
CHINA INTERNET =

INNOVATIVE PRODUCTS + BUSINESSES CONTINUE TO IMPRESS

PREPARED BY HILLHOUSE CAPITAL



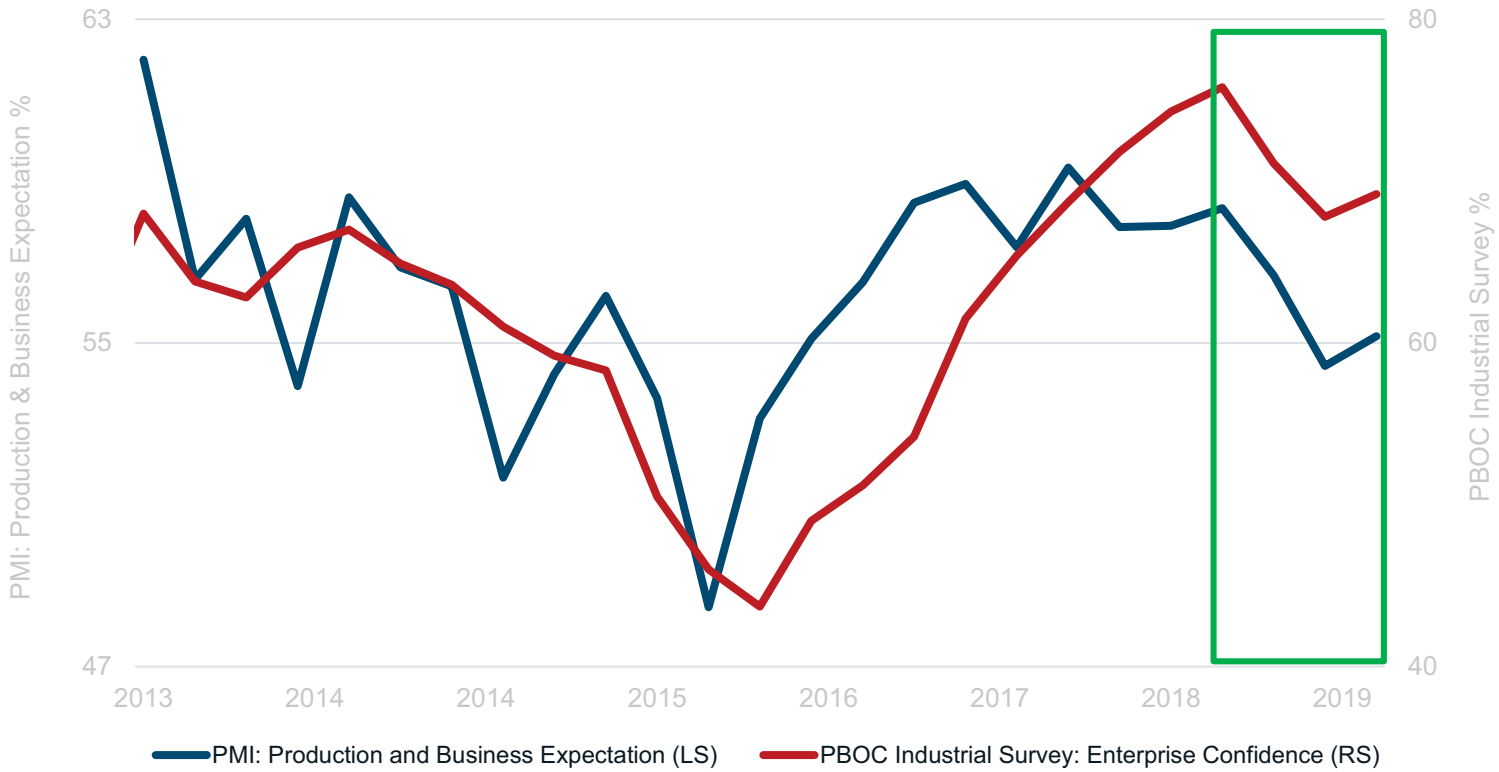
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China Macro Trends

China Near-Term *Business Confidence* = Fluctuating...

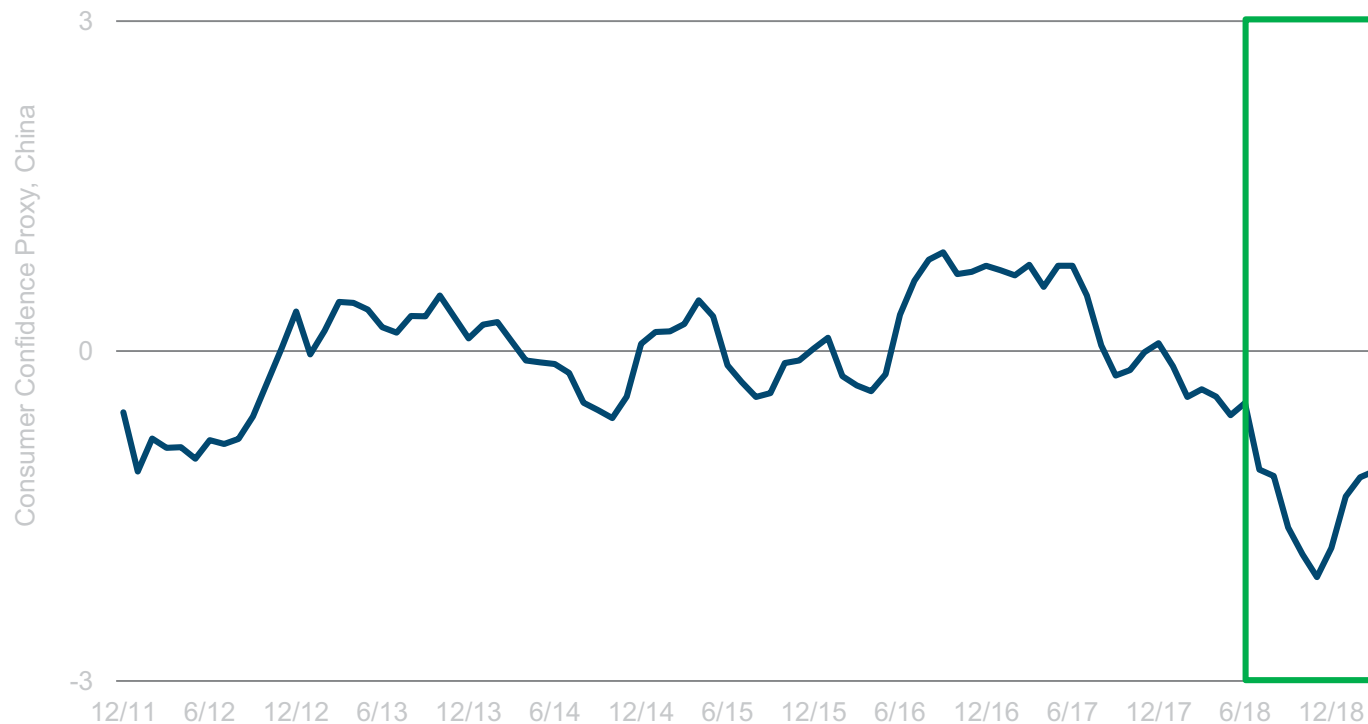
China PMI Business Index + Enterprise Confidence Index (%)



...China Near-Term *Consumer Confidence* = Fluctuating

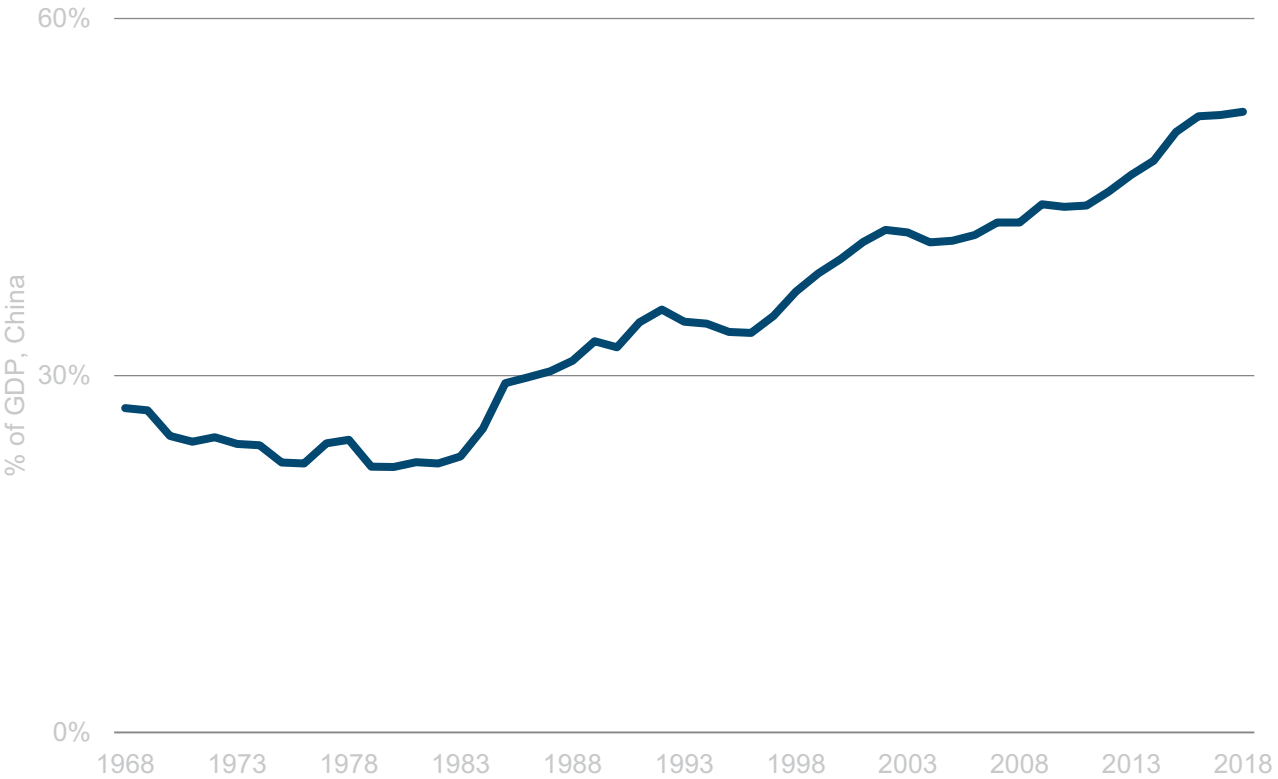
China Consumer Confidence Proxy

Based on Average Z-Score of Household Loans, Consumer Confidence Index, Passenger Car Sales, Air Passenger Traffic & Catering Consumption*



China Service Sector = Continues to Drive Economic Growth

China Service Sector Output as % of Nominal GDP

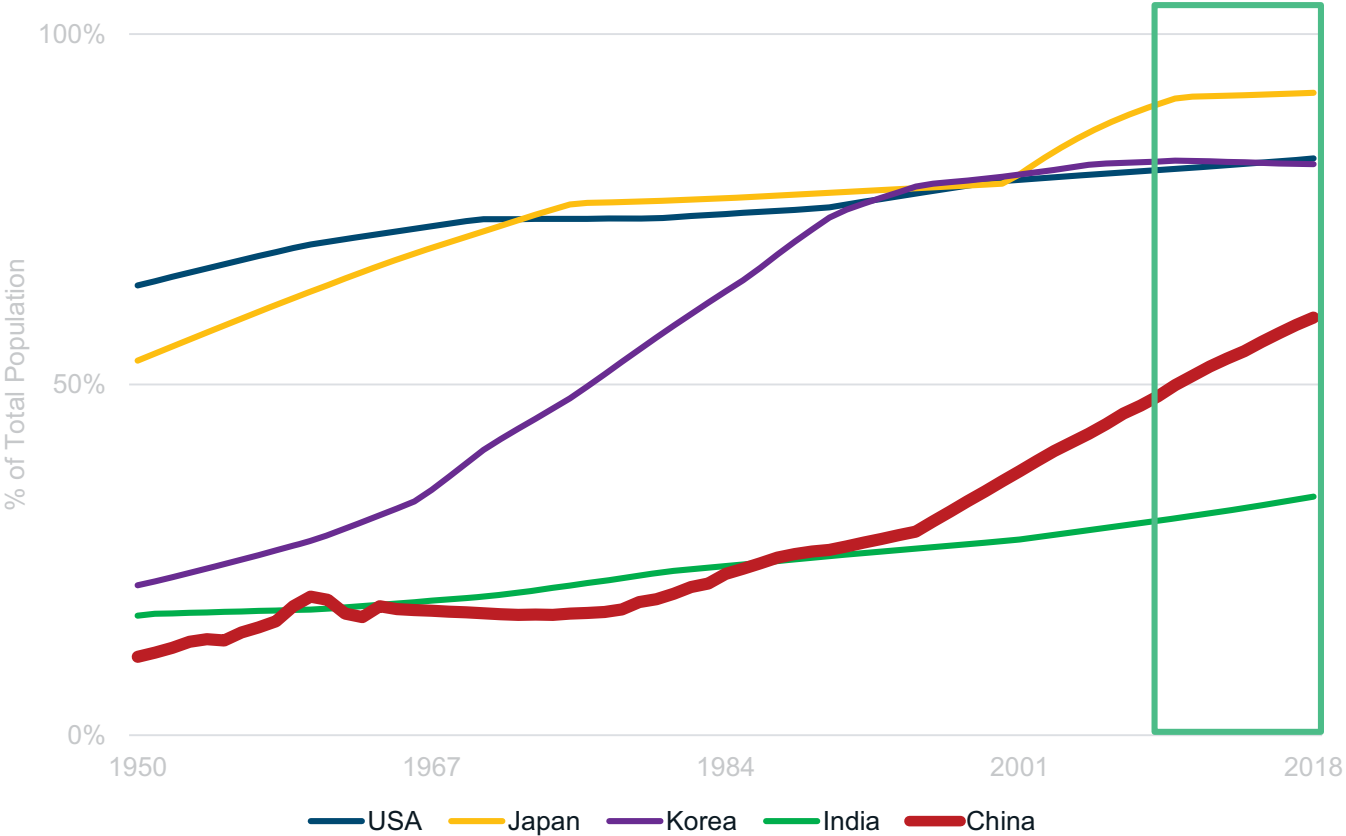


Source: China National Bureau of Statistics, Morgan Stanley Research

Note: Service sector defined as all industries outside of agriculture, forestry, animal husbandry & fishery industries (except support services to agriculture, forestry, animal husbandry & fishery industries), mining (except auxiliary activities of mining), manufacturing (except repairs for metal products, machinery & equipment), production & supply of electricity, steam, gas, water, & construction.

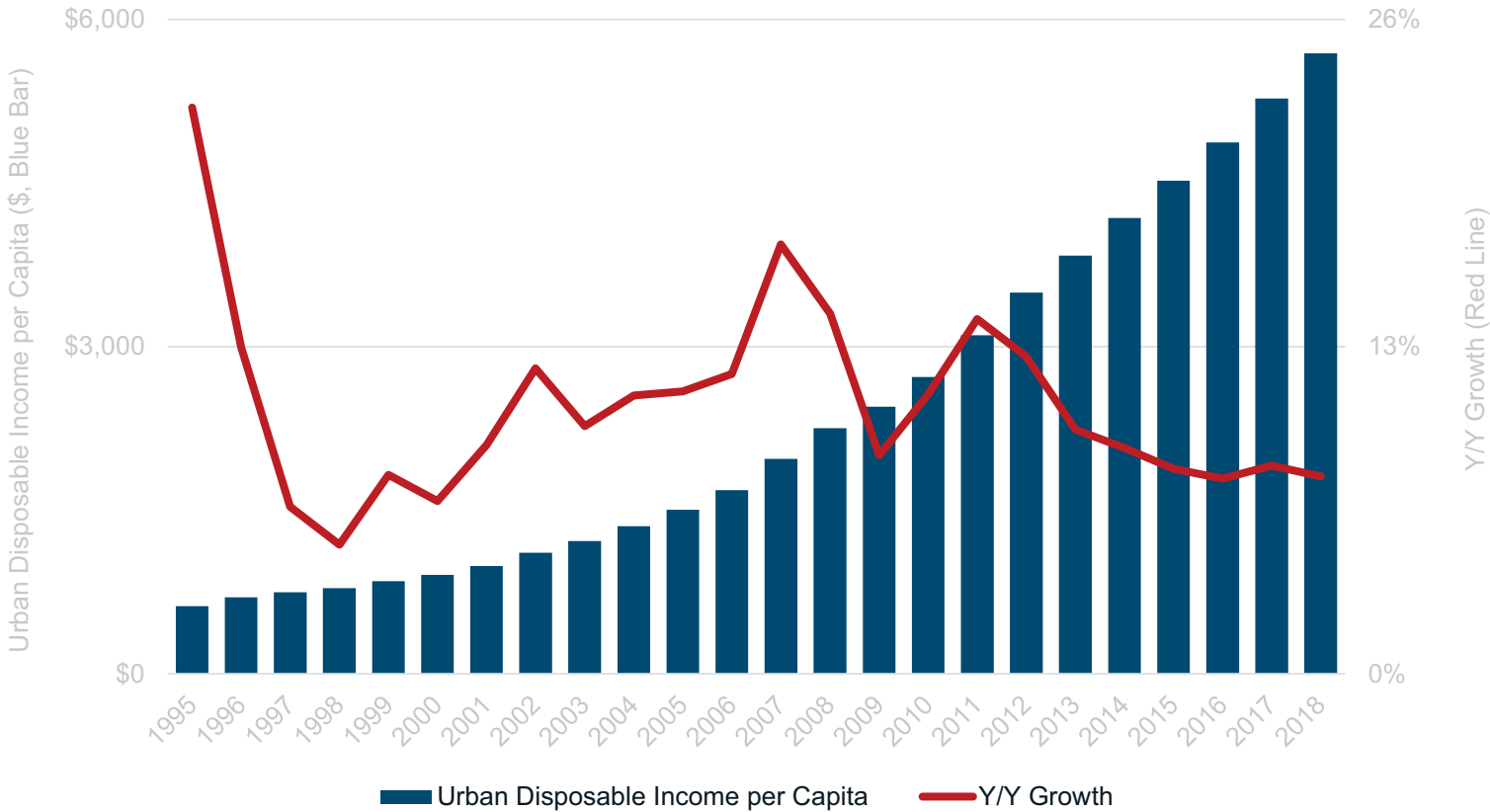
China Urbanization = Rising Rapidly...Room to Grow

Urban Population – % Total Population



China Urban Disposable Income Per Capita = Solid +8% Y/Y

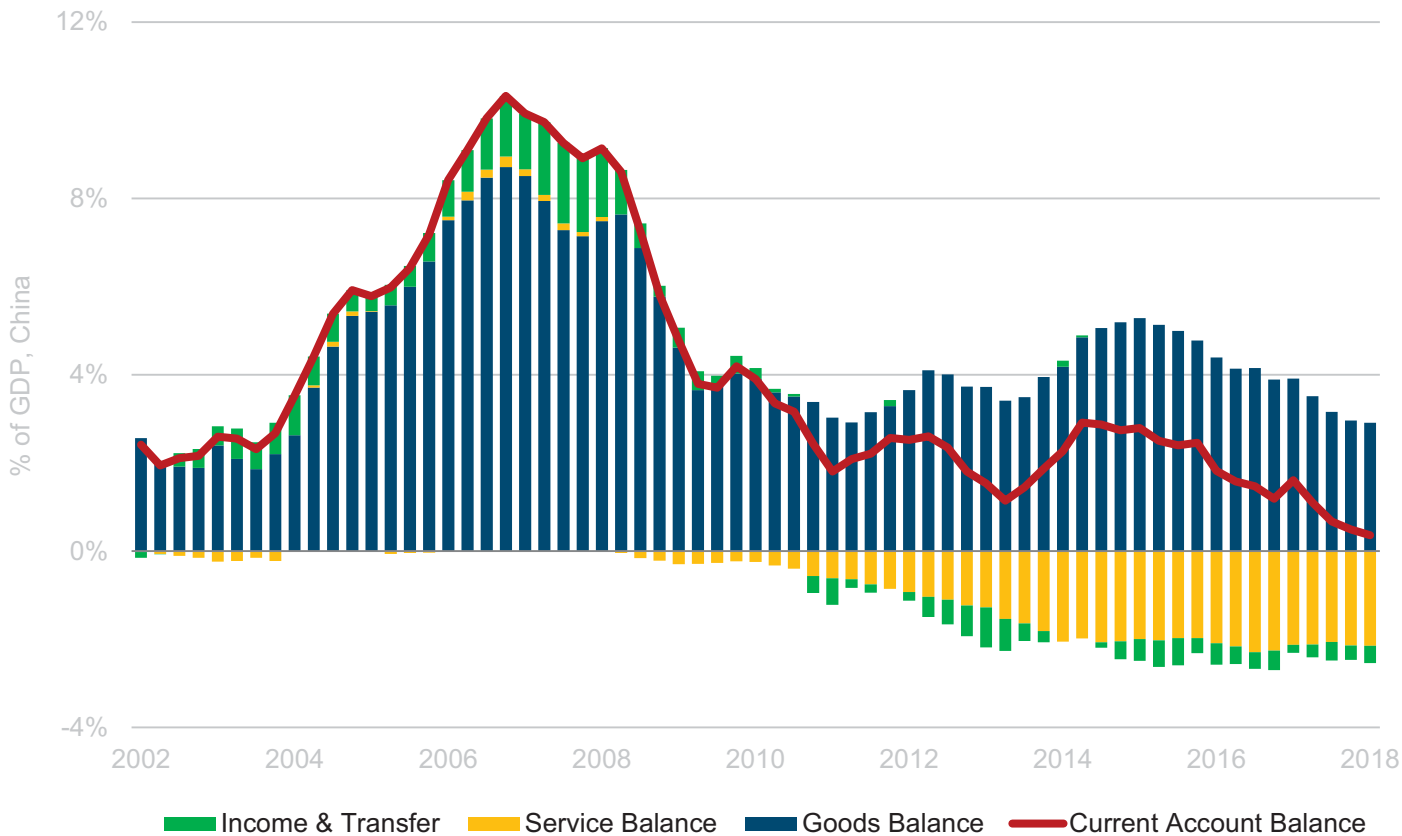
China Urban Disposable Income per Capita + Y/Y Growth



Source: CEIC, assumes constant exchange rate of 1USD = 6.9RMB.

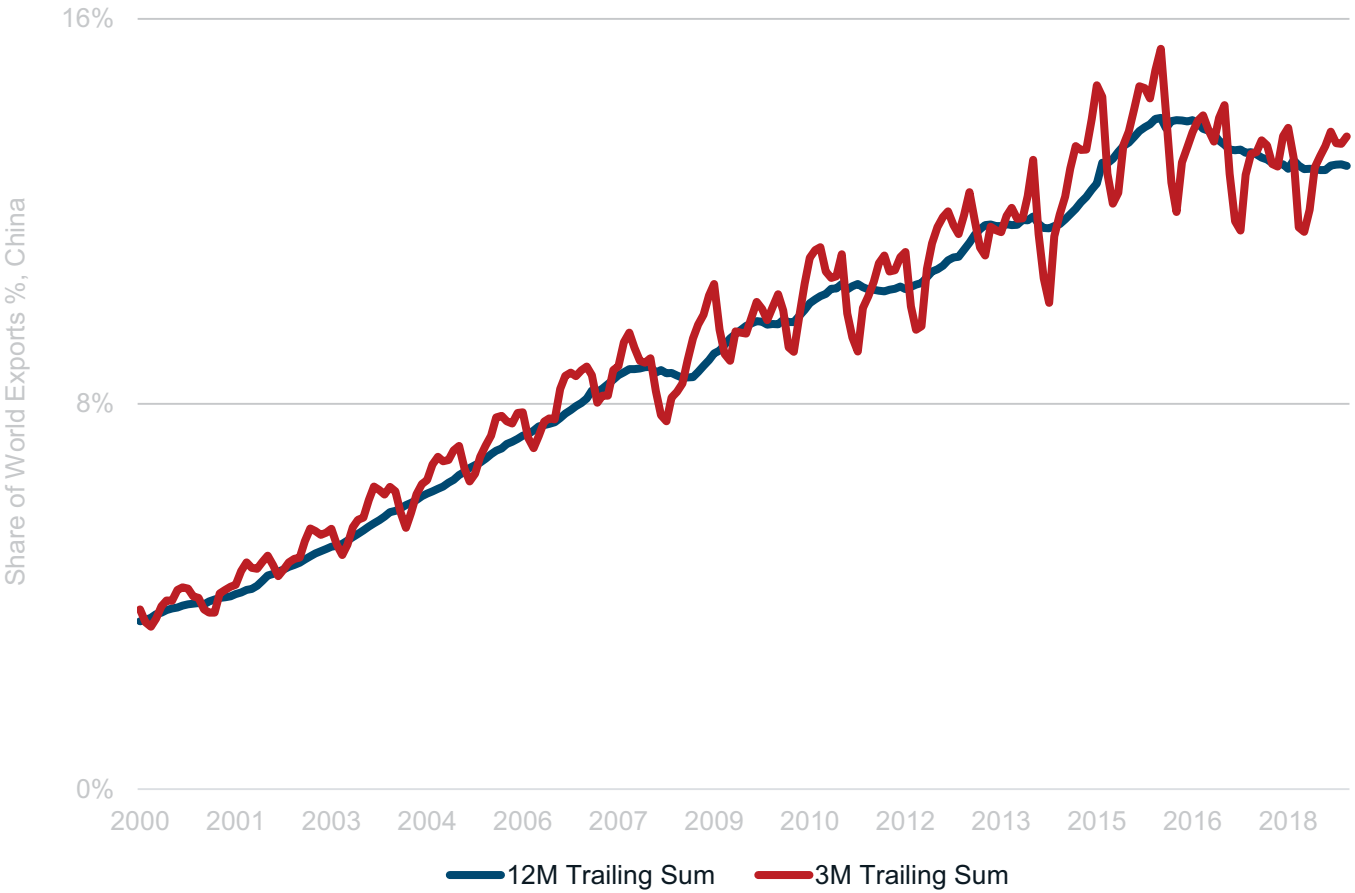
China Trade Balance = Current Account Surplus Narrowing... Rising Outbound Tourism Offsetting Decreasing Net Exports

China Current Account Balance



China Share of World Exports = Declining Since 2016 Due to Rising Wages + Aging Labor Force

China Share of World Exports (%)



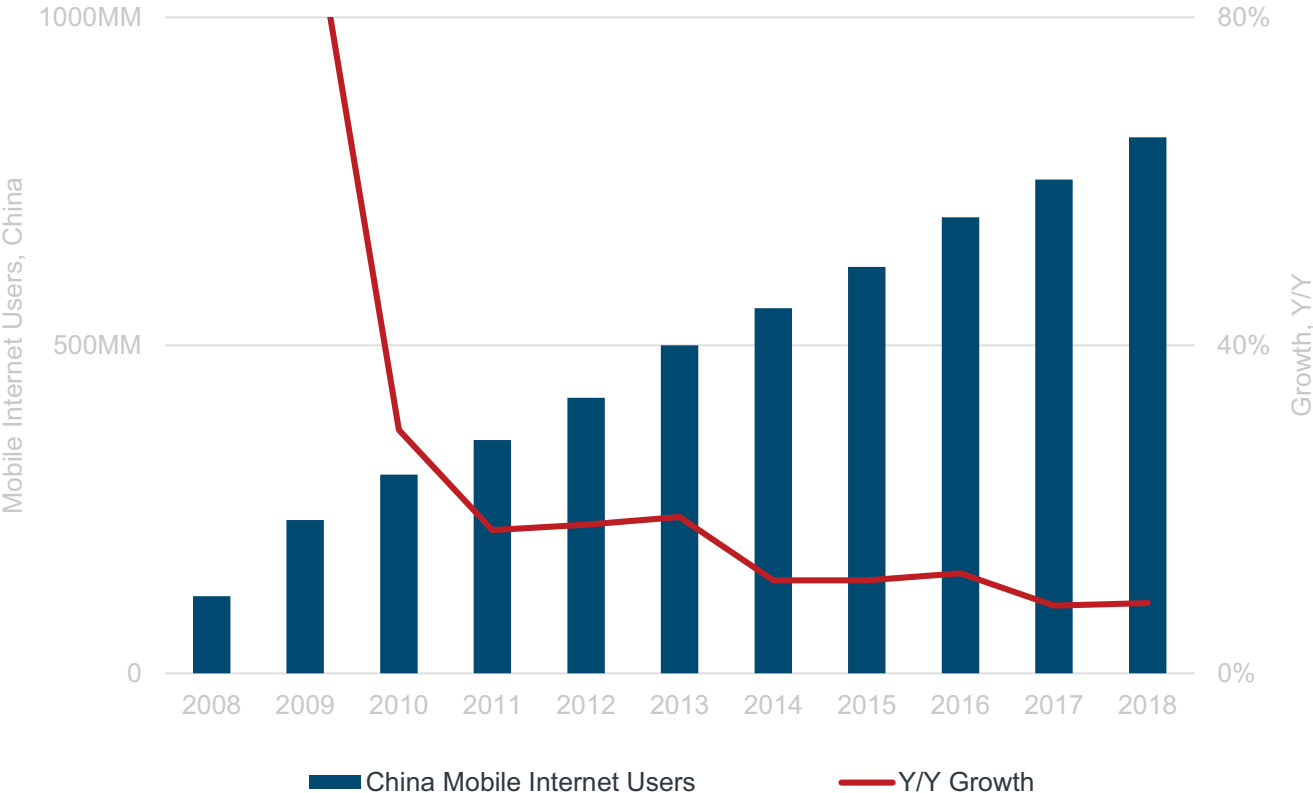
Source: Haver Analytics, Morgan Stanley Research

China Internet User / Usage Trends =

***Robust Usage Growth
Primarily Driven by Short-Form Video***

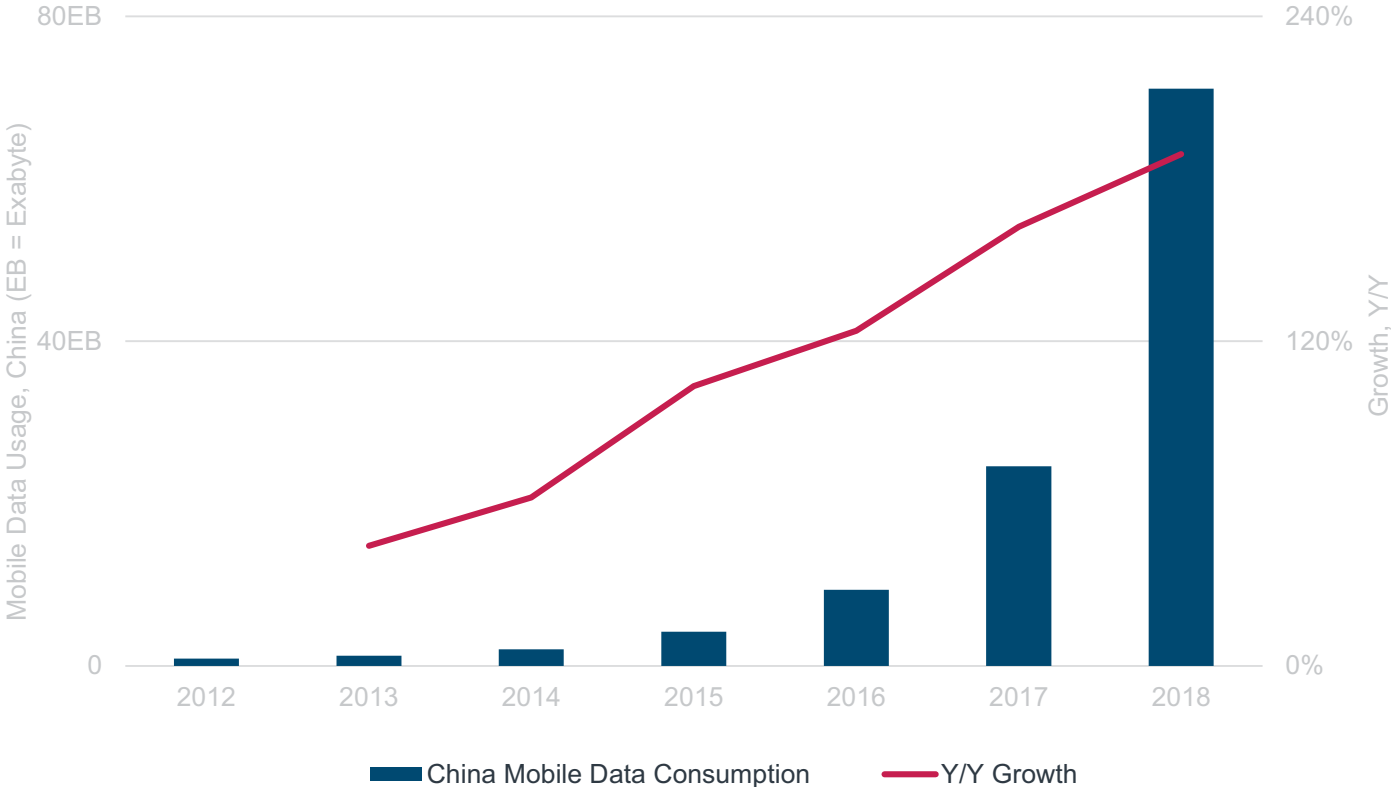
China Mobile Internet Users = 817MM...+9% vs. +8% Y/Y

China Mobile Internet Users vs. Y/Y Growth



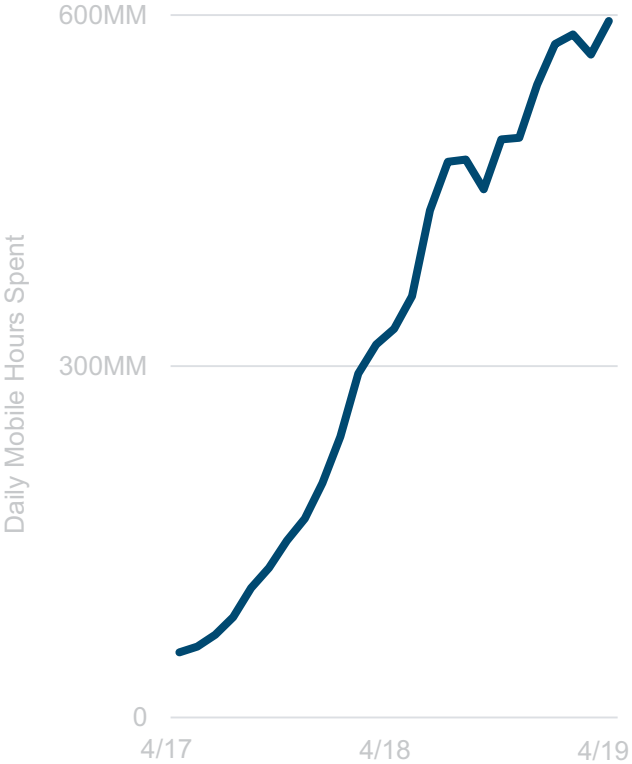
China Mobile Internet Usage (Data) = Continues to Accelerate +189% vs. +162% Y/Y

China Cellular Internet Data Usage & Growth Y/Y

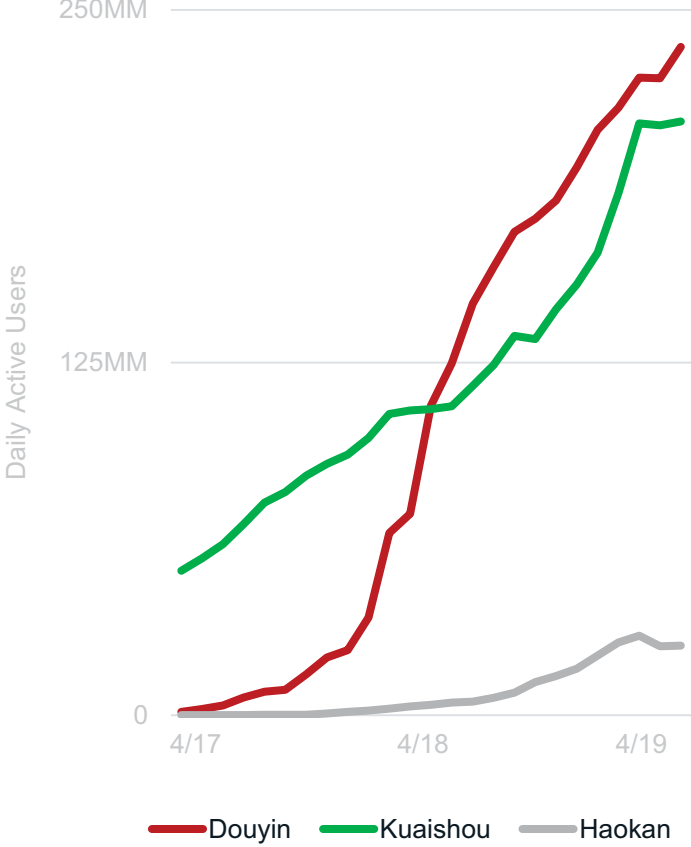


China Short-Form Video = Leading User + Usage Growth Across All App Categories

China Short-Form Video – Daily Time Spent

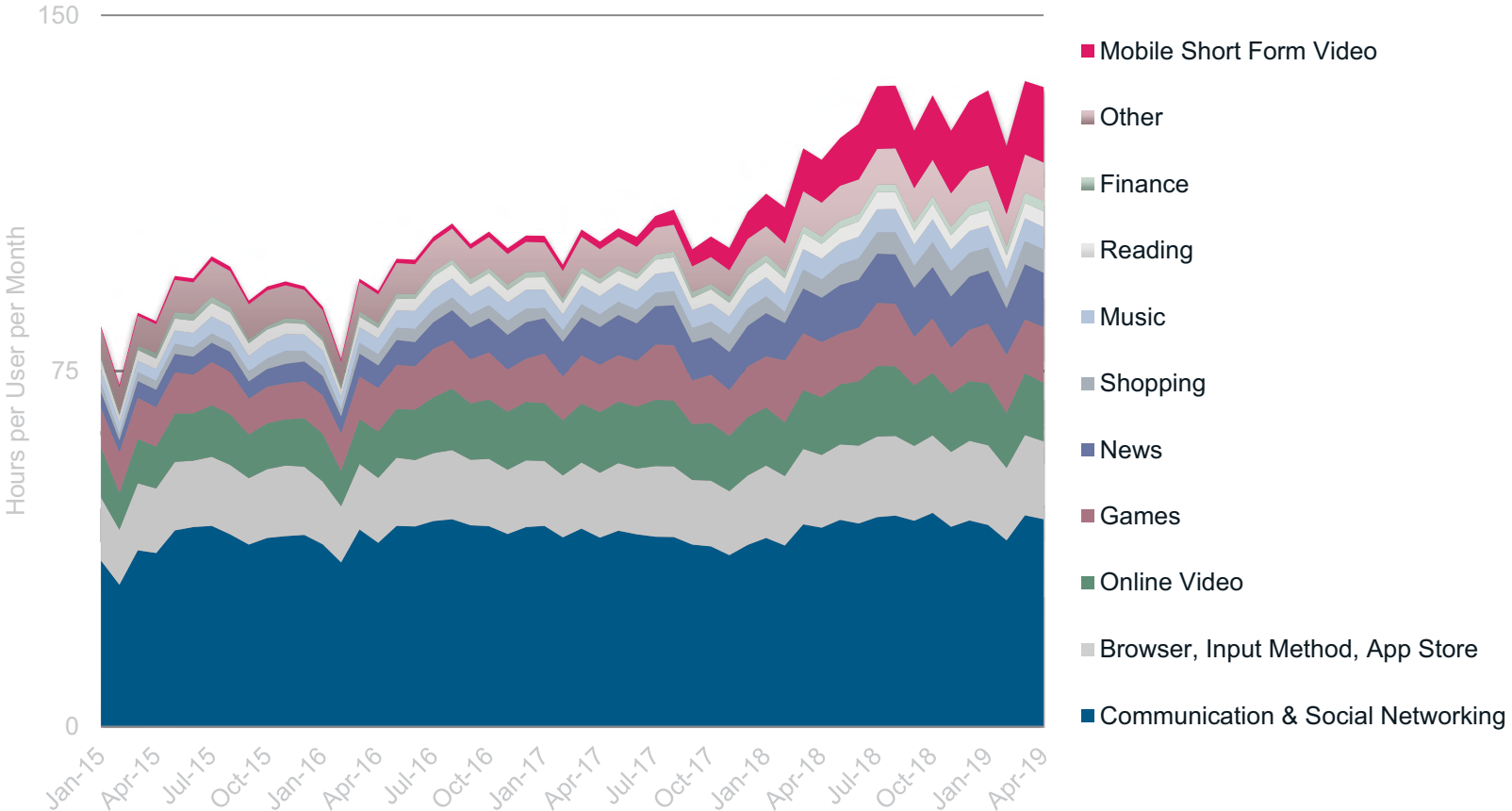


Leading Short-Form Video Platforms – DAUs



China Short-Form Video = Driving *Incremental* Mobile Time Spent Growth

Average Smartphone Time Spent per MAU per Month



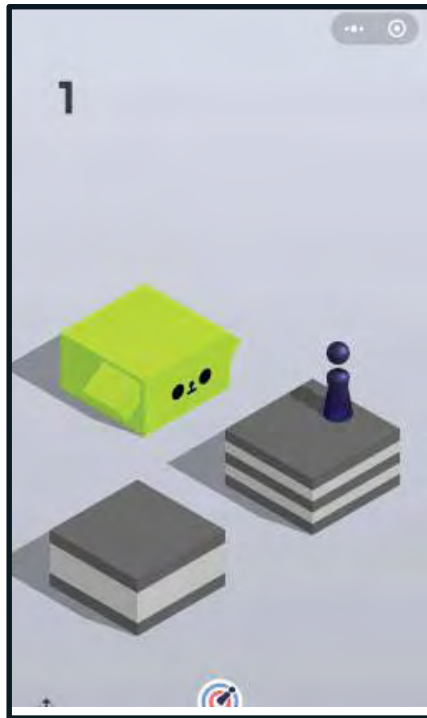
China Innovation =

***Games Driving Transformation of...
Payments / E-Commerce / Retail / Education***

WeChat Jump Jump = Simple Game Helped Create Ecosystem of Mini-Programs

Tiao yi tiao (Jump Jump)

First Mini-Program Game
100MM+ DAUs in two weeks



Uniqlo Brand

~3x Conversion vs. Industry



Pinduoduo eCommerce

89MM+ MAUs



Tongcheng-Elong Travel Booking

169MM+ MAUs



WeSing Entertainment

73MM+ MAUs



QR Code Public Transit

48MM+ MAUs



Xiaoniangao Photos

214MM+ MAUs



Alipay Ant Forest = Gamified Philanthropy Can Drive Consumer Engagement

Ant Forest

Accumulate green energy points by completing tasks that reduce carbon emission or paper waste (walking / biking / public transit / online & offline payment / recycling / used goods...)

Protect your virtual tree green energy points or 'collect' friends' points by waking up early & checking in often

Ant Financial & other charity partners turn virtual tree green energy points into real trees to combat deforestation



500MM
Cumulative Users of Ant Forest* within Alipay

100MM
Real Trees Planted*

~4x
Average Alipay Sessions per User per Day**

Pinduoduo = Group Buying... Social Shopping + Gamified Discounts Drive Growth

Pinduoduo

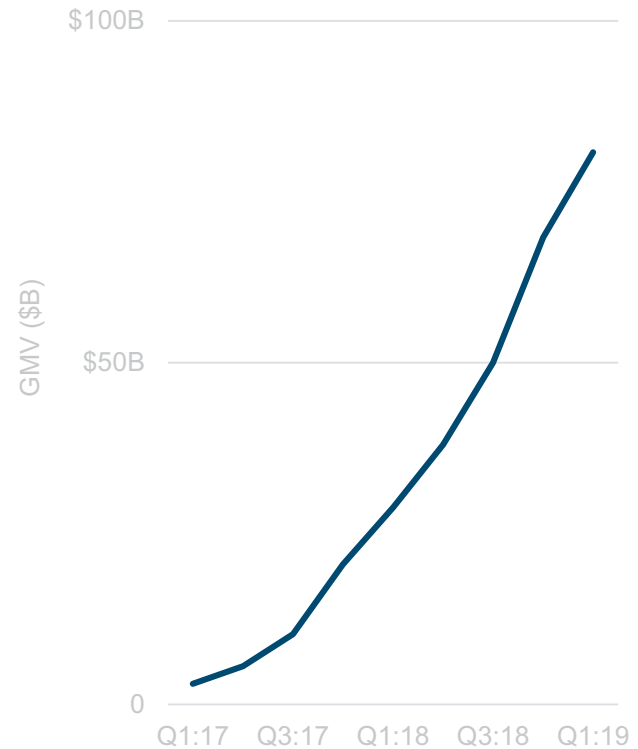
Get Cheaper Price by Sharing with Friends



Friends Can Play Game & Help Reduce Prices



Trailing 12-Month GMV

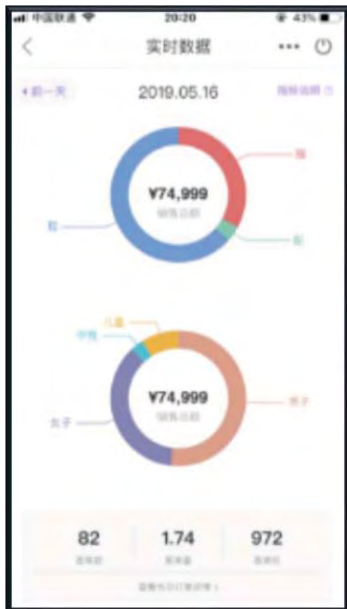


Belle / TopSports = Digitization + Gamification Can Drive Same-Store-Sales Lift

Belle / TopSports

Store Managers

Real-time Sales by Category & SKU



Employee KPIs & Peer Rankings



Store Associates

Gamified Rewards to Complete KPIs



Competitive Sales Games vs. Peer Stores

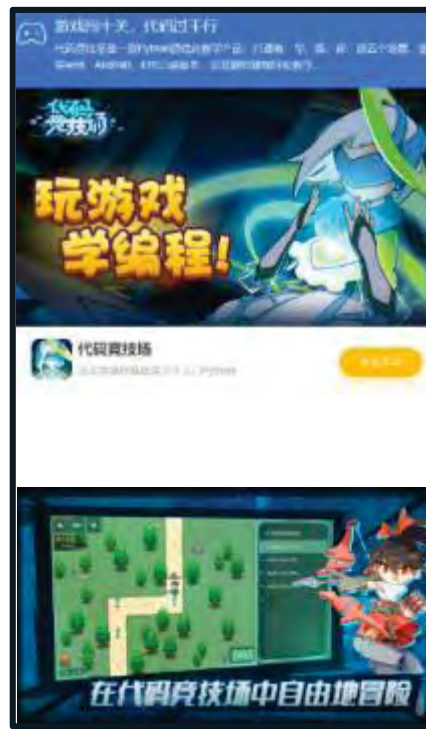


Online Education = Structured Fun Games Drive Learning

TAL (XRS) Online *Turning Math Learning Into Games*



Coding Cat *Games of Codes*



Cartoon + Students PK *Enhanced Learning Experience*



***China Innovation =
Internet-Based
Products + Business Models***

China Chat =

Enabler of Transactions & Services

WeChat Innovation = Evolution from Chat to Mini-Programs / Payments

WeChat Public Account
Following

1



WeChat Mini-Programs
Browsing Items

2



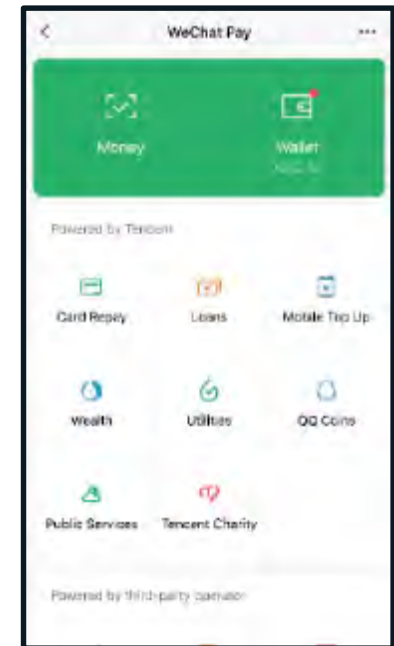
WeChat Mini-Programs
Placing Order

3



WeChat Integrated Payment
Finishing Payment

4



Global Rollouts = Kakao / Line / Facebook Incorporate Transaction Features

Kakao

*Chat / Music / Payment /
Games / Transportation...*



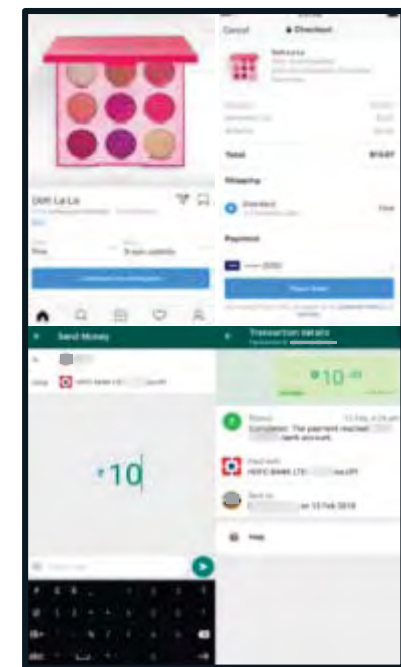
Line

*Chat / Payment /
Food / Coupons...*



Instagram / WhatsApp

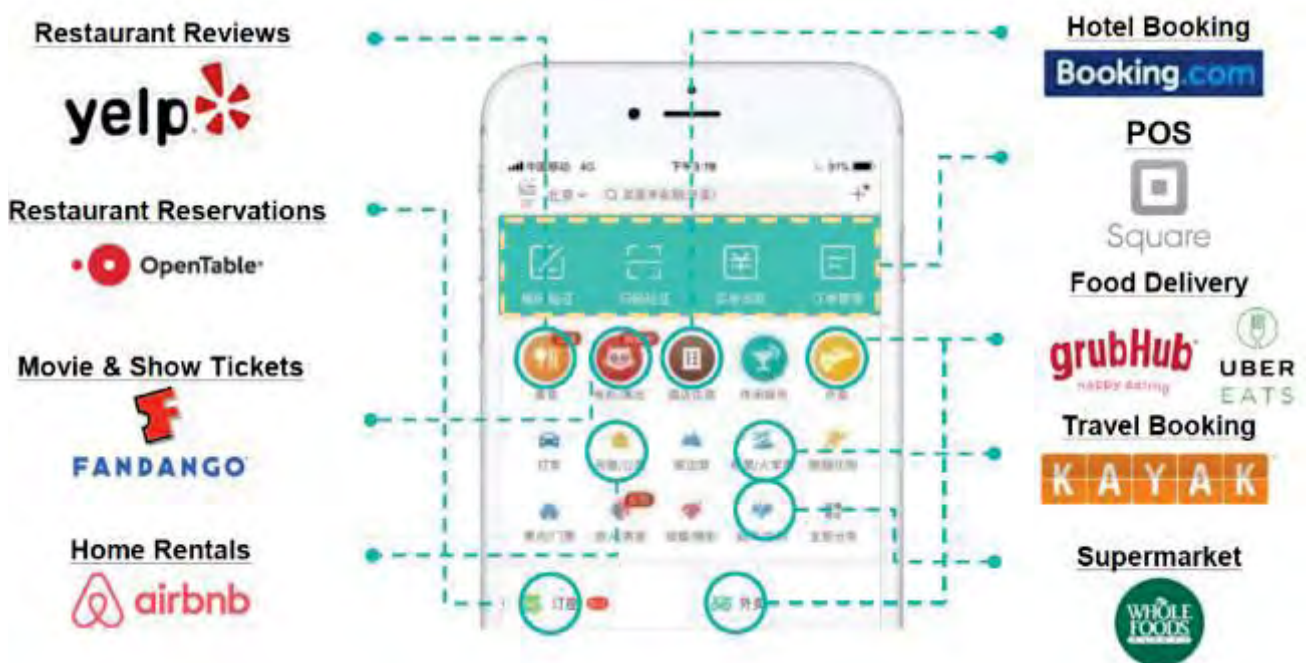
*Chat / Shopping /
Money Transfer...*



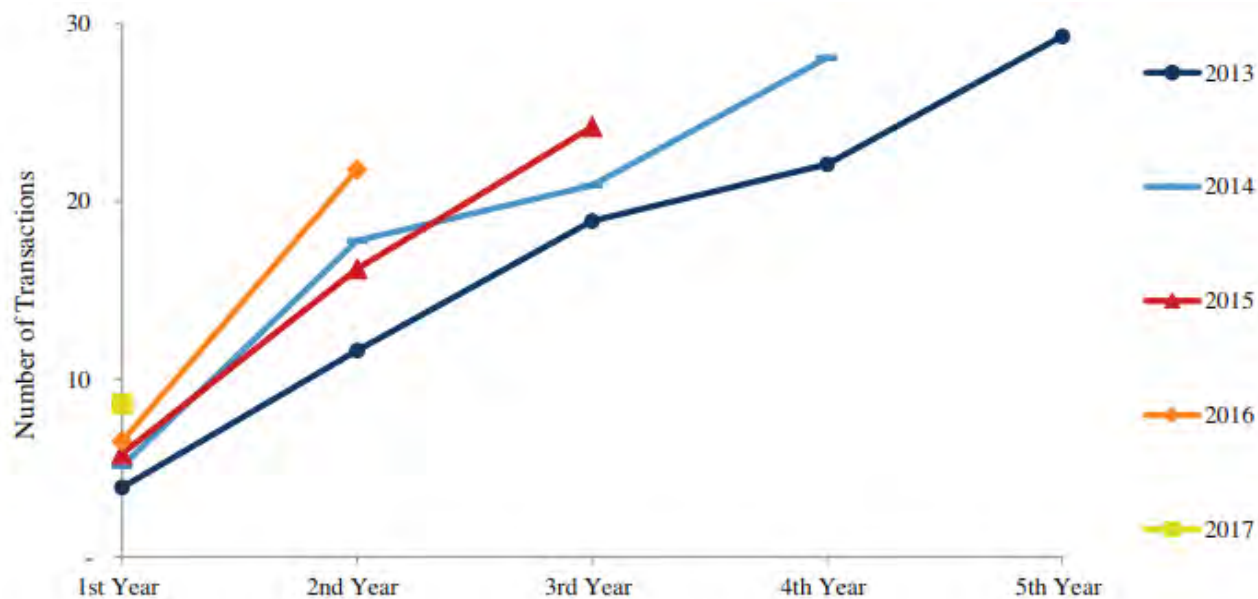
*China Local Services =
Becoming 'Super Apps'*

Meituan = From Group Buying to Super App... 30+ Services...412MM Annual Transacting Users, +26% Y/Y...

Meituan Mobile App Functions vs. Relevant US Peers



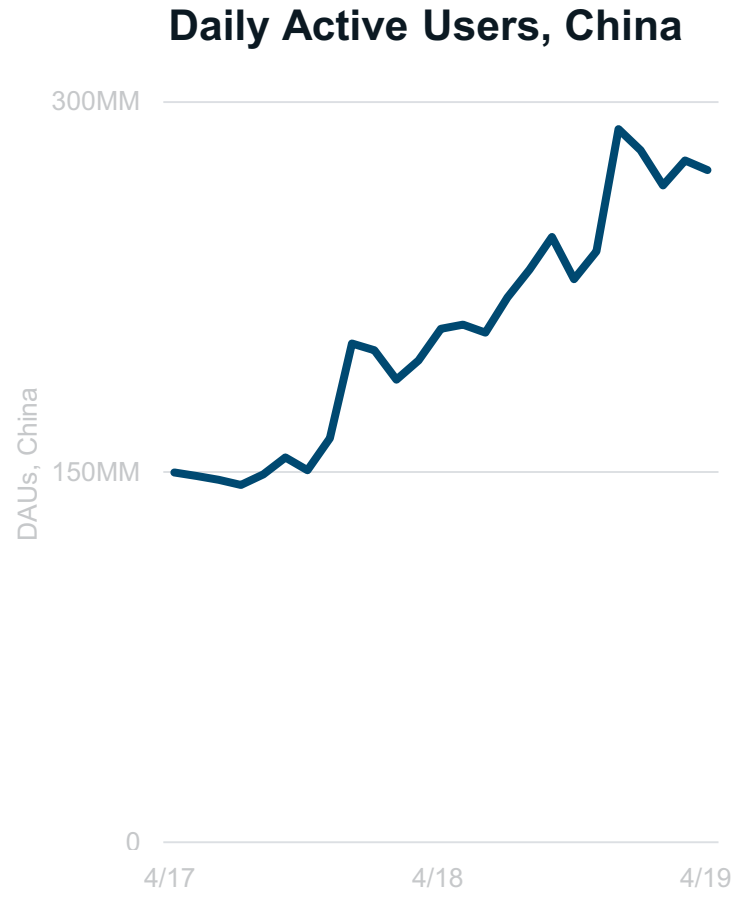
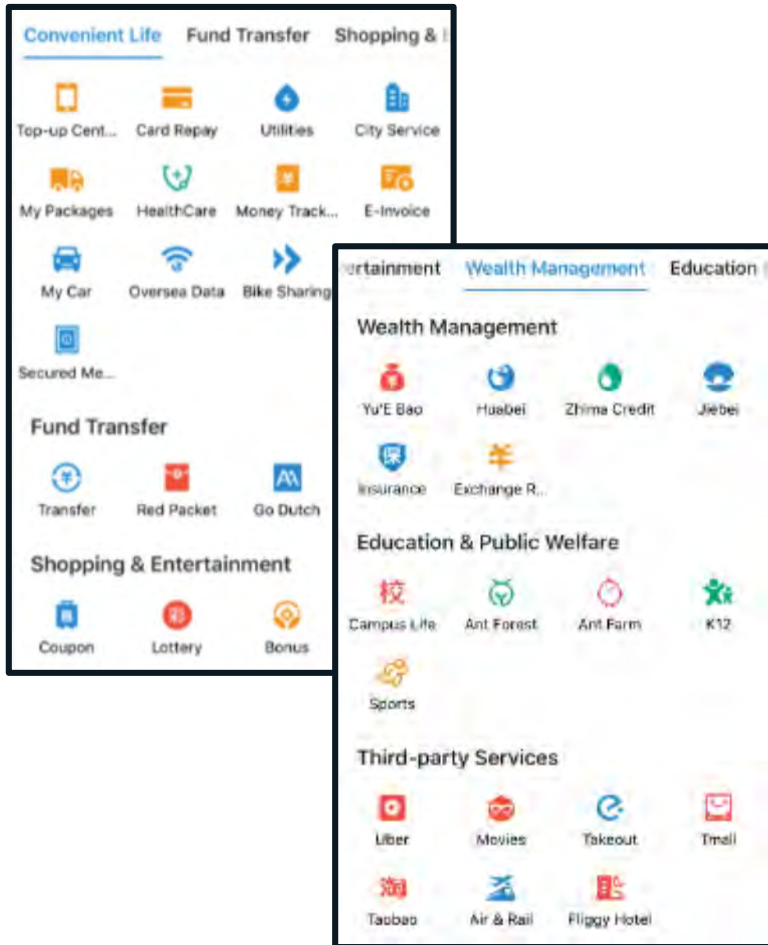
Meituan # of Transactions per User per Year by Cohort



Source: Meituan IPO prospectus

Alipay = From Payments to Super App... 200K+ Mini-Programs...1B+ Users...70% Use 3+ Financial Services*

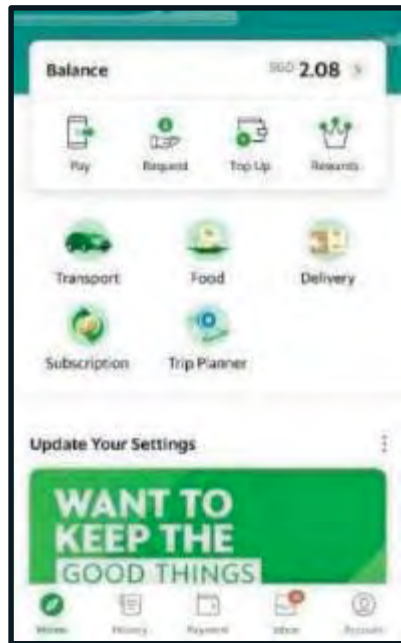
Alipay



Global Rollouts = Grab / Rappi / Uber Incorporate 'Super App' Features

Grab

*Transport / Food /
Payment / Logistics...*



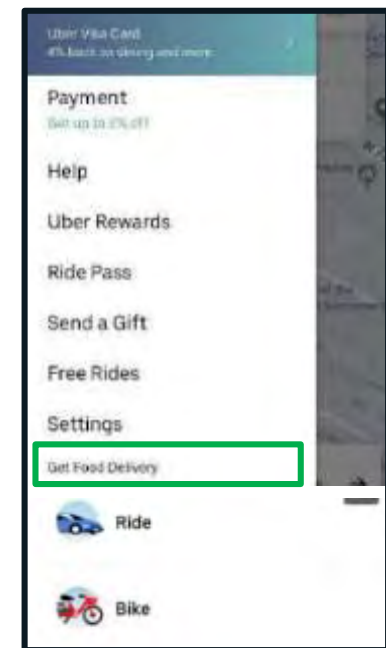
Rappi

*Food / Grocery /
More...*



Uber

*Transport + Food +
e-Bikes + Freight...*



*China Retail =
Online / Offline / Omni-Channel*

Live-Streaming + E-Commerce = Can Increase... Transparency + Interactivity + Influencer Engagement

Taobao Live

\$14B+ Live-Streaming GMV
in 2018



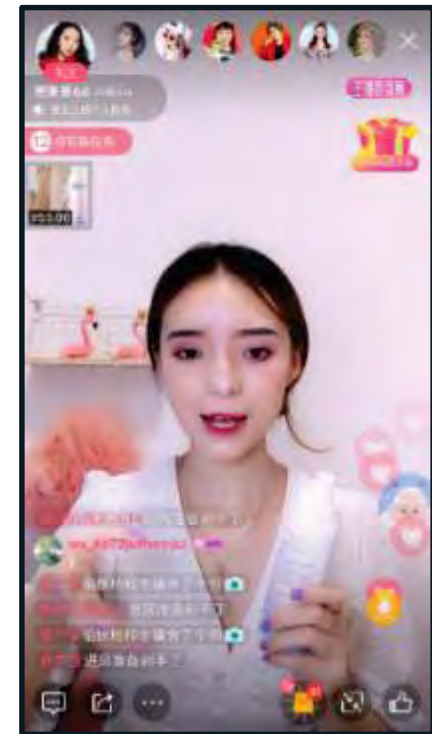
Kuaishou

Live-Streaming
Shopping



MOGU

Live-Streaming = 24% of GMV
4x Repeat Purchase Rate



Various Online Grocery Retail Formats = Competing For Consumer Wallet Share

Freshippo (Hema) / 7Fresh ...

- Owned & operated stores
- Pick-up or delivery
- Freshippo – 135+ stores



Miss Fresh / Dingdong Maicai / Pupu Shengxian...

- Order in app
- 30min delivery to home
- Owned & operated inventory + fulfillment



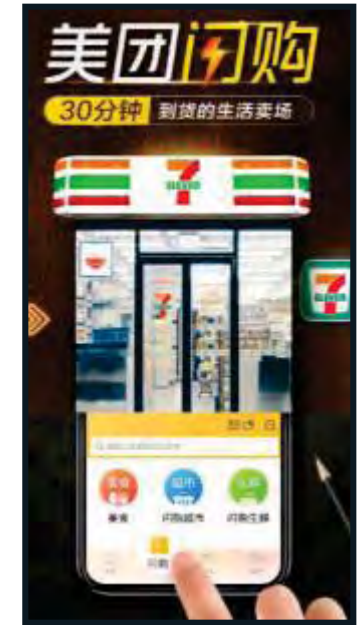
Xingsheng Youxuan / Songshu Pinpin / Dailuobo...

- Order in app or groupbuy in WeChat mini-programs
- Next day delivery to neighborhood sorting station + self pick up
- Franchised community partner owner



Meituan / Ele.me / Taoxianda / JD Daojia...

- Order in app
- 30min delivery to home
- Fulfilled by partner stores, delivered by Meituan / Ele.me / Taoxianda / JD



Alibaba 'New Retail' Strategy = Digitizing Various Offline Retail Verticals

Freshippo / Hema
135+
Grocery Stores



Sun Art
470 Supermarkets
Digitized



Suning JV
Consumer
Electronics



Intime
Fashion &
Department Stores



Easy Home
Home
Improvement



Eleme & Koubei
On-demand Delivery for
2,100+ Starbucks Stores



Tmall Store
Rural
Omni-Channel Stores



LingShouTong
1MM+ Mom-&-Pop
Stores Digitized



WeChat Groups & Mini-Programs = Improving Customer Relationship Management (CRM) for Retail

Belle / TopSports WeChat Groups & Mini-Programs

Scan QR Code in Store to Join WeChat Group



Receive Latest Product Info via Sales Associates



Receive Latest Brand Info via Public Accounts



Purchase + Checkout via WeChat Mini Programs



Yonghui Superstores = Creating Digital Grocery Experience @ Offline Stores

Yonghui Superstores

Home Delivery =
~15% of Sales
in Pilot Stores



50% of Home Delivery
Ordered via
WeChat Mini-Program



Red Packets Shared
in Group Chats
to Drive Engagement



*China Education =
Spreading from Offline to Online*

China K-12 Education = Online Augmenting Offline Learning Experience

Xueersi Online (TAL)

*K-12 Live-streaming
Group Courses*



Xueersi Shuangshi (TAL)

*Online Lecturer +
Offline Tutor /
Teaching Assistant*



Zuoyebang

*K-12 Homework Help
(take photos to get answer help)
+ Live-streaming Group Courses*



China Kids (Ages 3-10) Education = Increasing Online Platform Usage Outside of School Hours

VIPKid

English 1-on-1 &
Small Group Live-Streaming
Online Courses



Hetao Coding

Coding Recorded
Courses



Code Mao

Coding Live-streaming
Courses



*China Government Services =
Online Access Rising*

WeChat Groups & Mini-Programs = Improving Customer Relationship Management (CRM) for Retail

Belle / TopSports WeChat Groups & Mini-Programs

Scan QR Code in Store to Join WeChat Group



Receive Latest Product Info via Sales Associates



Receive Latest Brand Info via Public Accounts



Purchase + Checkout via WeChat Mini Programs

