DSC Holdings Releases Inaugural China Used Car Industry White Paper: Used Car Transactions Approach New Car Sales as Residual Values and Dealer Economics Are Reshaped; AI's Role Expands

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HANGZHOU, China, Nov. 02, 2026 (GLOBE NEWSWIRE) -- DSC Holdings Ltd. ("DSC" or the "Company") (Nasdaq: DSC), the AI application infrastructure for China's used car industry, today released its inaugural *China Used Car Industry White Paper (First Half of 2026)*. Leveraging its flagship DaFengChe system, which holds over 90% market share in China's used car dealer operating system market, DSC draws on its extensive proprietary operating data and public industry statistics to provide unique insights into the dynamics shaping China's used car market.

The white paper conducted an in-depth examination of used car transaction volumes, vehicle pricing, residual values, dealer operating performance and cross-region circulation, revealing industry trends and observations that public statistics alone do not reveal. The publication underscores DSC's commitment to advancing industry transparency and data-driven decision-making, while demonstrating the value of its granular industry data and digital infrastructure.

"The Chinese used car market does not lack vehicles or demand. What the industry needs to overcome is the inefficiency in the arduous process of moving used cars from the selling consumers, through the large community of dispersed independent dealers, to the buying consumers," said Ms. Qin Zou, director and chief financial officer of DSC. "The key to better used car commerce is shifting as many market participants as possible from traditional experience-based and relationship-driven practices toward data-driven decision-making and AI-enabled operations, whether they are used car dealers or inspectors or transporters."

Key Findings from the White Paper

1. Used Car Transactions Near New Car Sales; Turnover Rate Remains Low Relative to Mature Markets
China's used car transaction volume reached 9.71 million vehicles in the first half of 2026, up 1.5% year over year and equivalent to 98% of domestic new car sales, which fell 21.1% to 9.92 million. The jump in the used-to-new ratio, from roughly 0.74 for full-year 2025, therefore reflects weaker new car sales rather than stronger used car demand. China's annualized used car turnover rate, measured as annualized used car transactions as a percentage of the nation's total vehicle population of 371 million, stood at 5.2%, compared with 8.1% in Japan, 8.5% in Europe and 14.7% in the U.S. The white paper notes that long-term used car volume is driven by the size and age of the vehicle fleet and by how soon owners resell their cars: the age at which fuel vehicle owners first replace their cars has declined steadily over the past decade, and NEV owners replace their vehicles much sooner. In the near term, however, intense new car price competition has weighed on used car demand, particularly for near-new vehicles, whose share of transactions fell from 28.2% in the second half of 2023 to 24.9% in the first half of 2026.

2. Price Competition Is Reshaping Residual Values: Brand Premiums Narrow While Vehicle Condition Matters More
DSC's used car price index declined from a baseline of 100 in the first half of 2022 to 76.9 in the first half of 2026, a fall of 23.1%, roughly twice the 11.2% decline in DSC's new car price index over the same period, as new car price cuts were amplified in the used car market. Brand premiums have compressed sharply: for vehicles less than three years old, the residual value gap between luxury and domestic brands narrowed from 8.7 to 3.9 percentage points, and the premium of non-luxury joint venture brands over domestic brands shrank from 4.3 to 1.2 percentage points. Vehicle condition has become a more important pricing variable than brand: among three- to five-year-old vehicles, those in excellent condition retain 12 to 13 percentage points more of their value than those in average condition. Residual values of younger NEVs are improving, with the gap between one-year-old NEVs and comparable fuel vehicles narrowing from 5.8 to 2.5 percentage points, although older NEV models still depreciate far more steeply, retaining only 11.6% of their value at eight years versus 27.9% for fuel vehicles.

3. Dealer Margins Are Compressing and Small Dealers Are Being Squeezed Out
DSC's dealer gross margin index fell from 100 in January 2026 to 85.6 in June, a steeper decline than the 3.9% drop in retail prices over the same months, as dealers cut prices to accelerate turnover. The share of profitable dealers fell by 10 to 16 percentage points year over year across all size tiers; among dealers selling fewer than 50 vehicles a year, only 28.7% were profitable, down from 40.7% a year earlier. Consolidation is under way: dealers selling fewer than 50 vehicles a year fell from 70.3% of the dealer base in the first half of 2022 to 56.6%, while those selling more than 200 vehicles rose from 4.1% to 10.8%. Dealer performance now hinges less on brand than on smart procurement decisions, both which vehicles to buy and at what price, together with fast turnover and high capital efficiency, all of which require dealers to upgrade their operating methods.

4. NEVs and Cross-Regional Circulation Are Reshaping Vehicle Supply
NEVs accounted for 7.6% of used car transactions in the first half of 2026, up 2.4 percentage points year over year but still well below their 51.3% share of new car sales, reflecting the young age of China's NEV fleet rather than weak demand. With 48.97 million NEVs on the road, or 13.2% of the vehicle population, most of them less than five years old, a large wave of NEV supply is expected to enter the used car market over the next several years, shifting the used car mix away from joint venture fuel vehicles, which still account for 55.7% of transactions, toward domestic-brand NEVs. Cross-city circulation continued to deepen: the cross-city circulation rate rose from 35.3% in the first half of 2022 to 41.6% in the first half of 2026. Megacities Beijing and Shanghai saw outbound transfer rates of 68.6% and 71.2%, respectively.

Industry Outlook
The white paper expects the market to remain in a relatively stable phase in the near term without significant movements in either direction. Supporting factors include shorter NEV replacement cycles, a growing pool of younger first-time buyers, with China's 533 million licensed drivers far exceeding its 371 million vehicles, and the gradual easing of new car price competition, which is expected to bring part of the diverted demand back to the used car market. Offsetting factors include scrappage-based trade-in subsidies that divert older vehicles from circulation. With brand premiums compressed, pricing is shifting from brand and model year toward the condition, specification and battery health of each individual vehicle, and dynamic, data-driven pricing is becoming a basic requirement for dealers rather than a competitive advantage.

Leveraging Industry Data to Advance AI Applications
The white paper highlights opportunities for AI to improve efficiency across China's used car market, particularly in vehicle matching, valuation, dynamic pricing and inventory management. DSC believes its extensive dealer network, proprietary operating data and established digital infrastructure provide a strong foundation for developing AI solutions that address these industry challenges.

"AI's competitive advantage lies not in technology alone, but in combining proprietary data, industry expertise and real-world applications," Ms. Zou added. "Building on more than a decade of experience in digitizing China's used car industry, DSC has in recent months been providing the used car

industry with a range of AI-enabled solutions that improve dealer operations and contribute to a more efficient used car market."

About DSC
DSC is the AI application infrastructure for China's used car industry. The Company has held over 90% market share in operating systems for China's used car dealers since 2021, according to China Insights Consultancy, giving it nation-wide dealer connection and massive, granular, proprietary, real-time industry data. Building on this digital foundation, DSC further supports used car dealers with essential transaction services across their workflows. DSC's services also engage and benefit thousands of dealers' collaborators, such as inspectors, transporters and other internet platforms, creating an ecosystem with used car dealers at its center.

Safe Harbor Statement
This announcement contains forward-looking statements. These statements are made under the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. Statements that are not historical facts, including statements about the Company's beliefs and expectations, are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties, and a number of factors could cause actual results to differ materially from those contained in any forward-looking statement. In some cases, forward-looking statements can be identified by words or phrases such as "may," "will," "expect," "anticipate," "target," "aim," "estimate," "intend," "plan," "believe," "potential," "continue," "is/are likely to," or other similar expressions. Further information regarding these and other risks, uncertainties or factors is included in the Company's filings with the SEC. All information provided in this announcement is as of the date of this announcement, and the Company does not undertake any duty to update such information, except as required under applicable law.

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