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OVERVIEW OF CHINA'S CONSUMPTION INDUSTRY

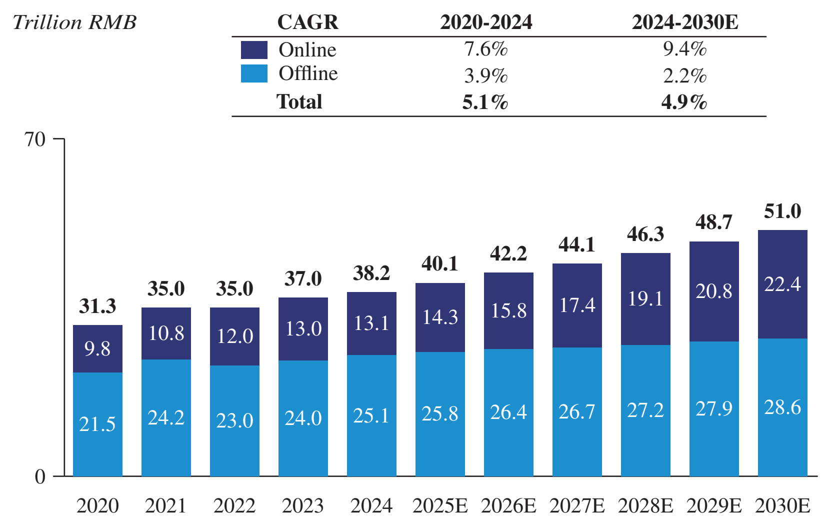
Definition

Consumption refers to consumers' acquisition of various goods required for daily life through both online and offline channels. It functions as a key link between production and consumers' demand, serving to meet the consumption needs of individual residents as well as institutional and public sectors. The growth of China's consumption industry is primarily driven by the sustained expansion of diversified consumer demand; the rapid increase in online penetration supported by the deep integration of online channels with the digital economy, including the accelerated rise of live-streaming and content-driven e-commerce platforms; the innovation and digital transformation of experiential consumption scenarios across offline channels.

Market Size of China's Consumption Industry

China's total retail sales of physical consumer goods increased from RMB31.3 trillion in 2020 to RMB38.2 trillion in 2024, representing a CAGR of 5.1% between 2020 and 2024. Online retail sales grew from RMB9.8 trillion to RMB13.1 trillion over the same period, with a CAGR of 7.6%, while offline retail sales increased from RMB21.5 trillion to RMB25.1 trillion, representing a CAGR of 3.9%. Looking ahead, China's total retail sales of physical goods are expected to expand to RMB51.0 trillion by 2030 with a CAGR of 4.9% from 2024 to 2030. Over the same period, online channel is expected to reach RMB22.4 trillion, with a CAGR of 9.4%, while offline channel is expected to grow to RMB28.6 trillion, representing a CAGR of 2.2%.

Total retail sales of physical consumer goods, by channel, China, 2020-2030E



Source: National Bureau of Statistics, CIC

Note: China's total retail sales of physical goods are calculated as the total retail sales of consumer goods minus catering revenue and retail sales of automobiles. For online channels, the corresponding indicator is the national online retail sales of physical goods.

Market Drivers

- ***Policy support.*** The government has introduced a series of measures to expand and upgrade new consumption. Key policies, such as the State Council's "Outline of the Plan for the Strategy to Expand Domestic Demand (2022-2035)" (《擴大內需戰略規劃綱要(2022-2035)》) and the Ministry of Commerce's "Implementation Plan for the Innovation and Upgrading Project of the Retail Industry" (《零售業創新提升工程實施方案》), support the development of categories including new energy vehicles, green and smart home appliances, kitchen and bathroom products. Subsequent policies are expected to provide corresponding subsidies, promote new forms of consumption, advance the "trade-in" of consumer goods, and encourage circular economy initiatives, thereby creating a clear demand stimulus.

- ***Shift in consumption patterns and innovation in consumer categories.*** The consumption patterns has evolved from simple purchases to a broader range of formats. New patterns such as rental consumption, community group buying, membership-based e-commerce, and live-streaming commerce have emerged to meet consumers' demands for personalization and convenience, becoming key drivers of consumption industry. Emerging consumer categories, such as IP-driven consumption, including character merchandise — driven consumption, have risen rapidly, fostering emotional resonance and social interaction among users and enhancing consumers' experiences. Trends such as "renting instead of buying", first-launch economy, and "AI + consumption" are emerging as new growth engines for the market.

- ***Digital empowerment.*** The deep integration of the real economy and the digital economy is giving rise to new productivity and improving retail consumption efficiency. Digitalization enables enterprises to provide standardized digital services to upstream and downstream partners through technology enablement, platform co-development, and ecosystem collaboration, including digital system deployment, digital-operation, and smart payment solutions, thereby facilitating rapid response and efficient operations across the entire value chain. Technologies such as AI, VR, and AR are also enabling the creation of immersive digital consumption scenarios, such as "cloud shopping", "cloud browsing" and "cloud experiences."

- ***Digital infrastructure and logistics efficiency.*** The continuous enhancement of digital and logistics infrastructure provides a solid foundation for consumption growth. As of October 2025, about 4.8 million 5G base stations and 31.2 million gigabit broadband ports have been built nationwide, achieving "gigabit access for counties, 5G for towns, and broadband for villages". China's express delivery industry has over 400 dedicated logistics parks, 1,300 large-scale processing centers, and 420,000 village-level service stations, forming a nationwide network. State Post Bureau data shows that in the third quarter of 2025, express delivery total duration was 51.3 hours (down 2 hours year-on-year), with 86.5% on-time delivery within 72 hours (up 2.1 percentage points year-on-year), marking significant efficiency gains in the transportation and distribution chain. New information infrastructure has promoted the integration of the real economy and the digital economy while infrastructure upgrades continue to unleash consumption potential in lower-tier markets.

Future Trends

- ***Shift from ownership-based to access-based consumption.*** As residents' consumption mindset evolves and experience-driven consumption continues to rise, consumers are shifting from long-term ownership of premium goods (e.g., high-end consumer electronics, affordable luxury apparel) to scenario-based, on-demand access. Young consumers prefer renting high-quality products (photography gear, outdoor equipment, premium clothing) for specific scenarios — such as travel photography, outdoor trips, or formal occasions — to enjoy instant premium experiences at lower costs, avoiding full purchase expenses for infrequently used items. This right-to-use model lowers the threshold for consumption and fuels rapid growth in markets like high-end digital product rentals and shared affordable luxury apparel.

- ***Online consumption evolving toward end-to-end intelligent operations.*** The future developing of the digital economy has driven the transformation of consumption models from online transactions to full end-to-end digital operations. Live-streaming, content-driven e-commerce and rental consumption patterns have become key growth channels through integrated model of "content-based product recommendations, instant rental or purchase, fulfillment tracking". These platforms are evolving from traffic matching to full-lifecycle digital services — enabling real-time supply-demand matching, hour-level fulfillment, AI-boosted conversion, and reduced friction via digital risk control. This integration accelerates offline retail digitalization, fostering a new consumption ecosystem with online-offline data interoperability and a closed loop for consumer decision-making and fulfillment.

- ***Diversification of product categories.*** Driven by policies such as China's carbon peaking and carbon neutrality goals strategy and Healthy China initiative, product categories meeting consumers' needs for green living and health management are expanding. Brands are accelerating the rollout of relevant product categories and partnering with rental consumption platforms to launch scenario-based solutions integrating "product rental + user guidance + post-transaction maintenance." Platforms further enhance product penetration by precisely matching supply and demand and by providing full-lifecycle asset management. Policies and subsidies further boost category growth potential, with future expansion to be driven by both consumers' demand and supply-side innovation.

OVERVIEW OF CHINA'S NEW FORMS OF CONSUMPTION INDUSTRY

Definition and Business Model

China's new forms of consumption industry refers to new business forms based on physical goods, which provide consumers with either ownership transactions (ownership model) or access to product usage rights mainly through platform-based business models (right-to-use model).

Under the ownership model, emerging e-commerce platforms primarily facilitate the transfer of ownership of physical goods to consumers, typically acquiring traffic through social connections, content dissemination or interest-based recommendations. This model excludes traditional comprehensive e-commerce platforms that primarily feature standardized online shelf displays and search-oriented product discovery.

Under the right-to-use model, platforms provide consumers with access to product usage rights without transferring ownership. Within the right-to-use sector, the principal business models mainly include the sharing economy and rental consumption. The sharing economy is typically characterized by ultra-short usage duration and standardized assets, such as power banks and bicycles, which are deployed in public or semi-public spaces. Meanwhile, rental consumption focuses on providing short-to-medium-term exclusive usage rights of consumer electronics, home appliances, office equipment and other categories by ways of rental arrangement.

Right-to-use model has gradually emerged as a core growth driver of China's new forms of consumption industry. Its rise is a trend fueled by the upgrading of consumption concepts and business model innovation. On the demand side, faster product iteration has worsened the high-cost and high-idle drawbacks of the ownership model, while the right-to-use model, with its low threshold and flexibility, precisely meets rational consumption needs and balances cost and experience. On the supply side, the incremental traffic growth from traditional e-commerce platforms is fading, and the industry has entered a mature stage, resulting in limited growth momentum. The right-to-use model leverages circular economy and full-life-cycle product management to boost asset utilization, creating new growth paths and breaking the constraints of traditional transaction model. The rental consumption sector, covering consumer electronics, home appliances, office equipment and other categories, has seen remarkable growth, becoming a fast-growing part of the right-to-use model in China.

Features of the Right-to-use Model

- ***Platformization***: Leveraging digital internet platforms as the carrier, the right-to-use model enhances commodity circulation efficiency through transaction matching, fulfillment management, risk control support and other value-added services. It generally features asset-light and service-oriented operations, which are distinctly different from traditional comprehensive e-commerce models dominated by one-time outright transactions and shelf-based displays.

- ***Digitalization of transaction and fulfillment process***: The entire lifecycle from product selection, ordering, payment, and fulfillment to returning and re-circulation can be completed through online systems, forming traceable and visualized full-process digital management that significantly improves consumer experience and merchant operational efficiency.

- ***Diversified consumption scenarios***: Breaking away from traditional online and offline shelf-based shopping models, the right-to-use model connects diverse scenarios such as travel outfits, concert looks, outdoor trips, deeply integrating products with scenarios to achieve more precise consumer targeting.

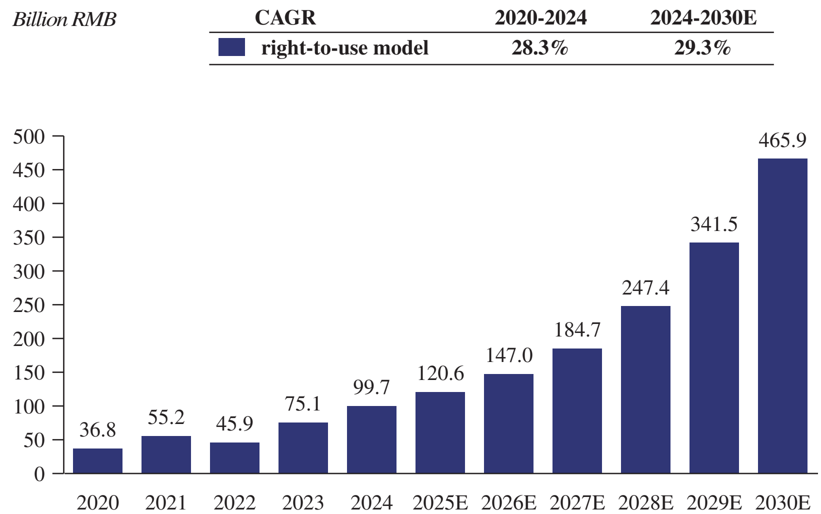
- ***Technology and data-driven demand generation and matching***: Through digital methods such as content distribution, social interaction and algorithmic recommendations, the right-to-use model achieves precise demand reach and efficient transaction matching. It optimizes platform pricing, fulfillment, and risk management by relying on big-data and intelligent risk control systems.

Market Size

The right-to-use model in China was in its initial phase from 2020 to 2024, and has now entered a period of rapid growth. In terms of GTV, the market size of the right-to-use model expanded from RMB36.8 billion in 2020 to RMB99.7 billion in 2024, representing a robust CAGR of 28.3% from 2020 to 2024. It is projected to obtain a CAGR of 29.3% from 2024 to 2030, with GTV expected to reach RMB465.9 billion by 2030.

The rise of the right-to-use model reflects the increasing acceptance of new forms of comsumption such as rental consumption and the sharing economy among consumers. Together with the growth of online channels in physical goods retail, it forms a diversified and digital development landscape of China's consumption industry, highlighting the enormous potential in model innovation and channel transformation.

Total GTV of the right-to-use model, China, 2020-2030E



Source: CIC

Market Drivers

- ***Policy orientation and improved environment for the platform economy.*** The government continues to advance the in-depth integration of new forms of consumption and the digital economy. The State Council's "Outline of the Plan for the Strategy to Expand Domestic Demand (2022-2035)" (《擴大內需戰略規劃綱要(2022-2035)》) calls for "accelerating the cultivation of new consumption" and prioritizes directions such as trade-ins, the sharing economy, and the circular economy. The CPC Central Committee and the State Council's opinions on accelerating the construction of a united national market establishes the policy tone for developing rental consumption platforms, improving risk management and fulfillment mechanisms. These documents provide clear policy guidance and institutional support for new consumption models centered on usage rights. Meanwhile, the Government Work Report emphasizes "to promote the standardized and healthy development of the platform economy and better leverage its role in boosting innovation, expanding consumption, and stabilizing employment", while strengthening foundational systems including data elements, risk evaluation, and fulfillment guarantees, thus creating a favorable policy environment and institutional backing for right-to-use model focused on transaction matching and right-to-use services. In November 2025, six government departments including the NDRC issued the "Implementation Plan for Enhancing the Supply-Demand Alignment of Consumer Goods to Further Promote Consumption" (《關於增強消費品供需適配性進一步促進消費的實施方案》). The plan aims to foster new consumption scenarios and emerging business models by, among others, actively promoting the launch of new consumer products, encouraging the orderly development of platform-based consumption, and regulating the development of shared consumption, thereby effectively supporting the steady growth of China's new consumption sector.

- ***Shifts in consumer preferences and behaviors.*** In recent years, China's resident consumption behavior has seen structural changes: on the one hand, acceptance of innovative models like "renting instead of buying" and "circular usage" has risen; on the other hand, diversified consumption scenarios have boosted demand for scenario-specific goods — typically high-value but low-frequency-used items. Product usage patterns are evolving toward shorter cycles, greater diversity and faster replacement, making rental consumption more attractive. Gen Z and young groups have become core consumers, with consumption concepts focused on experience, individuality, and sharing, they highly accept new types of platforms, actively participate to support product promotion and reputation building, and help platforms achieve high-frequency traffic and user conversion.

- ***Digitization of supply chains and fulfillment systems enhances circulation efficiency.*** With the continuous improvement of logistics networks, warehousing systems, and digital management tools, platforms of the right-to-use model have significantly enhanced their supply chain management capabilities. By developing in-house or integrating intelligent fulfillment systems, platforms realize dynamic inventory monitoring, optimal route scheduling, and full-process visualized equipment management — greatly shortening the order-to-delivery response time and improving fulfillment certainty and turnover efficiency. Meanwhile, the digitization of asset management systems enables efficient commodity circulation in the circular chain of "rental — returning — inspection — re-release," supporting the industry's asset-light and sustainable operations.

Future Trends

- ***Further development of digitization and intelligence***. The application of AI, big data, and cloud computing will permeate the entire process — from commodity matching, risk evaluation and fulfillment scheduling to asset management. Intelligent risk control will further optimize user access and transaction security, while AI pricing and inventory forecasting will increase asset turnover and platform profitability, driving the industry's shift from scale-driven to efficiency-driven growth.

- ***Multi-scenario integration upgrades commodity circulation and consumption experience.*** The right-to-use model will continue to extend its reach beyond daily consumption into scenarios, such as travel, photography imaging, live-streaming, education and training, and corporate office. By integrating online fulfillment systems with offline on-demand delivery networks, platforms enable a circulation model of "rent and use immediately, return and redeploy promptly," significantly enhancing user experience and fulfillment certainty.

- ***Sustained growth in rental consumption penetration.*** With the continuous implementation of green consumption and circular economy policies, consumer acceptance of "rent-to-own" and "on-demand use" has risen markedly. The rental consumption model is expanding from high-value categories (e.g., mobile phones, computers) to multi-scenario products — including home appliances, office equipment, outdoor gear, and live-streaming tools — serving as a key bridge between high-quality goods and rational consumption demands. In the future, rental consumption is expected to account for a higher proportion of overall commodity circulation, fostering stable user habits and market scale.

- ***Accelerated industry standardization and compliance.*** As the industry scales up and user data accumulates, regulators are expected to further strengthen requirements for data security, privacy protection, and consumer rights management. Leading platforms will accelerate the establishment of commodity quality standards, post-rental services, and risk evaluation systems, driving the industry's transformation from early extensive expansion to standardized and transparent operations, laying a foundation for long-term sustainable growth.

OVERVIEW OF CHINA'S RENTAL CONSUMPTION INDUSTRY

Definition and Features

Rental consumption refers to a business model that leverages online platforms, risk management systems and the principles of the sharing economy to provide individuals and small and medium-sized enterprises with right-to-use serving as the primary transaction object. This model comprises third-party platforms and merchants' self-operated online channels, with online platforms serving as the primary service interface. Distinct from traditional offline rental models, it is characterized by an online service process enabled by digital platforms and risk management mechanisms, offering zero deposit or deposit reduction, flexible rental terms, and online order placement and fulfillment.

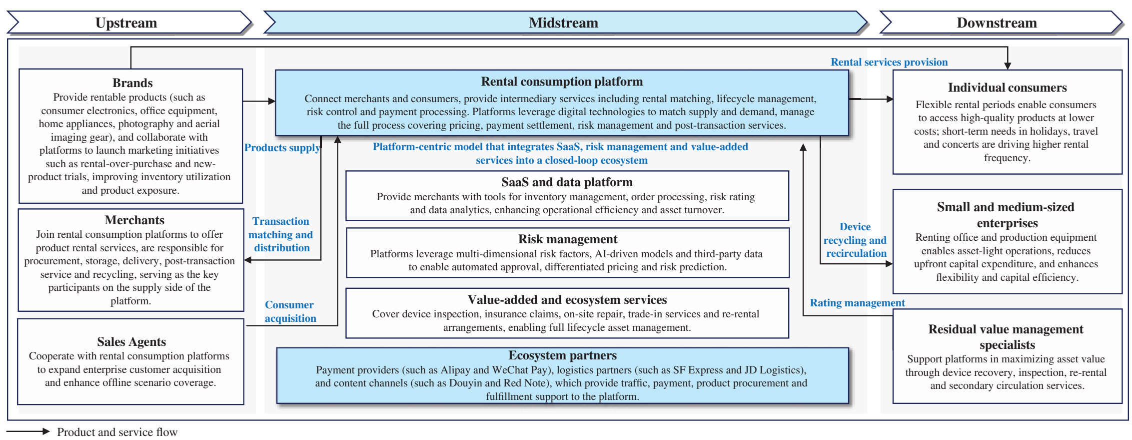
Rental consumption industry primarily serves two core demands: individual consumers' pursuit of high-quality, cost-effective product access, and small and medium-sized enterprises' need for asset-light operations. Unlike traditional deposit-heavy rental models, these platforms partner with third-party risk management systems to offer zero-deposit or deposit-reduction services to creditworthy users, significantly lowering entry barriers while enhancing consumers' experience and fulfilment efficiency.

Rental consumption platforms typically do not directly own inventory, instead focusing on matching supply with demand. Their role in the transaction chain centers on providing online transaction services, SaaS services, value-added services, and others. Leading platforms go further by integrating resources across various consumer goods, standardizing processes, and implementing circular management systems. They leverage data intelligence to match orders with supply, build assessment mechanisms for product circulation, and optimize warehouse networks — collectively building integrated, one-stop fulfillment capabilities.

The range of products available on rental consumption platforms has expanded significantly, from initial categories such as mobile phones, tablets and laptops to categories including photographic and imaging equipment, luxury apparel, live-streaming devices and other product categories. During holidays and specific scenarios — such as the May Day and National Day holidays, live performance events and wedding photography seasons — order volumes for categories like photography equipment, outdoor gear, and premium fashion can surge to 3-5 times the usual level, underscoring the vital role of rental consumption in meeting short-term, high-quality, and scenario-driven user needs.

Value chain analysis

Value chain of the rental consumption industry



Source: CIC

China's rental consumption platform value chain is evolving toward greater digitalization, collaboration and ecosystem integration. The integration of multidimensional capabilities, including risk control, funding, logistics, data analytics and asset management, enables platforms to operate with higher efficiency, lower risk and greater sustainability while connecting supply and demand.

The value chain comprises three major segments: upstream brands and suppliers, midstream rental consumption platform operators and enabling service providers, and downstream individual and enterprise customers. The coordinated development of these segments is accelerating the shift from ownership model to right-to-use model.

- **Upstream**: Brands and merchants supply rental consumption platforms with a wide range of rentable products, including smartphones, computers, tablets, office equipment, home appliances, photography and aerial imaging devices and others. Brands also collaborate with platforms to launch marketing initiatives such as trial-use campaign, and jointly develop new application scenarios, enhancing product exposure and inventory utilization efficiency. In addition, sales agents cooperate with rental consumption platforms to expand enterprise customer acquisition and enhance offline scenario coverage.

- **Midstream**: Serving as the core segment of the value chain. Rental consumption platforms use digital technologies to match supply and demand and provide end-to-end services covering risk assessment, pricing, payment processing, risk management and post-transaction support. Leading platforms typically operate leading SaaS systems that offer merchants tools for inventory management, order processing, risk rating and data analytics, thereby improving asset turnover and transaction security. In addition, some platforms are developing an ecosystem model of "online transaction + SaaS + value-added services", covering inspection, warranty, trade-in, transportation and re-rental services to build closed-loop operational capabilities.

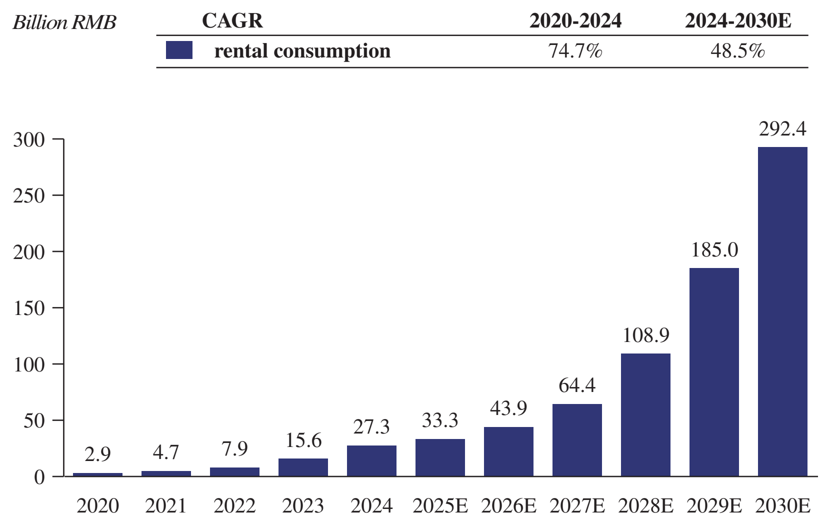
- **Downstream**: Individual consumers exhibit strong demand for cost-effective, high-quality products and increasingly prefer renting consumer electronics and lifestyle goods through zero deposit or deposit reduction and flexible short-term arrangements enabled by risk assessment. Small and medium-sized enterprise customers will rent office and production equipment to reduce capital expenditure and operate in an asset-light manner. Demand from both segments is propelling rental consumption from a supplementary option to a mainstream model. As risk management, payment and logistics systems continue to improve, downstream user acceptance has risen significantly, creating a virtuous cycle of growth.

Market Size

Overall, China's rental consumption industry is currently entering a phase of high and sustainable growth, driven by supportive government policies, consumption upgrading and continuous innovation in risk management technologies. As consumer preferences continue to shift from an emphasis on "ownership" to "right-to-use", rental services are increasingly becoming an important means of meeting demand for high quality, cost efficiency and sustainable consumption, thereby driving the industry into a stage of structural expansion.

In terms of GTV, the market size of China's rental consumption market increased rapidly from approximately RMB2.9 billion in 2020 to approximately RMB27.3 billion in 2024, representing a CAGR of approximately 74.7% from 2020 to 2024. Looking ahead, the market is expected to further expand to approximately RMB292.4 billion by 2030, with a CAGR of approximately 48.5% from 2024 to 2030.

Total GTV of the rental consumption market, China, 2020-2030E

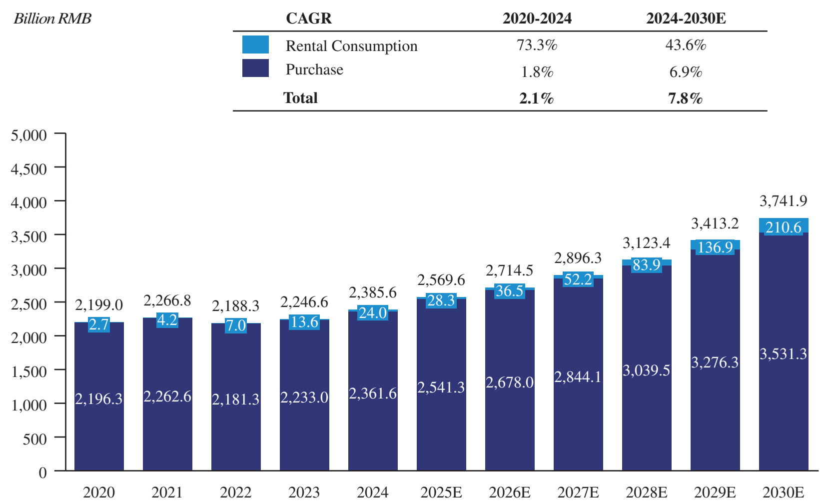


Source: CIC

The consumer electronics segment remains the largest category within China's rental consumption market and continues to occupy a dominant position in the overall market. In terms of GTV, the market size of the consumer electronics rental consumption segment in China increased rapidly from approximately RMB2.7 billion in 2020 to approximately RMB24.0 billion in 2024, representing a CAGR of approximately 73.3% from 2020 to 2024. Looking ahead, the market is expected to expand to approximately RMB210.6 billion by 2030, with a CAGR of approximately 43.6% from 2024 to 2030.

The rapid expansion of the rental consumption market has benefited from the continued increase in the penetration of rental consumption model within the consumer electronics market. The penetration rate of rental consumption in consumer electronics increased from approximately 0.1% in 2020 to approximately 1.0% in 2024, and is expected to further rise to approximately 5.6% by 2030. This trend is mainly attributable to the characteristics of consumer electronics products, including rapid technological iteration and relatively high purchase costs, which often result in a dual burden of high upfront expenditure and asset idleness for general consumers. Rental consumption enables consumers to enhance their usage experience while effectively reducing usage costs. In particular, younger consumer groups' growing demand for diversified consumer electronics experiences has contributed to greater acceptance of the "renting instead of buying" model. In addition, the promotion of innovative mechanisms such as zero-deposit rentals and flexible rental terms, supported by risk-based assessment frameworks, has further facilitated the rapid development of the consumer electronics rental market. In the future, under the dual drivers of consumption upgrading and technological innovation, the consumer electronics rental consumption market is expected to maintain a sustained growth trajectory.

Total GTV of consumer electronics market, China, 2020-2030E



Source: CIC

Future market growth is primarily driven by the continued popularization of smart terminal products and the ongoing expansion of application scenarios. At this background, the market size of the rental consumption market, with consumer electronics as its core category, is also expanding accordingly. Meanwhile, as residents' consumption upgrading and the penetration of digital lifestyles deepen, the consumer electronics industry is transitioning from volume-driven growth to structure-optimization-driven growth, exhibiting multiple development trends including high-endization and intelligentization. Emerging consumption models such as renting instead of buying, pre-owned device recycling and trade-in programs are gradually gaining mass-market acceptance. Among these, the "renting instead of buying" model, as a cost-effective consumption method, is increasingly substituting traditional ownership-based transactions, leading to the rapid and sustained increase in the penetration of rental consumption within consumer electronics market.

Market Drivers

- ***Evolving consumer preferences and rising demand for cost reduction***. As the macroeconomic environment enters a phase of structural adjustment, both consumers and enterprises are becoming more rational in their spending behaviour, resulting in significantly higher acceptance of consumption models characterised by "high cost efficiency and low financial burden." Gen Z consumers, female consumers and younger white-collar groups are gradually emerging as the primary drivers of new consumption, with a stronger preference for obtaining access to high-quality products through "renting instead of buying" in order to meet diversified and short-cycle lifestyle needs at lower costs. At the same time, small and medium-sized enterprises are placing greater emphasis on capital efficiency and operational flexibility. Through rental consumption models, enterprises are able to rapidly access office equipment, consumer electronics and exhibition items without increasing fixed-asset burdens, reducing initial capital expenditure compared with outright purchases, thereby enabling asset-light operations and optimising cash flows. In addition, the growing awareness of environmental protection and the wider adoption of circular economy concepts are further promoting the transition of "renting instead of buying" from a supplementary option to a mainstream consumption model, positioning rental consumption as a choice that balances both economic efficiency and sustainability.

- ***Continuous enhancement of platform fulfillment capabilities.*** The enhancement of platform fulfillment capability has been a key driver behind the industry's rapid expansion. Leading platforms leverage self-developed data mid-office systems, intelligent fulfillment solutions and AI-powered risk management models to achieve high inventory turnover and efficient order execution. The data mid-office assesses inventory information to ensure precise matching of supply and demand. Meanwhile, AI algorithms automatically dispatch merchant and logistics resources, significantly improving order fulfillment certainty and operational efficiency.

- ***Enhanced risk management system.*** The maturity of risk management systems has established a sustainable trust mechanism for the rental consumption industry. The application of AI-powered risk control models and multi-dimensional risk decision engines enables platforms to complete risk identification within seconds, effectively controlling overdue rates and equipment loss ratios. This further lowers the barrier to entry for users while enhancing transaction security and overall experience.

- ***Policy support for green consumption and the circular economy reinforcing the legitimacy and universality of "rental consumption".*** National-level policies on the circular economy and green consumption provide institutional support for the industry. In January 2026, the Ministry of Commerce and eight other departments issued a notice on the implementation of the green consumption promotion action, which explicitly calls for the "vigorous development of green rental services, innovation in green consumption models, and encouragement of shared mobility, shared spaces, and shared goods." This initiative effectively promotes the development of rental consumption model. With the combined efforts of policies, platforms, and users, the rental consumption model will become normalized across a wider range of categories and scenarios, becoming a common practice within both the consumer ecosystem and corporate operations.

Future Trends

- ***Continuous expansion of rental consumption scenarios.*** The younger consumer demographic is showing a growing preference for asset-light and experience-driven consumption. Groups such as Gen Z and young white-collar consumers increasingly turn to rental models in scenarios like travel and photography, enabling them to access high-quality products with low upfront costs and enjoy on-demand experience, while avoiding the full expense of purchasing low-frequency-use items. The rental consumption model has expanded from standardized categories such as consumer electronics and home appliances to non-standard segments, including outdoor equipment and premium apparel. This trend is driven not only by evolving consumer preferences but also by broader factors such as more rational personal spending amid economic cycles and a rising corporate demand for light-asset operational models.

- ***Deepening application of technology and AI.*** The in-depth mining and intelligent analysis of massive data facilitate intelligent inventory allocation and enhance operational efficiency. Leading platforms are continuously investing in AI technologies and data processing capabilities to extract greater asset value from data. By integrating AI throughout the entire business process — including intelligent risk control, personalized product recommendations and repeat-rental marketing — leading platforms are developing dedicated AI rental agents that reduce costs and increase efficiency. The application of AI-enabled intelligent management across the entire rental lifecycle helps form replicable and scalable operational models, thereby accelerating the industry's large-scale development.

- ***Overseas markets emerging as new growth drivers.*** Rental consumption platforms focusing on consumer electronics have potential global demand. This is because consumer electronics features small size, high unit value, easy transportation and consistent demand from consumers across regions and countries, making it one of the world's major traded commodities. Meanwhile, the global market has relatively few digital platforms for rental consumption, resulting in a lack of pricing and risk management mechanisms. This leads to inefficiency and friction in transaction processes. The vast untapped markets overseas provide significant growth space for the expansion of rental consumption platforms.

- ***Rental consumption platforms becoming new retail and marketing channels.*** Brands are increasingly embracing rental consumption platforms as a distribution channel, partnering with platforms to support operations such as new product trials and inventory clearance. By leveraging platforms' ability to precisely target users in specific scenarios, brands are effectively increasing category penetration. Leading platforms have evolved beyond mere intermediaries; they now serve as channel extenders for brands, accelerators of inventory turnover and providers of asset management services. Looking ahead, as brands formally integrate "renting" into their official systems, this partnership is expected to deepen further.

- ***Upgrading platform capabilities from deal matching to full lifecycle management.*** The industry competition is shifting from being price-driven to a comprehensive service-oriented model. Leading platforms, leveraging data mid-offices and intelligent fulfillment systems, have achieved visual inventory scheduling and hourly delivery, reducing inventory turnover cycles and significantly improving matching efficiency. By implementing risk management systems built on multi-dimensional risk factors, leading platforms have achieved a wide range of zero deposit coverage while maintaining a low overdue ratio. Meanwhile, platforms are transitioning toward an integrated "online transaction + SaaS + value-added services" ecosystem, offering full-cycle solutions — including inventory management, and quality inspection.

COMPETITIVE LANDSCAPE OF THE RENTAL CONSUMPTION INDUSTRY IN CHINA

Overview

In 2024, China's rental consumption industry GTV surpassed RMB27.3 billion, with a 74.7% CAGR from 2020 to 2024. As consumption pattern shifts faster from ownership model to right-to-use model, leading platforms connect brands, merchants and consumers via digital fulfillment, zero deposit policies and AI risk control, building an ecosystem with low inventory, high turnover and scalable services. With consumers prioritizing "right-to-use" over "ownership", rental services penetrate mainstream scenarios via cost-effectiveness and flexibility. Leading platforms enhanced efficiency and service experience through digitalized management systems, zero-deposit mechanisms and AI-powered risk control capabilities, thereby driving rental consumption industry from an early exploration toward standardized and scalable operations.

Overall, except a few leading platforms, most small and medium-sized players remain regional or niche, unable to build national networks or stable fulfillment systems. Tighter regulation, higher user demands for service quality and growing importance of risk control, technology and supply chain capabilities are driving industry concentration. Leading platforms are establishing significant entry barriers via scale effects, data accumulation and brand trust.

China's rental consumption industry features a relatively concentrated competitive landscape, with a continuing trend of concentration toward leading players. In 2024, the top five rental consumption platforms accounted for approximately 52.4% of the total market share, indicating a relatively high level of industry concentration and reflecting that platform-based operations, digitalized fulfillment and risk management capabilities have become core competitive strengths. As a leading player in the industry, the company achieved a GTV of RMB7.5 billion in 2024, ranking first nationwide by GTV with a market share of approximately 27.5%, significantly outperforming other market participants. The Company has also established the first one-stop rental consumption platform in the industry.

Top five rental consumption platforms, in terms of GTV, China, 2024

Ranking	Company	GTV (Billion RMB)	Market share (%)
1	The Company	7.5	27.5%
2	Company A[(1)]	3.0	11.0%
3	Company B[(2)]	1.5	5.5%
4	Company C[(3)]	1.3	4.8%
5	Company D[(4)]	1.0	3.7%
CR5		**14.3**	**52.4%**
Total		**27.3**	**100.0%**

Source: CIC

Notes:

(1) Established in 2016, Company A is a rental consumption platform, offering integrated services including risk-based zero-deposit and flexible rental, pre-owned goods recycling and trade-in programs across multiple categories, such as mobile phones and computers, photography and videography equipment.

(2) Established in 2017, Company B is a one-stop rental consumption platform, providing scenario-based rental services to users, primarily covering new and pre-owned consumer electronics such as mobile phones, tablet, computers, photography and videography equipment.

(3) Established in 2018, Company C is an online rental consumption platform, providing zero-deposit rental services for a full range of products, including smartphones, computers and smart home devices.

(4) Established in 2019, Company D is an online platform, focusing on the consumer electronics providing end-to-end industry services across the supply chain, rental, recycling and recycling disposal of consumer electronics, with rental consumption services as its core business.

Entry Barriers of the Rental Consumption Market in China

- ***Technology and data barriers***. Rental consumption businesses rely heavily on AI technology, risk management models, and data processing capabilities. Building a highly accurate risk management system requires long-term data accumulation, continuous algorithmic improvements, and ongoing optimization across diverse scenarios and various categories. Without access to large-scale transaction data and robust system development capabilities, new entrants will find it difficult to achieve a comparable level of risk management effectiveness and system stability.

- ***Fulfillment and supply chain barriers.*** The rental consumption industry faces fulfillment-related pain points, including warehouse-side and logistics issues, such as mismatches between equipment supply and demand, delayed monitoring, low inventory turnover, inefficient scheduling and unstandardized handover processes, which result in higher costs, missed deadlines and increased disputes. Additionally, unconnected end-to-end information, inefficient matching and lack of full-process risk control worsen asset losses and default risks. This demands leading platforms to have nationwide warehousing, logistics and recycling capabilities and full-process digitalization to ensure fulfillment efficiency. Leading platforms leverage data-driven capabilities to match order demand with supply, and achieve nationwide logistics coverage through self-built fulfillment systems and partnerships with third-party logistics providers. New entrants need heavy capital and long time to replicate this in a short-term. As a key factor to user trust and merchant retention, fulfillment certainty is the industry's critical operational barrier.

- ***Brand and user stickiness barriers.*** Leading platforms hold a significant advantage in establishing strong user brand perception, which is reflected in higher registration numbers, active users and retention rates. Their established brand reputation and superior customer experience allow them to attract traffic and achieve higher conversion rates more efficiently. In contrast, new entrants platforms struggle with high customer acquisition costs and a low repeat purchase rate, making it difficult for them to compete effectively with industry leading platforms.

- ***Regulation and policy barriers.*** The rental consumption industry is subject to a wide range of regulations and requirements involving risk management systems, data security, and consumer rights protection. Leading platforms have already established comprehensive systems for privacy protection, data classification, and compliance review, and are routinely subject to government supervision, record-filing, and safety certification. In contrast, new entrants lacking regulatory experience may face greater policy uncertainty and legal enforcement risks.

- ***Capital expenditure and operation barriers.*** The industry requires substantial initial capital investment in technology development, marketing and merchant incentives. Leading platforms maintain their investment capacity through stable cash flow and superior financing advantages. In contrast, new entrants face challenges in sustaining long-term growth due to constrained financing channels and persistently high operating costs.

SOURCES OF THE INDUSTRY INFORMATION

We commissioned China Insights Industry Consultancy Limited, an independent market research and consulting firm, to analyze and produce a report regarding China's rental consumption market. China Insights Industry Consultancy Limited, provides professional services including, among others, industry consulting, commercial due diligence and strategic consulting. We agreed to pay a commission fee of RMB500,000 to China Insights Industry Consultancy Limited pursuant to a service agreement reached by arm's length negotiation in connection with the preparation of the CIC Report. We have extracted certain information from the CIC Report in this section, as well as elsewhere in this Document, to provide our potential [**REDACTED**] with a more comprehensive presentation of the industry in which we operate.

In preparing for the CIC Report, China Insights Industry Consultancy Limited conducted both primary and secondary research and relied on various sources. The primary research was conducted via interviews with key industry experts and leading industry participants. The secondary research involved analysis of market data obtained from several publicly available data sources. The market projections in the CIC Report are based on the following key assumptions: (i) the global social, economic, and political environment are expected to remain stable during the forecast period; (ii) global economic and industrial development are likely to maintain a steady growth in the forecast period; (iii) related industry key drivers are likely to drive the growth of China's rental consumption market in the forecast period; and (iv) there is no extreme force majeure or industry regulation in which the market may be affected dramatically or fundamentally. All forecasts in relation to market size are based on the general economic conditions as of the Latest Practicable Date

Our Directors confirm that, to the best of their knowledge, after making reasonable inquiries and exercising reasonable care, there is no material adverse change in the market information since the date of the relevant data contained in the CIC Report which may qualify, contradict or have an impact on the information in this section.