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## INDUSTRY OVERVIEW

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*Certain information and statistics set out in this section and elsewhere in this prospectus are derived from the CIC Report<sup>(1)</sup> prepared by CIC, an independent industry consultant which was commissioned by us. The information extracted from the CIC Report should not be considered as a basis for investments in the Offer Shares or as an opinion of CIC as to the value of any securities or the advisability of investing in us. We believe that the sources of such information and statistics are appropriate for such information and statistics and have taken reasonable care 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 and statistics false or misleading in any material respect. Our Directors have further confirmed, after making reasonable enquiries and exercising reasonable care, that there is no adverse change in the market information since the date of publication of the CIC Report which may qualify, contradict or have an impact on the information in this section. No independent verification has been carried out on such information and statistics by us or any other parties involved in the Global Offering (other than CIC) or their respective directors, officers, employees, advisors, or agents, and no representation is given as to the accuracy or completeness of such information and statistics. Accordingly, you should not place undue reliance on such information and statistics. For discussions of risks relating to our industries, see “Risk Factors—Risks Relating to Our Business and Industry.”*

### SOURCES OF INFORMATION

We commissioned CIC, an independent third party, to conduct a detailed analysis of China’s passenger vehicle market and online automobile platform industry (collectively, the “**Target Research Markets**”).

During the preparation of the CIC Report, CIC performed both primary and secondary research through various resources, and obtained knowledge, statistics, information, and industry insights on the industry trends of the Target Research Markets. CIC is a consulting firm founded in Hong Kong, with an office in Shanghai, PRC. CIC has an industry expert network database and provides professional industry consulting across multiple platforms. CIC’s independent research was undertaken through both primary and secondary research through various resources. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources.

The CIC Report was compiled based on the following assumptions: (i) economy and industrial development in China is likely to maintain a steady growth trend in the next decade; (ii) related industry key drivers are likely to drive the continuing growth of the online automotive platform market in China, such as the increase of the total marketing expenditure from automakers, the increase demand of professional content from online automobile consumers and the continuous support from technical innovation; and (iii) there is no any extreme unforeseen circumstance or industry regulation in which the market may be affected dramatically or fundamentally.

We have agreed to pay a fee of RMB580,000 to CIC in connection with the preparation of the CIC Report. We have extracted certain information from the CIC Report in this section, as well as in the sections headed “Summary,” “Risk Factors,” “Business,” “Financial Information” and elsewhere in this prospectus to provide our potential investors with a more comprehensive presentation of the industry in which we operate.

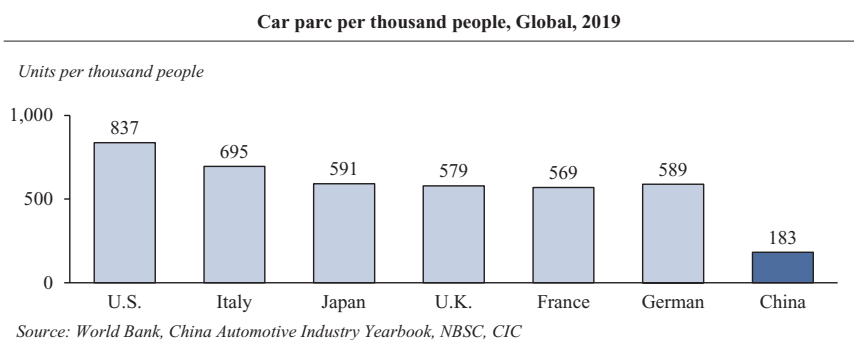
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### CHINA'S PASSENGER AUTOMOBILE INDUSTRY

#### Steady growth with significant development potential

China is the largest passenger automobile market in the world with 21.4 million automobiles sold in 2019. However, the car parc per thousand people in China was 183 in 2019, much lower than the U.S. and the United Kingdom (“U.K.”) of 837 and 579 respectively. The comparatively low car parc per thousand people in China, together with China’s large population, indicates significant potential for continued growth in China’s the automobile market.

The total car parc in China has expanded steadily in recent years, with the number of automobiles increasing from 172.3 million units in 2015 to 261.1 million units in 2019, representing a CAGR of 11.0%. With the continued increase in per capita disposable income, it is forecasted that car purchases will grow accordingly. This is likely to result in an expansion of the total car parc in China in the years ahead. The table below illustrates the total car parc and car parc per thousand people in China and the other main economies in the world:



The total sales volume of new passenger automobiles increased steadily from 21.1 million units in 2015 to 21.4 million units in 2019, representing a CAGR of 0.3%. China’s automobile market has gradually entered a new stage of slow and steady growth, rather than the explosive growth of the past two decades. Despite restrictions on the number of vehicles in major cities and expectation of global economic downturn, the automobile market is expected to resume its growth in the next five years due to: (a) increasing consumption demand for new automobiles and auto replacement, (b) increasingly affordable prices of automobiles, and (c) a series of supportive policies for car stimulus by the government:

- (i) the increasing consumption demand for new automobiles and auto replacement can be mainly attributed by increasing purchasing power and wider sales network in the tier three and below cities, emergence of new energy vehicle (“NEV”) due to strong policy support and technological development of NEV manufacturers;
- (ii) facing challenges with sluggish growth of automobile’s sales market, automobile manufacturers are offering customers with greater discounts to stimulate the growth of

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automobile sales. Meanwhile, the automobile sales is anticipated to grow along with the reduction of the import tariff and more favorable tax policies to stimulate automobile sales; and

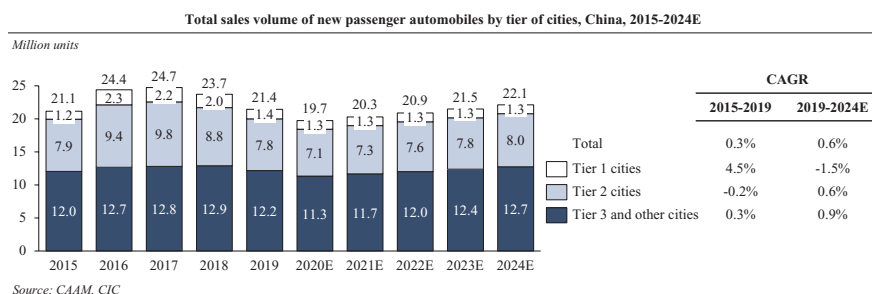
- (iii) both central and local governments are announcing a series of supportive policies for car stimulus. It is expected that the automobile sales market continues to grow in the following years, driven by accelerating car replacement due to local subsidies and additional license-quota allocations in purchase-restricted tier one and two cities.

Driven by these factors mentioned above, the sales volume of new passenger automobiles is expected to reach 22.1 million units by 2024, representing a CAGR of 0.6% between 2019 and 2024.

### Sales volume of new passenger automobiles by tier of cities in China

The share of tier three and below cities in the new passenger automobile market in terms of sales volumes have been increasing at a moderate pace, accounting for a market share of 56.8% in 2019. Tier three and below cities continue to see stronger growth momentum than tier one and two cities as a result of a significantly less saturated automobile market, loose automobile purchasing policies and continuously improving disposable income in tier three and below cities.

Sales volume of new passenger automobiles in tier three and below cities increased from 12.0 million units in 2015 to 12.2 million units in 2019, representing a CAGR of 0.3% from 2015 to 2019. On the other hand, the sales volume of new passenger automobiles in tier one cities increased from 1.2 million units to 1.4 million units, representing a CAGR of 4.5%; and the sales volume of new passenger automobiles in tier two cities decreased from 7.9 million units to 7.8 million units, representing a CAGR -0.2%, for the corresponding period. Driven by the increase of personal disposable income and the popularity of automobile consumption in these cities, the purchase demand of new passenger automobiles in tier three and other cities is expected to remain strong. The total sales volume is estimated to reach 12.7 million units in 2024, representing a CAGR of 0.9% from 2019 to 2024. In particular, the main reasons for the expected CAGR for total sales volume of new passenger automobiles for tier three and below cities higher than those of tier one and two are: (a) increasing purchasing power along with increasing household income, (b) wider sales network, (c) advantage of demographic dividend in tier three and other cities, (d) stronger willingness of car purchase and awareness of improving life quality, and (e) less restrictions on the number of automobiles. The table below illustrates the breakdown of sales volumes of the passenger automobile market by tier of cities in China.



The decrease from 2017 to 2019 is mainly due to the abolition of preferential purchase tax, weakening consumption needs resulted from uncertainty created by stricter new auto emissions standards and restrictions on the number of vehicles in major cities, and market sentiment resulting

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from potential trade friction between China and the U.S.. As the COVID-19 spread in 2020, car sales in China fell by 92% in the first half of February 2020 and the total sales volume of new passenger automobiles in China is expected to decrease to 19.7 million units in 2020. However, for the second quarter and third quarter of 2020, the sales volume of new passenger automobiles in China was approximately 5.0 million units and 5.5 million units, respectively, representing year-on-year growth rates of 2.2% and 7.7% compared to those sales volume in the corresponding period in 2019, respectively. The recovering new car sales with the effective containment of epidemic, which is anticipated to help automobile advertising industry to rebound. As for advertising expenditure of the automobile industry, the impact will be alleviated. However, the consumers' demand for purchasing cars were postponed rather than decreased as the outbreak of COVID-19 has led to several changes of consumers' behaviors, including (1) growing intention of non-car owners to acquire automobiles as private automobiles provide a relatively independent and enclosed space to prevent the spread of COVID-19 when compared with public transportation; (2) increasing awareness of health and safety-related features of the automobiles as more customers are putting an emphasis on the functions of on-board air purification system with disinfection and sterilization functions or the remote control of the air circulation when purchasing automobiles; and (3) preference for online sales and aftersales services.

### Key drivers of China's automobile market

The key market drivers of the automobile market in China include the following:

- **Increasing per capita disposable incomes of urban households.** Given the steady economic growth in China, annual per capita disposable incomes have continued to increase in recent years, especially in low-tier cities. At the same time, with the development of urbanization, people's consumption demands for automobiles as a necessity good for daily travel are also increasing. Since automobiles have become more affordable, a continuously increasing number of households are willing and able to purchase automobiles.
- **Tier three and below cities become the major business layout of OEMs and autodealers.** Compared with the saturated and competitive markets in tier one and two cities, tier three and below cities are projected to become the main growing points of the automobile market. Automakers and autodealers are extending their offline sales network in tier three and below cities, where there is a large market of consumers who are willing to purchase their first car or change the car.
- **Increasing popularity of auto finance and auto financial leasing services.** The development of auto finance and auto financial leasing services has enabled an increasing number of consumers to purchase automobiles in China. Auto financing services lower the entry barriers for purchasing automobiles by offering various financing products which encourage people to purchase automobiles. Driven by changing consumption patterns, it is expected that the trend will ultimately support future growth of the automobile market in China.
- **The emergence of auto e-commerce platforms.** The emergence of auto e-commerce platforms not only simplifies the purchase process for auto consumers, but also provides more diversified automobile services from pre-sale to post-sale; such as auto finance services, auto insurance, maintenance, and other related services. Therefore, the development of auto e-commerce platforms provides new vitality for the retail automobile market and will stimulate both car sales and the auto finance market.

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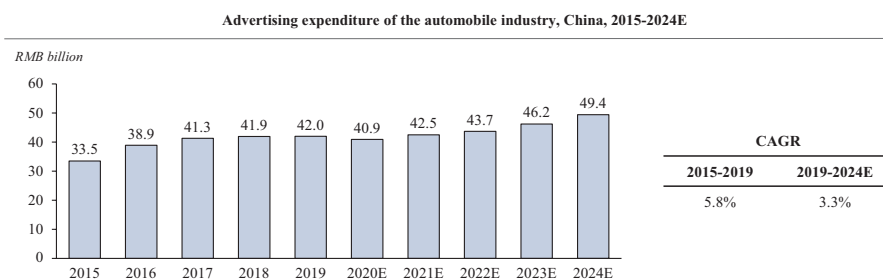
### CHINA'S AUTOMOBILE ADVERTISING INDUSTRY

#### Market size and share of the automobile advertising industry

The automobile advertising industry has been a fast-growing industrial sector in the overall advertising industry, with the automobile industry's advertising expenditure growing from RMB33.5 billion in 2015 to RMB42.0 billion in 2019, representing a CAGR of 5.8%.

The automobile industry occupied a key position in the overall advertising market ranking fourth among all industrial sectors with a market share of 7.0% in 2019. Additionally, it has been one of the fastest-growing industrial sectors over the past five years, behind real estate and the medical & healthcare industries.

The increase of the automobile industry's advertising expenditure was mainly driven by the growth of the overall auto market and development of multiple advertising channels. The decreased sales volume of automobiles in 2019, however, decreased the growth of advertising expenditure in that year, as a result, automobile advertising expenditure in 2019 remained similar to the expenditure in 2018. Based on the steady growth of the overall automobile industry and the emergence of online advertising, automobile advertising expenditure is forecasted to reach RMB49.4 billion by 2024, at a CAGR of 3.3% from 2019. The table below illustrates the advertising expenditure of the automobile industry.



Source: CNNIC, China Public Relations Association, CIC

In 2020, the advertising expenditure of the automobile industry is expected to decrease slightly to RMB40.9 billion due to the outbreak of the COVID-19 resulting in reduced marketing expenditures from small and medium-sized automakers and many unexpectedly cancelled offline events. Furthermore, the demand for automobile advertising industry may also be hindered by the recent outbreak of the COVID-19 due to the potential reduction of advertising expenditures by automakers and limited media resources of traditional media such as TVs and print media. However, the impact will be limited by the following factors: (a) online media such as automobile vertical media and social media are expected to be alternatives or backup of unfulfilled advertising on traditional media/offline events, considering total budget for advertising of automakers are scheduled at the beginning of the year; and (b) China is one of the largest automobile advertising market where the containment of epidemic is proven to be effective and the sales of new car has started to recover in March 2020, which is anticipated to help automobile advertising industry to rebound. That said, after the epidemic is effectively controlled, it is expected that consumer confidence will be restored and demand for purchasing automobiles will recover gradually, resulting in a recovery in automobile and automobile advertising industry accordingly.

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### Segmentation of automobile advertising services in China

Automobile advertising services in China consist of online advertising, offline advertising and other advertising services. Online marketing services include online advertising and online event-based marketing while offline marketing services include traditional media-based advertising and offline event-based marketing. The online advertising services accounted for 45.6% of the total automobile advertising services market in terms of expenditures in 2019. Details of the various automobile advertising segments are set out in the table below:

**Segmentation of the automobile advertising services market, China, 2019**

<u>Categories</u>	<u>Sub-categories</u>	<u>Description</u>	<u>Primary examples</u>
<b>Online advertising services</b>	Online advertising	<ul style="list-style-type: none"> <li>Advertisements that are generally online and display advertisements on PCs and mobile devices</li> </ul>	<ul style="list-style-type: none"> <li>Advertisements on: search engine, automobile vertical media platform, portal web, video streaming platform, E-commerce and social media</li> </ul>
	Online events-based advertising	<ul style="list-style-type: none"> <li>Advertising activities that generally use digital technology at key events in the business or customer lifecycle</li> </ul>	<ul style="list-style-type: none"> <li>Event campaigns held on online platforms</li> </ul>
<b>Offline advertising services</b>	Traditional media-based advertising	<ul style="list-style-type: none"> <li>Advertisements that are generally placed on traditional or print media or outdoor billboards</li> </ul>	<ul style="list-style-type: none"> <li>Advertisements on: print media, cinema, TV, radio and billboard</li> </ul>
	Offline event-based advertising	<ul style="list-style-type: none"> <li>Event-based campaigns that use non-digital elements and enhance brand image and promote products via offline channels</li> </ul>	<ul style="list-style-type: none"> <li>Product exhibition</li> <li>Press conference</li> <li>PR campaign</li> <li>Driving club event</li> </ul>
<b>Other advertising services</b>	/	<ul style="list-style-type: none"> <li>Other advertising activities that involve multi-channel strategies</li> </ul>	<ul style="list-style-type: none"> <li>Dealer subscription service</li> </ul>

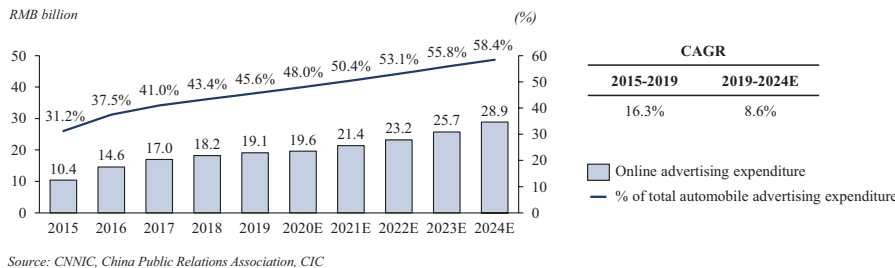
Source: SAIC, CNNIC, CIC

### CHINA'S AUTOMOBILE ONLINE ADVERTISING INDUSTRY

#### Market size of the automobile online advertising industry in China

The automobile online advertising market is gradually entering a new digital era. From 2015 to 2019, the online advertising expenditures of the automobile advertisers in China increased from RMB10.4 billion to RMB19.1 billion, representing a CAGR of 16.3%. During the same period, its percentage of the total automobile advertising expenditure grew from 31.2% to 45.6%. This increase was primarily driven by the fast growth of Internet users and well-developed Internet infrastructure. The table below illustrates the market size of the automobile online advertising industry in China.

**Market size of the automobile online advertising market, China, 2015-2024E**



The increase of projected CAGR for advertising expenditure of automobile industry and market size of automobile online advertising market from 2019 to 2024 are based on:

- (a) the number of Internet users in China rose to 0.8 billion in 2019. As the cost of broadband goes down, the number of Internet users is projected to reach 1.1 billion by 2024. The amount of daily time spent on digital media, including PC and mobile channels, increased



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from 158 minutes in 2015 to 235 minutes in 2019, representing a CAGR of 10.4%. This trend has led to a wider usage of smartphones and to the development of communication technology in China, resulting in an increase in time spent by consumers on mobile devices and a strengthened attention to online media. With the growing number of Internet users and the increasing popularity of Internet and mobile Apps, the online advertising market is expected to continue growing in the near future.

- (b) the development of advanced technology, including big data, The Internet of Things, etc. will improve the efficiency and effectiveness of online marketing strategies. Such technology can be utilized to increase precision when targeting a specific audience and to create a more immersive and interactive experience for the audience. Metrics such as time spent on sites, pages visited, and bounce rates can be recorded, collected, and analyzed to support customer relationship management and stimulate final purchases.
- (c) since the total sales volume growth of the auto market has recently slowed, OEMs are in imperative need for more effective marketing services to stimulate the sales volume of their automobiles. This increased demand is manifested by the growing advertising expenditure of the industry, especially on online advertisement, which is more advantageous in exposure rate and conversion rate. Compared to traditional media such as TV and print media, online media such as automobile vertical media and social media are able to satisfy automobile industry's rising demand for more effective advertising services.
- (d) with a growing household disposable income, Chinese consumers have higher requirements and pursue higher living standards: focusing on quality, diversity, experience, and customization when shopping. This trend indicates a change of consumer patterns towards a greater willingness to accept advertisements tailored for their personal preference and purchase the associated products. Thus, the increasingly relevant and interactive online advertising is expected to complement these changing consumer patterns and contribute to market growth.

Driven by increasing popularity of online media, the application of advanced technology in automobile online advertising, a growing demand for effective marketing services among OEMs, and changing consumer patterns for more diversified and tailored advertising services, automobile online advertising expenditure is expected to grow despite the relatively minimal growth in expected sales volume of new passenger automobiles in China from 2019 to 2024. Considering the automobile industry's rising demand for advertising services and the development trend of online marketing channels, automobile online advertising expenditure and its percentage of the total automobile advertising expenditure are expected to reach RMB28.9 billion and 58.4%, respectively, by 2024.

### **Categorisation of automobile online advertising**

Automobile online advertising exists in a variety of forms based on delivery channels, including (i) online automobile vertical media advertising, (ii) e-commerce, (iii) video streaming, (iv) search engine, (v) social media, and (vi) portal web and news aggregator advertising. These online advertisements are able to deliver products and services to precisely-targeted audiences in a more customized and interactive manner than traditional methods. In 2019, there were more than 500 online advertising platforms active in the automobile online advertising service industry. Online automobile vertical media advertising services play an important role in the online automobile advertising industry as the revenue generated from these services can account for 75.6% of that of the online automobile advertising industry in 2019. Advertisements placed on online automobile vertical media

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advertisements are usually displayed with PGC and UGC or placed among web feeds and are able to raise brand awareness, manage client relationships and strengthen customer loyalty. The table below illustrates the various categories of automobile online advertising services.

**Category of the automobile online advertising services, China, 2019**

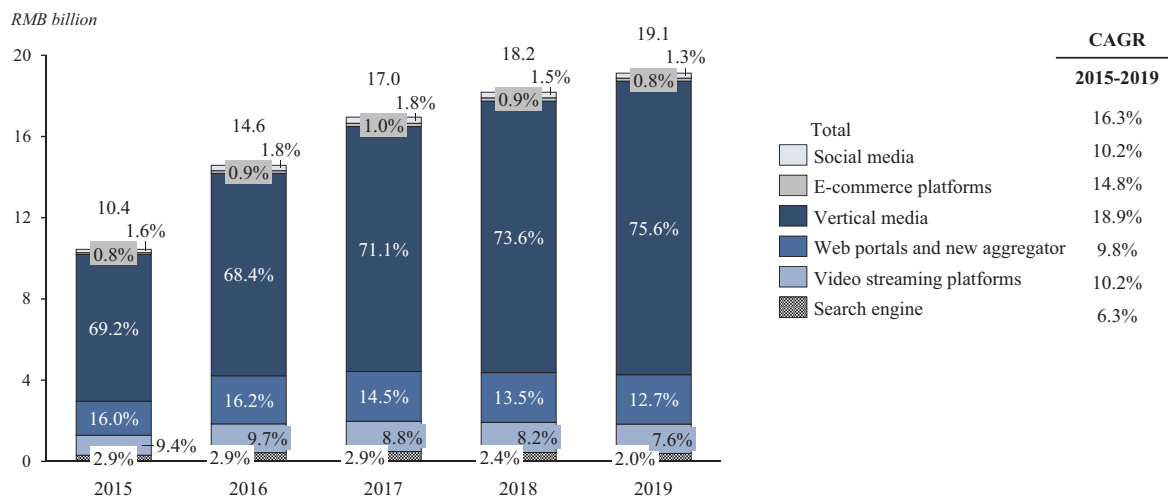
	Description		Description
Automobile advertising through E-commerce platforms	<ul style="list-style-type: none"> <li>Advertisements are displayed on e-commerce websites and apps to promote online purchases of products and services</li> <li>Directly stimulates purchase behavior in an online shopping situation</li> </ul>	Automobile advertising through video streaming platforms	<ul style="list-style-type: none"> <li>Advertisements are placed before, during, and/or after a video stream</li> <li>Able to capture video audiences' attention and is highly likely to have a significant impact</li> </ul>
Automobile advertising through search engine	<ul style="list-style-type: none"> <li>Advertisements are displayed on search results that match the consumers' search results for promotional purposes</li> <li>Precisely targets audiences who are interested in relevant products and services</li> </ul>	Automobile vertical media advertising	<ul style="list-style-type: none"> <li>Advertisements are displayed in the forms of PGC and UGC or placed among feeds on websites, apps, or other online platforms, and their content focuses on the automobile industry</li> <li>Able to raise brand awareness, manage client relationships, and strengthen customer loyalty</li> </ul>
Automobile advertising through social media	<ul style="list-style-type: none"> <li>Marketing of products and services via posting articles, pictures, and other promotional materials</li> <li>Can shape brand image and demonstrate products and services in various formats</li> </ul>	Automobile advertising through portal web and news aggregator	<ul style="list-style-type: none"> <li>Automobile advertisements are placed among the feeds on portal websites and news aggregators or displayed in the forms of PGC and UGC</li> <li>Able to capture audience attention since the advertisement content is relevant</li> </ul>

Source: SAIC, CNNIC, CIC

The above categorization of automobile online advertising services is in line with the categorization of the industry classification as online advertising services primarily consist of vertical media advertising, e-commerce advertising, search engine advertising, social media advertising, video streaming advertising, and portal web and news aggregator advertising.

The chart below illustrates the breakdown of the automobile online advertising industry by service categories.

**Market size of the automobile online advertising market by service categories, China, 2015-2019**



Source: CIC



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### Entry barriers of automobile online advertising industry

The major entry barriers to the automobile online advertising industry include:

- **Scale effect:** Large advertising platforms have network effects on providing automobile online advertising services. They can accumulate a large amount of users and data, which helps improve the effectiveness of their advertising services and enhance their brand awareness.
- **Strong brand awareness:** Automakers and autodealers tend to cooperate with online advertisers that have a reliable brand image and proven track records of providing effective automobile online advertising services. Such strong brand awareness is also regarded as the basis for their long-term collaboration.
- **In-depth industry knowledge:** The evolving nature of the Internet and automobile industries requires the market players to possess in-depth understanding of the said industries and be able to keep up with up-to-date trends of Internet and automobile industries. For new market entrants that lack the essential experience in these industries, it would be challenging to compete with existing market participants.

However, there are few barriers for other types of automobile online advertising platforms to enter the market of automobile vertical media platforms.

### Key market drivers of automobile online advertising industry

- **Increase in OEM online advertising investment will drive online advertising growth.** Since online advertising offers unique advantages including greater audience reach and easier access to leads, the share of online advertising increased from 31.2% in 2015 to 45.6% in 2019, and is expected to reach 58.4% in 2024. The share of luxury brands in online advertising increased from 12.7% in 2015 to 22.4% in 2019, and is expected to reach 30.0% in 2024. Meanwhile, emerging automakers are on the rise and the online advertising expenditure of these emerging automakers will experience robust growth from 2019 to 2024. The share of emerging automaker brands in online advertising will increase from 2.9% in 2019 to 4.5% in 2024, while the share of domestic brands, joint-venture brands and luxury brands in online advertising will change from 26.1%, 48.6% and 22.4% in 2019 to 23.5%, 41.9% and 30.0% in 2024, respectively. As the most crucial online advertising platform, automobile vertical media platforms will benefit from the growth of OEM online advertising investment and maintain strong growth in the future.
- **Advertising investment by automakers and autodealers will continue to increase due to the further intensifying competition within the automobile industry.** To gain an advantage in market competition, automakers and autodealers have increased their investment in advertising. The total advertising expenditure of automakers in China increased from RMB33.5 billion in 2015 to RMB42.0 billion in 2019. Considering the increasingly fierce competition within the automobile market, the total advertising expenditures of automakers is expected to reach RMB49.4 billion in 2024, representing a CAGR of 3.3% from 2019 to 2024. Therefore, as a critical channel of automotive advertising, the automobile vertical media platform industry will benefit from the heightened market competition and the associated increase in advertising.

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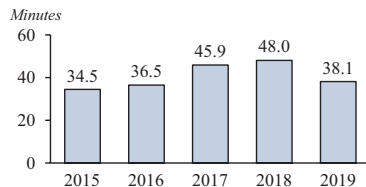
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- **Massive user traffic driving growth of automobile vertical media advertising platforms.** As the growth of Internet traffic slows down, it is becoming more difficult for new mobile Apps to attract users substantially. Currently the average activation cost per user for mobile Apps varies from RMB30 to RMB40, and that for mini programs on WeChat is approximately RMB1. The content-oriented nature of the automobile vertical media advertising platform has been able to pull in massive traffic through high-quality PGC, UGC, and OGC content. From 2015 to 2019, the average user browsing time per month on automobile vertical media platforms increased from 34.5 minutes to 38.1 minutes, and the average number of monthly visit days on PC per user increased from 4.5 to 4.9. Similarly, the average number of days automobile platform App used per user per month increased from 5.1 to 6.4 in that time.

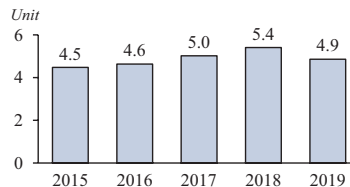
The growth of users' browsing time, monthly visit days on automobile vertical media platforms, and average number of days automobile vertical media App used per user per month have proven that the demand for high-quality content is growing. Therefore, an online automotive platform with a solid base of high-quality content will benefit from its own advantages and maintain strong growth in the future automobile market. In 2019, the decrease of browsing time and monthly visit days on automobile vertical media platforms on PC is primarily due to the weakened consumption needs for new passenger automobiles, shutdowns of small-sized websites of automobile vertical media platforms as in 2019, the market competition has already become fierce as the year to year growth rate of automobile vertical media advertising market slowed and more marketing expenditures were allocated to leading automobile vertical media platforms, which many smaller and underperforming market players at risk of losing clients, decreasing income or being eliminated were forced to shut down their websites or shift their business focus from PC to mobile along with the user traffic trend; and growing user traffic switching from PC to mobile.

Average user browsing time per month on automobile vertical media platform, PC, China, 2015-2019

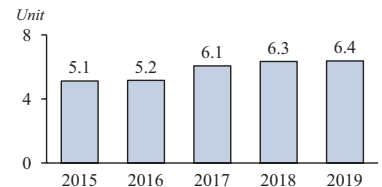


Source: CIC

Average number of monthly visit days per user on automobile vertical media platforms, PC, China, 2015-2019



Average number of days automobile platform app used per user per month, mobile device, China, 2015-2019



- **Technical innovations, including AI engine and big data, driving automobile vertical media advertising industry growth.** The accumulated user behavior data within an automobile vertical media advertising platform is the core asset of the platform. Through big data analytics, vertical media platform will better realize the identification and classification of users which will further enable automakers and autodealers to target customers and employ precise marketing. Therefore, the precise marketing based on big data unique to the vertical media platform will further boost its demand and development.

AI engine enables the automobile vertical media platform to deeply analyze user needs, achieve intelligent matching, and offer customized recommendation. With its improved user experience and resultant user loyalty, the online automotive platform will achieve a

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differential advantage. AI will facilitate the supremacy of the automobile vertical media over other types of platforms and will promote development of the industry.

The table below illustrates the precise marketing based on big data and customized recommendation based on AI.



## CHINA'S AUTOMOBILE VERTICAL MEDIA ADVERTISING INDUSTRY

### Market size of the automobile vertical media advertising industry

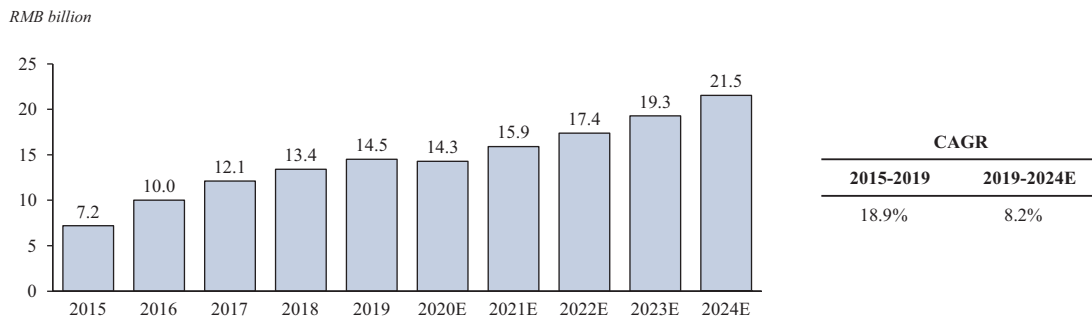
Automobile vertical media platforms produce high-quality car-related PGC, and distributes PGC, UGC and other car-related information<sup>(1)</sup> through diversified mediums such as social media, video streaming and news aggregators to reach a broad customer base. By industry practice, the indicators of high-quality automobile content primarily includes attractiveness in terms of the number of users to view the content, recognition for the quality and market reception of the content, effective quality control process of the content. Automobile vertical media advertising industry has experienced a period of steady growth over the past five years. In terms of revenue, the market size increased from RMB7.2 billion in 2015 to RMB14.5 billion in 2019, representing a CAGR of 18.9%. Driven by a growing demand for branding and promotion from automakers and auto dealers, the automobile vertical media advertising market size in China is expected to continue expanding over the next five years and reach RMB21.5 billion in 2024, representing a CAGR of 8.2% during 2019 to 2024.

Note:

<sup>(1)</sup> PGC refers to professionally generated contents while UGC refers to user generated contents. For the propose of this prospectus, the key difference between PGC and UGC is that PGC are created by our content team, key opinion leaders, influential bloggers or other writers who are able to produce automobile articles, pictures and videos with professional standard, whereas UGC are created by users of our platforms primarily covering their personal views and comments on automobile related information. OGC refers to occupationally generated contents such as automobile-related articles and reviews, pricing trends in various local markets, photographs, video clips and live streaming, covering topics throughout the automobile ownership life cycle, from automobile research, selection and purchase to ownership and maintenance and to eventual replacement. They are primarily created by media operation, such as journalists and news editors with specific purpose, such as, revenue-driven automobile articles. The main difference between OGC and PGC is that the OGC creator generally receive corresponding remuneration with respect to the content created. PGC, UGC and OGC are terms commonly used in the online automobile advertising industry and their definitions set out herein accord to professional and industry standard.

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Market size of automobile vertical media advertising industry, as measured by revenue, China, 2015-2024E



Source: CIC

In 2020, the market size of the automobile vertical media advertising industry is forecasted to decrease slightly due to the COVID-19 outbreak, which may result in reduction of marketing expenditures by automakers and auto dealers, however, it will recover the growth momentum in 2021 along with the growing sales volume of automobiles and the increasing preference by automobile advertisers for the automobile vertical media.

### KEY SUCCESS FACTORS OF AUTOMOBILE VERTICAL MEDIA PLATFORMS

- **Broad and engaged user base.** Automobile vertical media platforms compete with each other based on dimensions such as user traffic, user engagement and brand recognition, relationships with the suppliers, and attracting and retaining advertisers or customers. Platforms with greater traffic and highly engaged users will attract more automakers and dealers because a broader and more engaged user base will provide a higher exposure rate for advertising and larger number of potential car consumers. Thus, market players need to continuously maintain a broad user base and cultivate highly engaged members through interactive forums or communities. The effect brought by loyal communities will further raise the platforms' brand awareness, and enable them to acquire new users at lower costs. However, not only automobile vertical media platforms but also other online advertising platforms with business in online automobile advertising can attract great user traffic, leading to fierce competition in the market for maintaining more engaged user base.
- **Diverse automakers and autodealers customer base.** The majority of revenue for automobile vertical media platforms is generated by the advertising business from automakers and the subscription business from dealers. A large and stable customer pool available for automakers and dealers will ensure the sustainable development of an automobile vertical media platform. In addition, maintaining long-term partnerships with a wide range of automakers and dealers enables an automobile vertical media platform to provide up-to-date and comprehensive automotive content for its database, which in turn will attract a large number of website visitors and unlike many other online advertising platforms, the content and database of automobile vertical media platforms require more long-term operation and maintenance by experienced teams in order to generate sales leads.
- **Strong support from management, editorial and IT teams.** Possessing a management team with extensive industry expertise in both the Internet and automobile industries is a key success factor for automobile vertical media platforms. Companies can leverage on

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## INDUSTRY OVERVIEW

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the resources of the management team in order to cultivate relationships with numerous automakers and dealers. A dedicated and experienced editorial team with in-depth knowledge of automobiles will be able to create content with a high level of accuracy and timeliness and deliver automobile information in an effective way to attract more website visitors. By analyzing user behavior data, the IT team can obtain page viewer's preference data through big data analytics, so that it can better provide accurate and effective recommendations and advertising solutions to customers. Without having a management team that has in-depth industry knowledge of the automobile industry, even online advertising platforms with high user traffic will fail to provide effective online advertising services and retain users that are interested in automobile-related content.

- **Advanced technology.** The advanced technology, especially the mobile technologies such as 5G technology, big data and artificial intelligence, can highly improve the operational effectiveness of the automobile vertical media platforms under the trend of migration of user base from PC to the mobile app platforms. The innovation of technology including the development of 5G technology and widely use of big data facilitates the users' connectivity, and enhances the efficiency and accuracy of online automobile vertical data, meeting the users' demands on the ease and safety of digital use. Meanwhile, the use of AI in analyzing users' behaviors such as the time and pages spent on each site advanced the effectiveness of marketing penetration strategy on targeted users.

The industry challenges of automobile vertical media platforms primarily include potential threat of decreasing marketing budget by automakers due to the slowing growth of new automobile sales, more intensified competition in both online automobile advertising industry and automobile vertical media advertising industry, growing user traffic switching from PC to mobile devices and limited growth of user base.

### COMPETITIVE LANDSCAPE

As the automobile online advertising market is a complicated competition market with multiple market players from different types, the Company, as an automobile vertical media platform, faces competition not only from direct competitors of the same type, but also from automotive channels of major web portals, from other companies engaged in search engine, from companies engaged in social media business, from companies engaged in news aggregator business, and from other companies engaged in e-commerce and video streaming platforms. From 2015 to 2019, the amount of daily time spent on PC channels in China decreased from approximately 57 minutes to 35 minutes, while the amount of daily time spent on mobile channels increased from 101 minutes to 200 minutes. In view of the trend of migration of user base from PC to the mobile App platforms, there is increasing competition of automobile online advertising market in the area of mobile technologies, such as 5G technology, big data and artificial intelligence in the field of mobile communication, to gain access to mobile device users, which can be challenging for those automobile vertical media platforms focusing on attracting PC users or lack the capabilities to broaden their user base on mobile devices. There are approximately 25 automobile vertical media advertising platforms operating in China. The market concentration is significantly high, with the top five platforms accounting for approximately 96.6% of the total market revenue in 2019.

## INDUSTRY OVERVIEW

For the year ended December 31, 2019, we ranked first among all automobile vertical media advertising platforms in China in terms of DUV of approximately 11.2 million, and ranked fifth in terms of media-related revenue. In terms of media-related revenue, the Company accounted for approximately 2.1% of the top one automobile vertical media platform in 2019. The chart below illustrates the top five automobile vertical media platforms ranking in terms of revenue and net income for the year ended December 31, 2019:

**Ranking of top five automobile vertical media platforms in terms of media-related revenue and net income, China, 2019**

Ranking in terms of media-related revenue	Companies	Description	Market share in terms of media-related revenue (%)	Total media -related revenue in 2019 (RMB million)	CAGR of the media-related revenue from 2017 to 2019 (%)	Ranking in terms of net income	Total net income in 2019 (RMB million)
1	Company A	It is China's leading automobile Internet platform and vertical media platform. It is also the world's most visited car website, providing comprehensive services for automakers, auto dealers and consumers.	58.2%	8,420.8	22.1%	1	3,200.6
2	Company B	It is China's leading automobile Internet company and vertical media platform, providing professional auto-related information and purchase-guide services for auto consumers, and providing comprehensive marketing solutions for automakers and auto dealers.	27.0%	3,900.0	-0.3%	5	(118.0)
3	Company D	It is a company that provides media services to automakers and dealers. Its parent company covers computers, retail and other industries.	5.4%	776.3	5.4%	2	154.7
4	Company C	It started from an automobile online forum, it has developed into a comprehensive automobile marketing service provider. Currently, its main business focuses on first- and second-tier cities in China.	4.8%	700.0	-25.9%	4	40.0
5	<b>The Company<sup>Note</sup></b>	-	1.2%	177.6	22.9%	3	51.7

Source: CIC

Note:

The Company experienced a high growth rate during the Track Record Period based on its increase in revenue from approximately RMB117.6 million in 2017 to approximately RMB177.6 million in 2019, representing a CAGR of approximately 22.9% which was higher than the growth of the Company's main competitors and the industry growth during the same period. Such significant growth rate was attributable to the Company's competitive strengths that differentiate the Company from other industry participants. For details, please see "Business – Our Competitive Strengths" in this prospectus.



## INDUSTRY OVERVIEW

The chart below illustrates the market competitive landscape of typical automobile vertical media platforms in China as measured by the proprietary platform DUV, the third party platform DUV and the content production capability. The chart below illustrates the top five automobile vertical media platforms with their respective DUV in 2019:

Rank	Companies	Description	Total DUV <sup>(1)</sup> (million)	Proprietary website DUV (million)	Proprietary mobile Apps DUV (million)	Proprietary mobile website DUV (million)	Third-party platform DUV (million)
1	The Company	It is a fast-growing vertical media platform in China that creates comprehensive automobile content and distributes them to their users through their proprietary and third-party platforms.	11.2	3.5	0.6	1.0	9.0
2	Company A	It is China's leading automobile Internet platform and vertical media platform. It is also the world's most visited car website, providing comprehensive services for automakers, auto dealers and consumers.	10.8	7.1	4.2	2.1	1.2
3	Company B	It is China's leading automobile Internet company and vertical media platform, providing professional auto-related information and purchase-guide services for auto consumers, and providing comprehensive marketing solutions for automakers and auto dealers.	5.8	4.5	1.0	1.1	1.0
4	Company C	It started from an automobile online forum, it has developed into a comprehensive automobile marketing service provider. Currently, its main business focuses on first- and second-tier cities in China.	4.8	4.3	0.3	0.9	0.9
5	Company D	It is a company that provides media services to automakers and dealers. Its parent company covers computers, retail and other industries.	4.7	4.5	0.3	1.1	0.5

Source: CIC

Note:

- (1) The total DUV for a vertical media platform is calculated based on the sum of the DUV for that proprietary website, proprietary mobile Apps, proprietary mobile website and third-party platform which distributes its content, after accounting for and deducting any duplicate in DUV for proprietary website, proprietary mobile Apps and third-party platforms.
- (2) According to the CIC Report, in 2019, the percentage of deducted total DUV of proprietary platforms to total DUV was 31.5% and the percentage of deducted total DUV of third party platforms to total DUV was 68.5%.

For the year ended December 31, 2019, we ranked first among all automobile vertical media advertising platforms in China in terms of DUV of approximately 11.2 million, and ranked fifth in terms of media-related revenue. For automobile vertical media platforms, the DUV is a representative measurement of the activeness of their users, while revenue is a representative measurement of their monetization capabilities.

## INDUSTRY OVERVIEW

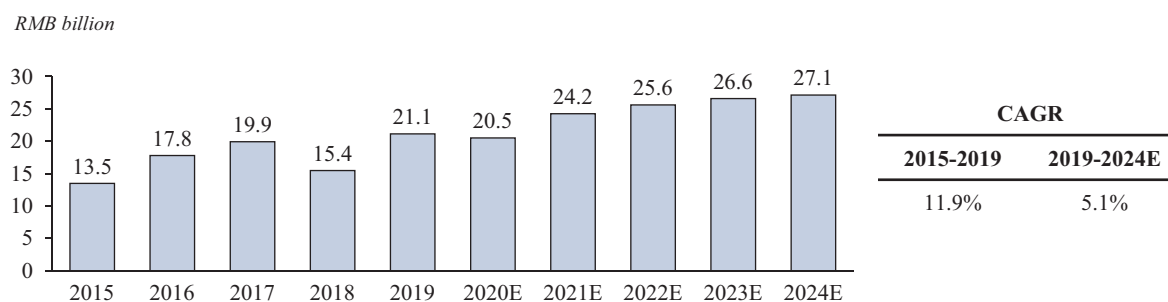
### CHINA'S AUTOMOBILE AFTERMARKET SERVICE INDUSTRY

#### Market size and key market drivers of automobile insurance industry in China

The marketing services market of auto insurance in China has undergone growth over the past few years. The market size of auto insurance marketing expenditures increased from RMB13.5 billion in 2015 to approximately RMB21.1 billion in 2019, with a CAGR of 11.9%. This growth was mainly due to the stable development of auto insurance market, whose market size by premium increased from RMB620.1 billion in 2015 to RMB818.8 billion in 2019, with a CAGR of 7.2%.

Driven by increasingly enhanced cooperation between insurance companies and automobile vertical media platforms, booming auto insurance market and increasing auto insurance product offerings, the marketing services market of auto insurance is projected to reach RMB27.1 billion by 2024, representing a CAGR of 5.1% for the period of 2019 to 2024.

Market size of marketing services by insurance companies, as measured by marketing expenditures, China, 2015-2024E



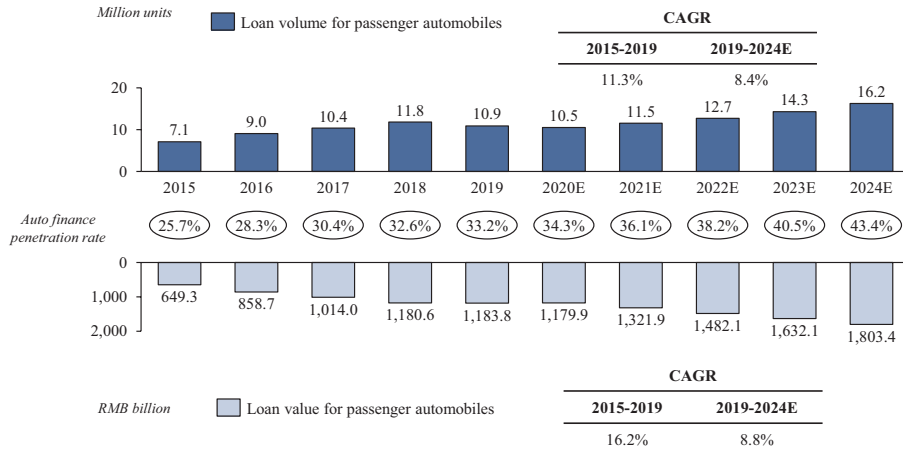
Source: CBIRC, CIC

#### Market Size and key market drivers of retail automobile finance industry in China

The market size of automobile finance industry in terms of the number of newly issued loan has increased significantly over the last five years from 7.1 million units in 2015 to 10.9 million units in 2019, representing a CAGR of 11.3%. These volumes are expected to continue increasing robustly throughout the next five years and reach 16.2 million units in 2024, representing a CAGR of 8.4%. In terms of the value of newly issued loans, the market size increased from RMB649.3 billion in 2015 to RMB1,183.8 billion in 2019, representing a CAGR of 16.2%. It is expected that the loan volume and loan value will continue increasing throughout the next five years to reach 16.2 million units and RMB1,803.4 billion in 2024, respectively, driven by accommodating government policies, a growing demand for automobiles and an increasing acceptance of auto finance services. With the steadily increasing awareness among consumers of leveraged financing products, the penetration rate of the overall auto finance market, which refers to the percentage of the number of automobiles purchased through automobile loans divided by the total number of transaction of automobiles, is projected to increase from 33.2% in 2019 to 43.4% by 2024. The table below illustrates the market size and penetration rates of the retail automobile finance industry.

# INDUSTRY OVERVIEW

**Market size of the retail auto finance market, as measured by loan volume and loan value, China, 2015-2024E**



Source: CADA, CIC

*Note: All the market size forecast quoted in this section is based on the global economy and trade industry as of the Latest Practicable Date, the figures would be adjusted if there is further unpredicted impact on the economic and trade due to outbreak of COVID-19.*