
INDUSTRY OVERVIEW

Certain information and statistics set out in this section and elsewhere in this prospectus are derived from various government and other publicly available sources, and from the market research report prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. (“Frost & Sullivan”), an independent industry consultant that was commissioned by our Company (the “Frost & Sullivan Report”). The information extracted from the Frost & Sullivan Report should not be considered to be a basis for investments in the Offer Shares or an opinion of Frost & Sullivan with respect to the value of any securities or the advisability of investing in our Company. 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. No independent verification has been carried out on such information and statistics by our Company or any other parties involved in the Global Offering (excluding Frost & Sullivan), 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 industry, please see the section headed “Risk Factors—Risks Relating to Our Business and Industry.”

SOURCE OF INFORMATION

In connection with the Global Offering, we commissioned Frost & Sullivan to conduct a detailed analysis of China’s consumer finance market, online consumer finance market and credit card balance transfer market (collectively, the “**Target Research Markets**”).

In preparing the Frost & Sullivan Report, Frost & Sullivan conducted primary research, which involved discussions with certain leading industry participants about the status of the Target Research Markets, and also conducted secondary research, which involved review of public company reports, independent research reports, and data based on Frost & Sullivan’s own research database.

The Frost & Sullivan Report was compiled based on the following assumptions: (i) the social, economic, and political environment in China and around the world will remain stable in the forecast period; (ii) purchasing power is expected to continue to rise rapidly in emerging regions and to grow steadily in developed regions; and (iii) identified key drivers are likely to keep driving the Target Research Markets in the forecast period.

Frost & Sullivan is an independent global consulting firm, which was founded in New York, U.S.A. in 1961. It conducts industry research and provides market strategies, growth consulting, and corporate training services. We have agreed to pay a fee of RMB680,000 to Frost & Sullivan in connection with the preparation of the Frost & Sullivan Report. The payment of such fee was not conditional on our successful Listing or on the results of the Frost & Sullivan Report. The Frost & Sullivan Report is independent from our influence.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report. We also have extracted certain information from the Frost & Sullivan Report in the sections headed “Summary,” “Risk Factors,” “Business,” and “Financial Information” to provide a more comprehensive presentation of the industry in which we operate. Our

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Directors have further confirmed, after making reasonable inquiries and exercising reasonable care, that there is no adverse change in the market information since the date of publication of the Frost & Sullivan Report or any of the other reports that may qualify, contradict or have an impact on the information in this section.

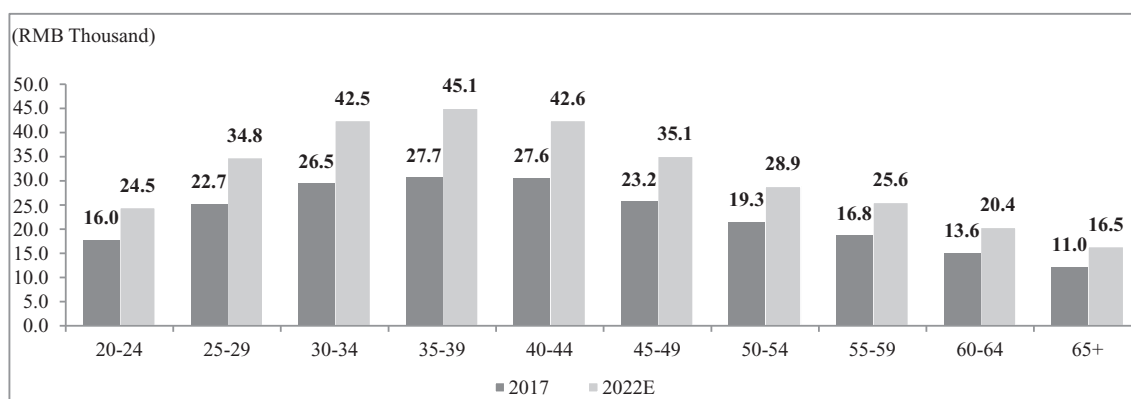
SIGNIFICANT CONSUMPTION GROWTH IN CHINA

China's growth model is beginning to shift from an investment-driven model to a consumption-driven model. From 2013 to 2017, the national per capita annual consumption expenditure grew from approximately RMB13,200 to RMB18,300 at a CAGR of 8.5%, which is higher than the growth rate of per capita nominal GDP of 7.9% over the same period, according to the Frost & Sullivan Report. This trend of consumption growth exceeding the overall GDP growth is expected to continuously drive the growth of China's economy. According to the Frost & Sullivan Report, the national per capita annual consumption expenditure is projected to increase at a CAGR of 8.1% from 2017 to 2022, which would continue outpacing China's expected per capita nominal GDP growth at a CAGR of 7.8% over the same period. In terms of percentage of GDP, there is still tremendous potential for further growth in China's domestic consumption as compared with developed countries. According to the Frost & Sullivan Report, the personal consumption expenditure in China accounted for 39.4% of the nominal GDP in 2016, compared to 67.1% in the North America which includes the United States and Canada. The contribution of personal consumption expenditure to China's nominal GDP is expected to reach 49.7% in 2022, along with the upgrade of domestic consumption needs and the transition of China's economic structure, according to the Frost & Sullivan Report.

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According to the Frost & Sullivan Report, the younger generation, aged between 25 and 39, forms the core of China's emerging middle class, with enormous growing potential in their purchasing power. This population segment is generally well educated and constitutes the major workforce in urban areas. Their good education backgrounds translate into annual gross incomes higher than the general population, which makes them more active in making consumption expenditure. According to the Frost & Sullivan Report, the average annual consumption expenditure of this population segment was approximately RMB27,300 in 2017 and is forecasted to grow at a CAGR of 8.5% from 2017 to 2022, outpacing the per capita nominal GDP growth at a CAGR of 7.8% over the same period. The consumption demand of this population segment is expected to further increase with the rising of income and accumulation of wealth, especially given that they are more open to consumption on credit. Moreover, as the younger generation grew up in the decades that the Internet and mobile technologies proliferate in China, they are more reliant on convenient and efficient online services. As a result, an increasing proportion of the younger generation's consumption needs are fulfilled by consumer finance services offered through online channels. The diagram below sets forth the historical and forecast average consumption expenditures of different age groups in China in 2017 and 2022, respectively:

Average Consumption Expenditures of Population by Age Groups (China), 2017 & 2022E



Source: Frost & Sullivan Report

As consumption continues increasing in China, we believe that there is substantial room for China's consumer finance market to develop to serve unmet consumption needs.

CONSUMER FINANCE MARKET IN CHINA

Market Overview

Consumer finance market in China provides consumption loans to individual borrowers. This market is a part of personal credit market, which provides personal loans including consumption loans, home mortgages, auto loans and personal business operation loans. As a result of the rapid growth in consumption expenditure in China, China's consumer finance market has experienced significant development in recent years. According to the Frost & Sullivan Report, the balance of outstanding principal of loans in consumer finance market increased from approximately RMB4.45 trillion in 2013 to RMB10.47 trillion in 2017, representing a CAGR of 23.9%. However, as compared to the large and continuously growing consumption needs, the penetration and density of China's consumer finance market is still low, which indicates significant growth potential. According to the Frost & Sullivan Report, the balance of outstanding principal of loans in consumer finance market is expected to reach approximately RMB30.74 trillion by 2022 with a CAGR of 24.0% from 2017 to 2022.

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Market Trends

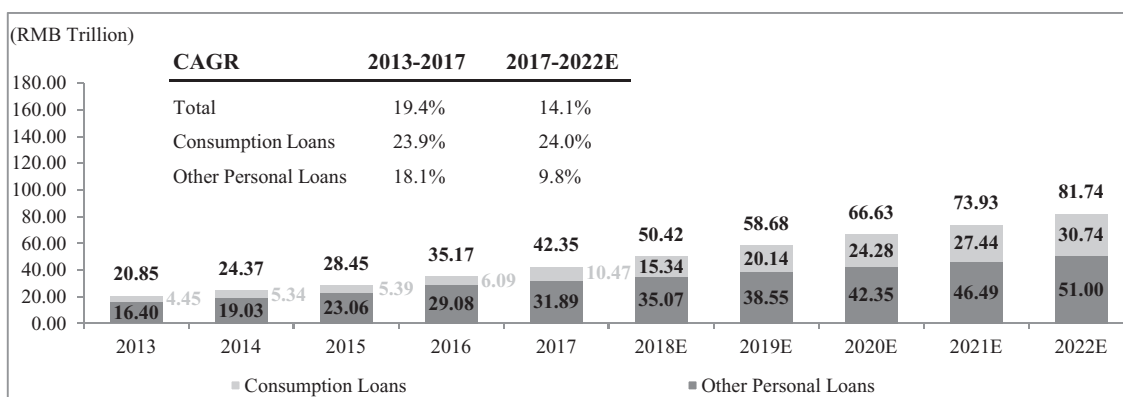
Higher growth rate of consumption loans as compared to other personal loans

In the personal credit market, consumption loans demonstrated faster growth compared to other personal loans over the past years and are expected to continue to grow rapidly in the foreseeable future, according to the Frost & Sullivan Report.

According to the Frost & Sullivan Report, the balance of outstanding principal of consumption loans increased at a CAGR of 23.9% between 2013 and 2017, which outpaced the growth rate of other personal loans at 18.1% over the same period. The balance of outstanding principal of consumption loans is projected to continue to grow at a CAGR of 24.0% from 2017 to 2022, which will continue to outpace the growth rate of other personal loans at 9.8% over the same period, according to the Frost & Sullivan Report. The strong growth of consumption loans is driven by the expanding consumption demands of increasingly diversified consumers, which challenges the ability of consumer finance service providers to evaluate the credit profile of the broad population in a cost-efficient way.

The diagram below sets forth the historical and projected balances of outstanding principal of the loans in personal credit market as of the end of the periods presented, segmented by consumption loans and other personal loans:

Outstanding Principal Balance of Personal Credit Market Breakdown by Loan Type (China), 2013-2022E



Source: Frost & Sullivan Report

Note: Balance of outstanding principal of other personal loans consists of the balance of outstanding principal of home mortgages, auto loans, and personal business operation loans.

Higher growth rate of online consumption loans as compared to offline consumption loans

Consumption loans are primarily offered through two different channels in China: traditional offline retail outlets and online channels on websites and mobile devices. According to the Frost & Sullivan Report, online consumption loans grew faster than offline consumption loans over the past years, and are expected to continue to grow rapidly in the foreseeable future.

In China, traditional offline channels, mainly operated by financial institutions, play a primary role in the consumer finance market. However, financial institutions face a number of challenges brought by the changing demands of the market, including their slow process in technology upgrades and innovation, slow reaction to new market opportunities and a lack of operational efficiency. As

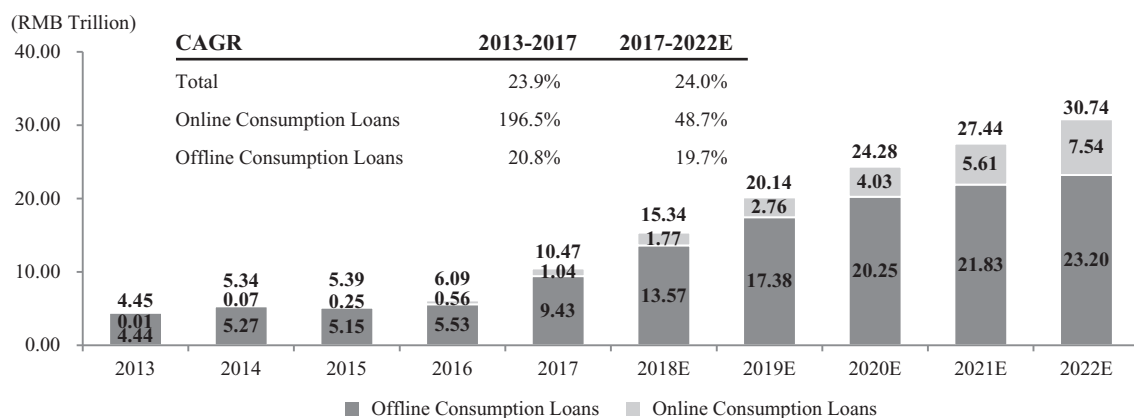
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China's consumer finance market moves online, online consumer finance service providers, including licensed consumer financial companies, e-commerce driven installment platforms and independent online consumer finance companies, have emerged in recent years to fulfill the fast growing and unmet consumption demand. As the national consumer credit database maintained by the CCRC continues improving its data coverage and availability along with other growing alternative databases, China's online consumer finance service providers have gained greater access to various consumer data as the basis of their credit assessments. Compared to traditional financial institutions, online consumer finance service providers are more capable of managing and pricing credit risks through automated process utilizing big-data analytics technologies. In addition, they are more sophisticated in designing innovative products for and interacting with the tech-savvy younger generation.

According to the Frost & Sullivan Report, the balance of outstanding principal of the online consumption loans has increased from approximately RMB13.41 billion to RMB1,037.23 billion between 2013 and 2017, representing a CAGR of 196.5%, and is expected to reach approximately RMB7.54 trillion by 2022 at a CAGR of 48.7% between 2017 and 2022, which significantly outpaces the growth rate of offline consumption loans. The balance of outstanding principal of offline consumption loans has increased from approximately RMB4.44 trillion to RMB9.43 trillion between 2013 and 2017, representing a CAGR of 20.8%, and is expected to reach approximately RMB23.20 trillion by 2022 at a CAGR of 19.7% between 2017 and 2022, according to the Frost & Sullivan Report. In terms of the balance of outstanding principal as of December 31, 2017, approximately 59.0% of the offline consumption loans are credit card loans, which generally do not generate interests as long as the credit card holders repay the loans on time.

The diagram below sets forth the historical and projected balances of outstanding principal of consumption loans as of the end of the periods presented, segmented by offline and online channels:

**Outstanding Principal Balance of Consumption Loans Breakdown by Channel (China),
2013-2022E**



Source: Frost & Sullivan Report

Note: Balance of outstanding principal of offline consumption loans refers to the sum of balance of outstanding principal of consumption loans from financial institutions and small loan companies. Consumption loans from financial institutions do not include consumption loans from licensed consumer financial companies, as they primarily provide consumption loans through online channels. Balance of outstanding principal of online consumption loans refers to the sum of balance of outstanding principal of consumption loans from licensed consumer financial companies, e-commerce driven installment platforms, and independent online consumer finance service providers.

ONLINE CONSUMER FINANCE MARKET IN CHINA

Market Overview

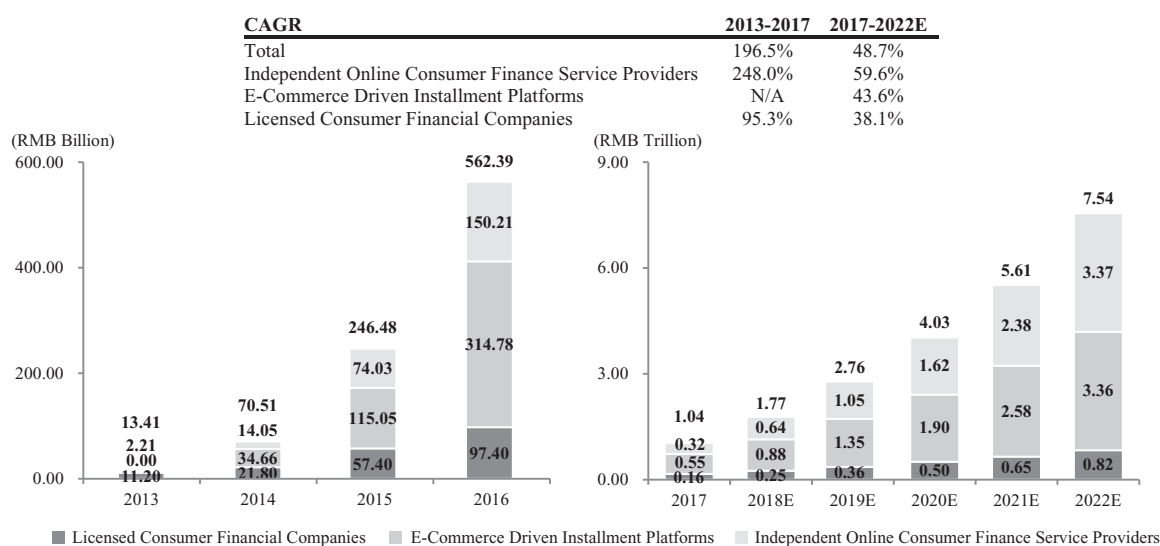
Online consumer finance market provides consumption loans through online channels on websites and mobile devices. Fueled by China's robust consumption growth, China's online consumer finance market has experienced significant growth along with the increasing Internet and mobile penetration over the past years. With the development of technology infrastructure, Chinese consumers are becoming increasingly receptive to online consumer credit products. In 2017, the number of online consumer finance users in China increased to 197.5 million, which accounted for approximately 25.6% of the total number of China's Internet users, and is projected to increase to 414.8 million in 2022, according to the Frost & Sullivan Report. According to the Frost & Sullivan Report, the balance of outstanding principal of loans in the online consumer finance market increased from approximately RMB13.41 billion to RMB1,037.23 billion between 2013 and 2017, representing a CAGR of 196.5%, and is forecasted to expand further and reach approximately RMB7.54 trillion by 2022, representing a CAGR of 48.7% during the period of 2017 to 2022.

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Competitive Landscape

Attracted by the fast growing prospects of China's online consumer finance market, a wide range of players have entered into this market since 2012. Currently, online consumer finance market is highly competitive and fragmented. As of December 31, 2017, there were approximately 350 online consumer finance service providers operating in China, according to the Frost & Sullivan Report. These market players can be classified into three categories: licensed consumer financial companies, e-commerce driven installment platforms and independent online consumer finance service providers. Almost all of the licensed consumer financial companies are controlled by banks and primarily serve as the platforms for the banks to offer online consumer finance services. E-commerce driven installment platforms primarily provide installment loans to fund the transactions conducted on established e-commerce platforms. The independent online consumer finance service providers primarily offer consumption loans through their own platforms and mainly comprise peer-to-peer platforms, independent installment platforms and credit card balance transfer platforms. According to the Frost & Sullivan Report, the balance of outstanding principal of online consumption loans originated by independent online consumer finance service providers increased from RMB2.21 billion in 2013 to RMB324.67 billion in 2017, representing a CAGR of 248.0% between 2013 and 2017, and is forecasted to reach RMB3.37 trillion in 2022 at a CAGR of 59.6% from 2017 to 2022, outpacing the growth rate of other categories of online consumer finance market players over the same period. The diagram below sets forth the historical and projected balances of outstanding principal of online consumption loans as of the end of the periods presented, segmented by licensed consumer financial companies, e-commerce driven installment platforms and independent online consumer finance service providers:

Outstanding Principal Balance of Online Consumption Loans (China), 2013-2022E

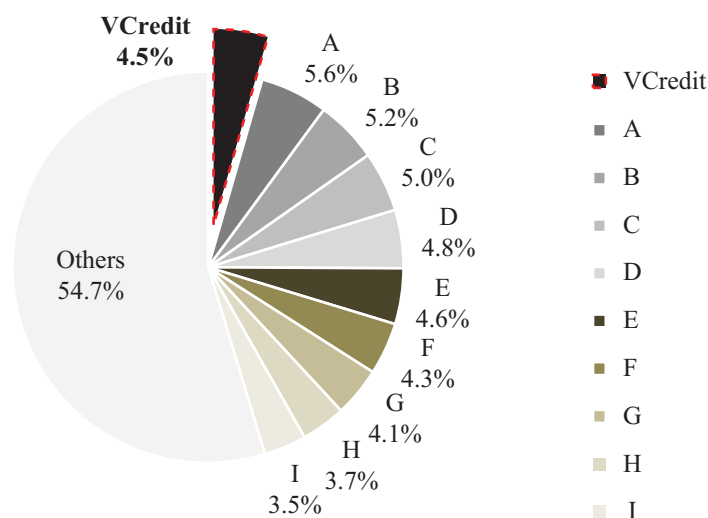


Source: Frost & Sullivan Report

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Among all, we are one of the leading independent online consumer finance service providers with a market share of 4.5% in terms of the balance of outstanding principal of online consumption loans as of December 31, 2017. The following diagram illustrates market shares of independent online consumer finance service providers, as measured by the balance of outstanding principal of online consumption loans as of December 31, 2017:

Market Share by Outstanding Principal Balance as of December 31 , 2017



Source: Frost & Sullivan Report

Major Entry Barriers of the Online Consumer Finance Market in China

According to the Frost & Sullivan Report, the major entry barriers in China's online consumer finance market include the following:

- *Industry expertise and experience.* Industry expertise and experience are critical for online consumer finance service providers to maintain competitive advantages over other players in this market. Industry expertise and experience, such as risk management capabilities, operational know-how, and ability to quickly adapt to ever-changing consumer preferences and experience in adjusting to regulatory developments, can only be established and enhanced through different market conditions. Such expertise and experience cannot be easily gained by the new market entrants within a short period of time.
- *Technology capability.* Technology capability has become a core competency for online consumer finance service providers competing in this market. Online consumer finance service providers need to appropriately assess the credit profile of a vast number of users while providing a good user experience. Therefore, these companies rely on innovative technologies, such as big-data analytic technology, cloud computing and artificial intelligence, to conduct automated credit evaluation and risk-based pricing, expand their user coverage, and improve operational efficiency and profitability. Acquiring strong technology capability requires substantial investment in research and development and the accumulation of practical experience and technological know-how. Such substantial investment imposes challenges to new entrants. In addition, to support their overall

business operations, online consumer finance service providers also need to integrate the technology and systems of their funding partners, payment companies and third-party data sources into their own technology platforms. This integration process is often costly and time-consuming.

- *Capital resource requirements.* Sufficient working capital is crucial to establish and continuously improve the advanced IT infrastructure and the comprehensive risk management system, in order to empower the online consumer finance services. Significant capital investment is also required for the daily operations of an online consumer finance business, such as talent recruitment, employee retention and borrower acquisition. The large amount of up-front and operational capital investment poses barriers for the new entrants in setting up their businesses.

Key Success Factors in China's Online Consumer Finance Market

According to the Frost & Sullivan Report, the following four factors are key to the success in the online consumer finance market in China:

- *Good user experience.* The ability to provide speedy and convenient financing services is critical for the online consumer finance service providers to attract borrowers and encourage repeat borrowing in this market. A well-designed mobile credit product can provide a seamless user experience by enabling a fast and smooth loan approval and transaction process. Good user experience can enhance the reputation and brand recognition of a company through word-of-mouth, and can lead to organic user growth as well as long-term user loyalty. At the same time, comprehensive risk management cannot be compromised while ensuring a good user experience.
- *Access to scalable funding.* Access to scalable, low-cost and stable funding is critical for the sustainability of the business model and profit margins of an online consumer finance business. In general, external funding sources include financial institutions, peer-to-peer lending platforms and securitization products. Compared to other funding sources, funding from financial institutions has a lower cost of capital and is relatively more sustainable. Therefore, major market players tend to develop long-term collaboration with financial institutions to fund their credit products. However, as these institutions typically carry out a long internal control process and have stringent operational requirements, it requires the investment of substantial resources and time to establish the collaborations with them. Leading market players with good track record and proven business models possess significant advantages in securing stable funding from financial institutions for the long term.
- *Strong data-enabled risk management capability.* The access to multi-dimension of consumer data lays the foundation of credit evaluation. The accuracy, reliability and abundance of the data sources have a great effect on the effectiveness of risk pricing. Generally, the data used to conduct credit analysis can be further divided into two categories, namely credit data and alternative data.
 - ▲ Credit data generally refers to the data with respect to financial payment history reported in a natural person's credit records that can be used to assess credit risk of such natural person. In China, the CCRC has developed a national consumer credit database which primarily sources credit data from financial institutions. In 2017, the CCRC's consumer credit database include credit data of approximately 918.3 million

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people, which accounted for 66.1% of the population in China. As compared to only 8% of the population whose credit history are not tracked in the United States, China's credit infrastructure is still relatively under-developed and has substantial room for expansion.

- ▲ Alternative data generally refers to any data other than credit data, that can be used to assess credit risk of a natural person, whether or not reported in such natural person's credit records, such as payment of social insurance, utility and telecommunication services, transaction records on e-commerce platforms and borrowing history with online consumer finance service providers.

Scaled online consumer finance service providers usually have established access to the CCRC consumer credit database and other third-party data vendors and have also accumulated their own proprietary comprehensive databases through their business operations. These companies are able to gather and analyze tremendous amount of credit and alternative data in real time leveraging their technology capability and industry expertise. Strong data analytics capability enables them to appropriately evaluate the risk profile of the borrowers and manage their loan delinquency ratios, which differentiate them from other market players.

- *Adaptation to the changing regulatory environment.* To navigate in the rapidly evolving regulatory environment of China's online consumer finance market, the online consumer finance service providers should actively adapt its business practices to the changing regulatory requirements. As PRC government continuously publish new laws and regulations to impose additional requirements and standards on market players in recent years, it is crucial for the online consumer finance service providers to timely and appropriately adjust their products and business models in compliance with those requirements and standards in order to ensure stable business operations. In the long term, the online consumer finance service providers who are able to adapt to the changing regulations will benefit from a more matured regulatory environment.

CREDIT CARD BALANCE TRANSFER MARKET IN CHINA

Market Overview

Credit card balance transfer business provides the repayment of credit card loans to the card issuing banks at the request of the borrowers. With China's further penetration of credit card services and increasing consumption demand, the under-served financing needs of credit card holders represent a sizable market for credit card balance transfer service providers.

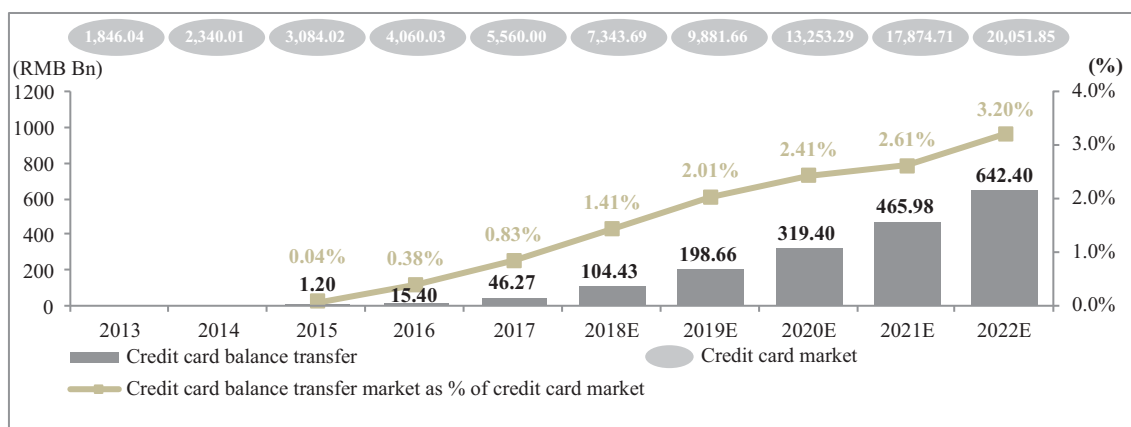
As China's banking facilities become more accessible, the credit card market has been growing rapidly over the past few years. The number of credit cards issued in China has increased from approximately 391.0 million in 2013 to 588.0 million in 2017, representing a CAGR of 10.7% between 2013 and 2017, according to the Frost & Sullivan Report. However, the penetration rate of credit card remains low. According to the Frost & Sullivan Report, per capita credit cards issued in China was 0.4 in 2017, as compared to 1.6 in the United States and 2.4 in Hong Kong. This indicates high growth potential for China's credit card business. According to the Frost & Sullivan Report, the balance of outstanding principal of loans in credit card market increased from RMB1.85 trillion in 2013 to RMB5.56 trillion in 2017, representing a CAGR of 31.7% between 2013 and 2017, and is projected to grow to RMB20.05 trillion in 2022 at a CAGR of 29.2% during the period of 2017 to 2022.

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As the use of credit card is increasingly prevalent in China, many prime and near-prime credit card holders with high utilization of their credit lines may need to obtain additional financing to repay their bills from time to time as the banks are not willing to roll over their outstanding balances. As a result, China's credit card balance transfer business quickly developed to finance the unmet consumption needs of credit card holders that cannot be fully addressed by the traditional banking facilities. According to the Frost & Sullivan Report, the balance of outstanding principal of credit card balance transfer loans in China has increased rapidly from RMB1.20 billion in 2015 to RMB46.27 billion in 2017. It is projected to reach RMB642.40 billion by 2022, representing a CAGR of 69.2% from 2017 to 2022, according to the Frost & Sullivan Report. According to the Frost & Sullivan Report, the balance of outstanding principal of loans in China's credit card balance transfer market only accounted for 0.83% of the balance of outstanding principal of loans in China's credit card market as of December 31, 2017, compared to approximately 7.5% in the United States and 6.5% in Europe as of the same date, suggesting tremendous potential of growth of this market.

The chart below sets forth the historical and forecast balances of outstanding principal of loans in China's credit card market and credit card balance transfer market, and the balances of outstanding principal of loans in credit card balance transfer market as the percentage of the balances of outstanding principal of loans in credit card market during the period indicated:

Outstanding Principal Balances of Credit Card Balance Transfer Market (China), 2013-2022E



Source: Frost & Sullivan Report

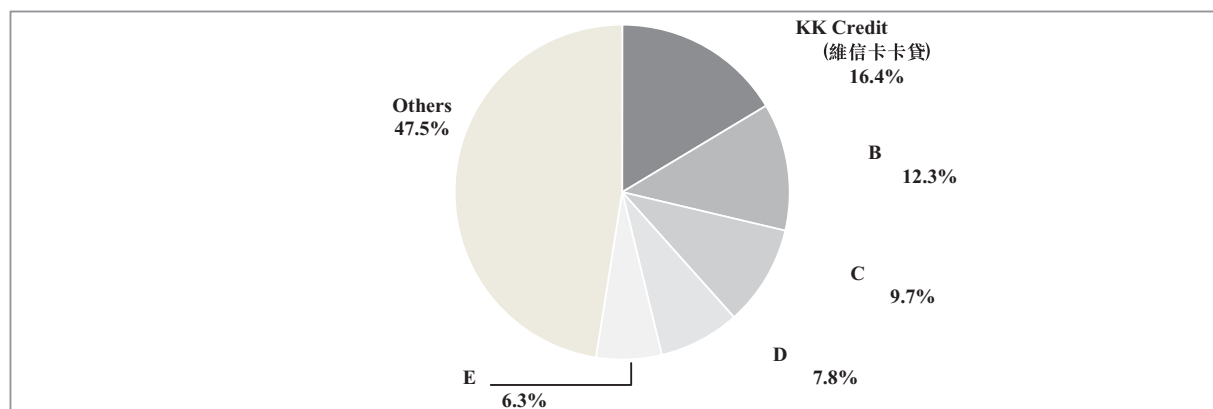
Note: Balance of outstanding principal of credit card balance transfer market refers to the sum of balance of outstanding principal of all types of credit card balance transfer service providers.

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Competitive Landscape

As measured by the balance of outstanding principal as of December 31, 2017, the top five market players comprise approximately 52.5% of China's credit card balance transfer market. Among the top five players, we, with our *KK Credit* product line, ranked first with a market share of 16.4% as of December 31, 2017. The diagram below illustrates the market share of major credit card balance transfer service providers in terms of the balances of outstanding principal of loans as of December 31, 2017:

Market Share by Outstanding Principal Balance as of December 31, 2017



Source: Frost & Sullivan Report

Regulatory Development and Implication for Market Players

To guide the healthy development of China's consumer finance industry, the CBRC released its Pilot Measures for the Administration of Consumer Financial Companies (《消費金融公司試點管理辦法》) in August 2009. These measures represented a milestone for the development history of consumer finance industry in China, as for the first time they clarified the definition and business scope of consumer financial companies and the supervisory duties of different regulatory authorities.

In 2015, the PBOC, the CBRC and several other PRC government authorities jointly released the Guidelines on Promoting the Healthy Development of Internet Finance Industry (《關於促進互聯網金融健康發展的指導意見》). These guidelines demonstrated a supportive attitude for the development and innovation of China's online consumer finance market and impose strict compliance rules for day-to-day operations of online consumer finance business.

In December 2017, the special working groups primarily led by the PBOC and the CBRC jointly issued the Notice on Regulation and Rectification of "Cash Loan" Businesses (《關於規範整頓“現金貸”業務的通知》), or Circular 141. Circular 141 aims to eliminate the non-compliant practices within the online consumer finance market and prohibit unlicensed entities from extending online consumption loans or providing financing guarantee. It also sets the boundaries for financial institutions that engage in the online consumer finance business. For a detailed discussion of Circular 141, see the section headed "Regulations—Regulations Relating to Online Lending."