

INDUSTRY OVERVIEW

The information and statistics set out in this section and other sections of this document were extracted from the industry report prepared by CIA, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged CIA to prepare the CIA Report, an independent industry report, in connection with the [REDACTED]. The information from official government sources has not been independently verified by us, the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], [REDACTED] and the [REDACTED], any of their respective directors and advisers, or any other persons or parties involved in the [REDACTED], and no representation is given as to its accuracy.

RESEARCH BACKGROUND, METHODOLOGIES AND ASSUMPTIONS OF CIA

We purchased the right to use and quote multiple data from publications by CIA at a total cost of RMB800,000. CIA has extensive experience in researching and tracking the PRC property management industry and has conducted research on the Top 100 Property Management Companies since 2008. In conducting its research, CIA mainly evaluates property management companies that have managed at least ten properties or an aggregate GFA of 500,000 sq.m. or above for the previous three years. CIA uses research parameters and assumptions and gathers data from multiple primary and secondary sources, including (i) published statistics, websites and marketing materials of property management companies; (ii) surveys and data from China Real Estate Index System and China Real Estate Statistics Yearbooks; (iii) public data from governmental authorities; and (iv) data gathered for Top 100 Property Management Companies in China from 2008 to 2023 and Property Management Companies by Brand Value from 2013 to 2022. In addition, since 2008, CIA has published the rankings of China’s Top 100 Property Management Companies in terms of overall strength, primarily by evaluating data from the previous year in relation to management scale, operational performance, service quality, growth potential and social responsibility of the property management companies under consideration. CIA assesses the growth potential of property management companies primarily in terms of growth rate of revenue, growth rate of total GFA under management, contracted but undelivered GFA, total number of employees and employee composition.

Data analysis in this section includes the data and information of the Top 100 Property Management Companies as ranked by CIA. In determining such rankings, CIA may assign the same ranking to multiple companies with the same or very close scores, and therefore it is possible that more than 100 companies may be classified as being among the Top 100 Property Management Companies in the industry. CIA may, upon specific request, prepare further rankings within the Top 100 Property Management Companies for certain indices. In preparing the CIA Report, CIA assumed that: (i) the social, economic and political conditions in China and the world will remain stable during the forecast period; (ii) government policies on the property management industry in China will remain unchanged during the forecast period; (iii) all data published by relevant statistics bureaus are accurate; and (iv) all collected information relating to residential sales transactions from the relevant local housing administrative bureaus are accurate. On this basis, the Directors believe that such data and statistical information are reliable.

THE PRC PROPERTY MANAGEMENT INDUSTRY

Overview

The history of the PRC property management industry can be traced back to the early 1980s with the establishment of the first property management company in China. Followed by the official promulgation of the Regulation on Property Management (《物業管理條例》) in 2003 and the issue of the Property Law of the PRC (《中華人民共和國物權法》) in 2007, the regulatory framework for the property management industry gradually took shape and matured, and an open and fair market system for the industry was established, which encouraged significant growth of the PRC property management industry. The PRC property management industry now services a wide range of properties, including residential properties, commercial properties, office properties, public properties, industrial parks, schools, hospitals and other properties.

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Major Fee Models in the PRC Property Management Industry

In China, property management companies generally charge fees for property management services and value-added services. Property management services typically include cleaning, gardening, security and repair and maintenance services. Value-added services typically include community value-added services such as common area management services, property agency services, housekeeping services, elderly care and nursing services and value-added services to non-property owners such as consultancy services and engineering services. Property management fees may be charged either on a lump-sum or commission basis. The lump-sum basis revenue model is the dominant model of collecting property management fees in China, particularly for residential properties. It refers to the property management fee collection model which requires property owners to pay a fixed property management fees, and property management companies shall be entitled to surplus or bear the deficit incurred. It also dispenses certain collective decision-making procedures through the property owners’ associations (if any) making large expenditures, which are instead required under the commission fee model. Therefore, lump-sum model improves efficiency by incentivizing property management companies to optimize their operations to enhance profitability. In contrast, the commission model is increasingly adopted in non-residential properties to allow property owners to be more deeply involved in the management of their properties and property management companies to be more closely supervised, as any excess or shortfall of the property management fees (after deducting the relevant expenses) belong to or are borne by the property owners.

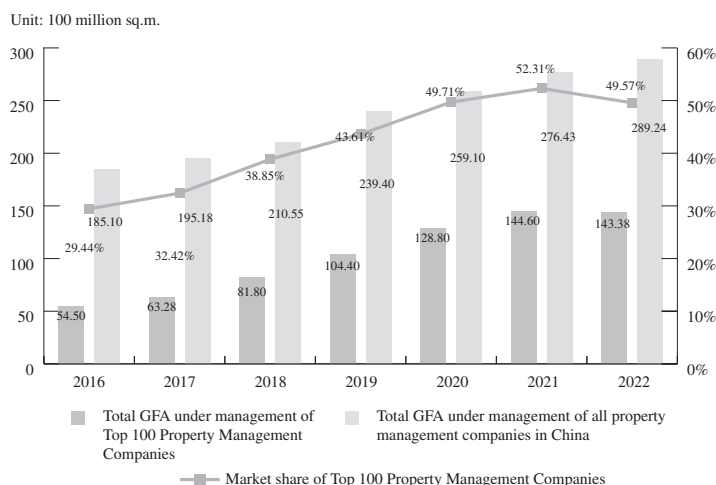
Overall Market Size and Future Development of the PRC Property Management Industry

Property management industry experienced significant growth in recent years as a result of swift urbanization and continual growth in per capita disposable income in the PRC. According to CIA, total GFA under management for all property management companies in the PRC increased from approximately 19.5 billion sq.m. in 2017 to 28.9 billion sq.m. in 2022, representing a CAGR of approximately 8.2%. According to CIA, the total GFA under management for all property management companies in the PRC is expected to increase from approximately 31.1 billion sq.m. in 2023 to 35.5 billion sq.m. in 2026, representing a CAGR of approximately 4.5%.

Overview of the Top 100 Property Management Companies

In recent years, following the continuous urbanization and growth in the per capita disposable income in the PRC, the GFA of properties managed by the Top 100 Property Management Companies has grown as demand for quality property management services provided by the Top 100 Property Management Companies increased. Total GFA under management for Top 100 Property Management Companies increased from approximately 6.3 billion sq.m. in 2017 to 14.3 billion sq.m. in 2022, representing a CAGR of approximately 17.8%. The market share of the Top 100 Property Management Companies in terms of total GFA under management increased from approximately 32.4% in 2017 to 49.6% in 2022.

The following chart sets forth the total GFA under management of all property management companies in China, of Top 100 Property Management Companies, and the market share of Top 100 Property Management Companies in the years indicated.



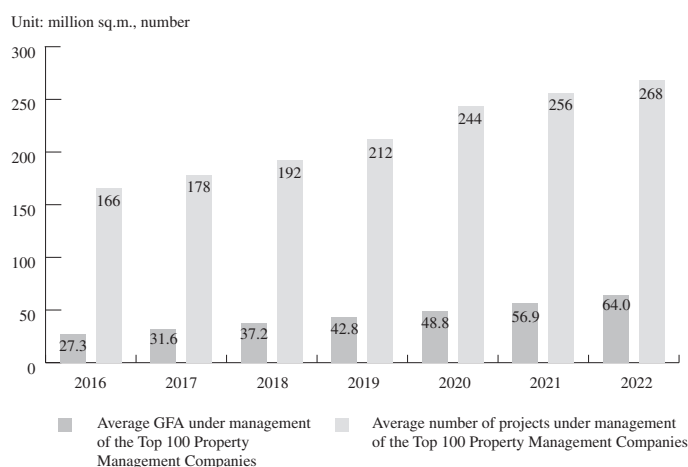
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Source: CIA

The increasing market concentration of the PRC property management industry is primarily because large-scale property management companies actively accelerate their expansion by means of both organic growth and mergers and acquisitions of small- and medium-sized property management companies, so as to expand the scale of property management and realize economies of scale to improve their market position. The average GFA of properties managed by the Top 100 Property Management Companies increased to approximately 64.0 million sq.m. in 2022 from 31.6 million sq.m. in 2017, representing a CAGR of approximately 15.2%.

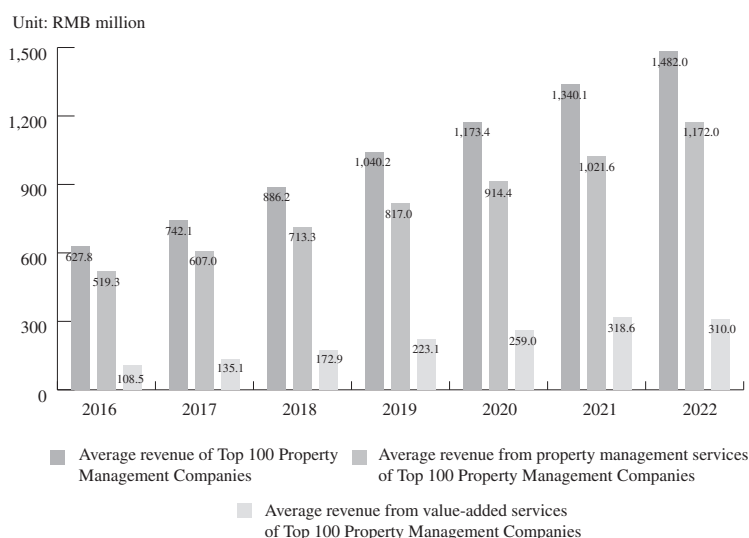
Meanwhile, the average number of projects managed by Top 100 Property Management Companies increased from 178 in 2017 to 268 in 2022, representing a CAGR of approximately 8.5%.

The following chart sets forth the rise in average GFA under management and average number of properties under management of the Top 100 Property Management Companies in the years indicated.



Source: CIA

Revenue generated from property management services is the main source of revenue of property management companies. Other than that, property management companies may also generate revenue from value-added services. The following chart sets forth the increases in average revenue and respective average revenue generated from property management services and value-added services for the Top 100 Property Management Companies in the years indicated.

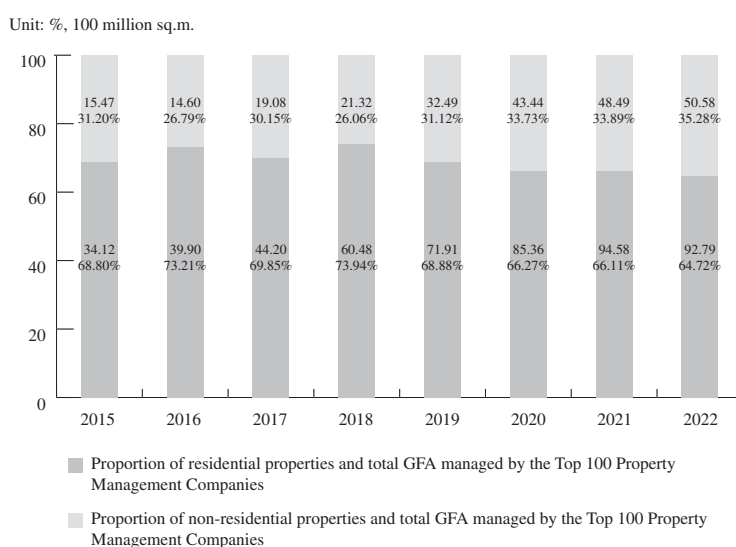


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Source: CIA

Residential properties continue to be the dominant type of property in the management portfolios of property management companies. The total GFA of non-residential properties managed by the Top 100 Property Management Companies increased from approximately 1.9 billion sq.m. as of December 31, 2017 to 5.1 billion sq.m. as of December 31, 2022, representing a CAGR of approximately 21.8%.

The following chart sets forth the total GFA of residential and non-residential properties managed by the Top 100 Property Management Companies in the years indicated.



Source: CIA

OVERVIEW OF PROPERTY MANAGEMENT INDUSTRY IN THE YANGTZE RIVER DELTA REGION AND ZHEJIANG PROVINCE

Regional Overview

The Yangtze River Delta Region is one of the more economically developed regions in China with high urbanization rates and resident disposable income. In 2022, the Yangtze River Delta Region had an urbanization rate of approximately 72.0%, and average annual disposable income of RMB63,156, which is approximately 1.3 times the national average. In 2022, the total GFA under management in the Yangtze River Delta Region was approximately 6.4 billion sq.m., accounting for approximately 22.1% of China’s total GFA under management of the same year. Among the 2022 Top 100 Property Management Companies, 63 companies are headquartered in the Yangtze River Delta Region and 23 of which are headquartered in Zhejiang province.

Price Trend of Property Management Fees

The following table sets forth the average property management fees for residential properties of the Top 100 Property Management Companies by geographic location in the years indicated:

	The PRC	Yangtze River Delta Region	Zhejiang province	Hangzhou
	<i>(RMB per sq.m. per month)</i>			
2020	2.05	2.30	2.48	2.68
2021	2.02	2.33	2.51	2.78
2022	2.01	2.35	2.54	2.83

Source: CIA

The following table sets forth the average property management fees for non-residential properties of the Top 100 Property Management Companies by geographic location in the years indicated:

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	The PRC	Yangtze River Delta Region	Zhejiang province	Hangzhou
		<i>(RMB per sq.m. per month)</i>		
2020	4.99	6.03	6.51	7.03
2021	5.09	6.07	6.57	7.14
2022	5.02	6.09	6.60	7.21

Source: CIA

According to CIA, the nationwide average property management fee for residential properties managed by the Top 100 Property Management Companies manifested a decreasing trend from approximately RMB2.05 per sq.m. per month in 2020 to RMB2.01 per sq.m. per month in 2022, as most of the Top 100 Property Management Companies are seeking to diversify their property management projects in lower-tier cities where a lower average property management fee is charged. The average property management fee for residential properties in the Yangtze River Delta Region and Zhejiang province managed by the Top 100 Property Management Companies between 2020 and 2022 were higher than that of the nationwide average during the same period, primarily due to a stronger economic development and the more developed and active real estate market in the region with more newly delivered projects, which would generally yield a higher average property management fee, and a higher per capita disposable income in the region which raised demand for quality services. In addition, the increasing investment in and application of internet and information technologies by property management companies in the area, raised operating cost and in turn enabled the Top 100 Property Management Companies to charge a higher property management fee. As one of the major cities in Zhejiang province, the average property management fee for residential properties in Hangzhou managed by the Top 100 Property Management Companies between 2020 and 2022 were slightly higher than that of Zhejiang province, primarily due to its stronger economic development and more established property management service market.

According to CIA, the Top 100 Property Management Companies have been seeking to diversify their property management projects and management experience to include more non-residential properties such as commercial and office buildings, industrial parks, schools and hospitals. In general, property management companies may charge higher property management fees for non-residential properties than residential properties due to the quality of services required in managing these properties.

MARKET DRIVERS

The growth of China’s property management industry is attributable to the following key drivers.

Favorable Government Policies

The PRC Government has formulated and implemented a number of favorable policies intended to further support and promote the growth of the property management industry. The policies have set forth a regulatory framework under which the property management companies are encourage to, among other things, expand their services to keep up with the evolving needs of customers by staying technologically innovative through investment and development in smart communities and technology-related services, and continue to broaden the business scope of traditional property management services to improve the living standards of customers.

In 2003, the PRC Government promulgated the Regulation on Property Management, establishing a regulatory framework for the property management industry. Since then, a number of laws and rules have come into effect regulating various aspects of the property management industry, and numerous policies were enacted to promote its development. These include, but are not limited to, the Circular of the NDRC on the Opinions for Decontrolling the Prices of Some Services (國家發展和改革委員會《關於放開部分服務價格意見的通知》), the Guidance on Accelerating the Development of the Resident Service Industry to Promote the Upgrading of Consumption Structure (《關於加快發展生活性服務業促進消費結構升級的指導意見》) 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》). In December 2020, MOHURD in conjunction with nine ministries and commissions promulgated the Notice on Strengthening and Improving Residential Property Management (《關於加強和改進住宅物業管

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理工作的通知》), with intention to improve the management and efficiency level, achieve a market-based pricing for property management services and stimulating potential profit growth for property management companies.

In July 2020, the PRC Government issued the consultation notice for Smart City-Construction and Resident Community Part 1: Specifications for the Construction of Smart Communities (Draft) (《智慧城市—建築及居住區第1部分：智慧社區建設規範(征求意见稿)》), which standardizes the specifications and requirements for the construction of smart community systems. According to CIA, such policies will jointly create a supportive and orderly environment for the development of the property management industry and property management companies. See “Regulatory Overview—Laws and Regulations Relating to Property Management Services and Other Related Services” in this document for more information on laws and regulations related to the property management industry.

In July 2021, eight PRC governmental departments, including the MOHURD, jointly issued the Regulatory Notice. This notice accelerates the development of the property management industry and promotes high-quality property management services. CIA is of the view that:

- (a) the Regulatory Notice emphasizes on standardizing specific operational-related regulations set out in the Civil Code of the PRC (《中華人民共和國民法典》), the Regulation on Property Management and other provisions;
- (b) the issuance of the Regulatory Notice focuses on (i) improving systems and mechanisms, and (ii) standardizing market order, which help resolve existing problems and issues in the PRC property management industry;
- (c) in respect of the real estate market in the PRC as a whole, the Regulatory Notice helps standardize such market and promote further development within the industry by eliminating companies that (i) do not comply with the relevant laws and regulations, and (ii) provide services that are not up to the standard; and
- (d) the Regulatory Notice benefits property management companies which have standardized operations, in particular those providing high-quality services with standardized operations. With more scrutinized supervision, it is expected that high-quality property management companies will stand out, which would eventually help them expand their market share and geographic coverage.

The Continuous Urbanization and Increasing Per Capita Disposable Income

According to CIA, the continuous urbanization in China and growth in per capita disposable income are principal growth drivers for the PRC property management industry. The demand for commodity properties (being properties developed for sale) increased in parallel with the continuous urbanization in China and growth in per capita disposable income. According to CIA, the urbanization rate in China increased from approximately 29.0% in 1995 to 65.2% in 2022 and the total GFA of commodity residential properties sold in China increased from approximately 1,573.5 million sq.m. in 2016 to 1,794.3 million sq.m. in 2021, representing a CAGR of approximately 2.7%. The total GFA of commodity residential properties sold fell to 1,358.4 million sq.m. in 2022 primarily because the urbanization rate has reached a relatively high level, and the real estate enterprises was affected by the strict real estate policies in 2021 and the COVID-19. The total GFA of commodity residential properties of which constructions increased from approximately 1,669.3 million sq.m. in 2016 to 1,989.0 million sq.m. in 2021, representing a CAGR of approximately 3.6%. The growing urbanization, increasing urban population, and expansion of the real estate market produce a high demand for property management services, stimulating the continuous development of the industry.

Furthermore, according to CIA, the continuous growth in the per capita disposable income of the urban population, which increased from RMB18,779 per capita in 2010 to RMB49,283 per capita in 2022, representing a CAGR of approximately 8.4% since 2010, will raise consumers’ willingness to pay premiums for the pursuit of quality property management services and encourage their discretionary spending on goods and services beyond basic necessities, such as better living conditions, educational and healthcare services.

Capital Market as a Major Driver of the Industry’s Organic Development

According to CIA, the market value of property development companies continues to rise alongside the development of “Property + Internet” management model. A total of 58

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property management companies have been listed on the Stock Exchange with a total market capitalization of approximately HK\$437.1 billion according to the available data at the closing of trading day on December 31, 2022. Access to capital markets offers a source of funding for property management companies to enrich their service offerings and expand their business scales through organic growth and merger and acquisitions.

The “Three Red-Line” Standards

The “Three Red-Line” standards are expected to speed up real estate companies’ deleveraging process and promote the healthy development of the PRC real estate industry, which is expected to be favorable to real estate companies which have advantages in capital sufficiency. This may in turn positively affect the property management service providers affiliated to such real estate companies, since many of their projects are sourced from related parties. In contrast, the “Three Red-Line” standards may pose challenges to companies which may no longer be able to take advantage of high financial leverage to achieve rapid expansion.

In August 2020, according to certain news articles, the PBOC and the MOHURD plan to control the financing activities of property developers and the scale of interest-bearing debts of property developers in China by applying a newly proposed standard in the assessment of the debt burden of property developers which lay out three red-line standards, including:

- Red-line I: the debt-to-asset ratio, excluding advances from customers, not higher than 70%;
- Red-line II: the net gearing ratio not higher than 100%; and
- Red-line III: the cash to short-term debt ratio not lower than 1.0 time.

In accordance with the above standards, real estate companies would be categorized into four tiers by colour, on which restrictions would be applied to different extents:

- Red tier: companies whose financial ratios exceed all three red-lines are not allowed to increase their interest-bearing debt;
- Orange tier: companies whose financial ratios exceed two red-lines are allowed to expand their interest-bearing debt at a maximum annual rate of 5%;
- Yellow tier: companies whose financial ratios exceed one red-line are allowed to expand their interest-bearing debt at a maximum annual rate of 10%; and
- Green tier: companies whose financial ratios do not exceed any of the three red-lines are allowed to expand their interest-bearing debt at a maximum annual rate of 15%.

In early 2022, financial institutions in the PRC informed certain large-scale property developers that the “Three Red-Line” standards have been relaxed by excluding short-term loans obtained by property developers for the purpose of merger and acquisitions from the calculation of pro forma ratios. As advised by CIA, such possible relaxation in the policy, if becomes official, would be beneficial to the upstream companies within the real estate industry, including property development companies and property construction companies, in the PRC as a whole, in particular property developers which have good financial performance, in the short term and long term.

On the other hand, for property management services companies, (i) most of them typically derive a considerable portion of revenue from their existing property projects under management which have been contracted to be managed by them, and (ii) property management companies also typically procure new property management projects from various sources, such as property owners and property owners’ associations, instead of relying solely on new property projects procured from property developers, the “Three Red-Line” standards and the possible relaxation on such policy are not expected to create a significantly adverse impact on property management companies in general.

On November 11, 2022, the People’s Bank of China and the China Banking and Insurance Regulatory Commission issued the “Notice on Improving the Steady and Healthy

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Development of the Real Estate Market Supported by Finance” (《關於關於做好當前金融支持房地產市場平穩健康發展工作的通知》), and introduced 16 measures to support the stable and healthy development of the real estate market, which specifically includes measures to maintain stable and orderly real estate financing, actively provide financial services for “guaranteed housing deliveries”, actively cooperate with distressed real estate companies to deal with risks, protect the legitimate rights and interests of housing finance consumers in accordance with law, adjust some financial management policies in stages, and increase housing leasing financial support. The notice emphasizes to insist on treating state-owned, private and other real estate enterprises equally, meet the reasonable financing requirements of real estate projects, maintain the continuous and stable financing of construction enterprises, and support the reasonable extension of development loans and trust loans. For those loans due within the next six months, an extension of one year beyond the original regulations and without adjusting the loan classification can be allowed. The notice also emphasizes to support high-quality real estate enterprises to issue bonds for financing, maintain stable financing of trust and other asset management products, and encourage to introduce trust and other asset management products which can support the reasonable financing needs of real estate market.

FUTURE TRENDS OF THE PRC PROPERTY MANAGEMENT INDUSTRY

Increasing Market Concentration and Merger and Acquisition Activities

The PRC property management industry is fragmented and competitive. Large-scale property management companies accelerate their expansion actively by means of organic growth and merger and acquisitions of small- and medium-sized property management companies in order to expand the scale of properties under management and realize economies of scale to improve their market positions.

Increasing Standardization and Adoption of Information Technology

The property management service industry is a labor-intensive industry. According to CIA, in terms of cost structure among the Top 100 Property Management Companies, labor cost is the single largest component of operating costs. In 2022, labor cost constituted approximately 57.4% of the average operating cost of the Top 100 Property Management Companies, increased from 55.8% in 2017. The average labor cost incurred by the Top 100 Property Management Companies increased from approximately RMB321.9 million in 2017 to RMB667.1 million in 2022, representing a CAGR of approximately 15.7%.

Enabled by information technology, property management companies are encouraged to improve operational standardization and automate key processes to reduce operating costs, enhance management efficiency and ensure the delivery of high-quality services. Standardization is also expected to monitor and ensure consistent and reliable application of policies and procedures throughout the entire organization.

Many property management companies have developed diversified business, reduced labor costs and enhanced profitability by leveraging information technologies such as cloud applications, e-commerce, internet of things, big data and artificial intelligence. For example, artificial intelligence technologies such as smart entrance pass, smart building management and patrol robots effectively reduced labor costs of property management companies. In addition, by adopting new technologies and e-service platforms, property management companies could effectively integrate and allocate resources to provide more diversified value-added services and further expand their services to common space management, community finance and resident services. As a result, the revenue generated from value-added services gradually becomes an important source of revenue for property management companies.

With the integration of intelligent technology into the property management industry, applications of intelligent technology has entered the standardization period. For example, local provinces and cities, such as Hangzhou, have introduced specific implementation measures to regularize the protection of property owners’ personal information. These measures help standardize the development and application of intellectual technology, and promote self-regulation and standardization in the industry to construct a foundation for healthy and long-term development of the industry. Property management companies should strictly comply with the relevant national and regional laws and regulations and adhere to the security baseline of using facial recognition and other biometric recognition techniques and

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safeguard the personal interests of property owners, which can help avoid unnecessary legal and operation risks, while realizing the supportive contribution to the business and services by applying intelligent technology.

Diversified Services and Growing Focus on Service Quality

According to CIA, Top 100 Property Management Companies have been enriching their service offerings based on property owners’ demands, which contributed to the diversification of revenue sources, they primarily focus on the provision of diversified value-added services to property owners, such as housekeeping services, household services, community space operation services, e-commerce services, realty services, automobile services, community financial services and elderly care services. Due to consumers’ growing emphasis on service quality in selecting their property management service providers over their choices solely based on cost considerations, together with the growth in the per capita disposable income, consumers are more willing to pay premiums for quality and increase their discretionary spending, property management companies in the PRC are expected to deliver quality service going forward.

COMPETITION

Competitive Landscape

According to CIA, the PRC property management industry is fragmented and highly competitive, however the trend has been moving towards a higher degree of concentration. The market share of Top 100 Property Management Companies in terms of total GFA under management increased from approximately 32.4% in 2017 to 49.6% in 2022.

Looking forward, we intend to expand our business scale through strategic acquisitions and investments. [As advised by CIA, as of the Latest Practicable Date, there are around 300, 100, 100 and 100 property management companies in the Yangtze River Delta Region, Eastern China region (except areas covered in the Yangtze River Delta Region), Central China region and South Western China region, respectively, which can fulfill our acquisitions and investment criteria of having a total GFA under management of not less than 1.0 million sq.m. and a total annual net profit of not less than RMB1.0 million for the most recent financial year.] Notwithstanding the large number of potential acquisition or investment targets meeting our selection criteria, we are facing competition with industry peers, in particular those listed on the Stock Exchange which are actively looking for acquisition or investment opportunities in the market, and there is no assurance that we will be able to materialize our plan to acquire or invest in other small- and medium-sized property management companies that focus on residential or non-residential properties in the PRC. For details, see “Risk Factors—Risks Relating to our Business and Industry—Our future acquisitions may not be successful or materialized, and we may face difficulties in integrating acquired operations with our existing operation” in this document.

Our Group

We are a reputable integrated property management service provider with deep roots in Zhejiang province and the Yangtze River Delta Region and headquartered in Hangzhou. According to CIA, our ranking among the Top 100 Property Management Companies in China in terms of overall strength of property management increased from 82nd in 2016 to 40th in 2023. Among the 2023 Top 100 Property Management Companies in China headquartered in Hangzhou, Zhejiang province and the Yangtze River Delta Region, we were ranked sixth, eighth and 18th in terms of net profit in 2022, respectively, and ranked seventh, ninth and 25th in terms of our GFA under management as of December 31, 2022, respectively. We primarily compete against the Top 100 Property Management Companies, particularly those affiliated with reputable property developers in China. The growth of the brand of the Remaining Group provides a strong foundation for our own advancement. Our Group’s market share in the PRC in terms of our GFA under management as of December 31, 2022 was approximately 0.04%.

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The following table shows our ranking in terms of GFA under management in the PRC as of December 31, 2022 among the 2022 Top 100 Property Management Companies that are headquartered in Hangzhou.

Ranking	Company	Background	Listing Status	GFA under management in the PRC as of 2022-12-31 <i>(million sq.m.)</i>	Market share (in terms of GFA under management in the PRC) %
1	Company A	A property management service provider established in 1998, principally engaged in providing property management services, property consulting services and community value-added services.	Listed on the Main Board of the Stock Exchange	380	1.33
2	Company B	A property management service provider established in 1994, principally engaged in providing property management services, sales office management services, property consulting services and value-added services.	Listed on the Shanghai Stock Exchange	85	0.29
3	Company C	A property management service provider, principally engaged in providing property management services to residential and commercial properties, public properties, Urban operation solutions, etc..	Not listed	50	0.17
4	Company D	A property management service provider established in 1995, principally engaged in providing property management services, value-added services to non-property owners and value-added services to property owners.	Listed on the Main Board of the Stock Exchange	40	0.15
5	Company E	A property management service provider established in 2004, principally engaged in providing property management services, value-added services to non-property owners and community value-added services.	Listed on the Main Board of the Stock Exchange	35	0.12
6	Company F	A property management service provider established in 2011, principally engaged in providing property management services to governmental office buildings, residential and commercial properties, and other types of properties.	Not listed	20	0.08
7	Our Group			13	0.04

Source: CIA

Our Competitive Strengths

See “Business—Competitive Strengths” in this document for details.

ENTRY BARRIERS

Brand Awareness and Reputation

According to CIA, new market entrants will face difficulties penetrating into a market where consumers place an increased demand for service quality. In selecting property management service providers, property developers, property owners and residents are likely to prioritize companies with longer operating histories. New market entrants are at a disadvantage as compared to property management companies which have built up their brand value and reputation for quality through years of service.

Capital Requirements

According to CIA, property management companies are striving to enhance operational efficiency by investing in more advanced equipment and technologies to achieve automation and digitalization. Such investments may include the procurement of intelligent robotic facilities to substitute manual labor, application of automation and the adoption of online information management systems. This results in the gradual transformation of the PRC property management industry from a labor-intensive industry to a capital-intensive industry, thereby raising the capital requirements for new entrants.

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Management Quality and Availability of Industry Expertise

As the property management industry becomes increasingly competitive, management experience and capabilities of core management members of industry players gradually becomes a vital element in maintaining competitiveness. Established property management companies typically possess unique management competencies in terms of property management procedures, application of information systems and financial management, and are therefore better positioned to manage large properties.

In addition, achieving success in the property management industry requires a range of professional technical personnel as well as a stable talent development mechanism. With the increased application of big data and information technology in the property management industry, property management companies have been constantly developing innovative business models and value-added services. As a result, professional technical personnel have been playing progressively a more important role in the property management industry.

POTENTIAL THREATS AND CHALLENGES TO THE PROPERTY MANAGEMENT INDUSTRY

In addition to the entry barriers described in “—Entry Barriers” in this section, with intensifying competition, requirements for property management services will become more professionalised and standardised. The challenges we face also include (i) risk of intensified market competition; (ii) cost control risk in response to rising labor cost; (iii) risk of over concentration of sources of business; and (iv) risk of shortage of labor. See “Risk Factors” in this document for more information on industry related risks.

OUTBREAK OF COVID-19 AND ITS IMPACT ON THE PROPERTY MANAGEMENT MARKETS OF THE PRC AND THE YANGTZE RIVER DELTA REGION

According to CIA, the impact of outbreak of COVID-19 on China’s property management industry is expected to be limited in the long run. This is due to the fact that China’s solid economic scale is capable of withholding the impact of COVID-19. In addition, the PRC Government has introduced various types of policies to support the recovery of national economy, including the development of the property management industry. To combat the pandemic, many cities in the PRC adopted strict lock-down measures which led to higher reliance on property management service providers by residents in terms of their daily living needs, leading to higher requirements for property management companies’ service quality. Such high reliance also paves way for property management companies to introduce new service offerings to properties under management. Being at the forefront of combating against COVID-19, the property management industry therefore received widespread attention and its role has become increasingly prominent. The market opportunities brought by COVID-19 is more significant than the challenges, as the prospects of the industry and demand for quality property management services remain positive.

In the Yangtze River Delta Region, the regional macroeconomic development plans and talent attraction plans in the long run remain unchanged, and thus after the COVID-19 outbreak is effectively controlled, the outlook for the demand of residential and commercial properties and other related property management services in the Yangtze River Delta Region and Zhejiang province will remain positive. In the first quarter of 2020, the rate of decline in GDP of the Yangtze River Delta Region was slower than the national average. On the contrary, its region’s GDP contribution to the national economy during the corresponding period increased. Since the resumption of work in March 2020, the Yangtze River Delta Region has seen clear sign of recovery, with various economic indicators picking up again gradually.

DIRECTORS’ CONFIRMATION

Our Director confirm that, after enquiry, there is no material adverse change in the market information since the issue date of the abovementioned sources which may qualify, contradict or adversely impact on the information contained in this section.