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## INDUSTRY OVERVIEW

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*The information contained in this section is derived from various governmental and official publications, other publications and the market research reports prepared by CIA and iResearch, which were commissioned by us.*

*We believe that the sources of information are appropriate and we have taken reasonable and cautious care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. We, the Sole Sponsor, the Joint Representatives, Joint Global Coordinators, Joint Bookrunners or any of our or their respective directors, senior management, representatives and any other persons (other than CIA and iResearch) involved in the Global Offering have not independently verified such information and have made no representation as to accuracy and completeness thereof. The relevant information and statistics may not be consistent with such other information and statistics compiled within or outside the PRC. As a result, you are advised not to place undue reliance on such information.*

### RESEARCH BACKGROUND, METHOD AND ASSUMPTION

#### China Index Academy

We purchased the right to use and quote various data from publications by CIA at a total cost of RMB800,000. Established in 1994, CIA is a property industry research organization in the PRC with over 500 analysts. It covers more than 600 cities across the five regions of Northern China, Eastern China, Southern China, Central China and Southwestern China with 20 branches. CIA has extensive experience in researching and tracking the property management industry in the PRC, and has conducted research on the Top 100 Property Management Companies since 2008. CIA uses research parameters and assumptions and gathers data from a multitude of primary and secondary sources, including data from property management companies (including data from reported statistics, websites and marketing materials), surveys it has conducted, data gathered from the China Real Estate Index System, the China Real Estate Statistics Yearbooks, public data from governmental authorities and data gathered for prior reports it has published. CIA derives its rankings of overall strength of property management companies primarily by evaluating each property management company's management scale, operational performance, service quality, growth potential and social responsibility. CIA assesses the growth potential of a property management company primarily in terms of revenue growth rate, growth rate of total GFA under management, growth rate of total contracted GFA, total number of employees and composition of employees. In this section, the data analysis is primarily based on the top 100 property management companies.

#### iResearch Consulting Group

We also purchased the right to use and quote various data from publications by iResearch at a total cost of approximately RMB450,000, and supplemented such information with other data from publicly available sources. Established in 2002 and with more than 400 experts, iResearch is an organization focusing on in-depth research on China's internet industry, including e-commerce. Since its establishment, iResearch has accumulated extensive experience in researching and monitoring the development of the internet industry in the PRC. Data related to the market size and forecast of the consumer goods and services industry is mainly obtained through interviews related to the industry, marketing surveys, secondary sources and other research methods, some of which have not been directly confirmed by the related operators.

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### MACROECONOMY IN THE PRC AND HENAN

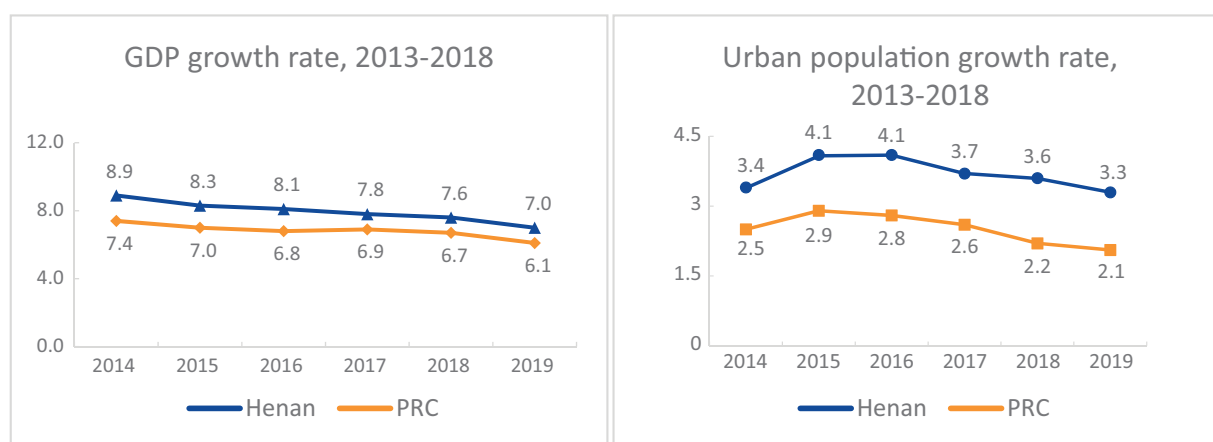
#### Overview

The PRC has experienced significant economic growth since the adoption of the reform and opening-up policy by the PRC government in 1978. The PRC's nominal GDP grew at a CAGR of 9.0% from 2014 to 2019 according to CIA, reaching approximately RMB99,086.5 billion in 2019, making the PRC one of the fastest-growing economies in the world. The table below sets forth macroeconomic indicators in the PRC for the years indicated.

**General Macroeconomy Indicators in the PRC, 2014-2019**

	2014	2015	2016	2017	2018	2019	CAGR for five years
Nominal GDP (RMB in hundred million) . . . . .	643,563.1	688,858.2	746,395.1	832,035.9	919,281.1	990,865	9.0%
Real GDP growth rate (%) . . . . .	7.4	7.0	6.8	6.9	6.7	6.1	NA
Per capita GDP (RMB) . . . . .	47,173	50,237	54,139	60,014	66,006	70,892	8.5%

Henan is located in the central China region, spanning across 18 prefectural-level cities and 104 county-level cities. According to iResearch, Henan had the largest number of registered population in the PRC as of December 31, 2018. Henan ranked fifth in the PRC in terms of nominal GDP for seven consecutive years from 2013 to 2019 according to iResearch and its nominal GDP increased from approximately RMB3,219 billion in 2013 to approximately RMB5,426 billion in 2019, representing a CAGR of 9.1%. The graphs below compare the real GDP growth rate and urban population growth rate between the PRC and Henan for the years indicated.



Source: State Statistics Bureau; CREIS

Henan is a hub for ground transportation in China. According to CIA, Henan had a total railway mileage of approximately 6,080.26 km, of which 1,915.15 km was high-speed railway, which was comparable to the UK which had a high-speed railway of 1,997 km as of December 31, 2019. In 2017, the National Development and Reform Commission officially issued the “Central China Region Urban Agglomeration Development Plan” to Henan, Hebei, Shanxi, Anhui and Shandong Provinces, which proposed to build a transportation network to position Zhengzhou, the only eight-direction railway transition center, in becoming the major transportation hub in the central China region, which is expected to promote comprehensive economic development in Zhengzhou. In 2023, the urbanization

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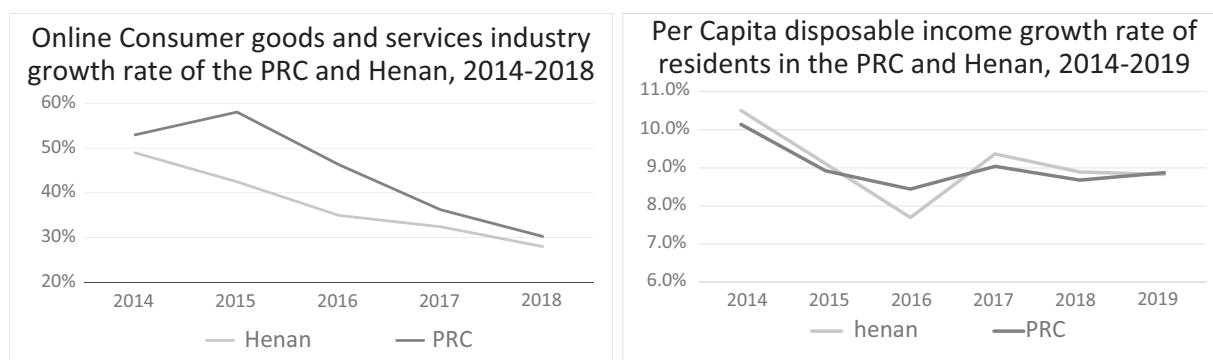
rate in Henan would exceed 57%. The table below compares urbanization rate between the PRC and Henan for the years indicated.

	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E	Increase in % points 2013-18	Increase in % points 2019-23E
Urbanization rate in PRC . . . .	53.7%	54.8%	56.1%	57.3%	58.5%	59.6%	60.6%	61.7%	62.7%	63.7%	64.7%	5.9%	4.1%
Urbanization rate in Henan . . . .	43.8%	45.2%	46.8%	48.5%	50.2%	51.7%	53.2%	54.6%	55.9%	56.9%	57.8%	7.9%	4.6%

Source: iResearch

### Online Consumer Goods and Services

The graphs below compare the *per capita* disposable income growth rate and online consumer goods and services industry growth rate between the PRC and Henan for the years indicated.



Source: iResearch

Following the rapid urbanization and rapid economic growth, service industry and consumer spending power in Henan has grown significantly. According to iResearch, the urbanization rate in Henan has increased from 43.8% in 2013 to 51.7% in 2018, and is projected to increase to 57.8% in 2023. During the same period, the urbanization rate of the PRC increased from 53.7% in 2013 to 59.6% in 2018, and is estimated to increase to 64.7% in 2023. According to iResearch, the *per capita* disposable income in Henan has increased by 52.3% from RMB15,695 in 2014 to RMB23,903 in 2019, representing a CAGR of 8.8%, and is expected to increase to RMB31,233 in 2023. Furthermore, the consumption scale of online consumer goods and services industry in Henan has increased from RMB67,030 million in 2013 to RMB420,660 million in 2018, representing a CAGR of 44.4%, which is higher than the CAGR for the PRC of 37.2% in the same period according to iResearch. Henan demonstrates high growth potential for consumer goods and services industry with steady growth in urban population and *per capita* disposable income. Consumer goods and services industry has become the single largest driver for economic growth in Henan, contributing to approximately 50% of its GDP growth in 2018 according to iResearch. It is projected that consumer goods and services industry in Henan is expected to reach RMB3,633.3 billion in 2023 from RMB1,306.9 billion in 2013, representing a CAGR of 10.77%.

### Real Estate

According to CIA, the real estate market in Henan has been growing steadily. Henan ranks first in the PRC, among the 31 provinces, in terms of GFA of commodity properties sold in 2019, according to CIA. In 2019, a total GFA of 65.7 million sq.m. commodity properties was completed in Henan, representing a CAGR of -2.1% since 2014, higher than that of China's overall CAGR of -2.2% during

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the same period. Approximately 158.4 million sq.m. of commodity properties newly commenced work in Henan in 2019 representing a CAGR of 8.4% since 2014 higher than that of China's overall CAGR of 4.8% during the same period. In 2019, a total of 142.8 million sq.m. of commodity properties was sold in Henan, contributing to the total sales revenue of RMB901.0 billion. The average sale price of commodity properties increased from RMB4,366 per sq.m. in 2014 to RMB6,311 per sq.m. in 2019 representing a CAGR of 7.6%. The table below describes the commodity properties market in Henan for the years indicated.

### Commodity properties and commercial residential housing marketing in Henan, 2014-2019

<u>Henan province</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>CAGR for five years</u>
GFA of commodity properties completed (million sq. m.) . . . . .	73.2	53.9	63.0	62.0	66.6	65.7	-2.1%
GFA of commodity properties newly commenced work (million sq. m.) . . . . .	105.9	109.7	146.7	136.3	146.8	158.4	8.4%
GFA of commodity properties for sale (million sq. m.) . . . . .	36.9	36.1	34.0	28.5	28.0	25.3	-7.3%
GFA of commodity properties sold (million sq. m.) . . . . .	78.8	85.6	113.1	133.1	139.9	142.8	12.6%

## PROPERTY MANAGEMENT INDUSTRY IN THE PRC AND HENAN

### Overview

The history of the property management industry in the PRC can be traced back to the early 1980s. Since then, the PRC property management industry has experienced rapid growth. In June 2003, the Provisions on Property Management (2018 revision) (物業管理條例 (2018年修正)) were promulgated, providing a regulatory framework for the property management industry. As more regulations were promulgated, an open and fair market system for the industry was established, which further spurred significant growth of the PRC property management industry. The PRC property management industry now services a wide range of properties, including residential communities, office buildings, shopping centers, industrial facilities, schools and hospitals. Furthermore, the property management industry in the PRC is leveraging advance technology, such as big data, cloud computing and artificial intelligence, to improve and diversify service offerings.

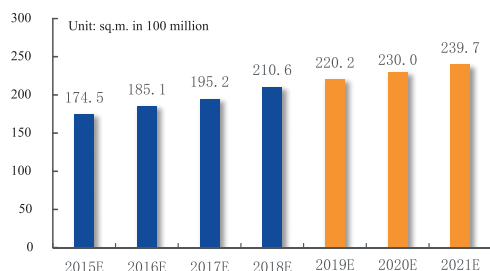
In the PRC, property management fees may be charged either on a lump sum basis or commission basis. The “lump sum” model for property management fees is the dominant model in the PRC property management industry, especially for residential properties. The lump sum model can bring efficiency by dispensing with certain collective decision making procedures for large expenditures by property owners and residents and incentivize property management service providers to optimize their operations to enhance profitability. In contrast, the commission model is increasingly adopted in non-residential properties to make property owners more deeply involved in the management of their properties and property management service providers more closely supervised.

In recent years, the potential of the property management industry has increased with the rapid development of China's real estate market. According to CIA, the total GFA under management by property management companies in the PRC is expected to increase from 21.1 billion sq.m. in 2018 to 24.0 billion sq.m. in 2021. According to CIA, the revenue generated from property management companies in the PRC has increased from approximately RMB398.3 billion in 2015 to approximately

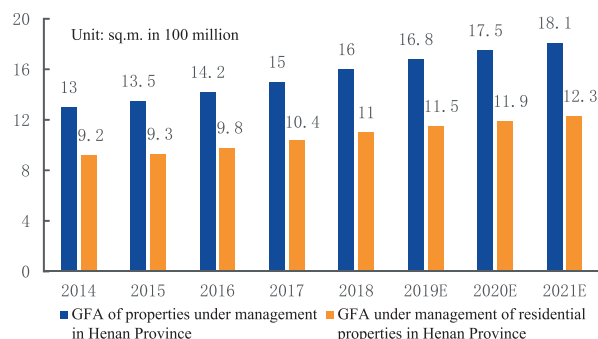
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RMB491.3 billion in 2018, representing a CAGR of 7.2%, and is projected to increase to over RMB564.8 billion in 2021. The graphs below set forth the growth of property management industry market in terms of GFA under management in the PRC and Henan for the years indicated.

**GFA of properties under Management in the PRC and Forecast, 2015-2021**



**GFA of properties under Management in Henan Province and Forecast, 2014-2021**



Source: State Statistics Bureau; CREIS

The property management industry in Henan is regulated by the Henan Province Property Management Regulations (《河南省物業管理條例》) which has been effective since January 2018. According to CIA, Henan ranks first in the central China region and ranks fifth in the PRC in terms of GFA under management in 2018. As of December 31, 2018, the GFA under management in Henan amounts to 1.6 billion sq.m., accounting for 7.6% of the PRC property management area. There were more than 7,000 property management companies in Henan, employing over 360,000 property management professionals, managing projects with a total GFA of 1,600 million sq.m. as of December 31, 2018. Among the Top 100 Property Management Companies in 2019, six companies are from Henan and Central China Property Management is ranked within Top 13.

### Industry Growth Drivers

#### *Support from the PRC government*

Since the promulgation of the Provisions on Property Management by the PRC Government in June 2003, a number of laws and rules have come into effect regulating property management industry and promoting its development, including the Service Industry Development Outline (服務業創新發展大綱) which promotes diverse service offerings in property management companies and the Recommendations on Strengthening and Improving the Governance of Urban and Rural Communities (關於加強和完善城鄉社區治理的意見) which encourages property management companies to expand their business operations and bring their expertise into rural areas. On an administrative level, the Notice on the Release of Opinions on the Price of Service (關於放開部分服務價格意見的通知) and the Notice on Adjusting the Structure of Electricity Price (關於調整銷售電價分類結構有關問題的通知), liberalize the scope and application of fees for various types of property management services, including the fees for non-guaranteed housing service and parking services. In addition, in order to ensure the standardization of bidding activities in the early stage of property management, in June 2003, the Ministry of Construction of the PRC promulgated the Interim Measures for the Administration of Bidding Management for Pre-Property Management (前期物業管理招標投標管理暫行辦法) to promote fair competition in the property management market. Furthermore, each provincial and municipal governments has issued its own laws and rules to regulate local property management industry. In December 2018, Henan Province promulgated the Property Management Regulations of

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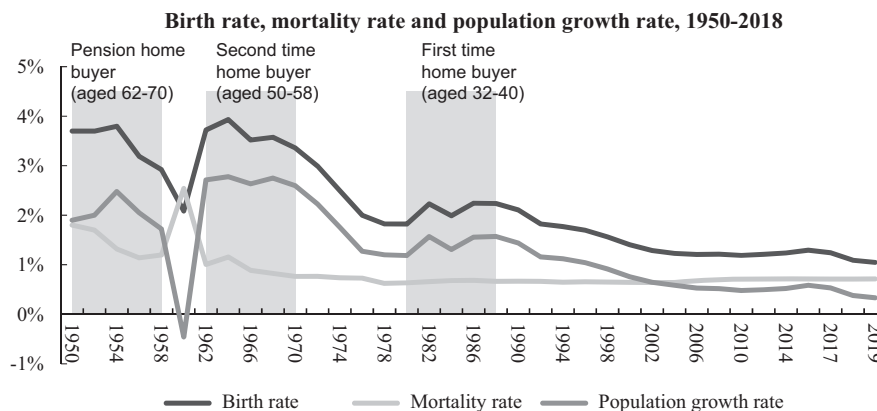
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Henan Province (河南省物業服務規範) advocating for the increase use of standardized property management services and encourage diverse service offerings. The Guide on Construction of Intelligent Communities (智慧社區建設指南(試行)) was promulgated in May 2014 by the Ministry of Housing and Urban Development to encourage the development of intelligent communities to modernize property management services. We expect the PRC property management industry market to flourish on a national scale as encouraged by the government and supported by a stable regulatory framework.

### ***Growth in Demand***

According to CIA, the increase in the number of home buyers and the growth in urbanization rate and *per capita* disposable income have been the key drivers for the development of property management industry. The population of first time home buyers (aged 32 to 40) has increased, creating a demand for new homes which stimulates the demand for property management services. The chart below sets forth the population of home buyers in different age groups.



Source: State Statistics Bureaus; CREIS

The urbanization rate in the PRC increased from 31.9% as of December 31, 1997 to 60.6% as of December 31, 2019. The urbanization rate in Henan was 53.2% in the year ended December 31, 2019 and is expected to grow to 57.8% by 2023, demonstrating high growth potential for the property management industry. The increase in the urbanization rate will promote home purchase in urban areas, which supports the growth of the PRC property management industry.

Benefiting from the rapid economic development in the PRC, the consumer base of middle- to high-income class of consumers and the *per capita* disposable income for the urban population continued to grow. According to CIA, the *per capita* disposable income for urban population in Henan increased from approximately RMB23,672.1 in 2014 to approximately RMB34,201.0 in 2019, representing a CAGR of 7.6%. We expect that the abovementioned consumers will be increasingly willing to pay premiums for quality and increase their discretionary spending on goods and services beyond basic necessities. We believe that the emerging middle- to high-income class of consumers and their growing spending power will have substantial influence on the development of mid- to high-end property management services in the PRC.

### ***Growth in Supply***

The real estate market in Henan has been growing steadily. In 2019, a total GFA of 65.7 million sq.m. of commodity properties was completed in Henan, representing a CAGR of -2.1% since 2014,

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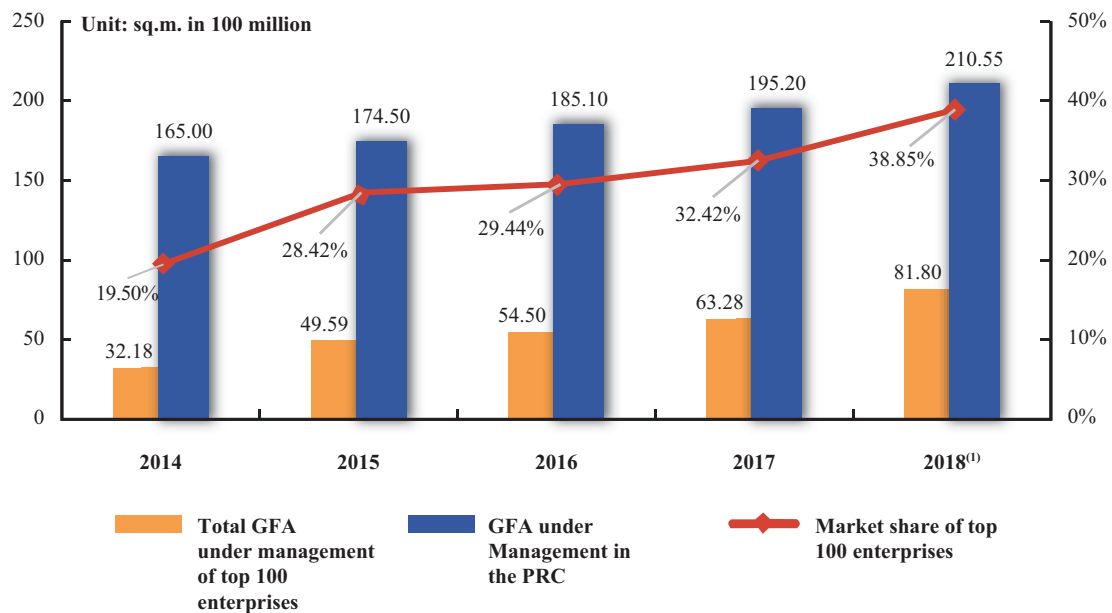
higher than that of China's overall CAGR of -2.2% in the same period. In 2019, a total GFA of 575.7 million sq.m. of commodity properties commenced work in Henan, representing a CAGR of 8.2% since 2014, higher than that of China's overall CAGR of 4.2%. Despite the relatively slow growth in completed GFA in the past five years, the higher growth rate of commodity properties commencing work indicates that future completion of commodity properties should edge up high, becoming a driver for the growth of property management. The total investment in real estate in Henan increased from RMB437.6 billion in 2014 to RMB746.5 billion in 2019, representing a CAGR of 11.3%, higher than that of China's overall CAGR of 6.8% in the same period. The sales of commodity properties in Henan increased from RMB344.1 billion in 2014 to RMB901.0 billion in 2019, representing a CAGR of 21.2%, higher than that of China's overall CAGR of 15.9% in the same period. The growth in supply of commodity properties is going to support the growing demand for property management services.

### Trends in the PRC Property Management Industry

#### *Increasing Market Concentration*

After decades of development of the PRC property management industry, some of the Top 100 Property Management Companies have sped up innovating their services and expanding their business scale while the market continues to become more concentrated. Large-scale property management companies actively improve their strategic layout and accelerate their expansion in order to increase their market share and achieve better economies of scale. The chart below sets forth the total GFA managed by the Top 100 Property Management Companies and the aggregate market share of the Top 100 Property Management Companies in terms of the total GFA under management for the years indicated.

**The Market Share of Top 100 Enterprises, 2014-2018**



Source: State Statistics Bureaus; CREIS

Note:

(1) Total GFA under management in the PRC in 2018 was estimated based on the aggregate of the total GFA under management in the PRC in 2017 and the total GFA of commercial properties completed in the PRC in 2018.

### *Increasing Standardization and Adoption of Technology*

Standardization is not only an important tool for property management companies to improve their service quality but also the foundation for the scalability of their operations across regions, which the PRC government encourages. In December 2015, the General Office of the State Council issued the National Standardization System Construction and Development Plan (《國家標準化體系建設發展規劃(2016-2020年)》) to help promote standardization of the quality of property management services and achieve better allocation and integration of resources. Many of the Top 100 Property Management Companies in the PRC have set up their own internal standardized operating procedures for their services.

Technology has played an increasingly important role in property management services. Many property management companies believe that increasing adoption of technology could enhance service quality while reducing labor costs. For example, property management companies have placed greater emphasis on adopting technology to centralize and standardize service offering, which enables the headquarters to monitor managed properties across their business networks to ensure the quality of property management services. Increased automation can also reduce the reliance on human labor and enhance residents' satisfaction by elevating corporate management standards and reducing human error.

### *New Opportunities in Diversified Services and Intelligent Communities Facilitated by the internet*

In response to residents' demands for better quality and diversified services as well as increasing operational pressure driven by general cost increases for property management companies, more property management companies are willing to adjust their business model. Service diversification in the property management industry is often facilitated by the internet and mobile applications, which gradually promotes the development of intelligent communities. Centered around the needs of residents, an "intelligent community" (智慧社區) aims to achieve digitalization, automation, modernization and synergy of resident services through the integration of online and offline information and resources, the reflection of community characteristics and the use of internet, intelligent terminal and other information technologies. Having established an edge in technological advancements, some industry leaders are looking to expand their customer group to include non-residents through the provision of services relating to everyday life, social activities and entertainment.



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### Competition in the PRC Property Management Industry

#### *Competitive Landscape*

Our major competitors in property management services are large national and local property management companies in the PRC. Our Company has the largest GFA under management and generates the highest revenue among the Top 100 Property Management Companies in the central China region for 2018 according to CIA. The table below shows our ranking among the Top 100 Property Management Companies in the central China region in terms of revenue for 2018.

Ranking	Companies	Revenue (RMB in million) 2018	Net profit (RMB in million) 2018	Revenue growth rate 2018	Operating costs ratio 2018	Company description
1	Central China New Life	694.0	> 52.0 <sup>(1)</sup>	50.7%	76.8%	The intermediate holding company of our Group established in the PRC on April 21, 2016.
2	Company A	> 650.0	> 50.0	> 15%	> 80%	A company established in 2002 providing management services for various types of properties such as residential properties, office buildings, commercial properties, villas, and industrial parks.
3	Company B	~ 600.0	> 40.0	> 30%	> 77%	A company established in 2006 and is positioned as a professional operator of high-end office buildings. Its business scope also covers property management, commercial property management, consulting service, and provision of intelligent community solutions.

*Source: CIA report*

*Note:*

(1) The amount represents our net profit from our continuing operations for the year ended December 31, 2018.

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Major property management companies in the PRC experienced steady growth in GFA under management. According to CIA, our Company is the largest property management company among the Top 100 Property Management Companies in the central China region in terms of GFA under management as of December 31, 2018. The table below shows our ranking among the Top 100 Property Management Companies in the central China region in terms of GFA under management as of December 31, 2018.

Ranking	Companies	GFA under management (million sq. m.)	Company description
1	Central China New Life	25.7	The intermediate holding company of our Group established in the PRC on April 21, 2016.
2	Company C	> 25	A company listed on the National Equities Exchange and Quotations and established in 2008. It mainly manages non-residential properties and is renowned for its university management services.
3	Company A	> 20	A company established in 2002 providing management services for various types of properties such as residential properties, office buildings, commercial properties, villas, and industrial parks.

*Source: CIA report*

Many property management companies in the PRC have begun diversifying their service offering and expanding their sources of revenue. The competitors of our value-added services are mainly property management companies, engineering companies and O2O companies, who provide comparable services. The table below shows our market position among Top 100 Property Management Companies in the PRC in terms of revenue derived from services other than traditional property management for 2018.

Ranking	Companies	% of revenue from other services	Company description
1	Company D	> 55.0%	A company headquartered in Shenzhen and listed on the Stock Exchange with its business covering property management service, pre-delivery and consultancy service, community value-added service and intelligent solution service.
2	Company E	> 51.0%	A company founded in 1992 and listed on the Stock Exchange in 2018 with its business covering four major sectors of property management, commercial property management, public service and community commercial services.
3	Company F	~46.0%	A company headquartered in Shanghai with more than 60 branch offices. Its portfolio under management includes various types of properties such as residential properties, office buildings, commercial properties, hotel, apartments, government offices, university logistics and other public construction projects.
4	Company G	> 45.0%	A company headquartered in Guangzhou and established in 1997, which is an integrated services operator who has contracted projects in more than 280 cities across the country.

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Ranking	Companies	% of revenue from other services	Company description
5	Central China New Life	44.2%	The intermediate holding company of our Group established in the PRC on April 21, 2016.

*Source: CIA report*

### **Entry Barriers**

According to CIA, there are a number of barriers to enter into the PRC property management industry, including:

- **Brand:** Chinese consumers increasingly demand better living conditions and high quality property management services, hence, a brand with established reputation built through decades of services and operations has advantage over new companies without a track record.
- **Technological capabilities:** Property management companies with more resources to invest in technological developments are more likely to automate their business operations and lower labor costs. Centralization, standardization and automation of property management services lay solid foundation for scalability for property management services across regions.
- **Management expertise:** According to CIA, the expertise and experience of management teams may significantly contribute to the competitiveness of property management companies. Property management companies now have to seamlessly implement technological solutions, management systems, service quality standards and internal policies and procedures across networks of subsidiaries, branches and offices. New market entrants with less management experience may find it difficult to compete against larger property management companies especially for large scale projects.
- **Talents and technical expertise:** Property management depends on manual labor, not only for the performance of property management services, but also for innovating and implementing technological solutions. It is increasingly difficult for property management companies to recruit and retain talented individuals who are up to date with the technological advances in the industry. New market entrants may find it difficult to compete against larger property management companies with better brand value and recognition for attracting talents.

## CONSUMER GOODS AND SERVICES INDUSTRY IN HENAN

### **Overview**

Consumer goods and services industry is a industry in which services or products are produced, marketed or designed with a view to cater to consumers' needs. Typical products produced in the consumer goods and services industry include food and drinks, apparel and jewelry, electronic products and groceries. Services offered by the consumer goods and services industry usually revolves around the daily lives of residents, such as entertainment, hospitality, cultural education, catering, health and fitness, and beauty and spa.

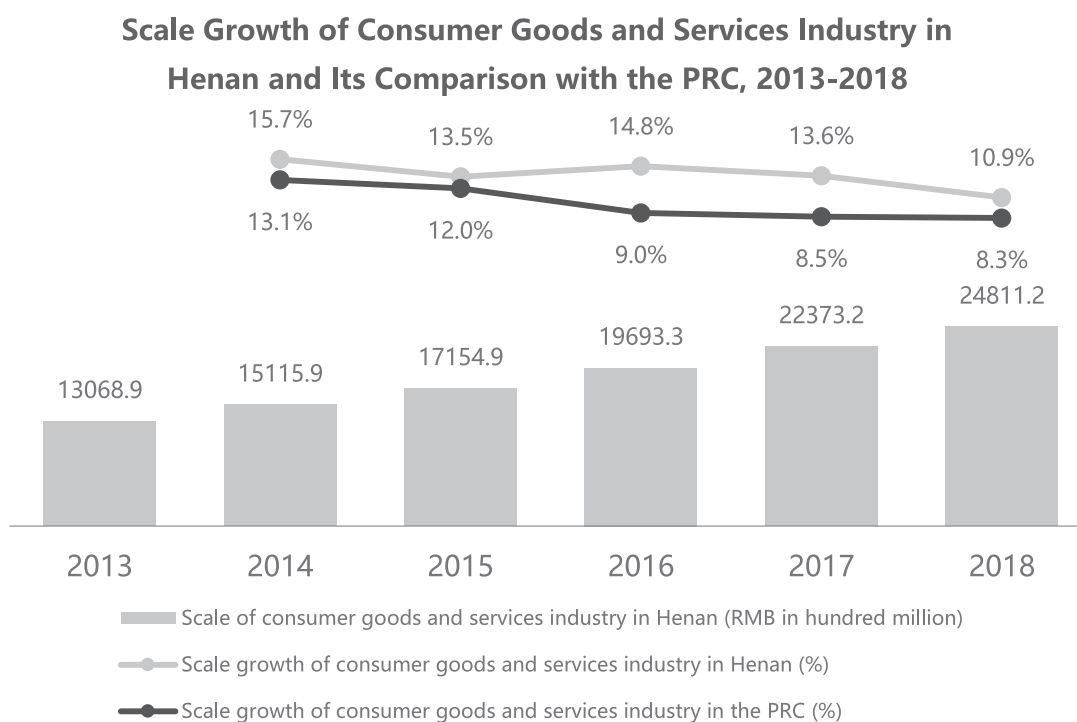
Major players in this landscape include mainly online consumer goods and services providers and offline consumer goods and services providers. Some new form of online consumer goods and

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services providers combine the benefits of online and offline resources when providing goods and services. Such form of online consumer goods and services providers give consumers access to a wide variety of products and services through numerous merchants as well as a convenient location for the delivery and acceptance of goods and services.

### Market Size

The growth of the consumer goods and services industry in the PRC is benefited from the rapid urbanization and increase in *per capita* disposable income. Henan ranks first in consumer goods and services industry in the central China region in 2018 according to iResearch. The consumer goods and services industry in Henan has increased from RMB1,306.9 billion in 2013 to RMB2,481.1 billion in 2018 in terms of market size, representing a CAGR of 13.7%, and is expected to grow to RMB3,633.3 billion in 2023. The following chart compares the growth rate of consumer goods and services industry in terms of market size, between the PRC and Henan for the years indicated.



Source: iResearch

Supported by continuing development in technology, the online consumer goods and services industry in Henan demonstrates steady growth and is expected to reach RMB1,115.5 billion in 2023 in terms of market size, according to iResearch. Although the online consumer goods and services industry in Henan has reached RMB420.66 billion in 2018 in terms of market size, researches show that the penetration rate is merely 17.0% compared to the penetration rate of the PRC which is 22.6%, indicating high potential for growth. As advised by iResearch, the consumer goods and services industry in Henan is highly fragmented and the market share of the top five players in such industry by gross merchandise volume of good and services sold in 2018, in aggregate, was approximately only 11.8%. In particular, the market share of our Group's Jianye + (建業+) platform in the consumer goods and services industry in Henan by gross merchandise volume of goods and services sold in 2018 was merely approximately 0.01%. As such, iResearch confirmed that our Group is not a key market player in the consumer goods and services industry.

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### Market Outlook and Future Opportunities

There are several factors contributing to the positive outlook of consumer goods and services industry, including:

- **Increasing wealth of PRC and Henan residents:** The growth of *per capita* disposable income of the PRC and Henan residents has stimulated the demand for online consumer goods and services as the internet provides real-time information and access to a wide variety of merchants.
- **Logistics and technology developments foster the demand for online consumer goods and services:** Online consumer goods and services have become more convenient, readily available and easy to access. With the development of logistics and technology, consumers are able to view, select, purchase and receive a wide variety of products without having to leave the comfort of his or her home. Meanwhile, offline consumer goods and services providers face intense competition due to the highly fragmented competitive landscape and low entry barriers. Coupled with the increase use of internet and mobile payment, the demand for online consumer goods and services increases considerably.
- **Support from the PRC government:** In recent years, the PRC government has issued a range of policies and guidelines to encourage the innovation and development of the online consumer goods and services industry through promoting the use of internet, integration of online and offline services, *etc.*, which is expected to improve the overall quality of the consumer goods and services industry and strengthen standardization.
- **High internet penetration and the availability of mobile payment infrastructure:** The increased demand for online consumer goods and services along with the availability of mobile payment further supports the growth of the online consumer goods and services industry. The proportion of mobile internet Users in the overall internet Users increased from 80.6% in 2013 to 98.3% in 2018. As of December 31, 2018, the PRC has 800 million mobile internet users. With continual improvement of mobile features and applications, the penetration rate of the mobile internet in the PRC is expected to further increase to 99.6% in 2023. In addition, mobile payment transaction volume in the PRC is expected to increase from RMB190.5 trillion in 2018 to RMB460 trillion in 2023, representing a CAGR of 19.3% according to iResearch.

### Entry Barriers

The barriers to enter into consumer goods and services industry mainly include:

- **Consumer Acquisition and Retention:** The consumer goods and services industry is consumer centric and the ability to acquire and retain consumers is especially important. Property management companies have established deep links with consumers by providing property management services, and the cost of consumer acquisition and retention is relatively low. New entrants without established connections with consumers will bear higher consumer acquisition and retention costs.
- **Resource Acquisition and Integration:** Consumer needs are diverse and complex. Enterprises that can acquire and integrate comprehensive and high-quality service resources will be more favored by consumers. Platforms with rich and high-quality service

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## INDUSTRY OVERVIEW

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resources can attract more consumers. New entrants without service resources will face higher cost and pressure in market expansion.

- **Brand Recognition:** As consumers' income continues to increase, their demand for quality goods and services also continues to increase. Consumers are more willing to choose brands with a good reputation. New entrants without brand recognition will face more challenges in terms of market penetration.