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The information and statistics set out in this section and other sections of this document were extracted from different official government publications, available sources from public market research and other sources from independent suppliers. In addition, we engaged iResearch for preparing the iResearch Report, an independent industry report in respect of the **[REDACTED]**. *We believe that the sources of the information in this section and other sections of this document are appropriate sources for such information, and we 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 fact has been omitted that would render such information false or misleading. The information from official and non-official sources has not been independently verified by us,* **[REDACTED]**, *the Joint Sponsors, the* **[REDACTED]**, *any of the* **[REDACTED]**, *any of their respective directors and advisers, or any other persons or parties involved in the* **[REDACTED]** *except iResearch, and no representation is given as to its accuracy. Accordingly, the information from official and non-official sources contained herein may not be accurate and should not be unduly relied upon. Our Directors confirm that, after making reasonable enquiries, there is no adverse change in the market information since the date of the iResearch Report that would qualify, contradict or have a material impact on the information in this Section.*

Except as otherwise noted, all of the data and forecasts contained in this section have been derived from the iResearch Report.

Overview of Automotive Industry in China

China is the world's largest automotive market as measured by sales volume of new passenger vehicles in 2019. According to the iResearch Report, in 2019, total new passenger vehicle sales volume in China was 21.4 million units, compared to 17.1 million units in the United States[1], 4.3 million units in Japan, 3.6 million units in Germany, and 2.3 million units in the United Kingdom. It is expected by 2025, total new passenger vehicle sales volume in China shall reach 25.8 million units.

Total used passenger vehicle sales volume in China has increased from 6.0 million units in 2015 to 11.1 million units in 2019, representing a compound annual growth rate ("CAGR") of 16.5%. Total used passenger vehicle sales volume in the United States, however, was 40.8 million units in 2019, indicating large room of growth for China market. It is expected that total used passenger vehicle sales volume in China shall increase from 10.8 million units in 2020 to 19.5 million units in 2025, representing a CAGR of 12.6%.

Despite total passenger vehicle sales volume (including both new and used cars) in China decreased by 42.6% year-on-year in the first quarter of 2020 due to the negative impact from COVID-19 on both the demand and supply side, the sales volume has increased by 1.6% year-on-year in the second quarter of 2020 and 8.5% year-on-year in the third quarter of 2020, due to a well-contained pandemic in China and supportive government policies.

According to the iResearch Report, the main factors driving the growth of China's automotive industry include the following:

● *Low vehicle ownership penetration rate*. Automobile ownership was 186 units per 1,000 people in China as the end of 2019, much lower than 837 in the United States, 591 in Japan, 589 in Germany, 458 in South Korea, 433 in Malaysia and 250 in Thailand at the same time point, implying large room for further ownership increase.

1　Total new passenger vehicle sales volume in the United States includes light trucks.

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● *Urbanization and increasing affluence*. The urban population as a percentage of China's total population increased from 55.5% in 2015 to 60.3% in 2019, leading to an increase in travel distances for urban dwellers. Annual per capita disposable income increased from RMB21,966 in 2015 to RMB30,733 in 2019, indicating a CAGR of 8.8%. With increasing prosperity, durable consumer goods, including automobiles, have become more affordable to Chinese consumers.

● *Large infrastructure investment*. In parallel to this greater urbanization, the Chinese Government has been investing extensively in transportation infrastructure, with China's total mileage of highways growing from 123.5 thousand kilometers in 2015 to 149.6 thousand kilometers in 2019. As a result, automobiles, which bring higher mobility to consumers, have become an increasingly important form of transportation in China.

● *Favorable government initiatives*. China has witnessed a preferential policy environment for auto transactions in recent years, for example:

  ○ The central government and local governments in cities with restricted vehicle purchases such as Beijing and Shenzhen, are gradually encouraging the appropriate increase in number of vehicle license plates and purchase targets, to drive the consumption of vehicles and related products.

  ○ Local governments such as Shanghai and Guangdong, are providing subsidies to trade-in transactions of fuel vehicles, and rural residents' purchase of vehicles.

  ○ The State Council and relevant ministries announced in 2020 the extension of subsidy and exemption of purchase tax on new energy vehicle purchase till 2022, to promote the domestic automobile consumption and protect the new energy vehicle industry chain.

  ○ The People's Bank of China and the China Banking and Insurance Regulatory Commission elevated the maximum permitted loan-to-value ratio for both new and used cars in 2017 to facilitate consumers' purchase of vehicles through better leveraging of financial tools.

Overview of Online Auto Service Platform Industry in China

Online auto service platform mainly serves as a link between the upstream participants and downstream consumers. On one hand, it attracts auto consumers with various auto related services and accumulates user data. On the other hand, it establishes cooperation with upstream suppliers, including automakers, dealers, used car sources, and financing, insurance and other aftersales market product providers, and monetizes through serving as an important distribution channel for auto advertising, leads, new and used vehicles, financial and insurance products, and data products, etc.

Going forward, leading online auto service platforms are expected to empower more service scenarios to attract and deposit user assets, while penetrate into more related upstream markets to enlarge business potential and monetization opportunities.

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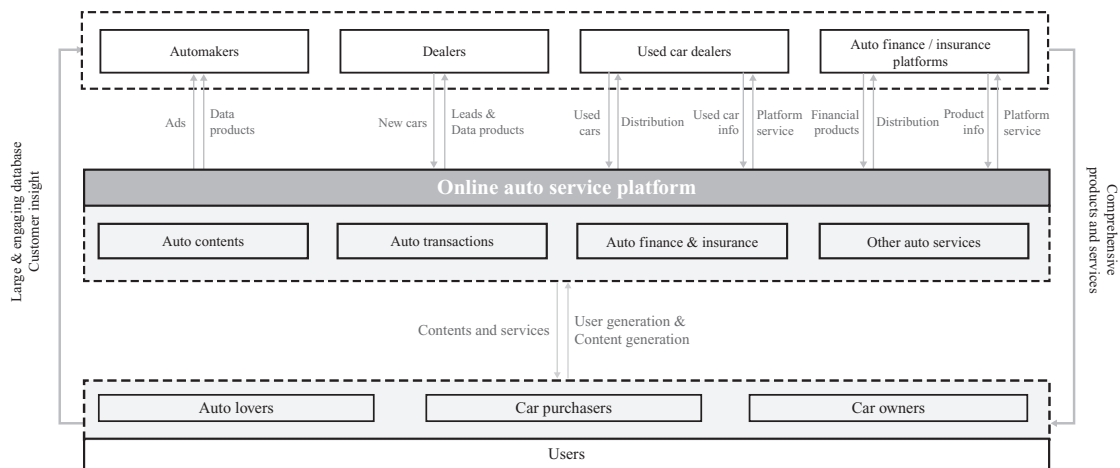
Online Automobile Advertising and Auto Leads Generation Markets in China

Sales and marketing activities of automakers and dealers include both offline and online channels. Offline channels include traditional media-based advertising such as print media or outdoor billboards, as well as offline promotional events such as product exhibition and other PR campaign. Online channels include online advertising on automotive vertical websites and mobile application, internet portals, social media, news, video and live-streaming applications.

Total sales and marketing spending on new passenger vehicles by automakers in China has increased from RMB257.7 billion in 2015 to RMB309.4 billion in 2019, representing a CAGR of 4.7%, and is expected to increase from RMB249.3 billion in 2020 to RMB377.6 billion by 2025, representing a CAGR of 8.7%.

Auto advertisements and leads market in China, in terms of total spending on auto advertisements and leads subscription, has increased from RMB49.9 billion in 2015 to RMB74.8 billion in 2019, indicating a CAGR of 10.7%, and is expected to increase from RMB56.8 billion in 2020 to RMB116.4 billion by 2025, indicating a CAGR of 15.4%.

China Auto Ads and Leads Market

2015-2019 CAGR: 10.7%
2020E-2025E CAGR: 15.4%
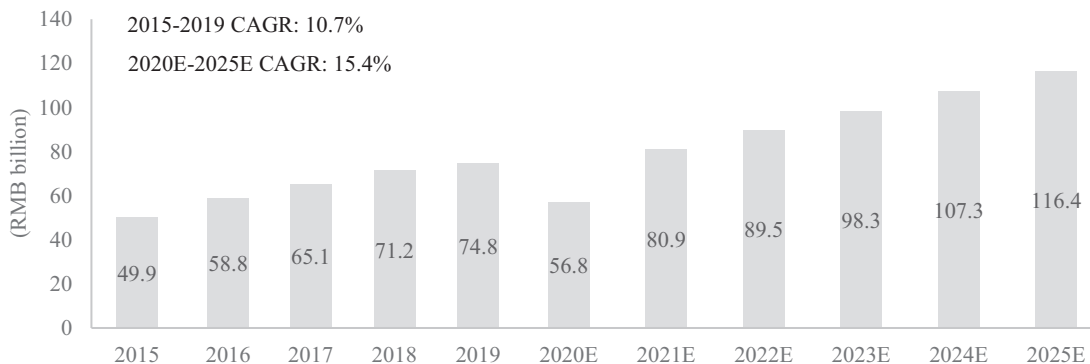
- Auto advertising market in China, in terms of total auto advertisements spending, increased from RMB42.9 billion in 2015 to RMB56.8 billion in 2019, indicating a CAGR of 7.2%, and is expected to increase from RMB38.5 billion in 2020 to RMB76.7 billion in 2025, indicating a CAGR of 14.8%.

- Auto leads market in China, in terms of total online spending on leads subscription, increased from RMB7.0 billion in 2015 to RMB18.1 billion in 2019, indicating a CAGR of 26.8%, and is

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expected to increase from RMB18.3 billion in 2020 to RMB39.7 billion in 2025, indicating a CAGR of 16.8%.

Online auto advertisements penetration, in terms of online auto advertisements spending as a percentage of total auto advertisements spending, has increased from 33.7% in 2015 to 45.6% in 2019. With the COVID-19 pandemic, the online penetration is expected to reach 59.8% in 2020. Going forward, the shift of marketing budget from offline to online is expected to continue, with online penetration expected to be 58.6% in 2025.

China Online Auto Ads Penetration
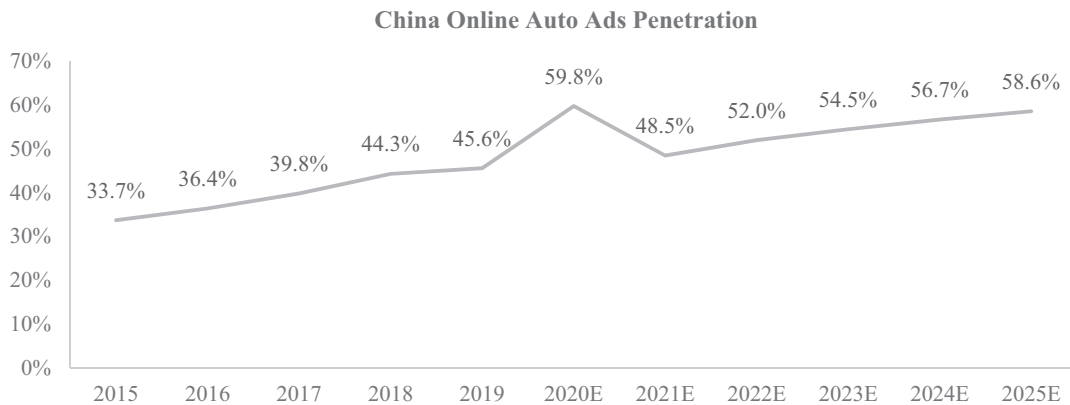
Auto advertisements and leads vertical platform market in China, in terms of total spending on auto advertisements and leads subscription on online auto service platforms, has increased from RMB10.4 billion in 2015 to RMB23.2 billion in 2019, indicating a CAGR of 22.1%, and is expected to increase from RMB24.3 billion in 2020 to RMB65.3 billion by 2025, representing a CAGR of 21.9%. Vertical platforms are taking larger share of the online advertising pocket over time, over competing online channels.

China Auto Ads and Leads Vertical Platform Market
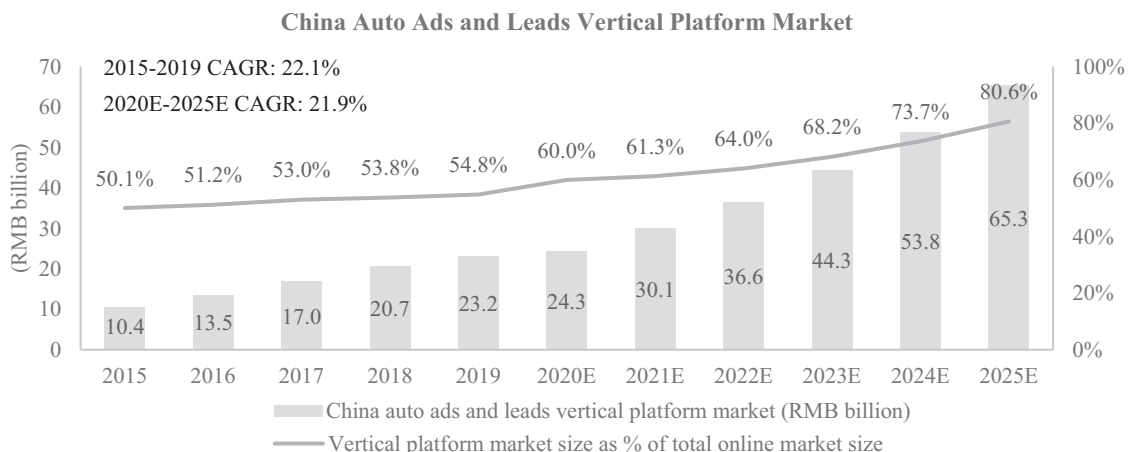
As the industry is reshaping, we see some key trends emerging that benefit the industry:

● Consumers are spending more and more time online, and online channels are now serving as the most important sources of information for consumers. The recent COVID-19 pandemic has accelerated the change in consumers' behavior, with the frequency and duration of usage of online auto service platforms increasing significantly post the pandemic, and accordingly forced various industry players to adapt their offering to an ever more online ecosystem.

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● Consumers have indicated strong preference for platforms with high quality, personalized and rich content (e.g. professionally-generated content, user-generated content), and all the more for platforms offering diversified formats (e.g. AR, VR, live streaming, short videos, etc.). This has resulted in an increasing demand for innovative and interactive online marketing tools, such as virtual showroom or live streaming event. More and more industry players are capturing this opportunity through adopting pioneering intelligent showroom and live streaming functions, that integrate augmented and virtual reality, big data, and voice recognition to achieve panoramic car shopping, smart recommendations, and shopping guides, which are particularly useful for virtual auto shows, especially during this COVID-19 pandemic.

● Increasing demand from automakers and dealers for performance-based marketing solution and precise audience reach and customized advertising leveraging AI and big data, benefiting players with rich user data and the capability to provide personalized content to customers.

Auto Data Products Market in China

Auto data products primarily consist of data reports and intelligent tools in the form of SaaS that assist the R&D, marketing, sales and aftersales of automakers and dealers along the car life cycle.

Data products tap into both the sales and marketing budgets of automakers in China which is estimated to be RMB309.4 billion in 2019, and RMB377.6 billion by 2025, as well as the research & development (R&D) budgets of automakers in China, which is estimated to be RMB111.7 billion in 2019, and RMB164.8 billion by 2025.

The development of auto data product market is still at the early stage. Total spending on data products by automakers and dealers in China was only RMB1.0 billion in 2019, and is expected to increase to RMB23.0 billion by 2025, representing a CAGR of 67.8%.

According to the iResearch Report, the main factors driving the growth of China's auto data products market include the following:

● *Automakers' and dealers' digitalization transformation in their sales & marketing and R&D efforts to increase efficiency*.

  ○ R&D: To address the increasing market demand to produce innovative new car models with technology features, automakers need to leverage data products to improve R&D capabilities.

  ○ Marketing and operations: To provide consumers with intelligent life cycle services, automakers and dealers need to rely more on technology and data tools. For example, to provide precise marketing through big data analysis in customer acquisition stage; to leverage VR technologies to provide consumers with a real sense in car selection stage; to conduct performance and price evaluations with AI in car purchase stage; and to provide timely maintenance reminders through intelligent monitor of auto parts performance in aftersales stage, etc.

● *The enhanced capability of SaaS providers to offer various solutions that satisfy disparate needs.* The user data accumulated and improving end-to-end SaaS capabilities enable data products providers to offer comprehensive digital services to automakers and dealers along the full spectrum of auto value chain, driving the demand of automakers and dealers for digitalized services.

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Online Used Car Transaction Market in China

According to the iResearch Report, total used passenger vehicle transaction value in China has increased from RMB431.7 billion in 2015 to RMB740.4 billion in 2019, representing a CAGR of 14.4%, and is expected to increase from RMB723.4 billion in 2020 to RMB1,242.2 billion by 2025, representing a CAGR of 11.4%. The total addressable market of used passenger vehicle transaction services market in China, consisting of the potential commission fees used car transaction platforms are able to receive, is expected to increase from RMB35.0 billion in 2020 to RMB64.6 billion by 2025, representing a CAGR of 13.0%.

The main factors driving the growth of China's online used car transaction market include the following:

- *Used car transactions in China are yet to be more active*. Used passenger vehicle transaction volume as percentage of new passenger vehicle sales volume in China was 51.5% in 2019, lower than 343.7% in the United Kingdom, 239.2% in the United States, and 136.7% in Japan of the same period.

- *Improvement of information transparency and integrity on used car transactions*. The pain points of uneven seller reputation, unfair transaction prices and opaque vehicle conditions in used car market in China are gradually being solved with the improvement of credit system across the society and the development of comprehensive used car platforms. Thus, consumers in China are having stronger confidence in used car transactions.

- *Rectification of price gap between new and used vehicles*. The price inversion between new and used vehicles once greatly hindered the used car market in China. The gradual rationalization of the prices of new and used vehicles are providing more incentives for used car transactions.

- *Users' strong willingness to leverage online auto service platforms to purchase used cars*. According to investigation by iResearch, users are generally more prone to purchasing used cars on online auto platforms than in offline stores after viewing information on the online platforms. Consider the strong user willingness of online view and online purchase, and trust on the C2B2C model provided and backed by online platforms, there exists huge potential for online used car transactions.

- *Supportive government policies on used car transactions*. Premier Li Keqiang mentioned in *Report on the Work of the Government* in 2018 that the policy of restriction on the relocation of used cars should be completely abolished. Thereafter, both the Ministry of Commerce and various provincial governments have stated to speed up the implementation of the policy to support the prosperity of used car market. Besides, the Ministry of Finance and State Administration of Taxation, jointly announced in 2020 to slash the value-added tax rate on used car sales from 2 percent to 0.5 percent, to further promote the used car transactions.

Auto Financing, Insurance and Aftersales Markets in China

Auto Financing and Insurance

According to the iResearch Report, auto financing market in China, in terms of total auto retail loan balance, has increased from RMB305.2 billion in 2015 to RMB719.4 billion in 2019. The total addressable market of online auto financing transaction services market in China, consisting of the potential commission fees online auto financing platforms are able to receive, is estimated to be RMB26.1 billion by 2025. Also according to the iResearch Report, auto insurance market in China, in terms of total automobile insurance premium, has increased from RMB619.9 billion in 2015 to

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RMB818.8 billion in 2019. The total addressable market of online auto insurance transaction services market in China, consisting of potential commission fees online auto insurance platforms are able to receive, is estimated to be RMB35.8 billion by 2025.

The main factors driving the growth of China's auto financing and insurance market include the following:

● *Under-penetrated auto financing market in China.* The penetration of auto financing in China, in terms of sales volume with auto financing as a percentage of total, was approximately 43.0% for new passenger vehicles in 2019, which was much lower than 86.0% in the United States, 75.0% in Germany, and 70.0% in France in 2018. The penetration of auto financing for used passenger vehicles in China, in terms of sales volume with auto financing as a percentage of total, was approximately 28.0% in 2019, also much lower than the approximately 50.0% level in developed European and American markets. Still in the early stage of development, China's auto financing market has broad space for development. It is expected by 2025, the penetration of auto financing for new passenger vehicles shall reach approximately 61.0% in China.

● *Increasing receptiveness of consumer credit and insurance products of Chinese population.* Consumers in China, especially younger generations, are increasingly spending with consumer credits, under the prevalence of advanced consumerism, and the backdrop of improvement in personal credit system across the society. Insurance products are gaining increasing popularity as well, with the strengthening of health awareness among young and middle-aged generations. Auto finance and insurance, as a category of consumer credit and insurance in a vertical sector, shall benefit from the trend as well.

● *Technology innovations leading to a greater variety of products and a higher degree of efficiency.* The application of big data and artificial intelligence is increasingly helping auto finance and insurance institutions gain deeper insights into user behaviors, thus facilitating their product development, marketing and customer acquisition, and risk control.

Auto Aftersales Market

Auto aftersales market incorporates various services surrounding the use of vehicles post consumers' purchase, including maintenance and repair, rental services and auto accessories (car interiors and hardware for Internet of Vehicles, etc.). Online auto aftersales market, refers to those services facilitated and transacted online.

According to the iResearch Report, auto aftersales market in China has increased from RMB751.0 billion in 2015 to RMB1,269.8 billion in 2019, representing a CAGR of 14.0%, and is expected to increase from RMB1,366.4 billion in 2020 to RMB2,122.3 billion by 2025, representing a CAGR of 9.2%.

Also according to the iResearch Report, online auto aftersales market in China has increased from RMB157.6 billion in 2015 to RMB330.8 billion in 2019, representing a CAGR of 20.4%, and is expected to increase from RMB391.6 billion in 2020 to RMB710.8 billion by 2025, representing a CAGR of 12.7%.

Competitive Landscape

We are the largest automotive service platform in terms of mobile daily active users ("DAU") as of December 2020 with full-service offerings. We face challenges from other major players that include automotive vertical websites and mobile applications, and online automotive transaction platforms. For example, according to iResearch, *BitAuto*, which was founded in 2000 and was listed on the NYSE

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from 2010 to 2020, provides online auto information to Chinese auto consumers and advertising, leads generation and other services to automakers and dealers; *Dongchedi*, founded in 2017, is an online auto information platform with online media and leads subscription as its major service offerings; *Guazi*, founded in 2015, is an online auto service provider focused on the used-car market in China; *Uxin*, which was founded in 2011 and has been listed on NASDAQ since 2018, also focuses on the used-car market. We also face competition from companies engaged in social media business who compete for online traffic, and traditional dealerships with whom consumers in China might be more accustomed to making automobile purchases.

The comprehensiveness in service offerings to users is the key to maintain and grow a large and engaging user base, which in turn, allows the industry players to provide a one-stop solution to automakers and deals, maximizing the lifetime value for each customer and establishing a significant barrier of entry. We are the only player with offerings covering full auto ownership life cycle.

| Company | Average daily mobile active users (million)[1][2] | Average daily application access rate per user (mobile applications) (times)[1] | Service offerings | | | | | | |
			Media	New car leads	Data products	New car transaction	Used car transactions	Financing[3]	Aftermarket
Autohome (汽車之家) ..	42.1	3.5	✓	✓	✓	✓	✓	✓	✓
Company A	6.9	2.8	✓	✓	✓			✓	✓
Company B	4.4	3.4	✓	✓	✓			✓	✓
Company C	0.6	3.2				✓	✓	✓	✓
Company D	0.1	2.6					✓	✓	

Notes:

(1) Mobile active users and average daily application access rate per user (mobile applications) are based on QuestMobile data, in December 2020.

(2) Average daily mobile active users include users from mobile websites, primary mobile applications and mini-apps for us, and primary mobile applications and mini-apps for competitors, as QuestMobile did not collect the mobile website data of competitors. Excluding users of our mobile websites, our average mobile daily users were 15.4 million, in December 2020.

(3) For auto financing, we and our competitors only provide platforms for cooperative banks and financial institutions to display and market financial products, and facilitate loans, but do not engage in lending directly due to license restrictions, as none of them hold an auto financing license.

According to the iResearch Report, we are the largest online automotive advertising and leads generation service provider with a 29.9% market share, in terms of media services and leads generation revenue, in China's online auto vertical media advertising and leads generation market in 2019. Other major players include automotive vertical websites and mobile applications.

Company	Online auto vertical media advertising and leads generation market share in 2019
Autohome (汽車之家)	29.9%
Company A	16.8%
Company B	3.9%

Note:

(1) According to iResearch, neither Company C nor Company D has media and leads generation services as its major service offerings, and the market share of each in China's online auto vertical media advertising and leads generation market in 2019 is negligible (thus not disclosed here).

Key Entry Barriers in the Online Auto Service Platform Industry in China

According to the iResearch Report, the main entry barriers to enter the online auto service platform industry in China include the following:

● Upstream barriers, including stable sources of vehicles and license of auto financing. Stable sources of new and used passenger vehicles through deep relationship with automakers and

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dealers enable users to have more choices for information and decision making on the platform. Cooperation with institutions with the license helps users make purchase decisions in a more efficient manner.

- Platform barrier, primarily proprietary technology and data insight. Technology capability and user knowledge empower automakers' sales and marketing and R&D, and provide users with unique purchase experiences through VR, AI and personalized solutions.

- Downstream barriers, including quality contents and valuable loyal user group. Quality PGC and professional user-generated contents from top creators and early release of premium contents guarantee the competitiveness of the platform. A stable user group with leading scale helps promote reputation of the platform, thus facilitating the branding and new user acquisition.

Source of Information

In connection with the **[REDACTED]**, we have engaged iResearch to conduct a detailed analysis and prepare an industry report on the markets in which we operate. iResearch is an independent and a PRC-based market research institution that provides consumer insights and market data to companies in various industries, including mobile internet, big data, information technology, e-commerce, advertising. We incurred a total of RMB780,000 in fees and expenses for the preparation of the iResearch Report. The payment of such amount was not contingent upon our successful Listing or on the results of the iResearch Report. Except for the iResearch Report, we did not commission any other industry report in connection with the **[REDACTED]**.

We have included certain information from the iResearch Report in this document because we believe such information facilitates an understanding of the markets in which we operate for potential investors. iResearch prepared its report based on its in-house database, independent third-party reports and publicly available data from reputable industry organizations. Where necessary, iResearch contacts companies operating in the industry to gather and synthesize information in relation to the market, prices and other relevant information. iResearch believes that the basic assumptions used in preparing the iResearch Report, including those used to make future projections, are factual, correct and not misleading. iResearch has independently analyzed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. iResearch research may be affected by the accuracy of these assumptions and the choice of these primary and secondary sources.

In preparing the iResearch Report, iResearch relied on market information which has a variety of data sources, including external information channels and iResearch internal database. External information channels consist of both primary and secondary research sources, including the National Bureau of Statistics of China, the World Bank, the China Association of Automobile Manufacturers and the China Automobile Dealers Association, etc.