The information and statistics set out in this section have been extracted and derived from various official government publications, publicly available sources and private publications, unless otherwise indicated. We believe that the sources of this information and statistics are appropriate sources for such information and statistics and reasonable care has been exercised by our Directors in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information false or misleading. None of our Company, the Joint Sponsors, the Underwriters or our or their respective directors, advisors and affiliates have independently verified such information and statistics. Accordingly, save as JLL Consultant, none of our Company, the Sponsors, or our or their respective directors and advisors or any other parties involved in the Listing makes any representation as to the accuracy and completeness of such information and statistics. As such, the official and non-official sources contained herein should not be unduly relied upon. Furthermore, due to the inherent time-lag involved in collecting any industry and economic data, some of the data contained in this section may only represent the state of affairs at the time such data were collected. As such, you should also take into account subsequent movements in the industry and the PRC economy when you evaluate the information contained in this section.

SOURCES OF INFORMATION

In connection with the Global Offering, we have commissioned JLL Consultant, an independent third party, to prepare the Industry Research Report with necessary information on the real estate markets in China and the cities where we operate. JLL Consultant has charged us a total fee of approximately RMB1,020,000 for the preparation of the Industry Research Report, which we believe is in line with the market rate for similar reports.

JLL is an international professional services and investment management firm offering specialized real estate services to clients seeking increased value by owning, occupying and investing in real estate. JLL has more than 280 corporate offices, operates in more than 80 countries and has a global workforce of more than 60,000.

This section was prepared primarily by the designated market research team based on the information and statistics collected from various government publications, site visits and interviews, recognized research institutions, and the proprietary database of JLL. The information and statistics are considered reliable.

The following sets out the main reasons JLL Consultant adopted the above sources of information and considered them as reliable: it is a general market practice to adopt official data and announcements from various Chinese government agencies, and JLL Consultant understands the data collection methodology and data source of its proprietary database and the subscribed database from Statista, CEIC and CREIS.

While preparing this section, JLL Consultant has relied on the following assumptions: (i) all documents provided by the Company are true and correct; (ii) all published data by the relevant government authorities are true and correct; (iii) where subscribed data is obtained from recognized research and public institutions, JLL Consultant has relied upon the apparent integrity and expertise of such institutions. JLL Consultant makes no warranty or representation that these forecasts will be achieved. The real estate market is constantly fluctuating and changing. JLL Consultant will not take any responsibility to predict or in any way warrant the future conditions of the real estate market.

Our Directors confirm that, as of the Latest Practicable Date, to the best of their knowledge, after taking reasonable care, there is no material adverse change in the market information since the date of the Industry Research Report or the date of the relevant data contained in the Industry Research Report which may qualify, contradict or have an impact on the information in this section.

OVERVIEW OF THE PRC ECONOMY

During the past few years, the PRC's economy has achieved significant growth, evidenced by its nominal GDP which increased from RMB54,037 billion in 2012 to RMB82,712 billion in 2017, representing a CAGR of 8.9%. In the period between 2012 and 2017, per capita disposable income of urban residents increased at a CAGR of 8.2% from RMB24,565 to RMB36,396, demonstrating a significant growth in the purchasing power of the urban residences in the PRC. Hukou reform is aiming to facilitate the development of urbanization by integrating household registration system in both rural and urban areas. In essence, the main goal of the plan is to gradually migrate rural population to settle in urban area. For example, it is expected that approximately 100 million rural populations will obtain Hukou in urban area by 2020, according to the Plan. Together with the removal of one-child policy, they contributed to the rising urban population from 712 million in 2012 to 813 million in 2017. According to the National Plan on New Urbanization (2014–2020) promulgated by the central government of the PRC, the urbanization rate is expected to reach 60.0% by 2020, which will, in return lead to an increase in housing demand.

The table below sets out selected major economic indicators in the PRC for the years indicated.

Major economic indicators in the PRC (2012–2017)

	2012	2013	2014	2015	2016	2017	CAGR (2012–2017)
Nominal GDP (RMB billion)	54,037	59,524	64,397	68,905	74,359	82,712	8.9%
Fixed asset investment (RMB billion)	37,469	44,629	51,202	56,200	60,647	64,124	11.3%
Per capita disposable income of urban households (RMB)	24,565	26,467	28,844	31,195	33,616	36,396	8.2%
Urban population (million)	712	731	749	771	793	813	2.7%
Urbanization rate (%)	52.6	53.7	54.8	56.1	57.4	58.5	N/A

Source: National Bureau of Statistics of China

THE PRC REAL ESTATE MARKET

Overview

In line with rapid economic development and growth of fixed asset investment, total real estate investment in PRC also demonstrated fast and steady growth from RMB7,180 billion in 2012 to RMB10,980 billion in 2017, representing a CAGR of 8.9%, despite of the series of tightening measures imposed by the central government in 2015 to cool down the overheated housing market. The average price of residential properties sold in China also rose from RMB5,430 per sq.m. in 2012 to RMB7,614 per sq.m. in 2017 and achieved a CAGR of 7.0%. After housing price stabilized and returned to a normal level in 2016, the government subsequently launched series of monetary easing and destocking policies, resulting in a significant reduction of the stock-to-sales ratio, which reached 2.5 months by the end of 2017, the lowest level since 2012.

China has already formed three well-developed metropolitan clusters, namely Beijing-Tianjin-Hebei, Yangtze River Delta and Pearl River Delta, and together these clusters. It contributed approximately 39.1% (based on estimation from EIU) of the total GDP in China in 2017. In the thirteenth Five-Year Plan, the central government has introduced a Metropolitan Cluster initiative in which by 2020, China will have a total of 19 regional metropolitan clusters with each metropolitan cluster comprising nucleus cities being connected with several neighbouring cities through convenient transportation infrastructure. This initiative aims to promote more balanced intra-regional economic development and it is expected that tier-three and tier-four cities in these metropolitan clusters could benefit from more industrial supports and population inflow, which will in turn fuel housing demand in these cities.

The table below sets out selected real estate indicators of China for the years indicated:

Selected real estate market indicators of the PRC (2012–2017)

	2012	2013	2014	2015	2016	2017	CAGR (2012–2017)
Total real estate investment (RMB billion)	7,180	8,601	9,504	9,598	10,258	10,980	8.9%
Real estate investment — residential (RMB billion)	4,937	5,895	6,435	6,460	6,870	7,515	8.8%
GFA of residential newly started (million sq.m.)	1,307	1,458	1,249	1,067	1,159	1,281	-0.4%
GFA of residential completed (million sq.m.)	790	787	809	738	772	718	-1.9%
GFA of residential sold (million sq.m.)	985	1,157	1,052	1,124	1,375	1,448	8.0%
Residential stock-to-sales ratio (narrow sense)(1) (months)	2.9	3.4	4.6	4.8	3.5	2.5	N/A
ASP of residential (RMB/per sq.m.)	5,430	5,850	5,933	6,473	7,203	7,614	7.0%

Source: National Bureau of Statistics of China

Note: (1) Stock-to-sales ratio (narrow sense) equals to GFA of residential properties unsold divided by GFA of residential properties sold.

Recent Developments of Real Estate Policies in the PRC

The real estate market in the PRC is highly subject to government regulation. In order to avoid over-heating of the real estate market, the central and local governments have promulgated various tightening measures to stabilize housing prices in recent years. It is believed that such measures are likely to affect demands from speculative investors, while it would have less impact on demands from first-time homebuyers and upgraders. Recently, some of these measures have been relaxed in some lower-tier cities with an aim to attract and retain talents to support local economic development. On the contrary, there are no sign of relaxing such restrictive measures in the tier-one cities.

The Group's Market Position

As a real estate company focusing on the development and sale of residential and commercial property projects, the Group demonstrated tremendous growth in the last few years, and became a major national property developer in the PRC. In 2017, the contract sales of the Group ranked 39th among the 2017 Ranking of the Ten Billion Sales Real Estate Companies in China (2017年中國房地產銷售額百億企業排行榜) released by CREIS (中指數據), significantly improved from 74th in 2016. In addition, the Group won the award of China Top 100 Real Estate Developers (中國房地產百強企業) issued by China Index Academy in 2018, and ranked 42th place.

2017 Ranking of Ten Billion Sales Real Estate Companies in China

	Company	Contract Sales (RMB billion)
1	Company C	550.0
2	Company V	523.8
3	Company E	515.1
4	Company R	360.0
5	Company P	315.0
6	Company GL	272.5
7	Company O	210.0
8	Company L	155.0
9	Company H	146.0
10	Company GT	145.3
39	Midea Real Estate Holding Limited	51.0

Source: CREIS

Competitive Landscape

The competitors of the Group include major national and regional developers. The Group competes with them in terms of land acquisition capabilities, brand recognition, financial resources, product designs and quality, selling prices and customer services. The real estate market in the PRC is highly fragmented. In terms of GFA of properties sold, the Group accounted for 0.77% of the total GFA sold according to the 2017 Top 200 GFA Sold among Real Estate Companies (2017年度房企銷售面積TOP200) published by CRIC. Moreover, the property development industry is a highly capital-intensive industry, and property sales, financing as well as land acquisitions are all subject to cyclical fluctuations. Recent restrictive housing measures combined with tightened credit policies have imposed liquidity pressures on smaller property developers, creating more merger and acquisition opportunities for large property developers with strong balance sheets, and this industry consolidation trend is expected to continue. According to CRIC, Top 50 developers in China accounted for 45.9% of total sales in 2017, up from 35.3% in 2016.

Furthermore, the concept of "Smart Home" is also expected to become a market driver for residential housing in China going forward. Although the increasing popularity and price premium for home equipped with smart technology have attracted a growing number of developers coming into the market, this industry is still at an early development phase. The Group began to build in Smart Home solutions into its residential products since 2016, and is a pioneer in the Smart Home industry.

REAL ESTATE MARKET OF SELECTED REGIONS IN THE PRC

Pearl River Delta Economic Region

The Pearl River Delta Economic Region is one of the most densely populated and economically prosperous regions in Guangdong province. Recent stimulus policies targeting Guangdong-Hong Kong-Macau Bay Area (the "**Bay Area**") are expected to further boost the growth of the region.

Benefitting from the lasting economic development and national strategic plan of further developing the Pearl River Delta and the Bay Area, the overall local property market is expected to experience continuous price appreciation. Residential real estate investment targeting most cities in this region has seen strong uplift with CAGRs between 10.0% and 15.0% in 2012–2017. Among these cities, Foshan's housing market remains strong, as real estate properties were considered a good investment from asset appreciations, and at the same time, benefitting from the buying demand spillover from expensive regions such as Guangzhou. However, due to restrictive housing policies recently implemented, GFA of commercial residential properties sold in cities in this region experienced a significant decline in 2017.

In the next few years, it is expected that the GFA of residential sold in selected cities will grow at a slower pace due to the fact that housing restriction policies are anticipated to remain. As one of the largest economic zones of China, the sentiment of real estate market remains strong in PRD. Hence, the growth of average selling prices of these cities is likely to remain optimistic. Nonetheless, the average selling price in Zhongshan could experience a slightly faster growth given that the relatively low house price and the continuous improvements of infrastructure, such as Shenzhen-Zhongshan Bridge (深中通道), could be attractive potential buyers.

Selected property market indicators of key cities in Pearl River Delta (2012–2017)

	City	2012	2013	2014	2015	2016	2017	CAGR (2012–2017)
GFA of residential sold (million sq.m.)	Guangzhou	11.3	14.0	12.0	13.4	16.2	13.7	3.9%
	Foshan	7.1	7.9	8.8	12.3	18.6	12.1	11.4%
	Zhongshan	5.9	7.0	6.7	9.2	10.2	N/A	14.3%(1)
ASP of residential (RMB/per sq.m.)	Guangzhou	12,001	13,954	14,739	14,083	16,346	17,685	8.1%
	Foshan	7,958	8,837	8,728	8,492	9,662	10,061	4.8%
	Zhongshan	5,300	5,799	5,865	5,766	7,263	8,422	9.7%

Source: National Bureau of Statistics, Guangdong Provincial Bureau of Statistics, and related cities' Bureau of Statistics, CEIC
Note: (1) Calculated based on available data, i.e. 2012–2016

Furthermore, the urban renovation, which refers to the renovations of Old Town, Old Factory, and Old Village, has also become a unique development trend in Guangdong province. Urban renovation is often times an attractive way to increase land reserves for future developments for developers. Among these, the redevelopment of Old Factory often has significant advantages compared to Old Town or Old Village redevelopment, as it normally involves negotiations with a smaller number of stakeholders, and shorter development cycle, thus resulting in higher investment return.

Yangtze River Delta Economic Region

The Yangtze River Delta Economic Region is a triangle-shaped metropolitan region comprising Shanghai, and the vast majority of Jiangsu, Anhui and Zhejiang province. The well-developed cities in Yangtze River Delta have formed one of the largest concentration of adjacent metropolitan areas in China and has attracted plenty of property developers.

From a demand perspective, the GFA of residential properties sold in selected cities has demonstrated strong performances since 2012. Specifically, GFA sold in major cities, such as Ningbo, increased drastically with an average CAGR of approximately 23.0% from 2012 to 2017, followed by Nanjing and Suzhou.

In the next couple of years, it is anticipated that the restrictive policies will limit the speculative demand of the housing market in selected cities. Nonetheless, recent policy of introducing talents to settle in these cities could support the housing market. As a matter of fact, these potential buyers could bypass the housing restriction policies. For example, after obtaining the Hukou (戶口), they are not required to pay several years of social insurance prior to purchasing a house. As a result, it is forecasted that both GFA of residential sold as well as ASP of residential will remain upward trend in the following years.

Selected property market indicators of key cities in Yangtze River Delta (2012–2017)

	City	2012	2013	2014	2015	2016	2017	CAGR (2012–2017)
GFA of residential sold (million sq.m.)	Ningbo	4.6	5.8	6.0	8.5	11.3	12.8	22.9%
	Nanjing	8.8	11.4	11.2	14.3	14.1	12.1	6.6%
	Suzhou	12.6	16.3	14.5	19.4	22.6	16.9	6.0%
ASP of residential (RMB/per sq.m.)	Ningbo	11,385	11,405	10,890	11,022	11,738	14,145	4.4%
	Nanjing	9,675	11,078	10,964	11,260	17,884	15,259	9.5%
	Suzhou	8,980	9,480	9,639	10,335	13,596	N/A	10.9%(1)

Source: National Bureau of Statistics, Jiangsu & Zhejiang Provincial Bureau of Statistics, and related cities' Bureau of Statistics, CEIC
Note: (1) Calculated based on available data, i.e. 2012–2016

Midstream of Yangtze River Economic Region

Cities in Midstream of Yangtze River Economic Region have seen resilient growth. In particular, tier-three and tier-four cities such as Zhuzhou and Xiangtan have achieved year on year GDP growth of approximately 8.0% in 2017, higher than national level of 6.9%.

These cities have also experienced rising housing demands from shanty town redevelopments. However, the average price in this region generally remained mild due to the implementation of restrictive housing policies. In particular, Changsha has seen growth of residential properties sold of a CAGR of 5.7% from 2012 to 2017. Comparatively, markets with relatively relaxed housing policies, such as Yueyang, have seen steady growth in residential price as the result of strong housing demands.

Except for Changsha, the capital city of Hunan province, the other two cities generally are not the destination for speculators. In addition, escalating housing restriction policies in Changsha is likely to push demands to overspill to its surrounding cities. Therefore, in the next few years, it is expected that the GFA of residential sold and ASP of residential in Yueyang and Xiangtan will grow at a pace faster than previous years, while these market indicators in Changsha are likely to remain a stable uptrend.

Selected market indicators of key cities in Midstream of Yangtze River Economic Region (2012–2017)

	City	2012	2013	2014	2015	2016	2017	CAGR (2012–2017)
GFA of residential sold (million sq.m.)	Yueyang	3.7	2.8	2.9	3.9	4.8	4.5	4.2%
	Zhuzhou	4.8	5.2	4.7	5.6	6.4	N/A	7.3%(1)
	Changsha	13.9	16.6	13.3	16.9	23.1	18.2	5.7%
ASP of residential (RMB/per sq.m.)	Yueyang	3,068	3,152	3,355	3,766	3,885	4,818	9.4%
	Zhuzhou	3,611	3,957	3,950	3,885	3,900	N/A	1.9%(1)
	Changsha	5,603	5,759	5,458	5,544	6,160	7,287	5.4%

Source: National Bureau of Statistics, Hunan Provincial Bureau of Statistics, and related cities' Bureau of Statistics, CEIC
Note: (1) Calculated based on available data, i.e. 2012–2016

Bohai Economic Zone

Bohai Economic Zone is a northern metropolitan region surrounding the Bohai Sea. It is a highly developed region covering the Beijing-Tianjin-Hebei economic zone, and has traditionally been dominated by heavy industries and manufacturing.

Despite the restrictive housing policies imposed, housing demand in key cities, such as Beijing and Tianjin, remained very strong. This was evidenced by continuous price growth with an average CAGR of approximately 12.0% (based on JLL's calculation, Beijing's CAGR was 12.7% and Tianjin's CAGR was 12.5%) from 2012 to 2017. However, statistics also showed a reduction on GFA sold in Beijing and Tianjin in recent years, which caused spillover of demands to tier-two and tier-three cities surrounding the region. As a result, Shijiazhuang has seen a rapid average selling price growth since 2014, with a CAGR of 14.6% from 2012 to 2017, and the residential property GFA sold represented a 25.2% year on year growth in 2017.

It is expected that the housing demand in selected cities is likely to benefit from the existence of restriction policies in major cities, such as Beijing and Tianjin. Spillover housing demand from these major cities could be the catalyst for the increments of GFA of residential sold and ASP of residential in selected cities. However, local governments recently have shown intentions to strengthen their market supervisions in case of speculative demand. Nonetheless, these indicators in selected markets are likely to enjoy moderate increases in the next few years.

Selected property market indicators of key cities in Bohai Economic Zone (2012–2017)

	City	2012	2013	2014	2015	2016	2017	CAGR (2012–2017)
GFA of residential sold (million sq.m.)	Xingtai	2.0	2.3	2.7	2.4	3.3	3.9	14.3%
	Shijiazhuang	7.0	7.8	7.3	5.4	6.5	8.2	3.2%
	Handan	4.0	3.1	3.2	3.4	3.8	N/A	-1.6%(1)
ASP of residential (RMB/per sq.m.)	Xingtai	2,966	3,143	3,575	4,001	3,923	4,364	8.0%
	Shijiazhuang	4,714	4,943	5,562	7,491	7,100	9,312	14.6%
	Handan	3,710	4,051	4,209	4,501	5,305	N/A	9.4%(1)

Source: *National Bureau of Statistics, Hebei Provincial Bureau of Statistics, and related cities' Bureau of Statistics, CEIC*
Note: (1) calculated based on available data, i.e. 2012–2016

Southwest China Economic Region

Southwest China Economic Region presents a promising economic growth potential with the implementation of several national stimulus policies. Major cities such as Kunming and Guiyang have achieved rapid and sustainable economic developments. Moreover, the accelerated development of Cheng-Yu Economic Zone (成渝經濟圈) is expected to lead to the promising economic developments in both Chengdu and Chongqing. In fact, these two core cities have achieved double-digits GDP growth in recent years.

Due to relatively looser monetary policies and limited investment options, capital inflow to the real estate market has increased significantly. As a result, cities within the region have generally seen double-digit CAGRs of real estate investment growth. Particularly, tier-three and tier-four cities have demonstrated remarkable growth. Residential GFA sold in Kunming enjoyed a year on year growth rate of 23.0% in 2017, and the average price in many cities in the region has experienced significant growth.

Benefitting from the robust economic growth prospect and improvement of urbanization rate, the size of real estate market in Southwest China Economic Region will keep expanding in coming years. Therefore, it is estimated that the demands of Chengdu and Chongqing, which have been classified as the pre-tier-1 cities (新一線城市), are likely to be supported. As a result, it is expected that the GFA of residential sold and ASP of residential will continue to grow at a steady pace. For Kunming, as the future residential supply being much smaller compared to other two cities, it is projected that the GFA of residential sold will uplift at a moderate pace, while the mismatch of supply and demand is likely to boost the growth rate of ASP of residential in the next couple of years.

Selected property market indicators of key cities in Southwest China Economic Region (2012–2017)

	City	2012	2013	2014	2015	2016	2017	CAGR (2012–2017)
GFA of residential sold (million sq.m.)	Chengdu	24.2	25.6	24.8	24.5	32.8	29.8	4.2%
	Chongqing	41.1	43.6	44.2	44.8	51.1	54.5	5.8%
	Kunming	9.2	10.4	9.8	10.1	11.3	13.9	8.6%
ASP of residential (RMB/per sq.m.)	Chengdu	6,678	6,708	6,536	6,584	7,377	8,595	5.2%
	Chongqing	4,805	5,239	5,094	5,012	5,162	6,605	6.6%
	Kunming	5,405	5,615	6,067	7,178	6,851	8,197	8.7%

Source: *National Bureau of Statistics, and related cities' Bureau of Statistics, CEIC*

Market Performance of the Group in the Regions

The Group has developed a regional leading position in its key focus regions. The Group has established its brand recognition with stable market share in the Pearl River Delta and Bay Area. In Foshan, based on data available from CREIS, the Group was ranked 6th place among over 200 competitors in terms of GFA sold in 2017. After entering the Yangtze River Delta region, the Group has also successfully established its presence, and has developed outstanding rankings in cities such as Ningbo and Xuzhou in terms of contracted sales in 2017. In Midstream Yangtze River area, the Group has ranked 1st place in Zhuzhou aggregated contracted sales during the period from 2014 to 2017, and ranked 2nd place in terms of sold area in Yueyang in 2017. In the Bohai Economic Zone, the Group has deeply penetrated cities such as Handan for years and gained a remarkable brand recognition. In Southwest China, the Group has now become one of the top 10 players in the market and ranked 6th place in Guiyang among 100 major competitors in terms of aggregated GFA sold by the end of 2017.

PRICES OF LAND

In most cases, land cost accounts for a significant proportion of developers' costs, and has kept rising in recent years. According to the Ministry of Land and Resources of the PRC, the average land cost in 105 monitored cities rose from RMB4,620 per sq.m. in 2012 to RMB6,522 per sq.m. in 2017, representing a CAGR of 7.1% during 2012–2017.

Land cost of China (2012–2017)

	2012	2013	2014	2015	2016	2017	CAGR (2012–2017)
Average land cost of 105 monitored cities (RMB per sq.m.)	4,620	5,033	5,277	5,484	5,918	6,522	7.1%

Source: Ministry of Land and Resources of the PRC

PRICES OF KEY CONSTRUCTION MATERIALS

Apart from land acquisition, the cost of construction materials, such as steel and cement, is also an important factor for property developers.

The table below sets out selected statistics for construction materials in China for the years indicated.

Selected statistics of construction materials of China (2012–2017)

	2012	2013	2014	2015	2016	2017	CAGR (2012–2017)
Steel Price Index (Base year 1994 = 100)	105.3	99.1	83.1	56.4	99.5	124.7	3.4%
Cement (RMB per ton)	N/A	356.2	308.4	247.4	318.7	414.9	3.9%(1)

Source: China Iron and Steel Association, China Cement Association

Note: (1) Calculated based on available data, i.e. 2013–2017

OVERVIEW OF SMART HOME MARKET

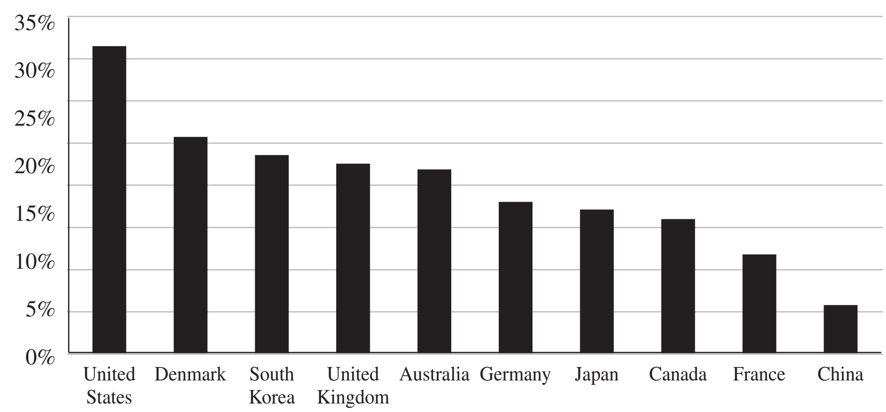
Definition of Smart Home

"Smart Home" generally refers to a residence equipped with lighting, heating, ventilation, moisturizing, electronic and other devices and appliances that can be interconnected and remotely controlled via IoT technology (物聯網技術) by home owners with their smart phones and other remote devices.

Overview of Smart Home Market

Smart home is a relatively new concept in China, and has not yet been widely adopted by the Chinese households, due to the lack of awareness and its relatively high cost. Statista estimates that in 2018, the penetration rate of Smart Home in China will be about 4.9%, much lower compared to developed countries, such as the United States, Denmark, South Korea, United Kingdom, and Japan. This will present significant growth potentials and opportunities to key Smart Home market players in China.

Estimates of Smart Home Penetration Rate in Selected Countries in 2018



Source: JLL, Statista

Key Influential Factors of Scale and Development

Significant advancements in IoT technology, increasing needs for convenience, safety and security, as well as rising demands for energy saving and low carbon emission, are all expected to further boost continued growth of Smart Home solutions.

Below are the key drivers for the development of Smart Home market:

- **Technological advancement.** The advancement of technology has now made many applications possible, such as gas-leakage monitoring, humidity monitoring and security monitoring, online grocery ordering, in addition to the more traditional applications such as lighting and curtain control.

- **Increased acceptance.** Smart home users are expected to become reliant on Smart Home solutions after having experienced its convenience.

- **Increasing affordability.** With the growing purchasing power of average households in China and increased scale in production, Smart Home devices and appliances are expected to become more affordable for many families.

- **Adoption by developers.** With more property developers adopting smart home solutions with their newly launched properties, the penetration of Smart Home solutions is expected to increase.

Market Outlook

Smart Home market in China is expected to present a stronger growth potential than ever before, due to technological advancements and increasing needs for quality living experience for customers. Studies of Statista forecasts that due to expected rapid adoption across residential applications, the Smart Home penetration rate in China is expected to rise from 4.9% in 2018 to 21.2% by 2022.

Smart platform with synchronized control is capable of integrating various smart devices and appliances thus are important for property developers planning to adopt Smart Home solutions. Midea Group, the home appliances giant and smart home industry leader, has continuously led the Smart Home market, as a result of a few key considerations, such as brand recognition, proprietary centralized system and wide range of product offerings, product and service quality, and supported by strong research capability.

The Group is the pioneer in implementing Smart Home solutions and has already led steps ahead of other property developers. While the adoption of Smart Home solutions among most other developers are still at early stage, the Group has already been able to provide one-stop Smart Home services with its integrated smart platform, close cooperation with Midea Group, and an experienced property management team.

PREFABRICATION INDUSTRY IN THE PRC

Overview of Prefabrication Industry

The history of prefabrication industry in China can be traced back to the 1950s. However, because the development of prefabricated construction technologies was slow, while the cast-on-site concrete technique was more developed and widely adopted, the prefabrication industry has not experienced much growth in China until the past ten years. As prefabricated construction technique gradually improved, it can now produce pre-cast building components with precision and quality, and became more accepted in China. Recently, various stimulus policies from the central government to local governments have been introduced to promote the use of prefabricated construction, and it is expected that the prefabrication industry will experience rapid growth and development.

Key Influential Factors of Scale and Development

Compared to the traditional cast-on-site technique, prefabrication technique can shorten construction time by 25–30%, reduce the usage of energy, water, mortar and wood by approximately 20%, 50%, 60% and 80% respectively, cut construction waste by almost 70%, and significantly reduce dust and noise pollution. In addition, prefabrication allows for year-round construction regardless of weather, and requires less construction labor. Given these advantages, central government and many local governments have announced series of policies in recent years to support and promote the development of prefabrication industry, which is expected to result in tremendous growth in this segment going forward.

Market Outlook

Prefabricated construction area in China only accounted for around 2.9% of newly constructed buildings in 2017. With strong policy support from both central and local government, the penetration rate for prefabricated construction in China is expected to experience tremendous growth in the next few years. According to the goal set in the Action Plan for the thirteenth Five-Year Prefabricated

Construction (“十三五”裝配式建築行動方案), prefabricated construction area is targeted to account for 15.0% of the annual new construction area by 2020, and the total market size then is expected to reach approximately RMB2.1 trillion. Further, according to the guideline announced by the State Council, prefabricated construction is expected to reach 30.0% of the annual new construction area by 2025. To achieve these targets, many provinces and municipalities, such as Beijing, Shanghai, Guangdong, Jiangsu, Zhejiang, Anhui, Hunan, Hebei, Henan, and many other provinces, have all subsequently announced various regulations, guidelines, and incentives, to further promote the adoption of prefabricated construction. By 2025, the market size of prefabricated construction is expected to exceed RMB4.7 trillion.

The below table summarizes our estimation of the market size of prefabricated construction.

Historical and estimated market size of prefabricated construction in China (2015–2025)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	CAGR (2018–2025)
New construction area (million sq.m.)	4,684	4,796	5,217	5,383	5,555	5,732	5,914	6,103	6,298	6,498	6,706	3.2%
Prefabrication construction area (million sq.m.)	73	114	150	372	609	860	1,065	1,282	1,511	1,755	2,012	27.3%
Projected industry output of prefabricated construction (RMB billion)	182	285	375	923	1,497	2,098	2,576	3,076	3,597	4,141	4,707	26.2%

Source: JLL estimate