

---

## INDUSTRY OVERVIEW

---

*Certain information and statistics contained in this section and elsewhere in this document relating to the PRC real estate service industry are derived from official government publications and industry sources as well as the Cushman & Wakefield Report, a commissioned report from Cushman & Wakefield, an Independent Third Party. The information from official government publications and the Cushman & Wakefield Report may not be consistent with information available from other sources within or outside the PRC and Hong Kong. We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any part has been omitted that would render such information false or misleading. The information has not been independently verified by our Company or any of the Relevant Persons (excluding Cushman & Wakefield) and no representation is given as to its accuracy or completeness of such information and statistics. Accordingly, you should not place undue reliance on such information and statistics.*

### SOURCES OF INFORMATION

We commissioned Cushman & Wakefield, an independent global real estate services firm that provides, among others, real estate market research and consulting services, to conduct a detailed research on the property agency and consultancy industry in the PRC. We have agreed to pay a fee of HK\$750,000 to Cushman & Wakefield in connection with the preparation of the Cushman & Wakefield Report. We have extracted certain information from the Cushman & Wakefield Report in this section, as well as in the sections headed “Summary”, “Risk Factors”, “Business”, “Financial Information” and elsewhere in this document to provide our potential investors with a more comprehensive presentation of the industry in which we operate.

During the preparation of the Cushman & Wakefield Report, Cushman & Wakefield performed both primary and secondary research, and obtained knowledge, statistics, information and industry insights on the industry trends of the property agency and consultancy industry in the PRC, the residential property markets in the Pearl River Delta and Yangtze River Delta, Capital Economic Zone and major cities in the PRC, as well as the residential property market in the PRC as a whole. Primary research involved discussing the status of the industry with leading industry participants and industry experts. Secondary research involved reviewing annual reports of public companies, independent research reports and Cushman & Wakefield’s proprietary databases. The Cushman & Wakefield Report was compiled based on the assumptions that (i) the general economy and the real estate industry in each of the Pearl River Delta, Yangtze River Delta, Capital Economic Zone, major cities in the PRC, and the PRC as a whole will grow at a steady rate; and (ii) the political environment of the PRC will remain stable.

---

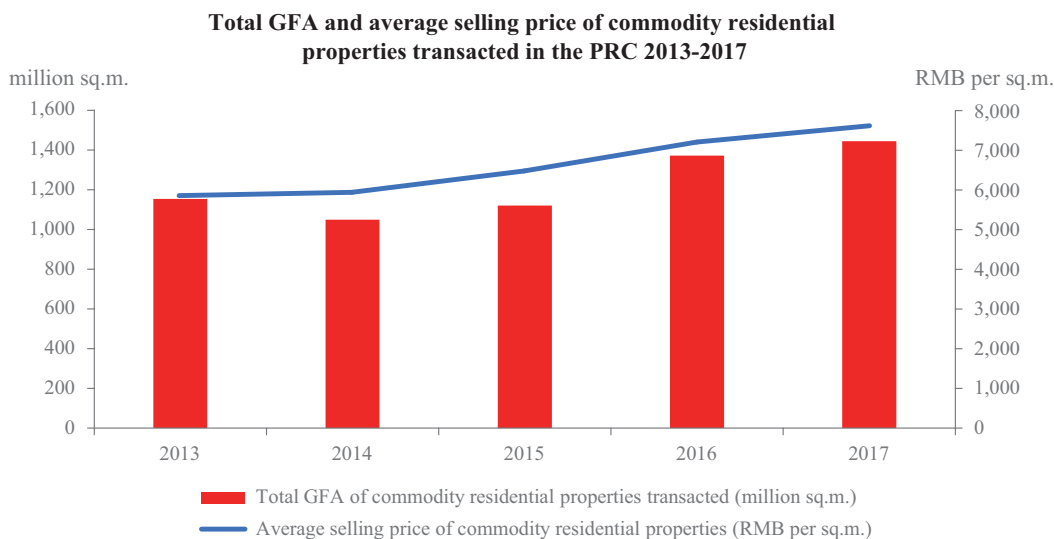
## INDUSTRY OVERVIEW

---

Our Directors confirmed, after making reasonable enquiries and taking reasonable care, that as of the Latest Practicable Date, there had been no adverse change in the market information set forth herein since the date on which the Cushman & Wakefield Report was issued which may qualify, contradict or have an impact on the information in this section.

### OVERVIEW OF THE REAL ESTATE MARKET IN THE PRC

The reform of China's housing distribution system in the last two decades has stimulated the development of the real estate industry. The real estate market in the PRC has continued to experience rapid growth in recent years. According to the Cushman & Wakefield Report, real estate investments in the PRC increased from RMB8,601 billion in 2013 to RMB10,980 billion in 2017, representing a CAGR of 6.3%. Residential property investments account for over two-thirds of overall real estate investments in the PRC, and increased from RMB5,895 billion in 2013 to RMB7,515 billion in 2017, representing a CAGR of 6.3%. Despite the recent retightening of certain restrictive policies on the purchases of residential properties, the total GFA and the average transaction price of real estate residential properties in the primary market in the PRC have shown a general upward trend during the past five years, as illustrated in the chart below:



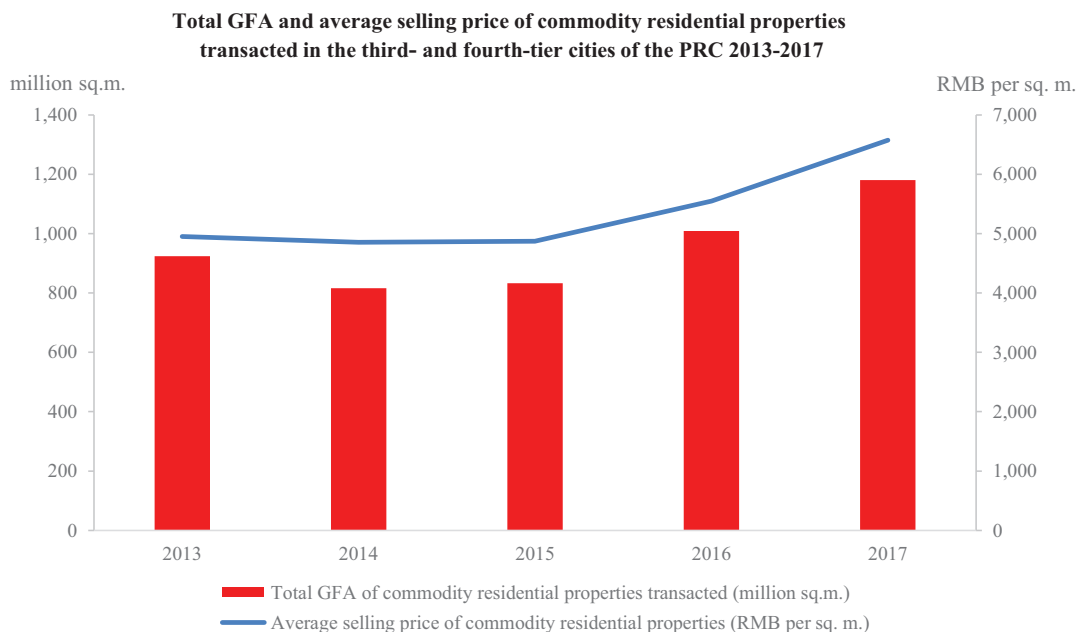
Sources: *China Statistical Yearbook 2017, National Bureau of Statistics, Cushman & Wakefield*

---

## INDUSTRY OVERVIEW

---

In 2017, third- and fourth-tier cities accounted for 80.7% of the PRC primary real estate market in terms of total GFA of real estate residential properties sold, according to the Cushman & Wakefield Report. The total GFA and the average transaction price of real estate residential properties in the primary market in third- and fourth-tier cities in the PRC generally have also shown a trend similar to the overall market during the same period, as illustrated in the chart below:



Sources: Cushman & Wakefield

According to the Cushman & Wakefield Report, in recent years some third- and fourth-tier cities have also started to impose restricted policies that were previously more common in first- and second-tier cities. Despite such restrictive policies, the total GFA sold in third- and fourth-tier cities increased from 2016 to 2017, while total GFA sold in both first- and second-tier cities declined from 2016 to 2017, according to the Cushman & Wakefield Report. The growth of average selling price in third- and fourth-tier cities from 2014 to 2017 was faster than the growth in second-tier cities but slower than the growth in first-tier cities during the same period. According to the Cushman & Wakefield Report, the growth trend of both total GFA and average selling price in third- and fourth-tier cities in China will continue if there is no significant change in economic environment and government policy.

### Key Growth Drivers

The rapid growth of the real estate market in the PRC has been mainly driven by the economic growth, rising standards of living and urbanisation in the PRC.

## INDUSTRY OVERVIEW

### *Economic growth and rising standards of living*

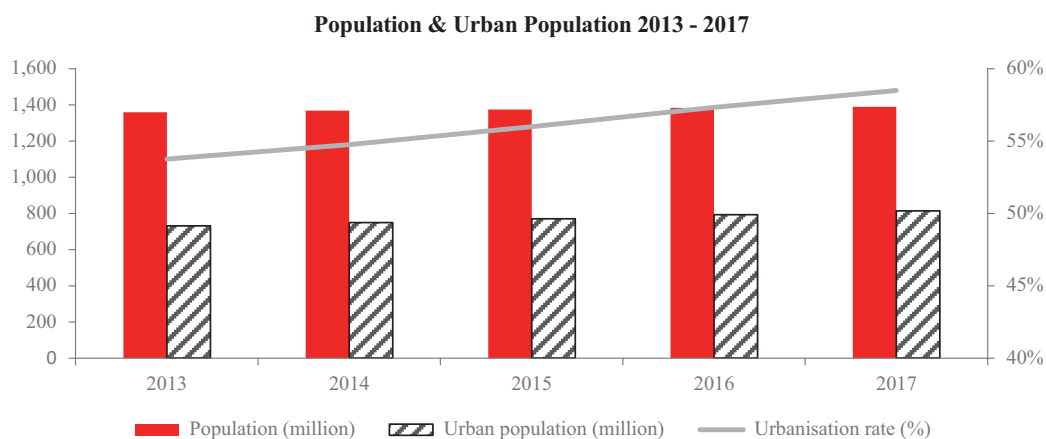
The economic growth in the PRC in the past decades has increased people’s disposable income and standards of living, which in turn has increased the demand for residential properties. This growing demand for residential properties has directly stimulated the development of the real estate industry in the PRC. The table below sets forth major economic indicators in the PRC.

	2013	2014	2015	2016	2017	2013-2017 CAGR (%)
Nominal GDP (RMB billion) . . . . .	59,524	64,397	68,905	74,359	82,712	8.6%
Real GDP Growth (%) . . . . .	7.8	7.3	6.9	6.7	6.9	N/A
Nominal GDP per capita (RMB) . . . . .	43,302	46,629	49,229	53,766	59,505	8.3%
Urban disposable income per capita (RMB) . . . . .	26,955	29,381	31,195	33,610	36,396	7.8%

Sources: China Statistical Yearbook 2017, National Bureau of Statistics, Cushman & Wakefield

### *Increasing urbanisation rate*

In addition to rising standards of living, the rapid urbanisation in the PRC and its accompanying growth of urban population also play an important role in driving the demand for residential properties. The chart below sets forth some statistics regarding urbanisation of the PRC for the years indicated.



Sources: China Statistical Yearbook 2017, National Bureau of Statistics, Cushman & Wakefield

---

## INDUSTRY OVERVIEW

---

### OVERVIEW OF THE REAL ESTATE TRANSACTION SERVICE INDUSTRY

#### Market Segments

Real estate transaction services primarily include (i) real estate agency services in the primary market, (ii) real estate information and consultancy services, and (iii) real estate brokerage services in the secondary market.

##### *Real estate agency services in the primary market*

Real estate agency services in the primary market mainly consist of marketing and selling services provided to real estate developers in relation to new residential property units. Real estate agency companies generally station their sales personnel on developers' project sites to provide prospective buyers with transaction facilitation services, such as presenting the architectural and interior design of the project as well as information on the surrounding community and amenities, recommending appropriate floor plans based on their purchase criteria and accompanying prospective buyers to view units and amenities. Real estate agency companies with strong service capabilities may also help developers formulate customised marketing plans and provide other value-added services.

##### *Real estate information and consultancy services*

Real estate information and consultancy services mainly consist of information and advice on laws, regulations, policies, market information and relevant technologies provided to real estate developers and other parties involved in the property market.

Extensive real estate related data are the foundation of real estate information and consultancy services. The majority of real estate information service providers are focused on providing real estate transaction data, such as property sales prices and transaction volumes. Due to their narrow coverage in terms of types of information, those data providers usually have a wider coverage in terms of geographical markets. Two major real estate consultancy service providers, including our Company, have a more comprehensive data coverage, offering land data, corporate data and economic data in addition to real estate transaction data.

Certain market players that are competitive in both data services and consultancy services also offer rating and ranking services. Based on the massive data they accumulated, they are able to evaluate and rank real estate developers from various angles and offer additional consultancy services based on the rankings.

##### *Real estate brokerage services in the secondary market*

Real estate brokerage services in the secondary market mainly consist of transaction and related value-added services provided to individual customers and brokerage firms in relation to real estate transactions in the secondary market.

---

## INDUSTRY OVERVIEW

---

According to the Cushman & Wakefield Report, existing players mainly use three business models to expand and maintain their market coverage: self-owned stores, franchising, and S2B2C. Companies mainly operating self-owned stores have a direct control over the management of their stores, which helps them maintain and develop a unified brand image, services and support at the expense of higher financial and human resources commitment and slower speed in expansion. Companies mainly relying on franchised stores usually have indirect control over the management of the stores with relatively lower operating costs, which allows them to expand more quickly. However, the brand identity and quality of services may not be guaranteed and may vary among different stores. S2B2C provides comprehensive online and offline services (“S”) to small and medium-sized real estate brokerage businesses (“B”) so as to help them better serve their individual customers (“C”). Companies using this model are able to develop a nationwide brokerage network without substantial capital investments. Companies using this model empower small and medium-sized real estate brokerage businesses by providing them with a full spectrum of resources but generally do not interfere with their operations.

### **Key Market Trends**

#### *Rapid growth driven by the development of the real estate market*

To accommodate the development of the real estate industry in China, real estate transaction services also began to develop in the 1990s. Starting from 2001, the real estate transaction service industry in China started a period of rapid growth. Real estate transaction service providers began to gradually be consolidated and their business scales also had a remarkable expansion. In particular, the real estate agency services in the primary market segment was largely driven by the condition of the primary residential market. The growth of the total GFA and the average transaction price in recent years have directly contributed to the revenue growth of real estate agency service providers.

#### *Increasing market concentration*

The real estate development market in China has experienced significant consolidation in recent years, and this trend is expected to continue. According to the Cushman & Wakefield Report, the market share of the Top 100 Real Estate Developers in China, as measured by sales amount, increased from approximately 39.1% in 2015 to 56.8% in 2017, and their market share is expected to continue to grow and reach 62.8% to 65.8% by 2020 if there is no significant change in economic environment and government policy. The concentration of real estate developers imposed higher requirements on the real estate transaction service companies, such as the ability to provide integrated solutions covering all stages of real estate development and sufficient nationwide resources to execute such solutions.

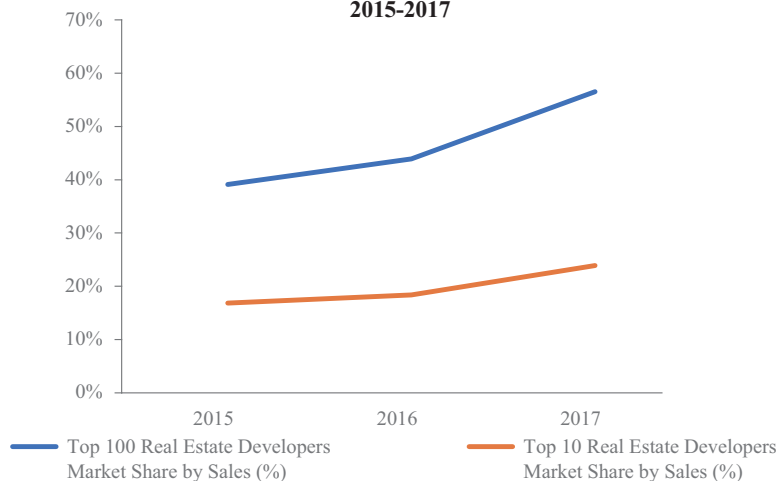
---

## INDUSTRY OVERVIEW

---

The following chart shows the market share of the Top 100 Real Estate Developers and top 10 real estate developers from 2015 to 2017:

**Top 10 and 100 Real Estate Developers Market Share by Contracted Sales Amount  
2015-2017**



*Source: Cushman & Wakefield*

To capture the opportunities brought by those top real estate developers, the real estate transaction service industry has also experienced a gradual consolidation. The market share of the top 10 property agency and consultancy companies grew from 12.0% in 2012 to 17.1% in 2015, and is estimated to reach 24.6% to 27.1% by 2020 if there is no significant change in economic environment and government policy, according to the Cushman & Wakefield Report.

### *Stabilised agency commission rate*

For real estate agency services in the primary market, a prominent market trend is the stabilised agency commission rate. Property agency commission rate is relatively transparent for real estate agency services in the primary market. According to an analysis conducted by Cushman & Wakefield on the top 100 real estate agency companies in the PRC, the average real estate agency commission rate of these top 100 companies in the primary market was stable in the past few years and was maintained at around 1%.

### **Market Outlook**

Despite certain recent restrictive policies on purchases of residential properties, the primary real estate market in China is still growing, particularly in third- and fourth-tier cities, according to the Cushman & Wakefield Report. Assuming the PRC governments do not further tighten their restrictive policies, the transaction volume and average selling price of residential properties in China are expected to maintain the upward trend and the PRC real estate agency and consultancy market will benefit from this trend, according to the Cushman & Wakefield Report. In addition, the top players in the real estate transaction services industry, particularly those providing comprehensive services, are expected to benefit from the market concentration of real estate developers, offsetting any potential negative impact of restrictive government policies, according to the Cushman & Wakefield Report.

---

## INDUSTRY OVERVIEW

---

### Entry Barriers

The entry barriers of the real estate transaction service industry are relatively low. However, more and more large real estate developers prefer to rely on service providers that offer a full range of transaction services, from agency services, data services to various other value-added services. As it takes significant time and resources to develop comprehensive service capabilities, it is increasingly difficult for new entrants to become a major market player, which has resulted in a large number of small players in the market, most of which are small in scale. Whether a company can effectively compete in the market depends on a number of factors, including brand recognition, experience in the real estate transaction service industry, geographical coverage, and data capabilities.

According to the Cushman & Wakefield Report, a major entry barrier for real estate agency services in the primary market is strong business relationships with the real estate developers, especially the top developers. Such relationships create stable revenue sources for agency companies and increase the predictability of their business results. Most existing major agency companies have established long-term relationships with a number of real estate developers. They also have extensive experience and abundant resources to serve their clients and maintain these relationships. New entrants usually do not have enough experience and resources to execute large projects for major developers, which makes it difficult to establish solid relationships with these developers.

According to the Cushman & Wakefield Report, the entry barriers of the real estate information and consultancy service market are relatively high. Successful market players must have comprehensive databases with a vast amount of real estate data to support their provision of information and consultancy services. They also need a team of engineers and data analysts with consulting experience in the real estate industry to provide one-stop solutions to cater to different types of customers, such as developers, private and institutional investors, government entities and property agencies. Data resources and data analytical capabilities are increasingly important, sometimes even decisive in the competition in the real estate transaction service industry, according to Cushman & Wakefield Report. The current leaders in real estate information and consultancy services have already accumulated extensive real estate related information covering hundreds of cities in the PRC, which is difficult for new entrants to quickly duplicate.

According to the Cushman & Wakefield Report, the provision of real estate brokerage services in the secondary market largely relies on the number and geographical coverage of physical brokerage stores. Each existing major market player has already established a dense brokerage network nationwide, enabling them to acquire property resources in the secondary real estate market as much as possible. It takes significant time, brand recognition and/or other resources for new market entrants to establish a nationwide network.



## INDUSTRY OVERVIEW

### COMPETITIVE LANDSCAPE OF THE REAL ESTATE TRANSACTION SERVICE INDUSTRY

After decades of development, real estate transaction service companies have gradually transformed from simple property sales agents into providers of diversified real estate transaction services with different areas of focus. We offer real estate agency services in the primary market, real estate data and consulting services, and real estate brokerage network services, covering all three segments of the real estate transaction service market. According to the Cushman & Wakefield Report, we are the largest real estate service provider in China in terms of the number of cities with both real estate transaction data and land data covered. None of our competitors is a leader in all three segments. We therefore present the competitive landscape of each segment separately.

#### Real Estate Agency Services in the Primary Market

Among real estate agency service providers in the PRC primary market, two companies, including us, are clear leaders with greater revenue, transaction value and geographic coverage than other market players. The following table shows certain statistics of major real estate agency service providers in the primary market in the PRC in 2017:

<u>Market Players</u>	<u>Approximate Revenue from Real Estate Agency Services in the Primary Market in 2017</u>	<u>Approximate Total Value of New Properties Sold in 2017</u>	<u>Geographic coverage in terms of approximate Number of Cities Covered as of 31 December 2017</u>	<u>Key scope of work</u>
	(in billions of RMB)			
<b>Our Group</b> . . . . .	3.93	433.0	186	Primary agency and consultancy services, secondary brokerage network services, and real estate data and consulting services
Company A (a provider of comprehensive real estate services listed on Shenzhen Stock Exchange) . . . . .	3.82	452.3	185	Primary agency and consultancy services
Company B (a provider of comprehensive real estate services listed on Hong Kong Stock Exchange) . . . . .	2.93	360.0	150	Primary agency and consultancy services, secondary agency services
Company C (a provider of comprehensive real estate services) . . . . .	Not Available	180.0	100	Primary agency and consultancy services

*Source: China Real Estate Top 10 Research Group, various company websites, financial statement, National Bureau of Statistics, Cushman & Wakefield.*

---

## INDUSTRY OVERVIEW

---

### Real Estate Information and Consultancy Services Market

According to the Cushman & Wakefield Report, there are only two major providers of comprehensive data products in China, including our Group. Both companies provide data on land, buildings, real estate projects, real estate transactions, real estate companies and the macroeconomic condition. The two companies are also comparable in terms of geographical coverage, with us being the larger data provider in terms of the number of cities with both real estate transaction data and land data covered, according to the Cushman & Wakefield Report. In addition, both companies publish a number of rankings and market reports. However, only we provide construction database services.

### Real Estate Brokerage Services in the Secondary Market

According to the Cushman & Wakefield Report, we ranked second in terms of the number of real estate brokerage stores in the PRC, and we are the only market player operating under the S2B2C business model. The follow table shows certain details of the top five real estate brokerage service providers in the secondary market:

<u>Market Players</u>	<u>Business Model</u>	<u>Approximate Number of Stores as of 31 December 2017</u>	<u>Number of Cities Covered as of 31 December 2017</u>
Company D . . . . .	Self-owned stores	8,000	28
<b>Our Group</b> . . . . .	S2B2C	4,000	22
Company E . . . . .	Franchising	2,600	14
Company F . . . . .	Mix of self-owned stores and franchising	2,215	15
Company G . . . . .	Self-owned stores	2,000	33

*Source: Publicly available information on various company websites, Cushman & Wakefield.*