world and the leading media platform for cross-border marketers in China. With its large user base and user traffic, Meta is still considered by the marketers as a desirable major media publisher and a preferred choice for digital marketing. Moreover, larger media publishers such as Meta are in fact less likely to be affected by the ATT Policy when compared to smaller media publishers as marketers, if compelled to reduce their marketing spending due to the ATT Policy, are more likely to spend the budget available to them with larger media publishers than smaller ones; Media Publisher A managed a 2.1% increase on its advertising revenue from US$54,018 million in the first half in 2021 to US$55,150 million in the same period of 2022. Although this increase represented a significant slow-down as compared to [its previous year-on-year growth rate], such a slow-down is not caused largely by the ATT Policy but the combined result of a number of factors including, amongst others, macroeconomic environment, the appreciation of the U.S. dollars, the COVID-19 pandemic, [changes to the iOS operating system (including the ATT Policy)] and other global and regional business and geopolitical conditions; (ii) the ATT Policy is only applicable to iOS device users and Meta still has plenty of opportunities to track users on non-iOS apps; (iii) some consumers would still decide to opt-in for cross-app tracking despite of the ATT Policy so that digital marketing can still be carried out on Meta's platforms as before; and (iv) Meta has been working on new digital marketing tactics, such as Aggregated Event Measurement (AEM), which is a protocol adopted by Meta intended to improve marketing campaign reporting of iOS 14+ users with less user data to be used for measuring the effectiveness of online marketing campaigns. AEM changes how user conversions are measured for marketing campaigns placed on Media Publisher A's platforms with respect to conversion events taken place on marketers' domains (such as their apps and websites). As of the Latest Practicable Date, marketers were limited to tracking a maximum of eight conversion events per domain and are required to rank such conversions in the order of importance. Media Publisher A will, upon receiving such AEM instructions from the marketers, use this ranking to decide how to track conversions from users who opt-out of tracking. The eight conversion events (eg. Purchase, View Content, etc.) are selected by the marketer in rank of priority, and each event will send the data that is most valuable to the marketer. Data receive from these events can be used in ad campaigns for targeting, optimisation, and measurement. If a user who has opted out of Media Publisher A's tracking makes multiple conversions after clicking on a marketing campaign (such as purchasing an order and then signing up for a newsletter), only the highest-ranked conversion will be reported by Media Publisher A. Media Publisher A is continually developing similar protocols and privacy enhancing technologies which aim to help minimize the amount of personal information being processed while still allowing the relevant marketing campaigns to be conducted with its performance to be measured for marketers
- In comparison to other media platforms (especially those with newer media types such as short video and live streaming), the user base of Media Publisher A (even when looking at some of its more longer-history media platforms such as Facebook) has proven to have relatively higher user conversion capability for China-based marketers, especially when conducting cross-border marketing campaigns targeting overseas users in geographic locations such as North America, Europe, Southeast Asia, and South America.
- Meta has a relatively higher user acquisition cost than other major media publishers.

Source: Frost & Sullivan Analysis

Industry Norm (4/11)

Cross-border Digital Marketing Services Industry and Cross-Border Online-Shop SaaS Solutions Industry

- Depending on the industry credentials and marketer base of a non-reseller agent of Media Publisher A and the level of gross spending it may generate on Media Publisher A's platforms, the rebates received by such an agent from Media Publisher A through its reseller(s) may be comparable to those received directly from Media Publisher A by some of its resellers.
- Generally, Amazon adopts its own way of user-acquisition for the merchants on its platform which normally does not involve placing online marketing campaigns with Media Publisher A.
- Reseller plays an important role in China's cross-border digital marketing industry from below 3 aspects: For media publishers, resellers can help with: (i) aggregation and cultivation of marketers. Only a limited number of cross-border digital marketing service providers with a sizable scale of marketers can meet the criteria for becoming a reseller of major media publishers. Resellers can leverage their extensive marketer base to identify and explore potential customers for media publishers in strengthening the business reach of media publishers targeting China market; and (ii) promotion of media products. Resellers assist media publishers in the promotion of their marketing services and media products. With the assistance from resellers, marketers can better utilize the media products offered by media publishers in terms of their functions, programs, and marketing formats and in turn generate better results for the promotion of media products of media publishers. (iii) As some overseas media publishers, such as Media Publisher A, doesn't establish or build their own local team, infrastructure and presence in China, the reseller can bridge the gap by providing more localized and tailored services to China-based marketers so that overseas media publishers are able to reach out to these local marketers in a more effective manner. For cross-border marketers, resellers can provide: (i) cross-border marketing services with a competitive edge. With the optimized and tailored services by resellers, marketers with the need to conduct online marketing on media publishers targeting overseas users can have better access to marketing products and media resources with a competitive advantage; and (ii) compliance support. Resellers have a strong relationship with media publishers and are more familiar with the latest policies constantly updated by, and regulations in relation to, the media publishers. Resellers can assist marketers to be better acquainted with such latest developments of, and requirements from, the media publishers.
- It is widely acknowledged that top media publishers such as Media Publisher A would typically consider the following qualitative factors when selecting a reseller to work with (and there are generally no quantitative criteria for being a reseller for Media Publisher A): (i) Business scale and industry position: the reseller needs to be a forerunner in China's cross-border digital marketing industry with a leading position in the overall industry or in certain segment markets as valued by the media publishers, such as e-commerce, online games or apps; (ii) Marketer base with new marketer acquisition capability: the reseller needs to have a high-quality and sizable scale of marketer base together with a robust new marketer acquisition capability, compatibility with the user composition and profile of the relevant media platforms, and consequently the monetization potential for effective marketing; (iii) Technological capabilities: the reseller needs to have proficient industry knowhow, self-developed or self-enriched marketing products and development skills of marketing related technologies, which enable a scalable full-service coverage meeting high service standards; (iv) Management team and internal infrastructure: the reseller shall have a stable management team with sufficient industry experience and business acumen, as well as the well-established internal infrastructure and execution capabilities in complying with the rules and policies of the relevant media publishers; (v) Financial fundamentals: the reseller shall have robust financing resources and proper financial keeping record; and (vi) Knowledge of the media publishers: In the more particular case of Media Publisher A, it would also be looking at whether a potential reseller is familiar enough with Media Publisher A's media products and policies, as well as its business development directions and focus in tune with the specific attributes of the potential reseller.
- Due to the set-backs the China-based e-commerce merchants had suffered from overseas third-party e-commerce market places, such as from the Amazon Incident, some of these e-commerce merchants may become more inclined to switch to establishing their own standalone online shops, which may propel further development for the cross-border online-shop SaaS solutions industry in which the Group operates.

Source: Frost & Sullivan Analysis

Industry Norm (5/11)

Cross-border Digital Marketing Services Industry and Cross-Border Online-Shop SaaS Solutions Industry

- It is not economically efficient for most media publishers to cooperate with marketers directly and the reasons that most media publishers do not transact with marketers directly are twofold : From marketers' perspective, efficiently and effectively utilizing their marketing spending and acquiring marketing products from media publishers involve huge investment in overcoming a steep learning curve and acquiring technology, data and experienced team of marketing talents who can execute the marketing plans. Engaging a marketing expert who can provide a suite of comprehensive digital marketing solutions greatly increases the effectiveness of the marketers' marketing plans by achieving their desired marketing results and enhance the efficiency of their marketing spending by lowering the cost of acquiring these marketing products from the media publishers. From media publishers' perspective, a comprehensive digital marketing service provider can attract a broad range of marketers of different backgrounds by rendering cross-media neutral marketing advice, providing knowledge on the features and advantages of a multitude of marketing products that are constantly evolving, and sharing the marketing expert's experiences and knowhow amassed from serving a broad spectrum of marketers which a particular marketer cannot attain from its own limited marketing experiences. As an industry norm, marketers usually do not directly liaise with media publishers, especially top media publishers, since it is not cost-effective for top media publishers to maintain a large team of manpower to handle marketing requests from large numbers of marketers.
- It is common for marketers to register accounts on Meta through their domestic entities, while entering into agreements and making payments with cross-border digital marketing services providers through their overseas entities.
- Online games are predominately in the form of apps on mobile devices and under the ATT Policy, games marketers could no longer access by default Apple mobile users' identifier for advertisers ("IDFA") for ascertaining which part of the online marketing has attributed to the download of their apps or the conversion of retained users. As online games marketers rely more than other marketers on the IDFA for attribution and measurement of online marketing effects, they had become more affected by the ATT Policy as a result.
- The difference in media publishers' rebate rates between cross-border marketing services providers is derived from different component structures. Such component structures include the industry of marketers as well as different media publishers. For instance, media publishers usually provide cross-border marketing services providers with higher rebates for marketers in the online games and APP industries than the rebates for marketers in other industries. Meanwhile, some media publishers provide higher media publisher rebates than major media platforms. For example, the media publisher rebate of Media Publisher A is around 3% to 10% while the media publisher rebate of Bing is up to 15%. Generally, the rates of media publishers' rebates received from media publishers to the cross-border digital marketing services providers generally range from 0% to 15%.
- The media publisher rebate of Media Publisher A is around 3% to 10% and this level is quite stable in the past few years.
- As an industry norm, cross-border marketing services providers incentivise marketers for engaging in marketing services by extending marketer incentives to them. The rates of the marketer incentive are based on a spectrum of factors set by cross-border marketing services providers, including marketing spending provided by the relevant marketer, the media publisher rebates, the extent and depth of services provided by cross-border marketing services providers as well as the relevant marketer's history of compliance with media policies and advertisement quality. The rates of marketers incentives provided by the cross-border digital marketing services providers to marketers generally range from 0% to 10%.
- It is normal for resellers of major media publishers to increase market share and gross spending and optimize marketer base through collaboration with other peer companies.
- Media Publisher A normally would not prohibit its resellers to further enter into the aforementioned rebate arrangements with other resellers or agents.
- In China's online digital marketing industry, it is normal for service provider to have a trade receivable turnover period of around 30 to 180 days.
- It is an industry norm that the gross profit margin of human resources outsourcing services is usually ranging from 5% to 30%.

Industry Norm (6/11)

Cross-border Digital Marketing Services Industry and Cross-Border Online-Shop SaaS Solutions Industry

- The gross profit difference between cross-border marketing providers is derived from different calculations for gross profit as well as business scopes. Compared to competitors with the same gross profit calculations, the Group's gross profit is in line with the market range in the industry. For example, Meetsocial offers overseas advertising services for Chinese overseas enterprises, and hence it is most comparable with the Group's overall business. The gross profit margin of Meetsocial was 83.3% in 2020, which is within a reasonable range compared to the Group's gross profit margin of 84.8%. The calculation of Meetsocial for gross profit refers to gross billing minus cost of revenue, which includes share-based payments, employee benefits expenses, services from third-party vendors, advertising traffic cost for targeted marketing and others. Such calculation is in line with the measurement of the Group. In addition, The Group's adjusted gross profit margin was 2.1% and an adjusted gross profit margin of standardized digital marketing services of 1.2% in 2020. The Group's adjusted gross profit margin is calculated with its revenue (denominator) adjusted to gross amount (i.e., the total of gross billing and service fees, net of incentives to marketers). BlueFocus's cross-border digital marketing (出海广告投放) segment, representing 70.8% of the overall revenue, had a gross margin of 1.7%. This segment of BlueFocus offers overseas advertising services for Chinese overseas enterprises and hence it is most comparable with the Group's overall business, more specifically its standardized digital marketing services. The gross margin of 1.7% of BlueFocus's cross-border digital marketing segment is comparable to the adjusted gross profit margin of the Group's standardized digital marketing services of 1.2%.
- Generally, the pricing for procuring user traffic from resellers of major media publishers (such as Media Publisher A) is more focused on the level of gross spending to be achieved by the non-reseller agent whereas the pricing for procuring user traffic directly from major media publishers maybe subject to more complex considerations and metrics. Meanwhile, relatively longer payment terms may be offered to a non-reseller agent when procuring user traffic from resellers as compared to directly procuring the same from the major media publishers as major media publisher such as Media Publisher A usually tend to request shorter credit terms from counterparties.
- It is not uncommon for the rebate rate in the agreement between the reseller and the media publisher vis-à-vis the rebate rate in the agency agreement between the reseller to be comparable to each other.
- Unlike agents which acquire advertisement inventory from resellers, resellers are able to provide marketing services to marketers and assist them to acquire advertisement inventory directly from media publishers. Resellers generally have more bargaining power with media publishers, as well as more autonomy and flexibility.
- The Group have been cooperating with Media Publisher A since 2017 as its reseller, being the fourth reseller for Media Publisher A in China.
- It is industry practice for cross-border digital marketing services providers to work mostly with one to two media publishers for the following aspects: (i) most Chinese cross-border marketers prefer top media publishers with large media traffic, such as Meta and Google. In 2021, the gross billing by marketers on the platforms of Meta and Google accounted for respectively 46.6% and 33.6% of the total gross billing of China's cross-border digital marketing services industry. The demand for large media traffic from the customers of cross-border digital marketing providers leads to relatively high reliance on 1 to 2 media platforms; (ii) cross-border digital marketing services providers work mainly with one or two media publishers to maximize the gross billing to a small number of media publishers and thus the amount of rebate received from them; (iii) deep business relationships with media publishers allows cross-border digital marketing services providers to gain a better understanding of the media publishers including their products, policies and standards which in turn help guide marketers to effectively conduct their marketing campaigns with optimized marketing effect.
- Platform of the Group, Powershopy, may not have achieved comparable market recognition and brand awareness as the cross-border digital marketing business. The utilization of SaaS platforms in China's online-shop SaaS solutions market is also relatively new and current and potential customers may not fully recognize the need for, or the benefits of, the Powershopy platform.

Industry Norm (7/11)

Cross-border Digital Marketing Services Industry and Cross-Border Online-Shop SaaS Solutions Industry

- To have a closer review of the candidates especially during the final stages of a selection process, Media Publisher A may set up certain on-boarding KPIs for candidates to fulfill within a fixed time frame (typically for one to two months). Such KPIs may be in relation to, amongst others, the number of specific new types of marketers to be engaged, pipeline management of marketers, rate of bad trade accounts and implementation plan for enhanced IT infrastructure (including for marketing automation tools).
- The Group consider (i) target companies which have mature and strong technology capabilities of cross-border digital marketing data analysis, marketing campaign optimization and/or customer relationship management with market recognition and annual revenue of over US$0.5 million for the most recent financial year. (ii) target companies which already have sizable local customer base and service capability for Southeast Asia, North American and/or South American digital marketing markets with annual revenue of over US$2.0 million for the most recent financial year. There are more than 600 suitable target companies to be acquired.
- The tightened PRC regulations on the gaming industry may to certain extent present more business opportunities for the publishing and marketing of China's gaming products overseas (游戏出海), as the tightened PRC regulations may prompt China's online games publishers and operators to allocate more of their resources for the development and marketing of online games products published overseas which are in turn likely to have a positive impact on China's cross-border digital marketing industry serving online games marketers.
- Alibaba (“阿里巴巴”) and Jiahong Network (“嘉鸿网络”) are both mature market players with good reputation and long operating history in China's cross-border e-commerce industry.
- In early 2022, Media Publisher A had also implemented Conversion API (“CAPI”) in response to the ATT Policy which facilitates a more reliable and flexible connection between Media Publisher A's platform and marketing data from marketers' own domains, such as their websites, apps or even their offline stores (if any). Such marketing data on users' activities and interactions on marketers' domains can be sent through CAPI to Media Publisher A's platform to help marketers locate potential end customers, improve marketing performance and reduce user acquisition cost. For instance, the aforementioned eight conversion events under AEM protocol can be sent to Media Publisher A through CAPI. Marketers can customize and control which kind of information to share with Media Publisher A through CAPI. With CAPI, marketers can use relatively more precise user action parameters to increase the precision of their marketing campaigns delivery.
- The media publisher rebate of Google is around 3% to 8% and this level is quite stable in the past few years.
- Media Publisher A experienced a slowdown on the increase in its advertising revenue in 2022 and it also announced a laying-off of more than 11,000 employees in November 2022.
- The Group was the only reseller of Media Publisher A in China as of the Latest Practicable Date providing cross-border online-shop SaaS solutions which further complements its attractiveness to, and service capability for, cross-border e-commerce marketers and adds to its credential as a versatile digital marketing service provider to Media Publisher A.
- China-based marketers, especially those major large-scale marketers, such as Alibaba, Tiktok, and ZOETOP BUSINESS CO., Limited, have established or are in the process of establishing their local teams in the United States to get in closer touch with the end customers. In doing so, such marketers would prefer to engage cross-border digital marketing service providers with, on the one hand, adequate industry experience cultivated when serving the marketers as they are based in China, and on the other hand, a local presence in the United States to support the on-the-ground work of the marketers in a more direct and efficient manner.
- China-based marketers with a local presence in the United States may be from time to time looking for and evaluating cross-border digital marketing service providers (preferably with a local team in the United States).

Industry Norm (8/11)

Cross-border Digital Marketing Services Industry and Cross-Border Online-Shop SaaS Solutions Industry

- Although other resellers of Media Publisher A also provide similar customized and/or SaaS-based digital marketing services, few have demonstrated a highly integrated service capability and collaborated with a large-scale top e-commerce player such as Marketer A in the same depth and width as the Group do;
- The resurgence of COVID-19 since early 2022, together with reimposed restricted measures and lock-downs in Southern and Eastern China, resulted in a slowdown of business of marketers of the group with dampened marketing needs, especially the e-commerce marketers in those regions with affected supply chain.
- The Group is one of the earliest industry players which became a reseller with Media Publisher A in China, and still remained one as the Latest Practicable Date.
- In the fourth quarter of 2022. the PRC authorities also announced a series of new guidelines and measures to optimize the COVID-19 prevention and control protocols and to accelerate the economic recovery and resume normal operations of the society. Nonetheless, there still remains uncertainties surrounding the COVID-19 pandemic and its further development such as new variant cases as a global pandemic.
- The negative impact on the supply chain and the whole industry is also believed to be short-term.
- In 2022, the cross-border marketing market in the gaming industry is expected to slow down the pace of development compared to 2021 for the following three aspects: (i) Before the release of the Notice on Further Optimizing the Implementation of COVID-19 Prevention and Control Measures in December 2022, various stricter lockdown restrictions in China has caused limited attendance in the office, delayed game development progress, and increased R&D costs for gaming industry. In addition, a surge of COVID-19 cases in December 2022 in major cities like Beijing, Guangzhou and Shanghai, also caused delay in work in the gaming industry in China. As a result, there has been a delay in online games that managed to be put to the market in 2022; (ii) the impacts of the COVID-19 pandemic still lingering, which has put pressure on the development of the macroeconomy. Cultural entertainment, as one optional consumption for consumers, is also affected by the decline in residents‘ willingness to consume. According to the data from the International Monetary Fund (IMF), the global GDP grew at an annual rate of 3.2% until October 2022, about 2.8% lower than the global GDP in October 2021. Stagnated global GDP in 2022 may bring a negative impact on residents willingness to consume online games; (iii) as the main target market of cross-border online games, countries such as Europe countries and the United States has entered the post-epidemic period in 2022. Reduced travel restrictions in these countries has decreased the time for online entertainment to a certain extent, thus have also affected the willingness of game users to pay to a certain extent.
- In the first half of 2021, the Group's marketers in the e-commerce and gaming industries increased their marketing spending to promote their products due to strict pandemic control measures in overseas countries under which overseas consumers were expected to be more inclined to online shopping and gaming activities.
- In the second half of 2021, overseas countries began to loosen their pandemic control measures which led to the consumers' tendency to resume their outdoor and offline activities, thus resulting in less demand on online shopping and gaming.
- According to Frost & Sullivan, quantitative industry data is currently not yet available for illustrating the impact of RCEP specifically on China's cross-border digital marketing industry.
- New market players in China's cross-border digital marketing services market generally enter the market as agents to media publishers.
- As of September 30 2022, the Group had collaborated with 19 major and well-known media publishers globally.

Industry Norm (9/11)

Cross-border Digital Marketing Services Industry and Cross-Border Online-Shop SaaS Solutions Industry

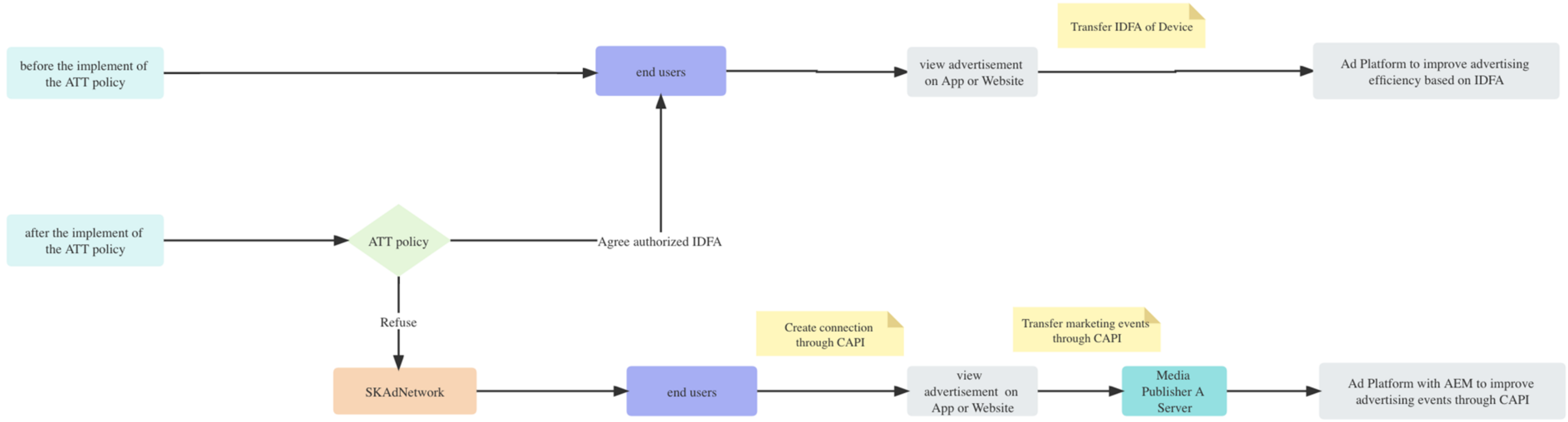
- In terms of pricing strategies, the Group endeavours to strike a balance between maintaining a reasonable profit and enhancing customer experience and satisfaction with high-quality services, diversified service offerings which in turn enable the Group to adopt a more flexible and sustainable pricing strategy.
- The Group had a relatively high level of gross billing per marketer in 2021 as compared to peer companies.
- According to Frost&Sulivan, both customized and Saas-basec digital marketing services are businesses that are less labour-intensive in nature considering that (i) the provision of customized digital marketing services primarily depends on the individual experience creativity and intelligence of integrated marketing experts, designers, optimizers, etc, and (i) SaaS.based digital marketing services are in general realized automatically through SaaS platforms.
- It is respectfully submitted that, according to Frost &Sullivan, the Group's gross profit margins for cross-border digital marketing business, including standardized, customized and SaaS-based digital marketing services, are within a reasonable range to peer companies after aligning the applicable revenue recognition basis to the extent comparable.
- According to Frost & Sullivan, the gross profit margins of the Group's customized digital marketing services are comparable to the gross profit margins of the customized digital marketing services offered by its peer companies, which generally range from 80% to 90%.
- According to Frost & Sullivan, the gross profit margins of the Group's SaaS-based digital marketing services are comparable to the gross profit margins of the SaaS-based digital marketing services offered by its peer companies, which generally range from 80% to 99%.
- With respect to the gross profit margin of SaaS-based digital marketing services, it is respectfully submitted that Meetsocial had a gross profit margin of 99.8% for its SaaS-based digital marketing services in 2020, which is higher than the Group's gross profit margin of 90.3% for SaaS-based digital marketing services in the same year.
- SaaS-based digital marketing services are in general realized automatically through SaaS platforms.
- Number of tiers of resellers and agents in the digital marketing market in China was in part because Media Publisher A does not have business presence in China, cross-border e-commerce SMB merchants would need to reach out to intermediaries to place advertisements on Media Publisher A.
- It is respectfully submitted that, to the best knowledge of the Company, the Group is not an exclusive digital marketing service provider in China for Marketer A to implement cross-border marketing campaigns on Media Publisher A's platform. Notwithstanding the Group's strong business relationship with Marketer A, there are, to the best knowledge of the Company, other industry peers providing similar services to Marketer A and it is also pursuant to the internal policies and requirements of Marketer A that it engages multiple service providers for such digital marketing services instead of procuring from only a single service provider.
- It is respectfully submitted that, according to Frost & Sullivan, the numerous tiers of resellers and agents adopted by Media Publisher A is not specific to China but also applicable to other countries and regions. When a major media publisher (such as Media Publisher A) enters into a foreign country or region, it may adopt a direct marketer model or an indirect reseller/ agency model (or a combination of both) which is largely depending on an array of factors pertaining to the specific situation of the local market. To the best knowledge of the Directors, such factors primarily include the local market's economic, social and political conditions, marketers' perception of and acceptance to the ways and means of digital marketing, as well as local environment for operating businesses and the ensuing localization costs involved. In a foreign market, a reseller/ agency model may prove to be more cost-efficient and commercially practicable for media publishers to bridge the gap by connecting to and cultivating local marketers in the shortest time possible and with maximized results as they can utilize the existing expertise, resources and infrastructure of the resellers/ agents which are built on a better understanding of the local market and marketer base.
- The Company would like to clarify that, according to Frost & Sullivan, Chinese mainland's banned access to Media Publisher A (the "Banned Access") is only in connection with banned access to Media Publisher A's platforms of online users with Chinese mainland IP addresses. It does not prohibit China-based marketers to implement cross-border marketing campaigns on Media Publisher A's platforms targeting overseas online users outside of Chinese mainland. Therefore, there is no necessary causal link between the Banned Access and Media Publisher A's adoption of a reseller/ agency model for expanding its marketer base in China.

Updated

Industry Norm (10/11)

Cross-border Digital Marketing Services Industry and Cross-Border Online-Shop SaaS Solutions Industry

- Before the ATT policy was implemented, marketers can track the data of different devices through identifier for advertisers (“IDFA”) which is the means for marketers to precisely target and track users on iOS devices and get notified when a user has taken an action such as clicking on their advertisement in a browser and then interacting with it. Marketers can then adjust their advertisement by analyzing how different users react to it.
- After the ATT policy was implemented, device users have an option to refuse to share IDFA information with marketers, and marketers cannot directly obtain the users' device information and their interaction with the advertisement. In this regard, Apple launched an alternative scheme SKAdNetwork, which is a scheme operated by Apple to facilitate advertisement networks and marketers to measure their advertisement activities (such as impressions, clicks, and app installments) on an aggregated level through advertisement platforms.
- In this respect, advertisement platforms such as Media Publisher A have developed various plans to configure with and obtain data through SKAdNetwork to help marketers better analyze the performance of the advertisements placed on their apps or websites. Taking Media Publisher A as an example, it uses CAPI to collect marketing events on the iOS side, and uses AEM (which configures with SKAdNetwork) to analyze these marketing events data to help marketers



- It is further submitted that Media Publisher A may transact directly with marketers or work through advertising resellers and agents in different countries and regions, which is not contradictory with the disclosure of the Revised Prospectus. The disclosure that, according to Frost & Sullivan, Media Publisher A works with marketers in China generally through advertising agencies and resellers only states how Media Publisher A operates within the specific context of China’s cross-border digital marketing markets as opposed to its practices elsewhere in the world.
- Marketers for the Group’s cross-border digital marketing services, such as e-commerce merchants and platforms. Online games developers and publishers, and app developers and operators, substantially all of which were direct marketers as opposed to marketing agent marketers. The Group has the highest contribution of business from direct marketers among the top five cross-border digital marketing service providers in China in 2021. The Group also have a longer history providing digital marketing services to the cross-border e-commerce industry in China, as well as a higher contribution of business from China-based e-commerce marketers, compared to the two largest cross-border digital marketing service providers in China.

FROST & SULLIVAN

Industry Norm (11/11)

Cross-border Digital Marketing Services Industry and Cross-Border Online-Shop SaaS Solutions Industry

- Specifically for Media Publisher A, when considering the adoption of reseller / agent model in targeted countries, it took into account, including but not limited to, below factors according to Frost & Sullivan: • the development level of the targeted market, which in general makes it less cost-efficient to adopt a direct marketer model;
  - the development level of the targeted market, which in general makes it less cost-efficient to adopt a direct marketer model;
  - language and cultural differences as language barriers and habitually lesser use of Media Publisher A's platforms may hinder market penetration of Media Publisher A and add to its localization costs for cultivating local marketers;
  - business operating environment, in particular, the diversity and complexity of market segmentation in many countries in the world (such as in China with a vast number of varied industry verticals), which makes it unfeasible for a direct marketer model to work proficiently; and
  - the level of perception of digital marketing as marketers in certain countries and regions are less acquainted with the practices and requirements of cross-border digital marketing enabled by Media Publisher A, which more often than not leads to non-compliant or inefficient implementation of marketing campaigns. With their expertise in the field and familiarity with the media policies of Media Publisher A, resellers and agents are thus needed to iron things out for the marketers during the whole process so that marketing campaigns can be conducted in a more cost-efficient manner.
- According to Frost & Sullivan, Media Publisher A is more inclined to adopt the direct marketer model (together with a reseller/ agency model) in North America and more developed countries in Europe where the marketers have more affinity with, and are prone to utilize, Media Publisher A due to largely shared language, cultural identity and social behaviour patterns thus lowering barrier of penetration and maintaining cost-efficiency, whereas the reseller/ agency model is also adopted in these countries mostly to meet marketers' diversified and more integrated needs for precision marketing and optimization.

Thank You!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