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Post Hearing Information Pack of

Cheshi Holdings Limited

(the "**Company**")

(incorporated in the Cayman Islands with limited liability)

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Cheshi Holdings Limited

(incorporated in the Cayman Islands with limited liability)

[REDACTED]

Total number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] Shares [(subject to the [REDACTED])]**
Number of [REDACTED]	**:**	**[REDACTED] Shares [(subject to adjustment)]**
Number of [REDACTED]	**:**	**[REDACTED] Shares [(subject to adjustment and the [REDACTED])]**
Maximum [REDACTED]	**:**	**HK$[REDACTED] per [REDACTED] plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars, subject to refund on final pricing)**
Nominal value	**:**	**US$[0.0001] per Share**

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The **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**), with our consent, may reduce the indicative **[REDACTED]** range stated in this document and/or reduce the number of **[REDACTED]** being **[REDACTED]** pursuant to the **[REDACTED]** at any time on or prior to the morning of the last day for lodging applications under the **[REDACTED]**. In such a case, notices of the reduction of the indicative **[REDACTED]** range and/or the number of **[REDACTED]** will be published on the websites of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our Company at **www.cheshi.com**. For further details, see "Structure of the **[REDACTED]**" and "How to Apply for **[REDACTED]**". Prior to making an **[REDACTED]**, **[REDACTED]** should consider carefully all of the information set out in this document, including the risk factors set out in ''Risk Factors''. The obligations of the **[REDACTED]** under the **[REDACTED]** are subject to termination by the **[REDACTED]** (for themselves on behalf of the **[REDACTED]**) if certain grounds arise prior to 8:00 a.m. on the **[REDACTED]**. Such grounds are set out in "**[REDACTED]**". It is important that you refer to that section for further details.

[REDACTED]

[REDACTED]

EXPECTED TIMETABLE[(1)]

[REDACTED]

EXPECTED TIMETABLE[(1)]

[REDACTED]

EXPECTED TIMETABLE[(1)]

[REDACTED]

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SUMMARY

***This summary aims to give you an overview of the information contained in this document. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document and particularly the section headed "Risk Factors" in this document which sets out some of the particular risks* [REDACTED] *in the* [REDACTED] *before you decide to* [REDACTED] *in the* [REDACTED].**

OVERVIEW

We operate online automobile vertical media platforms in China that offer comprehensive and high quality[(1)] automobile content produced by our in-house content team and distributed across our proprietary, comprising our PC websites, mobile websites and mobile applications, and over 1,000 business partner platforms. Our widely distributed content drives high user traffic which in turn attracts automobile advertisers to use our advertising services. According to the CIC Report, we experienced a high growth rate for the three years ended December 31, 2017, 2018 and 2019, based on our 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 our main competitors with an average growth rate at CAGR of approximately 0.3% during the same period. For the six months ended June 30, 2020, our revenue amounted to approximately RMB58.9 million as compared to approximately RMB77.5 million in the corresponding period in 2019.

The "Cheshi (網上車市)" brand has over 20 years of history. We acquired the business and assets of "*Cheshi.com*" in 2015. During the Track Record Period, we have built a large and stable user base for our comprehensive and high quality automobile-related content on our proprietary platform, comprising our proprietary PC websites, mobile websites and mobile applications under the name of "網上車市"; and a network of over 1,000 business partners platforms. While the coverage of our Company's proprietary platforms, such as Cheshi.com, extends to a national level, our Company adopted a targeted and precise marketing strategy to provide more customized contents and attract more audience in the cities of different tiers. We developed platform tools to enable our users to utilize relevant data from our automobile database, so as to assist their search and selection to purchase process. Apart from content creation of PGC, we have built a user community on our platform in February 2018 that generated over 4.0 million UGC as of June 30, 2020.

We receive user behavior data from our proprietary and third party platforms. Together with our insights in the online automotive advertising industry, we offer Online Advertising Service and Transaction Facilitation Service to our customers by providing advertising services and solutions, and promotion services of their group-purchase events, respectively.

We are led by a visionary and experienced management team with relevant professional work experience, proven execution capabilities and an extensive knowledge of China's online automotive information and advertising industries. Our founder and executive Director, Mr. Xu, has extensive experience in the online automobile advertising industry, and is one of the pioneers of the automobile vertical media operator in China. Other members of our management team have extensive relevant experience and share the same vision and dedication.

Note:

(1) According to the CIC Report, 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. 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, according to the CIC Report. In terms of media-related revenue, the Company accounted for approximately 2.1% of the top one automobile vertical media platform in 2019. Additionally, the Company's websites were visited by users with an industry-leading 10.6 times per month on average as of December 31, 2019.

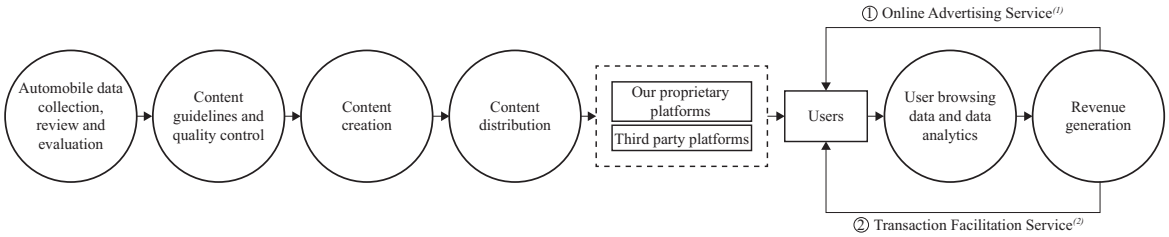
OUR BUSINESS SEGMENTS

During the Track Record Period, our revenue is substantially generated through providing Online Advertising Service to our advertising agency, automaker and autodealer customers. For the three years ended December 31, 2017, 2018, 2019 and six months ended June 30, 2020, our revenue from advertising agency customers accounted for approximately RMB108.1 million, RMB145.6 million, RMB162.7 million and RMB53.5 million, representing 91.9%, 92.2%, 91.6% and 90.8% of our total revenue, respectively. We also generated a small amount of revenue from Transaction Facilitation Service.

The following table sets out a summary of the revenue of our results of operations during the Track Record Period:

Category	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019 (Unaudited)		2020	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
Online Advertising Service	117,578	100.0	157,757	99.9	175,055	98.6	75,151	97.0	58,720	99.7
Transaction Facilitation Service	—	—	90	0.1	2,560	1.4	2,353	3.0	177	0.3
Total	**117,578**	**100.0**	**157,847**	**100.0**	**177,615**	**100.0**	**77,504**	**100.0**	**58,897**	**100.0**

The following flowchart illustrates the major components of our business model:

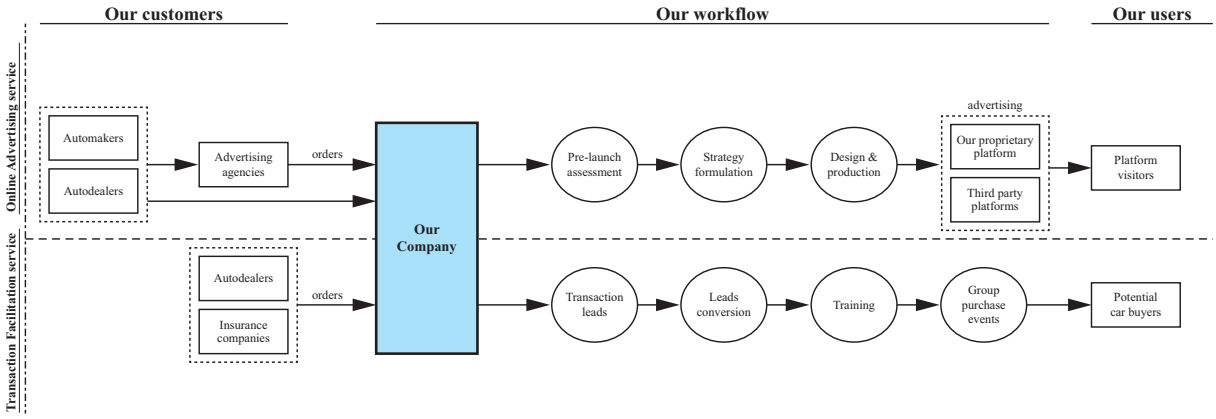


Notes:

(1) For the Online Advertising Service, our customers comprise of advertising agencies, automakers and autodealers.

(2) For the Transaction Facilitation Service, our customers comprise of autodealers and an insurance company.

The following flowchart illustrates the business process of our Online Advertising Service and Transaction Facilitation Service:



Online Advertising Service. We provide Online Advertising Service to advertising agency, automaker and autodealer customers. Our Online advertising Service comprises a range of advertising solutions, comprising pre-launch assessment, advertising strategy formulation, design and production, and evaluation of advertisement performance. We generally charge a pre-agreed fee on a project-by-project basis. For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, we have 344, 359, 406 and 168 advertising service contracts, respectively, and the average contract fee was approximately RMB430,000, RMB566,000, RMB561,000 and RMB447,000 during those periods, respectively. As customary in the online automobile advertising industry, we may give rebates to certain advertising agencies after project completion. Such rebates may be given to them on an annual aggregate or on a project basis. 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, according to the CIC Report. In terms of media-related revenue, we accounted for approximately 2.1% of the top one automobile vertical media platform in 2019. Additionally, our websites were visited by our users with an industry-leading 10.6 times per month on average as of December 31, 2019. See "Business—Our Platform—Our proprietary platform" and "Business—Third party platforms" for further details on our platform and infrastructure.

Transaction Facilitation Service. We have, since October 2018, commenced our Transaction Facilitation Service to expand our coverage in the automobile value chain and diversify our customer base to include an automobile insurance company, and allow us to explore business opportunities with different stakeholders of the automobile industry in China. We offer our Transaction Facilitation Service to autodealers and an automobile insurance company, by providing promotion service to their group-purchase events. As of the Latest Practicable Date, we charge a pre-agreed fee for each project, after taking into account the scope of service and extent of work that is required for its execution. We believe our Transaction Facilitation Service offers potential for expansion, and we have experienced a substantial increase in the monthly average of group-purchase events from 1 to 8.3 for the three months ended December 31, 2018 and the year ended December 31, 2019, respectively. For the six months ended June 30, 2020, we only completed seven group-purchase events due to government measures in relation to COVID-19.

Due to the robust growth of our Online Advertising Service, our revenue has increased significantly for the three years ended December 31, 2017, 2018 and 2019, increasing by RMB40.2 million from approximately RMB117.6 million in 2017 to approximately RMB157.8 million in 2018, and further increasing by 12.5% to approximately RMB177.6 million in 2019. Our net profit margin increased from 23.4% in 2017 to 30.2% in 2018, with a slight decrease to 29.1% in 2019. We recorded revenue of approximately RMB58.9 million and a net profit margin of 42.0% for the six months ended June 30, 2020, compared with revenue of approximately RMB77.5 million and a net profit margin of 28.1% for the six months ended June 30, 2019.

OUR PLATFORMS AND INFRASTRUCTURE

We believe that the key factor that differentiates us from other participants in the online automobile advertising industry is our platform and infrastructure through which our users are engaged and where we can offer value to our users, business partners and customers. Our platforms through which we distribute our automobile content and engage viewership of our content consist of (i) the proprietary PC websites, mobile websites and mobile applications under the name of "網上車市"; and (ii) third party platforms, namely the business partner platforms via our Picker engine, Applets and Official Accounts. For the three years ended December 31, 2017, 2018 and 2019 and the six months

ended June 30, 2020, we had 38, 35, 27 and 26 business partners that entered into collaboration agreements with us and distributed our automobile contents on their platforms.

A major capability of our Picker engine is its ability to collect data. As we are connected to our business partner platforms, the Picker engine can gradually enhance its capability in guiding our content creation team and optimizing our advertisement production and design capabilities, by using the real-time user behavior data collected from both our own platform and those of the business partner platforms. After collection of user data through APIs on our proprietary and business platforms, we compile user data obtained into more valid, meaningful and organized data through the AI of our Picker engine and machine learning algorithms, which can be applied to various aspects of our business and allow us to provide advertising strategies to our customers. Such capability also allows us to better analyze the data accumulated in a meaningful way and to form a comprehensive database, which will help our customers' advertising campaigns. Through data analytics, we can identify the needs of users and thus tailoring the advertisements to optimize the chances of being viewed by users, based on user preferences and interests. As the Picker engine monitors users' browsing rate and time spent on advertisements at a particular advertising space, we are able to perform targeted marketing by delivering advertising content to the space of which such advertisements are most likely to be viewed on our proprietary and business partner platforms. When creating an advertisement, our machine learning models to would help to analyze various advertisements, so as to automatically allocate more advertising budget to the more effective advertisements based on viewership or click-through rate, and then to provide recommendations on optimizing the delivery of these advertisements. These initial intelligent optimization settings enable advertisements to be delivered more efficiently and more accurately to users who meet such conditions. Based on the browsing patterns of users, we are able to automatically recommend customized advertisements. By doing so, we are able to formulate the strategy to place advertisements, such as, adjusting the display frequency and themes of automobile advertisements on our proprietary and business partner platforms according to the prevailing browsing patterns. For details of our Picker engine, please see "Business—Our platform—Picker engine".

PLATFORM TECHNOLOGY AND TOOLS DEVELOPMENT

Our platform infrastructure, technology and tools are critical to our success. We introduced our iOS and Android-based mobile application (App) to allow our users to access our platform. Users can enjoy features that are available on our websites from their mobile devices, such as reading articles, checking vehicle prices and model parameters, viewing pictures, and participating in user community discussions via the Cheshi App installed on their mobile devices. We also maintain PC websites, namely "Cheshi (網上車市)", "Hao Che Shi (豪車事)" and "Pika Cheshi (皮卡車市)", and mobile websites that are easily assessable by our users via their mobile browser. We are committed to developing and investing in our in-house technology capabilities to strengthen our market position. Our R&D expenses were approximately RMB4.8 million, RMB7.8 million, RMB12.5 million and RMB3.3 million for the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, accounting for approximately 6.0%, 7.9%, 9.8% and 8.0% of our expenses during the Track Record Period. Our R&D expenses primarily consist R&D staff expenses, depreciation and other office and utilities expenses, which were incurred for website maintenance, Internet improvement, optimization of software, tools, functions, and development of mini-programs and systems of our platform. For details of our R&D and technologies, please see "Business—Platform technology and tools development" and "Business—Our Platform—Picker engine".

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths differentiate us from our competitors: (i) a leading vertical media platform with brand recognition; (ii) strong automobile content creation capabilities with quality and quantity assurance; (iii) an established cross-platform collaboration network of over 1,000 business partner platforms to distribute content widely in China where our business partners allow us to distribute our content on their platforms, and our automobile content serves to enrich and supplement the content of business partner platforms at minimal cost; (iv) advertising solutions to attract automobile advertisers; and (v) professional and experienced management team. See "Business—Our competitive strengths" for further details.

OUR BUSINESS STRATEGIES

We intend to maintain and further our success by implementing the following strategies over three years of time in 2021, 2022 and 2023:

- solidify our market position in the automobile vertical media advertising industry by:
  - enhancing quality and quantity of our PGC, which involved an expansion of our content team including video production team;
  - collaborating with KOLs, to attract their followers to our platforms;
  - strengthening the collaboration with our business partners and expanding our geographical coverage and user base in three tier and lower cities while the coverage of our Company's proprietary platform, such as Cheshi.com, extends to a national level with deeper penetration by adopting a targeted and precise marketing strategy to provide more customized contents and attract more audience in the cities of different tiers, in order to increase both the breadth and depth of our content coverage.
  - enhancing our brand awareness through promotion;
  - capturing new customers and business opportunities through establishing and operating new offices in Chengdu and Beihai and expanding our sales and business development team staff;
  - extending our customer base to include automobile aftermarket service companies through the expansion of our transaction team;
- strengthen our R&D, further enhance our IT systems and products development by:
  - optimizing our Picker engine, and recruiting computer personnels;
  - enhancing IT systems infrastructure by installing new computer servers;
  - developing new products, tools and services to meet the needs of users and customers, including Vehicle Owner Service (車主服務), Cheshi Hao (車市號), Cheshi Mall (車市商城) and Cheshi VR (車市Virtual Reality), and recruiting computing programmers; and
- selectively pursue strategic alliance, investment and acquisition opportunities which can satisfy the criteria adopted by us.

See "Business—Our Business Strategies" and "Future Plans and **[REDACTED]**".

OUR CUSTOMERS AND SUPPLIERS

Our customers primarily comprise advertising agencies, automakers, autodealers and insurance companies to whom we provide our Online Advertising Service and Transaction Facilitation Service. We have a broad base of customers. For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, we had 140, 134, 156 and 122 customers. Among them, our five largest customers were advertising agencies who contributed 37.6%, 38.3%, 41.3% and 50.4% of our revenue in the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. Our largest customer accounted for 12.6%, 16.1%, 11.2% and 17.7% of our revenue in the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. According to the CIC Report, it is customary for online automobile advertising service providers in China to sell advertising services and solutions primarily through advertising agencies that represent automakers and autodealers as their end customers. See "Business—Our Customers" for further details.

Our suppliers include brand promotion, information technology, exhibition promotion and offline event promotion service providers. For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, purchases from our five largest suppliers, accounted for approximately 47.3%, 25.6%, 30.7% and 31.1% of our total cost of procurement, respectively. Our largest supplier accounted for approximately 19.9%, 10.2%, 13.1% and 11.0% of our total cost of procurement for the same periods, respectively. See "Business—Our Suppliers" for further details.

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period, Congshu Beijing and Congshu Hubei had paid the social insurance fund and housing provident fund contributions for certain employees through a third party payment agent, and Congshu Beijing and Congshu Hubei did not pay the contributions in full. During the period from January 1, 2017 to March 14, 2017, we had been operating ICP service without possessing the ICP License ourselves, and we had been penalized RMB3,000 for publication of video clips on the Internet without obtaining the relevant license in September 2017. With the support of our PRC Legal Advisor, our Directors confirm that, save as disclosed above, our Group had conducted our operations and carried out our business in compliance with the relevant laws and regulations in the PRC during the Track Record Period and up to the Latest Practicable Date in all material respects. See "Business—Legal Proceedings and Compliance" for further details.

As of the Latest Practicable Date, we were not aware of any pending or threatened litigation, arbitration or administrative proceedings against us or our Directors which may have a material and adverse impact on our business, financial condition or results of operations.

COMPETITIVE LANDSCAPE

According to the CIC Report, there are approximately 25 automobile vertical media platforms operating in China with market size in terms of revenue at approximately RMB14.5 billion, representing 75.6% of the total market size to the whole online automobile advertising industry in 2019. The market concentration is significantly high, with the top 5 platforms accounting for approximately 96.6% of the total market revenue of automobile vertical media platforms in 2019. 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, according to the CIC Report. In terms of media-related revenue, we accounted for approximately 2.1% of the top one

automobile vertical media platform in 2019. We compete with other automobile vertical media platforms on our content generation capabilities and our extensive collaboration with a network of business partners leading to a wide user reach. We believe that we are in an advantageous position to compete on these factors, leveraging our in-depth understanding of the automobile industry in China, extensive industry experience and our integrated vertical media platform.

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, according to the CIC Report. In terms of media-related revenue, we accounted for approximately 2.1% of the top one automobile vertical media platform in 2019. Compared with our main competitors, we were able to reach a wide range of users through our collaboration with our business partners and we were able to distribute our automobile content effectively.

RISK FACTORS

Our business faces risks including those set out in the "Risk Factors" section of this document. As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the "Risk Factors" section of this document in its entirety. Some of the material risk factors include:

- Demand for our services primarily depends on the trends and development of the PRC automobile industry and we may be unable to innovate, adapt and respond timely and effectively to rapidly changing technologies and market trends.
- We face intense competition in the markets we operate in, and if we fail to compete effectively, we may lose market share and our business, prospects and results of operations may be adversely affected.
- If we are unable to maintain our relationships with our customers, our business and financial condition may be materially and adversely affected.
- We may be unable to successfully implement or implement in full and effectively our future business plans and business strategies.
- Our limited operating history makes it difficult to evaluate our results of operations and prospects.
- We are subject to credit risk in collecting the accounts receivables due from the customers.

CONTRACTUAL ARRANGEMENTS

As of the Latest Practicable Date, we conduct our automobile online advertising business through the Consolidated Affiliated Entities. Pursuant to the applicable PRC laws and regulations, foreign investors are restricted from holding equity interest in an entity conducting value-added telecommunications services. For further details of the limitations under the applicable PRC laws and regulations on foreign ownership in PRC companies conducting value-added telecommunications services, please see "Regulatory Overview". Due to these restrictions, we conduct our operations in the PRC through the Contractual Arrangements with Congshu Beijing and the Registered Shareholders. The Contractual Arrangements allow the financial position and results of operations of the Consolidated Affiliated Entities to be consolidated into our Group's financial statements as if they are wholly owned subsidiaries of our Group. Our Directors believe that the use of the Contractual

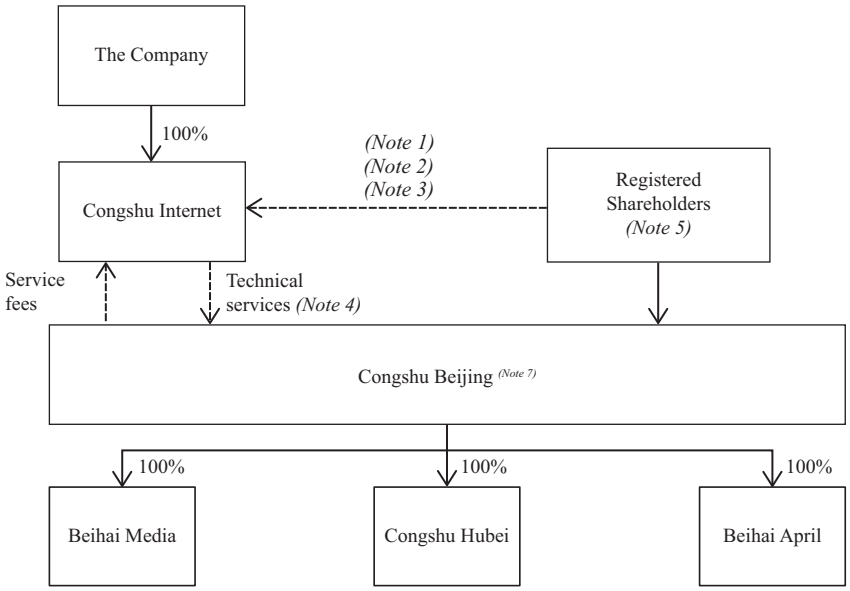
Arrangements is for the primary purpose of ensuring that we comply with the in-force foreign investment restrictions. Our PRC Legal Advisor has advised that while the provision of Online Advertising Service is subject to foreign ownership restrictions, the provision of Transaction Facilitation Service is not subject to foreign ownership restrictions. See "Contractual Arrangements – Directors' views on the Contractual Arrangements" for further details.

The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to our Group pursuant to the Contractual Arrangements:

(1) Irrevocable appointment as attorney-in-fact to exercise all shareholders' rights in Congshu Beijing *(Note 1)*

(2) Exclusive option to acquire all or part of the equity interest in and/or assets of Congshu Beijing *(Note 2)*

(3) First priority security interest over the entire equity interest in Congshu Beijing *(Note 3)*



Notes:

(1) Please see "Summary of Material Terms of the Contractual Arrangements—Shareholders' Rights Proxy Agreement" for details.

(2) Please see "Summary of Material Terms of the Contractual Arrangements—Exclusive Option Agreement" for details.

(3) Please see "Summary of Material Terms of the Contractual Arrangements—Equity Pledge Agreements" for details.

(4) Please see "Summary of Material Terms of the Contractual Arrangements—Exclusive Technical Service Agreement" for details.

(5) As of the Latest Practicable Date, the Registered Shareholders were Mr. Xu and Mr. Li, who held 95.00% and 5.00% of Congshu Beijing, respectively.

(6) "→" denotes direct legal and beneficial ownership in the equity interest and "⇢" denotes contractual relationship.

(7) Congshu Beijing also holds minority investment in Leikewo as to 15% of its registered capital. Leikewo has not commenced business operations as of the Latest Practicable Date, and it is intended that Leikewo will be engaged in the production of automobile PGC. Such minority investment is not controlled by our Group.

In March 2019, the PRC National People's Congress promulgated the PRC Foreign Investment Law (《中華人民共和國外商投資法》), and in December 2019, the State Council promulgated the Implementing Rules of the Foreign Investment Law (《中華人民共和國外商投資法實施條例》), or the Implementing Rules, to further clarify and elaborate the relevant provisions of the Foreign Investment Law. The Foreign Investment Law and the Implementing Rules do not explicitly provide whether the contractual arrangements like us would be deemed as a method of foreign investment. The PRC Foreign Investment Law does not explicitly stipulate contractual arrangement as a form of foreign investment. The PRC Legal Advisor is of the view that the Contractual Arrangements will not be

affected and will continue to be valid, legal and binding on the parties. However, the Foreign Investment Law has a catch-all provision that includes the investments made by foreign investors in China in the methods as specified in laws, administrative regulations, or as stipulated by the State Council into the definition of "foreign investments". Pursuant to the Foreign Investment Law and the Implementing Rules, and the Information Reporting Measures for Foreign Investment (《外商投資信息報告辦法》) jointly promulgated by the MOFCOM and the SAMR, which took effect on January 1, 2020, a foreign investment information reporting system shall be established and foreign investors or foreign-invested enterprises shall report investment information to competent commerce departments of the government through the enterprise registration system and the enterprise credit information publicity system, and the administration for market regulation shall forward the above investment information to the competent commerce departments in a timely manner. See "Risk Factors—Substantial uncertainties exist with respect to the interpretation and implementation of the newly adopted PRC Foreign Investment Law and its implementing rules and how they may impact the viability of our current corporate structure, corporate governance and business operations", "Regulatory Overview—Regulations on Foreign Investment" and "Contractual Arrangements—Development in the PRC Legislation on Foreign Investment" for further details.

In addition, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted], a waiver from strict compliance with certain requirements under Chapter 14A of the Listing Rules in relation to the Contractual Arrangements and intragroup transactions, contracts and agreements. See "Connected Transactions" for further details.

EQUITY INVESTMENT BY MR. LI

On February 1, 2018, Congshu Beijing increased its registered capital to RMB37,631,200, of which RMB1,881,200 was contributed by Mr. Li, who is known to be one of the prominent KOLs in the automobile industry in China. Immediately after completion of the capital contribution, Mr. Li held 5.00% of the registered capital of Congshu Beijing. Our Directors believe that our Group will be able to leverage on Mr. Li's extensive insights in the automotive industry as a prominent KOL, and that Mr. Li will provide valuable business related advice to us alongside with our business expansion in the future. See "History, Reorganization and Corporate Structure—Equity Investment by Mr. Li Anding" for further details.

[REDACTED] INVESTMENT

On May 14, 2019, we received an investment from LYL Weihui Limited the **[REDACTED]** Investor, a BVI business company incorporated in the BVI with limited liability which is wholly-owned by Mr. Liu Yunli (劉運利), who became acquainted with Mr. Xu through Mr. Xu's business network. We allotted and issued to the **[REDACTED]** Investor 25,000,000 Series A Preferred Shares (representing approximately 5.00% of the enlarged issued share capital of our Company immediately after the subscription) at an aggregate consideration of RMB50.0 million. We consider the **[REDACTED]** Investment as additional funding for our business operations and development, and our Directors believe that the **[REDACTED]** Investment also serves as an endorsement of our Group's performance, strength and prospects. We also believe that the experience of the **[REDACTED]** Investor in the operations of the Internet industry and its abundant industry resources may allow our Company to leverage on its experience in further developing our business. See "History, Reorganization and Corporate Structure—**[REDACTED]** Investment" for further details.

CONTROLLING SHAREHOLDERS

Immediately after completion of the **[REDACTED]** (without taking into account the exercise of the **[REDACTED]**), XC Group, which is wholly-owned by Mr. Xu, our founder, our executive Director, our chairman of the Board and chief executive officer, will hold approximately **[REDACTED]**% of the issued share capital of our Company.

KEY OPERATING DATA

The following table sets out the approximate MUV, DUV and average daily PV on our proprietary platforms and third party platforms during the Track Record Period, where MUV represents monthly unique visitors (i.e. the number of unique visitors that access the platforms for a single month), DUV represents daily unique visitors (i.e. the number of unique visitors that access the platforms for a single day) and average daily PV represents the average number of page views by a user on the platforms on a single day. For further breakdown of our key operating data, see "Business—Distribution of Automobile Content—Distribution through third party platforms."

	For the year ended December 31,									Six months ended June 30,		
	2017			2018			2019			2020		
	MUV[1]	DUV[1]	Average daily PV[1]	MUV[1]	DUV[1]	Average daily PV[1]	MUV[1]	DUV[1]	Average daily PV[1]	MUV[1]	DUV[1]	Average daily PV[1]
	million	*million*	*million*	*million*	*million*	*million*	*million*	*million*	*million*	*million*	*million*	*million*
Proprietary Platforms	**18.0[2]**	**4.1[3]**	**33.5**	**20.3**	**4.8[3]**	**49.8**	**29.0**	**4.9[3]**	**53.2**	**33.7**	**5.2[3]**	**55.8**
PC websites[4]	19.2	3.2	30.0	20.1	3.5	45.0	20.7	3.5	48.0	24.5	3.6	50.0
Mobile website	3.2	0.7	3.5	4.5	0.9	4.8	4.9	1.0	5.2	5.5	1.2	5.8
App	2.0	0.4	—	3.0	0.5	—	5.0	0.6	—	5.5	0.7	—
Third Party Platforms	**38.9[2]**	**8.1[3]**	**39.3**	**39.1[2]**	**8.4[3]**	**41.5**	**43.9[2]**	**9.0[3]**	**44.8**	**44.7[2]**	**9.1[3]**	**49.8**
Over 1,000 business partner platforms[5]	25.9	4.7	35.0	26.0	5.0	37.0	30.3	5.5	40.0	31.4	5.6	45.0
12 we-media platforms[6]	15.2	3.6	4.3	15.3	3.8	4.5	16.1	3.9	4.8	15.8	4.0	4.8
Total	**54.5[2]**	**9.9[3]**	**72.8**	**56.9[2]**	**10.6[3]**	**91.3**	**57.2[2]**	**11.2[3]**	**98.0**	**61.3[2]**	**11.6[3]**	**105.6**

Notes:

(1) The calculation of DUV is based on the number of daily unique visitor visiting and browsing on our platforms. The calculation of MUV is based on the calculation of DUV accumulated on a monthly basis. The calculation of average daily PV is based on the average number of webpage on our platforms browsed and viewed by users on a daily basis.

(2) According to the CIC Report, the total MUV deducts any duplicate in MUV in proprietary platforms and third party platforms.

(3) According to the CIC Report, the total DUV deducts any duplicate in DUV in proprietary platforms and third party platforms.

(4) The operating data of our PC websites are primarily attributed by our main "Cheshi (網上車市)" website, which is our proprietary platform. Our other proprietary platforms, namely, Haoche18.com and Pika18.com, which are our channels for niche vehicles market, their DUV and PV are still at early growth stage and hence did not make significant contributions to the DUV and average daily PV on our PC websites as a whole during the Track Record Period.

(5) Our business partners primarily include (i) communications operator integrated websites; (ii) financial institution websites; (iii) key local news integrated websites; and (iv) local newspaper websites. For further details, see "Business – Distribution of automobile content – Distribution through third party platforms".

(6) Some of the prominent we-media platforms on which we deliver automobile content include Sohuhao, Sina Aspect, Chejiahao and Toutiao.

(7) According to the CIC Report, during the Track Record Period, the percentage of deducted total DUV of proprietary platforms to total DUV was 29.9%, 32.6%, 31.5% and 32.9%, and the percentage of deducted total DUV of third party platforms to total DUV was 70.1%, 67.4%, 68.5% and 67.1%.

During the Track Record Period, the percentage of total DUV to total MUV was 18.2%, 18.6%, 19.6% and 18.9%, respectively. The percentage of DUV to MUV represents the level of user stickiness. The larger the percentage of DUV to MUV is, the higher the level of user stickiness. By industry norm, the approximate average percentage of DUV to MUV for an automobile vertical media platform ranges from 10% to 30%.

We have built one of the most comprehensive online automobile database in China. As of June 30, 2020, our automobile database contained over 1.9 million vehicle configurations, over 4.2 million automobile photos with a coverage of over 57,000 car models, 3,300 series and 330 brands.

We are able to create a large quantity of automobile content in the form of articles, photos and video clips per year. In particular, we created approximately 320, 1,600, 2,400 and 2,300 video clips in the three years ended December 31, 2017, 2018, and 2019 and the six months ended June 30, 2020, respectively. The following table sets out the approximate statistics of content produced by our Group for the Track Record Period:

	Year ended December 31,			Six months ended June 30,
	2017	2018	2019	2020
Articles	617,000	663,000	698,000	354,000
Photos	134,000	144,000	141,000	72,000
Videos[(1)]	320	1,600	2,400	2,300
Total	**751,320**	**808,600**	**841,400**	**428,300**

Notes:

(1) For the two years ended December 31, 2018 and 2019 and six months ended June 30, 2020, we substantially increased our production of videos. According to the CIC Report, tech-based online media represented by online video platforms are attracting more audience to access updated information as digital media have become the major channel of news and entertainment for Internet users in China since 2016. The growing popularity of video and interactive content is due to their enhancement in user acquisition and increasing daily view time of users.

(2) Generally, when our automobile contents, including articles, photos and videos, are published on our proprietary platforms, they are simultaneously displayed and updated on platforms operated by our business partners. In some instances where our business partner requests, we may enter into specific arrangements with certain business partners that only selected type of automobile contents from our proprietary platforms would be distributed to the platforms operated by our business partners. As of the Latest Practicable Date, we had 26 business partners in which 22 of them have full display of our automobile contents on their platforms while 4 of them have only partial display of our automobile contents on their platforms.

Our Transaction Facilitation Service had experienced strong growth from October 2018 to December 2019. Our Transaction Facilitation Service was affected by the COVID-19 outbreak as no group-purchase events were being organized for the three months ended March 31, 2020 due to government measures to contain COVID-19. Our Transaction Facilitation Service resumed gradually and we completed seven group-purchase events for the three months ended June 30, 2020. As of the Latest Practicable Date, the operation of our Transaction Facilitation Service had been in recovery as, according to the CIC Report, there had been an overall recovery of automobile-related transactions services within the months after June 30, 2020. The following table sets out the number of group-purchase events and number of vehicles sold for our Transaction Facilitation Service:

	Three months ended December 31,	Year ended December 31,	Six months ended June 30,	
	2018	2019	2019	2020
Number of group-purchase events (monthly average)	3 (1)	100 (8.3)	59 (9.8)	7 (1.2)
Number of vehicles sold (monthly average)	214 (71.3)	4,358 (363.2)	2,542 (423.7)	270 (45.0)

SUMMARY OF KEY FINANCIAL INFORMATION

The following tables set forth summary financial data from our consolidated financial information for the Track Record Period, derived from the Accountant's Report in Appendix I to this document. The summary of consolidated financial information set out below should be read together with, and is qualified in its entirety by reference to, our consolidated financial information disclosed

elsewhere in this document, including the related notes. Our consolidated financial information was prepared in accordance with IFRSs.

Consolidated statements of comprehensive income

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019 (Unaudited)		2020	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	RMB'000		RMB'000		RMB'000		RMB'000		RMB'000	
Revenue	117,578	100.0	157,847	100.0	177,615	100.0	77,504	100	58,897	100
Cost of providing services	(16,836)	14.3	(21,263)	13.5	(28,852)	16.2	(15,213)	19.6	(9,472)	16.1
Gross profit	100,742	85.7	136,584	86.5	148,763	83.8	62,291	80.4	49,425	83.9
Other income	443	0.4	131	0.1	3,056	1.7	659	0.9	1,664	2.8
Other gains, net	607	0.5	1,035	0.7	3,932	2.2	574	0.7	8,366	14.2
(Net impairment loss)/ reversal of net impairment loss on financial assets	(1,386)	1.2	(6,837)	4.3	(3,703)	2.1	6,681	8.6	1,873	3.2
Selling and distribution expenses	(45,009)	38.3	(43,791)	27.7	(47,757)	26.9	(21,723)	28.0	(16,794)	28.5
Administrative expenses	(12,606)	10.7	(19,463)	12.3	(34,426)	19.4	(17,340)	22.4	(13,057)	22.2
Research and development expenses	(4,843)	4.1	(7,823)	5.0	(12,507)	7.0	(4,243)	5.5	(3,275)	5.6
Operating income	37,948	32.3	59,836	37.9	57,358	32.3	26,899	34.7	28,202	47.9
Finance income	5	—	23	—	383	0.2	25	0.0	161	0.3
Finance costs	(299)	0.3	(187)	0.1	(84)	0.0	(57)	0.0	(223)	0.4
Finance (costs)/income, net	(294)	0.3	(164)	0.1	299	0.2	(32)	0.0	(62)	0.1
Share of loss of an associate	—	—	—	—	—	—	—	—	(56)	0.1
Profit before income tax	37,654	32.0	59,672	37.8	57,657	32.5	26,867	34.7	28,084	47.7
Income tax expense	(10,179)	8.7	(12,069)	7.6	(5,947)	3.4	(5,072)	6.5	(3,377)	5.7
Profit and total comprehensive income for the year/period attributable to owners of the Company	**27,475**	**23.4**	**47,603**	**30.2**	**51,710**	**29.1**	**21,795**	**28.1**	**24,707**	**42.0**

Revenue and profit

For the three years ended December 31, 2017, 2018 and 2019, we generated total revenue of approximately RMB117.6 million, RMB157.8 million and RMB177.6 million, respectively; such growth in revenue was mainly attributable to the improvement in diversity and quality of our content, which attracted more customers to engage our services. Our profit for the year increased by 73.3% from approximately RMB27.5 million in 2017 to approximately RMB47.6 million in 2018 and further increased by 8.6% to approximately RMB51.7 million in 2019. Such growth in profit was mainly attributable to our growth in revenue and as a result of our effective cost control in our employee benefit expenses and advertising expenses. Our revenue amounted to approximately RMB77.5 million and RMB58.9 million for the six months ended June 30, 2019 and 2020, respectively. We recorded a decrease in revenue from approximately RMB77.5 million for the six months ended June 30, 2019 to RMB58.9 million in the corresponding period in 2020, which was attributable to the overall decrease of advertising expenditure sourced from our customers for the six months ended June 30, 2020, which, our Directors believe was likely caused by the dates of new car launches and automobile exhibitions

(which were typically held in March and April of the year) being pushed back to the latter half of 2020 due to the COVID-19 outbreak, thus affecting the market appetite for automobile advertising services during the first half of 2020. Our gross profit decreased from approximately RMB62.3 million for the six months ended June 30, 2019 to approximately RMB49.4 million for the six months ended June 30, 2020, primarily due to the decrease in our revenue generated. Our profit for the period increased by 13.4% from approximately RMB21.8 million for the six months ended June 30, 2019 to approximately RMB24.7 million for the six months ended June 30, 2020, the increase of which was attributable to a substantial increase of our other gains, net from approximately RMB0.6 million for the six months ended June 30, 2019 to approximately RMB8.4 million for the six months ended June 30, 2020, primarily due to an increase in our fair value gain on convertible redeemable preference shares from nil to approximately RMB5.9 million from the latest valuation of the convertible redeemable preference shares in the corresponding period, and also the overall decrease in our selling and distribution, administrative and R&D expenses in 2020.

Cost of providing services

The following table sets forth a breakdown of our costs of providing services for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019 (Unaudited)		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	% of total	RMB'000	% of total
Amortization of intangible assets	935	5.6	935	4.4	935	3.2	467	3.0	468	4.9
Depreciation of property, plant and equipment	—	—	54	0.3	100	0.4	46	0.3	61	0.6
Employee benefit expenses	6,761	40.2	8,583	40.4	9,252	32.1	4,378	28.8	3,758	39.7
Advertisement production and other direct expenses	7,679	45.6	11,331	53.2	17,808	61.7	9,884	65.0	4,817	50.9
Expense of website maintenance and internet improvement	844	5.0	274	1.3	609	2.1	368	2.4	368	3.9
Miscellaneous	617	3.6	86	0.4	148	0.5	70	0.5	—	—
Total	**16,836**	**100.0**	**21,263**	**100.0**	**28,852**	**100.0**	**15,213**	**100.0**	**9,472**	**100.0**

Employee benefit expenses include salary paid to staff involved in our provision of services, including content editors, photographers and video producers. Advertisement production and other direct expenses refer to fees paid to certain of our business partners under our content distribution collaboration arrangements and fees paid to third parties for advertisement production relating to videography and venue rentals. The increase of our cost of providing services was due to the expansion of content team and the increase in advertisement production. Our costs of providing services decreased to approximately RMB9.5 million for the six months ended June 30, 2020, from approximately RMB15.2 million in the corresponding period in 2019, primarily attributable to: (i) a decrease of advertisement production and other direct expenses, which was in line with the decrease in revenue, and (ii) also due to the suspension of offline events being organized and executed as a result of the COVID-19 outbreak; and (iii) a decrease in employee benefit expenses (in the form of bonus reductions which were in line with the decrease in revenue, and also due to the decreased number of content creation staff).

We expect our cost of providing services to continue increasing as our business continues to grow. See "Financial Information—Description of Major Components of Our Result of Operations—Cost of providing services" for further details.

NET CURRENT ASSETS

We recorded net current assets of approximately RMB58.7 million, RMB57.0 million, RMB161.1 million, RMB171.3 million and RMB199.5 million as of December 31, 2017, 2018, 2019, June 30, 2020 and October 31, 2020, respectively. The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of June 30,	As of October 31,
	2017	2018	2019	2020	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Current assets					
Prepayments, deposits and other receivables	1,869	5,470	13,715	17,091	17,230
Amounts due from shareholders	—	—	331	336	318
Contract assets	2,883	6,244	8,056	2,825	8,050
Trade and bill receivables	81,534	102,348	114,563	91,511	105,683
Financial assets at FVTPL	7,148	20,300	41,656	92,391	118,034
Income tax recoverable	—	32	186	—	—
Cash and cash equivalents	14,459	36,130	76,670	55,331	31,524
Total current assets	107,893	170,524	255,177	259,485	280,839
Current liabilities					
Trade payables	4,822	4,898	5,519	5,136	4,439
Contract liabilities	750	846	3,765	3,600	3,149
Accruals and other payables	24,508	42,657	60,676	51,356	45,826
Lease liabilities	3,311	3,371	555	4,922	4,823
Dividend payable	—	50,000	13,600	13,600	13,600
Amount due to a director	2	—	—	—	—
Income tax payable	15,824	11,796	9,992	9,566	9,529
Total current liabilities	**49,217**	**113,568**	**94,107**	**88,180**	**81,366**
Net current assets	**58,676**	**56,956**	**161,070**	**171,305**	**199,473**

Our net current assets decreased from approximately RMB58.7 million as of December 31, 2017, to approximately RMB57.0 million as of December 31, 2018. The decrease was primarily due to the dividend payable of approximately RMB50.0 million. Such decrease was partially offset by an increase in trade and bill receivables and cash and cash equivalents.

As of December 31, 2019, the net current assets of our Group were approximately RMB161.1 million. The increase as compared to December 31, 2018 was principally as a result of (i) an increase of trade and bill receivables, (ii) an increase in financial assets at FVTPL, (iii) an increase of cash and cash equivalents, and (iv) a decrease of dividend payable attributable to dividend payout of RMB5.0 million, RMB30.0 million and RMB1.4 million on January 30, 2019, May 23, 2019 and October 30, 2019, respectively. It was partially offset by the increase in accruals and other payables in 2019.

As of June 30, 2020, the net current assets of our Group were approximately RMB171.3 million. The increase as compared to December 31, 2019 was primarily due to: (i) a

decrease in accruals and other payables; and (ii) an increase in financial assets at FVTPL, which was partially offset by (i) a decrease in cash and cash equivalents; (ii) a decrease in trade and bill receivables; and (iii) a decrease in contract assets. As of October 31, 2020, based on the unaudited consolidated management accounts, the net current assets of our Group were approximately RMB199.5 million.

Summary of consolidated statements of financial position

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	21,359	18,668	14,931	31,335
Current assets	107,893	170,524	255,177	259,485
Non-current liabilities	2,121	107	48,377	50,309
Current liabilities	49,217	113,568	94,107	88,180
Net Assets	77,914	75,517	127,624	152,331
Net current assets	58,676	56,956	161,070	171,305

For the three years ended December 31, 2017, 2018 and 2019 and for the six months ended June 30, 2020, we recorded net assets of approximately RMB77.9 million, RMB75.5 million, RMB127.6 million and RMB152.3 million, respectively. The decrease of our net assets in 2018 was primarily due to a substantial increase of current liability, attributable to dividend payable of approximately RMB50.0 million, which was partially offset by an increase in trade and bill receivables and cash and cash equivalents. The increase of net assets in 2019 was primarily due to increase in cash and cash equivalents and financial assets at fair value through profit and loss. The increase of net asset in 2020 was primarily due to the substantial increase of non-current assets in that our property, plant and equipment and right-of-use assets experienced a substantial increase from approximately RMB1.1 million as of December 31, 2019 to RMB14.0 million as of June 30, 2020.

As of December 31, 2017, 2018 and 2019 and June 30, 2020, we recorded intangible assets of approximately RMB 13.8 million, RMB 12.6 million, RMB 11.6 million and RMB 11.2 million, respectively. Intangible assets accounted for 3.8% of our total assets as of June 30, 2020, which include goodwill, trademarks and domain names, customer relationships and computer software. For details of our intangible assets and sensitivity analysis, see note 2.7 and 16 of Appendix I to this document.

As of December 31, 2017, 2018 and 2019 and June 30, 2020, we had a total of RMB6.2 million goodwill, which was due to our acquisition of the online advertising platform in October 2015 from an Independent Third Party. The value of goodwill are based upon a number of assumptions made by our management, and if any of the assumptions does not materialize, or if our performance of business is not consistent with such assumptions, we may need to record impairment losses, which could in turn adversely affect our results of operations. See "Financial Information—Goodwill" and "Risk Factors—Risks Relating to Our Business and Industry—Goodwill impairment could adversely affect our results of operations and financial condition" in this document.

Summary of consolidated statements of cash flows

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019 (Unaudited)	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net cash generated from operating activities	19,720	38,778	53,021	27,212	31,969
Net cash generated from/(used in) investing activities	5,634	(12,563)	(19,791)	(16,410)	(50,615)
Net cash (used in)/generated from financing activities	(12,821)	(4,544)	6,862	11,341	(3,460)
Net increase/(decrease) in cash and cash equivalents	12,533	21,671	40,092	22,143	(22,106)
Cash and cash equivalents at the beginning of the year/period	1,926	14,459	36,130	36,130	76,670
Effect on exchange rate difference	—	—	448	(232)	767
Cash and cash equivalents at end of the year/period	**14,459**	**36,130**	**76,670**	**58,041**	**55,331**

Key Financial Ratios

	As of and for the year / six months ended			
	December 31,			June 30,
	2017	2018	2019	2020
Profitability ratios				
Gross profit margin[(1)]	85.7%	86.5%	83.8%	83.9%
Net profit margin[(2)]	23.4%	30.2%	29.1%	42.0%
Return on equity[(3)]	35.3%	63.0%	40.5%	35.3%
Return on total assets[(4)]	21.3%	25.2%	19.1%	17.6%
Liquidity ratios				
Current ratio[(5)]	2.2	1.5	2.7	2.9
Trade receivables turnover days[(6)]	180	213	223	318

Notes:

(1) The calculation of gross profit margin is based on gross profit for the year or period divided by revenue for the respective year or period and multiplied by 100%.

(2) The calculation of net profit margin is based on the net profit divided by revenue for the respective year or period and multiplied by 100%.

(3) Calculated as profit for the year/period divided by average balance of total equity at the beginning and the end of that year/period, then multiplied by 100%. Return on equity for the six months ended June 30, 2020 is annualized by dividing profit for this period by 180 and multiplied by 360, then divided by average equity.

(4) Calculated as profit for the year/period divided by average balance of total assets at the beginning and the end of that year/period, then multiplied by 100%. Return on asset for the six months ended June 30, 2020 is annualized by dividing profit for this period by 180 and multiplied by 360, then divided by average assets.

(5) The calculation of current ratio is based on our current assets divided by our current liabilities at the end of each financial period.

(6) Trade receivables turnover days were calculated based on the average of the opening and closing balance of our trade receivables divided by revenue for the relevant year/period multiplied by 365/182 days.

Our gross profit margin remained relatively stable at 85.7% in 2017 and 86.5% in 2018. We had a slight decrease in our gross profit margin from 86.5% in 2018 to 83.8% in 2019, which was mainly attributable to the increase in advertisement production expenses in 2019. Our gross profit margin remained stable at 83.8% in 2019 and 83.9% as of June 30, 2020.

The increase in the net profit margin from 23.4% in 2017 to 30.2% in 2018 was mainly attributable to our substantial decrease in marketing and promotion expenses for promotion of our own brand and platform in 2018; and (ii) the preferential tax treatment Congshu Beijing enjoyed in 2018 as

High and New Technology Enterprise. The decrease in the net profit margin from 30.2% in 2018 to 29.1% in 2019 was primarily due to an increase of administrative expenses in 2019 as a result of a substantial increase in **[REDACTED]** expenses. Our net profit margin increased from 29.1% in 2019 to 42.0% for the six months ended June 30, 2020, which was primarily due to the increase in other gain from approximately RMB0.6 million for the six months ended June 30, 2019 to approximately RMB8.4 million for the six months ended June 30, 2020, as a result of the latest valuation of our convertible redeemable preference shares.

Our return on equity increased from 35.3% in 2017 to 63.0% in 2018, primarily due to our increase of profit attributable to shareholders from approximately RMB27.5 million in 2017 to approximately RMB47.6 million in 2018 as a result of our improved profitability. Our return on equity decreased from 63.0% in 2018 to 40.5% in 2019 primarily due to a substantial increase in the total equity contributed by the increase of retained earning. Our return of equity decreased to 35.3% as of June 30, 2020 mainly attributable to increase of total equity in our retained earnings.

Our return on total assets increased from 21.3% for 2017 to 25.2% for 2018 was primarily because of our increased profit attributable to shareholders of approximately RMB27.5 million in 2017 and approximately RMB47.6 million in 2018 as a result of our business expansion, whereas our total assets increased from approximately RMB129.3 million in 2017 to approximately RMB189.2 million in 2018. The decrease on our return on total assets to 19.1% was due to the increase of total asset from approximately RMB189.2 million in 2018 to approximately RMB270.1 million in 2019 attributable to the increase of cash and cash equivalents. Our return on total assets decreased to 17.6% as of June 30, 2020 mainly attributable to increase of total asset in 2020 in our property, plant and equipment and right-of-use assets.

Our current ratio subsequently decreased from 2.2 as of December 31, 2017 to 1.5 as of December 31, 2018 due to the increase of trade and bill receivables from approximately RMB81.5 million as of December 31, 2017 to approximately RMB102.3 million as of December 31, 2018, as well as our increase in cash and cash equivalents from approximately RMB14.5 million as of December 31, 2017 to approximately RMB36.1 million as of December 31, 2018 while our current liabilities had a larger increase due to dividend payable as of December 31, 2018. Our current ratio increased from 1.5 as of December 31, 2018 to 2.7 as of December 31, 2019, which is attributable to the increase of current asset from approximately RMB170.5 million in 2018 to approximately RMB255.2 million in 2019 whereas our current liabilities decreased from approximately RMB113.6 million in 2018 to RMB94.1 million in 2019. Our current ratio increased from 2.7 for the year ended December 31, 2019 to 2.9 for the six months ended June 30, 2020, which was primarily due to the decrease in current liabilities from approximately RMB94.1 million in 2019 to RMB88.2 million in 2020 being mainly attributable to the decrease in accruals and other payables in 2020.

The turnover days of trade receivables increased from 180 days as of December 31, 2017 to 213 days as of December 31, 2018 and further to 223 days as of December 31, 2019. Such increase was primarily because we allowed a longer credit period to certain customers with a view to developing long term business relationships with them. As of June 30, 2020, our turnover days of trade receivables were 318 days, as we extended the credit period of 12 customers due to COVID-19. To the best knowledge of our sales team, almost all these customers have stable business operations and are financially sound. For details, please see "Financial Information—Trade and bill receivables".

See "Financial Information—Key Financial Ratios" for further details of our key financial ratios.

DIVIDENDS

Taking into account past business performance, cash flows and retained profits of Congshu Beijing during the Track Record Period, and the expected funds to be received from the **[REDACTED]** Investment, Congshu Beijing declared dividends in the aggregate amount of RMB50.0 million for the two years ended December 31, 2017 and 2018. Dividends of RMB36.4 million has been paid by Congshu Beijing in 2019. The remaining balance of the dividends declared but remaining unpaid will be paid with retained earnings of our Group accumulated over the past years in cash before the **[REDACTED]**. Any future declaration and payment of dividends will be subject to our dividend policy and the discretion of our Directors. There can be no assurance that we will be able to declare or distribute any dividend at all. See the sections headed "Financial information—Dividends" and "Risk Factors—We may not be able to pay any dividends on our Shares" for details.

[REDACTED]

This document is published solely in connection with the **[REDACTED]**. The **[REDACTED]** is fully **[REDACTED]** by the **[REDACTED]** on a conditional basis. The **[REDACTED]** is expected to be fully **[REDACTED]** by the **[REDACTED]**. The **[REDACTED]** comprises the **[REDACTED]** of initially **[REDACTED]** and the **[REDACTED]** of initially **[REDACTED]** (subject to, in each case, reallocation on the basis referred to under "Structure of the **[REDACTED]**" in this document and, in case of the **[REDACTED]**, any exercise of the **[REDACTED]**).

[REDACTED]

The statistics in the following table are based on the assumptions that the **[REDACTED]** is not exercised:

	Based on an [REDACTED] of HK$[REDACTED] per Share	Based on an [REDACTED] of HK$[REDACTED] per Share
Market capitalization of our Shares[(1)]	**[REDACTED]**	**[REDACTED]**
Unaudited **[REDACTED]** adjusted net tangible asset value per Share[(2)]	**[REDACTED]**	**[REDACTED]**

Notes:

(1) The calculation of market capitalization is based on **[REDACTED]** *Shares expected to be in issue immediately upon completion of the* **[REDACTED]**.

(2) The unaudited **[REDACTED]** *adjusted net tangible asset per Share is calculated after making adjustments referred to in "Appendix II—Unaudited* **[REDACTED]** *Financial Information."*

[REDACTED]

We expect the total estimated amount of **[REDACTED]** expenses (including **[REDACTED]**) would be approximately RMB**[REDACTED]** (based on mid-point of our indicative **[REDACTED]** range of HK$**[REDACTED]** for the **[REDACTED]** and assuming that the **[REDACTED]** is not exercised) by the completion of the **[REDACTED]**. For the Track Record Period, we incurred **[REDACTED]** expenses of approximately RMB**[REDACTED]** which was charged to our consolidated statements of comprehensive income as **[REDACTED]** expenses. We will incur approximately RMB**[REDACTED]**, of which an estimated amount of approximately RMB**[REDACTED]** will be charged to our consolidated statements of comprehensive income and an estimated amount of approximately RMB**[REDACTED]** will be charged to equity for the year ending December 31, 2020. The total estimated amount of **[REDACTED]** expenses

(including **[REDACTED]**) accounted for approximately **[REDACTED]**% of our gross **[REDACTED]** from the **[REDACTED]** assuming the **[REDACTED]** is fixed at HK$**[REDACTED]** per Share (being the mid-point of the indicative **[REDACTED]** of the **[REDACTED]** range stated in this document and assuming that the **[REDACTED]** is not exercised).

[REDACTED]

Assuming the **[REDACTED]** is fixed at HK$**[REDACTED]** per Share (being the mid-point of the indicative range of the **[REDACTED]** range stated in this document and assuming that the **[REDACTED]** is not exercised), we estimate that the **[REDACTED]** of the **[REDACTED]**, after deducting the estimated **[REDACTED]** and expenses payable by us in connection with the **[REDACTED]**, will be approximately HK$**[REDACTED]**. We intend to use the **[REDACTED]** from the **[REDACTED]** for the following purposes: (i) approximately **[REDACTED]**% of our **[REDACTED]**, or approximately HK$**[REDACTED]**, will be used for business expansion which includes solidifying our market position and quantity of our PGC, strengthening collaboration with business partners and capturing new customer and business opportunities; (ii) approximately **[REDACTED]**% of our **[REDACTED]**, or approximately HK$**[REDACTED]**, will be used for technology development which includes strengthening R&D and IT system, optimizing our Picker engine and developing and promoting new products; (iii) approximately **[REDACTED]**% of our **[REDACTED]**, or approximately HK$**[REDACTED]**, will be used for future investments and acquisitions which includes making future investments and acquisitions on companies that can generate synergy with our current business; and (iv) approximately **[REDACTED]**% of our **[REDACTED]**, or approximately HK$**[REDACTED]**million, for working capital and other general corporate purposes.

The above allocation of the **[REDACTED]** will be adjusted on a pro rata basis in the event that the **[REDACTED]** is fixed below or above the midpoint of the indicative **[REDACTED]** range. Any additional **[REDACTED]** received from the exercise of the **[REDACTED]** will also be allocated to the above purposes on a pro rata basis. Our Directors consider that the **[REDACTED]** from the **[REDACTED]** together with our internal resources will be sufficient to finance the implementation of our business plans as set out above. **[REDACTED]** should be aware that any part of our business plans may not proceed according to the time frame as described above due to various factors. Under such circumstances, our Directors will evaluate carefully the situation and will hold the funds as short-term deposits until the relevant business plan(s) materialize. See "Future Plans and **[REDACTED]**" for further details.

RECENT DEVELOPMENTS

Starting in January 2020, an outbreak of respiratory illness caused by COVID-19 continues to expand globally. Since the outbreak of COVID-19, the PRC Government has imposed measures such as extended suspension of business operations, travel restrictions and school closures in China, in an effort to contain the spread of COVID-19. As of the Latest Practicable Date, COVID-19 had spread to over 140 countries and territories around the world with the death toll from the outbreak and the number of infected cases continuing to rise. The outbreak is likely to have an adverse impact on the livelihood of the people in and the economy of the PRC.

According to the CIC Report, as the COVID-19 spreads in 2020, car sales in China fell by 92% in February 2020. The sales volume of new passenger automobiles in the six months ended June 30, 2020 was approximately 7.8 million units, representing a negative growth rate of approximately 22.5% compared to that for the corresponding period in 2019. This, according to the CIC Report, was caused

by changes in consumer behaviors under the COVID-19 outbreak, leading to the postponement in the sales of new passenger automobiles. Moreover, the total sales volume of new passenger automobiles in China is expected to decrease to 19.7 million units in 2020, accounting for a drop of approximately 7.9% compared to that in 2019. In terms of the advertising expenditure of the automobile industry, it is expected to decrease slightly to RMB40.9 billion in 2020 accounting for a drop of approximately 2.6% compared to that in 2019, 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. The total sales volume of new passenger automobiles was then understood to be postponed as the COVID-19 outbreak has led to several changes of consumers' behaviors. Furthermore, the demand for automobile advertising industry may also be hindered by the COVID-19 outbreak due to the potential reduction of advertising expenditures by automakers and limited media resources of traditional media, such as, TVs and print media.

For the nine months ended September 30, 2020, the negative growth rate of new car sale accounted for approximately 12.4% indicating a recovery in new car sales as a result of effective containment measures to combat the effects of the COVID-19 outbreak. This is anticipated to help the automobile advertising industry (and thus the advertising expenditure in automobile industry) to rebound. It is also evident that the new car sales market is recovering with the effective containment of the outbreak. For the three months ended June 30, 2020 and the three months ended September 30, 2020, the sales volume of new passenger automobiles in China was approximately 5.0 million units and 5.5 million units, representing year-on-year growth rates of 2.2% and 7.7% compared to those sales volume in the same period of previous year, respectively.

Whilst the total sales volume of new passenger automobiles was understood to be postponed as the COVID-19 outbreak has led to several changes of consumers' behaviors, the sales of new car in China has started to recover with the effective containment of the outbreak in March 2020, which helped the automobile advertising industry to rebound. As for advertising expenditure of the automobile industry, the impact will be alleviated. 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. Based on the steady growth of the overall automobile market and the emergence of online advertising, automobile advertising expenditure is forecasted to reach RMB49.4 billion by 2024, representing a CAGR of 3.3% from 2019, while the expenditure of the automobile online advertising market is expected to reach RMB28.9 billion by 2024, representing a CAGR of 8.6% from 2019.

The COVID-19 outbreak has caused certain impacts on our business for the six months ended June 30, 2020, which mainly affected the Transaction Facilitation Service. For the six months ended June 30, 2020, we could not organize as many group-purchase events as expected, which led to a significant decrease from 59 events (generating a revenue of approximately RMB2.4 million) for the six months ended June 30, 2019, to seven events (generating a revenue of approximately RMB0.2 million) for the six months ended June 30, 2020. For the three months ended September 20, 2020, we organized one group-purchase event as compared to 22 group-purchase events in the corresponding period in 2019. However, we expect our Transaction Facilitation Service to gradually recover, in light of the lifting of various restrictions due to the COVID-19 outbreak in the PRC.

The COVID-19 outbreak has also affected our Online Advertising Services. We recorded a decrease in our revenue generated from our Online Advertising Service (from approximately RMB75.2 million to approximately RMB58.7 million), as we experienced an overall decrease of advertising

expenditure sourced from our customers for the six months ended June 30, 2020, as compared to the corresponding period in 2019. Our Directors believe that this was likely caused by the dates of new car launches and automobile exhibitions (which were typically held in March and April of the year) were pushed back to the latter half of 2020 due to the COVID-19 outbreak, thus affecting the market appetite for automobile advertising services during the first half of 2020. For the three months ended September 30, 2020, we entered into 150 new service contracts for our Online Advertising Service as compared to 104 new service contracts entered in the corresponding period in 2019.

For the three months ended September 30, 2019 and 2020, we recorded our revenue at approximately RMB41.7 million and RMB53.8 million, respectively. The gross profit in the corresponding period amounted to approximately RMB35.3 million and RMB45.1 million, with gross profit margin at 84.6% and 83.8%, respectively. The third quarter financials are extracted from the unaudited condensed consolidated financial information for the three months and nine months ended September 30, 2020 which [have been reviewed] by the reporting accountant in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity".

Further, our Directors are of the view that the impact of the COVID-19 outbreak on our Online Advertising Service was relatively limited in the long run. As of the Latest Practicable Date, all of our business operations had resumed to normal. Considering that the Transaction Facilitation Service are gradually recovering and the majority of our revenue is generated from the Online Advertising Service which experienced less impact despite the COVID-19 outbreak, our Directors will remain alerted and closely monitor and assess the market situation in light of any future development of COVID-19.

In the event that all our business operations have to be suspended due to the impact of the COVID-19 outbreak and assuming that (i) no revenue would be generated; (ii) all the staff would be retained; (iii) the administrative expenses would retain at the normal level other than business travelling being cancelled; (iv) the selling and marketing expenses would remain at approximately RMB2.8 million per month, as per our Directors' best estimate; (v) the administrative and other expenses would remain at approximately RMB2.2 million per month, as per our Directors' best estimate; (vi) the trade receivables and trade payables balance would be settled based on historical settlement pattern; and (vii) the **[REDACTED]** from **[REDACTED]** amount to approximately RMB**[REDACTED]** (being **[REDACTED]**% of the low-point of the indicative range of **[REDACTED]** range stated in this document which relates to working capital), based on our cash balance and the principal amount and the return generated from our Group's wealth management products, our Directors are of the view that our Group would remain financially viable for at least 50 months from October 2020.

Please see "Business—Impact of the Outbreak of COVID-19 on our operation in the PRC" for details.

We have also adopted control and prevention measures to protect our employees from outbreaks of infectious diseases, which is in line with the policies issued by the local governments. See "Business—Health, Work Safety, Social and Environmental Matters" in this document for further information.

As our strategies are mainly to be implemented in years 2021, 2022 and 2023, our Directors believe that COVID-19 is unlikely to have any significant long-term adverse impact to the implementation of the business strategies based on the current recovery situation in the PRC. That said,

our Directors will remain cautious and closely monitor and assess the market situation in light of any future development of COVID-19.

We expect that there will be an increase of our revenue for the year ending December 31, 2020, however, it is expected that our Company will experience a slight decrease of its profit and comprehensive income attributable to owners of our Company in 2020 as compared to the year ended December 31, 2019, primarily due to that our Company received a tax refund in 2019, whereas there is no such tax refund in 2020; and a decrease in revenue from Transaction Facilitation Services in 2020 due to the COVID-19 outbreak.

On June 25, 2019, in recognition of the contributions of our Directors, senior management and key employees and to further incentivize them to promote our development, we have adopted the SA Scheme and the RSU Scheme, pursuant to which 100,000,000 underlying Shares (representing 10.00% of our issued share capital immediately after the allotment and issue of such Shares) were allotted and issued to the RSU Nominee and the SA Nominee for the purpose of the RSU Scheme and the SA Scheme, respectively. See the section headed "Statutory and General Information" in Appendix IV to this document for further details of the schemes.

On December [*], 2020, our Board has resolved to grant Share Awards to certain of our executive Directors and selected employees of the Group, and to grant RSUs to selected employees of the Group. As at the date of grant, all Shares underlying the Share Awards and the RSUs are held by the SA Nominee and the RSU Nominee, respectively, and the grants will not cause any dilution of shareholding of our Shareholders immediately upon the **[REDACTED]**. However, such grants are expected to have a non-cash financial effect on our Company and will be recorded as share-based payments of our Company.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, since June 30, 2020 and up to the date of this document, save as disclosed above and for the expenses incurred and accrued in connection with the **[REDACTED]**, there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially and adversely affect the information shown in our consolidated financial statements set out in the Accountant's Report included in Appendix I to this document.

In this document, unless the context otherwise requires, the following terms shall have the meanings set out below.

"2020 Foreign Investment Negative List"	Special Management Measures (Negative List) for the Access of Foreign Investment (2020 version) (外商投資准入特別管理措施(負面清單) (2020年版))
"Accountant's Report"	the report of the Reporting Accountants, the text of which is set out in Appendix I to this document
"ADYM Investments"	ADYM Investments Limited, a company incorporated in the BVI with liability limited by shares and wholly owned by Mr. Li
"affiliate"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"**[REDACTED]**"	**[REDACTED]**, **[REDACTED]** and **[REDACTED]** individually or collectively, as the context may require
"Articles" or "Articles of Association"	the amended and restated articles of association of our Company, conditionally adopted on December 8, 2020 with effect from the **[REDACTED]**, a summary of which is set out in Appendix III to this document, and as amended, supplemented or otherwise modified from time to time
"associate(s)" or "close associates"	has the meaning ascribed to it under the Listing Rules
"Beihai April"	Beihai April Travel Digital Technology Company Limited (北海四月行數字科技有限公司), a limited liability company established under the laws of the PRC on December 26, 2019, a direct wholly-owned subsidiary of Congshu Beijing, one of our Consolidated Affiliated Entities and is deemed to be an indirect wholly-owned subsidiary of our Company pursuant to the Contractual Arrangements
"Beihai Media"	Beihai Congshu Advertising Media Company Limited (北海樅樹廣告傳媒有限公司), a limited liability company established under the laws of the PRC on December 18, 2019, a direct wholly-owned subsidiary of Congshu Beijing, one of our Consolidated Affiliated Entities and is deemed to be an indirect wholly-owned subsidiary of our Company pursuant to the Contractual Arrangements
"Beijing Lianche"	Beijing Lianche Technology Company Limited (北京聯車科技有限公司), a limited liability company established under the

	laws of the PRC on May 29, 2020, a direct wholly-owned subsidiary of Congshu Internet, and is an indirect wholly-owned subsidiary of our Company
"Board" or "Board of Directors"	the board of directors of our Company
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
"BVI"	the British Virgin Islands
"Cayman Companies Law" or "Companies Law"	the Companies Law (as revised) of the Cayman Islands, as amended or supplemented or otherwise modified from time to time
	[REDACTED]
"Chengdu Congshu"	Chengdu Congshu Technology Company Limited (成都樅樹科技有限公司), a limited liability company established under the laws of the PRC on June 16, 2020, a direct wholly-owned subsidiary of Congshu Internet, and is our indirectly wholly-owned subsidiary
"China" or "the PRC"	the People's Republic of China excluding, for the purpose of this document, Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Circular 37"	SAFE Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知)
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company" or "the Company"	Cheshi Holdings Limited, an exempted company incorporated under the laws of the Cayman Islands with limited liability on November 22, 2018
"Congshu Beijing"	Congshu Beijing Technology Company Limited (樅樹(北京)科技有限公司), a limited liability company established under the laws of the PRC on September 28, 2015, one of our Consolidated Affiliated Entities and is deemed to be an indirect wholly-owned subsidiary of our Company pursuant to the Contractual Arrangements
"Congshu Hubei"	Congshu Hubei Technology Company Limited (樅樹(湖北)科技有限公司), a limited liability company established under the laws of the PRC on June 1, 2018, a direct wholly-owned subsidiary of Congshu Beijing, one of our Consolidated Affiliated Entities and is deemed to be an indirect wholly-owned subsidiary of our Company pursuant to the Contractual Arrangements
"Congshu Internet"	Congshu Beijing Internet Technology Company Limited (北京樅樹互聯科技有限公司), a limited liability company established under the laws of the PRC on January 30, 2019 and is our indirect wholly-owned subsidiary
"connected person(s)" or "core connected person(s)"	has the meaning ascribed to them under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Consolidated Affiliated Entities"	the entities we control through the Contractual Arrangements, namely Congshu Beijing and its wholly-owned subsidiaries, Congshu Hubei, Beihai April and Beihai Media, details of which are set out in "History, Reorganization and Corporate Structure"
"Contractual Arrangements"	the series of contractual arrangements entered into by, among others, Congshu Beijing, Congshu Internet and the Registered Shareholders, details of which are described in "Contractual Arrangements"
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and in the context of this document, refers to the controlling shareholders of our Company, being Mr. Xu and XC Group
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)

"Director(s)"	director(s) of our Company
"EIT"	enterprise income tax
"Extreme Conditions"	any extreme conditions or events, the occurrence of which will cause interruption to the ordinary course of business operations in Hong Kong and/or that may affect the **[REDACTED]** or the **[REDACTED]**
"CIC" or "Industry Consultant"	China Insights Industry Consultancy Limited, a market research and consulting company to conduct research and analysis of, and to produce an industry report of the automobile vertical media advertising industry in China
"CIC Report"	an industry report prepared by CIC on the automobile vertical media advertising industry in China
"FVTPL"	fair value through profit or loss
	[REDACTED]
"Group", "our Group", "the Group", "we", "us", or "our"	our Company, our subsidiaries and our Consolidated Affiliated Entities, or, where the context so requires, in respect of the period prior to our Company becoming the holding company of our present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"Guangzhou Congshu Internet"	Congshu Internet (Guangzhou) Technology Company Limited (樅樹互聯（廣州）科技有限公司), a limited liability company established under the laws of the PRC on June 4, 2020, a direct wholly-owned subsidiary of Congshu Internet, and is an indirect wholly-owned subsidiary of our Company
	[REDACTED]
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
	[REDACTED]
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

[REDACTED]

"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited

[REDACTED]

"IFRSs"	International Financial Reporting Standards and interpretations approved by the International Accounting Standards Board, including all International Accounting Standards and interpretations issued under the former International Accounting Standards Committee from time to time
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are not connected (within the meaning of the Listing Rules) with any directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of us, our subsidiaries or any of their respective associates

[REDACTED]

[REDACTED]

"Latest Practicable Date"	December 21, 2020, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information contained in this document
"Leikewo"	Leikewo (Beijing) Technology Company Limited (雷柯沃(北京)科技有限公司), a limited liability company established under the laws of the PRC on January 16, 2020, of which Congshu Beijing has subscribed for 15% of its registered capital, and its three other investors are Independent Third Parties

[REDACTED]

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"LYL Weihui" or "**[REDACTED]** Investor"	LYL Weihui Limited, a BVI business company incorporated under the laws of the BVI with liability limited by shares on June 6, 2014, which is wholly-owned by Mr. Liu Yunli (劉運利) and a **[REDACTED]** investor in relation to the **[REDACTED]**
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of our Company, conditionally adopted on December 8, 2020 with effect from the **[REDACTED]**, a summary of which is set out in Appendix III to this document, and as amended or otherwise modified from time to time
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部) or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外經濟貿易部)

"Mr. Li"	Mr. Li Anding (李安定), an investor who has invested in our Group through ADYM Investments, and will hold **[REDACTED]**% of the entire issued share capital of our Company upon **[REDACTED]**
"Mr. Xu"	Mr. Xu Chong (徐翀), our founder, an executive Director, chairman of our Board, the chief executive officer of our Company and a Controlling Shareholder
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Netcom Agency"	Juzhong Netcom (Beijing) Technology Co., Ltd. (聚眾網通(北京)科技有限公司), a company established in the PRC on January 31, 2012 and is an Independent Third Party
	[REDACTED]
"Online Advertising Service"	one of our two business segments, in which we generate revenue primarily by providing a range of advertising services and advertising solutions to our advertising agency, automaker and autodealer customers
	[REDACTED]
"PRC Government" or "State"	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
"PRC Legal Advisor"	Fangda Partners, the PRC legal advisor to our Company
"**[REDACTED]** Investment"	the investment in our Company made by the **[REDACTED]** Investor before the **[REDACTED]**, details of which are set out in "History, Reorganization and Corporate Structure—**[REDACTED]** Investment" in this document

"**[REDACTED]** Investment Agreement"	the subscription agreement dated May 14, 2019 entered into among our Company, Cheshi Investments Limited, Cheshi Hong Kong Limited, Congshu Internet, Congshu Beijing, Huo'er Guosi Online Cheshi Technology Co., Ltd. (霍爾果斯網上車市科技有限公司), Congshu Hubei, XC Group, ADYM Investments, Mr. Xu, Mr. Li and the **[REDACTED]** Investor in relation to the subscription of 25,000,000 Series A Preferred Shares by the **[REDACTED]** Investor
"**[REDACTED]** Shareholders Agreement"	the shareholders agreement dated May 14, 2019 entered into among our Company, Cheshi Investments Limited, Cheshi Hong Kong Limited, Congshu Internet, Congshu Beijing, Huo'er Guosi Online Cheshi Technology Co., Ltd. (霍爾果斯網上車市科技有限公司), Congshu Hubei, XC Group, ADYM Investments, Mr. Xu, Mr. Li and the **[REDACTED]** Investor in relation to the rights of the **[REDACTED]** Investor
	[REDACTED]
"R&D"	research and development
"Registered Shareholders"	collectively, Mr. Xu and Mr. Li, being the direct shareholders of Congshu Beijing
	[REDACTED]
"Reorganization"	the reorganization of the group of companies now comprising our Group conducted in preparation for the **[REDACTED]**. For details, see "History, Reorganization and Corporate Structure"
"Reporting Accountant"	PricewaterhouseCoopers
"RMB"	Renminbi, the lawful currency of the PRC
"RSU"	restricted share unit
"RSU Nominee"	Glory Tower Investments Limited, a BVI business company incorporated under the laws of the BVI on May 30, 2019 and an indirect wholly-owned subsidiary of the Scheme Custodian, which holds the Shares underlying the RSUs for the benefit of eligible participants pursuant to and under the RSU Scheme
"RSU Scheme"	the RSU scheme approved and conditionally adopted by the Shareholders on June 25, 2019, the principal terms of which are set forth in "Statutory and General Information—G. RSU Scheme and SA Scheme—1. RSU Scheme" in Appendix IV to this document

"SA Nominee"	Colourful Sky International Limited, a BVI business company incorporated under the laws of the BVI on May 29, 2019 and an indirect wholly-owned subsidiary of the Scheme Custodian, which holds the shares underlying the Share Awards for the benefit of eligible participants pursuant to and under the SA Scheme
"SA Scheme"	the Share Award scheme approved and conditionally adopted by the Shareholders on June 25, 2019, the principal terms of which are set forth in "Statutory and General Information—G. RSU Scheme and SA Scheme—2. SA Scheme" in Appendix IV to this document
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAMR"	State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
"SAT"	State Administration of Taxation of the PRC (中華人民共和國國家税務總局)
"Scheme Custodian"	The Core Trust Company Limited, a trust company incorporated under the laws of Hong Kong and an Independent Third Party
"Scheme Nominees"	the SA Nominee and the RSU Nominee
"Series A Preferred Shares"	the 25,000,000 redeemable convertible series A preferred shares of nominal or par value of US$0.0001 each in the capital of our Company, credited as fully paid, which were allotted and issued to the **[REDACTED]** Investor on May 27, 2019, which were converted to an equal number of Shares on June 21, 2019 pursuant to the terms of the **[REDACTED]** Investment Agreement
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Shanghai Checai"	Shanghai Checai Technology Company Limited (上海車采科技有限公司), a limited liability company established under the laws of the PRC on June 16, 2020, a direct wholly-owned subsidiary of Congshu Internet, and is an indirect wholly-owned subsidiary of our Company
"Share Award(s)"	restricted share award(s)
"Share(s)"	ordinary share(s) in the capital of our Company of nominal or par value of US$0.0001 each

"Shareholder(s)"	holder(s) of the Shares
"Sole Sponsor"	ABCI Capital Limited, a licensed corporation registered under the SFO permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) activities
	[REDACTED]
"State Council"	the PRC State Council (中華人民共和國國務院)
	[REDACTED]
"subsidiaries"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buy-backs
"Track Record Period"	the period comprising the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020
"Transaction Facilitation Service"	one of our two business segments, in which we derive revenue primarily by offering services and solutions to promote group-purchase events for our autodealers and an insurance company
"U.S. dollars" or "US$"	U.S. dollars, the lawful currency of the United States of America
"U.S." or "United States"	the United States of America
	[REDACTED]

"VIE" or "VIEs"	variable interest entity or variable interest entities
	[REDACTED]
"XC Group"	XC Group Limited, a BVI business company incorporated under the laws of the BVI with liability limited by shares on November 19, 2018, which is wholly-owned by Mr. Xu and a Controlling Shareholder
	[REDACTED]
"%"	per cent

Certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

The English names of PRC entities, PRC laws or regulations, and PRC governmental authorities referred to in this document are translations from their Chinese names and are for identification purposes. If there is any inconsistency, the Chinese names shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this document in connection with us and our business. These terminologies and their given meanings may not correspond to those standard meanings and usage adopted in the industry.

"AI"	artificial intelligence, refers to a branch of computer science dealing with the simulation of intelligent behavior in computers and the capability of a machine to imitate intelligent human behavior
"AI engine"	a packet inspection engine with capabilities of learning without any human intervention
"API"	application programming interface, a set of routines, protocols, and tools for building software applications
"App"	application, a program designed to run on a mobile device
"automobile aftermarket"	secondary market of the automobile industry, including the manufacturing, distribution, sale of vehicle parts and equipment, and automobile services, after the primary sale of the automobile by automakers or autodealers
"big data"	diverse sets of information growing at ever-increasing rates that is the complex for processing by traditional database management tools
"CAGR"	compound annual growth rate, calculated by subtracting one from the result of dividing the ending value by its beginning value raised to the power of one divided by the period length
"car parc"	all registered vehicles within a defined geographic region
"DUV"	daily unique visitors, representing the number of unique visitors that access the websites for a single day
"iOS"	a mobile operating system developed and maintained by Apple, Inc. used exclusively in Apple touchscreen technology including iPhones, iPods and iPads
"IT"	information technology
"KOL"	key opinion leader
"KPI(s)"	key performance indicator(s)
"MUV"	monthly unique visitors, representing the number of unique visitors that access the website for a single month
"Official Accounts"	the official accounts on we-media platforms in China, which provide diversified content to readers

GLOSSARY OF TECHNICAL TERMS

"OEM"	an original equipment manufacturer, whereby our customer provides the product designs and specifications
"OGC"	occupationally-generated content
"PC"	personal computer
"passenger vehicle"	a road motor vehicle, other than a motor cycle, intended for the carriage of passengers and designed to seat no more than nine persons (including the driver)
"penetration rate"	in the context of the overall automobile finance market, refers to the percentage of the number of automobiles purchased through automobile loans divided by the total number of transactions of automobiles
"PGC"	professionally-generated content
"Picker"	the intelligent Internet platform that serves content distribution
"PV"	a metric defined as the total number of pages viewed on websites
"TV"	television
"UGC"	user-generated content
"vertical media"	an innovative form of media that is based on the digital information technology and characterized by interactive communication
"vertical platform"	the Internet platform that provides all relevant information and services with focus on specific field, such as automobile
"we-media"	the type of media that opens to individuals and encourages them to create content and spread to the public independently

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "aim", "anticipate", "believe", "could", "expect", "going forward", "intend", "may", "ought to", "plan", "project", "seek", "should", "will", "would" and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materializee or may change. These statements are subject to certain risks, uncertainties and assumptions, including the risk factors as described in this document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the industries and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the PRC;
- changes to the regulatory environment, policies, operating conditions and general outlook in the industries and markets in which we operate;
- the actions of and developments affecting our major customers and suppliers;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- our ability to control or reduce costs;
- our dividend policy;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- the actions of and developments affecting our competitors; and
- certain statements included in "Financial Information" with respect to operations, margins, overall market trends, risk management and exchange rates.

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks materialize or should underlying assumptions prove to be incorrect, our financial condition and actual results of operations may be materially and adversely affected and may vary significantly from those estimated, anticipated or projected, as well as from historical results.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect or at all. Accordingly, the forward-looking

statements are not a guarantee of future performance and you should not place undue reliance on any forward-looking information. Moreover, the inclusion of forward-looking statements should not be regarded as representations by us that our plans and objectives will be achieved or realized. All forward-looking statements in this document are qualified by reference to the cautionary statements in this section.

In this document, statements of or references to our intentions or those of the Directors are made as of the date of this document. Any such information may change in light of future developments.

An investment in our Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an investment in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the market price of our Shares could decline, and you may lose all or part of your investment.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in "Forward-looking Statements."

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and industry; (ii) risks relating to our corporate structure; (iii) risks relating to conducting business in China; and (iv) risks relating to the **[REDACTED]**.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Demand for our services primarily depend on the trends and development of the PRC automobile industry and we may be unable to innovate, adapt and respond timely and effectively to rapidly changing technologies and market trends

Demand for our services depend, to a large extent, on the future growth and development of the automobile industry in China. The PRC automobile industry may be affected by a number of factors which are mostly beyond our control and may have a detrimental impact on the supply and demand in the PRC automobile industry as potential automobile buyers may lack the incentive to purchase vehicles which would affect the advertising expenditures and budgets of our customers, and in turn have a significant adverse impact on our business, financial condition and results of operations as our income generated from our Online Advertising Service and Transaction Facilitation Service could decrease. These factors include:

- general economic conditions in China and around the world such as the trade war between China and the United States, economic downturn, political instability and the uncertainties in financial markets over the decision by the United Kingdom to exit the European Union;
- the urbanization rate of China's population;
- the growth in sales of new and used cars; and
- taxes and other incentives or disincentives related to automobile purchases and ownership, and other government policies that aim to alleviate traffic congestion and improving air quality such as phasing out of government subsidies to promote automobile sales, policies limiting automobile and license plate purchases in some cities.

The online automobile advertising industry is a fast-growing and rapidly changing industry. Our future success will depend on our ability to continuously innovate and develop to meet evolving market needs, and address technological advancements and new market trends in the online automobile advertising industry. According to the CIC Report, the total sales volume in tier three and below cities is estimated to reach 12.7 million units in 2024, representing a CAGR of 0.9% from 2019 to 2024,

which is more than tier one and two cities for the corresponding period. The main market drivers for the PRC automobile industry include the growth of per capita disposable incomes of urban households especially in tier three and below cities; the ability of automakers and autodealers to penetrate the tier three and below cities and extend their offline sales network where there are large number potential automobile buyers willing to purchase automobiles; and the emergence of automobile e-commerce platforms which simplifies the purchase process for and provides diversified automobile services to potential automobile buyers, thereby stimulating the retail automobile and automobile services market. If we fail to keep pace with changing technologies, and to introduce successful and well-accepted online advertising services for our users and business partners, or fail to improve and enhance the functionality and performance of our platform and services, we could lose our users and business partners and our business, results of operations and prospects could be adversely affected.

We face intense competition in the markets we operate in, and if we fail to compete effectively, we may lose market share and our business, prospects and results of operations may be adversely affected

We generally face intense competition in the online automobile advertising industry from both traditional advertising media and other online automobile advertising platforms. Our competitors may have greater financial, management, technological, technical, marketing and other resources than we do and may be able to invest greater resources to the development, promotion, sale and support of their platforms and services. Thus, they are likely to have more extensive user bases, greater brand recognition and deeper relationships with advertising agencies than us. This enables them to develop newer services, respond more quickly to upcoming trends and technologies and to undertake more extensive marketing campaigns.

If we are unable to maintain our relationships with our customers, our business and financial condition may be materially and adversely affected

We sell our advertising services to our customers who consist of automakers and autodealers. A significant portion of our revenue was derived from a few of them during the Track Record Period. Our five largest customers' revenue contribution for the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 accounted for 37.6%, 38.3%, 41.2% and 50.4% of our revenue of the same period, respectively. For the same period, our largest customer accounted for 12.6%, 16.1%, 11.2% and 17.7% of our revenue, respectively. Advertising agencies contributed the largest share of our revenue. They engage our advertising services on behalf of automakers and autodealers. In addition, we provide advertising services directly to automakers and autodealers. While we endeavor to maintain sound business relationships with our advertising agency and automaker and autodealer customers, they may still choose our competitors.

We generally enter into service agreements with them for a stipulated term of up to one year on a project-by-project basis. Accordingly, there is no guarantee that our customers will continue to engage us at the same volume of business, or at all, in the future. The ability to secure our customers depends on factors such as our marketing strategies, quality of our services, market demand for our services and level of competition in the industry. We may not be able to continue securing such customers, which may cause our financial performance to vary from period to period and our financial performance may face significant fluctuations in the future. If we fail to retain and enhance our business relationships with our customers and a significant number of them terminate or do not renew their agreements with us and we are unable to find a timely replacement on commercially reasonable terms or at all, our business and financial results would be materially and adversely affected.

We may be unable to successfully implement or implement in full and effectively our future business plans and business strategies

Our success is dependent on, among other things, our proper and timely execution of our future business plans. It is our aim to solidify our market position in the automobile vertical media advertising agency industry and strengthen our R&D capabilities. We expect to continue increasing penetration in existing markets. Moreover, we intend to invest in companies that have demonstrated adequate capabilities that we believe can generate synergy with our current business. Our rapid expansion may expose us to various risks. Thus, we depend on our ability to effectively manage our growth or implement our business strategies. As our operations grow in size, scope and complexity, we will incur significant costs and allocate additional resources to strengthen and develop relationships with our existing and potential business partners, expand our sales and marketing efforts, hire and retain experienced employees, enhance our technological infrastructure, explore strategies for our services, stabilize our operational efficiency and improve our financial systems and internal control. However, the likelihood of returns on such investments may not be achieved for a few years, or possibly at all. Our current and future expansion plans will also require significant managerial attention and resources in order for us to flourish.

Moreover, our future business plans may be hindered by factors beyond our control, such as competition within the industry we operate, our ability to cope with financial risk, operational risk and market risk as our business and user base expands, and our ability to provide, maintain and improve the level of human and other resources in serving our users and business partners. As a result, we cannot assure that our future business plans will materialize in accordance with the timetable, or at all, or that our objectives will be accomplished fully or partially, or that our business strategies will generate the intended benefits to us as initially contemplated. If we fail to implement our expansion plans and business development strategies successfully, our business performance, financial condition and future prospects and growth could be materially and adversely affected.

For details of our future business plans and business strategies, see "Future Plans and **[REDACTED]**" and "Business—Our Business Strategies".

Our plans to use the [REDACTED] of this [REDACTED] to optimize the functions of our Picker engine may not be successful if our strategy to collaborate with business partners and gain access to their platforms is not well received by our customers.

Our Picker engine allows us to distribute content and advertisement simultaneously to over 1,000 third-party platforms with which we have collaborated. With a "one-click distribution" system through which we are able to choose the automobile content and flexibly integrate it into the publishing system, our Picker engine enables the produced automobile content to be disseminated efficiently and have broad reach. Through the system, our Company is able to utilize our Picker engine to collaborate with our business partners. These mutually-beneficial partnerships in turn enable our Company to acquire a large number of users in a cost-efficient way. For further details of our Picker engine, please see "Business—Our Platforms—Picker engine". The functions of the Picker engine had been undergoing gradual improvements and updates since 2017, with a more mature version launched in 2019. During the Track Record Period, although the amount of Online Advertising Service revenue generated through the third-party platforms increased significantly, such amount only accounted for approximately 7.2% of our total revenue in 2019 and around 33.6% of the Company's customers placed advertisements on the third-party platforms in 2019. Whilst we intend to use part of our **[REDACTED]** from the **[REDACTED]** to further optimize the functionality of our Picker engine, we cannot

guarantee that our strategy to collaborate with business partners and gain access to their platforms (which mainly target the local population in the tier three and below cities) will be well received by our customers, and we cannot assure that all of such third-party business partners would be keen to share or allow access to their platforms for content distribution. Should this be the case, our business, financial condition and result of operations may be materially and adversely affected.

Our business is highly dependent on the proper functioning and improvement of our IT systems and infrastructure. If we experience any breakdown in our IT systems, our financial condition and results of operations may be materially and adversely affected

Our business is dependent on the continuing operation and timely enhancement of our network infrastructure and IT systems to process large amounts of information and transactions. However, we cannot guarantee that access to our platform, including our websites and mobile App, will be uninterrupted, error-free or secure. Our hardware, software and backup systems are vulnerable against the effects of natural disasters, power or telecommunications failures, extreme temperatures, humidity and other environmental concerns, computer viruses, terrorist attacks or criminal acts such as hacking, which would give rise to server interruptions, breakdowns, system failures and cause the loss or corruption of data or malfunctions of software and hardware.

In order to improve our reputation and service quality, we must constantly stay abreast with the latest technological developments and trends in order to meet evolving user and customer demands and remain competitive in the market. We may however experience problems when we test and launch our system upgrades as we may encounter undetected programming errors which could adversely affect our software performance. As such, we may incur significant costs to protect our systems against such threats and repair any damage caused as soon as possible which may adversely affect our financial condition and results of operations.

In addition, we rely on our data centers, delivery networks and technological facilities to transmit and store the large amount of data that we collect from our users and advertising agencies. We conduct central management of user data, provide data transmission and communications and monitor our overall operations by relying on the wireless and landline telecommunications networks in China. The national networks in China are connected to the Internet through international gateways controlled by the PRC Government which are the only channels through which a PRC resident can connect to the Internet. It is uncertain whether these gateways will be able to support the increasing growth of user traffic in China nor whether China's information infrastructure will be adequate to support our operations and growth.

In the event of a partial or complete breakdown of any of our computer systems or the said international gateways breakdown or experience any disruption or failure, our business activities would be materially disrupted as would have no access to alternative networks and services on a timely basis, if at all. In addition, a prolonged failure of our IT system could damage our business operations and materially and adversely affect our future prospects and profitability. Where we experience any disruptions to our facilities which may be caused by failure in our systems or by our third party service providers, our services may be interrupted, delayed or even cease entirely. We may also permanently lose all the data that has been uploaded to our data centers. As such, our users and business partners may decide to switch to our competitors instead which would materially and adversely affect our business, financial condition and results of operations.

We depend on our founder and senior management team to run our business. If we fail to retain them, our business could be severely disrupted

We have been and continue to rely on the expertise and experience of our founder and senior management. For further details of our senior management team, see "Directors and Senior Management". The loss of any of our senior management and key personnel, in particular, our content team, could impair our ability to operate and impede the execution of our business strategies. If we are unable to find a suitable replacement within a reasonable period of time, our business, financial condition and results of operations would be materially and adversely affected. In addition, if any of our senior management team joins a competitor, we risk losing our know-how, trade secrets, customers and suppliers to them.

In addition, our future success depends on our continuing ability to attract, develop, motivate and retain qualified and skilled employees to manage our existing operations and accomplish future growth. As of December 31, 2017, 2018 and 2019 and June 30, 2020, we have a total of 157, 174, 193 and 163 employees, respectively, the increase of which was in line with our business expansion. Since well-qualified employees in the automobile online advertising industry are scarce and in high demand, competition for these individuals is intense. We may not be able to successfully attract and retain the individuals we desire. Furthermore, we may need to offer them greater compensation and staff benefits in order to retain them. As such, we cannot assure you that we will have the resources to fully achieve our staffing needs. Thus, our failure to attract and retain talented personnel could have a negative impact on our ability to maintain our competitive position in the market and achieve success in our expansion efforts.

The stability and expansion of our business may be adversely affected by difficulties in recruiting and retaining experienced staff, and increasing staff costs

Our business operation is service-oriented and our success, to a considerable extent, depends upon our ability to attract, motivate and retain a sufficient number of qualified employees. Our Directors are of the view that the ability to recruit and retain experienced staff is crucial to the stability and expansion of our operations. According to the CIC Report, the average yearly salary in the online automobile advertising industry increased from approximately RMB74,700 in 2015 to approximately RMB118,500 in 2019, representing a CAGR of 12.2%. Driven by the increasing challenge in acquiring skilled labor in the online advertising industry, the salary level will continue expanding over the next five years and the average yearly salary in the online automobile advertising industry is expected to be approximately RMB155,900 in 2024. Our employee benefit expenses amounted to approximately RMB29.7 million, RMB48.9 million, RMB53.8 million and RMB19.5 million, representing approximately 25.3%, 31.0%, 30.3% and 33.1% of our total revenue for the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. We expect our employee benefit expenses will continue to increase as inflationary pressures in China continue to drive up salary levels and our business further expands.

We may not be able to always offer competitive remuneration packages and recruit and retain staff at commercially reasonable levels. Any failure to recruit and retain staff may result in a shortage of staff, which may cause our operations to be delayed and/or the quality of our services to be affected. This may materially and adversely affect our operations, reputation and financial performance. Our financial performance may also be adversely affected by the increasing staff costs in China. In the event that we are unable to pass on increased costs to our customers, any significant increase in staff costs may materially and adversely affect our financial performance.

Our limited operating history makes it difficult to evaluate our results of operations and prospects

Since our automobile advertising business commenced in September 2015, we have a limited operating history. Our revenue for the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 was RMB117.6 million, RMB157.8 million, RMB177.6 million and RMB58.9 million, respectively. Although we have experienced rapid revenue growth since our inception, we cannot assure you that our revenue will continue to increase at previous rates or at all, or that we will be able to operate profitably in future periods. Our limited operating history makes it difficult to evaluate our performance and predict our future development and, therefore, past revenue growth experienced by us should not be taken as a reference to estimate our future performance. There is no assurance that we will be successful in meeting all challenges and addressing the risks and uncertainties that we may face in the future and that we will be able to maintain our revenue at a level similar to those experienced during the Track Record Period. Should we fail to maintain such revenue, our financial results may be adversely affected.

We may not be successful in promoting our brand or enhancing our brand recognition, and any negative publicity, regardless of its veracity, may harm both our brand and the services we provide

Our "Cheshi (網上車市)" brand had contributed significantly to our rapid revenue growth during the Track Record Period. We believe our continued success and growth depend substantially on our brand and brand recognition. We incurred RMB23.5 million, RMB8.4 million, RMB13.8 million and RMB5.3 million in relation the marketing and promotion of our own brand for the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. However, we may not be able to effectively promote or develop our brands and if we fail to do so, our growth may be adversely affected. In addition, negative publicity or disputes regarding our brands and services, company or management could materially and adversely affect public perception of our brands and other services we offer. Any negative publicity in relation to us, regardless of its veracity, could harm the image of our company and the services we provide, which in turn would decrease the number of users from visiting our platforms. Any impact on our ability to effectively promote our brands and any significant damage to the public perception of our "Cheshi (網上車市)" brand or our services could materially and adversely affect our prospects and results of operations.

Our business is subject to seasonal fluctuations

We generally generate greater revenue from the second half than the first half of the year mainly due to slower and postponed spending or purchase by our customers as a result of holidays such as Chinese New Year in the first quarter. As a result, period-to-period comparisons may not be meaningful and the results of any one period should not be relied on as an indication of future performance. Since our business is subject to fluctuations, our revenue and results of operations would be difficult to predict and expectations on our business may fall short.

Our future strategic investments or mergers and acquisitions may fail, which may have a material and adverse effect on our business, financial condition and results of operations

As part of our business growth strategy, we may in the future invest in, merge with or acquire businesses or platforms that we believe can expand or complement our content creation and distribution, as well as our technological capacities. Our ability to implement such strategy will depend

on our ability to identify suitable targets, our ability to reach agreements with them on commercially reasonable terms and the availability of financing to complete any such investment, merger or acquisition, as well as our ability to obtain any required shareholder or government approvals where applicable. Our future strategic investments or mergers and acquisitions could subject as to uncertainties and risk, including:

- high acquisitions and financing costs;
- potential ongoing financing obligations and unforeseen or hidden liabilities;
- potential loss of key business relationships and the reputation of the targets;
- failure to achieve our intended objectives, benefits or revenue-enhancing opportunities;
- uncertainty or entering into markets in which we have limited or no experience and in which our competitors have stronger market positions;
- costs associated with, and difficulties in, integrating acquired business and assets into our own;
- potentially significant goodwill impairment charges;
- amortization expenses of other intangible assets;
- potential claims or litigation regarding our Board's exercise of its duty of care and other duties required under applicable law in connection with any of our significant acquisitions or investments approved by the Board;
- diversion of our resources and management attention from our existing business; and
- exposure to potential unknown liabilities of the acquired businesses.

In addition, the assets or businesses we invest in, merge with or acquire may not generate results we expect. Our failure to address these uncertainties and risks may have a material adverse effect on our liquidity, financial condition and results of operations. Furthermore, we may also in the future establish strategic alliances with various third parties to further our business. Strategic alliances with third parties could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by the counterparts, reputation risk, regulatory risk and an increase in expenses incurred in establishing new strategic alliances, any of which may materially and adversely affect our business and results of operations.

If we fail to maintain and increase our user traffic, we may lose market share and our business, results of operations may be adversely affected

We believe that our ability to maintain and grow our user traffic is crucial to our business. We depend in part on Internet search engines to drive user traffic to our user platforms. For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, we had approximately DUV of 9.9 million, 10.6 million, 11.2 million and 11.6 million, and average daily PV of 72.8 million, 91.3 million, 98.0 million and 105.6 million in our proprietary and business partner platforms, respectively. The number of users we manage to attract to our websites from search engines is due in part as to how search engines would rank our websites in the search results. These rankings can be affected by a number of factors, many of which are not under our direct control and may change frequently. For instance, internet search engines may modify their search algorithms or our competitors may engage in various optimization efforts which may result in their websites receiving higher search

result ranking than ours. If we are ranked lower on the search results on search engine websites, our market visibility to prospective users would decline and user traffic to our platforms would be reduced, thereby adversely affecting our business and operating results. We also face direct competition from other renowned online advertising platforms with business in online automobile advertising. Competition with these online advertising platforms is primarily centered on, among other factors, increasing user reach, user engagement and brand recognition, and attracting and retaining advertisers. Any failure to provide the expected services from our customers may lead to our operations losing out to such fierce competition, thus affected our business, financial condition and result of operations. 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. The advancement of mobile technology, such as 5G technology, big data and artificial intelligence in the field of mobile communication, also results in migration of user base from PC to the mobile App platforms.

In order to strengthen our leading market position in the PRC automobile advertising industry, we are committed to improving the quality of our services, upgrading our platforms, investing considerable resources in sales and marketing, developing innovative services to attract potential users and enhancing our operating efficiency to meet diverse user demands. These services, technology and development expenses may include costs of hiring additional personnel and engaging third party service providers and other R&D costs. As such, the increased expenditure would adversely affect our business and financial condition.

If we fail to provide advertising services on our platform effectively and efficiently or deliver quality content to our users, we may not be able to appeal to existing users and customers and attract new ones. Our brand would be rendered less attractive to our users and consequently our customers may be less likely approach us for business cooperation opportunities. Moreover, we cannot assure you that the launch of our new services will be widely accepted by our users and customers. There may also be unexpected technical problems that could delay or prevent the introduction of one or more of our new services. As such, if we cannot maintain and expand our user and customer base and enhance brand recognition, our business, financial condition and results of operations would be materially and adversely affected.

We may not be able to compete with the intensifying competition with other mobile advertising platforms.

We face intense competition from existing mobile advertising companies in industry. As the demand for new mobile advertising service continues to increase, we expect new competitors to enter these markets and existing competitors to allocate additional resources to compete, which may lead to an increasingly fierce competition in this industry. Our future success will depend on our ability to respond to rapidly changing technologies, adapt our products and services to evolving industry standards and improve the performance, functionality and reliability of our products and services.

Our existing and future competitors may operate with longer histories and more efficient business models. They may be able to devote greater financial, technical and marketing resources to the research and development, promotion, sales and support of their products and services or respond to new or emerging technologies and changes in market requirements quicker than us. If we cannot keep continuous research and development and innovation or effectively compete against our existing and future competitors, we may become less attractive to our customers, which could seriously harm

our business and have a material and adverse impact on our business, operation results and growth potential.

We may be unable to develop and maintain our strategic relationship with our business partners and we-media platforms

We form strategic relationships with our business partners and we-media platforms. For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, we had 38, 35, 27 and 26 business partners that entered collaboration agreements with us and we distributed our automobile contents on 628, 627, 1,019 and 1,043 business partner platforms for the corresponding periods. We also disseminate our automobile content to 12 we-media platforms in China. However, there is no assurance that we will be able to maintain our business relationships with our business partners and we-media platforms on mutually acceptable terms or at all. In addition, our cooperation with our business partners and we-media platforms are not exclusive. As for the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, the revenue contribution for online advertising services provided by the Group through our business partner platforms accounted for approximately RMB0.1 million, RMB7.4 million, RMB12.8 million and RMB15.5 million, respectively, user traffic, operation and performance from the business partner platforms may affect our Group's revenue. Moreover, relationships built between we-media platforms and our Group's relationship are considered material to our business operations and financial conditions. If we fail to maintain our business relationship with them or attract new business partners to work with us, our coverage and access to our broad user base may be limited, and our business, financial condition, results of operations and prospects may be materially and adversely affected.

Advertising agencies with significant bargaining power account for a significant portion of our revenue

Advertising agencies are appointed by automakers or autodealers to execute their marketing plans. For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, advertising agencies contributed to approximately 91.9%, 92.2%, 91.6% and 90.8% of our total revenue, respectively. Some of these advertising agencies have significant bargaining power with respect to their purchases from us. Additionally, we may not be able to obtain a result that is beneficial to us for commercial terms such as rebate and credit terms. These advertising agencies may be in a position to resist our price increases or demand lower prices. If we do not successfully provide appropriate marketing and pricing to these advertising agencies, our services availability and sales could be adversely affected.

We cooperate with third party service providers for many aspects of our business, and any failure to maintain these relationships could harm our business

Our success depends on our relationship with third parties which include technical service providers, data providers, offline events service providers, video production providers, internet and communication service providers. Our purchase from the five largest suppliers contributed approximately RMB19.8 million, RMB8.7 million, RMB14.3 million and RMB4.6 million, which accounted for approximately 47.3%, 25.6%, 30.7% and 31.1% of our cost of procurement, respectively. For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our largest supplier accounted for approximately RMB8.3 million, RMB3.5 million, RMB6.1 million and RMB1.6 million, representing approximately 19.9%, 10.2%, 13.1% and 11.0% of

our cost of procurement during those periods, respectively. If these third parties experience difficulty in meeting our requirements or standards, or if our service agreements with them are terminated or not renewed or they cease operations either temporarily or permanently or experience any other business interruptions, our business operations and reputation would be adversely affected. Moreover, if we are unsuccessful in negotiating cost-effective relationships with them and as a result are required to find alternative replacements which may be more expensive, our business, results of operations and financial condition would be adversely impacted.

We may cease to enjoy preferential tax treatments, the loss of which, or a reduction in which, could adversely affect our business and prospects

The PRC Government has provided incentives to our business, including reduced EIT rates. Congshu Beijing was approved as a High and New Technology Enterprise (高新技術企業) on October 25, 2017, and accordingly, it shall be entitled to apply for a preferential income tax rate of 15% (compared to the statutory income tax rate of 25%). We cannot assure you that such tax benefits policies will continue to be enforced by the relevant PRC authorities. The PRC Government may demand income tax at a rate of 25% for previous financial years if the PRC Government considers Congshu Beijing does not qualify as a High and New Technology Enterprise. If our current tax benefits expire or otherwise become unavailable to us for any reason, our profitability may be materially and adversely affected. If we are not able to secure the preferential tax treatments, our business and prospects may be materially and adversely affected.

We are subject to credit risk in collecting the accounts receivables due from the customers

We generally grant to our customers credit terms of up to 180 days. During the Track Record Period, the trade receivables turnover days of our Group was 180 days, 213 days, 223 days and 318 days, respectively. As of December 31, 2017, 2018 and 2019 and June 30, 2020, we recorded gross trade receivables of approximately RMB81.8 million, RMB110.6 million, RMB102.9 million and RMB80.7 million, respectively. Our Directors consider that a long credit period inevitably increases the potential credit risk of our Group. As of December 31, 2017, 2018 and 2019 and June 30, 2020, our impairment allowance for trade and bill receivables amounted to approximately RMB1.9 million, RMB8.6 million, RMB2.2 million and RMB4.1 million, respectively, representing around 1.8%, 5.0%, 0.9% and 1.6% of the current assets for each of the corresponding periods. Furthermore, the major reason for impairment allowance decreased to approximately RMB2.2 million as of December 31, 2019 is because approximately RMB10.0 million was written off, as one of the Company's customers was not able to be reached for our invoice settlement despite numerous attempts, and to the best knowledge of our Directors, there are two customers who are in financial difficulty and unable to settle our invoices despite numerous requests. As of June 30, 2020, there had been a reversal of bad debt written off at approximately RMB3.7 million, as we were able to recover approximately RMB3.7 million from them. We are taking debt recovery measures to recover all outstanding payments from these three customers. Please see "Financial Information—Description of principal items in the consolidated statements of financial position—Trade and bill receivables".

Our trade receivables turnover days increased significantly for the three years ended December 31, 2019 was mainly due to some of our customers having trade receivables aging over 180 days. There were a total of 51 of such customers having trade receivables aging over 180 days as of June 30, 2020, amounted to approximately RMB30.4 million, and approximately RMB21.2 million, or 69.7%, of which were settled as of September 30, 2020. Moreover, the increase in turnover days for the

six months ended June 30, 2020 was mainly due to a credit period extension (thus prolonging a customer's credit period to nine months) to 12 customers with the aim of maintaining healthy business relationships. The trade receivables of these 12 customers, aging over 180 days, based on revenue recognition date, amounted to approximately RMB20.1 million. As of November 30, 2020, approximately RMB[15.0] million, representing approximately [74.9]% of such trade receivables as of June 30, 2020 were settled. As communicated to the Company from such customers, some of them had experienced temporary delays with their cash flow during the months of the COVID-19 outbreak. For details, please see "Financial Information—Trade and bill receivables". If any of such customers fails to settle their trade receivables, our business and financial condition would be adversely affected.

We conduct periodic reviews on the aging condition of our trade receivables and evaluate the likelihood of collection based on each individual customer's situation and ability to pay in full. However, there is no assurance that all such amounts due to our Group will be settled on time or at all. Accordingly, delay or default in payments from our customers may pose difficulties for us to manage our working capital and/or adversely impact our liquidity. Our customers' settlement day will generally be affected by their internal policies. Our efforts in strengthening our trade receivable collection and management may be in vain, and we cannot assure you that we will be able to fully recover the outstanding amounts due from our customers, if at all, or that our customers will settle the amounts in a timely manner. We might have to raise funds by resorting to internal resources and/or additional banking facilities in order to meet our payment obligations in full and on time, and our cash flows and results of financial position may be materially and adversely affected. Our Group's performance, liquidity and profitability will be adversely affected if significant amounts due to our Group experience prolonged delay and are not settled on time or at all. The bankruptcy or deterioration of the credit condition of any of our major customers could also materially and adversely affect our business.

The timing of our payment to suppliers may not match our receipt from customers

To remain competitive in the market, we need to retain a high level of working capital to guarantee smooth business operation and support the growth in demand. The credit period offered by us to our customers with a larger scale and/or long-term relationship is generally longer than the credit period offered to us by our suppliers. With our revenue continuously growing, the mismatch between trade receivables turnover days and trade payables turnover days may put us at liquidity risk. Further, any default or delay in payment by our customers or our failure to collect trade receivables from them may broaden our cashflow mismatch, which may result in cash flow shortcomings in the future and adversely affect our cash position and results of operations.

Goodwill impairment could adversely affect our results of operations and financial condition.

We recorded goodwill of approximately RMB6.2 million as of December 31, 2017, 2018 and 2019 and June 30, 2020 in connection with the acquisition of our online advertising platform. Goodwill accounted for approximately 2.1% of our total assets as of June 30, 2020. We undertake goodwill impairment reviews annually or more frequently if events or changes in circumstances indicate a potential impairment. We compare the carrying value of goodwill to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. We recognize any impairment immediately as an expense and it is not subsequently reversed. As of December 31, 2017, 2018 and 2019 and June 30, 2020, we have performed an impairment assessment and no provision of goodwill is required. However, if in the future when the carrying value of our goodwill is considered to exceed its recoverable amount and our goodwill is therefore determined to be impaired in the future, we would be

required to write down the carrying value or record a provision of impairment loss for goodwill in our financial statements during the period in which our goodwill is determined to be impaired, and this impairment would adversely affect our results of operations and our financial condition. For a detailed discussion on the relevant impairment testing and sensitivity analysis performed for goodwill, see note 17 to the Accountant's Report in Appendix I to this document.

We may need to provide impairment loss for our intangible assets, which could negatively affect our results of operations and financial condition.

In addition to goodwill, we also record other intangible assets, primarily including trademarks and domain names and computer software. As of June 30, 2020, the aggregate carrying value of these intangible assets amounted to approximately RMB11.2 million, accounting for approximately 3.8% of our total assets as of the same date. If any of these intangible assets is determined to be impaired in the future, we would be required to write down the carrying value or record a provision of impairment loss for these intangible assets in our financial statements during the period in which the relevant intangible assets determined to be impaired, and this would negatively affect our results of operations and our financial condition.

Our convertible redeemable preference shares are subject to fair value change and there are inherent uncertainties associated with its fair value measurement.

We issued convertible redeemable preference shares in an amount of RMB50.0 million on May 27, 2019, which were measured at FVTPL. Please see "History, Reorganization and Corporate Structure—**[REDACTED]** Investment". The fair value of the convertible redeemable preference shares will be subsequently determined by an independent valuer with valuation model based on assumptions that are not supported by observable market prices or rates. See Note 32 to the Accountants' Report in Appendix I to this document.

Valuation of the convertible redeemable preference shares is based on assumptions with respect to such economic, market, financial and other conditions and other matters, many of which are beyond our control or the control of any party involved in the valuation exercise. It further requires consideration of relevant factors affecting the operation of our business and its ability to generate future investment returns. The factors considered in the valuation include the nature of our business and our assets, the financial condition of our business and economic outlook in general, the projected operating results, the operation contracts and agreements in relation to our business, and the financial and business risk including the continuity of income and the projected future results.

Given the inherent uncertainties associated with the measurement, the fair value of our convertible redeemable preference shares is subject to variation, adjustment and alternations, as well as market conditions and other factors. Any material and adverse changes in the value of the convertible redeemable preference shares may have a material and adverse effect on our business, financial condition and results of operations.

Our results of operations and financial condition may be adversely affected by our financial assets at fair value through profit or loss due to the uncertainty of accounting estimates in the fair value measurement with the use of significant unobservable input

During the Track Record Period, we invested in financial instruments, which mainly included wealth management products. As of December 31, 2017, 2018 and 2019 and June 30, 2020, our

financial assets at FVTPL amounted to RMB7.1 million, RMB20.3 million, RMB41.7 million and RMB92.4 million, respectively.

Our Group's financial assets are measured at fair value with significant unobservable inputs used in the valuation techniques and the changes in their fair value are recorded as other gains/(losses), net in our consolidated statements of profit or loss, and therefore directly affects our profit for the year and our results of operations.

We recognized a fair value gains on short-term investments and equity investments of RMB0.6 million, RMB1.0 million, RMB1.9 million and RMB1.7 million for the Track Record Period. We cannot assure you that we will continue to incur such fair value gains in the future. If we incur fair value losses, our results of operations and financial condition may be adversely affected.

Failure to make adequate social insurance and housing provident fund contributions as required by the PRC laws and regulations may subject us to penalties

Pursuant to the relevant PRC laws and regulations, employers in the PRC are required to make, among other things, social insurance and housing provident fund contributions for their employees, and entities failing to make such contributions may be ordered to settle the outstanding contributions within a prescribed time limit and/or subject to penalties. During the Track Record Period, we were not in strict compliance with the requisite contribution requirements in relation to some of our employees. We estimate that the shortfall in social insurance fund and housing provident contributions amounted to approximately RMB2.4 million, RMB2.0 million, RMB1.7 million and nil for the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. For details of the non-compliance incidents, please see "Business—Legal Proceedings and Compliance" for details. There is no assurance that there will not be any employee complaint against us in relation to our failure to make full social insurance and housing provident fund contributions. There is also no assurance that we will not be ordered to rectify such non-compliance incidents or subject to penalties imposed by the relevant PRC authorities as a result of such non-compliance incidents. Any such complaints, orders or penalties may have an adverse effect on our financial conditional and results of operations.

Challenges to our right to collect and use data collected from third parties could significantly diminish the value of our technologies and services and cause us to lose customers, and harm our business and results of operations.

We currently depend on real-time behavior data collected from our proprietary and business partner platforms as well as automobile data from our automaker and autodealer customers in delivering our services. If we do not maintain good relationships with our business partner platforms, automaker and autodealer customers, we may be prohibited or limited in our collection or use of their data. Operating systems may also pose technical restrictions on our ability to legally collect such data. Interruptions, failures or defects in our data collection systems, as well as privacy concerns regarding the collection of such data, could also limit our ability to analyse such data. In addition, there is no assurance that the government will not adopt legislation that prohibits or limits collection of such data on the Internet and the use of such data, or that third parties will not bring lawsuits against us relating to Internet privacy and data collection, which would in turn affect our usage of data. Due to the recent development of laws and regulations on data protection and privacy, other companies will be subject to more stringent requirements on data sharing with third-party, which may limit our ability to collect

data from them. If any of the above happens, we may be unable to provide effective services which may cause us to lose our customers, and our business, financial condition and results of operations would be adversely affected. Lawsuits or administrative inquiries could also be costly and divert management resources, and the outcome of such lawsuits or inquiries may be uncertain and may harm our business.

Any failure to ensure and protect the confidentiality or any misuse of the personal data of users could subject us to penalties, negatively impact our reputation and deter users from using our platforms

As part of our business operations, we secure, collect, and store confidential information of our users including their contact information and car preferences. Notwithstanding that data privacy protection laws are constantly evolving, we strive to comply with the relevant PRC laws relating to the collection, use, retention, security and transfer of personal data of our users and will not disclose such data without user's consent. Nevertheless, any failure by us to comply with the relevant data privacy laws could result in fines or judgments against us, damage to our reputation and adversely affect our financial condition and damage our business.

We also collect and analyze behavioral data about our user's spending habits, frequency of their purchases, the kinds of cars they prefer. We rely on our security measures to protect the confidentiality of data provided to us or stored on our systems. Users also demand complete security for such confidential information, which is essential to maintaining their confidence and trust in us. In the event our security measures are compromised leading to leakage of user data, we may be subject to significant legal and financial exposure and liabilities. If the leakage is highly publicized, users would lose their trust in our services and may be discouraged from using our platforms entirely. In such a case, the value of our brand and credibility of our services would be undermined. Any or all of the circumstances above would materially and adversely affect our brand, reputation, business, financial condition and results of operations.

In addition, on November 10, 2020, the SAMR promulgated the Anti-monopoly Guidelines for Platform Economy for public review and comments (《關於平台經濟領域的反壟斷指南》(徵求意見稿)), or the Anti-monopoly Guidelines, pursuant to which, the methods of an Internet platform collecting, using the privacy information of the Internet users may also be one of the factors to be considered for analyzing and recognizing the monopolistic conducts in the Internet platform industry. For example, whether the relevant business operator compulsorily collects user information may be considered to analyze whether there is a bundled sale or additional unreasonable trading condition, which is one of the behaviors constituting the abuse of dominant market position, and the factors including, among others, based on the big data and algorithms, whether differentiated transaction prices or other transaction conditions are implemented for consumers with different payment ability, consumption preferences and usage habits, may be used to analyze whether there is a differentiated treatment, which is also one of the behaviors constituting abuse of dominant market position. Furthermore, whether the users are required to "choose one" among the Internet platform and its competitive platforms may be considered to analyze whether such Internet platform operator with dominant market position abuses its dominant market position and excludes or restricts market competition, etc. However, as the timeline and the content of enacted version of the Anti-monopoly Guidelines is still uncertain, there are still substantial uncertainties as to its interpretation and implementations in practice in the near future.

Any breaches to our security measures, including unauthorized access, computer viruses and "hacking" may adversely affect our database and reduce use of our services and damage our reputation and brand names

Breaches to our security measures, including computer viruses and hacking, may result in significant damage to our hardware and software systems and database, disruptions to our business activities, inadvertent disclosure of confidential or sensitive information, interruptions in access to our platforms, and other material adverse effects on our operations. Although we have adopted security measures to protect our systems and database, they could be breached as a result of third party action, employee error, malfeasance or otherwise, during transfer of data or at any time, and result in persons obtaining unauthorized access to our systems and data. If our security measures are breached and unauthorized access to our systems and database is obtained, our services may be perceived as insecure and users may curtail or stop using our services altogether and we may incur significant legal and financial exposure and liabilities. We may incur significant costs to protect our systems and equipment against the threat of, and to repair any damage caused by, computer viruses and "hacking." Moreover, if a computer virus or "hacking" affects our systems and is highly publicized, our reputation and brand names could be materially damaged and use of our services may decrease.

Any failure to obtain, renew or retain requisite licenses, permits or approvals or failure to comply with applicable laws and regulations may adversely affect our ability to conduct our business

The PRC Government regulates the Internet, finance and automobile industries extensively, including the licensing and permit requirements pertaining to companies in these industries. We currently provide value-added telecommunications services through Congshu Beijing, which holds an ICP license and a television commercials production business license. In addition, Congshu Hubei has also obtained an ICP license. During the Track Record Period, Congshu Beijing obtained the ICP license on March 15, 2017, and it did not possess ICP license during the period from January 1, 2017 to March 14, 2017. We had also been penalized for publication of video clips on the Internet without the relevant license during the Track Record Period. Since the relevant laws and regulations governing our business activities is relatively new, their interpretation and enforcement may involve considerable uncertainties and we may be subject to more stringent regulatory requirements due to changes in the economic and political landscape. As such, we cannot assure you that we may be able to prevent violations of the applicable PRC laws and regulations in our ordinary course of business. We may fail to obtain, renew or maintain any of the business licenses and approvals or make the necessary filings for our business and operations and as such, we may be subject to various enforcement actions, including orders issued by the regulatory authorities requiring us to terminate our unlawful operations. Fines and penalties may also be imposed on us and we may even incur criminal liability. Our business will thus be significantly disrupted and have other material adverse effects on business, financial conditions and results of operations.

If we fail to continue the cooperation arrangements with our current third party video platform partner in the PRC which has a AVP License, it may adversely affect our ability to conduct our business

We rely on the cooperation arrangement with our current third party video platform partner in the PRC which has a AVP License for the publications of video clips on the Internet. We cannot assure you that we will continue the cooperation arrangement with our current third party video platform partner on commercially attractive terms. They may also be unable to remain in business due to

economic conditions, labor actions, regulatory or legal decisions, natural disasters or other causes. In the event that we can no longer cooperate with our current third party video platform partner and we are unable to find a suitable replacement in a timely manner, our business will be disrupted and our business, financial condition and results of operations would be materially and adversely affected.

If we fail to protect our intellectual property and other rights or defend ourselves from intellectual property and other claims from third parties, we may lose our competitive edge and our brand, reputation and operations may be adversely affected

We believe our brand, trademarks, copyright, patents, trade secrets and other intellectual property rights and proprietary information are critical to our success. We have also devoted considerable resources to the development and improvement of our proprietary PC websites, mobile website and App and IT systems. Any unauthorized use of our intellectual property rights and proprietary information could harm our business, reputation and competitive advantages. For instance, we may be subject to instances where copycat websites misappropriate our data from our platforms and attempt to imitate our brand or the functionality of our website. As such, we rely on the intellectual property laws in China as well as through confidentiality agreements with our employees and business partners and other measures to protect our intellectual property. There is no assurance that we can prevent third parties from accessing and using our intellectual property without our authorization or that our employees and business partners may intentionally disclose our confidential information to competitors. Furthermore, the application and enforceability of intellectual property laws in China is uncertain and still evolving, which makes it difficult for us to safeguard our intellectual property rights. In the event we need to enforce our intellectual rights through legal proceedings, we may incur significant costs, time and expenses and divert the management's attention and resources from the operation of our business. As such, failure to adequately protect our intellectual properties could therefore materially and adversely affect our brand name and reputation, and our business, financial condition and results of operations.

In addition, we cannot be certain that third parties will not claim that our business infringes upon or otherwise violates patents, copyrights or other intellectual property rights that they hold, in particular those occurred after our acquisition of business and assets of "Cheshi.com" in 2015. Companies operating online platforms and providing technology-based services are frequently involved in litigation related to allegations of infringement of intellectual property rights, unfair competition, invasion of privacy, defamation and other violations of other parties' rights. The validity, enforceability and scope of protection of intellectual property rights, particularly in China, are still evolving. As we face increasing competition from our competitors and litigation becomes more common in China, we may be vulnerable to allegations of infringement of intellectual property rights, unfair competition, invasion of privacy, defamation and other violation of other parties' right or allegations that we are involved in unfair trade practices. We may incur substantial legal expenses in defending ourselves against these third party infringement and other claims, regardless of their merits which would impose a significant burden on our management and resources. If we fail to successfully defend against such claims or are not able to obtain a favorable outcome in the legal proceeding, we may be prohibited from using such intellectual property rights, subject to fines and penalties or be forced to develop alternatives. Such claims, regardless of its validity, will also lead to negatively publicity and adversely affect our business, brand name and reputation. Any resulting liability or expenses, or changes required to our services to reduce the risk of future liability, may have a material adverse effect on our business, results of operations and prospects.

We may fail to collect automobile data and information and we may be subject to liability for placing advertisements with content that is deemed inappropriate or misleading under PRC advertising laws and regulations

Our content team collects automobile data and information from multiple sources, including our automakers who provide us automobile brands, models and other technical information, and autodealers who provide us the latest automobile pricing and other marketing information. During the Track Record Period, we maintained good relationships with automakers and autodealers to get access to the data and information in automobile industry. However, we cannot assure you that we will be able to obtain all the data and information we need for content creation or at all. We may fail to obtain the latest, correct and accurate data and information in automobile industry if the automakers and autodealers cease to provide us with such information or provide such information to our competitors before us. Our content quality and promptness will thus be materially and adversely impacted, which could adversely affect our reputation, business and financial performance.

The PRC Government has adopted regulations to monitor the distribution and publishing of advertising content over the Internet to ensure that such content is true and accurate and in full compliance with the relevant laws and regulations in the PRC. Under the Internet security regulations, Internet content providers and Internet publishers are prohibited from posting or displaying over the Internet content that, among other things, compromises national security, harms the dignity or interests of the state, incites ethnic hatred or racial discrimination, undermines the PRC's religious policy, disturbs social order, disseminates obscenity or pornography, encourages gambling, violence, murder or fear, incites the commission of a crime, infringes upon the lawful rights and interests of a third party, or is otherwise prohibited by law or administrative regulations. For details, see "Regulatory Overview—Regulations on Internet Information Security and Privacy Protection". As advised by our PRC Legal Advisor, if PRC regulatory authorities determine that any content displayed on our websites does not adhere to applicable laws and regulations, they may require us to limit or eliminate the dissemination or availability of such content on our websites in the form of take-down orders or otherwise. Such regulatory authorities may also impose penalties on us, including fines, confiscation of income or, in circumstances involving more serious violations by us, the revocation of licenses, any of which would materially and adversely affect our business and results of operations.

As we display advertisements on our websites, we are prohibited from publishing any advertisements which would among other things, compromise national security, impair the dignity and interests of the state, disrupt social order, encourage violence, gambling or commission of a crime or is otherwise prohibited by law or administrative regulations. We also allow users to upload written materials, images, pictures and other content as such we are required to verify the content of the materials before they are uploaded. Although we have a review procedure prior to publication, we cannot guarantee that all advertisements and content shown on our website would adhere to the relevant PRC laws and regulations. In addition, there may be uncertainties or a stricter compliance requirement in the PRC laws and regulations related to online advertising service which we may be unable to comply with. If we are deemed to be in violation of PRC law or regulations, the PRC regulatory authorities will impose penalties on us and may require us to limit or eliminate the dissemination or availability of such advertisements and content. In more serious violations, we may be vulnerable to the risk of suspension or termination of our advertising business all of which may materially and adversely affect our business and results of operations.

We cannot ensure that the automobile information that we collect and maintain on our platforms is reliable, accurate or complete. As such, we may be subject to claims and complaints from

users that the automobile listed on our website are defective and/or inconsistent with the car information as provided on our platform. If this happens, our users may lose confidence in our services, resulting in reduced user traffic and diminished value to advertising agencies, which could adversely affect our reputation, business and financial performance.

Subject to our content monitoring process, our users can upload to our mobile App and websites various types of content, such as updating user profiles, posting comments or answering questions. Given the large user base we have, we may not be able to fully control the content that is uploaded by our users. As most of our users are individuals, they may not be able to fully indemnify us for all damages, including regulatory penalties or third party claims, caused by the content they uploaded. Moreover, because the definition and interpretation of prohibited content are in many cases vague and subjective, it is not always possible to determine or predict what content might be prohibited under existing restrictions or restrictions that might be imposed in the future. Failure to identify and prevent illegal or inappropriate content from being displayed on our platform may subject us to severe sanctions and penalties.

Regulation and censorship of information disseminated over the Internet in China may adversely affect our business, and we may be liable for information displayed on, retrieved from or linked to our websites

China has enacted laws and regulations governing Internet access and the distribution of information through the Internet. The PRC Government prohibits information that violates the relevant PRC laws and regulations from being distributed through the Internet. PRC laws also prohibit the use of the Internet in ways which, among other things, result in a leakage of state secrets or the distribution of socially destabilizing content. If we violate any of the relevant PRC laws and regulations, we may be subject to various penalties, including confiscation of income, fines, suspension of business, revocation of licenses, which would materially and adversely affect our business, financial condition and results of operations. A website operator may also be held liable for censored information displayed on or linked to its website. We may also be subject to potential liability for certain unlawful actions of users of our platforms or for content we distribute that is deemed inappropriate. We may be required to delete and report user's content that violates or we suspect may violate PRC laws and in doing so may upset some of our users. Given the broad interpretation of "prohibited information", it may be difficult to determine the type of content that may result in liability for us, and if we are found to be liable, we may be prevented from operating our business or offering other services in China.

Our legal rights to certain leased properties may be challenged lease agreements

As of the Latest Practicable Date, we leased four properties with a total gross floor area of approximately 3,399.8 square meters from Independent Third Parties in China. Our leased properties are primarily used as premises for our offices and the lease agreements of which have lease expiration dates ranging from January 31, 2022 to August 14, 2023. As of the Latest Practicable Date, we had not registered three of our lease agreements with the local branch of the competent construction (real estate) authority of the PRC as required under PRC laws, including a total gross floor area of approximately 3,127.0 square meters. We might be ordered to rectify this non-compliance by the competent authorities and if we fail to rectify within the prescribed period, a penalty of RMB1,000 to RMB10,000 per lease agreement may be imposed on us for non-registration of each lease.

We are subject to risks relating to our investments in wealth management products

As of December 31, 2017, 2018 and 2019 and June 30, 2020, our investments in wealth management products were approximately RMB7.1 million, RMB20.3 million, RMB41.7 million and RMB92.4 million, respectively. Our gain from wealth management products amounted to approximately RMB0.6 million, RMB1.0 million, RMB1.9 million and RMB1.7 million in 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. We are subject to interest risk, default risk and market risk associated with our investments in wealth management products. Any material non-performance with respect to the wealth management products we invested in could materially and adversely affect our financial position and cash flow. Furthermore, the returns on our investments in the wealth management products are subject to the overall market conditions and are not guaranteed. Any volatility in the market or fluctuations in interest rates may negatively affect our financial position or cash flow, which in turn, could adversely impact our financial condition.

We do not have any business liability, disruption or litigation insurance

The insurance industry in China is still at an early stage of development as insurance companies in China only offer limited business insurance products. While business disruption insurance is available to a limited extent in China, we have determined that the risks of disruption, cost of such insurance and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. As a result, we do not have any business liability, disruption or litigation insurance coverage for our operations in China. In addition, we do not maintain any insurance policies covering risks including loss and theft of and damages to our servers or other technology infrastructure. As such, any uninsured occurrence of business disruption, litigation or natural disasters causing serious damages to our uninsured technology equipment would result in substantial costs and diversion of resources which could adversely affect our financial condition and results of operations.

Any catastrophe, including outbreaks of health pandemics and other extraordinary events, could have a negative impact on our business operations

Our business would be adversely affected by the effects of H1N1 flu, swine flu, avian flu, Severe Acute Respiratory Syndrome (SARS) or other epidemics as our business operation could be disrupted if any of our employees is suspected of having any of the aforementioned epidemics or another contagious disease or condition, since it could require our employees to be quarantined and/or our offices to close down temporarily to be disinfected which in doing so would adversely affect our results of operations and financial condition.

In particular starting in January 2020, the recent outbreak of COVID-19 has endangered the health of many people residing in the PRC and around the world and significantly disrupted travel and the local economy. In light of the pandemic brought by the COVID-19 outbreak, local administrative authorities imposed controls and restrictions which include quarantine order to restrict entry and exit of certain cities, extension of the Chinese New Year Holiday in 2020 and temporarily suspension of work in various provinces and cities. Our businesses are located in Beijing, Beihai and Hubei, which are areas affected by the COVID-19 outbreak.

Ongoing concerns regarding the COVID-19 outbreak, particularly its effect on travel, could negatively impact the automobile market in the PRC as well as the overall economy of China and worldwide. Our customers' willingness to spend their advertising budgets on our platforms and the

general consumer spending sentiment may be negatively impacted by the outbreak of the epidemic. The business operations of some of our suppliers may also be adversely affected by the COVID-19 outbreak and the related governmental control measures in different degrees, which in turn, adversely affect our business operation. Our Directors expect that, subject to the development of COVID-19 outbreak, such epidemic would adversely affect the business, results of operations and financial position of our Group to different extent, and if the pandemic continues for a prolonged period of time, the business, results of operations, financial condition and prospects of our Group may be adversely affected.

RISKS RELATING TO OUR CORPORATE STRUCTURE

If the PRC Government finds that the agreements that establish the structure for operating our business in China do not comply with applicable PRC governmental restrictions on foreign investment, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of our interest in our business

Foreign investment in the value-added telecommunication services industry in China is extensively regulated and subject to numerous restrictions. Under the 2020 Foreign Investment Negative List, our online automobile advertising services falls into the value-added telecommunication services which is restricted. Since we are a Cayman Islands company and considered as a foreign legal person under PRC laws, we nor our wholly foreign-invested PRC subsidiaries are eligible to apply for the required licenses to provide such value-added telecommunication services in China. As such, we conduct our online business operations in China via Contractual Arrangements entered into among Congshu Internet, Congshu Beijing and Registered Shareholders as Congshu Beijing holds the requisite licenses or permits, approvals and key assets to provide value-added telecommunication services in China. We have been and are expected to continue to depend on our Consolidated Affiliated Entities to operate our business operations. We do not have any equity ownership interest in Congshu Beijing but control its operations and receive the economic benefits through the Contractual Arrangements.

If we, Congshu Beijing or any of its current or future subsidiaries are found to be in violation of any existing or future PRC laws or regulations, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities may impose sanctions, which include among others, nullifying the Contractual Arrangements, levying fines, confiscating our income, revoking our business licenses, restructuring our PRC subsidiaries, discontinuing or imposing restrictions or conditions on our operations, restricting our **[REDACTED]** from the **[REDACTED]** and other enforcement actions that would be harmful to our business. Any of these actions would cause significant disruption to our business and damage our reputation which in turn would adversely affect our financial condition and results of operations.

If we exercise the option to acquire equity ownership of Congshu Beijing, the ownership transfer may subject us to certain limitations and substantial costs

Pursuant to the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (外商投資電信企業管理規定) (the "**FITE Regulations**") promulgated by the State Council, foreign investors are not allowed to hold more than 50% of the equity interests of any company providing value-added telecommunications services. In addition, the main foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in operating

value-added telecommunications businesses and a proven track record of business operations overseas (the "**Qualification Requirements**"). Currently none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirements. Although we have taken many measures to meet the Qualification Requirements, we still face the risk of not satisfying the requirement promptly. If the PRC laws allow foreign investors to invest in value-added telecommunications enterprises in China, we may be unable to unwind the Contractual Arrangements before we are able to comply with the Qualification Requirements, or if we attempt to unwind the Contractual Arrangements before we are able to comply with the Qualification Requirements we may be ineligible to operate our value-added telecommunication enterprises and may be forced to suspend their operations, which could materially and adversely affect our business, financial condition and results of operations.

Pursuant to the Contractual Arrangements, Congshu Internet, or its designated person, has the exclusive right to purchase all or any part of the equity interests in Congshu Beijing from the Registered Shareholders for the minimum amount of consideration permitted by applicable PRC laws. Subject to relevant laws and regulations, the Registered Shareholders shall return any amount of purchase price they have received to Congshu Internet. If such a transfer takes place, the competent tax authority may require Congshu Internet to pay EIT for ownership transfer income with reference to the market value, in which case the amount of tax could be substantial.

The Registered Shareholders may potentially have a conflict of interest with us, and they may breach their contracts with us or cause such contracts to be amended in a manner contrary to our interests

We conduct online automobile advertising services business through the Consolidated Affiliated Entities. Our control over these entities is based upon the Contractual Arrangements with Congshu Beijing and the Registered Shareholders that allow us to control Congshu Beijing. The Registered Shareholders may potentially have a conflict of interest with us, and they may breach their contracts with us if they believe it would further their own interest or if they otherwise act in bad faith. We cannot assure you that when conflicts of interest arise between us and Congshu Beijing, the Registered Shareholders will act completely in our interests or that the conflicts of interest will be resolved in our favor.

In addition, the Registered Shareholders may breach or cause Congshu Beijing to breach the Contractual Arrangements. If Congshu Beijing or the Registered Shareholders breach their contracts with us or otherwise have disputes with us, we may have to initiate legal proceedings, which involve significant uncertainty. Such disputes and proceedings may significantly disrupt our business operations, adversely affect our ability to control Congshu Beijing and otherwise result in negative publicity. There is also substantial uncertainty as to the outcome of any such legal proceedings.

We rely on Contractual Arrangements with our Consolidated Affiliated Entities and its shareholders for our business operations in China, which may not be as effective in providing operational control as direct ownership and our Consolidated Affiliated Entities and its shareholders may fail to perform its obligations under the Contractual Arrangements

We rely on and expect to continue to rely on the Contractual Arrangements with Congshu Beijing and its shareholders to control Congshu Beijing who is also the holder of the key licenses required to operate our automobile advertising business in China. For more details of these Contractual

Arrangements, see "Contractual Arrangements". Although we have been advised by our PRC Legal Advisor that, the Contractual Arrangements with Congshu Beijing are valid under current PRC laws, these Contractual Arrangements may not be as effective in providing us with control over Congshu Beijing as compared to direct ownership. If we had direct ownership of Congshu Beijing, we would be able to exercise our rights as a shareholder to effect changes in the board of directors, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level. However, under the current Contractual Arrangements, we depend on the performance by Congshu Beijing and its shareholders to exercise control over the Consolidated Affiliated Entities.

If Congshu Beijing and its shareholders fail to perform their obligations under the Contractual Arrangements, we may have to incur significant costs and resources to enforce our rights under the contracts and rely on legal remedies available under PRC laws, including seeking specific performance or injunctive relief, and claiming damages, which we cannot assure you will be effective given the uncertainties in the PRC legal system. In the event we could not enforce our rights under these Contractual Arrangements, we may not be able to exert effective control over Congshu Beijing or obtain the full economic benefits of our business operations, and our business, financial condition and results of operations would be materially and adversely affected. Furthermore, if we fail to renew these Contractual Arrangements upon their expiration, we would not be able to continue our relevant business operations unless the then-current PRC laws allow us to directly operate these businesses in China.

In addition, if Congshu Beijing or all or part of its assets become subject to liens or rights of third party creditors, we may be unable to continue some or all of the relevant business activities, which could materially and adversely affect our business, financial position and results of operations. If Congshu Beijing undergoes a voluntary or involuntary liquidation proceeding, its shareholders or unrelated third party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate the relevant business, which could materially and adversely affect our business, our ability to generate revenue and the market price of your shares.

The Group may lose control over Congshu Beijing and may not enjoy the full economic benefits of our Consolidated Affiliated Entities if Congshu Beijing declares bankruptcy or becomes subject to a dissolution or liquidation proceeding

Congshu Beijing is the holding company for our Consolidated Affiliated Entities. The Contractual Arrangements contain terms that specifically provide that Congshu Beijing may not be voluntarily liquidated without the written consent of Congshu Internet. However, if the shareholders of Congshu Beijing breach this obligation and voluntarily liquidate Congshu Beijing or if Congshu Beijing declares bankruptcy, all or part of its assets may become subject to liens or rights of third party creditors and the Group may be unable to continue to control Congshu Beijing and may not enjoy the economic benefits of our Consolidated Affiliated Entities attributable to Congshu Beijing, which could adversely affect our business, financial condition and results of operations.

We conduct our online business operation in the PRC through our Consolidated Affiliated Entities by way of the Contractual Arrangements, but certain terms of the Contractual Arrangements may not be enforceable or are subject to limitations under the relevant PRC laws

The Contractual Arrangements among Congshu Internet, Congshu Beijing and its shareholders contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets

of Congshu Beijing, injunctive relief and/or winding up of Congshu Beijing. These agreements also contain provisions to the effect that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, as advised by our PRC Legal Advisor, these terms may not be enforceable. Under PRC law, an arbitral body does not have the power to grant injunctive relief or to issue a provisional or final liquidation order to preserve the assets of or any equity interest in Congshu Beijing in favor of an aggrieved party. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC. While PRC laws do allow the arbitral body to grant an award of transfer of assets of or equity interests in Congshu Beijing in favor of an aggrieved party, the courts may or may not support the award of an arbitral body when deciding whether to take enforcement measures. As a result, in the event that Congshu Beijing or any of its shareholders breaches any of its obligations of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our Consolidated Affiliated Entities and conduct our business could be materially and adversely affected.

Contractual Arrangements with Congshu Beijing and Registered Shareholders may be subject to scrutiny by the PRC tax authorities which may determine that we or our Consolidated Affiliated Entities owe additional taxes or are ineligible for tax exemption, or both, which could substantially increase our taxes owed and thereby reduce our net income

Under the Contractual Arrangements between us and Congshu Beijing, Congshu Beijing will transfer substantially all of its net income to us (less any accumulated loss, working capital requirements, expenses and taxes of Congshu Beijing in a given year) which will substantially reduce its taxable income. These arrangements and transactions are related party transactions and must be conducted on an arm's length basis under applicable PRC tax rules and if they fail to do so, the tax authority may make special tax adjustments on the basis of the full amount that has been deducted before tax payment. As a result, our transactions with Congshu Beijing may be susceptible to challenges by the PRC tax authorities. If the PRC tax authorities determines that the transactions we have entered into with Congshu Beijing and its shareholders were not on an arm's-length basis, or are found to result in an impermissible reduction in taxes under applicable PRC laws, rules and regulations, the PRC tax authorities may conduct transfer pricing adjustments and adjust the profits and losses of Congshu Internet or Consolidated Affiliated Entities and impose more tax liabilities on them. In addition, the PRC tax authorities may impose late payment fees and other penalties on us for the adjusted but unpaid taxes. Our net income may be adversely and materially affected if the tax liabilities of Congshu Internet or Consolidated Affiliated Entities increase or if it is found to be subject to late payment interests or other penalties.

Furthermore, if Congshu Internet exercises the option to purchase all or any part of the equity interests in Congshu Beijing and its subsidiaries from Mr. Xu, Mr. Li and Congshu Beijing, the equity interest transfer price may be subject to review and tax adjustment by the relevant tax authority. Congshu Beijing will be subject to PRC EIT on the difference between the equity interest transfer price and the amount Congshu Beijing has paid to obtain the equity interest in its PRC subsidiaries. Congshu Beijing will pay the remaining amount to Congshu Internet under the Contractual Arrangements. The amount to be received by Congshu Internet may also be subject to EIT. Such tax amounts could be substantial and the Group's financial condition may be adversely affected as a result.

We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business

We are a holding company, and we may rely on dividends and other distributions on equity paid by our PRC subsidiaries in China, for our cash requirements, including the funds necessary to service any debt we may incur. If our PRC subsidiaries incur debt in the future, the instruments governing the debt may restrict their abilities to pay dividends or make other distributions to us. Further, relevant PRC laws, rules and regulations permit payments of dividends by our PRC subsidiaries only out of their accumulated profits, if any, determined in accordance with accounting standards and regulations of China. Under PRC laws, rules and regulations, our subsidiaries are also required to set aside a portion of their net income each year to fund specific reserve funds. In addition, the statutory general reserve fund requires annual appropriations of 10% of after-tax income to be set aside prior to payment of dividends until the cumulative fund reaches 50% of our subsidiaries' registered capital. Therefore, our subsidiaries' ability of transferring a portion of their net assets to us whether in the form of dividends, loans or advances is limited. Any limitation on the ability of our subsidiaries to pay dividends to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends or otherwise fund and conduct our business.

Substantial uncertainties exist with respect to the interpretation and implementation of the newly adopted PRC Foreign Investment Law and its implementing rules and how they may impact the viability of our current corporate structure, corporate governance and business operations

The contractual arrangements have been adopted by many PRC-based companies, including us, to obtain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions in China. MOFCOM published a discussion draft of the proposed Foreign Investment Law in January 2015, or the 2015 Draft FIL, according to which, variable interest entities that are controlled via contractual arrangements would also be deemed as foreign-invested entities, if they are ultimately "controlled" by foreign investors. In March 2019, the PRC National People's Congress promulgated the PRC Foreign Investment Law (《中華人民共和國外商投資法》), and in December 2019, the State Council promulgated the Implementing Rules of the Foreign Investment Law 《中華人民共和國外商投資法實施條例》, or the Implementing Rules, to further clarify and elaborate the relevant provisions of the Foreign Investment Law. The Foreign Investment Law and the Implementing Rules both became effective from January 1, 2020 and replaced the major previous laws and regulations governing foreign investments in the PRC. Pursuant to the Foreign Investment Law, "foreign investments" refer to investment activities conducted by foreign investors (including foreign natural persons, foreign enterprises or other foreign organizations) directly or indirectly in the PRC, which include any of the following circumstances: (i) foreign investors setting up foreign-invested enterprises in the PRC solely or jointly with other investors, (ii) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within the PRC, (iii) foreign investors investing in new projects in the PRC solely or jointly with other investors, and (iv) investment in other methods as specified in laws, administrative regulations, or as stipulated by the State Council. The Foreign Investment Law and the Implementing Rules do not introduce the concept of "control" in determining whether a company would be considered as a foreign-invested enterprise, nor do they explicitly provide whether the contractual arrangements would be deemed as a method of foreign investment. The PRC Foreign Investment Law does not explicitly stipulate contract

arrangement as a form of foreign investment. The PRC Legal Advisor is of the view that the Contractual Arrangements will not be affected and will continue to be valid, legal and binding on the parties. However, the Foreign Investment Law has a catch-all provision that includes into the definition of "foreign investments" made by foreign investors in China in other methods as specified in laws, administrative regulations, or as stipulated by the State Council, and as the Foreign Investment Law and the Implementing Rules are newly adopted and relevant government authorities may promulgate more laws, regulations or rules on the interpretation and implementation of the Foreign Investment Law, the possibility cannot be ruled out that the concept of "control" as stated in the 2015 Draft FIL may be embodied in, or the contractual arrangements adopted by us may be deemed as a method of foreign investment by, any of such future laws, regulations and rules. If our Consolidated Affiliated Entities were deemed as foreign-invested enterprises under any of such future laws, regulations and rules, and any of the businesses that we operate would be in the "negative list" for foreign investment and therefore be subject to foreign investment restrictions or prohibitions, further actions required to be taken by us under such laws, regulations and rules may materially and adversely affect our business, financial condition and results of operations. Furthermore, if future laws, administrative regulations or rules mandate further actions to be taken by companies with respect to existing contractual arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure, business, financial condition and results of operations.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

Adverse changes in political and economic policies of the PRC Government could have a material adverse effect on the overall economic growth of China, which could reduce the demand for our services and materially and adversely affect our competitive position

Since our business operations are conducted in China, our business, financial position, results of operations and prospects are affected significantly by economic, political and legal developments in China. Any slowdown or crisis in China's economic development might lead to increased market volatility, sudden declines in business and consumer confidence, dramatic changes in consumer spending habits and increased unemployment. Consumer purchases of new and used automobiles generally decline during recessionary periods and other periods in which disposable income is adversely affected as purchases of vehicles are often considered as luxury items by consumers. As a result, there would be less user traffic on our platforms which could reduce the spending of advertising agencies on our services and thereby materially and adversely affect our business, financial condition and results of operation.

The Chinese economy differs from the economies of most developed countries in many respects, including the degree of government involvement, the level of development, the growth rate, the control of foreign exchange, access to financing and the allocation of resources. While the Chinese economy has grown significantly in the past three decades, the growth has been uneven, both geographically and among various sectors of the economy, and the rate of growth has been slowing. The PRC Government also exercises significant control over China's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. In addition, other economic measures, as well as future actions and policies of the PRC Government such as their exercising government control over capital investments or changes in tax regulations, could also materially affect our liquidity and access to capital and our ability to operate our business.

The legal system of the PRC is not fully developed, and there are inherent uncertainties that may affect the protection afforded to our Internet advertising business and our shareholders

We are based in China and we conduct our business through our PRC subsidiaries. Notwithstanding that the PRC Government has significantly enhanced the protections afforded to various forms of foreign investments in China, the legal system in China is still developing and recently enacted laws and regulations may not cover all aspects of economic activities and the Internet advertising industry. Since the PRC legal system continues to develop and is amended frequently, the interpretations of many laws, regulations and rules relevant to the Internet advertising industry such as licensing and permit requirements, are not always uniform and the enforcement of these laws, regulations and rules involve uncertainties that would limit the reliability of the legal protections available to us. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis at all) that may have a retroactive effect.

As such, it may be difficult to determine what actions or omissions constitute a violation of the relevant laws and policies and we may only be aware of such violations until they have occurred. It is thus difficult to predict the outcome of court proceedings and the level of protection we may enjoy in China in comparison to other more developed legal systems. In any event, court proceedings are generally protracted, costly and time-consuming and we would incur substantial costs and resources in pursuing our rights and defending ourselves. The outcome of the legal proceeding may also not be favorable to us. For these reasons, our business and results of operations may thus be materially and adversely affected.

Any failure to comply with PRC regulations relating to offshore investment activities may subject our PRC resident shareholders to personal liability and restrict our overseas and cross-border investment activity. If our shareholders fail to make any required applications and filings under such regulations, we may be unable to distribute profits which may materially and adversely affect us

The State Administration for Foreign Exchange, or SAFE, has promulgated the Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicle（《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》）(the "**Circular 37**"), which became effective on July 4, 2014 stipulates that a PRC resident must register with and obtain approval from local branches of SAFE for their direct ownership of the equity interests in an offshore special purpose vehicle ("**SPV**") and following such initial registration, the PRC resident shareholder is required to register with the local SAFE branch when the SPV undergo material events or changes with respect to the basic information, such as changes to the name, the operation term or the identity of PRC resident shareholders, or increases or decreases in the investment amount, share transfers or exchanges, or mergers or divisions. These regulations apply to our direct or indirect shareholders who are PRC residents and may apply to any offshore acquisitions that we make in the future.

As for a domestic institution, it shall undergo the registration procedure for foreign investment in accordance with the Administrative Measures on Overseas Investments（《境外投資管理辦法》）and other relevant provisions (the "**ODI Rules**") which would require registration with the relevant authorities prior to its overseas direct investment and obtain the relevant recordation, approval, certificate or permit as required under the ODI Rules.

As confirmed by our PRC Legal Advisor, each of Mr. Xu and Mr. Li has completed the foreign exchange registrations in December 2018 pursuant to Circular 37 in relation to their offshore investments as PRC residents. However, we cannot assure you that all of our shareholders or their beneficial owners who are PRC residents will comply with our request to make or obtain any applicable registrations or comply with other requirements required by Circular 37 or other related rules. In addition, it is unclear how these general regulations in Circular 37 and the ODI Rules will be interpreted and implemented and how or whether SAFE or other government agencies will apply them to us. Therefore, we cannot predict how they will affect our business operations or future strategies as we may or may not be required to comply with specific regulations in the aforesaid Circulars and the ODI Rules. In addition, we cannot assure you that the outcome of such registration will be successful nor that the PRC resident shareholders or their beneficial shareholders will amend, complete or update their previously filed registration in a timely manner or at all. In the event we may decide to acquire a PRC domestic company, we cannot assure you that we or the owners of such company, as the case may be, will be able to obtain the necessary approvals or complete the necessary filings and registrations. If we fail to comply with such regulations, we and/or the PRC resident shareholders or their beneficial shareholders will be subject to fines or legal sanctions which include imposing restrictions on our cross-border investment activities and limiting our ability of our PRC subsidiaries to distribute dividends as well as the proceeds from any reduction in capital, share transfer or liquidation to us. These penalties would materially adversely affect our business operations and our ability to distribute profits.

Governmental control of currency conversion may affect the value of your [REDACTED]

Under PRC law, Renminbi is freely convertible to foreign currencies with respect to "current account" transactions, but not with respect to "capital account" transactions. We receive all our revenue in Renminbi. Under our current corporate structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations. Approval or registration from SAFE or its local branch is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. Dividend payments are current account transactions, which can be made in foreign currencies by complying with certain procedural requirements but do not require prior approval from SAFE. The PRC Government may also exercise its discretion to restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

Fluctuations in exchange rates of the Renminbi could materially affect our reported results of operations

All of our revenue and costs are denominated in Renminbi, while the **[REDACTED]** from the **[REDACTED]** and any dividends we pay on our Shares will be in Hong Kong dollars. Fluctuations in the exchange rate between the Renminbi and the Hong Kong dollar may affect the purchasing power in Renminbi terms of the **[REDACTED]** from the **[REDACTED]**. With the development of the foreign exchange market and progress toward interest rate liberalization and Renminbi internationalization, the PRC Government may intervene and announce further changes to the exchange rate system, and so we cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the

Hong Kong dollar in the medium to long term. As we may rely on dividends and other fees paid to us by our subsidiaries and Consolidated Affiliated Entities in China, any significant revaluation of the Renminbi may materially and adversely affect our cash flows, revenue, earnings and financial position, and the value of, and any dividends payable on, our Shares in the Hong Kong dollar.

The **[REDACTED]** from the **[REDACTED]** are expected to be deposited overseas in currencies other than Renminbi until we obtain the necessary approvals and filings from relevant PRC foreign exchange regulatory authorities to convert these **[REDACTED]** into onshore Renminbi. If the **[REDACTED]** cannot be converted into onshore Renminbi in a timely manner or at all, our ability to deploy these **[REDACTED]** efficiently may be affected, as we will not be able to invest these **[REDACTED]** on Renminbi-denominated assets onshore or deploy them in uses onshore where Renminbi is required, which may adversely affect our business, results of operations and financial condition.

PRC rules on mergers and acquisitions may make it more difficult for us to pursue growth through acquisitions

The M&A Rules and regulations and rules concerning mergers and acquisitions introduced additional procedures and requirements which involve making a series of applications and supplemental applications to the government agencies that could make merger and acquisition activities with PRC business entities by foreign investors more time-consuming and complex. Depending on the structure of the transaction, we may be required to submit to MOFCOM and other relevant government agencies an appraisal report, an evaluation report and the acquisition agreement to seek approval. Moreover, the Anti-Monopoly Law of the PRC（中華人民共和國反壟斷法） stipulates that the relevant anti-monopoly authority is to be notified in advance of any change of control transaction if certain thresholds under the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings (《國務院關於經營者集中申報標準的規定》), which was promulgated by the State Council on August 3, 2008 and was amended on September 18, 2018, are triggered. Besides, the Notice of the General Office of the State Council on the Establishment of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors （《國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知》）which became effective on March 3, 2011 established a security review system for merger and acquisition of domestic companies by foreign investors. In particular, these security review rules specify that mergers and acquisitions by foreign investors that raise "national security" concerns are subject to strict review by MOFCOM and the rules prohibit any transactions attempting to bypass such security review, including by controlling entities through the Contractual Arrangements. We believe that our business is not in an industry related to national security. However, we cannot preclude the possibility that the MOFCOM or other government agencies may publish interpretations contrary to our understanding or broaden the scope of such security review in the future. As we may grow our business in the future in part by directly acquiring complementary businesses in China, complying with the requirements of these regulations to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the MOFCOM or any other competent government agencies, may delay or inhibit our ability to complete such transactions.

PRC regulations on loans and direct investments by offshore holding companies to PRC entities may delay or prevent us from making loans or additional capital contributions to our PRC entities

As an offshore holding company conducting our operations in China through our PRC subsidiaries, we may make loans to our PRC subsidiaries and Consolidated Affiliated Entities, or

additional capital contributions to our PRC subsidiaries. According to the relevant PRC regulations on foreign invested enterprises, capital contributions made by an offshore holding company to its wholly-owned subsidiary, being a foreign-invested enterprise in China, require approvals from or make records with MOFCOM and register with the State Administration for Market Regulation or their local counterparts. In addition, any foreign loan procured by our PRC subsidiaries is required to be registered with SAFE or its local branches, and our PRC subsidiaries may not procure loans exceeding the difference between its registered capital and its total investment amount as approved by or registered with MOFCOM.

Violations of the applicable circulars and rules may result in severe penalties, including substantial fines as set forth in the Foreign Exchange Administration Regulations. If our Consolidated Affiliated Entities require financial support from us or our wholly owned subsidiaries in the future and we find it necessary to use foreign currency-denominated capital to provide such financial support, our ability to fund the operation of our Consolidated Affiliated Entities will be subject to statutory limits and restrictions, including those described above.

The applicable foreign exchange circulars and rules may significantly limit our ability to convert, transfer and use the **[REDACTED]** from the **[REDACTED]** or any **[REDACTED]** of additional equity securities in China, which may adversely affect our business, financial condition and results of operations. We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans by us to our PRC subsidiaries or with respect to future capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to contribute additional capital to fund our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

Increases in labor costs and enforcement of stricter labor laws and regulations in the PRC may adversely affect our business and our profitability

The PRC Labor Contract Law (《中華人民共和國勞動合同法》) was implemented on January 1, 2008 and was last and became effective on July 1, 2013, and the PRC Social Insurance Law (《中華人民共和國社會保險法》) became effective on July 1, 2011 and was latest amended on December 29, 2018. As a result of these new laws and regulations designed to enhance labor protection, we expect that our labor costs, including wages and employee benefits, will continue to increase. Unless we are able to pass on these increased labor costs to those who pay for our services, our profitability and results of operations may be materially and adversely affected.

In addition, we have been subject to stricter regulatory requirements in terms of entering into labor contracts with our employees and paying various statutory employee benefits, including pensions, housing fund, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to designated government agencies for the benefit of our employees. Pursuant to the PRC Labor Contract Law and its implementation rules, employers are subject to stricter requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employees' probation and unilaterally terminating labor contracts. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the PRC Labor Contract Law and its implementation rules may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations. As the interpretation and implementation of labor-related laws and regulations are still

developing, we cannot assure you that our employment practices will at all times be deemed in compliance with the labor-related laws and regulations in China. If we are subject to severe penalties in connection with labor disputes or government investigations, our business, financial condition and results of operations will be adversely affected.

Dividends we receive from our subsidiaries located in the PRC may be subject to PRC withholding tax, which could materially and adversely affect the amount of dividends, if any, we may pay to our shareholders

We are a Cayman Islands holding company and all of our income is derived from dividends that are paid by our subsidiaries in the PRC. Pursuant to the EIT Law and its implementation rules, dividends payable by a foreign-invested enterprise to its foreign corporate investors who are not deemed a PRC resident enterprise are subject to a 10% withholding tax, unless such foreign investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding tax arrangement. Pursuant to a tax arrangement between China and Hong Kong, effective in January 2007, such dividend withholding tax rate is reduced to 5% for dividends paid by a PRC subsidiaries to a Hong Kong company if such Hong Kong company is a "beneficial owner" and directly owns at least 25% of the equity interest of the PRC company. According to the fourth protocol of the aforementioned treaty, effective from December 2015, the reduction will not apply if the main purpose of the production or distribution of the proceeds involved is to obtain the aforementioned (reduction) interest. The Announcement on Issues Concerning "Beneficial Owners" in Tax Treaties（《國家税務總局關於税收協定中"受益所有人"有關問題的公告》), which became effective in April 2018, stipulates certain conditions under which a company may not be defined as a "beneficial owner" under the relevant tax treaty, and further requires non-resident taxpayers who wish to enjoy the treatment of "beneficial owners" under such tax treaties to submit certain report forms and materials when filing tax returns.

If we and our Hong Kong subsidiary are considered as non-resident enterprises and our Hong Kong subsidiary is considered as a Hong Kong resident enterprise under the aforementioned arrangement and is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements, then the dividends paid to our Hong Kong subsidiary may be able to enjoy the reduced income tax rate of 5%. However, if our Hong Kong subsidiary fails to submit required documents for enjoying such treatment, and if our corporate and shareholding structure is viewed as deliberately arranged for acquiring the reduction interest, we may not be able to enjoy a preferential withholding tax rate of 5% and as a result the dividend payable by our PRC subsidiaries to our Hong Kong subsidiary will be subject to withholding tax at a rate of 10%. As we may not be able to have preferential tax treatment, the amount of dividends, if any, we may pay to our shareholders would be materially and adversely affected.

Under the EIT Law, we may be classified as a "resident enterprise" of China, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders which would materially and adversely affect our results of operations and financial condition

Under the PRC Enterprise Income Tax Law（《中華人民共和國企業所得税法》） (the **"EIT Law"**) and its implementation rules, if an enterprise established outside of China has its "de facto management body" within China, such enterprise may be considered a "PRC resident enterprise," and would be subject to an EIT rate of 25% on its global incomes. The implementing rules of the EIT Law define "de facto management body" as "substantial and overall management and control over the

production and operations, personnel, accounting, and properties" of the enterprise. In April 2009, the State Administration of Taxation or SAT issued the Circular Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外注冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) ("**SAT Circular 82**"), and further amended on November 8, 2013 and December 29, 2017, respectively, which provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in China. In addition, a bulletin issued by the SAT in July 2011, effective on September 1, 2011, provided more guidance on the implementation of SAT Circular 82. Although the SAT Circular 82 and the bulletin only apply to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the determining criteria set forth in the SAT Circular 82 may reflect the SAT's general position on how the "de facto management body" text should be applied in determining the tax resident status of all offshore enterprises, regardless of whether they are controlled by PRC enterprises or individuals.

Although we do not believe that our legal entities organized outside of the PRC constitute PRC resident enterprises, it is possible that the PRC tax authorities may see otherwise since there has been no official implementation rules regarding the determination of the "de facto management bodies" for foreign enterprises not controlled by PRC enterprises. It is thus possible that PRC authorities may determine, or any future regulation provides, that we should be treated as a PRC resident enterprise, and will be subject to the uniform 25% EIT on our global incomes as well as PRC EIT reporting obligations, which would significantly increase our tax burden and materially and adversely affect our cash flow and profitability. In addition, although the EIT Law provides that dividend payments between qualified PRC-resident enterprises are exempt from EIT, the detailed qualification requirements for this exemption and whether dividend payments paid by our PRC subsidiaries to us will meet such qualification requirements even if we are considered a PRC resident enterprise for tax purposes, is unclear.

In addition to the uncertainty as to the application of the applicable PRC tax laws and rules by the PRC tax authorities, there can be no assurance that the PRC Government will not amend or revise the taxation laws, rules and regulations to impose stricter tax requirements, higher tax rates or retroactively apply the EIT Law, or any subsequent changes in PRC tax laws, rules or regulations. If such changes occur and/or if such changes are applied retroactively, such changes could materially and adversely affect the value of your **[REDACTED]** in our sales.

We face uncertainty with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies

The PRC tax authorities have enhanced their scrutiny over the non-resident enterprise's direct or indirect transfer of equity interests in a PRC resident enterprise by promulgating and implementing the Notice on Issues Concerning Process of Enterprise Income Tax in Enterprise Restructuring Business (關於企業重組業務企業所得稅處理若干問題的通知) ("**SAT Circular 59**") which became effective on January 1, 2008 and the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises (《國家稅務總局關於加强非居民企業股權轉讓所得企 業所得稅管理的通知》) ("**SAT Circular 698**") which became effective on January 1, 2008. Under the circulars, where a non-resident enterprise transfers the equity interests of a PRC "resident enterprise" indirectly by disposing the equity interests of an overseas holding company (an "**indirect transfer**") without a reasonable commercial purpose in order to avoid its income tax obligations, the

non-resident enterprise, being the transferor, may be subject to PRC EIT and gains derived from such indirect transfer may be subject to PRC tax at a rate of up to 10%. SAT Circular 698 also provides that where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority is entitled to make a reasonable adjustment to the taxable income of the transaction. Subsequently on February 3, 2015, the SAT extended its tax jurisdiction to capture transactions involving the transfer of real property and assets of an establishment or a place in the PRC by a foreign company through the offshore transfer of a foreign intermediate holding company by virtue of issuing the Announcement on Several Issues concerning the Enterprise Income Tax on the Indirect Transfers of Properties by Non-resident Enterprises (《國家税務總局關於非居民企業間接轉讓財產企業所得税若干問題的公告》) ("**Public Notice 7**"). Public Notice 7 also interprets the term "transfer of the equity interest in a foreign intermediate holding company" broadly. In addition, Public Notice 7 further clarifies certain criteria on how to define "reasonable commercial purposes" and introduces safe harbor scenarios applicable to internal group restructurings. However, it also imposes burdens on both the foreign transferor and the transferee of the indirect transfer as they are required to make a self-assessment on whether the transaction should be subject to PRC tax and whether to file or withhold the PRC tax accordingly.

Public Notice 7 and its interpretation by relevant PRC authorities clarify that an exemption provided by SAT Circular 698 for transfers of shares in a publicly-traded entity that is listed overseas is available if the purchase of the shares and the sale of the shares both take place in open-market transactions. Despite this exemption, the PRC tax authorities may deem various private share transactions to be subject to SAT Circular 698 and Public Notice 7, which could subject the shareholder to additional reporting obligations or tax burdens. On October 17, 2017, SAT issued a Public Notice of SAT on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source (《關於非居民企業所得税源泉扣繳有關問題的公告》) ("**Public Notice 37**"), which, among others, repeals the SAT Circular 698 on December 1, 2017. The Public Notice 37 further details and clarifies the tax withholding methods in respect of income of non-resident enterprises under SAT Circular 698. And certain rules stipulated in Public Notice 7 are replaced by Public Notice 37. Where the non-resident enterprise fails to declare the tax payable pursuant to Article 39 of the EIT Law, the tax authority may order it to pay the tax due within required time limits, and the non-resident enterprise shall declare and pay the tax payable within such time limits specified by the tax authority; however, if the non-resident enterprise voluntarily declares and pays the tax payable before the tax authority orders it to do so within required time limits, it shall be deemed that such enterprise has paid the tax in time.

There are uncertainties as to the application of Public Notice 7 and Public Notice 37. For example, while the term "indirect transfer" is not clearly defined, it is understood that the relevant PRC tax authorities have jurisdiction regarding requests for information over a wide range of foreign entities having no direct contact with China. Moreover, the relevant authority has not yet promulgated any formal provisions or made any formal declaration as to the process and format for reporting an indirect transfer to the competent tax authority of the relevant PRC resident enterprise. In addition, there are no formal declarations with regard to how to determine whether a foreign investor has adopted an abusive arrangement in order to reduce, avoid or defer PRC tax. As a result, we and our non-resident investors may become at risk of being taxed under Public Notice 7 and Public Notice 37 and may be required to expend valuable resources to comply with Public Notice 7 and Public Notice 37 or to establish that we should not be taxed under Public Notice 7 and Public Notice 37, which may have a material adverse effect on our financial condition and results of operations or such non-resident investors' investments in us. In addition, since we may pursue acquisitions as one of our growth strategies, and may conduct acquisitions involving complex corporate structures, PRC tax authorities might impose taxes on capital

gains or request that we submit additional documentation for their review in connection with any potential acquisitions, which may cause us to incur additional acquisition costs or delay our acquisition timetable. The PRC tax authorities have discretion under SAT Circular 59, Public Notice 7 and Public Notice 37 to make adjustments to the taxable capital gains based on the difference between the fair value of the equity interests transferred and the cost of investment. If we are considered a non-resident enterprise under the EIT Law and if the PRC tax authorities make adjustments to the taxable income of our merger and acquisition transactions under SAT Circular 59, Public Notice 7 and Public Notice 37, our income tax expenses associated with such potential acquisitions will be increased, which may have an adverse effect on our financial condition and results of operations.

Any failure to comply with PRC regulations regarding the registration requirements for employee share ownership plans or share option plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions

In February 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly listed Companies (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the "**Stock Option Rules**"). Under the Stock Option Rules and other relevant rules and regulations, PRC residents who participate in stock incentive plan in an overseas publicly listed company are required to register with the SAFE and complete certain other procedures. A PRC qualified agent appointed through the PRC subsidiaries of the overseas listed company must file applications with SAFE on behalf of such PRC residents to obtain approval for an annual allowance with respect to the foreign exchange in connection with stock holding or share option exercises. The PRC qualified agent must also open a special foreign exchange account at a PRC domestic bank to hold the funds required in connection with the exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, SAFE Circular 37 stipulates that PRC residents who participate in a share incentive plan of an overseas non-publicly-listed special purpose company may register with SAFE or its local branches before they obtain the incentive shares or exercise the share options. We and our PRC employees who have been granted shares underlying the Share Awards or the RSUs are subject to these regulations. Failure of our PRC employees who have participated in the Incentive Schemes and been granted shares underlying the Share Awards or the RSUs to complete their SAFE registrations may subject these PRC residents to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiary, limit our PRC subsidiary's ability to distribute dividends to us, or otherwise materially adversely affect our business.

In addition, SAT has issued certain circulars with respect to employee share incentive plans which stipulate that our employees working in China will be subject to PRC individual income tax upon exercise of the share options or grant of the restricted shares. Our PRC subsidiaries have the obligation to file documents relating to the granted share options or restricted shares with the relevant tax authorities and to withhold individual income tax for those employees. However, if our employees fail to pay or we fail to withhold income tax according to the relevant laws and regulations, we may face sanctions imposed by the relevant tax authorities which could adversely affect our business and financial condition.

It may be difficult to effect service of process upon us, our Directors or our executive officers that reside in the PRC or to enforce against them or us in the PRC any judgments obtained from non-PRC courts

Substantially all of our business, assets, senior management members, operations and subsidiaries are located in the PRC. Therefore, it may be difficult for **[REDACTED]** to effect service of process upon those persons inside the PRC or to enforce against us or them in the PRC any judgments obtained from non-PRC courts. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan and many other developed countries. Therefore, recognition and enforcement in China of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

Moreover, the legal framework to which our Company is subject is materially different from the Companies Ordinance or corporate law in the United States and other jurisdictions with respect to certain areas, including the protection of minority shareholders. In addition, the mechanisms for enforcement of rights under the corporate governance framework to which we are subject are also relatively undeveloped and untested. However, according to the Company Law of the PRC (《中華人民共和國公司法》), shareholders may commence a derivative action against the directors, supervisors, officers or any third party on behalf of a company under certain circumstances.

In July 2006, the Supreme People's Court of the PRC and the Government of Hong Kong signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》). Under such an arrangement, where any designated people's court in the PRC or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing by the parties, any party concerned may apply to the relevant people's court in the PRC or Hong Kong court for recognition and enforcement of the judgment. Although this arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the arrangement may still be uncertain.

RISKS RELATING TO THE [REDACTED]

There has been no prior market for our Shares, and the liquidity and market price of our Shares may be volatile

Prior to the **[REDACTED]**, there has been no public market for our Shares. The initial **[REDACTED]** for our Shares resulted from negotiations between us and the **[REDACTED]** on behalf of the **[REDACTED]**, and the **[REDACTED]** may differ significantly from the market price for our Shares following the **[REDACTED]**. We have applied for the **[REDACTED]** of, and **[REDACTED]**, our Shares on the Hong Kong Stock Exchange. A **[REDACTED]** on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid trading market for our Shares will develop or, if it does develop, will be sustained following the **[REDACTED]** or that the market price of our Shares will not decline following the **[REDACTED]**. Furthermore, the **[REDACTED]** of our Shares may be volatile. Factors such as variations in our revenue, earnings and cash flows or any other developments relating to our Company may affect the **[REDACTED]**.

Moreover, the securities market has from time to time experienced significant price and volume fluctuations that were unrelated, or not directly related, to the operating performance of the underlying companies. These broad market and industry fluctuations may have a material and adverse effect on the market price and trading volume of our Shares.

Since there will be a gap of several days between [REDACTED] and trading of our Shares, holders of our Shares will be subject to the risk that the price of our Shares could fall during the period before [REDACTED] begin

The **[REDACTED]** of our Shares is expected to be determined on the **[REDACTED]** but our shares will only commence **[REDACTED]** on the Hong Kong Stock Exchange until they are delivered, which is expected to be five Hong Kong business days after the **[REDACTED]**. As a result, **[REDACTED]** may not be able to **[REDACTED]** our Shares during that period and accordingly they are subject to the risk that the **[REDACTED]** of our Shares could fall before **[REDACTED]** begins as a result of adverse market conditions or other adverse development, that could occur between the time of **[REDACTED]** begins.

Future sales or perceived sales of substantial amounts of our Shares in the public market could have a material adverse effect on the prevailing [REDACTED] of our Shares and our ability to raise additional capital in the future

The **[REDACTED]** of our Shares could decline as a result of substantial future sales of our Shares or other securities relating to Shares in the public market. Such a decline could also occur with the issuance of new Shares or other securities relating to our Shares, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our Shares could materially adversely affect the prevailing **[REDACTED]** of our Shares and our ability to raise equity capital at a favorable time and price in the future. Our shareholders would experience a dilution in their holdings upon the issuance or sale of additional securities for any purpose.

Because the [REDACTED] price of our Shares is higher than the consolidated net tangible book value per share, [REDACTED] of our Shares in the [REDACTED] may experience immediate dilution upon such purchases

As the **[REDACTED]** of our Shares is higher than the consolidated net tangible assets per share immediately prior to the **[REDACTED]**, **[REDACTED]** of our Shares in the **[REDACTED]** will experience an immediate dilution in **[REDACTED]** adjusted consolidated net tangible assets. Our existing Shareholders will receive an increase in the **[REDACTED]** adjusted consolidated net tangible asset value per share of their shares. In addition, holders of our Shares may experience further dilution of their interest if the **[REDACTED]** exercise the **[REDACTED]** or if we **[REDACTED]** additional shares in the future to raise additional capital.

If securities or industry analysts do not publish research reports about our business, or if they adversely change their recommendations regarding our Shares, the [REDACTED] of our Shares may decline

The **[REDACTED]** for our Shares will be influenced by the research and reports that industry or securities analysts publish about us or our business. If one or more of the analysts who cover us downgrade our Shares, the price of our Shares would likely decline. If one or more of these analysts cease coverage of our Company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our **[REDACTED]** to decline.

We may not be able to pay any dividends on our Shares

We currently intend to retain most, if not all, of our available funds and any future earnings after the **[REDACTED]** to fund the development and growth of our business. As a result, we cannot guarantee when and in what form dividends will be paid on our Shares following the **[REDACTED]**. Therefore, you should not rely on **[REDACTED]** in our Shares as a source for any future dividend income.

Our Board has complete discretion as to whether to distribute dividends. Even if our Board decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on our business and financial performance, capital and regulatory requirements and general business conditions. Accordingly, the return on your **[REDACTED]** in our Shares will likely depend entirely upon any future price appreciation of our Shares. There is no guarantee that our Shares will appreciate in value after the **[REDACTED]** or even maintain the price at which you purchased the Shares. You may not realize a return on your **[REDACTED]** in our Shares and you may even lose your entire **[REDACTED]** in our Shares.

There may be difficulties in protecting your interests under the laws of the Cayman Islands

Our corporate affairs are governed by, among other things, our Memorandum of Association, our Articles of Association, the Companies Law and common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those in other jurisdictions. Such differences may mean that the remedies available to the minority shareholders may be different from those they would have under the laws of other jurisdictions.

Certain facts and statistics derived from government and third party sources contained in this document may not be reliable

We have derived certain facts and other statistics in this document, particularly those relating to the PRC, the PRC economy and the PRC securities industry, from information provided by the PRC and other government agencies, industry associations, research institutes and other independent third party sources. While we have taken reasonable care in the reproduction of the information, it has not been prepared or independently verified by us, the **[REDACTED]** or any of our or their respective affiliates or advisors, and, therefore, we cannot assure you as to the accuracy and reliability of such facts and statistics, which may not be consistent with other information compiled inside or outside the PRC. The facts and other statistics include the facts and statistics included in "Risk Factors," "Industry Overview" and "Business." Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable with statistics produced for other economies, and you should not place undue reliance on them. Furthermore, we cannot assure you that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

You should read the entire document carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the [REDACTED]

There may be, subsequent to the date of this document but prior to the completion of the **[REDACTED]**, press and media coverage regarding us and the **[REDACTED]**, which may contain, among other things, certain financial information, projections, valuations and other forward-looking information about us and the **[REDACTED]**. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent that such statements are inconsistent with, or conflict with, the information contained in this document, we disclaim responsibility for them. Accordingly, prospective **[REDACTED]** are cautioned to make their **[REDACTED]** decisions on the basis of the information contained in this document only and should not rely on any other information.

You should rely solely upon the information contained in this document, the **[REDACTED]** and any formal announcements made by us in Hong Kong in making your **[REDACTED]** decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the **[REDACTED]** or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective **[REDACTED]** should not rely on any such information, reports or publications in making their decisions as to whether to **[REDACTED]** in our **[REDACTED]**. By **[REDACTED]** our Shares in the **[REDACTED]**, you will be deemed to have agreed that you will not rely on any information other than that contained in this document and the **[REDACTED]**.

Some facts, forecasts and statistics contained in this document with respect to the PRC and its economy and automobile industries are derived from various official or third party sources and may not be accurate, reliable, complete or up-to-date.

Some of the facts, forecasts and statistics in this document relating to the PRC and its economies and automobile industries are derived from various official or third party sources. While we have exercised reasonable care in compiling and reproducing these facts, forecasts and statistics, they have not been independently verified by us. Therefore, we make no statement on the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside these jurisdictions and may not be complete or up to date. Moreover, the statistics in this document may be inaccurate or less developed than statistics produced by other economies and should not be unduly relied upon.

Forward-looking statements contained in this document are subject to risks and uncertainties

This document contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "aim", "anticipate", "believe", "can", "continue", "could", "estimate", "expect", "intend", "ought to", "may", "might", "plan", "potential", "predict", "project", "seek", "should", "will", "would" and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations,

liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. **[REDACTED]** should not place undue reliance on such forward-looking statements and information.

In preparation for the **[REDACTED]**, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong and, under normal circumstances, at least two of the new applicant's executive directors must be ordinarily resident in Hong Kong.

Since most of the business operations of our Group are managed and conducted outside of Hong Kong, and except for Mr. Zhu Boyang, all of our executive Directors ordinarily reside outside of Hong Kong, our Company considers that it would be practically difficult and commercially undesirable to arrange for two of our executive Directors to be ordinarily resident in Hong Kong, either by means of relocating incumbent executive Directors or appointment of additional executive Directors. Our Company does not have, and does not contemplate in the foreseeable future that we would have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules. Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. We will ensure that there is an effective channel of communication between us and the Hong Kong Stock Exchange by way of the following arrangements:

(1) **Authorized Representatives**: We have appointed Mr. Zhu Boyang, our executive Director, chief financial officer and joint company secretary, and Ms. Leung Shui Bing, our other joint company secretary, who are both ordinarily resident in Hong Kong, as our authorized representatives (the "**Authorized Representatives**") for the purpose of Rule 3.05 of the Listing Rules. They will act as our principal communication channel at all times between the Hong Kong Stock Exchange and the Company. The Authorized Representatives will also provide their usual contact details, and each of the Authorized Representatives has confirmed that he/she will be readily contactable by the Hong Kong Stock Exchange and will be available to meet with the Hong Kong Stock Exchange to discuss any matters within a reasonable period of time upon request of the Hong Kong Stock Exchange;

(2) **Directors**: When the Hong Kong Stock Exchange wishes to contact our Directors on any matter, each of the Authorized Representatives will have all necessary means to contact all our Directors (including our independent non-executive Directors) promptly at all times. To enhance communication among the Hong Kong Stock Exchange, our Authorized Representatives and our Directors, we have implemented the following measures: (i) each Director must provide his/her mobile number, office number, e-mail address and facsimile number to the Authorized Representatives; (ii) in the event that a Director expects to travel and/or otherwise be out of office, he/she will provide phone number of the place of his/her accommodations or other contact details to the Authorized Representatives; and (iii) we will provide the mobile number, office number, e-mail address, facsimile number and residential address of each Director to the Hong Kong Stock Exchange in accordance with Rule 3.20 of the Listing Rules.

We have one independent non-executive Director, namely Mr. Ng Jack Ho Wan, who is also ordinarily resident in Hong Kong and will act as an additional channel of communication between the Hong Kong Stock Exchange and us.

Each of our Directors who does not ordinarily reside in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong within a reasonably short period of time. Accordingly, each of our Directors will be able to meet with the Hong Kong Stock Exchange within a reasonable period of time upon prior notice from the Hong Kong Stock Exchange;

(3) **Compliance Advisor**: We have appointed Somerley Capital Limited as our compliance advisor (the "**Compliance Advisor**") in compliance with Rule 3A.19 of the Listing Rules, who will provide us with professional advice on the continuing obligations under the Listing Rules and act as our additional channel of communication with the Hong Kong Stock Exchange for the period commencing on the **[REDACTED]** and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the **[REDACTED]**. The Compliance Advisor will be available to answer enquiries from the Hong Kong Stock Exchange and will act as our principal channel of communication with the Hong Kong Stock Exchange when the Authorized Representatives are not available;

We shall ensure that the Compliance Advisor retained by us will have access at all times to the Authorized Representatives, our Directors and other officers. We shall also procure that such persons will provide promptly such information and assistance as the Compliance Advisor may need or may reasonably request in connection with the performance of the Compliance Advisor's duties as set forth in Chapter 3A of the Listing Rules. We shall ensure that there are adequate and efficient means of communication between our Company, the Authorized Representatives, our Directors and other officers and the Compliance Advisor, and will keep the Compliance Advisor informed of all communications and dealings between us and the Hong Kong Stock Exchange; and

(4) **Legal Advisors**: We shall also retain legal advisors after the **[REDACTED]** (i) to inform us on a timely manner of any amendment or supplement to the Listing Rules and any new or amended laws, regulations or codes in Hong Kong applicable to us, (ii) to provide advice to us on the continuing requirements under the Listing Rules and applicable Hong Kong laws and regulations, and (iii) to provide advice to us on the application of the Listing Rules and other applicable Hong Kong laws and regulations relating to securities after the **[REDACTED]**.

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of the company secretary. Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Hong Kong Stock Exchange considers the following academic or professional qualifications to be acceptable:

(1) a member of The Hong Kong Institute of Charted Secretaries;

(2) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); or

(3) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing "relevant experience", the Hong Kong Stock Exchange will consider the individual's:

(1) length of employment with the issuer and other issuers and the roles he or she played;

(2) familiarity with the Listing Rules and other relevant law and regulations including the SFO, the Companies Ordinance and the Takeovers Code;

(3) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(4) professional qualifications in other jurisdictions.

Our Company has appointed Ms. Leung Shui Bing, an associate member of both the Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (previously known as the Institute of Chartered Secretaries and Administrators) in the United Kingdom, who meets the requirements under Note 1 to Rule 3.28 of the Listing Rules, as a joint company secretary to work closely with and to provide assistance to Mr. Zhu Boyang in the discharge of his duties as a joint company secretary for an initial period of three years commencing from **[REDACTED]** and ending on the third anniversary of the **[REDACTED]** (the "**Initial Period**") so as to enable Mr. Zhu Boyang to acquire the relevant experience (as described under Note 2 to Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as a company secretary of a listed issuer.

Both Mr. Zhu Boyang and Ms. Leung Shui Bing will be assisted by the Compliance Advisor and the legal advisor to be retained after **[REDACTED]**, particularly in relation to corporate governance practices and ongoing compliance with the Listing Rules and the applicable laws and regulations.

Mr. Zhu Boyang will attend relevant training courses, including briefing on the latest changes to the applicable Hong Kong laws and regulations as well as the Listing Rules organized by our Company's Hong Kong legal advisors on an invitation basis and seminars and trainings organized by the Hong Kong Stock Exchange for listed issuers from time to time, in addition to the minimum requirement under Rule 3.29 of the Listing Rules. The waiver will be revoked immediately if Ms. Leung Shui Bing ceases to provide assistance and guidance to Mr. Zhu Boyang or if there are material breaches of the Listing Rules by our Company.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted], a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules. The waiver is valid for the Initial Period. Before the expiry of the Initial Period, the qualifications and experience of Mr. Zhu Boyang and the need for on-going assistance of Ms. Leung Shui Bing will be re-evaluated by our Company. Our Company will then endeavor to demonstrate to the Hong Kong Stock Exchange's satisfaction that he, having had the benefit of Ms. Leung Shui Bing's assistance during the Initial Period, and having carried out the requisite training in compliance with Rule 3.29 of the Listing Rules, would then have acquired the "relevant experience" within the meaning of Note 2 to Rule 3.28 of the Listing Rules. In the event that Mr. Zhu Boyang has obtained the relevant experience under Note 2 to Rule 3.28 of the Listing Rules at the end of the Initial Period, a further waiver would no longer be necessary.

WAIVERS IN RESPECT OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Group entered into the Contractual Arrangements, and the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into among others, by any of the

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Consolidated Affiliated Entities and any member of our Group that is owned by us through equity interest would constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules following completion of the **[REDACTED]**. The Company has applied for, and the Hong Kong Stock Exchange [has granted] to us, waivers from strict compliance with certain requirements under Chapter 14A of the Listing Rules in relation to the non-exempt continuing connected transactions. Details of these non-exempt continuing connected transactions and the waivers [granted] are set out in the section headed "Connected Transactions" in this document.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Mr. Xu Chong (徐翀)	Room 8-2702, 23/F, Building 8 2 District 6 East Fourth Ring Road Chaoyang District Beijing China	Chinese
Mr. Liu Lei (劉磊)	Room 1305, Block G Xiang Jing Garden No. 11, Yongcui Road Baiyun District Guangzhou China	Chinese
Mr. Zhu Boyang (朱博揚)	Flat B, 29/F, Block 5 The Visionary 1 Ying Hong Street Tung Chung New Territories Hong Kong	Chinese
Ms. Suo Yan (索研)	Room 605, Building 2 15 Bei Feng Wo Lu Haidian District Beijing China	Chinese
Independent non-executive Directors		
Mr. Xu Xiangyang (徐向陽)	Room 1002, Unit 3, Building 13 Yicheng Dongyuan Haidian District Beijing China	Chinese
Mr. Li Ming (李明)	Room 702, Unit 1, Building 6 Zhufang Road Haidian District Beijing China	Chinese
Mr. Ng Jack Ho Wan (吳浩雲)	Flat A, 50/F, Block 6 Lake Silver 599 Sai Sha Road Ma On Shan New Territories Hong Kong	Chinese

Please see "Directors and Senior Management" in this document for further details of our Directors.

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor	**ABCI Capital Limited** 11/F, Agricultural Bank of China Tower 50 Connaught Road Central Central Hong Kong

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

[REDACTED]

Legal Advisors to our Company	*As to Hong Kong law* **Fangda Partners** 26th Floor, One Exchange Square 8 Connaught Place Central Hong Kong *As to PRC law* **Fangda Partners** 27/F, North Tower Beijing Kerry Center 1 Guanghua Road Chaoyang District Beijing China *As to Cayman Islands law* **Appleby** Suites 4201-03 & 12, 42/F, One Island East Taikoo Place 18 Westlands Road Quarry Bay, Hong Kong

Legal Advisors to the Sole Sponsor and the **[REDACTED]**	*As to Hong Kong Law* **William Ji & Co. LLP** **in Association with** **Tian Yuan Law Firm Hong Kong Office** Suites 3304-3309, 33/F, Jardine House, One Connaught Place, Central, Hong Kong *As to PRC law* **Jingtian & Gongcheng** 34/F, Tower 3 China Central Place 77 Jianguo Road Chaoyang District Beijing China
Auditor and Reporting Accountant	**PricewaterhouseCoopers** *Certified Public Accountants* Registered Public Interest Entity Auditor 22/F Prince's Building Central Hong Kong
Industry Consultant	**China Insights Industry Consultancy Limited** 10F, Block B, Jing'an International Center 88 Puji Road Jing'an District Shanghai PRC
Compliance Advisor	**Somerley Capital Limited** 20/F, China Building 29 Queen's Road Central Central Hong Kong

[REDACTED]

CORPORATE INFORMATION

Registered Office in the Cayman Islands	Sertus Chambers, Governors Square Suite 5-204, 23 Lime Tree Bay Avenue P.O. Box 2547 Grand Cayman, KY1-1104 Cayman Islands
Head Office and Principal Place of Business in the PRC	Room B108, 1/F Block B, Shuguang Tower No. 5 Jingshun Road Chaoyang District Beijing China
Principal Place of Business in Hong Kong	31/F, Tower Two, Times Square 1 Matheson Street, Causeway Bay Hong Kong
Company Website	**www.cheshi.com** *(The information on the website does not form part of this document)*
Joint Company Secretaries	Mr. Zhu Boyang (朱博揚) Flat B, 29/F, Block 5 The Visionary 1 Ying Hong Street Tung Chung New Territories Hong Kong Ms. Leung Shui Bing (梁瑞冰) (ACIS, ACS) 31/F, Tower Two, Times Square 1 Matheson Street, Causeway Bay Hong Kong
Authorized Representatives	Mr. Zhu Boyang (朱博揚) Flat B, 29/F, Block 5 The Visionary 1 Ying Hong Street Tung Chung New Territories Hong Kong Ms. Leung Shui Bing (梁瑞冰) (ACIS, ACS) 31/F, Tower Two, Times Square 1 Matheson Street, Causeway Bay Hong Kong

CORPORATE INFORMATION

Audit Committee	Mr. Ng Jack Ho Wan (alias Ng Jacky) (吳浩雲) (*Chairman*) Mr. Xu Xiangyang (徐向陽) Mr. Li Ming (李明)
Remuneration Committee	Mr. Xu Xiangyang (徐向陽) (*Chairman*) Ms. Suo Yan (索研) Mr. Ng Jack Ho Wan (alias Ng Jacky) (吳浩雲)
Nomination Committee	Mr. Xu Chong (徐翀) (*Chairman*) Mr. Xu Xiangyang (徐向陽) Mr. Li Ming (李明)

[REDACTED]

Principal Bankers	Bank of Communications, Beijing Sanyuan branch MCC Building, 28 Shuguangxili Street Chaoyang District Beijing China

Certain information and statistics set out in this section and elsewhere in this document are derived from the CIC Report[(1)] 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 **[REDACTED]** *in the* **[REDACTED]** *or as an opinion of CIC as to the value of any securities or the advisability of* **[REDACTED]** *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* **[REDACTED]** *(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 databse 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 document to provide our potential **[REDACTED]** with a more comprehensive presentation of the industry in which we operate.

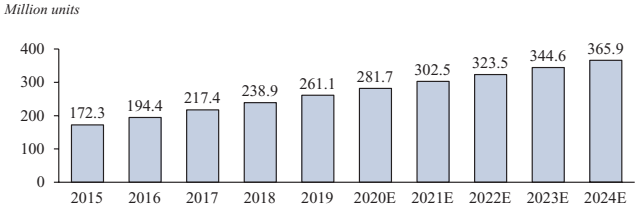
CHINA'S PASSENGER AUTOMOBILE INDUSTRY

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:

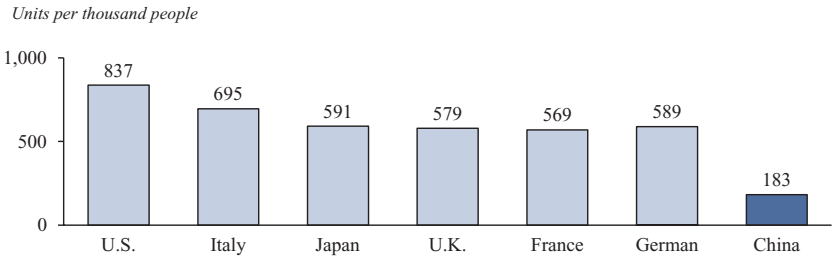
Total car parc, China, 2015-2024E



CAGR	
2015-2019	2019-2024E
11.0%	7.0%

Source: China Automotive Industry Yearbook, CIC

Car parc per thousand people, Global, 2019



Source: World Bank, China Automotive Industry Yearbook, NBSC, CIC

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

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.

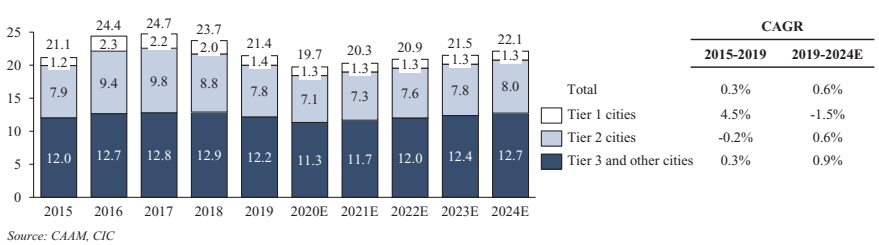
Driven by these factors mentioned above, the sales volume of new passenger automobiles is expected to reach 22.1 million units by 2024, representing a CAGR of 0.6% between 2019 and 2024.

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 cites 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.

Total sales volume of new passenger automobiles by tier of cities, China, 2015-2024E



	CAGR	
	2015-2019	2019-2024E
Total	0.3%	0.6%
Tier 1 cities	4.5%	-1.5%
Tier 2 cities	-0.2%	0.6%
Tier 3 and other cities	0.3%	0.9%

Source: CAAM, CIC

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

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.

CHINA'S AUTOMOBILE ADVERTISING INDUSTRY

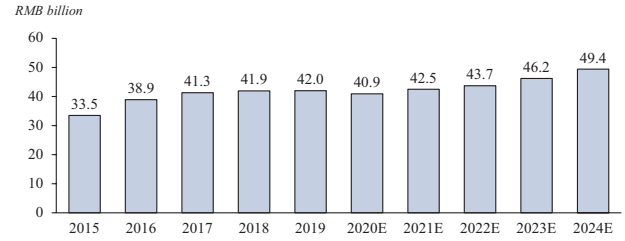
Market size and share of the automobile advertising industry

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.

Advertising expenditure of the automobile industry, China, 2015-2024E



CAGR	
2015-2019	2019-2024E
5.8%	3.3%

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.

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

Categories	Sub-categories	Description	Primary examples
Online advertising services	Online advertising	• Advertisements that are generally online and display advertisements on PCs and mobile devices	• Advertisements on: search engine, automobile vertical media platform, portal web, video streaming platform, E-commerce and social media
	Online events-based advertising	• Advertising activities that generally use digital technology at key events in the business or customer lifecycle	• Event campaigns held on online platforms
Offline advertising services	Traditional media-based advertising	• Advertisements that are generally placed on traditional or print media or outdoor billboards	• Advertisements on: print media, cinema, TV, radio and billboard
	Offline event-based advertising	• Event-based campaigns that use non-digital elements and enhance brand image and promote products via offline channels	• Product exhibition • Press conference • PR campaign • Driving club event
Other advertising services	/	• Other advertising activities that involve multi-channel strategies	• Dealer subscription service

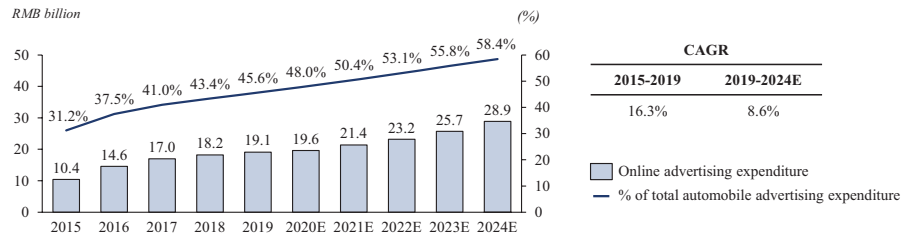
Source: SAIC, CNNIC, CIC

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



Source: CNNIC, China Public Relations Association, CIC

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

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

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

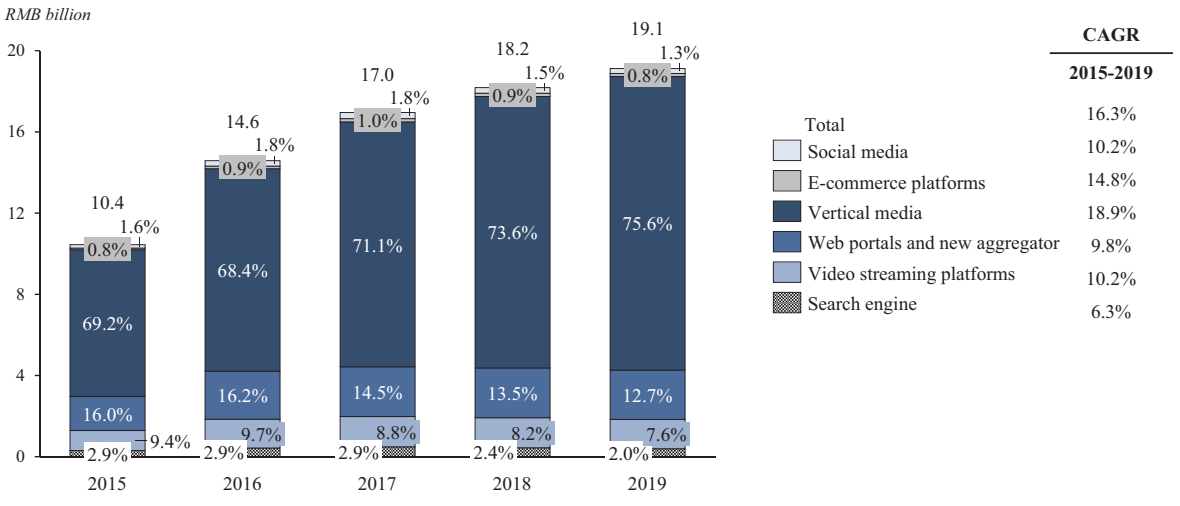
	Description		Description
Automobile advertising through E-commerce platforms	• Advertisements are displayed on e-commerce websites and apps to promote online purchases of products and services • Directly stimulates purchase behavior in an online shopping situation	Automobile advertising through video streaming platforms	• Advertisements are placed before, during, and/or after a video stream • Able to captures video audiences' attention and is highly likely to have a significant impact
Automobile advertising through search engine	• Advertisements are displayed on search result that match the consumers' search results for promotional purpose • Precisely targets audiences who are interested in relevant products and services	Automobile vertical media advertising	• 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 • Able to raise brand awareness, manage client relationships, and strengthen customer loyalty
Automobile advertising through social media	• Marketing of products and services via posting articles, pictures, and other promotional materials • Can shape brand image and demonstrate products and services in various formats	Automobile advertising through portal web and news aggregator	• Automobile advertisements are placed among the feeds on portal websites and news aggregators or displayed in the forms of PGC and UGC • Able to capture audience attention since the advertisement content is relevant

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

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.

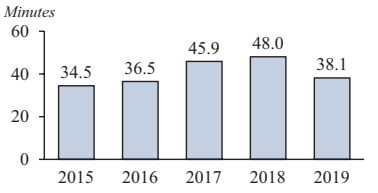
Key market drivers of automobile online advertising industry

- **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.

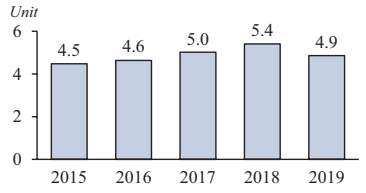
- **Massive user traffic driving growth of automobile vertical media advertising platforms.** As the growth of Internet traffic slows down, it is becoming more difficult for new mobile Apps to attract users substantially. Currently the average activation cost per user for mobile Apps varies from RMB30 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.

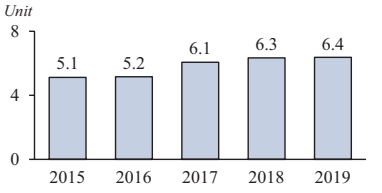
Average user browsing time per month on automobile vertical media platform, PC, China, 2015-2019



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



Source: CIC

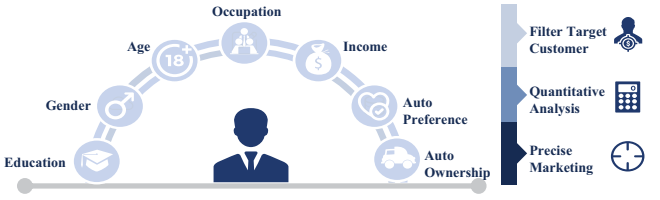
- **Technical innovations, including AI engine and big data, driving automobile vertical media advertising industry growth.** The accumulated user behavior data within an automobile vertical media advertising platform is the core asset of the platform. Through big data analytics, vertical media platform 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

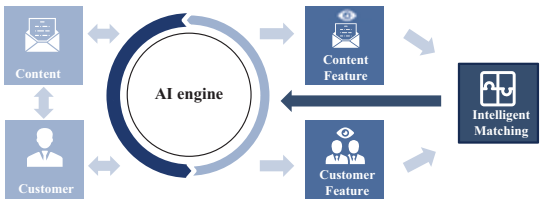
differential advantage. AI will facilitate the supremacy of the automobile vertical media over other types of platforms and will promote development of the industry.

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

Precise marketing based on big data in automobile vertical media platforms, China, 2019



Customized recommendation based on AI in automobile vertical media platforms, China, 2019



Source: CIC

CHINA'S AUTOMOBILE VERTICAL MEDIA ADVERTISING INDUSTRY

Market size of the automobile vertical media advertising industry

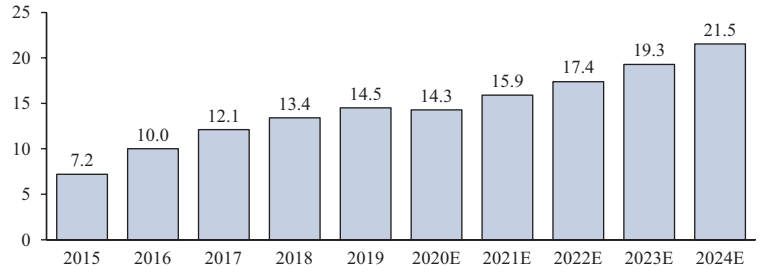
Automobile vertical media platforms produce high-quality car-related PGC, and distributes PGC, UGC and other car-related information(1) through diversified mediums such as social media, video streaming and news aggregators to reach a broad customer base. By industry practice, the indicators of high-quality 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:

(1) PGC refers to professionally generated contents while UGC refers to user generated contents. For the propose of this document, 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.

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

RMB billion



CAGR	
2015-2019	**2019-2024E**
18.9%	8.2%

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

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.

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 (RMB million)	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	**The Company**[Note]	**–**	**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 document.

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[(1)] (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.

CHINA'S AUTOMOBILE AFTERMARKET SERVICE INDUSTRY

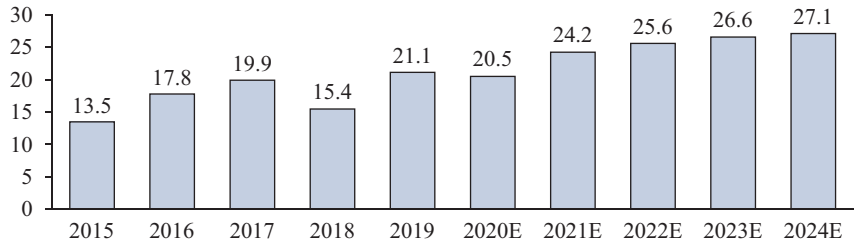
Market size and key market drivers of automobile insurance industry in China

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

RMB billion



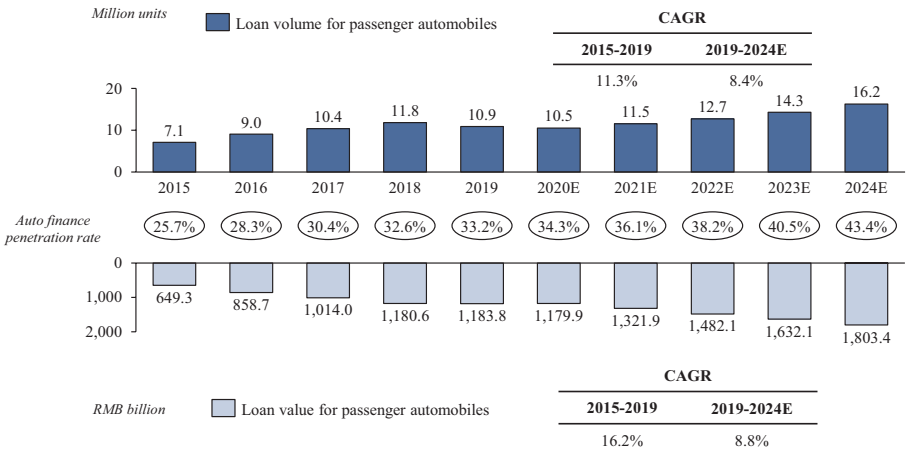
CAGR	
2015-2019	**2019-2024E**
11.9%	5.1%

Source: CBIRC, CIC

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

The automobile finance industry in terms of the number of newly issued loan the market size 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.

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.

REGULATIONS ON FOREIGN INVESTMENT

Foreign Investment Law

The establishment, operation and management of companies in China are mainly governed by the PRC Company Law (《中華人民共和國公司法》), as most recently amended in 2018, which applies to both PRC domestic companies and foreign-invested companies. On March 15, 2019, the National People's Congress approved the PRC Foreign Investment Law (《中華人民共和國外商投資法》), and on December 26, 2019, the State Council promulgated the Implementing Rules of the PRC Foreign Investment Law (《中華人民共和國外商投資法實施條例》), or the Implementing Rules, to further clarify and elaborate the relevant provisions of the Foreign Investment Law. The Foreign Investment Law and the Implementing Rules both took effect on January 1, 2020 and replaced three major previous laws on foreign investments in China, namely, the PRC Sino-foreign Equity Joint Venture Law (《中華人民共和國中外合資經營企業法》), the Sino-foreign Cooperative Joint Venture Law (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-owned Enterprise Law (《中華人民共和國外資企業法》), together with their respective implementing rules. Pursuant to the Foreign Investment Law, "foreign investments" refer to investment activities conducted by foreign investors (including foreign natural persons, foreign enterprises or other foreign organizations) directly or indirectly in the PRC, which include any of the following circumstances: (i) foreign investors setting up foreign-invested enterprises in the PRC solely or jointly with other investors, (ii) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within the PRC, (iii) foreign investors investing in new projects in the PRC solely or jointly with other investors, and (iv) investment in other methods as specified in laws, administrative regulations, or as stipulated by the State Council. The Implementing Rules introduce a see-through principle and further provide that foreign-invested enterprises that invest in the PRC shall also be governed by the Foreign Investment Law and the Implementing Rules.

The Foreign Investment Law and the Implementing Rules provide that a system of pre-entry national treatment and negative list shall be applied for the administration of foreign investment, where "pre-entry national treatment" means that the treatment given to foreign investors and their investments at market entry stage is no less favorable than that given to domestic investors and their investments, and "negative list" means the special administrative measures for foreign investment's entry to specific fields or industries, which will be proposed by the competent investment department of the State Council in conjunction with the competent commerce department of the State Council and other relevant departments, and be reported to the State Council for promulgation, or be promulgated by the competent investment department or competent commerce department of the State Council after being reported to the State Council for approval. Foreign investments beyond the negative list will be granted national treatment. Foreign investors shall not invest in the prohibited fields as specified in the negative list, and foreign investors who invest in the restricted fields shall comply with the special requirements on the shareholding, senior management personnel, etc. In the meantime, relevant competent government departments will formulate a catalog of industries for which foreign investments are encouraged according to the needs for national economic and social development, to list the specific industries, fields and regions in which foreign investors are encouraged and guided to invest.

According to the Implementing Rules, the registration of foreign-invested enterprises shall be handled by the State Administration for Market Regulation, or the SAMR or its authorized local counterparts. Where a foreign investor invests in an industry or field subject to licensing in accordance with laws, the relevant competent government department responsible for granting such license shall review the license application of the foreign investor in accordance with the same conditions and

procedures applicable to PRC domestic investors unless it is stipulated otherwise by the laws and administrative regulations, and the competent government department shall not impose discriminatory requirements on the foreign investor in terms of licensing conditions, application materials, reviewing steps and deadlines, etc.

Pursuant to the Foreign Investment Law and the Implementing Rules, and the Information Reporting Measures for Foreign Investment (《外商投資信息報告辦法》) jointly promulgated by the MOFCOM and the SAMR, which took effect on January 1, 2020, a foreign investment information reporting system shall be established and foreign investors or foreign-invested enterprises shall report investment information to competent commerce departments of the government through the enterprise registration system and the enterprise credit information publicity system, and the administration for market regulation shall forward the above investment information to the competent commerce departments in a timely manner.

Foreign Investment Restrictions

The current industry entry clearance requirements governing the foreign investment activities in the PRC are set out in two categories, namely the Encouraged Industry Catalog for Foreign Investment (2019 version) (《鼓勵外商投資產業目錄》（2019年版)), as promulgated by the NDRC and the MOFCOM and taking effect on July 30, 2019, and the 2020 Foreign Investment Negative List. Industries not listed in these two catalogs are generally deemed "permitted" for foreign investments unless specifically restricted by other PRC laws. According to the 2020 Foreign Investment Negative List, the industry of value-added telecommunications services we currently operate falls into the restricted category.

According to the Administrative Regulations on Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》), as most recently amended in February 2016, foreign-invested value-added telecommunications enterprises must be in the form of a sino-foreign equity joint venture. The regulations limit the ultimate capital contribution percentage by foreign investor(s) in a foreign-invested value-added telecommunications enterprise to 50% or less and require the primary foreign investor in a foreign invested value-added telecommunications enterprise to have a good track record and operational experience in the industry.

In 2006, the predecessor to the Ministry of Industry and Information Technology (the "**MIIT**") issued the Circular of the Ministry of Information Industry on Strengthening the Administration of Foreign Investment in Value-added Telecommunications Business (《信息產業部關於加強外商投資經營增值電信業務管理的通知》), according to which a foreign investor in the telecommunications service industry in the PRC must establish a foreign invested enterprise and apply for a telecommunications businesses operation license. This circular further requires that: (i) the PRC domestic telecommunications business enterprises must not lease, transfer or sell a telecommunications businesses operation license to a foreign investor through any form of transaction or provide resources, offices and working places, facilities or other assistance to support the illegal telecommunications services operations of a foreign investor; (ii) value-added telecommunications enterprises or their shareholders must directly own the domain names and trademarks used by such enterprises in their daily operations; (iii) each value-added telecommunications enterprise must have the necessary facilities for its approved business operations and maintain such facilities in the regions covered by its license; and (iv) all providers of value-added telecommunications services are required to maintain network and Internet security in accordance with the standards set forth in relevant PRC regulations. If

a license holder fails to comply with the requirements in the circular and cure such non-compliance, the MIIT or its local counterparts have the discretion to take measures against such license holder, including revoking its license for value-added telecommunications business.

In addition, according to the 2020 Foreign Investment Negative List, the industry of making and operating radio and television programs falls within the prohibited category.

REGULATONS ON VALUE-ADDED TELECOMMUNICATION SERVICES

The PRC Telecommunications Regulations (《中華人民共和國電信條例》) (the "**Telecommunications Regulations**"), as most recently amended in February 2016, are the primary regulations governing telecommunications services. Under the Telecommunications Regulations, a telecommunications service provider is required to procure operating licenses prior to the commencement of its operations. The Telecommunications Regulations distinguish "basic telecommunications services" from "value-added telecommunications services." Value-added telecommunications services are defined as telecommunications and information services provided through public networks. A catalog was issued as an attachment to the Telecommunications Regulations (《電信業務分類目錄》) to categorize telecommunications services as either basic or value-added. The current catalog, as most recently updated in June 2019, categorizes online information services as value-added telecommunications services.

The Administrative Measures on Telecommunications Business Operating Licenses (《電信業務經營許可管理辦法》), promulgated by the MIIT in 2009 and most recently amended in July 2017, set forth more specific provisions regarding the types of licenses required to operate value-added telecommunications services, the qualifications and procedures for obtaining such licenses and the administration and supervision of such licenses. Under these measures, a commercial operator of value-added telecommunications services must first obtain a license from the MIIT or its provincial level counterpart, or else such operator might be subject to sanctions including corrective orders and warnings from the competent administration authority, fines and confiscation of illegal gains. In case of serious violations, the operator's websites may be ordered to be closed.

Internet information service is a type of value-added telecommunications service in the current catalog attached to the Telecommunications Regulations, as most recently updated in June 2019. Pursuant to the Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》), which was promulgated by the State Council on September 25, 2000, and amended on January 8, 2011, "Internet information services" refers to the provision of information through the Internet to online users, and they are categorized into "commercial Internet information services" and "non-commercial Internet information services". A commercial Internet information services operator must obtain a value-added telecommunications services license for Internet information services, which is known as an ICP License, from the relevant government authorities before engaging in any commercial Internet information services operations in the PRC. No ICP License is required if the operator will only provide Internet information on a non-commercial basis. According to the Administrative Measures on Telecommunications Business Operating Licenses, an ICP License has a term of five years and can be renewed within 90 days before expiration.

In addition to the Telecommunications Regulations and the other regulations abovementioned, the provision of commercial Internet information services on mobile Internet applications is regulated by the Administrative Provisions on Information Services of Mobile Internet Applications (《移動

互聯網應用程序信息服務管理規定》), which was promulgated by the State Internet Information Office on June 28, 2016 and took effective on August 1, 2016. The information service providers of mobile Internet applications are subject to requirements under these provisions, including acquiring the qualifications required by laws and regulations and being responsible for information security.

Regulations on Advertising

The PRC Government regulates advertising, including online advertising, principally through the SAMR, formerly known as the State Administration for Industry and Commerce or the SAIC. The PRC Advertising Law (《中華人民共和國廣告法》), as most recently amended in October, 2018, outlines the general regulatory framework for the advertising industry. According to the PRC Advertising Law, advertisers, advertising service providers and advertising publishers are required to ensure that the contents of the advertisements they prepare or distribute are true and in full compliance with applicable laws and regulations. For example, advertisements must not contain terms such as "the state-level", "the highest grade", "the best" or such similar wording. In addition, if a special government review is required for certain categories of advertisements before publication, the advertisers, advertising operators and advertising distributors are obligated to verify that such a review has been performed and the relevant approval has been obtained. Pursuant to the PRC Advertising Law, the use of the Internet to distribute advertisements must not affect the normal use of the Internet by users. Where Internet information service providers are aware or ought to be aware that illegal advertisements are being distributed using their services, they must prevent such distribution.

In addition, the Interim Measures for Administration of Internet Advertising (《互聯網廣告管理暫行辦法》), which was promulgated by the SAIC on July 4, 2016 and took into effect on September 1, 2016, set forth certain compliance requirements for online advertising businesses. Advertising operators and distributors of Internet advertisement must examine, verify and record identity information for advertisers such as name, address and contact information, and maintain a verification record that is updated on a regular basis. Moreover, advertising operators and advertising distributors must examine supporting documentation provided by advertisers and verify the contents of the advertisements against supporting documents before publishing them. If the contents of advertisements are inconsistent with the supporting documents, or the supporting documents are incomplete, advertising operators and distributors must refrain from providing design, production, agency or publishing services. These measures also prohibit the following activities: (i) providing or using applications and hardware to block, filter, skip over, tamper with, or cover up lawful advertisements; (ii) using network access, network equipment and applications to disrupt the normal transmission of lawful advertisements or adding or uploading advertisements without authorization; and (iii) harming the interests of a third party by using fake statistics or traffic data.

Violation of the foregoing laws and regulations may result in penalties, including fines, confiscation of advertising income, orders to cease dissemination of the advertisements and orders to publish an advertisement correcting the misleading information. In case of serious violations, the SAMR or its local branches may force the violator to terminate its advertising operation or may even revoke its business license. Furthermore, advertisers, advertising operators or advertising distributors may be subject to civil liability if they infringe on the legal rights and interests of third parties.

REGULATIONS ON RADIO AND TELEVISION PROGRAMS

On August 11, 1997, the State Council promulgated Administrative Regulations on Radio and Television (《廣播電視管理條例》), which took into effect on September 1, 1997 and were amended

on December 7, 2013 and March 1, 2017. Units for the production and management of radio and television programs are established upon the approval of the administrative departments for radio and television under the people's governments at or above the provincial level. Only radio stations, television stations and units for the production and management of radio and television programs can produce radio and television programs. No radio or television station may broadcast any program produced by units which are not licensed to produce and manage radio or television programs.

According to the Provisions for the Administration of the Production and Distribution of Radio and Television Programs (《廣播電視節目製作經營管理規定》) promulgated by the State Administration of Press, Publication, Radio, Film and Television, which is currently known as the National Radio and Television Administration, or the SAPPRFT, on July 19, 2004, which took into effect on August 20, 2004 and was most recently amended on October 31, 2018, any business that produces or operates radio or television programs must first obtain a Radio and Television Program Production and Operation Permit (i.e. the TCPB License). Entities holding such permits shall conduct their business within the permitted scope as provided in their permits. Applicants for the TCPB License must satisfy certain requirements, including, among others, having the radio, television and related professionals and workplaces that meet the needs of its business scope, and its legal representative having no record of violations of laws and regulations and the TCPB License of such applicant obtained previously (if any) having not been revoked before.

REGULATIONS ON ONLINE TRANSMISSION OF AUDIO-VISUAL PROGRAMS

On December 20, 2007, the SAPPRFT and the MIIT jointly promulgated the Administrative Measures for the Internet Audio-Visual Program Service (《互聯網視聽節目服務管理規定》, or the Internet AVP Service Measures, which became into effect on January 31, 2008 and was amended on August 28, 2015. According to the Internet AVP Service Measures, the "Internet audio-visual program service" is defined as the activity of producing, redacting and integrating audio-visual programs, providing them to the general public via the Internet, and providing services for other people to upload and transmit audio-visual programs, and providers of the Internet audio-visual program services are required to obtain a license for online transmission of audio-visual programs issued by the National Radio and Television Administration or to complete certain registration procedures with the National Radio and Television Administration. Providers of Internet audio-visual program services must satisfy certain requirements including, among others, being either state-owned or state-controlled entities, and having the necessary technical capability, network resource, and technical personnel. According to the Internet AVP Service Measures, where an entity provides Internet audio-visual program related services without permit, it may be subject to warning, ordered to rectify, or imposed a fine of no more than RMB30,000, etc.

REGULATIONS ON INTERNET INFORMATION SECURITY AND PRIVACY PROTECTION

The PRC Government has enacted laws and regulations with respect to Internet information security and protection of personal information from any abuse or unauthorized disclosure. Internet information in the PRC is regulated and restricted from a national security standpoint. The Standing Committee of the National People's Congress, or the SCNPC, enacted the Decision on the Maintenance of Internet Security (《關於維護互聯網安全的決定》) on December 28, 2000, which was amended on August 27, 2009 and may subject persons to criminal liabilities in the PRC for any attempt to: (i) gain improper entry into a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information; or

(v) infringe intellectual property rights. In addition, on December 16, 1997, the Ministry of Public Security issued the Administration Measures on the Security Protection of Computer Information Network with International Connections (《計算機信息網絡國際聯網安全保護管理辦法》), which took into effect on December 30, 1997 and were amended by the State Council on January 8, 2011 and prohibit using the Internet in ways which, among others, result in a leakage of state secrets or a spread of socially destabilizing content. The Ministry of Public Security has supervision and inspection powers in this regard, and relevant local security bureaus may also have jurisdiction. If an Internet information service provider violates any of these measures, competent authorities may revoke its operating license and shut down its websites.

The PRC Network Security Law (《中華人民共和國網絡安全法》), which was promulgated in November 2016 and took into effect on June 1, 2017, requires a network operator, including Internet information services providers among others, to adopt technical measures and other necessary measures in accordance with applicable laws and regulations as well as compulsory national and industrial standards to safeguard the safety and stability of network operations, effectively respond to network security incidents, prevent illegal and criminal activities, and maintain the integrity, confidentiality and availability of network data. The PRC Network Security Law emphasizes that any individuals and organizations that use networks must not endanger network security or use networks to engage in unlawful activities such as those endangering national security, economic order and the social order or infringing the reputation, privacy, intellectual property rights and other lawful rights and interests of others. The PRC Network Security Law has also reaffirmed certain basic principles and requirements on personal information protection previously specified in other existing laws and regulations, including those described above. Any violation of the provisions and requirements under the PRC Network Security Law may subject an Internet service provider to warnings, fines, confiscation of illegal gains, revocation of licenses, cancelation of filings, closedown of websites or even criminal liabilities.

On December 13, 2005, the Ministry of Public Security issued the Regulations on Technological Measures for Internet Security Protection (《互聯網安全保護技術措施規定》) (the "**Internet Protection Measures**") which took into effect on March 1, 2006. The Internet Protection Measures require Internet service providers to take proper measures including anti-virus, data back-up and other related measures, and to keep records of certain information about their users (including user registration information, log-in and log-out time, IP address, content and time of posts by users) for at least 60 days, discover and detect illegal information, stop transmission of such information, and keep relevant records. Internet services providers are prohibited from unauthorized disclosure of users' information to any third parties unless such disclosure is required by the laws and regulations. They are further required to establish management systems and take technological measures to safeguard the freedom and secrecy of the users' correspondences.

Under the Several Provisions on Regulating the Market Order of Internet Information Services (《規範互聯網信息服務市場秩序若干規定》), which was issued by the MIIT in December 29, 2011 and took into effect in March, 2012, an Internet information service provider may not collect any personal information on a user or provide any such information to third parties without the user's consent. It must expressly inform the user of the method, content and purpose of the collection and processing of such user's personal information and may only collect information to the extent necessary to provide its services. An Internet information service provider is also required to properly maintain users' personal information, and in case of any leak or likely leak of such information, it must take immediate

remedial measures and, in the event of a serious leak, report to the telecommunications regulatory authority immediately.

Pursuant to the Decision on Strengthening the Protection of Online Information (《關於加強網絡信息保護的決定》), which was issued by the SCNPC, and took into effect in December, 2012, and the Order for the Protection of Telecommunication and Internet User Personal Information (《電信和互聯網用戶個人信息保護規定》), which was issued by the MIIT in 2013, any collection and use of a user's personal information must be subject to the consent of the user, be legal, rational and necessary and be limited to specified purposes, methods and scopes. An Internet information service provider must also keep such information strictly confidential, and is further prohibited from divulging, tampering or destroying any such information, or selling or providing such information to other parties. An Internet information service provider is required to take technical and other measures to prevent the collected personal information from any unauthorized disclosure, damage or loss. Any violation of these laws and regulations may subject the Internet information service provider to warnings, fines, confiscation of illegal gains, revocation of licenses, cancelation of filings, closedown of websites or even criminal liabilities.

Pursuant to the Notice of the Supreme People's Court, the Supreme People's Procuratorate and the Ministry of Public Security on Legally Punishing Criminal Activities Infringing upon the Personal Information of Citizens (《最高人民法院、最高人民檢察院、公安部關於依法懲處侵害公民個人信息犯罪活動的通知》) issued in 2013, and the Interpretation of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues regarding Legal Application in Criminal Cases Infringing upon the Personal Information of Citizens (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》), which was issued on May 8, 2017 and took into effect on June 1, 2017, the following activities may constitute the crime of infringing upon a citizen's personal information: (i) providing a citizen's personal information to specified persons or releasing a citizen's personal information online or through other methods in violation of relevant national provisions; (ii) providing legitimately collected information relating to a citizen to others without such citizen's consent (unless the information is processed, not traceable to a specific person and not recoverable); (iii) collecting a citizen's personal information in violation of applicable rules and regulations when performing a duty or providing services; or (iv) collecting a citizen's personal information by purchasing, accepting or exchanging such information in violation of applicable rules and regulations. In addition, according to the Interpretations of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues concerning the Application of the Law in Handling Criminal Cases Involving Crimes of Illegally Using the Information Network or Providing Aid for Criminal Activities regarding Information Network (《最高人民法院、最高人民檢察院關於辦理非法利用信息網絡、幫助信息網絡犯罪活動等刑事案件適用法律若干問題的解釋》) issued on October 21, 2019 and taking effect on November 1, 2019, a violator refusing to perform the obligation of safety management for the information network, causing the disclosure of user information, and falling under one of the following circumstances shall be deemed "causing serious consequences" as prescribed under the PRC Criminal Law: (i) causing the disclosure of not less than 500 pieces of location information, communication content, credit information, and property information; (ii) causing the disclosure of not less than 5,000 pieces of accommodation information, communication records, health and physiological information, transaction information and other user information that may affect personal or property safety; (iii) causing the disclosure of not less than 50,000 pieces of user information other than the information set forth in items (i) and (ii); (iv) causing the disclosure of user information which quantity does not meet the standards set forth in items (i), (ii) and (iii), but meets the relevant quantity standards after conversion at the corresponding proportion in aggregate; (v) causing deaths, serious injuries, mental

disorders or kidnapping of others, or other serious consequences; (vi) causing material economic losses; (vii) seriously disturbing the social order; or (viii) causing other serious consequences.

On November 28, 2019, the Secretary Bureau of the Cyberspace Administration of China, the General Office of the MIIT, the General Office of the Ministry of Public Security and the General Office of the SAMR jointly issued the Measures for Determining the Illegal Collection and Use of Personal Information through Apps (《App違法違規收集使用個人信息行為認定方法》), which aims to provide reference for supervision and administration departments and provide guidance for app operators' self-examination and self-correction and social supervision by netizens, and further elaborates the forms of behavior constituting illegal collection and use of the personal information through apps including: (i) failing to publish the rules on the collection and use of personal information; (ii) failing to explicitly explain the purposes, methods and scope of the collection and use of personal information; (iii) collecting and using personal information without the users' consent; (iv) collecting personal information unrelated to the services it provides and beyond necessary principle; (v) providing personal information to others without the users' consent; and (vi) failing to provide the function of deleting or correcting the personal information according to the laws or failing to publish information such as ways of filing complaints and reports.

Furthermore, on December 15, 2019, the Cyberspace Administration of China promulgated the Provisions on Ecological Governance of Network Information Content (《網絡信息內容生態治理規定》), or the Network Ecological Governance Provisions, which took effect on March 1, 2020. The Network Ecological Governance Provisions provide the requirements for the content producers of the network information, the service platforms for the network information and the users of the network information. Among others, the Network Ecological Governance Provisions classify the network information into the "encouraged category", the "prohibited category" and the "prevented and resisted category". The content producers of network information are encouraged to produce, copy and publish network information in the encouraged category, prohibited from producing, copying or publishing network information in the prohibited category, and shall take measures to prevent and resist the production, reproduction and publication of undesirable information in the prevented and resisted category. In addition, the service platforms for the network information shall strengthen the management of information content, and upon discovery of any prohibited information or prevented and resisted information, shall immediately take measures in accordance with the laws, keep the relevant records, and report the same to the competent governmental authorities. A service platform for network information shall compile an annual report on the ecological governance of network information, which contains information on the ecological governance of network information, the performance of the person in charge of ecological governance of network information and social evaluation, etc.

REGULATION ON INTELLECTUAL PROPERTY RIGHTS

Copyright and Software Products

On September 7, 1990, the NPC promulgated Copyright Law of the PRC (《中華人民共和國著作權法》) (the "**Copyright Law**"), which took into effect on June 1, 1991, and amended on October 27, 2001 and February 26, 2010, respectively. The Copyright Law provides that Chinese citizens, legal persons, or other organizations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. In addition, Internet activities, products disseminated over the Internet and software products also enjoys copyright. There is a voluntary registration system

administered by the PRC Copyright Protection Center. In order to further implement the Computer Software Protection Regulations (《計算機軟件保護條例》) promulgated by the State Council on December 20, 2001, and most recently amended on January 30, 2013 and taking into effect on March 1, 2013, the State Copyright Bureau issued the Computer Software Copyright Registration Procedures (《計算機軟件著作權登記辦法》) on February 20, 2002, which applies to software copyright registration, license contract registration and transfer contract registration. The National Copyright Administration of the PRC shall be the competent authority for the nationwide administration of software copyright registration and the Copyright Protection Center of China (the "**CPCC**"), is designated as the software registration authority. The CPCC shall grant registration certificates to the Computer Software Copyrights applicants which conforms to the provisions of both the Software Copyright Measures and the Computer Software Protection Regulations (Revised in 2013).

Trademarks

Trademarks are protected by the PRC Trademark Law (《中華人民共和國商標法》) promulgated by the National People's Congress, or the NPC, on August 23, 1982 and most recently amended on April 23, 2019 as well as the Implementation Regulation of the PRC Trademark Law (《中華人民共和國商標法實施條例》) promulgated by the State Council on August 3, 2002 and amended on April 29, 2014. The Trademark Office handles trademark registrations and grants a term of ten years to registered trademarks and another ten years if requested upon expiry of the first or any renewed ten-year term. Trademark registrant may license its registered trademark to another party by entering into a trademark license agreement. Trademark license agreements must be filed with the Trademark Office to be recorded. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities. Trademark license agreements must be filed with the Trademark Office for record. The PRC Trademark Law has adopted a "first-to-file" principle with respect to trademark registration. Where a trademark for which a registration has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a "sufficient degree of reputation" through such party's use. Trademark license agreements should be filed with the Trademark Office or its regional offices.

Domain Names

Internet domain name registration and related matters are primarily regulated by the Measures on Administration of Domain Names for the Chinese Internet (《中國互聯網絡域名管理辦法》), promulgated by MIIT on November 5, 2004 and taking into effect on December 20, 2004 which was superseded by the Measures on Administration of Internet Domain Names (《互聯網域名管理辦法》) promulgated by MIIT on August 24, 2017 and taking into effect on November 1, 2017, and the Implementation Rules on Registration of National Top Level Domain Names (《國家頂級域名註冊實施細則》) promulgated by China Internet Network Information Center and taking into effect on June 18, 2019. Domain name owners are required to register their domain names and the MIIT is in charge of the administration of PRC Internet domain names. The domain name services follow a "first come, first file" principle. Applicants for registration of domain names shall provide their true, accurate and complete information of such domain names to and enter into registration agreements with domain

name registration service institutions. The applicants will become the holders of such domain names upon the completion of the registration procedure.

Patents

According to the Patent Law of the PRC (Revised in 2008) (《中華人民共和國專利法（2008年修訂）》) promulgated by the SCNPC, on December 27, 2008 and taking into effect on October 1, 2009, and its Implementation Rules (Revised in 2010) (《中華人民共和國專利法實施細則（2010年修訂）》) promulgated by the State Council on January 9, 2010 and taking into effect on February 1, 2010, the State Intellectual Property Office of the PRC is responsible for administering patents in the PRC. The patent administration departments of provincial or autonomous regions or municipal governments are responsible for administering patents within their respective jurisdictions. The Patent Law of the PRC and its implementation rules provide for three types of patents, "invention", "utility model" and "design." Invention patents are valid for twenty years, while design patents and utility model patents are valid for ten years, from the date of application. The PRC patent system adopts a "first come, first file" principle, which means that where more than one person files a patent application for the same invention, a patent will be granted to the person who files the application first. To be patentable, invention or utility models must meet three criteria: novelty, inventiveness and practicability. A third party player must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the use constitutes an infringement of the patent rights.

REGULATIONS ON EMPLOYMENT

Pursuant to the PRC Labor Law (《中華人民共和國勞動法》) promulgated by the SCNPC, on July 5, 1994, taking into effect on January 1, 1995 and was most recently amended on December 29, 2018, the PRC Labor Contract Law (《中華人民共和國勞動合同法》) promulgated by the SCNPC, on June 29, 2007, taking into effect on January 1, 2008 and amended on December 28, 2012, and the Implementing Regulations of the Employment Contracts Law (《中華人民共和國勞動合同法實施條例》) promulgated by the State Council and taking into effect on September 18, 2008, labor relationships between employers and employees must be executed in written form. Wages may not be lower than the local minimum wage. Employers must establish a system for labor safety and sanitation, strictly abide by state standards and provide relevant education to its employees. Employees are also required to work in safe and sanitary conditions.

Under PRC laws, rules and regulations, including the PRC Social Insurance Law (《中華人民共和國社會保險法》) promulgated by the State Council on October 28, 2010, taking into effect on July 1, 2011 and amended on December 29, 2018, the Interim Regulations on the Collection and Payment of Social Security Funds (《社會保險費徵繳暫行條例》) promulgated by the State Council, taking into effect on January 22, 1999 and amended on March 24, 2019, and the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) promulgated by the State Council, taking into effect on April 3, 1999, and amended on March 24, 2002 and March 24, 2019, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance and housing accumulation funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to pay the deficit amount.

REGULATIONS ON FOREIGN EXCHANGE

Regulation on Foreign Currency Exchange

The principal regulations governing foreign currency exchange in the PRC are the Foreign Exchange Administration Regulations (《外匯管理條例》), most recently amended in 2008. Under PRC foreign exchange regulations, payments of current account items, such as profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital account items, such as direct investments, repayment of foreign currency-denominated loans, repatriation of investments and investments in securities outside of the PRC.

In 2012, SAFE promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment (《關於進一步改進和調整直接投資外匯管理政策的通知》), or Circular 59, which substantially amends and simplifies the current foreign exchange procedure. Pursuant to Circular 59, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds derived by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, and multiple capital accounts for the same entity may be opened in different provinces, which was not possible previously. In 2013, SAFE specified that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC must be conducted by way of registration and banks must process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches. In February 2015, SAFE promulgated the Notice on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》), or SAFE Notice 13. Instead of applying for approvals regarding foreign exchange registrations of foreign direct investment and overseas direct investment from SAFE, entities and individuals may apply for such foreign exchange registrations from qualified banks. The qualified banks, under the supervision of SAFE, may directly review the applications and conduct the registration.

In March 2015, SAFE promulgated the Circular of the SAFE on Reforming the Management Approach regarding the Settlement of Foreign Capital of Foreign-invested Enterprise (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or Circular 19, which expands a pilot reform of the administration of the settlement of the foreign exchange capitals of foreign-invested enterprises nationwide. Circular 19 replaced both the Circular of the SAFE on Issues Relating to the Improvement of Business Operations with Respect to the Administration of Foreign Exchange Capital Payment and Settlement of Foreign-invested Enterprises (《國家外匯管理局關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》), or Circular 142, and the Circular of the SAFE on Issues concerning the Pilot Reform of the Administrative Approach Regarding the Settlement of the Foreign Exchange Capitals of Foreign-invested Enterprises in Certain Areas (《國家外匯管理局關於在部分地區開展外商投資企業外匯資本金結匯管理方式改革試點有關問題的通知》), or Circular 36. Circular 19 allows all foreign-invested enterprises established in the PRC to settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operation, provides the procedures for foreign invested companies to use Renminbi converted from foreign

currency-denominated capital for equity investments and removes certain other restrictions that had been provided in Circular 142. However, Circular 19 continues to prohibit foreign-invested enterprises from, among other things, using RMB funds converted from their foreign exchange capital for expenditure beyond their business scope and providing entrusted loans or repaying loans between non-financial enterprises. SAFE promulgated the Notice of the SAFE on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), or Circular 16, effective in June 2016, which reiterates some of the rules set forth in Circular 19. Circular 16 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt offering proceeds and remitted foreign listing proceeds, and the corresponding RMB capital converted from foreign exchange may be used to extend loans to related parties or repay inter-company loans (including advances by third parties). However, there are substantial uncertainties with respect to Circular 16's interpretation and implementation in practice. Circular 19 or Circular 16 may delay or limit us from using the proceeds of offshore offerings to make additional capital contributions to our PRC subsidiaries and any violations of these circulars could result in severe monetary or other penalties.

In January 2017, SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification (《關於進一步推進外匯管理改革完善真實合規性審核的通知》), or Circular 3, which stipulates several capital control measures with respect to the outbound remittance of profits from domestic entities to offshore entities, including (i) banks must check whether the transaction is genuine by reviewing board resolutions regarding profit distribution, original copies of tax filing records and audited financial statements, and (ii) domestic entities must retain income to account for previous years' losses before remitting any profits. Moreover, pursuant to Circular 3, domestic entities must explain in detail the sources of capital and how the capital will be used, and provide board resolutions, contracts and other proof as a part of the registration procedure for outbound investment.

On October 23, 2019, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), or SAFE Notice 28, which permits non-investment foreign-invested enterprises to use their capital funds to make equity investments in China, with genuine investment projects and in compliance with effective foreign investment restrictions and other applicable laws. However, as the SAFE Notice 28 was newly issued, there are still substantial uncertainties as to its interpretation and implementations in practice.

Regulations on Foreign Exchange Registration of Overseas Investment by PRC Residents

In 2014, SAFE issued the SAFE Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or SAFE Circular 37, replacing the SAFE Circular on Issues Concerning the Regulation of Foreign Exchange in Equity Finance and Return Investments by Domestic Residents through Offshore Special Purpose Vehicles (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》), or SAFE Circular 75. SAFE Circular 37 regulates foreign exchange matters in relation to the use of special purpose vehicles by PRC residents or entities to seek offshore investment and financing or conduct round trip investment in the PRC. Under SAFE Circular 37, a "special purpose vehicle" refers to an offshore entity established or controlled, directly or indirectly, by PRC residents or entities for the purpose of seeking offshore financing or making offshore investment, using legitimate onshore or

offshore assets or interests, while "round trip investment" refers to direct investment in the PRC by PRC residents or entities through special purpose vehicles, namely, establishing foreign-invested enterprises to obtain ownership, control rights and management rights. SAFE Circular 37 provides that, before making a contribution into a special purpose vehicle, PRC residents or entities are required to complete foreign exchange registration with SAFE or its local branch.

In 2015, SAFE promulgated the Notice on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》). This notice has amended SAFE Circular 37 by requiring PRC residents or entities to register with qualified banks rather than SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. PRC residents or entities who had contributed legitimate onshore or offshore interests or assets to special purpose vehicles but had not registered as required before the implementation of the SAFE Circular 37 must register their ownership interests or control in the special purpose vehicles with qualified banks. An amendment to the registration is required if there is a material change with respect to the special purpose vehicle registered, such as any change of basic information (including change of the PRC residents, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, and mergers or divisions. Failure to comply with the registration procedures set forth in SAFE Circular 37 and the subsequent notice, or making misrepresentations or failing to disclose the control of the foreign-invested enterprise that is established through round-trip investment, may result in restrictions being imposed on the foreign exchange activities of the relevant foreign-invested enterprise, including payment of dividends and other distributions, such as proceeds from any reduction in capital, share transfer or liquidation, to its offshore parent or affiliate, and the capital inflow from the offshore parent, and may also subject relevant PRC residents or entities to penalties under PRC foreign exchange administration regulations.

Regulations on Stock Incentive Plans

SAFE promulgated the Circular of the SAFE on Issues concerning the Administration of Foreign Exchange Used for Domestic Individuals' Participation in Equity Incentive Plans of Companies Listed Overseas (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the "**Stock Option Rules**") in February 2012, replacing the previous rules issued by SAFE in March 2007. Under the Stock Option Rules and other relevant rules and regulations, PRC residents who participate in a stock incentive plan in an overseas publicly listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants in a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of the participants. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan or the PRC agent or any other material changes. The PRC agent must apply to SAFE or its local branches on behalf of the PRC residents who have the right to exercise the employee share options for an annual quota for the payment of foreign currencies in connection with the PRC residents' exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in the PRC opened by the PRC agents before distribution to such PRC residents.

Regulations on Dividend Distribution

The principal laws, rules and regulations governing dividends distribution by companies in the PRC are the PRC Company Law, which applies to both PRC domestic companies and foreign-invested companies, and the Foreign Investment Law and the Implementing Rules, which apply to foreign-invested companies. Under these laws, regulations and rules, both domestic companies and foreign-invested companies in the PRC are required to set aside as general reserves at least 10% of their after-tax profit, until the cumulative amount of their reserves reaches 50% of their registered capital. PRC companies are not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

REGULATIONS ON TAXATION

Enterprise Income Tax

Pursuant to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得税法》) (the "**EIT Law**") promulgated by the NPC, on March 16, 2007, which took into effect on January 1, 2008 and amended on February 24, 2017 and December 29, 2018, and its implementing rules, enterprises are classified into resident enterprises and non-resident enterprises. PRC resident enterprises typically pay an EIT at the rate of 25% while non-PRC resident enterprises without any branches in the PRC should pay an EIT in connection with their income from the PRC at the tax rate of 10%. The Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外注冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) promulgated by the SAT on April 22, 2009, taking into effect on January 1, 2008, and most recently amended on December 29, 2017, sets out the standards and procedures for determining whether the "de facto management body" of an enterprise registered outside of mainland China and controlled by mainland Chinese enterprises or mainland Chinese enterprise groups is located within mainland China. On July 27, 2011, the SAT issued a trial version of the Administrative Measures for Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (《境外註冊中資控股居民企業所得税管理辦法 (試行)》), which took into effect on September 1, 2011 and was most recently amended in June 2018, to clarify certain issues in the areas of resident status determination, post-determination administration and competent tax authorities' procedures. The EIT Law and the implementation rules provide that an income tax rate of 10% will normally be applicable to dividends payable to investors that are "non-resident enterprises," and gains derived by such investors, which (a) do not have an establishment or place of business in the PRC or (b) have an establishment or place of business in the PRC, but the relevant income is not effectively connected with the establishment or place of business to the extent such dividends and gains are derived from sources within the PRC. Such income tax on the dividends may be reduced pursuant to a tax treaty between the PRC and other jurisdictions. Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》) (the "**Double Tax Avoidance Arrangement**") promulgated by the SAT on August 21, 2006, and other applicable PRC laws, if a Hong Kong resident enterprise is the beneficial owner of the dividends and is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% upon receiving approval from in-charge tax authority. However, based on the Notice on Certain Issues with Respect to the Enforcement of Dividend

Provisions in Tax Treaties (《關於執行税收協定股息條款有關問題的通知》) promulgated by the SAT and taking into effect on February 20, 2009, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. The SAT promulgated the Notice on Issues Concerning "Beneficial Owners" in Tax Treaties (《國家税務總局關於税收協定中"受益所有人"有關問題的公告》) in February 2018, which became effective from April 2018, which provided that in determining whether a non-resident enterprise has the status as a beneficial owner, comprehensive analysis shall be conducted based on the factors listed therein and the actual circumstances of the specific case shall be taken into consideration. According to the EIT Law, the EIT tax rate of a high and new technology enterprise needing national special support is 15%. Pursuant to the Administrative Measures for the Recognition of High and New Technology Enterprises (《高新技術企業認定管理辦法》) promulgated by the Ministry of Science and Technology, the Ministry of Finance and the SAT on January 29, 2016 and taking into effect on January 1, 2016, the Certificate of a High and New Technology Enterprise is valid for three years.

Value-added Tax and Business Tax

According to the Provisional Regulations on Value-added Tax (《增值税暫行條例》) promulgated by the State Council on December 13, 1993 and amended on November 10, 2008, January 8, 2011, February 6, 2016, and November 19, 2017, and the Implementing Rules of the Provisional Regulations on Value-added Tax (《增值税暫行條例實施細則》) promulgated by the Ministry of Finance on December 25, 1993 and amended on February 22, 1995, December 15, 2008 and October 28, 2011, all taxpayers selling goods, providing processing, repairing or replacement services or importing goods within the PRC shall pay value-added tax (the "**VAT**"). On April 4, 2018, the Ministry of Finance and the SAT issued the Circular on Adjustment of VAT Rates (《關於調整增值税税率的通知》), which took into effect on May 1, 2018. According to the abovementioned circular, the taxable goods previously subject to VAT rates of 17% and 11% respectively became subject to lower VAT rates of 16% and 10% respectively starting from May 1, 2018. Furthermore, according to the Announcement on Relevant Policies for Deepening VAT Reform (《關於深化增值税改革有關政策的公告》) jointly promulgated by the Ministry of Finance, the SAT and the General Administration of Customs, which took into effect on April 1, 2019, the taxable goods previously subject to VAT rates of 16% and 10% respectively became subject to lower VAT rates of 13% and 9% respectively starting from April 1, 2019.

Since January 1, 2012, the Ministry of Finance and the SAT have implemented the Pilot Plan for Imposition of Value-added Tax to Replace Business Tax (《營業税改徵增值税試點方案》) (the "**VAT Pilot Plan**"), which imposes VAT in lieu of business tax for certain "modern service industries" in certain regions and eventually expanded to nation-wide application in 2013. According to the implementation circulars released by the Ministry of Finance and the SAT on the VAT Pilot Plan, the "modern service industries" include research, development and technology services, information technology services, cultural innovation services, logistics support, lease of corporeal properties, attestation and consulting services. According to the Notice of the Ministry of Finance and the SAT on Implementing the Pilot Program of Replacing Business Tax with Value-added Tax in an All-round Manner (《財政部、國家税務總局關於全面推開營業税改徵增值税試點的通知》) promulgated by the Ministry of Finance and the SAT and taking into effect on May 1, 2016, entities and individuals engaging in the sale of services, intangible assets or fixed assets within the territory of the PRC are required to pay VAT instead of business tax.

REGULATIONS ON ANTI-MONOPOLY

The PRC Anti-monopoly Law (《中華人民共和國反壟斷法》), which took effect on August 1, 2008, prohibits monopolistic conduct, such as entering into monopoly agreements, abuse of dominant market position and concentration of undertakings that have the effect of eliminating or restricting competition.

Monopoly Agreement

Competing business operators may not enter into monopoly agreements that eliminate or restrict competition, such as by boycotting transactions, fixing or changing the price of commodities, limiting the output of commodities, fixing the price of commodities for resale to third parties, among others, unless the agreement will satisfy the exemptions under the Anti-monopoly Law, such as improving technologies, increasing the efficiency and competitiveness of small and medium-sized undertakings, or safeguarding legitimate interests in cross-border trade and economic cooperation with foreign counterparts. Sanctions for violations include an order to cease the relevant activities, and confiscation of illegal gains and fines (from 1% to 10% of sales revenue from the previous year, or RMB500,000 if the intended monopoly agreement has not been performed).

On June 26, 2019, the SAMR further issued the Interim Provisions on the Prohibitions of Monopoly Agreements (《禁止壟斷協議暫行規定》) which took effect on September 1, 2019 and supersedes certain anti-monopoly rules and regulations previously issued by the SAIC.

Abuse of Dominant Market Position

A business operator with a dominant market position may not abuse its dominant market position to conduct acts, such as selling commodities at unfairly high prices or buying commodities at unfairly low prices, selling products at prices below cost without any justifiable cause, and refusing to trade with a trading party without any justifiable cause. Sanctions for violation of the prohibition on the abuse of dominant market position include an order to cease the relevant activities, confiscation of the illegal gains and fines (from 1% to 10% of sales revenue from the previous year).

On June 26, 2019, the SAMR issued the Interim Provisions on the Prohibitions of Acts of Abuse of Dominant Market Positions (《禁止濫用市場支配地位行為暫行規定》) which took effect on September 1, 2019 to further prevent and prohibit the abuse of dominant market positions.

Concentration of Undertakings

Where a concentration of undertakings reaches the declaration threshold stipulated by the State Council, a declaration must be approved by the anti-monopoly authority before the parties implement the concentration. Concentration refers to (1) a merger of undertakings; (2) acquiring control over other undertakings by acquiring equities or assets; or (3) acquisition of control over, or the possibility of exercising decisive influence on, an undertaking by contract or by any other means. If business operators fail to comply with the mandatory declaration requirement, the anti-monopoly authority is empowered to terminate and/or unwind the transaction, dispose of relevant assets, shares or businesses within certain periods and impose fines of up to RMB500,000.

On November 10, 2020, the SAMR promulgated the Anti-monopoly Guidelines for Platform Economy for public review and comments (《關於平台經濟領域的反壟斷指南》(徵求意見稿)) , or the

Anti-monopoly Guidelines, aiming to provide guidelines for supervising and prohibiting the monopolistic conducts in connection with the Internet platform business operations and further elaborate on the factors for recognizing such monopolistic conducts in the Internet platform industry. In particular, pursuant to the Anti-monopoly Guidelines, the methods of an Internet platform collecting, using the privacy information of the Internet users may also be one of the factors to be considered for analyzing and recognizing the monopolistic conducts in the Internet platform industry. For example, whether the relevant business operator compulsorily collects user information may be considered to analyze whether there is a bundled sale or additional unreasonable trading condition, which is one of the behaviors constituting the abuse of dominant market position. In addition, the factors including, among other thing, based on the big data and algorithms, whether differentiated transaction prices or other transaction conditions are implemented for consumers with different payment ability, consumption preferences and usage habits, may be used to analyze whether there is a differentiated treatment, which is also one of the behaviors constituting abuse of dominant market position. However, as the timeline and the content of enacted version of the Anti-monopoly Guidelines is still uncertain, there are still substantial uncertainties as to its interpretation and implementations in practice in the near future.

REGULATIONS ON M&A AND OVERSEAS [REDACTED]

On August 8, 2006, six PRC regulatory agencies, including the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the SAMR, the CSRC and the SAFE, issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**"), which took into effect on September 8, 2006 and was amended on June 22, 2009. Foreign investors shall comply with the M&A Rules when they purchase equity interests of a domestic company or subscribe the increased capital of a domestic company, and thus changing the nature of the domestic company into a foreign-invested enterprise; or when the foreign investors establish a foreign-invested enterprise in the PRC, purchase the assets of a domestic company and operate the assets; or when the foreign investors purchase the asset of a domestic company, establish a foreign-invested enterprise by injecting such assets and operating the assets. The M&A Rules purport, among other things, to require offshore special purpose vehicles formed for overseas **[REDACTED]** purposes through acquisitions of PRC domestic companies and controlled by PRC companies or individuals, to obtain the approval of CSRC prior to publicly **[REDACTED]** their securities on an overseas stock exchange.

OVERVIEW

Our Group was founded by Mr. Xu, who has over 16 years of experience in the online automobile advertising industry and is one of the pioneers of the automobile vertical media advertising operators in China. Mr. Xu founded Congshu Beijing in September 2015 and acquired the business and assets of Cheshi.com from group companies of CBS Interactive Inc., who are Independent Third Parties in October 2015. Cheshi.com, our Group's vertically-integrated automotive website portal, commenced operations in the PRC in September 1999. Mr. Xu, our chief executive officer, joined the content team of Cheshi.com in July 2003, and he had served in several editorial roles, including serving as its editor-in-chief. 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, according to the CIC Report. Additionally, our websites were visited by our users with an industry-leading 10.6 times per month on average as of December 31, 2019. In 2019, we were awarded the "Most Influential Organization" (最具影響力機構) at the China Auto Influence Summit and Award-granting Ceremony (中國汽車影響力峰會暨頒獎盛典) jointly held by Baidu (百度), Bai Jiahao (百家號) and chinaautonews.com.cn (中國汽車新聞網) and the "Content Contributing Creator of the Year" (2019 年度內容貢獻創作者) for the year 2019 by Sina Focus* (新浪看點).

In preparation for the **[REDACTED]**, we undertook a series of reorganization steps, upon which our Company became the ultimate holding company and the **[REDACTED]** of our Group.

BUSINESS MILESTONES

Set out below are the significant milestones of cheshi.com and our corporate and business development since our establishment:

Year	Business achievements and milestones
1999	Cheshi.com was established
2015	Congshu Beijing was established and acquired business and assets of Cheshi.com
2016	Our Cheshi.com App was relaunched after the acquisition of business and assets of Cheshi.com was completed in October 2015, to upgrade the App since its first launch in 2010 with a brand new interface
	We cooperated with over 600 "mobile websites" at provincial, municipal and county levels in China
2017	Hao Che Shi (豪車事), the first channel relating to luxury cars in the industry, was launched
	We collaborated with an automobile-related channel on the website of one of the largest telecommunication operators in the PRC
	Congshu Beijing obtained the High and New Technology Enterprise Certificate (高新技術企業證書)
	We reached a comprehensive strategic collaboration with an online video platform of one of the largest state-owned television networks based in Zhejiang Province, the PRC as our business partner, and launched a car channel on its platform
2018	We collaborated with another leading telecommunications operator in the PRC to establish an automobile-related channel offered on its platform

Year	Business achievements and milestones
	The original content regarding "Shopping-guiding Information" (導購資訊類) on Cheshi.com was awarded the Sina Auto 2018 Professional Creator (新浪汽車2018年度專業創作者獎項)
	Cheshi Select Channel (車市嚴選頻道) was launched
2019	We were awarded the "Most Influential Organization" (最具影響力機構) at the China Auto Influence Summit and Award-granting Ceremony (中國汽車影響力峰會暨頒獎盛典) jointly held by Baidu (百度), Bai Jiahao (百家號) and chinaautonews.com.cn (中國汽車新聞網)
	We commenced our business relations with one of the largest integrated insurance companies in the PRC to provide promotion services to its group-purchase events
	We were awarded the "Content Contributing Creator of the Year" (2019 年度內容貢獻創作者) for the year 2019 by Sina Focus* (新浪看點)
	We were awarded the "Most Influential Creator (Institution Category)" (最具影響力創作者機構類) at the Year 2019 Autohome Chejiahao Jinchuang Award Ceremony (汽車之家車家號金創獎頒獎盛典) held by Autohome Chejiahao (汽車之家車家號)
	We were awarded the "Top 100 Authors in 2019" (2019百強作者) by Yichehao (易車號)

OUR CORPORATE DEVELOPMENT

We set out below the corporate history and major shareholding changes of our major operating subsidiaries prior to the commencement of the Reorganization, as well as subsidiaries that have been established after the Reorganization and were subsisting as of the Latest Practicable Date.

Congshu Beijing

Congshu Beijing was established in the PRC on September 28, 2015 with a registered capital of RMB65,000,000. Congshu Beijing is the principal operating subsidiary of our Group and is primarily engaged in the provision of online advertising services, including the provision of automobile-related advertising services, the publication of automobile-related articles and the production of video commercials in the PRC. Congshu Beijing currently holds the value-added telecommunications service license (增值電信業務經營許可證) (the "**ICP License**") and the television commercials production business license (廣播電視節目製作經營許可證) (the "**TCPB License**").

Congshu Beijing was held as to 45% by Netcom Agency and 55% by Mr. Xu as of the date of its establishment. Netcom Agency is a company established in the PRC on January 31, 2012 that operates, among other things, a vertically integrated marketing platform that provides automobile-related content. At the date of establishment of Congshu Beijing, Mr. Xu was a minority shareholder of Netcom Agency. The other equity holders of Netcom Agency included a former business partner (who is an Independent Third Party) of Mr. Xu and the PRC-established subsidiary of a company listed on the New York Stock Exchange that is also involved in the provision of Internet content and marketing services and transaction facilitation services for China's automotive industry. Prior to the acquisition of Cheshi.com by Congshu Beijing, Mr. Xu was already familiar with the operations of Cheshi.com as he had worked in several editorial roles in Cheshi.com during the period from 2003 to 2012, including

serving as its editor-in-chief prior to his departure from Cheshi.com in 2012. In 2015, Mr. Xu became aware that the previous owners wished to sell the business and assets of Cheshi.com, and in light of his familiarity with Cheshi.com, his experiences with the online automobile advertising industry and his expertise in producing automobile content, he (together with his then business partners) approached the previous owners to acquire the business and assets of Cheshi.com. On October 31, 2015, Congshu Beijing completed the acquisition of the business and assets of Cheshi.com from group companies of CBS Interactive Inc., who are Independent Third Parties at a total consideration paid of approximately RMB20.0 million, which was determined based on arm's length negotiation with reference to the then valuation of the business and assets being purchased. The consideration was paid up by Congshu Beijing, of which Mr. Xu's contribution to the consideration was funded by his internal resources.

Pursuant to an equity holders' resolution dated October 11, 2017, the then equity holders of Congshu Beijing resolved to reduce the registered capital of Congshu Beijing to RMB35,750,000. After completion of the registered capital reduction, which was completed and duly registered with the Beijing Administration for Industry and Commerce, Chaoyang Branch on October 11, 2017, and Mr. Xu became the sole equity holder of Congshu Beijing on the same date. Mr. Xu also ceased to have any interest in Netcom Agency in October 2017, and Netcom Agency became an Independent Third Party since that time.

On February 1, 2018, Congshu Beijing increased its registered capital to RMB37,631,200, of which RMB1,881,200 was contributed by Mr. Li, who is known as one of the prominent KOLs in the automotive industry. The amount of registered capital contributed by Mr. Li was approximately 5% of the total registered capital of Congshu Beijing immediately after completion of the said registered capital increase. The investment by Mr. Li in Congshu Beijing was mainly due to the future prospects of our Group in light of the potential growth in the automotive industry. Our Directors believe the Group will be able to leverage on Mr. Li's extensive insights in the automotive industry as a prominent KOL, and that Mr. Li will provide valuable business related advice to us alongside with our business expansion in the future. For details, please see "Equity Investment by Mr. Li Anding" in this section. The said increase was duly registered with the Beijing Administration for Industry and Commerce on February 5, 2018, and Congshu Beijing became 95% owned by Mr. Xu and 5% owned by Mr. Li. All of the registered capital of Congshu Beijing has been fully paid up as of the Latest Practicable Date.

Congshu Hubei

Congshu Hubei was established in the PRC on June 1, 2018 with a registered capital of RMB1,000,000. Congshu Hubei has been wholly-owned by Congshu Beijing since its establishment. Congshu Hubei is principally engaged in the provision of online advertising services, including the provision of automobile-related advertising services and the publication of automobile-related articles in the PRC. Since March 28, 2019, Congshu Hubei has been the holder of an ICP License.

Beihai April

Beihai April was established in the PRC on December 26, 2019 with a registered capital of RMB2,000,000. Beihai April has been wholly-owned by Congshu Beijing since its establishment. Beihai April has not yet commenced operation as of the Latest Practicable Date, and it is intended that Beihai April will engage in the provision of online advertising services. As of the Latest Practicable Date, Beihai April has been the holder of an ICP License.

Beihai Media

Beihai Media was established in the PRC on December 18, 2019 with a registered capital of RMB2,000,000. Beihai Media has been wholly-owned by Congshu Beijing since its establishment. Beihai Media has not yet commenced operation as of the Latest Practicable Date, and it is intended that Beihai Media will engage in the provision of online advertising services. Since August 24, 2020 Beihai Media has been the holder of an ICP License.

Beijing Lianche

Beijing Lianche was established in the PRC on May 29, 2020 with a registered capital of RMB1,000,000. Beijing Lianche has been wholly-owned by Congshu Internet since its establishment. Beijing Lianche has not yet commenced operation as of the Latest Practicable Date, and it is intended that Beijing Lianche will engage in operating businesses of our Group that are not subject to foreign ownership restrictions in Beijing. It is currently planned that this entity will carry out advertising agency and/or Transaction Facilitation Service as and when the opportunity arises.

Chengdu Congshu

Chengdu Congshu was established in the PRC on June 16, 2020 with a registered capital of RMB1,000,000. Chengdu Congshu has been wholly-owned by Congshu Internet since its establishment. Chengdu Congshu has not yet commenced operation as of the Latest Practicable Date, and it is intended that Chengdu Congshu will engage in operating businesses of our Group that are not subject to foreign ownership restrictions in Chengdu. It is currently planned that this entity will carry out advertising agency and/or Transaction Facilitation Service as and when the opportunity arises.

Guangzhou Congshu Internet

Guangzhou Congshu Internet was established in the PRC on June 4, 2020 with a registered capital of RMB1,000,000. Guangzhou Congshu Internet has been wholly-owned by Congshu Internet since its establishment. Guangzhou Congshu Internet has not yet commenced operation as of the Latest Practicable Date, and it is intended that Guangzhou Congshu Internet will engage in operating businesses of our Group that are not subject to foreign ownership restrictions in Guangzhou. It is currently planned that this entity will carry out advertising agency and/or Transaction Facilitation Service as and when the opportunity arises.

Shanghai Checai

Shanghai Checai was established in the PRC on June 16, 2020 with a registered capital of RMB1,000,000. Shanghai Checai has been wholly-owned by Congshu Internet since its establishment. Shanghai Checai has not yet commenced operation as of the Latest Practicable Date, and it is intended that Shanghai Checai will engage in operating businesses of our Group that are not subject to foreign ownership restrictions in Shanghai. It is currently planned that this entity will carry out advertising agency and/or Transaction Facilitation Service as and when the opportunity arises.

HG Technology

Huo'er Guosi Online Cheshi Technology Co., Ltd. (霍爾果斯網上車市科技有限公司) ("**HG Technology**") was established in the PRC on March 30, 2018 with a registered capital of RMB100,000 with no paid up capital. HG Technology had been wholly-owned by Congshu Beijing and had no material business operations since its establishment.

As part of the Reorganization and to streamline the structure of our Group, on May 27, 2019, Congshu Beijing disposed of the entire registered capital of HG Technology to an Independent Third Party at a nominal consideration of RMB1.0, which was based on arm's length negotiation between the parties. As of the date of its disposal, HG Technology had no business operation, and it did not have any pending or unresolved arbitration or legal proceedings. After completion of the said disposal, HG Technology ceased to be part of our Group.

Beihai Congshu

Beihai Congshu Technology Co., Ltd. (北海樅樹科技有限公司) ("**Beihai Congshu**") was established in the PRC on November 6, 2018 with a registered capital of RMB2,000,000 with no paid up capital. Beihai Congshu has been wholly-owned by Congshu Beijing since its establishment. Beihai Congshu had no business operation since its establishment.

As part of the Reorganization and to streamline the structure of our Group, on April 26, 2019, Congshu Beijing transferred the entire registered capital of Beihai Congshu to an Independent Third Party at a consideration of RMB2,000, which was determined based on arm's length negotiation between the parties. As of the date of its disposal, Beihai Congshu had no business operation, and it did not have any pending or unresolved arbitration or legal proceedings. After completion of the said disposal, Beihai Congshu ceased to be part of our Group.

De-registered subsidiaries

To streamline the corporate structure, our Group had voluntarily de-registered two of our subsidiaries, namely, Huo'er Guosi April Travel Technology Co., Ltd. (霍爾果斯四月出行科技有限公司) ("**April Travel**") and Huo'er Guosi Congshu Network Technology Co., Ltd. (霍爾果斯樅樹網絡科技有限公司) ("**Congshu Huo'er Guosi**"), as these entities had no material business operations since their establishment. April Travel was de-registered on January 2, 2019 and Congshu Huo'er Guosi was de-registered on March 28, 2019. Our Directors confirm that none of these subsidiaries had any pending or unresolved arbitration or legal proceedings prior to their de-registration.

Subscription of equity interest in Leikewo by Congshu Beijing

Congshu Beijing has subscribed for 15% of the registered capital of Leikewo (the "**Leikewo Subscription**"), a limited company established in the PRC on January 16, 2020 with a registered capital of RMB1.0 million, and its other three other investors, namely Mr. Wang Kun, Mr. Li Zheng and Mr. Li Man, are Independent Third Parties. Leikewo has not commenced business operation as of the Latest Practicable Date, and it is intended that Leikewo will be engaged in the production of automobile PGC.

The capital subscription by Congshu Beijing was completed on March 6, 2020 by contribution in cash at a subscription price of RMB150,000. On May 12, 2020, Congshu Beijing entered into a loan agreement with Leikewo. RMB350,000 was loaned from Congshu Beijing to Leikewo which has been fully repaid as of the Latest Practicable Date. Save as disclosed above, Congshu Beijing has not committed to providing any further fundings to Leikewo as of the Latest Practicable Date.

Congshu Beijing had invested into Leikewo as part of its strategy to develop and cooperate with automobile-related PGC producers, the contents of which may be published on our Group's media

platforms to enhance their user traffic. We believe that the Leikewo Subscription will bring the following benefits to our Group:

- it will enhance the quality and quantity of third party PGC on our Group's platform, leveraging on the creative efforts of Leikewo and collaborating with the other investors of Leikewo. In particular, through collaborating with the management team members of Leikewo, a number of which has extensive industry experience on the operation of online automobile platform in the PRC, our Group would be able to gain a competitive advantage;
- it will allow our Group to participate in the development of a third party PGC producer that targets the luxury automobile segment as Leikewo is targeting to develop vertical media content in this segment, which can be introduced on our Cheshihao (車市號) platform on cheshi.com and also on our business partners platforms; and
- in the long run, our Group expects Leikewo to become a partner of our Group in our Online Advertising Service and Transaction Facilitation Service through different methods of cooperation, sponsorship and tailor-made events.

Compliance with PRC laws and regulations

The PRC Legal Advisor has advised that as of the Latest Practicable Date, the establishment of Congshu Beijing and its subsidiary, Congshu Hubei and (where applicable) registration processes with competent local branches of the SAMR in relation to the changes of equity interests of the entities mentioned above (including the transfers of equity interests, the additional capital contributions and other changes) had been legally completed in compliance with the applicable PRC laws and regulations.

The PRC Legal Advisor has advised that the de-registration process with competent local branches of SAMR of the de-registered subsidiaries had been legally completed in compliance with the applicable PRC laws and regulations.

EQUITY INVESTMENT BY MR. LI ANDING

On February 1, 2018, Congshu Beijing increased its registered capital to RMB37,631,200, of which RMB1,881,200 was contributed by Mr. Li. Immediately after completion of the capital contribution, Mr. Li held 5% of the registered capital of Congshu Beijing. The table below sets out the principal terms upon which Mr. Li invested into Congshu Beijing.

Name of Investor	Mr. Li Anding
Date of capital contribution	February 1, 2018
Shareholding in Congshu Beijing immediately upon completion of the capital contribution	5.00%
Shareholding in the Company upon **[REDACTED]** (without taking into account any Shares to be issued upon the exercise of the **[REDACTED]**)	**[REDACTED]**%
Amount of capital contributed	RMB1,881,200

Investment cost per Share on the basis of the enlarged share capital of the Company upon **[REDACTED]**	Approximately HK$**[REDACTED]**
[REDACTED]	General working capital of the Group. As of the Latest Practicable Date, all of the **[REDACTED]** had been utilized
Lock up	None
Special rights	None

Public float of shares held by ADYM Investments

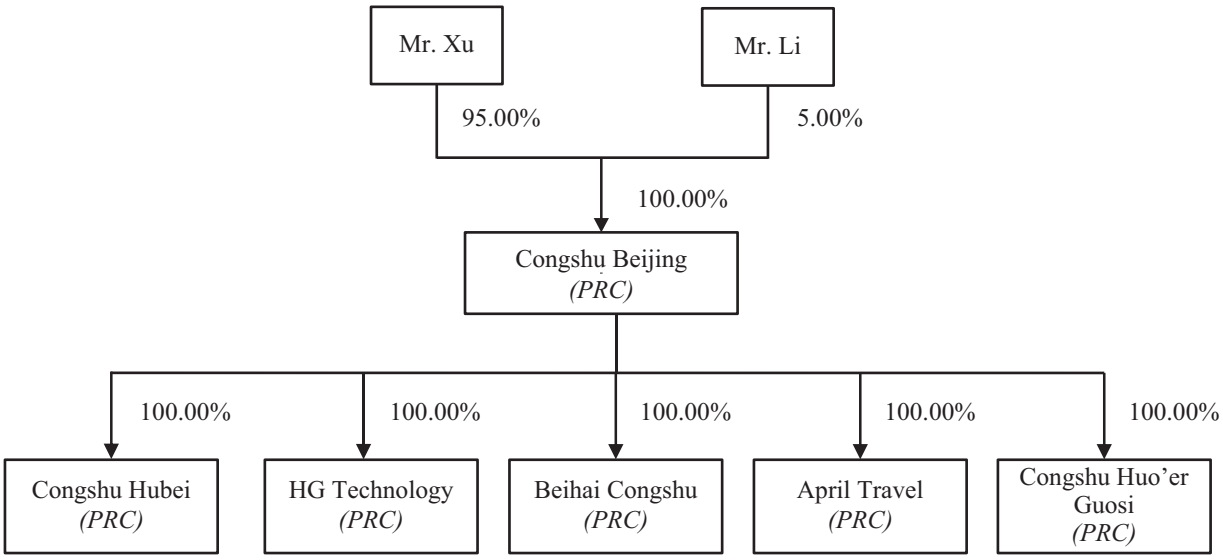
Save for his equity interest in Congshu Beijing and in our Company through ADYM Investments as mentioned in this section, Mr. Li will not be a core connected person of our Company upon **[REDACTED]**, and he was not and will not be accustomed to take instructions from any core connected person of our Company in relation to the acquisition, disposal, voting or other disposition of the Shares held by it, nor had the capital contribution by Mr. Li into Congshu Beijing been financed directly or indirectly by any core connected person of our Company, therefore the Shares held by ADYM Investments will be considered part of the public float.

Compliance with the [REDACTED] guidance by the Hong Kong Stock Exchange

On the basis that (i) the capital contribution was unconditionally completed and fully settled more than 28 clear days before the date of our submission of the **[REDACTED]** to the Hong Kong Stock Exchange, and (ii) no special right was granted to Mr. Li, the Sole Sponsor is of the view that Mr. Li's capital contribution to Congshu Beijing is in compliance with the interim guidance on **[REDACTED]** investments HKEX-GL29-12 and the guidance letters HKEX-GL43-12 and HKEX-GL44-12 issued by the Hong Kong Stock Exchange.

STRUCTURE IMMEDIATELY PRIOR TO THE REORGANIZATION

The ownership structure of our Group prior to the Reorganization is set out below:



REORGANIZATION

In preparation for the **[REDACTED]** and the **[REDACTED]**, we have carried out a series or reorganization steps for the purpose of establishing our shareholding structure and streamlining our corporate structure. The steps that we have taken are set out below.

Incorporation of our Company, our offshore subsidiaries and Congshu Internet

Our Company was incorporated in the Cayman Islands on November 22, 2018 as our **[REDACTED]**. As of the date of its incorporation, it had an authorized share capital of US$50,000 divided into 500,000,000 Shares with a par value of US$0.0001 each. On May 27, 2019, a new class of shares, being Series A Preferred Shares, was created by re-designating 25,000,000 authorized but unissued Shares as 25,000,000 authorized but unissued Series A Preferred Shares, such that after the re-designation, the authorized share capital of the Company was changed to US$50,000 divided into 475,000,000 Shares and 25,000,000 Series A Preferred Shares. On June 21, 2019, the authorized share capital of our Company was increased to US$1,000,000 divided into 10,000,000,000 Shares with a par value of US$0.0001 each by (i) canceling 25,000,000 authorized but unissued Series A Preferred Shares; and (ii) creating 9,525,000,000 authorized but unissued Shares.

On November 22, 2018, one Share of par value US$0.0001 was allotted and issued to the initial subscriber who is an Independent Third Party, which was subsequently transferred to XC Group on the same date, a company incorporated in the BVI with liability limited by shares and wholly-owned by Mr. Xu. Our Company further allotted and issued 949 Shares to XC Group and 50 Shares to ADYM Investments on the same date, a company incorporated in the BVI with liability limited by shares and wholly-owned by Mr. Li. Immediately following the said subscription and allotment, our Company was held as to 95.00% by XC Group and 5.00% by ADYM Investments.

Cheshi Investments Limited ("**Cheshi BVI**") was incorporated in BVI with liability limited by shares on December 6, 2018. It is authorized to issue a maximum of 50,000 shares of one class with a par value of US$1.0 each, of which its only issued share is held by our Company. Cheshi BVI is an investment holding company. Since the date of its incorporation, Cheshi BVI has been wholly-owned by our Company.

Cheshi Hong Kong Limited ("**Cheshi HK**") was incorporated in Hong Kong with limited liability on December 19, 2018 with an issued share capital of US$1,000.0 comprising 1,000 shares and its entire issued share capital was held by Cheshi BVI. Cheshi HK is an investment holding company. Since the date of its incorporation, Cheshi HK has been an indirectly wholly-owned subsidiary of our Company.

Congshu Internet was established as a wholly foreign-owned enterprise under the laws of the PRC on January 30, 2019 with a registered capital of US$5,000,000.0. Congshu Internet was established for the purpose of (a) operating businesses of our Group that are not subject to foreign ownership restrictions, and (b) the implementation of the Contractual Arrangements. Since the date of its establishment, Congshu Internet has been wholly-owned by Cheshi HK.

Disposal of HG Technology and Beihai Congshu, and deregistration of April Travel and Congshu Huo'er Guosi

In order to streamline the corporate structure of our Group in preparation for the **[REDACTED]**, Congshu Beijing disposed of HG Technology and Beihai Congshu to Independent Third Parties on

May 27, 2019 and April 26, 2019, respectively. For details, see "Our Corporate Development — HG Technology", "Our Corporate Development — Beihai Congshu" and "Our Corporate Development — De-registered subsidiaries" in this section.

Setting up and implementation of the Contractual Arrangements

On May 15, 2019, the Contractual Arrangements were entered into, whereby our Company and Congshu Internet will be in a position to exert management control over Congshu Beijing and its subsidiaries in the PRC, to obtain substantially all of its economic benefits and to prevent the leakage of assets of value from Congshu Beijing and its subsidiaries. The Contractual Arrangements comprise the following contracts:

- Exclusive Technical Service Agreement (獨家技術服務協議);
- Exclusive Option Agreement (獨家購買權協議);
- Equity Pledge Agreements (股權質押協議);
- Shareholders' Rights Proxy Agreement (股東表決權委託協議); and
- Spousal Undertakings (配偶承諾函).

See the section headed "Contractual Arrangements" for further details. Since the entering into of the Contractual Arrangements with our Company, Congshu Beijing and Congshu Hubei have become our Consolidated Affiliated Entities. Since Beihai April and Beihai Media were established in December 2019 with Congshu Beijing as their sole shareholder, Beihai April and Beihai Media have become our Consolidated Affiliated Entities.

As of the Latest Practicable Date, the Reorganization including the incorporation of our Company and its offshore subsidiaries and the establishment of Congshu Internet had been completed in compliance with relevant laws and regulations.

[REDACTED] INVESTMENT

Overview

On May 14, 2019, our Company, Cheshi BVI, Cheshi HK, Congshu Internet, Congshu Beijing, HG Technology, Congshu Hubei, XC Group, ADYM Investments, Mr. Xu, Mr. Li and LYL Weihui (as the **[REDACTED]** Investor) entered into the **[REDACTED]** Investment Agreement. LYL Weihui agreed to subscribe for, and our Company agreed to allot and issue to the **[REDACTED]** Investor, 25,000,000 Series A Preferred Shares (representing approximately 5.00% of the enlarged issued share capital of our Company immediately after the subscription) at an aggregate consideration of RMB50.0 million, which was determined based on arm's length negotiation with reference to the agreed valuation of our Group having taken into account the financial performance of our Group. On May 27, 2019, for the purpose of implementing the **[REDACTED]** Investment Agreement, 451,249,050 and 23,749,950 Shares were allotted and issued as fully paid to XC Group and ADYM Investments, respectively, and 25,000,000 Series A Preferred Shares were allotted and issued as fully paid to the **[REDACTED]** Investor, and the said consideration was fully paid on June 5, 2019. As a result, the total number of issued shares of our Company increased from 1,000 Shares with a par value of US$0.0001 each to 500,000,000 Shares, comprising 475,000,000 Shares with a par value of US$0.0001 each and 25,000,000 Series A Preferred Shares with a par value of US$0.0001 each, and our Company was owned as to 90.25% by

XC Group, 4.75% by ADYM Investments and 5.00% by the **[REDACTED]** Investor. The Series A Preferred Shares were converted to an equal number of Shares on June 21, 2019 by way of our Company repurchasing 25,000,000 Series A Preferred Shares from the **[REDACTED]** Investor for cancelation, and our Company's allotted and issued 25,000,000 Shares, credited as fully paid, to the **[REDACTED]** Investor.

Our Directors consider that our Group can benefit from the **[REDACTED]** Investment because we received additional funding for our business operations and development, and our Directors believe that the **[REDACTED]** Investment also serves as an endorsement of our Group's performance, strength and prospects. Our Directors also believe that the experience of the **[REDACTED]** Investor in the operations of the Internet industry and its abundant industry resources may allow our Company to leverage on its experience in further developing our business.

Information about the [REDACTED] Investor

The **[REDACTED]** Investor is a BVI business company incorporated in the BVI with limited liability on June 6, 2014. Its sole shareholder and sole director is Mr. Liu Yunli (劉運利), who has been acquainted with Mr. Xu through business network. The **[REDACTED]** Investor principally engages in investment holding. Mr. Liu is a businessman engaged in the Internet technology industry. He is the general manager of the investment department of Sina. Mr. Liu was the legal representative of Beijing Weibo Internet Technology Co., Ltd. (北京微夢創科網絡技術有限公司) between January 2014 and March 2020. To the best knowledge and belief of our Directors, Mr. Liu invested in our Group through the **[REDACTED]** Investor due to our growth potential and general business prospects in the online automobile advertising industry in the PRC after having considered factors such as our Group's business model and existing market position. Save for the **[REDACTED]** Investment in our Group, LYL Weihui and its sole beneficial owner are Independent Third Parties. The investment of the **[REDACTED]** Investor was financed by Mr. Liu's personal financial resources.

Principal terms of the [REDACTED] Investment Agreement and the [REDACTED] Investor's rights under the [REDACTED] Shareholders Agreement

Set out below is a summary of the principal terms of the **[REDACTED]** Investment Agreement and the **[REDACTED]** Shareholders Agreement:

Name of **[REDACTED]** Investor	LYL Weihui Limited
Date of agreement	May 14, 2019
Payment date of the consideration	Irrevocably settled on June 5, 2019
Shareholding in the Company upon completion of the **[REDACTED]** Investment on a fully-diluted basis	5.00%
Shareholding in the Company upon **[REDACTED]** (without taking into account any Shares to be issued upon the exercise of the **[REDACTED]**)	**[REDACTED]**%
Consideration	RMB50.0 million (equivalent to approximately US$7,634,000)

Investment cost per Share on the basis of the enlarged share capital of the Company upon **[REDACTED]**	Approximately HK$**[REDACTED]**
	[REDACTED]
[REDACTED]	General working capital of our Group. As of the Latest Practicable Date, all of the **[REDACTED]** had been utilized.
Lock up	The **[REDACTED]** Investor has undertaken that it will not transfer or otherwise entrust any subscribed shares to a third party within 24 calendar months from the date of completion of the allotment and issue of the Series A Preferred Shares. All of the Series A Preferred Shares had been converted into Shares on June 21, 2019.
Special rights	Under the **[REDACTED]** Shareholders Agreement, the **[REDACTED]** Investor was granted certain special rights in relation to the Company including, among other things, right of first refusal and tag-along rights, right of co-sale, pre-emptive rights, anti-dilution right, rights to have prior consent for certain corporate actions, repurchase option upon the occurrence of certain specified events, and information and inspection rights. Pursuant to the **[REDACTED]** Investment Agreement, ordinary Shares can be converted back to convertible redeemable preference shares when the **[REDACTED]** event has been denied, rejected or dismissed. Pursuant to the **[REDACTED]** Shareholders' Agreement, the **[REDACTED]** Investor also has a financial compensation right, which would be payable by XC Group and Mr. Xu should the Group's net profits fall below an agreed level for the financial years ended December 31, 2019 and ending December 31, 2020 and would be calculated according to a formula set out in the **[REDACTED]** Shareholders Agreement, and compensation would be payable by way of either a transfer of Shares by XC Group or by way of cash compensation to the **[REDACTED]** Investor. All of the above special rights granted will be terminated upon **[REDACTED]**.

Public float of the [REDACTED] Investment Shares

The **[REDACTED]** Investor is independent from and not connected with our Group and/or any connected person of our Company. Since the **[REDACTED]** Investor will not be a core connected person of our Company upon **[REDACTED]**, and it will not be accustomed to take instructions from a core connected person of our Company in relation to the acquisition, disposal, voting or other disposition of the Shares held by it, nor has the acquisition of the **[REDACTED]** Investment Shares been financed directly or indirectly by any core connected person of our Company, the Shares held by the **[REDACTED]** Investor will be considered as part of the public float.

Compliance with [REDACTED] guidance by the Hong Kong Stock Exchange

On the basis that (i) the **[REDACTED]**, being the first day of **[REDACTED]** of the Shares, will take place no earlier than 120 clear days after the completion of the **[REDACTED]** Investment, and (ii) all the special rights granted to the **[REDACTED]** Investor will be terminated upon the **[REDACTED]**, the Sole Sponsor is of the view that the **[REDACTED]** Investment is in compliance with the interim guidance on **[REDACTED]** investments HKEX-GL29-12 and the guidance letters HKEX-GL43-12 and HKEX-GL44-12 issued by the Hong Kong Stock Exchange.

RSU SCHEME AND SA SCHEME

We have adopted the RSU Scheme and the SA Scheme (together the "**Incentive Schemes**") on June 25, 2019. For the principal terms of the Incentive Schemes, see "Statutory and General Information—G. RSU Scheme and SA Scheme" in Appendix IV to this document.

To set up the Incentive Schemes, (1) our Company capitalized an aggregate amount of US$40,000 standing in the credit of its share premium account and applied such sum to pay up an aggregate of 400,000,000 unissued Shares, credited as fully paid at par, for allotment and issue as fully paid bonus shares of 351,250,000 Shares, 23,750,000 Shares and 25,000,000 Shares to XC Group, ADYM Investments and the **[REDACTED]** Investor, being the Shareholders at the time of issue, respectively, (2) 80,000,000 Shares and 20,000,000 Shares credited as fully paid at par were allotted and issued to the SA Nominee and the RSU Nominee, respectively, for cash. The Scheme Nominees hold the Shares underlying the Share Awards and the RSUs for the benefits of the eligible persons of the respective schemes.

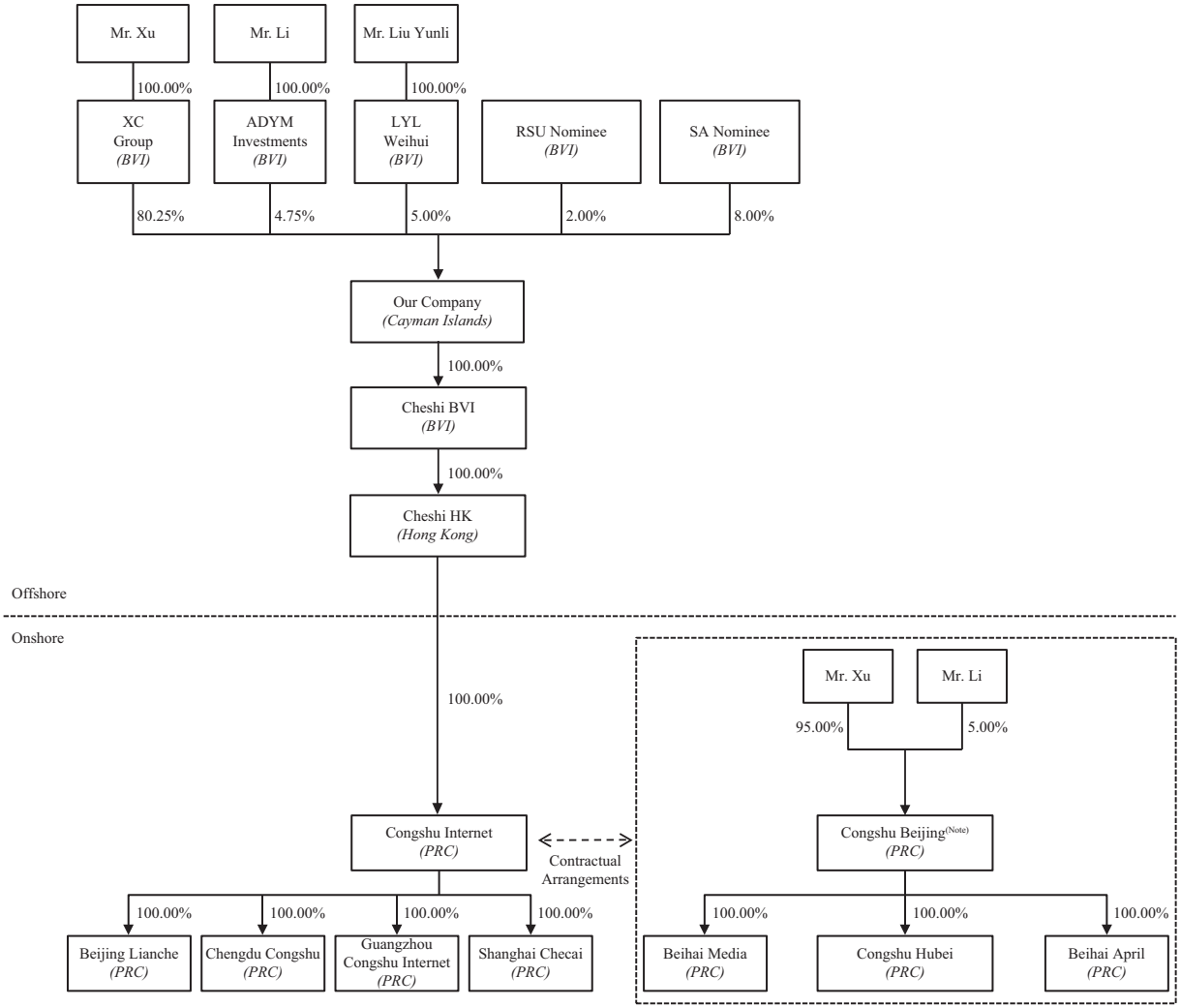
Persons eligible to receive RSUs under the RSU Scheme are existing employees, Directors (whether executive or non-executive), officers, consultants and service providers of our Company or any member of our Group. Any such eligible persons selected by our Board to grant RSUs may not exercise voting rights in respect of the Shares underlying the RSUs until they are transferred to him/her and, unless otherwise specified by our Board in its entire discretion.

Persons eligible to receive Share Awards under the SA Scheme are Directors (whether executive or non-executive), senior managers or consultants of our Company or any member of our Group. Any grantees of the Share Awards may not exercise any voting rights prior to the receipt of the unlock notice in respect of the relevant Share Awards after the restriction criteria, conditions and time schedule have been reached, fulfilled or waived in accordance with the terms of the SA Scheme.

Immediately after the said allotment and issue to the Scheme Nominees, the issued share capital of our Company was held as to 80.25% by XC Group, 4.75% by ADYM Investments, 5.00% by the **[REDACTED]** Investor, 8.00% by the SA Nominee and 2.00% by the RSU Nominee. Since the participants of the RSU Scheme and SA Scheme include Directors who are connected persons of our Company, the Scheme Custodian and its wholly-owned subsidiaries, the RSU Nominee and the SA Nominee are core connected persons of our Company. As such, the Shares held by the RSU Nominee and the SA Nominee underlying the RSU Scheme and the SA Scheme, respectively, will not be counted as part of the public float of our Company for the purposes of the Rules 8.08 and 8.24 of the Listing Rules if any of their grantees are Directors or their close associates.

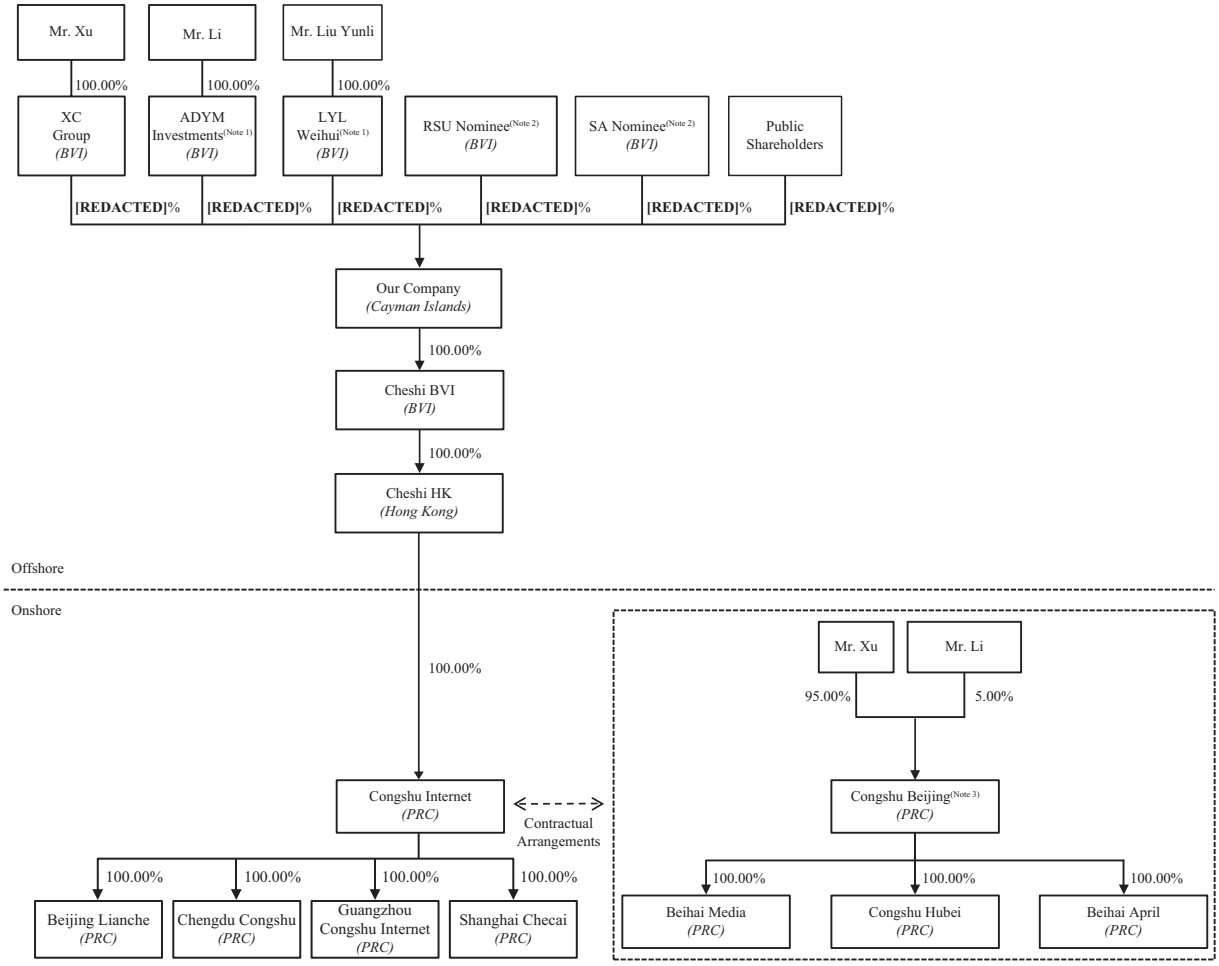
SHAREHOLDING AND CORPORATE STRUCTURE

Our group structure as at the date of this document and prior to the completion of the **[REDACTED]** is as follows:



Note: Congshu Beijing also holds minority investment in Leikewo as to 15% of its registered capital. Leikewo has not commenced business operation as of the Latest Practicable Date, and it is intended that Leikewo will be engaged in the production of automobile PGC. Such minority investment is not controlled by our Group. Please see "Subscription of equity interest in Leikewo by Congshu Beijing" in this section for details.

The following chart sets forth our group structure immediately upon the completion of the **[REDACTED]** (but without taking into account of the Shares that may be issued if the **[REDACTED]** is exercised):



Notes:

(1) The Shares held by ADYM Investments and LYL Weihui will be considered as part of the public float upon the **[REDACTED]**. *Please see "***[REDACTED]** *Investment—Public float of the* **[REDACTED]** *Investment Shares" and "Equity Investment by Mr. Li Anding—Public float of shares held by ADYM Investments" in this section for details.*

(2) The shareholding held by the RSU Nominee and/or the SA Nominee will not be counted as part of the public float if any of the grantees under the RSU Scheme (or the SA Scheme, as the case may be) are Directors or their close associates. Please see "RSU Scheme and SA Scheme" in this section for details.

(3) Congshu Beijing also holds minority investment in Leikewo as to 15% of its registered capital. Leikewo has not commenced business operation as of the Latest Practicable Date, and it is intended that Leikewo will be engaged in the production of automobile PGC. Such minority investment is not controlled by our Group. Please see "Subscription of equity interest in Leikewo by Congshu Beijing" in this section for details.

PRC REGULATORY REQUIREMENTS

SAFE Registration in the PRC

The SAFE Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) ("**Circular 37**") was promulgated by the SAFE on July 4, 2014 and took effect on the same day. According to Circular 37, a domestic resident as defined by Circular 37 shall, before contributing lawful domestic and overseas assets or interests to a special purpose, apply for completion of foreign exchange registration formalities for overseas investments.

As advised by our PRC Legal Advisor, Mr. Xu and Mr. Li have completed the registration under Circular 37 for XC Group and ADYM Investments by December 26, 2018, respectively.

The Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors in the PRC

According to the M&A Rules jointly issued by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the CSRC, the SAFE on August 8, 2006 and effective on September 8, 2006 and amended in June 22, 2009, where a domestic company, enterprise or natural person intends to acquire its or his/her related domestic company in the name of an offshore company which it or he/she lawfully established or controls, the acquisition shall be subject to the examination and approval of the MOFCOM, and where a domestic company or natural person holds an equity interest in a domestic company through an offshore special purpose company, any overseas listing of that special purpose company shall be subject to approval by the CSRC.

As advised by our PRC Legal Advisor, unless the CSRC and MOFCOM explicitly require or make different interpretations on the relevant PRC laws and regulations afterwards, prior approval from the CSRC and MOFCOM is not required under the M&A Rules for the **[REDACTED]** of our Shares on the Hong Kong Stock Exchange, because (a) the Reorganization did not involve acquisition of equity interest or assets of a PRC domestic entity by an offshore company as defined under the M&A Rules; and (b) there is no statutory provision that explicitly classifies the Contractual Arrangements among Congshu Internet, Congshu Beijing and its shareholders as transactions regulated by the M&A Rules.

However, as there has been no official interpretation or clarification of CSRC approval requirement under the M&A Rules, there is uncertainty as to how the M&A Rules will be interpreted or implemented. Considering the uncertainties that exist with respect to issuance of new laws, rules and regulations or detailed implementations and interpretations in any form relating to the M&A Rules, the opinion of our PRC Legal Advisor as summarized above, is subject to change. If the CSRC and MOFCOM or any other PRC regulatory authority subsequently determines that prior approval was required, we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory authorities.

BACKGROUND

We operate an online automobile vertical media platform in China that offers comprehensive and high quality automobile content produced by our in-house content team and distributed across our proprietary and over 1,000 business partner platforms to create user traffic which in turn attract automobile advertisers to use our advertising services, among which certain businesses currently operated or will be operated by us in the PRC are subject to foreign investment restrictions and licenses requirements (the "**Relevant Businesses**"). As such, we operate our Relevant Businesses through our Consolidated Affiliated Entities. We do not directly own any equity interest in our Consolidated Affiliated Entities. See "History, Reorganization and Corporate Structure" for further information on the shareholdings of these entities.

The existing agreements underlying the Contractual Arrangements include: (i) the Exclusive Technical Service Agreement; (ii) the Exclusive Option Agreement; (iii) the Equity Pledge Agreements; (iv) the Shareholders' Rights Proxy Agreement; and (v) the Spousal Undertakings. Pursuant to the Contractual Arrangements, all substantial and material business decisions of the Consolidated Affiliated Entities will be instructed and supervised by our Group, through Congshu Internet, and all risks arising from the businesses of the Consolidated Affiliated Entities are also effectively borne by our Group as a result of such Consolidated Affiliated Entities being treated as our wholly-owned subsidiaries. Accordingly, our Directors consider that it is fair and reasonable for Congshu Internet to be entitled to all economic benefits generated by the business operated by the Consolidated Affiliated Entities through the Contractual Arrangements as a whole.

PRC LAWS RELATING TO FOREIGN INVESTMENT RESTRICTIONS

Restrictions on foreign ownership

Our Consolidated Affiliated Entities principally engage in the following businesses: (i) operation of an online platform; (ii) publication of online advertisements in conjunction with the preparation and publication of automotive journalism through self-operated website and/or App, and the management and implementation of online promotion and marketing campaigns comprising campaign planning and consultancy services and advertisements; (iii) production of video commercials; and (iv) advertising agency. A summary of our businesses that are subject to or closely connected with foreign investment restriction or prohibition in accordance with the 2020 Foreign Investment Negative List, namely, the Relevant Businesses, is set out below:

Categories	Our business/operation
Business subject to or closely connected with the ICP License	The publication of online advertisements in conjunction with the preparation and publication of automotive journalism through self-operated website and/or App, and the management and implementation of online promotion and marketing campaigns comprising of campaign planning and consultancy services and advertisements are subject to or closely connected with the value-added telecommunications service license (the "**ICP License**"). Congshu Beijing and Congshu Hubei each holds an ICP License issued by Beijing Communication Administration (北京市通信管理局) (the "**BCA**") and Hubei Communication

Categories	Our business/operation
	Administration (湖北省通信管理局) (the "**HCA**"), respectively. According to the 2020 Foreign Investment Negative List and other applicable PRC laws, foreign investors are not allowed to hold more than 50% of the equity interests in an enterprise holding an ICP License like us. Such restriction was confirmed during the verbal consultation with a division chief of the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) (the "**MIIT**") by our PRC Legal Advisor and the PRC legal advisor to the Sole Sponsor on March 19, 2019 (the "**MIIT Interview**"). Our PRC Legal Advisor is of the view that (i) the MIIT is the competent authority to give interpretations on the foreign investment restriction on the industry requiring an ICP License and the officer who attended the MIIT Interview is of appropriate ranking to provide the confirmation on behalf of the MIIT; and (ii) to maintain the business operation of Congshu Beijing and Congshu Hubei in compliance with applicable PRC laws and local authorities' requirement, the Company or any of its subsidiaries overseas may not directly invest in Congshu Beijing or Congshu Hubei if it cannot satisfy the Qualification Requirements (as defined below).
Production of video commercials	Congshu Beijing engages in the production of video commercials, and currently holds a television commercials production business license (the "**TCPB License**") issued by the Beijing Municipal Radio and Television Bureau (北京市廣播電視局) (the "**BRTB**"). According to the 2020 Foreign Investment Negative List and other applicable PRC laws, foreign investors are prohibited from holding equity interest in any enterprise conducting such business. Such prohibition was confirmed during the verbal consultation with two division chiefs of the BRTB by our PRC Legal Advisor and the PRC legal advisor to the Sole Sponsor March 29, 2019 (the "**BRTB Interview**"). Our PRC Legal Advisor is of the view that (i) the BRTB is the competent authority to give interpretations on the foreign investment restriction on the industry requiring a TCPB License and the officers who attended the BRTB Interview are of appropriate ranking to provide such confirmation on behalf of the BRTB; and (ii) to maintain the business operation of Congshu Beijing in compliance with applicable PRC laws and local governmental authorities' requirement, Congshu Beijing must continue to hold the TCPB License.

Qualification Requirements for Foreign Investors who invests in Value-added Telecommunications Services in the PRC

On December 11, 2001, the State Council promulgated the Regulations on the Administration of Foreign-Invested Telecommunications Enterprises (2016 Revision) (《外商投資電信企業管理規定》) (2016修訂) (the "**FITE Regulations**"), which were amended on September 10, 2008 and February 6, 2016. According to the FITE Regulations, foreign investors are prohibited from holding more than 50% of the equity interests in a company providing value-added telecommunications services.

In addition, a foreign investor who invests in the value-added telecommunications services in the PRC must possess prior experience in operating the value-added telecommunications services and a proven track record of business operations overseas (the "**Qualification Requirements**"). Currently none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirements. The MIIT issued a guidance memorandum on the application requirement for establishing foreign-invested value-added telecommunications enterprises in the PRC. According to this guidance memorandum, an applicant is required to provide, among other things, satisfactory proof of the Qualification Requirements. The guidance memorandum provides that applicants should submit written statements about the main foreign investors' experience and qualifications or that of their parents or subsidiaries (the "**Foreign Investors**") in providing value-added telecommunications services. In the event that the Foreign Investors have operated famous websites or apps, or obtained relevant license or record-filings, these types of information should be included in the written statements and applicants could enclose relevant screenshots or documents as proof. Further, this guidance memorandum does not purport to provide an exhaustive list of the application requirements.

Our PRC Legal Advisor has advised us that as of the Latest Practicable Date, no applicable PRC laws had provided clear guidance or interpretation on the Qualification Requirements, and the Qualification Requirements are subject to the MIIT's review in substance.

Our PRC Legal Advisor understood from an officer of the MIIT during an interview that if an foreign investor does not possess a proven track record of business operations overseas and prior experience in operating value-added telecommunications services, an application by such investor to hold equity interest in a joint venture entity that holds an ICP License would be refused. Further, there was no clear guidance or interpretation on how a foreign investor would be able to satisfy the proven track record or prior experience Qualification Requirements, and an application by a sino-foreign joint venture investor for an ICP License would be subject to substantive examination of the MIIT at the time of application.

Given that a foreign investor is prohibited from holding any equity interest of an entity that holds a TCPB License under the current PRC laws and regulations, and also that there exists substantial uncertainties surrounding (a) how the Qualification Requirements can be fulfilled by a foreign investor, (b) the objective criteria under which the Qualification Requirements can be fulfilled, and (c) how long our Group has to wait before it is able to build a proven track record and prior experience Qualification Requirements, our Directors consider that it is not viable for our Company to hold the Consolidated Affiliated Entities directly or indirectly through equity ownership.

Despite the lack of clear guidance on or interpretation of the Qualification Requirements, we have been gradually building up our track record of overseas telecommunications business operations for the purposes of being qualified, as early as possible, to acquire the entire equity interests in any of

our Consolidated Affiliated Entities when the relevant PRC laws allow foreign investors to invest and to hold any equity interests in enterprises that engage in the Relevant Businesses. We have committed and will commit financial and other resources and implement all necessary measures to meet the Qualification Requirements, for instance:

- we have registered a trademark in Hong Kong for the promotion of our business overseas;
- we have incorporated a subsidiary in Hong Kong, namely, Cheshi Hong Kong Limited, which will serve as an overseas platform when we expand our business in Hong Kong; and
- we have registered domain names overseas. In particular, Cheshi Hong Kong Limited has registered a domain name "cheshi.hk" in March 2019, which is intended to serve as a platform for the Group's business in Hong Kong. Our Group is now undergoing preparations for the launch of the "cheshi.hk" website, which is expected to allow users to access automotive related information and articles, and expects this website to be launched in the first half of 2021.

We will set aside an initial investment of approximately HK$1.0 million to set up our business outside the PRC using our internal resources.

Subject to the discretion of the competent authority in determining whether our Group has fulfilled the Qualification Requirements, our PRC Legal Advisor is of the view that these steps are reasonable and appropriate to comply with the Qualification Requirements. We will make periodic enquiries with the relevant PRC authorities and seek specific guidance as to the Qualification Requirements, as well as to understand any new regulatory developments. We will also, as applicable and when necessary, disclose our efforts and actions taken to comply with the Qualification Requirements and any updates to the specific guidance and new regulatory developments published by PRC authorities on the Qualification Requirements in our annual and interim reports to inform the Shareholders and other **[REDACTED]** after the **[REDACTED]**.

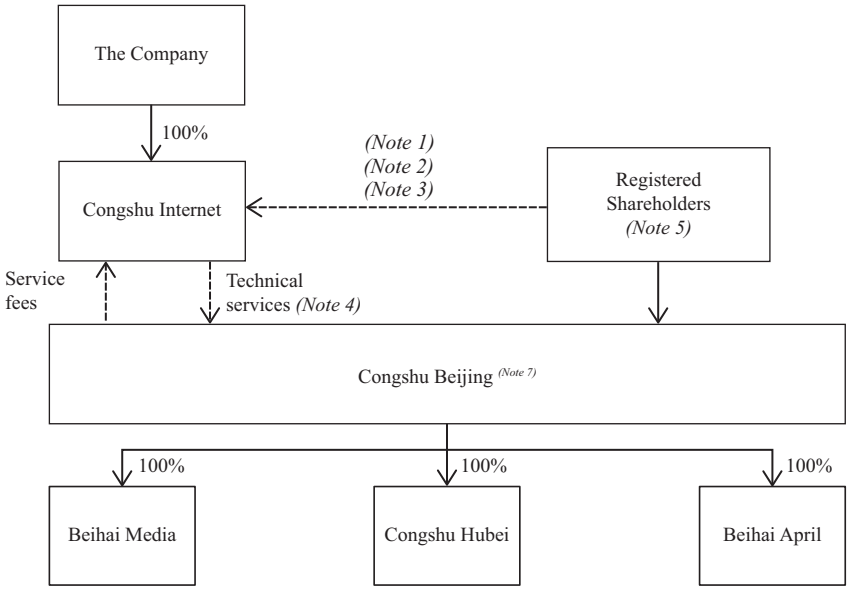
OPERATION OF THE CONTRACTUAL ARRANGEMENTS

The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to our Group under the Contractual Arrangements:

(1) Irrevocable appointment as attorney-in-fact to exercise all shareholders' rights in Congshu Beijing (*Note 1*)

(2) Exclusive option to acquire all or part of the equity interest in and/or assets of Congshu Beijing (*Note 2*)

(3) First priority security interest over the entire equity interest in Congshu Beijing (*Note 3*)



Notes:

(1) Please see "Summary of Material Terms of the Contractual Arrangements —Shareholders' Rights Proxy Agreement" for details.

(2) Please see "Summary of Material Terms of the Contractual Arrangements —Exclusive Option Agreement" for details.

(3) Please see "Summary of Material Terms of the Contractual Arrangements—Equity Pledge Agreements" for details.

(4) Please see "Summary of Material Terms of the Contractual Arrangements—Exclusive Technical Service Agreement" for details.

(5) As of the Latest Practicable Date, the Registered Shareholders were Mr. Xu and Mr. Li who held 95.00% and 5.00% of Congshu Beijing, respectively.

(6) "→" denotes direct legal and beneficial ownership in the equity interest and "⇢" denotes contractual relationship.

(7) Congshu Beijing also holds minority investment in Leikewo as to 15% of its registered capital. Leikewo has not commenced business operation as of the Latest Practicable Date, and it is intended that Leikewo will be engaged in the production of automobile PGC. Such minority investment is not controlled by our Group.

SUMMARY OF MATERIAL TERMS OF THE CONTRACTUAL ARRANGEMENTS

A description of each of the specific agreements that comprise the Contractual Arrangements is set out below:

Exclusive Technical Service Agreement

Under the exclusive technical service agreement dated May 15, 2019, entered into by and between Congshu Internet and Congshu Beijing (the "**Exclusive Technical Service Agreement**"), Congshu Internet has the exclusive right to provide, or designate any third party to provide Congshu Beijing with technical and management consulting services. Such services shall include without limitation:

(1) authorizing the use of the relevant software legally owned by Congshu Internet that is required for Congshu Beijing's business, as well as the provision of technology application and implementation services to Congshu Beijing, including but not limited to the overall design, installation, fine tuning and operation of its system(s);

(2) providing research, development, maintenance and update of relevant technologies and software required for Congshu Beijing's business, including the development, design and production of database software, user interface software and other related technologies, and licensing such software and technologies to Congshu Beijing;

(3) consultation services in relation to the procurement of equipment, hardware and software of Congshu Beijing's online advertising service, including but not limited to the selection of tools, application software and technology platforms, the installation and fine tuning of systems, and advising on complementary types and models of hardware that may be procured by Congshu Beijing;

(4) daily management, maintenance, monitoring, fine tuning, troubleshooting and updating of Congshu Beijing's computer network equipment, hardware and databases, including timely inputting user information into the databases, timely updating the databases based on business information provided by Congshu Beijing, regularly updating the user interface and providing other related technical services;

(5) providing technical services in relation to Congshu Beijing's online advertising service, including software design and webpage design, as well as business management consultation services;

(6) providing technical training and support to relevant personnel of Congshu Beijing, including but not limited to providing customer service and technical trainings, sharing knowledge and experience in relation to the installation and operation of the system and hardware of Congshu Beijing, assisting Congshu Beijing in solving any matters arising from the installation and operation of its system and hardware, providing Congshu Beijing with advice and suggestions in respect of other online editing platforms and software application, and assisting Congshu Beijing in preparing and collecting relevant information;

(7) assisting Congshu Beijing in the collection of, and analysis of, technical data in relation to the operation of Congshu Beijing's website; and

(8) other relevant services requested by Congshu Beijing (or as agreed between Congshu Internet and Congshu Beijing) from time to time.

Under the Exclusive Technical Service Agreement, the service fee shall consist of 100% of the total consolidated profits of Congshu Beijing, after deduction of any accumulated deficit of Congshu Beijing in respect of the preceding financial year(s), operating costs, expenses, taxes and other statutory contributions. Notwithstanding the foregoing, Congshu Internet may adjust the scope and amount of service fees as well as the payment time and method according to the actual operation situation of Congshu Beijing, and Congshu Beijing will accept such adjustments. Congshu Internet shall calculate the service fees regularly and issue a corresponding invoice to Congshu Beijing. Congshu Beijing shall make payment to the bank account designated by Congshu Internet within three months upon receipt of the invoice.

In addition, absent the prior written consent of Congshu Internet, during the term of the Exclusive Technical Service Agreement, with respect to the services subject to the Exclusive Technical Service Agreement and other matters, Congshu Beijing shall not directly or indirectly accept the same or any similar services provided by any third party or establish cooperation relationships similar to that formed by the Exclusive Technical Service Agreement with any third party. Congshu Internet may appoint other parties to provide Congshu Beijing with the services under the Exclusive Technical Service Agreement.

The Exclusive Technical Service Agreement also provides that (a) Congshu Internet has the exclusive proprietary rights to and interests in any and all intellectual property rights developed or created by itself during the performance of the Exclusive Technical Service Agreement; (b) regarding the operation technologies developed by Congshu Beijing as commissioned by Congshu Internet or collectively developed by both Congshu Beijing and Congshu Internet, the ownership and the intellectual property rights in terms of patent application shall belong to Congshu Internet, while for those operation technologies independently developed by Congshu Beijing, the ownership shall belong to Congshu Beijing on the conditions that (1) Congshu Beijing shall promptly inform Congshu Internet of the details of such technologies and provide the relevant materials as requested by Congshu Internet, (2) if Congshu Beijing plans to grant franchise or transfers such technologies, Congshu Beijing shall give priority to Congshu Internet in terms of the transfer or grant franchise to Congshu Internet for exclusive use of such technologies to the extent permitted by PRC mandatory requirements. Congshu Beijing can only transfer the ownership of such technologies or grant franchise to a third party not more favorable than conditions offered to Congshu Internet and only if Congshu Internet gives up its priority in terms of purchase of ownership of such technologies or its right for exclusive use of such technologies and Congshu Beijing shall ensure that such transfer or franchise to the third party shall not affect its full compliance with the Exclusive Technical Service Agreement, and (3) except for (2) mentioned above, Congshu Internet is entitled to, during the term of the Exclusive Technical Service Agreement, request the purchase of such technologies and Congshu Beijing shall agree to such request from Congshu Internet at the lowest price to the extent permitted by PRC laws.

The validity period of the Exclusive Technical Service Agreement shall start from the execution date and it shall remain effective for 20 years unless terminated (a) in accordance with provisions of the Exclusive Technical Service Agreement; (b) by a written notice from Congshu Internet; or (c) all the equity interest and assets of Congshu Beijing has been legally transferred to Congshu Internet or the nominee(s) designated by Congshu Internet. Upon expiration, the validity period of the Exclusive Technical Service Agreement shall be automatically extended for 10 years unless Congshu Internet notifies Congshu Beijing of its intention not to extend.

Exclusive Option Agreement

Under the exclusive option agreement dated May 15, 2019, entered into by and among Congshu Internet, our Registered Shareholders and Congshu Beijing (the "**Exclusive Option Agreement**"), our Registered Shareholders unconditionally and irrevocably agree to grant Congshu Internet an exclusive option to purchase all or part of the equity interests in Congshu Beijing, as the case may be, for the minimum amount of consideration permitted by applicable PRC laws, under circumstances in which Congshu Internet or its designated third party is permitted under PRC laws to acquire all or part of the equity interests of Congshu Beijing.

Congshu Beijing also unconditionally and irrevocably agreed to grant Congshu Internet an exclusive option to purchase all or part of the assets of Congshu Beijing, as the case may be, for the minimum amount of consideration permitted by applicable PRC laws, under circumstances in which Congshu Internet or its designated third party is permitted under PRC laws to acquire all or part of the assets of Congshu Beijing.

Where the purchase price is required by relevant PRC laws and regulations to be an amount other than nil consideration, our Registered Shareholders undertake to return the amount of purchase price they have received to Congshu Internet.

We have the sole discretion to decide when to exercise the option, and whether to exercise the option in part or in full. The key factor for us to decide whether to exercise the option is whether the applicable foreign investment restrictions in relation to the Relevant Businesses will be removed in the future, the likelihood of which we were not in a position to know or comment on as of the Latest Practicable Date. Where such foreign investment restrictions have been relaxed and there exists clear procedures and guidance for our Group to directly hold the maximum permitted interest in the Consolidated Affiliated Entities, our Group will unwind or modify (as the case may be) the Contractual Arrangements such that our Company (or our subsidiary(ies) of which we hold equity interest) will directly hold the maximum percentage of ownership interests permissible of the Consolidated Affiliated Entities under relevant PRC laws and regulations, through either sino-foreign equity joint ventures or wholly-owned foreign investment entities.

To prevent the flow of the assets and value of Congshu Beijing to their respective shareholders, pursuant to the Exclusive Option Agreement, none of the material assets of Congshu Beijing are to be sold, transferred or otherwise disposed of without the written consent of Congshu Internet. In addition, under the Exclusive Option Agreement, none of our Registered Shareholders may transfer or permit the encumbrance of or allow any guarantee or security to be created on any of his or her equity interest in Congshu Beijing without Congshu Internet's prior written consent.

In the event that our Registered Shareholders have the right to receive any profit distribution or dividend from Congshu Beijing, our Registered Shareholders undertake to immediately pay or transfer such amount (subject to the relevant tax payment being made under the relevant laws and regulations) to Congshu Internet (or its designated third party). If Congshu Internet exercises this option, all or any part of the equity interests in Congshu Beijing acquired would be transferred to Congshu Internet and the benefits of equity ownership would flow to Congshu Internet and its shareholders.

Equity Pledge Agreements

Under the equity pledge agreements dated May 15, 2019, entered into by and among Congshu Internet, Congshu Beijing and each of our Registered Shareholders (the "**Equity Pledge**

Agreements"), our Registered Shareholders unconditionally and irrevocably pledged all of the equity interests in Congshu Beijing to Congshu Internet in order to guarantee Congshu Beijing and our Registered Shareholders' performance of obligations under the Exclusive Technical Service Agreement, Exclusive Option Agreement and Shareholders' Rights Proxy Agreement (as defined below).

Under the Equity Pledge Agreements, each of our Registered Shareholders has agreed that, without prior written consent of Congshu Internet, they will not transfer or dispose the pledged equity interests or create or allow any third party to create any encumbrance on the pledged equity interests that would prejudice Congshu Internet's interest.

The pledges in respect of Congshu Beijing take effect upon completion of registration with the relevant administration for market regulation and shall remain valid until the satisfaction of all contractual obligations of Congshu Beijing and the Registered Shareholders in full.

Our PRC Legal Advisor confirms that the equity pledges under the Equity Pledge Agreements have been duly registered with the relevant PRC authority pursuant to the relevant PRC laws.

Shareholders' Rights Proxy Agreement

Under the shareholders' rights proxy agreement dated May 15, 2019, entered into by and among Congshu Internet, Congshu Beijing and our Registered Shareholders (the "**Shareholders' Rights Proxy Agreement**"), the Registered Shareholders irrevocably appointed Congshu Internet or its designated person, as their attorney-in-fact to exercise such shareholder's rights in Congshu Beijing, including without limitation to, the rights to:

(a) propose to convene, participate in and attend the general meetings of Congshu Beijing on behalf of the Registered Shareholders;

(b) exercise voting rights on all matters that require discussion and resolution of the general meetings (including but not limited to the designation, appointment or replacement of directors, supervisors and senior management of Congshu Beijing and the amendment of the article of association of Congshu Beijing), and sign the minutes and resolutions of the meetings;

(c) submit any documents for filing purposes to the company registration authority on behalf of the Registered Shareholders;

(d) resolve on the disposal of assets of Congshu Beijing on behalf of the Registered Shareholders;

(e) resolve on the dissolution and liquidation of Congshu Beijing on behalf of the Registered Shareholders, and form a liquidation group on behalf of the Registered Shareholders and exercise the authority of the liquidation group during the liquidation period according to law;

(f) for the purposes of the foregoing, sign all required documents and perform all required procedures on behalf of the Registered Shareholders; and

(g) exercise other shareholder's rights as specified in other applicable PRC laws and regulations and the articles of association of Congshu Beijing (and its amendments from time to time).

The Shareholders' Rights Proxy Agreement shall remain effective for 20 years unless terminated in the event that (i) the Shareholders' Rights Proxy Agreement is terminated by all parties; or (ii) the Shareholders' Rights Proxy Agreement is terminated by Congshu Internet in case of violation of this agreement by Congshu Beijing and our Registered Shareholders. Upon expiration, the validity period of the Shareholders' Rights Proxy Agreement shall be automatically extended for 10 years unless Congshu Internet notifies Congshu Beijing of its intention not to extend.

Spousal undertakings

The spouse of each of the Registered Shareholders, where appropriate, has signed an undertaking (the "**Spousal Undertakings**") to the effect that (i) the shares of Congshu Beijing held and to be held by each of the Registered Shareholders (together with any other interests therein) do not fall within the scope of communal properties, and (ii) she has no right to or control over such interests of the respective Registered Shareholder and will not have any claim on such interests of the respective Registered Shareholder and the Contractual Arrangements.

The spouse of each of the Registered Shareholders, where applicable, has also consented to the entering into of the Equity Pledge Agreements, the Exclusive Option Agreement and the Shareholders' Rights Proxy Agreement of their respective spouse, and the disposal of the equity interest of their respective spouse in Congshu Beijing according to the terms of such agreements.

Dispute Resolution

In the event of any dispute with respect to the interpretation or performance of the provisions, each of the Exclusive Technical Service Agreement, Exclusive Option Agreement and Equity Pledge Agreement stipulates: (i) that the parties shall negotiate in good faith to resolve the dispute, and (ii) in the event the parties fail to reach an agreement on the resolution of the dispute, any party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing. The arbitration ruling shall be final and binding on all parties.

The dispute resolution clause of each of the Contractual Arrangements also provides that (i) the arbitral tribunal may award remedies over the shares or assets of Congshu Beijing, injunctive relief (e.g., for the conduct of business or to compel the transfer of assets) or order the winding up of Congshu Beijing, and (ii) the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company) and the PRC (being the place of establishment of Congshu Beijing and the place of main assets of Congshu Beijing) also have jurisdiction for the grant and/or enforcement of the arbitral award and the interim remedies against the shares or properties of Congshu Beijing.

However, our PRC Legal Advisor has advised that the tribunal normally would not grant such injunctive relief or order the winding up of Congshu Beijing pursuant to current PRC laws. In addition, interim remedies or enforcement orders granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognizable or enforceable under the current PRC laws.

As a result of the above, if Congshu Beijing or our Registered Shareholders breach any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our Consolidated Affiliated Entities and conduct our business could be materially and adversely affected. See "Risk Factors—Risks relating to our Corporate Structure" for further details.

Conflicts of interests

The Shareholders' Rights Proxy Agreement provides that the power of attorney is granted in favor of Congshu Internet, whereby each of the Registered Shareholders irrevocably undertook to appoint any director and his successor (including the liquidator replacing such director and its successor) of Congshu Internet or of the direct or indirect shareholder of Congshu Internet as designated by Congshu Internet (excluding the Registered Shareholders or connected person of the Registered Shareholders as defined under the Listing Rules) as his agent and attorney to act on his behalf on matters concerning Congshu Beijing and to exercise all rights as a registered shareholder of Congshu Beijing in accordance with PRC laws and the articles of association of Congshu Beijing.

Loss Sharing

Under the relevant PRC laws and regulations, none of our Company and Congshu Internet is legally required to share the losses of, or provide financial support to Congshu Beijing. Further, Congshu Beijing is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. Nevertheless, Congshu Internet intends to continuously provide to or assist Congshu Beijing in obtaining financial support when deemed necessary. Given that our Group conducts a substantial portion of its business operations in the PRC through our Consolidated Affiliated Entities, which hold the requisite PRC operational licenses and approvals, and that their financial position and results of operations are consolidated into our Group's financial statements under the applicable accounting principles, our Company's business, financial position and results of operations would be adversely affected if our Consolidated Affiliated Entities suffer losses.

However, as provided for (among other things) in the Exclusive Option Agreement, without the prior written consent by Congshu Internet, (a) none of our Registered Shareholders may transfer or in any other way dispose of any shares or option over shares, or permit the guarantee or security or third party rights to be created of his equity interests in Congshu Beijing, (b) Congshu Beijing shall not increase or reduce its registered capital, and the Registered Shareholders may not procure or agree to Congshu Beijing to perform a merger, or allow Congshu Beijing to be acquired by a third party or invest in any third party, (c) the Registered Shareholders shall not dispose or procure Congshu Beijing's management to dispose any material assets of Congshu Beijing (other than in its ordinary course of business), (d) the Registered Shareholders shall not procure Congshu Beijing to declare or actually distribute any distributable reserves, bonus, shareholders' distributions or dividends, and (e) the Registered Shareholders shall procure that Congshu Beijing does not provide or draw on any loans, or provide guarantee or enter into any act of guarantee, or incur any material obligations other than in its ordinary course of business. Therefore, due to the restrictive provisions, the potential adverse effect on Congshu Beijing in the event of any loss suffered from the Consolidated Affiliated Entities can be limited to a certain extent.

Liquidation

Pursuant to the Exclusive Option Agreement, in the event of a mandatory liquidation required by the PRC laws, the Registered Shareholders have irrevocably undertaken that, in compliance with the PRC laws, Congshu Beijing shall transfer all remaining assets to Congshu Internet or its assignee, at the lowest price as permitted by the PRC laws. Congshu Beijing shall waive any payment obligation of Congshu Internet or assignee arising thereon to the extent permitted by the then applicable laws of the PRC in force; or shall return Congshu Internet or assignee any income (if any) arising from such transaction to the extent permitted by then applicable its PRC laws in force.

Confirmations from the Registered Shareholders

Each of the Registered Shareholders had undertaken to Congshu Internet that, in the event of death, divorce, bankruptcy, liquidation or other circumstance regarding the Registered Shareholders which may affect the exercise of his equity interest in Congshu Beijing, the Registered Shareholders shall ensure that their respective spouse, successor, guardian, creditor or any other person / entity who may as a result of the above events obtain the equity interests in Congshu Beijing shall not prejudice or hinder the enforcement of the Contractual Arrangements.

Insurance

Our Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

DIRECTORS' VIEWS ON THE CONTRACTUAL ARRANGEMENTS

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company upon **[REDACTED]**. Our Directors are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to the organization structure and business of our Group, that such transactions have been and will be entered into in our Group's ordinary and usual course of business, are on normal commercial terms or better and are in the interests of our Company and our shareholders as a whole. Please see "Connected Transactions" in this document for details.

Our Directors are also of the view that the Contractual Arrangements are only used to enable our Group to consolidate the financial results of our Consolidated Affiliated Entities and also for our Consolidated Affiliated Entities to make minority investments into companies, which engage in businesses or have plans to engage in businesses that are subject to the ICP License and/or the TCPB License and/or other licenses, which the PRC laws and regulations currently either restrict or prohibit foreign-ownership. In the case of the ICP License, there are also the Qualification Requirements.

As advised by our PRC Legal Advisor, based on the current PRC Laws and policy of relevant PRC Government authorities, and as explained and confirmed by competent authority to review the application for approving ICP License and provide relevant confirmations during verbal interviews, foreign investors are prohibited from holding more than 50% of the equity interests in a company providing ICP services, and the application by any sino-foreign equity joint venture for ICP License is subject to thorough examination and discretion by relevant government authorities. As advised by our PRC Legal Advisor, the review procedure would be time-consuming and it would be substantially uncertain whether an approval can be obtained in the end. As confirmed during such interview, in the case of our Company, we are practically unable to obtain an ICP License through a sino-foreign equity joint venture currently even if we fulfil the Qualification Requirements.

The Directors believe that the use of the Contractual Arrangements is for the primary purpose of ensuring that we comply with the in-force foreign investment restrictions that apply to our business and to minimize the potential conflict with the relevant PRC laws and regulations.

We operate our businesses under the Contractual Arrangements and are of the view that the Contractual Arrangements are narrowly tailored for the following reasons:

Online Advertising Service

PGC creation (other than the PGC creation in the form of video commercials) is not subject to foreign investment restrictions. However, PGC creation is part and parcel to our provision of Online Advertising Service to our advertising agency, automaker and autodealer customers during the Track Record Period, which itself is subject to foreign investment restrictions. In addition, video commercials creation is also part and parcel to our provision of Online Advertising Service that is subject to the ownership of the TCPB License, and the possession of a TCPB License prohibits foreign-ownership. In particular, our customers do not separately engage Congshu Beijing to carry out PGC and video commercials creation; rather, production of advertisements would in most cases include PGC and/or video commercials creation. In all cases, PGC and video commercials creation and the publication of online advertisements are part of the bundled-service package for the Online Advertising Service solution that our Group offers. In particular, PGC is published on cheshi.com or its business partners' platforms in conjunction with (or around the time of) publication of the advertisement on Cheshi.com.

Our management noticed that online short-video platforms began to emerge in mid-2017, and these platforms started to attract more viewers to access information through digital media. As such, our management leveraged the growing receptiveness by the public of video and interactive content for automotive advertising by applying for the TCPB License whilst Congshu Beijing outsourced the video process to our suppliers until it obtained its own TCPB License in mid-2018, and TCPB License-related activities have since been inseparable with the Online Advertising Service. In particular, (i) our Group substantially increased our video production scale from 320 for the year ended December 31, 2017 to 1,600 and 2,400 videos for the two years ended December 31, 2018 and 2019, respectively, and produced 2,300 videos for the six months ended June 30, 2020, and (ii) compared with five staff as at the end of 2017, Congshu Beijing's video production team had grown to 12 staff at the end of 2018 and had its own anchors, video editors, chief video producers and operation assistants, in order to enhance the quality of and enriching its PGCs, particularly in the form of videos. If we divest PGC creation to a different subsidiary of our Group, our customers may also be reluctant to enter into separate contracts with two different entities of our Group for the production of content under the same advertising campaign. Our customers may opt to enter into agreements with alternate vertical media operator that offers bundled-service package from creation to publication of a range of automobile-related PGC content, including photos, articles and videos, and our revenue derived from Online Advertising Service will be adversely affected.

In terms of administration, our content team, which is headed by Mr. Xu and forms part of Congshu Beijing, is the key function that is responsible for both PGC creation and publication of online advertisements as part of the implementation of the Online Advertising Service, and all members of this team concurrently work on both areas. Therefore, our Directors are of the view that PGC creation is closely related to and inseparable from the Online Advertising Service business since the work products created from the efforts of the PGC content team are done for the customers who place online advertisement with us, and artificial separation of the two functions are not practical to implement and would create unnecessary burden on our Group.

Transaction Facilitation Service

We have been advised by our PRC Legal Advisor that the Transaction Facilitation Service is not subject to foreign ownership restrictions. As such, the Transaction Facilitation Service will be narrowly tailored by way of a subcontracting arrangement between Congshu Beijing and Congshu Internet, which is the wholly foreign-owned entity that is held by our Company through legal ownership. Going forward, Congshu Beijing (as the operating entity that operates Cheshi.com) will subcontract the portion of the Transaction Facilitation Service that are not subject to foreign-ownership restrictions to Congshu Internet.

In terms of the provision of Transaction Facilitation Services, it is believed that our customers engage cheshi.com for the Transaction Facilitation Service because of cheshi.com's viewership base and also the Group's platform(s) ability to generate transaction leads for reaching out to potential car-buyers and to attract them to attend the events such as group-purchase events at which we offer services to our customers. The Directors therefore consider that it is in our Group's best interest for Congshu Beijing (or other entities that hold an ICP License) to be the primary entity to enter into service contracts with customers where online advertising is coupled with Transaction Facilitation Services.

However, to achieve the aim of narrowly tailoring the Contractual Arrangements to cater for foreign ownership restrictions, where Congshu Beijing (or the Consolidated Affiliated Entities) sign contracts that relate to the provision of Transaction Facilitation Services, our Group has adopted the following procedure of subcontracting the portion of such services to entities that are held by the Company through equity:

- for services that require the possession of an ICP License or closely connected with the services requiring an ICP License (for example, Online Advertising Service and generation of sales leads through our Group's online platform), Congshu Beijing (or other entities that hold an ICP License) will continue to perform them; and
- for other services that do not require or are not closely connected with the services requiring the possession of the ICP License, such as the organization of the group-purchase event or the provision of training to customers' personnel before the event, and the preparation of materials for advertising at the venue, such services will be conducted through a subcontracting arrangement, whereby to the largest extent such services will be performed by Congshu Internet (or its subsidiaries).

Through this arrangement, Congshu Internet (or its subsidiaries) will be performing businesses that are not subject to foreign ownership restrictions in the PRC.

As of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating its business through our Consolidated Affiliated Entities under the Contractual Arrangements.

On the basis of the above and confirmations that we had received from our PRC Legal Advisor (as more particularly described below), our Directors are of the view that the agreements under the Contractual Arrangements, which confer significant control and economic benefits from the Consolidated Affiliated Entities to Congshu Internet are enforceable under the PRC laws and regulations, except for the arbitration provisions as disclosed in "—Summary of Material Terms of the Contractual Arrangements—Dispute Resolution" in this section.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Our PRC Legal Advisor is of the opinion that:

(1) Congshu Internet and Congshu Beijing are duly established and validly existing entities in the PRC, and each agreement under the Contractual Arrangements had been executed properly by the relevant parties;

(2) Parties to each of the agreements are entitled to execute the agreements and perform their respective obligations thereunder, except for the provisions regarding dispute resolution;

(3) each of the agreements is binding on the parties thereto and none of them would be deemed as "concealment of illegal intentions with a lawful form" and void under the PRC Contract Law (《中華人民共和國合同法》) (the "**PRC Contract Law**"); and none of the Contractual Arrangements violates any provisions of the articles of association of Congshu Beijing;

(4) with respect to the Contractual Arrangements, as of the Latest Practicable Date, all the approvals, permits or consents from the PRC Government authorities necessary for the execution and performance of the agreements under the Contractual Arrangements have been obtained, except:

   (a) the disposal of pledged equity interest pursuant to the Equity Pledge Agreements shall be subject to the approval and/or registration with the relevant government authorities;

   (b) the transfer and license of intellectual property pursuant to the Exclusive Technical Service Agreement shall be subject to approval and/or registration with the relevant government authorities;

   (c) the exercise of the purchase right in future pursuant to the Exclusive Option Agreement shall be subject to approval and/or registration with the relevant government authorities; and

(5) each of the agreements under the Contractual Arrangements is valid, legal and binding under PRC laws, except in relation to the dispute resolution clause under these agreements. These agreements provide that any dispute shall be submitted to the China International Economic and Trade Arbitration Center for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing. They also provide that the arbitrator may award interim remedies over the shares or assets of Congshu Beijing or injunctive relief (e.g., for the conduct of business or to compel the transfer of assets) or order the winding up of Congshu Beijing; and the courts of Hong Kong, the Cayman Islands and the PRC also have jurisdiction for the grant and/or enforcement of the arbitral award and the interim remedies. However, our PRC Legal Advisor has advised that the tribunal normally would not grant such injunctive relief or order the winding up of Congshu Beijing pursuant to current PRC laws. In addition, interim remedies or enforcement orders granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognizable or enforceable under the current PRC laws.

Notwithstanding the above, the interviewed officers provided oral confirmations during the MIIT Interview and the BRTB Interview that as there had been no regulations prohibiting contractual arrangements similar to our Group's Contractual Arrangements in the value-added telecommunications

and video commercials production industries, respectively, therefore it is not possible that the Contractual Arrangements would violate the applicable regulations concerning (i) value-added telecommunications and (ii) video commercials production services.

The MIIT Interview

During the MIIT Interview, the interviewed officer confirmed that whilst entities holding ICP Licenses are permitted to have foreign ownership not exceeding 50%, the application of any sino-foreign equity joint venture for the ICP Licenses would be subject to substantive examination by the relevant telecommunication authority. The relevant telecommunication authority would take into consideration whether the primary foreign investor possesses good track record and operational experience on value-added telecommunication services. Where the primary foreign investor does not have such experience, the mandatory requirements for making such application would not be fulfilled.

According to the interviewed officer, there are no PRC laws, regulations or rules that provide clear guidance or interpretation on the Qualification Requirements and it is subject to the relevant telecommunication authority's discretion on a case-by-case basis to determine whether a primary foreign investor fulfills the Qualification Requirements, and there is no uniform approval standard to determine whether a foreign entity has taken reasonable steps to ensure that it has complied with the Qualification Requirements, and such application is ultimately subject to a substantive review on the materials presented to the relevant telecommunication authority.

If a new sino-foreign joint venture is set up with our Company or any of the other entity in our Group outside of PRC as its primary foreign investor for the purpose of obtaining an ICP License, as our Company and other entities in our Group outside of PRC are newly established and do not possess relevant experience in operating the value-added telecommunication services, we do not believe the entities in our Group outside of PRC are able to meet all the Qualification Requirements at the time of the application. Even if the new sino-foreign equity joint venture is qualified to obtain a new ICP License, as our current domain names, including "Cheshi.com" and "Cheshi18.com", are currently owned by Congshu Beijing and Congshu Hubei under their respective ICP Licenses, if the new sino-foreign equity joint venture intends to operate the value-added telecommunication services under such current domain names, first Congshu Beijing and Congshu Hubei need to transfer such domain names to the new sino-foreign equity joint venture with necessary registrations and then the new sino-foreign equity joint venture needs to apply for an ICP License with such domain names from relevant telecommunication authority. Given that our domain names including "Cheshi.com" and "Cheshi18.com" are integral to our business, such transfer may have an adverse impact on our business. For the reasons mentioned above, Congshu Beijing and Congshu Hubei will each continue to possess the ICP License and operate our Group's website and App under the Contractual Arrangements.

We have been advised by our PRC Legal Advisor, however, that there are uncertainties regarding the interpretation and application of current and future PRC laws. Accordingly, there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to the above opinion of our PRC Legal Advisor. We have been further advised by our PRC Legal Advisor that if the PRC Government finds that the Contractual Arrangements do not comply with PRC Government restrictions on foreign investment in the Relevant Businesses, we could be subject to penalties, which could include:

(1) revoking the business and operating licenses of Congshu Internet and our Consolidated Affiliated Entities;

(2) restricting or prohibiting related party transactions between Congshu Internet and our Consolidated Affiliated Entities;

(3) imposing fines or other requirements with which we, Congshu Internet and our Consolidated Affiliated Entities, may find difficult or impossible to comply;

(4) requiring us, Congshu Internet and our Consolidated Affiliated Entities, to restructure the relevant ownership structure or operations; and

(5) restricting or prohibiting the use of any funds raised from the **[REDACTED]** to finance our business and operation in the PRC.

The above could have a material adverse effect on our ability to conduct our business. See "Risk Factors—Risks relating to our Corporate Structure".

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

Consolidation of financial results of our Consolidated Affiliated Entities

Under the Exclusive Technical Service Agreement, in consideration of the services provided by Congshu Internet, Congshu Beijing shall engage Congshu Internet as its exclusive provider of technical support, consultation, licensing and other services requested by Congshu Beijing from time to time to the extent permitted by PRC laws, and Congshu Beijing shall pay annual service fees to Congshu Internet. The service fees (subject to Congshu Internet's adjustment) are equal to the entirety of the net profits of Congshu Beijing recognized under IFRSs (after deducting all relevant costs, taxes and expenses). Congshu Internet may adjust the service fees at its full discretion and allow Congshu Beijing to retain sufficient working capital to carry out any growth plans. Congshu Internet also has the right to periodically receive the accounts of Congshu Beijing. Accordingly, Congshu Internet has the ability, at its sole discretion, to extract substantially all of the economic benefits from the Consolidated Affiliated Entities.

Additionally, under the Exclusive Option Agreement, the written consent of Congshu Internet must be obtained before any distribution of dividends is made. As such (and under the Shareholders' Rights Proxy Agreement), Congshu Internet has absolute contractual control over the distribution of dividends or any other amounts to the equity holders of Congshu Beijing. In the event that our Registered Shareholders receive any profit distribution or dividend from Congshu Beijing, our Registered Shareholders must immediately pay or transfer such amount (subject to the relevant tax payment being made under the relevant laws and regulations) to our Company.

As a result of these Contractual Arrangements, our Company has obtained control of the Consolidated Affiliated Entities through Congshu Internet and, at our Company's sole discretion, can

receive substantially all the economic interest returns generated by our Consolidated Affiliated Entities. Accordingly, our Consolidated Affiliated Entities' results of operations, assets and liabilities, and cash flows are consolidated into our Company's financial statements.

For the reasons above, our Directors consider that our Company can consolidate the financial results of the Consolidated Affiliated Entities into our Group's financial information as if they were our Company's subsidiaries. The basis of consolidating the results of the Consolidated Affiliated Entities is disclosed in Note 2 to the Accountant's Report in Appendix I to this document.

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

Background of the Foreign Investment Law and the Implementing Rules

On March 15, 2019, the National People's Congress approved the PRC Foreign Investment Law, and on December 26, 2019, the State Council promulgated the Implementing Rules to further clarify and elaborate the relevant provisions of the Foreign Investment Law. The Foreign Investment Law and the Implementing Rules both took effect on January 1, 2020 and replaced three major previous laws on foreign investments in China, namely, the PRC Sino-foreign Equity Joint Venture Law, the Sino-foreign Cooperative Joint Venture Law and the Wholly Foreign-owned Enterprise Law, together with their respective implementing rules. The Foreign Investment Law stipulates several forms of the foreign investment, but does not explicitly stipulate whether the foreign investments via contractual arrangements would be considered as a form of foreign investments. The PRC Legal Advisor is of the view that the Contractual Arrangements will not be affected and will continue to be valid, legal and binding on the parties.

Impact and Potential Consequences of the Foreign Investment Law on the Contractual Arrangements

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, and has been adopted by our Company in the form of the Contractual Arrangements, to establish control of our Consolidated Affiliated Entities by Congshu Internet, through which we operate our business in the PRC.

Although the Foreign Investment Law and the Implementing Rules do not explicitly provide whether the investments via contractual arrangements should be considered as a method of foreign investment, the Foreign Investment Law stipulates that foreign investment includes "foreign investors investing in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council". There are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and the business of our Consolidated Affiliated Entities will not be materially and adversely affected in the future due to developments and changes in PRC laws and regulations. See "Risk Factors—Risks relating to our Corporate Structure—Substantial uncertainties exist with respect to the interpretation and implementation of the newly adopted PRC Foreign Investment Law and its implementing rules and how they may impact the viability of our current corporate structure, corporate governance and business operations".

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

We have adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

(1) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;

(2) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

(3) our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual and interim reports to update our Shareholders;

(4) our Company will provide periodic updates in our annual and interim reports regarding our status of compliance with the Foreign Investment Law and the Implementing Rules, together with any applicable regulatory development to them; and

(5) our Company will engage external legal advisors or other professional advisors, if necessary, to assist our Board to review the implementation of the Contractual Arrangements, review the legal compliance of Congshu Internet and the Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

In addition, notwithstanding that Mr. Xu, our Controlling Shareholder, our executive Director and our chief executive officer, is also one of the Registered Shareholders, we believe that our Directors are able to perform their roles in our Group independently, and our Group is capable of managing its business independently after the **[REDACTED]** because:

(a) the decision making mechanism of our Board as set out in our Articles includes provisions to avoid conflicts of interest by providing, among other things, that in the event of a conflict of interest that is material, a Director shall declare the nature of his or her interest at the earliest meeting of our Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having a material interest in any contract or arrangement, such Director shall abstain from voting and not be counted towards the quorum;

(b) each of our Directors is aware of his or her fiduciary duties as a Director which requires, among other things, that he or she acts for the benefits and in the best interests of our Group; and

(c) we have appointed three independent non-executive Directors, to provide a balance of executive and non-executive Directors representing interested and independent views to promote the interests of our Shareholders as a whole.

OVERVIEW

We operate online automobile vertical media platforms in China that offer comprehensive and high quality automobile content produced by our in-house content team and distributed across our proprietary, comprising our PC websites, websites and mobile applications, and over 1,000 business partner platforms. Our widely distributed content drives high user traffic which in turn attracts automobile advertisers to engage our advertising services. Our revenue is substantially generated through our provision of Online Advertising Service to our advertising agency, automaker and autodealer customers for mainly brand promotion, new automobile model releases and sales promotions to our users during the Track Record Period.

According to the CIC Report, we experienced a high growth rate for the three years ended December 31, 2019, based on our 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 our main competitors during the same period. For the six months ended June 30, 2020, our revenue amounted to RMB58.9 million. 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, according to the CIC Report. Additionally, our websites were visited by our users with an industry-leading 10.6 times per month on average during the year ended December 31, 2019.

We differentiate ourselves from our competitors by the automobile content created by our content team led by Mr. Xu, with over 16 years of experience in the Chinese automotive advertising industry, and then verified by our editor-in-chief, with over 12 years of editorial experience, our platform offers comprehensive content of high quality to our users, bringing value to their search, selection and purchases processes. According to the CIC Report, 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, which we believe that, our content fits such description. These contents are then distributed across our proprietary platforms, and to our business partner platforms through our cross-platform collaboration. Through our broad and diverse content distribution channels, our automobile content has a large user exposure, readership and a high penetration rate nationwide, particularly in tier three and below cities in 2019.

The key factors that drive the rapid growth and continued success of our business primarily include (1) creating comprehensive and high quality automobile content by our in-house content team, (2) delivering automobile content through our proprietary and third party platforms to a large pool of users who value our automobile content and regularly visit our platform and those of our business partners, and (3) our ability to provide customized Online Advertising Service and Transaction Facilitation Service for our advertising agency, automaker and autodealer customers.

We have strong content creation capability and we are able to create PGC with quality and in quantity. Our PGC covers a diverse range of automobile-related content, including automobile articles, photos reviews and pricing trends for various vehicle models in different local markets. We create our automobile content in a user-oriented perspective with a strong focus on assisting our users in their search (as to pricing and vehicle comparison) and selection to purchase process. Our content team collects and analyzes the latest automobile data and information from multiple sources, such as our automaker customers and local and overseas automotive websites. It is currently led by Mr. Xu, our

founder and executive Director, who has extensive experience in the online automobile advertising industry. We have developed standardized checking procedures to ensure the accuracy, consistency and timeliness of the collected data and information. To maintain quality control, we only publish our automobile content that complies with our internal guidelines and requirements.

We believe our proprietary platform offers good value to our users, business partners and customers. Our platform infrastructure comprises PC websites (including our main "Cheshi (網上車市)" website), mobile website and App through which we engage our users and distribute our automobile content. Our platform tools including automobile database, platform tools, Cheshi Bao (車市寶) and other IT systems are designed to enhance user experience and engagement. Our network of over 1,000 business partner platforms includes platforms operated by one of the largest telecommunication companies in China and numerous media operators in China. We generally entered into cross-platform collaboration agreements with our business partners, where we offer our PGC and access to our automobile database, in return for our business partners providing us with space on their platforms for our content, as well as advertisements, and access to their user browsing data. Our technology application—Picker engine enables us to distribute our PGC to our business partner platforms instantly and simultaneously and allows us to collect their user browsing data for our data analysis.

As our widely distributed PGC delivers value to users, millions of users routinely visit our proprietary and third party platforms. Our ability to acquire strong and steady user traffic has made us an increasingly important and preferred destination for automobile advertisers to conduct their advertising campaigns. We primarily generate our revenue by offering advertising services to our customers, including but not limited to displaying their advertisements on our proprietary and business partner platforms. These advertisements enjoy high viewership among our users who, we believe, are receptive to automobile advertisements. We provide our revenue generating services to our advertising agency, automaker and autodealer customers in two segments, the Online Advertising Service and Transaction Facilitation Service.

We provide Online Advertising Service consisting of a range of advertising services and advertising solutions and tools to our customers. As is customary in China, we sell our Online Advertising Service primarily to advertising agencies that represent the automakers and autodealers. We also provide our Online Advertising Service to automakers and autodealers directly. In addition, we offer a wide range of advertising solutions to our customers, which generally include pre-launch assessment of advertisement, advertising strategy formulation, design and production, evaluation of advertisement performance and access to our automobile database.

We commenced the Transaction Facilitation Service in October 2018 where we offer services to our customers, comprising autodealers and an automobile insurance company, to promote their group-purchase events so as to enhance their sales of new vehicles and automobile insurance. The Transaction Facilitation Service and the relevant value-added solutions typically involve (a) gathering sales leads from users browsing on our proprietary and business partner platforms, (b) organizing group-purchase events, (c) providing training and preparation for group-purchase events, and (d) assisting customers to convert sales leads into actual sales in such group-purchase events.

The following table sets out a summary of the revenue of our results of operations during the Track Record Period:

Category	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019 (Unaudited)		2020	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
Online Advertising Service	117,578	100.0	157,757	99.9	175,055	98.6	75,151	97.0	58,720	99.7
Transaction Facilitation Service	—	—	90	0.1	2,560	1.4	2,353	3.0	177	0.3
Total	**117,578**	100.0	**157,847**	100.0	**177,615**	100.0	**77,504**	100.0	**58,897**	100.0

OUR COMPETITIVE STRENGTHS

We believe the following strengths contribute to our success and differentiate us from our competitors.

A leading vertical media platform with brand recognition

The "Cheshi (網上車市)" brand has over 20 years of history. Since Mr. Xu founded Congshu Beijing and acquired the business and assets of "Cheshi.com" from an Independent Third Party in 2015, we have continued to build upon our "Cheshi (網上車市)" brand and built up a reputation as one of the leading vertical media platforms with comprehensive and up-to-date automobile PGC in China.

Our "Cheshi (網上車市)" brand has contributed to our rapid revenue growth during the Track Record Period. As our "Cheshi (網上車市)" brand is well-recognized and popular, we are able to attract users to visit and browse, and automobile advertisers to display their advertisements on our platforms. According to the CIC Report, we experienced a high growth rate for the three years ended December 31, 2019, based on our 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 our main competitors with an average growth rate at CAGR of approximately 0.3% during the same period. For the six months ended June 30, 2020, we generated a revenue of approximately RMB58.9 million. 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, according to the CIC Report. In terms of media-related revenue, we accounted for approximately 2.1% of the top one automobile vertical media platform in 2019.

Leveraging on our flagship brand "Cheshi (網上車市)", we are able to be flexible and innovative with our branding efforts as we have the discretion to utilize our intellectual properties as we see fit in order to cater for changes in market trends. For instance, we established two new channels, namely, "Hao Che Shi (豪車事)" and "Pika Cheshi (皮卡車市)" in 2017 and 2018, respectively, in order to cater for the increasing market demand of luxury cars and pick-up trucks in China. Our "Hao Che Shi (豪車事)" channel publishes luxury vehicle related content tailored for high net worth users, while our "Pika Cheshi (皮卡車市)" channel publishes pick-up truck related content to target users with a specific interest in this niche vehicle category.

Cross-platform collaboration network to distribute content widely in China

We have a cross-platform content distribution network capable of reaching Internet users on a daily basis. We have built up a stable user base in China. The proportion of our user traffic from tier three and below cities in China reached 42.1% in 2019 when compared to the industry average of 30.0% according to the CIC Report. We attribute our solid user base in the tier three and below cities to our collaborations with over 1,000 business partner platforms, which are primarily local web portals, news websites and online forums in those cities. These business partner platforms are recognized by strong regionality and focus on certain group of local users according to the CIC Report. According to the CIC Report, the growth of new automobile sales volume in tier three and below cities is expected to exceed the growth of the sales in tier one and tier two cities from 2020 to 2024.

For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, DUV on our proprietary platform reached approximately 4.1 million, 4.8 million, 4.9 million and 5.2 million, respectively. For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020. DUV on our third party platforms reached approximately 8.1 million, 8.4 million, 9.0 million and 9.1 million, respectively. Our brand name has also given us leverage to establish a cross-platform collaboration network with over 1,000 business partner platforms. 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, according to the CIC Report. Additionally, our websites were visited by our users with an industry-leading 10.6 times per month on average as of December 31, 2019. We began to develop our network with these business partners since November 2015. Our collaboration arrangements prove to be mutually beneficial to each other as our business partners can utilize our PGC to enrich content on their platforms thereby enhancing their user base and engagement, whereas we are able to disseminate our PGC on designated car channels of their platforms and gain access to their user browsing data.

Among our self-developed platform technology, our Picker engine enables us to disseminate our automobile content instantly and simultaneously to over 1,000 business partners platforms including platforms operated by one of the largest telecommunication operators and media operators in China, and reach 5.5 million users. Our Picker engine is also able to carry out data analytics and provide intelligent suggestions by recommending most relevant and customized content directly to our users based on their behavior data. It allows us to distribute our automobile content in large scale with the broadest reach to users. With respect to our Online Advertising Services, for the three years ended December 31, 2017, 2018 and 2019 and six months ended June 30, 2020, we had a total number of 97, 109, 107 and 78 customers, respectively, among which 10, 35, 36 and 30 customers displayed and distributed their advertisements through both of our proprietary and business partner platforms in the corresponding period. For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, the revenue contribution from these customers accounted for approximately RMB0.1 million, RMB7.4 million, RMB12.8 million and RMB15.5 million, constituting 0.8%, 4.7%, 7.2% and 26.4% of our total revenue in the corresponding periods. For details, please see "Financial Information — Description of Major Components of Our Result of Operations — Revenue" and "Risk Factor — We may be unable to develop and maintain our strategic relationship with our business partners and we-media platforms".

Leveraging on our cross-platform collaboration with business partners combined with the use of Picker engine, we believe that we are able to disseminate our automobile content widely over the

Internet in China, enhance the exposure and readership of such content and attract new users to our platforms in a cost-efficient way.

Strong automobile content creation capability with quality and quantity

We have strong automobile content creation capability which enabled us to produce automobile content with quality and quantity. Our users are attracted to our comprehensive and high quality automobile content. We were awarded the "Most Influential Organization" (最具影響力機構) at the China Auto Influence Summit and Award-granting Ceremony (中國汽車影響力峰會暨頒獎盛典) jointly held by Baidu (百度), Baijiahao (百家號) and chinaautonews.com.cn (中國汽車新聞網) for two consecutive years in 2018 and 2019. Please see "— Awards" for awards, recognition for the quality and market reception of our content during the Track Record Period. Our strong content creation capability is predicated on:

Our content team. We have a dedicated team of content creators who play a critical role in the proper functioning of our content creation engine. Our content team comprised of 51 editors as of June 30, 2020. Our key editors generally have over 14 years of editorial experience in the automobile industry. Our content team is led by our founder and executive Director, Mr. Xu who has in-depth knowledge and experience in the online automobile advertising industry. Mr. Xu and our key editors have unique insights in the trends and developments of the automobile market. They provide our content creators with advice on how to improve the commercial value of content creator's works and to meet the evolving tastes and preferences of the target audience. Due to the recognition of our brand and our excellent relationships fostered over the years with various automakers, our content team is able to source first hand automobile data and information from them, such as, information on newly released vehicles prior to their market launch.

Content diversity. The work of our content team covers a diverse range of user interests, such as new vehicle model release, introduction of new vehicle brands to vehicle model and specifications comparison. These cover data and information including automobile quotation, car purchase guide, automobile regulation, imported automobile, domestic automobile, second-hand automobile and car market analysis. Our automobile content is created from our users' perspective, as we strive to deliver value to our users with our high quality automobile content in their automotive search and selection to purchase process.

Quality assurance. Our key editors guide the quality control process of our automobile content. Our key editors work closely with our content team to carry out independent verification on the data and information collected, using their expertise and experience and in accordance with our standardized checking procedure. Our standardized checking procedures primarily include: (i) carrying out direct verification with staff of the automaker, (ii) conducting a cross-check against public information in relation to vehicle model configurations from the official website of the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部), and (iii) carrying out test-drives. The key personnel who is in charge of the verification process is our editor-in-chief who has over 12 years of editorial experience. They strive to ensure the accuracy, consistency, timeliness of such data and information and compliance with legal requirements. We have adopted internal guidelines which set out standards and requirements on various aspects of our content creation and publication.

Quantity scale. We are able to create a large quantity of automobile content in the forms of articles, photos and video clips per year. For the three years ended December 31, 2017, 2018 and 2019

and the six months ended June 30, 2020, we had created approximately 751,320, 808,600, 841,400 and 428,300 content items, respectively.

The automobile content created by us is of high quality and valuable to our users, business partners and customers. They have successfully attracted millions of users to visit our platforms routinely to view our content. In addition, we have established a strategic collaboration with one of the national media platforms in China since 2018, where we have jointly organized the "Ultimate Chinese Vehicles (最強中國車)" series in 2018, where we promoted the brand awareness of domestic automobile brands in China. In 2019, we jointly organized "Tour with Li Bai (跟著李白去旅行) in 2019" with a Germany based automaker, where we promoted the awareness of both the vehicle brand and our Cheshi brand in China with a poetic theme. We consider such collaborations strengthened our own brand and also served as an endorsement of our Group's market position in the automobile industry. We believe we maintain a strong competitive advantage as our content creation ability requires significant time and expense to replicate.

Advertising solutions to attract automobile advertisers

We offer a wide range of value-added advertising solutions to advertising agency, automaker and autodealer customers. We are able to build up a track record of attracting automobile advertisers to engage our Online Advertising Service for advertising solutions that we are able to offer as further detailed below:

Strategy formulation. We assist our customers to conceptualize advertising ideas suiting our customers' needs. For instance, we consolidate our findings in relation to our customers' preferences based on our on-site visits. Based on our in-depth knowledge in the automobile market, we are able to advise our customers of the advertising strategy best suited to our customers' demand and characteristics based on their advertising budgets. We believe this will allow us to build customers loyalty and retain more customers, while attracting new customers seeking effective advertising solutions.

Design and production. Our sales team maintains close communications with our customers to understand their needs, such that our content team can design and repackage their advertisements into easy-to-read slogans with photographs and videos, making them accessible, appealing and effective to our users. We are responsible for production of advertisement, including photo and video shooting and subsequent video editing, as well as overall coordination and management.

Targeted marketing. Our Picker engine drives every aspect of our advertising services. It enables us to analyze user behavior data that we collect and segment user base into numerous dimensions and categories, such as geographical locations and specific automotive interests. It allows us to generate sales leads and carry out effective targeted advertising solutions. For instance, we can assist our customers to place our customers' advertisements to audiences likely to be receptive to their advertisements. We are able to provide accurate data to our customers detailing the exposure data of their published advertisements being viewed by users on our platforms. Our customers can evaluate the effectiveness of their advertisements and refine their future advertisement strategies.

With our value-added advertising solutions and our in-depth knowledge of the online automobile advertising market, we believe we are able to attract new customers to engage our advertising services, thus increasing our revenue and profitability.

Professional and Experienced Management Team

We benefit from the leadership of a strong management team with relevant professional work experience, proven execution capabilities and an extensive knowledge of China's online automotive information and advertising markets. We are led by our founder and executive Director, Mr. Xu, who has over 16 years of experience in the online automobile advertising industry and is one of the pioneers of the automobile vertical media operator in China. Mr. Xu's active involvement in our daily operation, management and strategic planning has established a strong foundation for our success. Our executive Directors, Ms. Suo Yan, has over 20 years of experience in the automobile and media industries, Mr. Liu Lei has more than 16 years of experience in the sales and marketing and the Internet industry, and Mr. Zhu Boyang has more than 10 years of experience in the financial industry. In addition to our experienced and dedicated senior management team, other members of our Group also have notable experience and take active roles in key aspects of our operations, including automotive and IT. Please see ''Directors and Senior Management'' for further details.

OUR BUSINESS STRATEGIES

We intend to maintain and further our success and market position in China by implementing the following strategies:

Solidify our market position in the automobile vertical media advertising industry

In order to solidify our market position in the automobile online advertising industry, it is our plan to:

Enhance quality and quantity of our PGC. We plan to further improve the quality and quantity of our PGC in order to attract more viewers, and hence source more user traffic to our platforms. We intend to further enhance our content creation capability by expanding our content team and recruiting experienced editors and talented personnel. They intend to assist in creating contents in new listing of automobile brands and models, testing and comparison of automobile specifications and creating articles for automobile car users in relation to automobile products covering insurance, loans and other daily automobile usage related contents. Some of these new hires would be working in the video production team. The function of this video production team is to produce more videos to enrich the PGC, covering automobile video shows on new automobile listing and vehicle comparisons, automobile usage and maintenance and video editing. By continuing to invest in our content creation capability, we believe that we are able to solidify our market position in the automobile vertical media advertising industry.

We also plan to collaborate with KOLs for access to their followers. The collaboration arrangements will primarily include using KOLs' platforms to distribute our automobile contents. The arrangement also includes distributing KOL's content on our Company's platforms. For the three years ended December 31, 2017, 2018 and 2019 and six months ended June 30, 2020, we entered into nil, three, one and eight KOL contracts, and our expenses paid under these KOL contracts were nil, approximately RMB104,000, RMB7,000 and RMB127,000 in the corresponding period. Our existing collaboration arrangements with KOLs generally include: (i) the KOLs would cooperate with us to produce automobile contents, such as videos clips in which the KOLs would appear as a host, and we can leverage on their reputation and influence on their followers; and (ii) the produced automobile contents would be displayed and distributed both on our platforms and channels designated by the KOLs. The major terms of our collaboration with KOLs typically include: (i) *KOL contents:* with

respect to the automobile contents created, our Company has the right to review and provide suggestions to the KOLs to revise and change them as we see fit; (ii) *Payment terms:* we pay our fees to KOLs by way of two installments, with first installment to be paid when we first enter into such arrangement; and second installment to be paid upon the completion of the automobile content production; (iii) *Liability:* We shall ensure that the KOLs are not required to involve in any dangerous, violent, unlawful and inappropriate activities during their hosting and content production, whereas the KOLs shall ensure their involvement in hosting and content production would not result in any legal claims and liabilities, failing which the KOLs shall compensate us. Our customer may request to cooperate with a specific KOL in their advertising campaign but such occasion is very rare and Company considers such is immaterial to overall business of the Online Advertising Services. The key criteria in our selection of KOLs include: (a) their level of popularity and reputation in the automobile industry; (b) the quality and quantity of their automobile content; (c) the number of their online followers.

We are going to negotiate with a number of KOLs who satisfy the above criteria. Through such collaborations, we are able to improve our user experience on our platforms and will be able to further attract their followers to our platform, thereby enhancing our user traffic. We believe that there is no impediment to renew our collaboration with the KOLs because we maintain positive relationship with the KOLs and we did not have any material disputes with them or encounter any material claims in our collaboration and contents produced by the KOLs during the Track Record Period.

Strengthen the collaboration with our business partners and expand our geographical coverage and user base.

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, according to the CIC Report. In terms of media-related revenue, we accounted for approximately 2.1% of the top one automobile vertical media platform in 2019. Additionally, our websites were visited by our users with an industry leading 10.6 times per month on average as of December 31, 2019. To increase our content exposure and potentially redirect more new user traffic to our platform, we plan to strengthen our collaborative relationships with our existing business partners as well as to attract new business partners with quality platforms and high user traffic. For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, we had 38, 35, 27 and 26 business partners that entered collaboration agreements with us and distributed our automobile contents on 628, 627, 1,019 and 1,043 business partner platforms for the corresponding periods. We plan to collaborate with more business partners who possess considerable user traffic on their platforms and have overall good quality contents and/or utilization functions displayed on their platforms, including (1) localized platforms in tier three and below cities; (2) financial institutions; and (3) mobile Internet platforms.

While the coverage of our Company's proprietary platform, such as Cheshi.com, extends to a national level with deeper penetration by adopting a targeted and precise marketing strategy to provide more customized contents and attract more audience in the cities of different tiers. Approximately 42.1% of our user traffic was derived from tier three or below cities whilst approximately 57.9% of our user traffic was generated from tier one and tier two cities. According to the CIC Report, it is expected that the automobile marketing services market in local regions have a large growth potential in next five years. As automobile sales market is expanding at the highest growth rate in tier 3 and other cities in China, marketing expenditures start to be allocated to these regions with more tailored media

services for a specific range of target audience. Moreover, the coverage of traditional automobile media platforms in tier three and lower cities is still relatively insignificant compared to that of tier one and two cities in China, leaving a huge potential market for online automobile new media platforms like the Company which has a user base in these regions and is able to provide targeted and more customized contents to attract more user traffic. For such reasons, our Company's future strategies will cover both on the national level, but also with dedicated efforts in certain tiers of cities in order to increase both the depth and the breadth of our content coverage. We will target the distribution of our automobile contents in tier three and below cities by collaborating with our business partners, which operate local platforms at these regions frequently visited by users residing in those cities. According to the CIC Report, our Company is one of the few leading automobile vertical media platforms that have foreseen the large market opportunity of emerging automobile marketing service market in tier three and below cities, and established sufficient and stable user base in these regions with targeted content.

Enhance our brand awareness by promotion and advertising. It is our plan to continue to promote our brand awareness and market presence through marketing campaigns, including promoting our proprietary platforms through we-media platforms, outdoor advertising, and participating in auto shows, conventions and auto forums. The promotion primarily includes advertisements on a number of residential and commercial districts in first tier cities. During the peak season (such as July to December of each year) and holiday season (such as the Chinese New Year), the promotion will be conducted by advertising the Cheshi brand on signage and billboard in medium to high-end commercial buildings and residential apartments where people in proximity tend to have more purchasing power in automobiles. When identifying the locations, we take into account factors including advertisement space availability, mass traffic, spending power and other related costs. Furthermore, we will increase our participation in automobile shows, conventions and forum events in regional and overseas cities. The Company will increase its participation in automobile shows, conventions forum, and other related events in regional and overseas cities. Our Company typically participated in four automobile shows and one forum event each year during the Track Record Period. We aim to participate in two automobile shows in 2021, two show and forum events in 2022 and one automobile show in 2023 in addition to the number of such events participated annually. These additional event participations will relate to regional or overseas automobile shows in 2021, 2022 and 2023. By doing so, we expect that the promotion efforts will allow us to build our brand image and enhance our market profile more quickly and easily.

We plan to hire business development staff. They will be primarily responsible for promoting the Cheshi brand, identifying and sourcing new business partners for business collaboration. Business development team perform marketing function which differs from sales team and transaction facilitation service team who perform sales function.

Capture new customers and business opportunities. Based on the CIC Report, the automobile vertical media advertising industry in China has experienced a period of rapid growth over the past five years where the market size increased from approximately RMB7.2 billion in 2015 to approximately RMB14.5 billion in 2019, representing a CAGR of 18.9%. In order to unlock the potential of China's

growing automobile vertical media advertising industry, we intend to expand our geographical coverage in China by expanding our regional sales team.

We plan to increase our penetration in the selected regions in China, by opening and operating new sales offices in Chengdu and Beihai. According to CIC Report, both Chengdu and Beihai are favorable for development of our expansion plan due to: (i) traditional automobile industrial clusters in both Sichun and Guangxi, renowned automakers with high productivity, (ii) relatively low labor cost, and (iii) supportive governmental policies to boost auto consumption, including preferential taxation and subsidies to development of new energy vehicles, local government subsidies for fossil fuel vehicles, especially vehicles with the China VI emission standard, as well as sending vehicles to rural areas, etc. Opening new sales offices in Chengdu and Beihai and putting them in full operation is expected to broaden the sales network with regional automakers and enhance cooperation relationship with them. As of the Latest Practicable Date, we had established offices and maintained full operation in Beijing, Shanghai and Guangdong. The establishment and operation of new offices in Chengdu and Beihai allows us to expand our regional presence and coverage in south-western and southern provinces in the PRC. Such offices will be principally responsible for sourcing service orders and promoting our services to customers based in such regions, closely liaising with our direct customers and end customers to understand their preference and formulating advertisement services to meet their demands, arranging events to facilitate sales and transactions for autodealers and insurance companies, and attracting and hiring local talented personnel.

Furthermore, we plan to expand our sales and marketing team. They will be assigned to our existing offices in Beijing, Shanghai, Guangdong, and new offices in Chengdu and Beihai. Our Company plans to assign 2 sales team staff in Beijing, 2 sales team staff in Shanghai, 1 sales team staff in Guangdong, 3 to 5 sales team staff in Chengdu and 3 to 5 sales team staff in our Behihai office. The new hires of the sales team will be primarily responsible for reinforcing our sales efforts by sourcing new customers and advertising business, maintaining customer relationships, and understanding the needs of our customers, which will be crucial to increase our revenue generation. They will also conduct market research, monitor market trends and customer preferences and answering customer feedback. Our Company intends that these new hires will reinforce the existing function of current sales and marketing team, who will continue with our present functions.

Extend our customer base to include automobile aftermarket service companies. Based on the CIC Report, the market size by premium of the automobile insurance market in China increased from RMB620.1 billion in 2015 to RMB818.8 billion in 2019, representing a CAGR of 7.2%. The automobile insurance market is projected to reach approximately RMB978.4 billion by 2024, representing a CAGR of 3.6%. 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%, and is projected to reach RMB27.1 billion by 2024, representing a CAGR of 5.1% from 2019 to 2024. According to the CIC Report, the retail automobile finance market has increased significantly over the past five years. The market size of newly issued loans increased from approximately 7.1 million units in 2015 to approximately 10.9 million units in 2019, representing a CAGR of 11.3%. It is expected that the market will continue to expand robustly throughout the next five years to reach approximately 16.2 million units in 2024, representing a CAGR of 8.4%. We believe that the automobile aftermarket service industry in China, such as automobile insurance and finance, offer significant market opportunities and we are well-positioned to capitalize on such anticipated growth.

Although our Transaction Facilitation Service commenced in October 2018 and contributed approximately 0.1%, 1.4% and 0.3% of our total revenues for the years ended December 31, 2018 and 2019 and the six months ended June 30, 2020, respectively, we believe our Transaction Facilitation Service offers potential for expansion, and we have experienced a substantial increase on the monthly average basis from one event for the three months ended December 31, 2018 to 8.3 events for the year ended December 31, 2019. For the six months ended June 30, 2020, we only completed seven group-purchase events due to the effects of the government measures imposed as a response to the COVID-19 outbreak. As of the Latest Practicable Date, the operation of the Transaction Facilitation Service had been in recovery as, according to the CIC Report, there had been an an overall recovery of the automobile-related transactional services within the months after June 30, 2020. It is our strategy to further expand the target customer types and the geographical coverage of the Transaction Facilitation Service. We intend to recruit 30 in 2021, 30 in 2022 and 20 in 2023 transaction facilitation service staff, additional to our existing transaction facilitation service team comprising 5 staff as of the Latest Practicable Date. They will be assigned to conduct the Transaction Facilitation Services in major sub-tier one and two cities[(1)] in the PRC. Save for Beijing, Shanghai and Guangzhou where we already have physical presence with full operation, we plan to setup local representative offices in major cities nationwide to further expand our Transactions Facilitation Services, and it is planned to allocate 2 to 3 transaction facilitation service employees in each local representative office. It was estimated that that 25 to 30 local representative offices will be setup in sub-tier one and tier two cities by 2023. We will replicate the existing model of our Transaction Facilitation Service to apply into the targeted cities where our new hires of the transaction facilitation service team staff will be assigned to carry out the Transaction Facilitation Services for customers. To expand the service scope, we intend to strengthen our Transaction Facilitation Service by increasing our promotion projects of group-purchase events in different cities of China for automobile aftermarket service companies, such as potential automobile insurance and financial institutions. We believe that our market presence, brand awareness and user base established under our existing business model will enhance our attractiveness to these potential automobile aftermarket service customers.

We intend to apply approximately **[REDACTED]**% of the **[REDACTED]** totaling HK$**[REDACTED]** from the **[REDACTED]** and HK$**[REDACTED]** of our own funding to solidify our market position in the automobile online advertising industry. For details, please see "Future Plans and **[REDACTED]**".

Strengthen our R&D, further enhance our IT systems and develop innovative products

Recognizing our technology capabilities as one of the key driving forces behind our growth, we are dedicated to strengthening our R&D capabilities in the following aspects:

We plan to optimize the Picker engine. The Company's existing Picker engine is featured with simultaneous distribution function to disseminate automobile contents to its proprietary and business partners platforms. As of the Latest Practicable Date, the Company's content to be distributed on its proprietary and its business partners' platforms are substantially standardized, that is, the automobile contents to be distributed through the Picker engine are generally the same. By optimizing

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(1) Major sub-tier one includes Chengdu, Hangzhou, Chongqing, Wuhan, Xi'an, Suzhou, Tianjin, Nanjing, Changsha, Zhengzhou, Dongguan, Qingdao, Shenyang, Ningbo, Kunming, and tier two cities include Wuxi, Foshan, Dalian, Fuzhou, Xiamen, Hefei, Nanchang, Guiyang, Nanning and Taizhou. Such classification is based on five criteria including the concentration of commercial resources, connectivity, urban residents' activity, diversity of life and future predictability. It has become a trend for more companies in the industry to turn to this city-tier system to gain a preliminary understanding of selection of cities suitable for their business plans as their major operational costs are highly related to a city's classification. They tend to use these categories to discover opportunities in lower tier cities with a larger proportion of the affluent middle class in the long run.

the data analytics in the Picker engine, the Company targets to enhance the technologies into Picker engine specifically to allow it to customize the automobile contents to be distributed in accordance with the platform designs and interface of its business partners. By doing so, the capability to distribute automobile contents to the users who are most receptive to such contents would be enhanced by making the dissemination more accurate and efficient and making the display of contents more appealing and user-friendly at business partners' platform. To implement the optimization, we will hire computer personnels having experience in data analytics, system upgrade and R&D.

We intend to enhance our IT systems infrastructure. To cater for increasing user traffic and time volume spent on our proprietary platforms, we plan to upgrade our IT systems infrastructure by the purchase of computer servers. They will be used to replace less advanced servers and to maintain user traffic, support data processing in our monitoring and content management system, and to cater for our increasing use of video for our automobile contents and advertisements in the future. We also need to hire server technicians by 2023 to handle the daily operation and maintenance of such computer servers. We believe that the enhancements to our IT systems will strengthen our platform processing time and further reduce risks associated with data congestion or breakdowns in our IT systems and allow us to operate efficiently and effectively.

We will continue to develop innovative and effective products and services to meet the evolving needs of our users and customers. Our R&D team is dedicated to developing new technologies, websites, Apps and tools on our platforms in order to provide our users and customers with new experience and interaction. For instance, we launched our "Hao Che Shi (豪車事)" and "Pika Cheshi (皮卡車市)" channels in 2017 and 2018, respectively; we relaunched our Cheshi App in 2016; and we launched Cheshi Bao (車市寶) in 2017. It is our plan to launch the following major functions and tools by 2023:

- Vehicle Owner Service (車主服務): New function for users interested in vehicles replacement. It provides information to such users to facilitate their vehicles replacements, such as specification and functions of the new vehicles and other information, such as records on fueling and charging piles, historical contraventions, annual fee payment, car maintenance, car wash, car repair, car insurance and second-car evaluation.
- Cheshi Hao (車市號): New function that provides users' ranking and ranking to our original PGC (including videos) on our platforms.
- Cheshi Mall (車市商城): Membership system primarily providing services for the vehicle users. Members are rewarded with points by contributing good quality and quantity of UGC, comments and "like" clicks on others' UGC. Members can redeem the rewarded points (with cash) for vehicles services and gift products, such as, fuel cards.
- Cheshi VR (車市Virtual Reality): A new function on our platform for users to browse vehicle models by use of virtual reality.

We plan to hire computing programmers to manage the research and development for the above products, tool and system, including program coding and development, interface design and testing. For the ongoing maintenance of such newly developed products, tools and systems, the Company plan to incur maintenance costs of approximately HK$1.7 million in 2021 and HK$3.9 million in 2022. We also intend to promote our new products, systems and tools by using advertising services from third party service providers. We plan to promote our platform by placing advertisements on platforms with high user traffic, in particular, the launching of our newly developed applications to attract their users

to download and register as our users. The Company intends to promote new products, systems and tools by using advertising services including click-per-cost and so forth, from third party service provider Baidu, such as, renowned platform operators with massive user traffic.

We will continue to develop and upgrade our websites and App such that we can provide more comprehensive automobile selection tools, car owner services and other automobile aftermarket functions.

Our R&D expenses were approximately RMB4.8 million, RMB7.8 million, RMB12.5 million and RMB3.3 million for the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. In order to realize our business expansion plan, we intend to increase our R&D expenses and apply approximately **[REDACTED]**% of the **[REDACTED]** totalling HK$**[REDACTED]** from the **[REDACTED]** and HK$**[REDACTED]** of our own funding to strengthen our technology development capabilities, enhance our IT systems and develop innovative products. For details, please see "Future Plans and **[REDACTED]**".

Selectively pursue strategic alliance, investment and acquisition opportunities

While we continue to expand our business through organic growth, we may evaluate and selectively pursue strategic alliance, investment and acquisition opportunities across the automobile value chain to complement our existing services and strategies when such opportunities arise. In our pursuit of such opportunities, we plan to focus on opportunities that complement or enhance our existing operations and contribute to our long-term growth. Our search criteria for suitable targets include PGC producers and we-media advertising companies with (i) capability to produce content with good quality and quantity that can supplement and enrich our PGC, such as daily vehicle usage and maintenance, new energy vehicles and used vehicles; (ii) have good user traffic; and (iii) in sound and stable financial condition.

We believe that our relationships with many industry participants and our knowledge of and experience in the online automobile advertising industry in China will assist us in making sound investment and acquisition decisions.

We have recently completed the subscription of a 15% equity interest in Leikewo in March 2020, which has not commenced business operations as of the Latest Practicable Date. It is intended that its primary business relates to the production of automobile PGC. Save as the abovementioned, we do not, however, currently have any confirmed investment or acquisition plans or targets as of the Latest Practicable Date but the Company will closely monitor the future development of investment targets for potential investments.

According to CIC Report, there are at least 20 potential targets that satisfy the above investment criteria and are within our investment scale.

We intend to apply approximately **[REDACTED]**% of the **[REDACTED]** totalling HK$**[REDACTED]** from the **[REDACTED]** and HK$**[REDACTED]** of our own funding to this regard.

OUR BUSINESS MODEL

We are a fast-growing online automobile vertical media platform[(1)] in China that creates comprehensive automobile content and distributes them across our proprietary and over 1,000 business partner platforms to create user traffic which in turn attract automobile advertisers to use our advertising services.

Our revenue is substantially generated through our provision of Online Advertising Service to our advertising agency, automaker and autodealer customers for mainly brand promotion, new automobile model releases and sales promotions to our users during the Track Record Period. We also generated a relatively small amount of revenue from our provision of Transaction Facilitation Service. As customary in the online advertising industry, we do not derive our revenue directly from our users. Instead, we serve as a platform where advertising agency, automaker and autodealer customers are able to place automobile advertisements to our users who, we believe, are the most receptive to such advertisements.

The crucial factors that drive success in our business primarily include: (i) creating high quality automobile content; (ii) distributing our content through our distribution channels to as many users as possible, thereby creating a large pool of active users and high user traffic; and (iii) servicing automobile advertisers to place advertisements targeted to users through our proprietary and business partner platforms.

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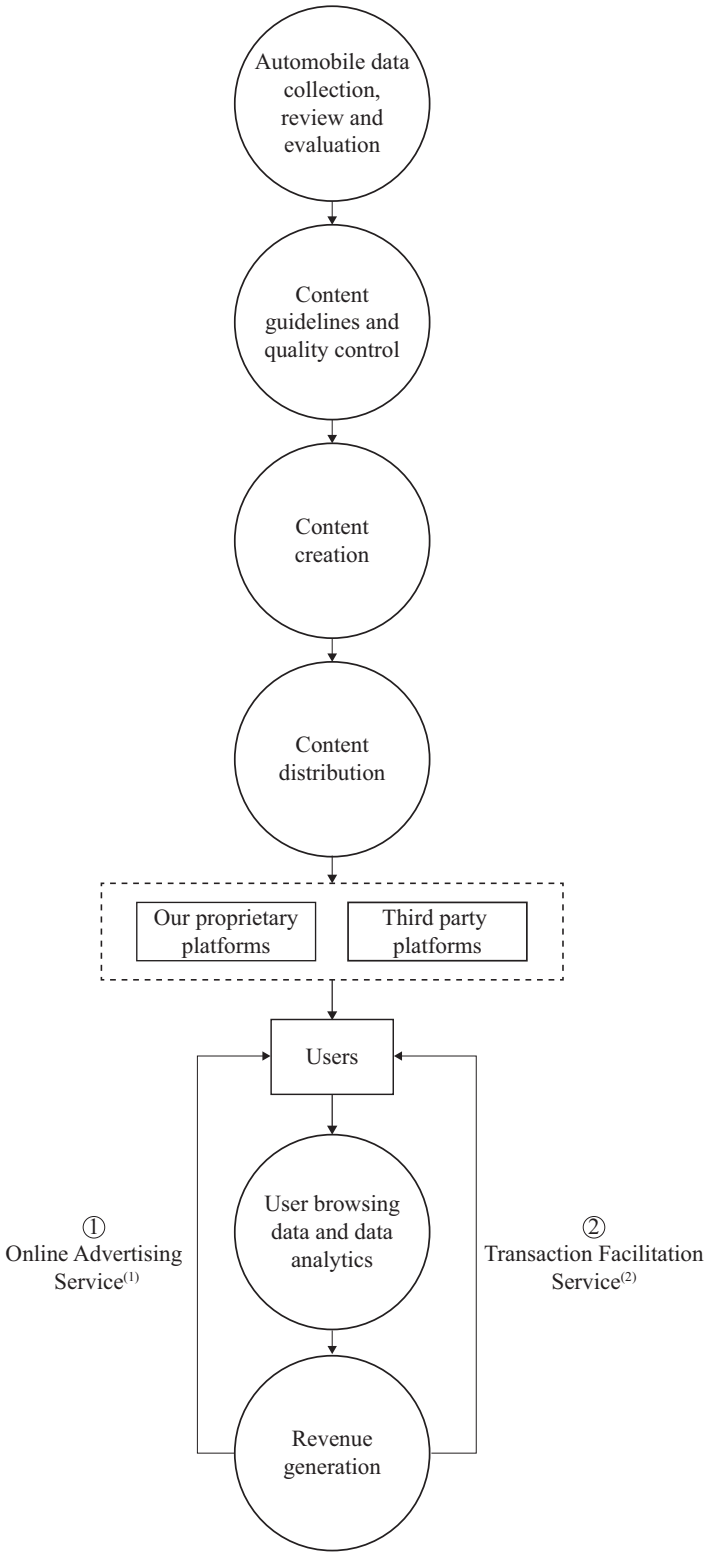
(1) *According to the CIC Report, "automobile vertical media platforms" is a sub-category of the automobile online advertising services providers. They refer to online platforms that provide services to both auto consumers and automakers. For auto consumers, these platforms provide automobile lifecycle services, such as, auto purchase guidance, new-auto transaction, after-market services, and auto replacement. Based on the accumulated user behavior data, they provide integrated marketing services to automakers, auto dealers, and other value-added service providers in order to earn revenue. They are able to raise brand awareness, manage client relationships, and strengthen customer loyalty. Automobile vertical media platforms produce high-quality car-related PGC, and distributes PGC, UGC and other automobile-related information through diversified mediums, such as, social media, video streaming and news aggregator to reach broad customers base. We position ourselves as an online automobile vertical media platform, as our contents are mainly displayed in the forms of PGC and UGC through diversified mediums, our business model distinguishes from other automobile online advertising services providers such as search engines, e-commerce platforms, video stream platforms, social media, port web and news aggregators.*

The following flowchart illustrates the major components of our business model:



Notes:

(1) For the Online Advertising Service, our customers comprise of advertising agencies, automakers and autodealers.

(2) For the Transaction Facilitation Service, our customers comprise of autodealers and an insurance company.

CREATION OF AUTOMOBILE CONTENT

One of the core components of our business model is to create automobile content that deliver value to our users in their automotive search and selection to purchase process. Our creation of automobile content involves the following major processes:

Automobile data collection review and evaluation

Our content team collects automobile data and information from multiple sources. One of the major sources is to obtain data and information from our automaker customers. As we maintain good relationships with our automaker customers, we are often invited to carry out automobile test drives and we are able to obtain latest data and information on newly released vehicles prior to their market launch. We also collect automobile data from other sources, for instance, our autodealer customers provide us with the latest automobile pricing information.

After we collect automobile data and information, our content team conducts independent and professional verification on them based on their expertise and experience, rather than simply relying on data and information provided by our automaker and autodealer customers. We have measures in place to ensure the data and information collected by us are legally sourced, reliable and not false. We have developed standardized checking procedures to ensure the accuracy, consistency and timeliness of such data. Such procedures include: (i) carrying out direct fact verification with staff of the automaker, (ii) conducting a cross-check against public information in relation to the vehicle model configurations from the official website of the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部), and (iii) carrying out test-drives. The key personnel who is in charge of the content verification process is our editor-in-chief, who has over 12 years of editorial experience.

Content guidelines

Once we are satisfied with the collected data and information, our content team creates automobile content in accordance with our internal guidelines. To streamline our content creation process, we have adopted internal content guidelines that set out the requirements from content details, image size, publication time to angle of photos taken. These guidelines also set out the requirements to comply with applicable advertising laws in the PRC. In order to maintain quality control, we do not publish automobile content that do not meet these requirements or comply with applicable advertising laws in the PRC. Our quality control procedures generally include: (i) assigning key editors including our editor-in-chief to review the contents covering accuracy and topic selection each time prior to publication; (ii) contents that fall short of the quality standards or legal requirements, such as intellectual property infringements and violation privacy of personal data, are removed. For example, articles containing any distressing, violent or politically polarizing content are deleted; (iii) the revised contents are further reviewed against data accuracy, and legal compliance by the key editors for final approval and distribution; and (iv) the content review, revision and approval results are properly filed and retained for records. We have implemented a two-step review system in that all applications for publishing contents submitted by content team must be reviewed by our key editors, and then approved by our intellectual property team (and by the head of legal department if involving complex or legal issues) to ensure that all activities must comply with relevant laws and regulations. Please see "Internal Control — Publishing and distributing measures" for details of our review system. As of the Latest Practicable Date, we had two key editors including our editor-in-chief who were responsible for reviewing the contents submitted by the content team and both of them have over ten years of editorial experience.

Content creation

Our automobile content includes any combination of articles, video clips and pictures. They generally cover vehicle photos, suggested retail prices, summary of new vehicle launches, comparisons between similar vehicles with detailed description of exterior and interior specification and features. We strive to present our automobile content from our automobile users' perspective. The majority of our automobile content currently covers the categories of passenger car and pick-up truck.

Our team

Our content team is led by Mr. Xu, our founder and executive Director, who has over 16 years of experience in the online automobile advertising industry in China. For qualification and experience of Mr. Xu, please see "Director and Senior Management". As of December 31, 2017, 2018, and 2019 and June 30, 2020, our content team was comprised of 58, 63, 67 and 51 members, respectively. The increase of staff in our content team for each of the three years ended December 31, 2019 was mainly to enhance our video production capabilities and the decrease during the six months ended June 30, 2020 was primarily due to ordinary turnover of staff, which was partially offset by the hiring of new staff, and we had been in the process of trying to recruit more replacements in the months after June 30, 2020.

UGC

Our UGC is derived from users in the automobile community which is a user function launched by us in February 2018. Fellow users can share a wide range of automotive views and experience, such as, driving experience and usage in that function. Our users are strictly required to follow our internal guideline in posting their contents on our platform. In particular, our internal guideline prohibits the posting of inappropriate contents which include, among others, sexual, crude, violent, false, and unlawful articles. Where we discover a serious breach of our internal guideline, we will either reduce the credit score of the user, prohibit the user from posting further contents on our platform or ban the user's account permanently. As our automobile community only commenced in 2018, we anticipate that the quantity and depth of UGC will increase over time. Please see "Our Platform—Our user community" in this section for details.

As of the Latest Practicable Date, as our users are required, upon account login, to agree with the terms that their posts must not contain any contents which include violent, false, unlawful or of inappropriate nature. In particular, the users are required to agree on the term that if any of their contents posted on our platform are found misleading, unlawful or inappropriate, they would be held liable and need to compensate us for any claims and losses. Our automobile community was installed with a language filter function which is set to automatically filter and block any UGC contents on an ongoing basis that contains certain words that relate to unlawful, violent and inappropriate matters as stored on our word filtering database. Users who contravene such term will have their credit score deducted and may be banned from login into their user accounts permanently. Our IT team will monitor and maintain the proper working of the filter function on an ongoing basis and update our word filtering database from time to time. Furthermore, every time our users post an article on our platform, such article will be reviewed and screened by us on a real-time basis against our word filtering database before they can be published on our proprietary and third party platforms. On this basis, our Company is of the view that it is not exposed to potential legal liability and claims for any material inaccurate or misleading UGC contents posted on our proprietary and third party platforms.

The following table sets out the approximate yearly statistics of content produced by us during the Track Record Period:

	Year ended December 31,			Six months ended June 30,
	2017	2018	2019	2020
Articles	617,000	663,000	698,000	354,000
Photos	134,000	144,000	141,000	72,000
Videos[1]	320	1,600	2,400	2,300
Total[2]	**751,320**	**808,600**	**841,400**	**428,300**

Notes:

(1) For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, we substantially increased our production of videos. According to the CIC Report, tech-based online media represented by online video platforms are attracting more audience to access updated information as digital media have become the major channel of news and entertainment for Internet users in China since 2016. The growing popularity of video and interactive content is due to their enhancement in user acquisition and increasing daily view time of users.

(2) Generally, when our automobile contents, including articles, photos and videos, are published on our proprietary platforms, they are simultaneously displayed and updated on platforms operated by our business partners. In some instances where our business partner requests, we may enter into specific arrangements with certain business partners that only selected type of automobile contents from our proprietary platforms would be distributed to the platforms operated by our business partners. As of the Latest Practicable Date, we had 26 business partners in which 22 of them have full display of our automobile contents on their platforms while 4 of them have only partial display of our automobile contents on their platforms.

The following are examples of our automobile articles created by our content team:

Automobile-related review articles

The following are examples of our automobile video series produced by our content team during the Track Record Period:

Automobile-related short videos(1) and live stream

The following are examples of video created by our content team for our customer that featured the performance and specifications of a newly launched vehicle model.

Automobile-related video clips

Notes:

(1) "Anding Che Ji 30 years (安定車記30年)" is a 85-episode documentary series produced by us in collaboration with Mr. Li Anding, who is known as one of the prominent KOLs in the automobile industry in China.

(2) Our content team produced these automobile video series, short videos, live stream and video clips with different KOLs and have them displayed on the KOL's and our platforms after completion.

DISTRIBUTION OF AUTOMOBILE CONTENT

The foundation of our business is predicated on our ability to acquire user traffic. We have formulated strategies to effectively distribute our automobile content to as many users as possible which, in turn, leads to the broadest possible exposure and readership of our automobile content. We primarily distribute our automobile content through our proprietary platforms and third party business partner platforms.

Distribution through proprietary platforms

Our proprietary platforms consist of PC websites, mobile website and App. We operate and maintain our main "Cheshi (網上車市)" website, with two channels and their corresponding websites, namely, "Hao Che Shi (豪車事)" and "Pika Cheshi (皮卡車市)". "Cheshi (網上車市)" was our first and main website and it was launched in 1999. As the number of our users continues to increase, we subsequently rolled out "Hao Che Shi (豪車事)" channel and its own website in July 2017 and "Pika Cheshi (皮卡車市)" channel and its own website in July 2018 where these platforms serve as an effective means for us to disseminate our automobile content to a diverse range of users who have unique needs and interests. For example, our "Hao Che Shi (豪車事)" channel was built to cater for high net worth users with specific interest in luxury vehicles. Our automobile contents distributed in "Hao Che Shi (豪車事)" website are customized for users who can afford a larger budget for their car purchase, whereas those in "Pika Cheshi (皮卡車市)" are catered for users with a specific interest in the niche vehicle category of pick-up trucks. To enhance our user experience and engagement, these platforms are equipped with platform tools for our users. For details of our platform tools, please see "Our Platform — Our proprietary platform" and "Our Platform — Our platform tools" in this section.

Distribution through third party platforms

It is our distribution strategy to disseminate our automobile content through third party platforms in addition to our propriety platforms.

We have entered into collaboration agreements with our business partners, and developed a network of over 1,000 business partner platforms and 12 we-media and webcasting websites, including platforms operated by one of the largest telecommunication operators in China and numerous media operators. When selecting our business partner, one of the main criteria we consider is whether it possesses the ability to generate user traffic on which we can leverage to enhance the readership of our automobile content. Our network of business partners is characterized as follows:

Scale. Our business partners include one of the largest telecommunication companies, with platform whom we have established business relationship since 2017, and numerous major media operators with sizeable user traffic in China which contributed approximately 4.7 million, 5.0 million, 5.5 million and 5.6 million DUV to our Company for the years ended December 31, 2017, 2018 and 2019 and six months ended June 30, 2020, respectively. Their users are able to access our content through the automobile channels displayed on their platforms. Their users can also be redirected to our platforms through the business partners' website links thereby enlarging our user base.

Diversity. Our business partners platforms primarily comprise four types, namely (i) communications operator integrated website; (ii) financial institution websites; (iii) key local news integrated websites; and (iv) local newspaper websites. We believe they have diversified user base including those who are interested in high quality and up-to-date automobile related information.

Coverage. Our business partners have strong coverage spanning over different Internet channels in China.

For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, we had 38, 35, 27 and 26 business partners that entered into collaboration agreements with us and distributed our automobile contents on their platforms. The following table sets forth changes in the number of our business partners in the PRC during the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2017	2018	2019	2020
Number of business partners at the beginning of the period	26	38	35	27
Number of business partners newly engaged	15	4	2	2
Number of business partners terminated	3	7	10	3
Number of business partners at the end of the period	**38**	**35**	**27**	**26**
Number of business partner platforms as at the end of the period	**628**	**627**	**1,019**	**1,043**

During the Track Record Period, we newly engaged 23 business partners and terminated 23 of the collaboration arrangements with our business partners in China. The additions of our new business partners during the Track Record Period were primarily due to our continuous efforts in expanding our collaborative network of business partners platforms, whereas the terminations of the collaborations with our business partners during the Track Record Period were primarily due to expiry of the relevant collaboration agreements or changes in the internal policies of those business partners in relation to publishing external content on their platforms. Three of our business agreements with our business partners will expire in 2020

and we expect six and nine of our business agreements with our business partners to expire in 2021 and in 2022, respectively. The Company is currently in negotiating with those business partners with collaboration expiring in 2020 and will enter into new collaboration agreements with them if the terms are acceptable. Our Directors confirm that we did not have any dispute with any of the business partners that have been terminated, and we did not receive any formal written complaint from them during the Track Record Period. Notwithstanding the numbers of our business partners decreased from 38 in 2017 to 26 in 2020, we were able to increase the number of our business partners platforms from 628 in 2017 to 1,043 in 2020, because we paid particular attention to each business partner as to the number of platforms it operates and the level of user traffic it can bring to us, so as to ensure that the number of platforms operated by our new business partners and the expected level of user traffic exceed those operated by the terminated ones. In particular, we have established collaboration relationships with a prominent we-media platform and three leading financial institutions in China in 2019 and 2020, which have enhanced the exposure of our automobile-related content. It is our strategy to expand our network of business partner platforms with a focus on those with more quality platforms and high user traffic. As of the Latest Practicable Date, the majority of our business partners were consisted of media news platforms operator.

Our business partners primarily operate (i) communications operator integrated websites; (ii) financial institution websites; (iii) key local news integrated websites; (iv) local newspaper websites. We also work with 12 we-media and webcasting websites. We are able to negotiate on a relatively low costs to be paid to our business partners as one of the contributing factors to such cost-effectiveness is the benefit brought from us to such platforms via our automobile contents provided, which help enrich the content of such platforms. We also provide our business partners with access to our automobile database. Such benefits allowed us to engage in relatively competitive fees that are not generally offered to others. For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, the costs paid by us to our business partners in relation to distribution of content through third party platforms were approximately RMB1.4 million, RMB2.9 million, RMB2.4 million and RMB0.8 million, respectively. The increase in such costs from the year ended December 31, 2017 to the year ended December 31, 2018 was primarily due to the Company entering into a number of new major business partner agreements, namely, a state-owned video platform, one of the largest telecommunication operators and a provincial newspaper platform. The decrease in such costs by 17.6% to RMB2.4 million in the year in 2019 was primarily due to the termination with three major business partners with collaboration fees totaling approximately RMB245,000 and decrease of collaboration fees paid to a major business partner by approximately RMB95,000 due to change of our business strategy in 2019. For the six months ended June 30, 2020, our costs paid to our business partners was RMB0.8 million, as costs paid to Business Partner F decreased in the first half of 2020, in which a new collaboration agreement was entered into between Business Partner F and us, which is relatively more cost-effective. The consideration paid to such business partners under the collaboration agreements are determined at an arm's length negotiation, having taken into account of the following:

(a) the reputation, influence and number of platforms operated by such business partner;

(b) the level of user traffic of their platforms, such as page views and DUV that can be brought to our automobile-related contents. In particular, the user traffic on which we can leverage to enhance the extent of readership of our automobile content and our user base;

(c) the coverage of the platform; whether it is of the level of province (*省級別*), provincial capital city (*省會城市*), prefecture-level city (*地級市*) or below such as local sites (地方站點). Where the business partner offers a high coverage level, higher charges would be incurred by us; and

(d) the need for automobile-related content for the users of their platforms.

Considering the above factors and based on the negotiated terms set forth in the collaboration agreements, we normally pay the consideration (which is typically calculated as a lump-sum figure instead of a percentage) to our business partners either monthly, quarterly or by a two-staged payment.

For the three years ended December 31, 2017, 2018, and 2019 and the six months ended June 30, 2020, the transaction amounts with our five largest business partners contributed approximately RMB0.7 million, RMB1.5 million, RMB1.5 million and RMB0.5 million, which accounted for approximately 4.0%, 7.1%, 5.0% and 5.5% of our cost of providing services, respectively. For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, the transaction amounts with our largest business partners accounted for approximately RMB0.4 million, RMB0.8 million, RMB0.7 million and RMB0.3 million, representing approximately 2.5%, 3.7%, 2.4% and 3.5% of our cost of providing services during those periods, respectively.

The following table sets forth the background information of our five largest business partners during the Track Record Period:

Year ended December 31, 2017

Business partner	Transaction amount	Business relationship since	Background	Ultimate beneficial ownership	Platforms operated
	RMB'000				
Business partner A . .	425.6	2016	Individual[(1)]	Individual	Local web portals
Business partner B . .	94.3	2016	Internet information service operator	State-owned organization	A national key news website in Henan province
Business partner C . .	56.6	2017	Internet news and information service provider	State-owned organization	A national key local news website in Hunan province
Business partner D . .	47.2	2016	Internet advertising and information service operator	State-owned organization	A key news website in Jiangsu province
Business partner E . . .	47.2	2017	Advertising design and internet information service operator	Broadcast organization	A provincial authoritative mainstream network news media in Shanxi province
	670.9				

Year ended December 31, 2018

Business partner	Transaction amount	Business relationship since	Background	Ultimate beneficial ownership	Platforms operated
	RMB'000				
Business partner F . . .	782.7	2017	Value-added telecommunication service operator	Radio and TV group organization	An Internet video platform in Zhejiang province
Business partner A . .	319.2	2016	Individual[(1)]	Individual	Local web portals
Business partner G . .	138.8	2018	Internet media service operator	Individual	Local web portals
Business partner H . .	136.0	2017	Internet information publishing and service operator	Listed organization	A network platform in Hubei province
Business partner I . . .	133.2	2017	Technical service provider	Listed organization	A comprehensive portal by one of the largest telecommunication companies in China to provide value-added services to its users
	1,509.9				

Year ended December 31, 2019

Business partner	Transaction amount	Business relationship since	Background	Ultimate beneficial ownership	Platforms operated
	RMB'000				
Business partner F . . .	688.1	2017	Value-added telecommunication service operator	Radio and TV group organization	An Internet video platform in Zhejiang province
Business partner G . .	471.5	2018	Internet media service operator	Individual	Local web portals
Business partner I . . .	113.2	2017	Technical service provider	Listed organization	A comprehensive portal by one of the largest telecommunication companies in China to provide value-added services to its users
Business partner B . .	94.3	2016	Internet information service operator	State-owned organization	A national key news website in Henan province
Business partner J . . .	83.8	2018	Value-added telecommunication service operator	Tele communication organization	A value-added service platform and online app store by one of the largest telecommunication companies in China
	1,450.9				

Six months ended June 30, 2020

Business partner	Transaction amount	Business relationship since	Background	Ultimate beneficial ownership	Platforms operated
	RMB'000				
Business partner G . . .	330.1	2018	Internet media service operator	Individual	Local web portals
Business partner I . . .	58.0	2017	Technical service provider	Listed organization	A comprehensive portal by one of the largest telecommunication companies in China to provide valued-added services to its users
Business partner B . . .	47.2	2016	Internet information service provider	State-owned organization	A national key news website in Henan province
Business partner C . . .	45.5	2017	Internet news and information service provider	State-owned organization	A national key local news website in Hunan province
Business partner K . . .	37.7	2018	Internet information publishing and service operator	State-owned organization	A news and variety show platform in Hunan province
	518.5				

Note:

(1) Business partner A is an individual who was principally engaged in operating of web portals, websites, and online advertising services in China.

To the best knowledge of our Directors, the scale of operation of these business partners ranged from approximately RMB0.1 million to RMB3,000.0 million in terms of registered capital.

Our five largest business partners during the Track Record Period are Independent Third Parties. Our Directors confirm that none of our Directors, their respective close associates or any Shareholder (which to the knowledge of the Directors owns more than 5.0% of our share capital as of the Latest Practicable Date) had any interest, directly or indirectly, in any of our five largest business partners during the Track Record Period. None of our five largest business partners were our customers or suppliers during the Track Record Period up to the Latest Practicable Date. During the Track Record

Period, we did not have any material disputes with our business partners or encounter any major claims of defective services. To the best knowledge and belief of our Directors, save for the business collaboration agreement, our five largest business partners during the Track Record Period do not have any other past or present relationships (business, employment, family, financing or otherwise) with our Group, our Controlling Shareholders, Directors and senior management, or any of their respective associates.

While fees paid to our business partners accounted for approximately 8.5%, 13.9%, 8.4% and 8.6% of total cost of providing services for the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, our collaboration with business partners has greatly enhanced the extent of readership of our content at lower costs.

The following table sets out the approximate MUV, DUV and average daily PV on our automobile proprietary platforms and third party platforms during the Track Record Period and a breakdown thereof, where MUV represents monthly unique visitors (i.e. the number of unique visitors that access the platforms for a single month), DUV represents daily unique visitors (i.e. the number of unique visitors that access the website(s) for a single day) and average daily PV represents the average number of page views on the platforms by users on a single day.

	Year ended December 31,									Six months ended June 30,		
	2017			2018			2019			2020		
	MUV[1]	DUV[1]	Average daily PV[1]	MUV[1]	DUV[1]	Average daily PV[1]	MUV[1]	DUV[1]	Average daily PV[1]	MUV[1]	DUV[1]	Average daily PV[1]
	million	*million*	*million*	*million*	*million*	*million*	*million*	*million*	*million*	*million*	*million*	*million*
Proprietary Platforms	**18.0[2]**	**4.1[3]**	**33.5**	**20.3**	**4.8[3]**	**49.8**	**29.0**	**4.9[3]**	**53.2**	**33.7**	**5.2[3]**	**55.8**
PC websites[4]	19.2	3.2	30.0	20.1	3.5	45.0	20.7	3.5	48.0	24.5	3.6	50.0
Mobile website	3.2	0.7	3.5	4.5	0.9	4.8	4.9	1.0	5.2	5.5	1.2	5.8
App	2.0	0.4	—	3.0	0.5	—	5.0	0.6	—	5.5	0.7	—
Third Party Platforms	**38.9[2]**	**8.1[3]**	**39.3**	**39.1[2]**	**8.4[3]**	**41.5**	**43.9[2]**	**9.0[3]**	**44.8**	**44.7[2]**	**9.1[3]**	**49.8**
Over 1,000 business partner platforms[5]	25.9	4.7	35.0	26.0	5.0	37.0	30.3	5.5	40.0	31.4	5.6	45.0
Top five platforms with highest user traffic in aggregate	5.0	1.0	8.6	5.0	1.1	7.6	4.8	1.2	8.5	4.7	1.1	8.1
Other business platforms	20.9	3.7	26.4	21.0	4.0	29.4	25.5	4.4	31.4	26.7	4.5	36.9
12 we-media platforms[6]	15.2	3.6	4.3	15.3	3.8	4.5	16.1	3.9	4.8	15.8	4.0	4.8
Top three platforms with highest user traffic in aggregate	7.3	1.6	1.9	7.2	1.6	1.9	7.8	1.7	2.1	7.0	1.6	1.9
Other we-media platforms	7.9	2.0	2.4	8.1	2.1	2.5	8.3	2.1	2.6	8.9	2.4	2.9
Total	**54.5[2]**	**9.9[3]**	**72.8**	**56.9[2]**	**10.6[3]**	**91.3**	**57.2[2]**	**11.2[3]**	**98.0**	**61.3[2]**	**11.6[3]**	**105.6**

Notes:

(1) The calculation of DUV is based on the number of daily unique visitor visiting and browsing on our platforms. The calculation of MUV is based on the calculation of DUV accumulated on a monthly basis. The calculation of average daily PV is based on the average number of webpage on our platforms browsed and viewed by users on a daily basis.

(2) According to the CIC Report, the total MUV deducts any duplicate in MUV in proprietary platforms and third party platforms.

(3) According to the CIC Report, the total DUV deducts any duplicate in DUV in proprietary platforms and third party platforms.

(4) The operating data of our PC websites are primarily attributed by our main "Cheshi (網上車市)" website, which is our proprietary platform. Our other proprietary platforms, namely, Haoche18.com and Pika18.com, which are our channels for niche vehicles market, their DUV and PV are still at early growth stage and hence did not make significant contributions to the DUV and average daily PV on our PC websites as a whole during the Track Record Period.

(5) Our business partners primarily include (i) communications operator integrated websites; (ii) financial institution websites; (iii) key local news integrated websites; (iv) local newspaper websites. For further details, see "Business – Distribution of automobile content – Distribution through third party platforms".

(6) Some of the prominent we-media platforms on which we deliver automobile content include Sohuhao, Sina Aspect, Chejiahao and Toutiao.

(7) According to the CIC Report, during the Track Record Period, the percentage of deducted total DUV of proprietary platforms to total DUV was 29.9%, 32.6%, 31.5% and 32.9%, and the percentage of deducted total DUV of third party platforms to total DUV was 70.1%, 67.4%, 68.5% and 67.1%, respectively.

During the Track Record Period, the percentage of total DUV to total MUV was 18.2%, 18.6%, 19.6% and 18.9%, respectively. The percentage of DUV to MUV represents the level of user stickiness. The larger the percentage of DUV to MUV is, the higher the level of user stickiness. By industry norm, the approximate average percentage of DUV to MUV for an automobile vertical media platform ranges from 10% to 30%.

We measure the number of DUV and PV on our proprietary platform and busines partners platform by assigning a unique device ID to each device that accesses such platforms, which enables us to track users. Such device IDs enable us to collect DUV and PV on a real time basis, and based on which our Picker engine is able to generate DUV and PV analysis reports. Our IT team summarizes and reviews all data analysis report on a regular basis. We generally use our internal data report as reference when evaluating the number of DUV and PV on our proprietary platform and busines partners platform. Moreover, the Company is able to track the geographical location of the users through IP probing by identifying their IP addresses. According to the CIC Report, the proportion of traffic from tier three and below cities of the Company reached 41.6%, 40.7% and 42.1% in the three years ended December 31, 2017, 2018 and 2019, while the proportion of traffic from first and second tier cities accounted for 58.4%, 59.3% and 51.9% in the corresponding periods.

Notwithstanding that user traffic in terms of DUV on business partner platforms in aggregate was generally higher than that on our proprietary platform during the Track Record Period, we believe the main reasons our customers continued to engage us to provide Online Advertising Services instead of engaging our business partners to do so are as follows:

- ***Value-added solutions***: Rather than simply placing advertisements over the Internet, we offer value-added solutions such as advising on the formulation of advertising strategies by leveraging our market insights in the online automobile industry and our understanding of the preferences of a customer's target audience. Our advice in optimizing advertisement distribution strategies by controlling the display schedules of advertisements and the timing of marketing campaigns would also help in maximizing the effects of our customers' advertisements. We also provide after-sales services such as providing evaluations and feedback on the effects of our customers advertisements. We believe that many of our business partners lack the capabilities and technologies to provide such value-added solutions.

- ***A wide distribution network***: We are capable of distributing automobile content and advertisements across our proprietary platform and also over 1,000 business partner platforms, achieving a high penetration rate across the PRC, particularly in tier three and below cities. As each business partner platform usually has different marketing terms and requirements, should our customers opt for utilizing such business partners directly and individually, they will have to negotiate with different business partners as to satisfy their respective budget requirements for every single marketing campaign, which is inefficient and time consuming for customers.

- ***Cost effectiveness***: Even if customers decide to engage various business partners directly and individually, our model would still have a higher cost-effectiveness in comparison. One of the contributing factors to such cost-effectiveness is the benefit brought from us to such platforms via our PGC and UGC (including advertisement content) provided (the responsibility of the accuracy and completeness of which will be assumed by us), which will enrich the content of such platforms. We also provide our business partners with access to our automobile database. Such benefits, in addition to the bargaining power on price by having engaged 1,000 platforms, i.e. their competitors, allowed us to engage in relatively competitive fees that are not generally offered to others.

According to the CIC Report, it is consistent with industry norm that Company's customers engage the Company to provide online advertising services through these business partners' platforms. These business partners primarily consist of leading local web portals and news websites, and their market segment is relatively fragmented. The coverage of our Company's proprietary platform, such as Cheshi.com, extends to a national level with deeper penetration by adopting a targeted and precise marketing strategy to provide more customized contents and attract more audience in the cities of different tiers. Approximately 42.1% of our user traffic was derived from tier three or below cities whilst approximately 57.9% of our user traffic was generated from tier one and tier two cities. According to the CIC Report, it is expected that the automobile marketing services market in local regions have a large growth potential in next five years. And as automobile sales market is expanding at the highest growth rate in tier three and other cities in China, marketing expenditures start to be allocated to these regions with more tailored media services for a specific range of target audience. Moreover, the coverage of traditional automobile media platforms in tier three and lower cities is still relatively insignificant compared to that of tier one and two cities in China, leaving a huge potential market for online automobile new media platforms like the Company which has a user base in these regions and is able to provide targeted and more customized contents to attract more user traffic. For such reasons, our Company's future strategies will cover both on the national level, but also with dedicated efforts in certain tiers of cities in order to increase both the depth and the breadth of our content coverage. Furthermore, according to the CIC Report, these business partners have strong regionality especially in tier three and below cities and customers who target automobile markets in tier three and below cities may consider to place advertisements on these platforms in order to attract a larger variety of local users. Particularly, automakers started allocating more advertising expenditure to portal websites and video websites due to their higher exposure rates when launching new models or planning promotional campaigns.

We generally enter into collaboration agreements with our business partners. The salient terms of a typical collaboration agreement with our business partners are as follows:

Term:	Ranging from 12 to 36 months
Collaboration:	The business partners provide: (a) the automobile channel on their platforms which include advertising space, and we manage and place advertisements, and (b) automobile related channels for their users to access or be redirected to our platforms. In return, we provide: (a) our PGC and UGC (including any advertisement content) to enrich their platform content, (b) access to our automobile database via their platforms, and (c) technical, server and network support. It is agreed that we would be responsible for the accuracy and completeness of the PGC and UGC.
Consideration:	Pre-agreed fixed fees, ranging from approximately RMB10,000 to RMB780,000 per annum
Display area:	To be provided by a webpage or channel in which our automobile contents, including advertisements, are displayed.
Payment:	To be settled by bank transfer to accounts of business partners by either monthly, quarterly or two-staged payment, generally within 10 days from receipt of invoice.
Termination:	To be terminated upon mutual agreement. After termination, we have the first right of refusal to enter into a new collaboration agreement under the same terms and conditions.

Please see "Our Platform—Third party platform—Picker engine" for illustration on how our automobile contents are displayed on our business partner's platform.

As part of the collaboration agreement, our business partners provide automobile related webpage or channel including designated advertising space on their platforms. We have the right to access, manage and control such webpage or channel to place our automobile contents and to display advertisements of our customers in the designated advertising space. We, in return, provide to our business partners with our PGC and UGC which are concurrently updated on their platforms for viewing by their users, thereby enriching the diversity and depth of the contents on their platforms. Generally, when our automobile contents are published on our proprietary platforms, they are simultaneously displayed and updated on platforms operated by our business partners. We may enter into specific arrangements with certain business partners that only selected type of automobile contents from our proprietary platforms would be distributed to their platforms. For instance, only contents in form of video from our proprietary platforms are distributed to platforms operated by one of our business partners as per the arrangements agreed by us in order to fit their business strategy. Our business partners are also given access to our automobile database through the designated channels on their platforms for their users. In addition, our business partners build automobile-related channels on their platforms that allow their users to access or to be redirected to our proprietary platforms. If their

users are interested in more automobile-related contents after viewing our PGC and UGC contents displayed on our business partner platforms, they can visit our proprietary platforms through those channels built by our business partners. As of the Latest Practicable Date, as the Company applies quality assurance measures in relation to publishing and distributing activities, including without limitation: (a) the "two-step" censorship system in that all photo publishing and content distributing activities must be reviewed by the editor in chief of content and his assistants, which are then approved by the intellectual property team (and by the head of legal department if involving complex or legal issues) to ensure that all activities must comply with relevant laws and regulations; (b) when the Group obtain photos from any third party for display or publication, it would require ownership proof of intellectual property rights, without which such photos would not be used or published; and (c) training on the regulatory requirements applicable to photo publishing and content distributing activities to our employees to ensure compliance with relevant regulatory requirements going forward. On this basis, our Company is of the view that it is not exposed to any material potential legal liability and claims for any inaccurate or misleading contents posted on our third party platforms.

Our automobile content is distributed to our business partners through our self-developed technology application—Picker engine. It enables us to disseminate our automobile content to over 1,000 business partner platforms and over 5.5 million users simultaneously and instantly. It also enables our business partners to access to our automobile content and automobile data and information. For other functions of the Picker engine, please see "Our Platform—Third party platforms—Picker engine" in this section.

Applets is another technology application that allows us to disseminate our automobile content to over 10 prominent we-media platforms in China. For functions of our Applets, please see "Our Platform—Third party platforms—Applets and Official Accounts" in this section.

The distribution of our automobile content across these third party platforms allows us to broaden our user reach and acquire user traffic in a cost-effective way, as we can leverage on the user base on our business partner platforms.

During the Track Record Period, we placed a stronger focus to distribute our automobile-related contents through platforms that are dedicated for tier three and lower cities in China. According to the CIC Report, tier three and lower cities in China are expected to experience a stronger growth in automobile retail market compared to tier one and two cities, as a result of: (i) less saturated car market, (ii) less stringent car purchasing policy(1), and (iii) continuously improving disposable income in tier three and below cities. Furthermore, compared with the saturated and competitive markets in tier one and two cities, tier three and lower cities are anticipated to become the main growing point of the automobile market in China. Automakers and auto dealers are expanding their offline sales networks in tier three and lower cities, where there are a large number of consumers who are willing to purchase their first vehicles or change their existing ones. As automobile sales market is expected to expand at the highest growth rate in tier three and lower cities in China, marketing expenditure will be allocated to these regions with more tailored media services for a specific range of target audience, according to the CIC Report. It is expected that automobile marketing services market in these local regions have a large growth potential from 2019 to 2024. Please see "Industry Overview—Sales volume of new

Note:

(1) Until 2019, eight tier one and two cities, namely Beijing, Shanghai, Guangzhou, Shenzhen, Tianjin, Hangzhou, Guiyang and Shijiazhuang, and the Hainan province in China have each announced policies to curb the purchase of new passenger automobiles through balloting and auctioning of a limited number of license plates. In contrast, there has not been any similar policies announced in approximately 94.4% of tier three and below cities in China according to the CIC Report.

passenger automobiles by tier of cities in China" for details of market growth in tier three and lower cities.

Although we distribute our automobile contents online to attract viewership, the coverage of our Company's proprietary platform, such as Cheshi.com, extends to a national level with deeper penetration by adopting a targeted and precise marketing strategy to provide more customized contents and attract more audience in the cities of different tiers. According to the CIC Report, it is expected that the automobile marketing services market in local regions have a large growth potential in next five years. And as automobile sales market is expanding at the highest growth rate in tier three and other cities in China, marketing expenditures start to be allocated to these regions with more tailored media services for a specific range of target audience. Moreover, the coverage of traditional automobile media platforms in tier three and lower cities is still relatively insignificant compared to that of tier one and two cities in China, leaving a huge potential market for online automobile new media platforms like the Company which has a user base in these regions and is able to provide targeted and more customized contents to attract more user traffic. For such reasons, our Company's future strategies will cover both on the national level, but also with dedicated efforts in certain tiers of cities in order to increase both the depth and the breadth of our content coverage. We will target the distribution of our automobile contents in tier three and lower cities by collaborating with our business partners, which operate local platforms at these regions frequently visited by users residing in those cities. According to the CIC Report, our Company is one of the few leading automobile vertical media platforms that have foreseen the large market opportunity of emerging automobile marketing service market in tier three and below cities, and established sufficient and stable user base in these regions with targeted content. Contrary to users in tier one and two cities, those in tier three and lower cities tend to have (i) limited access to automobile information as there are fewer automobile dealers and offline automobile-related events in tier three and below cities, leading to unsatisfied demand of potential auto buyers for information on automobile selection and purchase; and (ii) higher willingness to research on automobile brands, specifications and reviews on automobile vertical media platforms before making a car purchase due to relatively lower disposable income and limited budget. They are also accustomed to browse local websites of their respective regions that can provide automobile contents and information customized to their local markets and preference. Moreover, more automakers and autodealers are willing to allocate their expenditures on automobile advertising services covering tier three and lower cities due to their expansion plans of offline sales network in tier three and lower cities. The coverage of traditional automobile media platforms in tier three and lower cities is still relatively insignificant compared to that of tier one and two cities in China, leaving a huge potential market for online automobile vertical media platforms like us which has a user base in these regions and is able to provide targeted and more customized contents to attract more user traffic. According to the CIC Report, the proportion of traffic from tier three and below cities of the Company reached 42.1% in the year ended December 31, 2019, while the industry average of the same was 30.0% for the same period.

REVENUE GENERATION BY PROVIDING ADVERTISING SERVICES

Our ability to reach a broad user base for our automobile content and generate large user traffic on our proprietary and business partner platforms has made us an increasingly prominent and preferred medium for automakers and autodealers to conduct their advertising campaigns. We generate revenue by providing advertising services and solutions to advertising agency, automaker and autodealer customers. These advertisements enjoy high viewership among our users who, we believe, are most receptive to automobile advertisements and routinely visit our proprietary and business partner

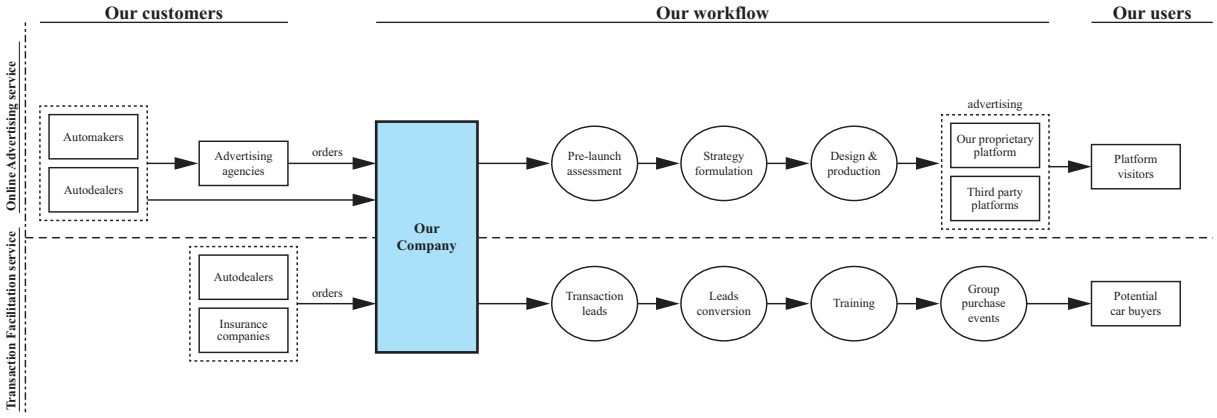
platforms for automobile-related content. Due to their frequent visits, this influx of users is believed to be interested in our automobile content and desire to obtain regular updates on latest vehicle launches, new vehicle models and specifications, the automotive market trend and so forth. These users are believed to represent existing car owners and potential car purchasers, who visit our proprietary and business partner platforms to browse our automobile content in order to make an informed decision in their search and selection to purchase process. Hence, we consider our users to represent a highly relevant audience that is receptive to automotive advertisements.

We provide our advertising services to our customers in two segments, the Online Advertising Service and the Transaction Facilitation Service. The Online Advertising Service is the backbone of our business that generate a substantial part of our revenue during the Track Record Period, while the Transaction Facilitation Service is our emerging business which commenced in October 2018.

The following table sets out the respective components of our revenue generated during the Track Record Period:

Category	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019 (Unaudited)		2020	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
Online advertising service	117,578	100.0	157,757	99.9	175,055	98.6	75,151	97.0	58,720	99.7
Transaction Facilitation Service	—	—	90	0.1	2,560	1.4	2,353	3.0	177	0.3
Total	**117,578**	**100.0**	**157,847**	**100.0**	**177,615**	**100.0**	**77,504**	**100.0**	**58,897**	**100.0**

The following flowchart illustrates the business process of our Online Advertising Service and Transaction Facilitation Service:



Our content team and sales teams are instrumental in facilitating our revenue generating services, namely Online Advertising Service and Transaction Facilitation Service, as illustrated by the abovementioned business process. In line with our business growth, we continue to expand our content team and sales team. As of December 31, 2017, 2018, and 2019 and June 30, 2020 our content team comprised 58, 63, 67 and 51 members, and our sales team comprised 57, 58, 76 and 63 members, respectively, for the same periods.

ONLINE ADVERTISING SERVICE

We provide Online Advertising Service to our customers, comprising: (i) advertising agencies, and (ii) automakers and autodealers.

Advertising agency customers

For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, we had 82, 80, 94 and 70 advertising agencies engaging our Online Advertising Service, respectively. During the Track Record Period, our five largest customers are advertising agencies, who accounted for approximately 37.6%, 38.3%, 41.3% and 50.4% of our total revenue for the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively.

We typically provide Online Advertising Service to advertising agencies on a project or annual basis. We liaise with the end customers of these advertising agencies in order to have a preliminary understanding of their advertising needs and yearly budgets. We are then directed to their advertising agencies who manage an assigned budget and coordinate the entire advertising campaigns for them. The advertising agencies enter into service agreements with us as principal and we do not owe any contractual obligations and liabilities to their end customers. We communicate with the advertising agencies in relation to the advertising needs, formulation and requirements in detail throughout the entire service process. Based on the content of the advertisements placed by the advertising agencies, there is no significant overlap of end customers among the advertising agencies, which is consistent with the market practice in China according to the CIC Report.

The salient terms of a typical service arrangement with our advertising agency customers are as follows:

Term:	Within one year
Services:	Based on customer's budget, targeted audience requirements, we provide advertising services and solutions including strategy formulation, advertisement design and production and performance evaluation.
Performance:	Our services are performed based on any of the following KPIs as agreed in writing on the displayed advertisements, including, total clicks (i.e. number of users click on the advertisements), impression (i.e. number of page views), and duration of time spent by a viewer.
Undertakings:	The advertising agent undertakes that the advertisement contents are legal, accurate and not misleading, failing which we have the rights to cease our advertising services, terminate the service agreement and seek compensation.
Payment:	Settled by the advertising agency by bank transfer in RMB.
Credit terms:	A credit term up to 180 days from the date of invoice. Invoice is issued to customers after the entire project is completed and the pre-agreed performance data is verified by the customer.
Termination:	The agreement can be terminated by either party with prior notice between 14 and 30 days.

A typical online advertising service was delivered to customers with display duration of 7 to 14 days on our proprietary platforms with KPIs based on number of PV.

While a majority of our customers is comprised of advertising agencies, the business function of our Company are very different from them in that these advertising agencies generally serve automakers as end-customers where they help them identify and assess on various advertising conduits, such as through online advertising platforms like ours, to display automobile advertisements of the end-customers in a way best suitable to them. These advertising agencies also manage budget and coordinate the advertising champaigns for the end-customers. On the other hand, we provide online advertising services to the advertising agencies with our valued-added solutions, including advising on the formulation of advertising strategies, production and distribution for the entire marketing campaigns. We are also responsible for after-sales services, such as, providing evaluation and feedback on the effect of customers' advertising. In particular, our capability to create automobile contents to attract online users, and to disseminate automobile contents and advertisement to numerous users in a cost-efficient way differentiate us from the business function of these advertising agencies. Also, our brand "Cheshi (網上車市)" brand was established for over 20 years with reputation as one of the leading vertical media platforms in China, which contributes to our success in attracting users to visit and browse, and automobile advertisers to display their advertisements on our platforms. We believe that the provision of our valued-added solutions and our content creation and distribution capacities, together with our long-established brand, are difficult for others, including such advertising agencies, to replicate. As such, there is no overlapping of services between our Company and these advertising agencies.

Automaker and autodealer customers

We provided Online Advertising Service to 15, 29, 13 and eight automaker and autodealer customers directly for the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. The terms of the service agreements entered into with these automaker and autodealer customers are substantially similar to the terms entered into with advertising agencies. The following table sets forth the revenue generated from automaker and autodealer customers for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019 (unaudited)	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue					
Automakers	9,440	7,105	9,076	3,000	1,763
Autodealers	3	5,174	3,328	1,042	3,487
	9,443	12,279	12,404	4,042	5,250

To the best knowledge of our Directors, all our customers are independent of our Group. During the Track Record Period, none of our Directors or Shareholders had any equity interest in any of these customers, and none of our customers or their beneficial owners had any relationship with our Group or our Directors or Shareholders.

Pricing policy

We believe it is crucial to provide the Online Advertising Service at competitive prices for the continued success of our Group. For our pricing policy of the Online Advertising Service, we first

understand our customers' needs, requirements and budgets. For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, we have 344, 359, 406 and 168 advertising service contracts, respectively, and the average contract fee was approximately RMB430,000, RMB566,000, RMB561,000 and RMB447,000 during those periods, respectively. We generally charge a pre-agreed fee on a project by project basis, which varies depending on the following factors:

(i) the scope of services and value-added solutions — the more complex the services are required, such as level of design and production and the type of KPIs chosen by our customers, such as total clicks (i.e. number of users click on the advertisement for further details) and impressions (i.e. number of page views), a higher service fee would be charged. Our Group needs to tailor the service based on the KPI requirements from our customers. We typically negotiate and agree with our customers on the KPI requirements that we need to accomplish in their advertising campaign. For a single advertisement to be displayed on our platform, such as our PC website, we normally need to achieve a minimum number of impressions (page views) ranging from 5 million to 8 million, and a minimum number of user clicks ranging from 15,000 to 70,000 per day. The CPM (cost per thousand impression) charged to customer ranges from approximately RMB3.0 to RMB30.0 while the CPC (cost per click) charged to customer ranges from approximately RMB1.0 to RMB4.0.

(ii) the location of advertising space on the platform where the advertisement is displayed — for instance, if the advertisement is displayed at the top prominent banner space which generate more user view exposure, a higher service fee would be charged. Also, we normally set a limit of the size and number of advertising words (normally ranging from 10 to 20 words) that can be inserted in the customer's advertisements, exceeding which we may propose a higher fee to be charged;

(iii) the duration of the advertising campaign (for example, by number of days the customer's advertisement is displayed on our platform) — the longer the advertisement is displayed, a higher service fee would be charged. The length of advertisement display in our advertising service contracts typically ranges from one day to two months in which it would normally cost RMB15,000 to RMB100,000 per day (depending on other factors, such as the advertisement size and location, KPI requirements, etc);

(iv) the length of business relationships — if the customer has long term relationship with us, we would consider to charge a lower fee to maintain customer loyalty; and

(v) We may offer more favorable terms to customers who engage our services on a large scale by reference to total service fees receivable.

The above represents the major factors when determining our pricing strategy and we have established a standardized pricing guideline for reference by our sales team. Sales team shall procure customer orders accordingly and provide the sale proposal to the regional sales head and the business integration department for internal approval. Once approved, the customer order would be entered into the monitoring system and executed according to the agreed schedule with the customers. If the customer order deviates from the standardized pricing guideline for any commercial reasons, it would be escalated to Mr. Liu Lei, our executive Director, for final approval.

As customary in the online automobile advertising industry, we may give rebates to certain advertising agencies upon completion of projects. Such rebates may be given to them on an annual

aggregate or a project basis. A rebate is an amount paid by way of reduction or refund on the total advertising fees we charge. It is agreed with each customer at the time of entering into the respective service agreement and is expressly stated in the advertising service agreements. The amount of rebates is generally calculated by the total service fees paid to us in a financial year multiplied by an pre-agreed rebate rate. Such rebate rate is typically set on a progressive basis, that is, the more advertising fees are paid to us, the higher rebate rate would be given. We believe that a progressive rebate calculation would provide incentives for advertising agencies to engage our Online Advertising Services. The amount of rebates given to advertising agencies is presumed to be a reduction of the selling prices of the service, which is characterized as a reduction of revenue when recognized in the consolidated statements of comprehensive income. For the three years ended December 31, 2017, 2018, and 2019 and the six months ended June 30, 2020, the number of customers that are entitled to the rebate were 31, 40, 40 and 14, and the total amount of rebates was approximately RMB23.8 million, RMB35.5 million, RMB32.6 million and RMB11.3 million, and the rebate payable as of December 31, 2017, 2018 and 2019, and June 30, 2020 was RMB2.4 million, RMB2.8 million, RMB1.6 million and RMB2.4 million, respectively, for the same periods. During the Track Record Period, the rebate rate offered to the advertising agencies varied from 3% to 27%, which is primarily based on the following factors:

(i) our historical business volume in the preceding year - the higher the business volume in terms of revenue contribution in the preceding year, the more favorable rebate rate would be offered;

(ii) their estimated business scale for the current year - the higher the estimated business scale for the year, the more favorable rebate rate would be offered on a progressive scale;

(iii) the end customers represented by the advertising agencies - if the end customers represented by the advertising agencies are more reputable, the more favorable rebate rate would be offered;

(iv) the types of services engaged; and

(v) credit terms - the shorter the credit terms, the more favorable the rebate rate would be offered.

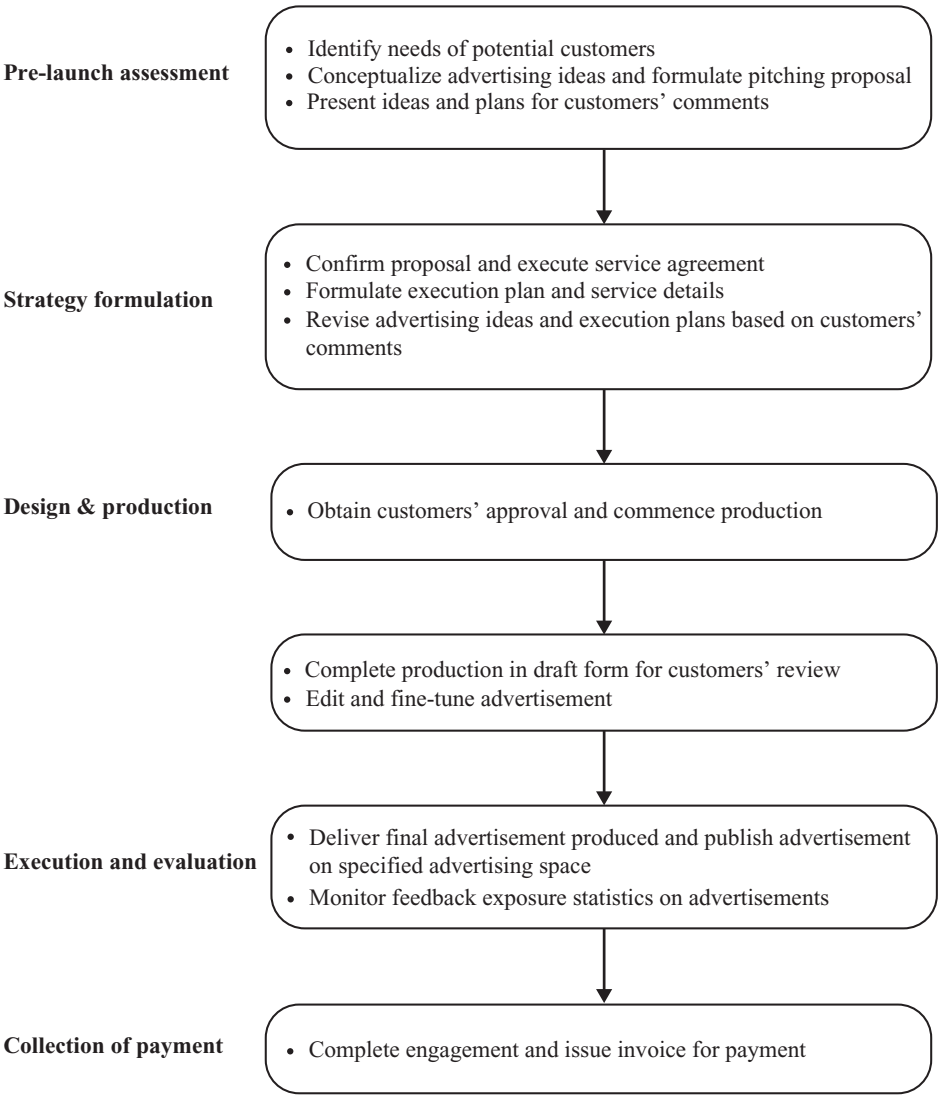
For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, the average rebate rate given to our customers was 16.8%, 18.3%, 15.5% and 16.1%, respectively.

We do not give rebates to individual employees of our advertising agency customers. According to the CIC Report, such rebate arrangement and its terms are in line with industry practice. Our Directors confirm that, after consulting with our PRC Legal Advisor on relevant laws and regulations regulating such rebate arrangement in the PRC, the abovementioned rebate arrangement does not violate any laws or regulations in the PRC.

Advertising services and solutions

The fundamental aspect of our Online Advertising Service is to place advertisements of our advertising agency, automaker and autodealer customers on our proprietary and business partner platforms. These customers generally engage our Online Advertising Service for promotion, new model releases and sales promotions. As part of our comprehensive Online Advertising Service, we also offer a wide range of value-added advertising solutions to assist our customers throughout the

entire chain of their advertising campaigns, which typically takes up to eight months. These solutions are aimed to reinforce our relationship with our customers and to attract more automobile advertisers. The diagram below sets out our workflow in providing advertising services and solutions:



Pre-launch assessment. Before an advertisement is formally placed on our proprietary and business partner platforms, we generally conduct a pre-launch assessment with our customers. This involves an understanding of the advertisement budget, the class of targeted audience and other requirements set by our customers, identifying the preferred format of advertisement and distribution channels and having a preliminary projection of the response from targeted audience. We manage the advertising space on these platforms in the monitoring system and content management system in that: (i) the monitoring system displays the status of all advertising space as available, reserved or placed; (ii) our sales personnel would locate and reserve in the content management system advertising space available according to the KPI requirements in terms of total clicks (i.e. number of users click on the advertisement for further details), impressions (i.e. number of page views) and time length as required by the customers in the project proposal; and (iii) upon cross-check and internal approval by the business integration department, it would update the content management system to confirm reservation for the advertising space selected by the sales team for the particular project proposal

accordingly. As our project proposal is designed based on KPI requirements, our sales team can select advertising space to satisfy such KPI requirements based on the historical performance data of available advertising space at a given time. When our customers consider to proceed with such project proposal, the relevant advertising space would be used for placing and displaying advertisement.

Strategy formulation. We assist our customers to formulate their advertising strategies. Our self-developed technology systems are able to perform data analytics based on the user behavior data we have collected and to monitor the browsing pattern and preference when accessing our and our business partners platforms. For detailed functions of our Picker engine, see "— Our Platform — Third party platforms — Picker engine". Our Picker engine enables us to advise our customers on targeted advertising strategy. We can help customers customize the theme of their advertisements in a way to best tailor for the preference of their targeted audience, thereby increasing the chance of such advertisement to be viewed. For instance, when our customer proposes to display advertisement to target audience who are interested in passenger vehicle for family use, we would recommend to our customers to adopt an advertisement theme featuring car safety and spacy interior, which are common factors mainly considered by family car purchasers. It leads to their advertisements being more likely to be viewed by their target audience. We can also identify which advertising space on our platforms has the most exposure rate for such targeted audience and suggest the time interval and frequency to place advertisements. For instance, our data analytics reveal particular advertising spaces that are frequently viewed by a large number of users at a certain time interval who have been browsing luxury vehicles with specific features. Based on such information, we are then able to recommend those advertising spaces to our customers targeting luxury car purchasers and propose ideal time and place to display their advertisements, in order to maximize their advertising effort. Sometimes, the customers may explicitly request their advertising contents to be distributed only through our certain business partners platforms, primarily because the targeted audience are situated at specific region or tier of cities. The business partner platforms designated by such customers for distribution of their advertising contents usually possess strong localized tie to and readership from the targeted audience, such as, platforms mainly accessed by users in and traffic derived from tier three or lower cities.

Design and production. Leveraging on our ability to create high quality automobile content, we assist our customers with advertisement design, including the theme, content, graphics and other aspects of the advertisement to enhance its appeal to the audience. We are also engaged by our customers for the video production of their advertisements, including filming, audio recording and post-production editing. Before we obtained the TCPB License on July 19, 2018, we outsourced all our video production process to our suppliers with TCPB License. After we obtained the TCPB License, we may choose to outsource part of our video production process to our suppliers to enhance cost-efficiencies and expedite production time. Our deliverables also include banner advertisements, links and logos and other media insertions. Our content team is responsible for the design and production. It consisted of 58, 63, 67 and 51 members as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively. The key members of our content team have up to 14 years of work advertisement experience in media design and production.

Execution and evaluation. Once the design and production of the advertisements are completed to the satisfaction of our customers, we arrange such advertisements to go live on the advertising space of our proprietary and business partner platforms. Our editor-in-chief of

our content team and his assistants, together with our intellectual property team, and in-house legal department when needed, would assist in reviewing and approving contents, pictures and videos and advertisements prior to their publication. After such advertisements have been reviewed and approved, we utilize our Picker engine to upload and distribute them on the designated advertising spaces in our and business partner platforms. For details in relation to how we manage and monitor the uploaded advertisement and advertising spaces on our proprietary and business partner platforms, see "Our Platform—Monitoring system" in this section. Our sales team is dedicated to providing follow-up services to our customers. We have assigned sales staff to each of our customers to manage customer relationships and their advertising activities, and to keep track of the provision of our services to customers. We report to our customers on the advertising progress, normally on a weekly basis, including among other things, page views on a customer's advertisement for a specific period of its display on the advertising space on our proprietary and business partner platforms. Depending on the performance, we may adjust the placed advertisements in the content management system after consulting with the relevant customer and adjusting marketing strategy in order to achieve the KPI requirements from the customer. We also report on feedback gathered from our users and the overall market trend. In addition, our sales team is responsible for responding to customers' enquiries and complaints on a timely basis. Upon the completion of a project, our sales personnel would request a complete project execution report from our technical team, and confirm the performance with the customers based on the agreed KPIs in terms of total impressions (i.e. number of page views), total clicks (i.e. number of users click on the advertisement for further details) and total leads (i.e. number of user contact information provided to the end customers arising from advertising campaign).

Collection of payment. We receive our service fees from our customers upon the completion of the entire project and fulfillment of the pre-agreed KPI requirements, for certain contracts where we agreed on the minimum number of page views on the customer's advertisement, it would be verified by the customer against the terms set forth in our service contracts. In the event that the pre-agreed KPIs are not met, we would further negotiate with customers with a view to satisfying the unmet KPIs by other means, such as, extending the duration of displaying the advertisement on our proprietary and our business partner platforms until the KPIs are met, and this would not affect the fixed fees as agreed in the service contract. During the Track Record Period, we have not generally encountered any failure to meet the KPIs pre-agreed with our customers. For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, we have 344, 359, 406 and 168 advertising service contracts, respectively, and the average contract fee was approximately RMB430,000, RMB566,000, RMB561,000 and RMB447,000, during those periods, respectively. The increase in the number of advertising service contracts was in line with our business expansion.

For certain customers, we provided the Transaction Facilitation Service as part of the Online Advertising Service. Please see "—Transaction Facilitation Service" in this section.

TRANSACTION FACILITATION SERVICE

To keep abreast of the increasing demand for transactional services in the automobile industry, we commenced our Transaction Facilitation Service in October 2018. Transaction Facilitation Service becomes one of the key features of our business model, as it optimizes the sales leads originated from our online platform into promoting group-purchase events to provide a new mean to generate revenue.

We primarily offer such services to our autodealer customers. Since December 2018, we offered similar promotion services to an automobile insurance company, either as a standalone service or as part of the Online Advertising Service. For the three months ended December 31, 2018, the year ended December 31, 2019, we promoted three and 100 group-purchase events, respectively. As our Transaction Facilitation Service accounted for RMB90,000 and RMB2.6 million, which contributed approximately 0.1% and 1.4% of our total revenue for the year ended December 31, 2018 and 2019, respectively, this business segment was relatively immaterial to the Group during the Track Record Period. However, we believe it is a fast-growing business with potential. For the year ended December 31, 2019, we promoted an aggregate of 100 group-purchase events, which accounted for a substantial increase in the monthly average number of group-purchase events from 1 to 8.4 for the three months ended December 31, 2018 and the year ended December 31, 2019, respectively. For the six month ended June 30, 2020, our Transaction Facilitation Service accounted for approximately RMB177,000, which contributed approximately 0.3% of our total revenue. It was because we recorded no group-purchase event for the three months ended March 31, 2020 due to government measures to contain COVID-19. Our Transaction Facilitation Service was resumed gradually and we completed seven group-purchase events for the three months ended June 30, 2020. As of the Latest Practicable Date, the operation of the Transaction Facilitation Service had been in recovery as, according to the CIC Report, there had been an overall recovery to automobile-related transactions services within the months after June 30, 2020.

The following table sets out the number of group-purchase events and average number of vehicles sold for our Transaction Facilitation Service:

	Three months ended December 31,	Year ended December 31,	Six months ended June 30,
	2018	2019	2020
Number of group-purchase events (monthly average)	3 (1)	100 (8.3)	7 (1.2)
Number of vehicles sold (monthly average)	214 (71.3)	4,358 (363.2)	270 (45.0)

For the year ended December 31, 2019 and six month ended June 30, 2020, we promoted group-purchase events in 17 cities in China. We focused on tier three and lower cities in China, such as Linyi (臨沂), Langfang (廊坊), Xingtai (邢台) and Hengshui (衡水). The map below illustrates the geographic coverage of our Transaction Facilitation Service in China:

An integral part of our Transaction Facilitation Service is the value-added promotion solutions that we are able to offer to our autodealer customers. Details of our work process and promotion solutions which constitute our Transaction Facilitation Service are set out below:

Transaction leads. All potential transactions begin when a user browses our automobile content through our proprietary and business partner platforms. When a user is interested in a particular vehicle model shown on these platforms, the user can leave his or her contact information, such as a cell phone number on our platforms to indicate his/her interest. All of these can be referred to as "sales leads". Our sales team will follow up by calling this user. After we learn about the user's transaction objective and requirements through a preliminary conversation, we will assign this user as a targeted user and record his or her details. Based on the details of the targeted users, our transaction team compiles a list containing the details of the targeted users including their geographic location and preference on vehicle models and other requirements.

Group-purchase events. Our transaction team assists the autodealer customers to organize group-purchase events by calling and inviting the targeted users to a group-purchase event at the physical store of that autodealer customer. The group-purchase event provides the targeted users with an opportunity to learn more about the specific vehicle model they are interested in and to physically interact with our autodealer customers. We assist our autodealer customers to

schedule the event dates, organize the event rundown and rehearsal, design the theme of the group-purchase event, decorate the event venue and host the entire event.

Training. Our sales team provides customized trainings to the sales personnel of autodealer customers to enhance their sales techniques, with the objective to improve the successful conversion rate of sales leads. Our training includes an event-based sales plan and personalized coaching for relevant sales staff. They also cover various topics including innovative promotion campaign and sales technique enhancement, such as customer communication training. Our sales team provides one week on-site training and event preparation, which generally covers one-on-one training for the key sales person and onsite solutions for ad hoc issues occurred during the group-purchase event.

Leads conversion. We invite targeted users to the group-purchase events hosted at venue stores. We guide the sales team of our autodealer customers in their promotion of cars to the targeted users, as well as ensuring that the group-purchase event is carried out in accordance with the agreed schedule. Upon completing the introduction and Q&A session, targeted users who have indicated an interest in purchasing automobiles would enter into a car purchase transaction with the autodealer customer. Those targeted users may also take on car insurance with the insurance company referred by us. We charge our autodealer customers a fixed service fee for provision of the Transaction Facilitation Service regardless of the number of vehicles sold.

Transaction evaluation. Our sales team assists our autodealer customers to monitor and evaluate the sales performance of group-purchase events.

Since December 2018, we offered Transaction Facilitation Service to an automobile insurance company. As vehicle purchases are often accompanied with aftermarket services, such as automobile insurance and finance, the group purchase events we organize also serve as a promotion opportunity to automobile insurance companies.

The salient terms of a typical Transaction Facilitation Service agreement with our customers are as follows:

Term:	Project-based — generally within one week
Amount:	Ranging from approximately RMB25,000 to RMB40,000 per event, which varies according to the scope of services
Services:	Based on customer's budget and requirements, we provide Transaction Facilitation Services and solutions, such as, provision of sales lead, trainings and organization of group-purchase events
Payment:	To be settled by bank transfer in RMB
Credit terms:	Up to 15 business days from the date of invoice
Termination:	To be terminated by either party with prior notice

Pricing Policy

For our Transaction Facilitation Service, our customers are autodealers and an automobile insurance company. As of the Latest Practicable Date, we charge a fixed fee for each project, after taking into account the scope of service and extent of work that is required for its execution regardless

the number of sales or insurance transactions completed by our autodealer customers or insurance company.

Our plan to expand the Transaction Facilitation Service

While the Transaction Facilitation Service has not yet generated profit during the Track Record Period, we believe there are good reasons for us to expand this business segment. According to the CIC Report, the market size by premium of the automobile insurance industry in China increased from RMB620.1 billion in 2015 to RMB818.8 billion in 2019, representing a CAGR of 7.2%. The automobile insurance market is projected to reach approximately RMB978.4 billion by 2024, representing a CAGR of 3.6%. 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%, and is projected to reach RMB27.1 billion by 2024, representing a CAGR of 5.1% from 2019 to 2024. Further, according to the CIC Report, the retail automobile finance industry has increased significantly over the past five years. The market size of newly issued loans increased from approximately 7.1 million units in 2015 to approximately 10.9 million units in 2019, representing a CAGR of 11.3%. It is expected that the market will continue to expand robustly throughout the next five years to reach approximately 16.2 million units in 2024, representing a CAGR of 8.4%. Please see "Industry Overview — China's Automobile Aftermarket Service Industry" for further details.

This strategic business expansion will extend our coverage in the automobile value chain and diversify our customer base to include automobile aftermarket service companies, and allow us to explore business opportunities with different stakeholders of the automobile industry in China. Although our Transaction Facilitation Service is still at its early mature stage, we believe that we are in an advantageous position to further develop our Transaction Facilitation Service. As we are able to originate sales leads from our platforms, this provides us with enormous access to potential car purchasers to whom we are able to promote group-purchase events for autodealers and insurance companies.

As the pricing policy of our Transaction Facilitation Service is at fixed fees for each project regardless the number of sales or insurance transactions completed by our autodealer customers or insurance company, we intend to develop the Transaction Facilitation Service by increasing the number of group-purchase events we promote for our customers in order to take advantage of the economy of scale; and, as our brand is expected to become more well recognized after the **[REDACTED]**, by charging higher fees for each project to enhance our profit margin for this business segment.

For more details of our strategy, please see "Our Business Strategies—Solidify our market position in the automobile vertical media advertising industry".

In view of the recent COVID-19 outbreak, the Transaction Facilitation Service has been adversely affected and we recorded no group-purchase event for the three months ended March 31, 2020. Our Transaction Facilitation Service was resumed gradually and we completed seven group-purchase events for the three months ended June 30, 2020. As of the Latest Practicable Date, the operation of our Transaction Facilitation Service was still in recovery. For details, please see "Business — Health, Work Safety, Social and Environmental Matters" and "Impact of Outbreak of COVID-19 On Our Operation in the PRC".

OUR PLATFORM

Platform Offering

The key factor that differentiates us from other participants in the online automobile advertising industry, we believe, is the platform through which users are engaged and where we can offer value to our users, business partners and customers.

The key value propositions our proprietary platform can offer to our users, business partners and advertising agency, automaker and autodealer customers are summarized as follows:

Value proposition to users

Driven by our content generation ability, we continue to enhance our user experience on our proprietary platform:

Abundant automobile information. Our content team created and published over 354,000 articles for the six months ended June 30, 2020. As of June 30, 2020, our online automobile database contains over 57,000 vehicle models specifications and 4.2 million photographs covering over 57,000 vehicle models.

Convenience. Our users can search, review and compare different vehicle models on our proprietary platforms at any time via the use of our platform tool—Cheshi App.

Trusted content. Our content team comprising professional writers with extensive automobile industry experience in general obtains first-hand vehicle data and information and conducts vehicle test driving and review them based upon our teams' expertise and experience from car users' perspective, so that we are able to deliver trusted content on latest automobiles to our users.

Informed decision-making. As of June 30, 2020, we have built a comprehensive PGC database containing over 3.2 million automobiles articles and a UGC user community containing over 4.0 million user articles and comments. They are easily accessible by our users on our proprietary platform, providing our users with detailed information that they desire. Utilizing our platform tool in our Cheshi App, our users can conduct customized searches and comparisons between vehicle models, allowing them to search from numerous vehicle types and make informed selection to purchase decision.

Value proposition to business partners

As acquiring user traffic is of paramount importance to the success of our business, we continue to develop a vast network of business partners to broaden the user reach of our automobile content.

Instantaneous distribution. Our platform tool — Picker engine allows our business partners to easily distribute PGC and UGC on their platforms instantaneously and concurrently with our platform.

Mutually-beneficial arrangement. Our business partners assist us to distribute PGC on their platforms via the use of our platform tool — Picker engine. In return, our automobile content serves to enrich and supplement the content of business partner platforms at minimal cost.

Value proposition to customers

Our advertising agency, automaker and autodealer customers are able to maintain an online presence through placing advertisements to our users via our platform. Our platform enables them to enhance the effectiveness of their advertising campaigns through our platform tools.

Effective advertising. Our advertising agency, automaker and autodealer customers and their products can easily be searched by our users on our platform or with a simple "click" in our Cheshi App on their mobile devices.

Targeted marketing. We enhance the effectiveness of the advertising campaigns of our advertising agency, automaker and autodealer customers through our platform tools, such as, Cheshi Bao (車市寶), where autodealers can maintain their product lists and monitor user behaviors and activities on our platform.

Our proprietary platform

Our proprietary platform consists of PC websites, mobile website and App, through which we engage our users and distribute our automobile content.

PC websites

We currently maintain three PC websites, namely "Cheshi (網上車市)", "Hao Che Shi (豪車事)" and "Pika Cheshi (皮卡車市)". We customize the automobile content in each of these websites to target for specific audience among our users. For the three years ended December 31, 2017, 2018, and 2019 and the six months ended June 30, 2020, our Cheshi websites have a DUV of approximately 3.2 million, 3.5 million, 3.5 million and 3.6 million, respectively, and a daily average PV of approximately 30.0 million, 45.0 million, 48.0 million and 50.0 million, respectively.

The details of our three PC websites are set out below:

Cheshi (網上車市) *(www.cheshi.com)*	Our main "Cheshi (網上車市)" website was established in September 1999. It is our first website and it principally publishes passenger vehicle related content to our general users.
Hao Che Shi (豪車事) *(www.haoche18.com)*	Our "Hao Che Shi (豪車事)" channel and its corresponding website was established in July 2017. It publishes luxury vehicle related content to tailor for high net worth users.
Pika Cheshi (皮卡車市) *(www.pika18.com)*	Our "Pika Cheshi (皮卡車市)" channel and its corresponding website was established in July 2018. It publishes pick-up truck related content to target users who have a specific interest in this niche vehicle category.

The following graphics illustrate the user interface of our "Cheshi" website, where our users can access our automobile content and platform tools as highlighted below:

Mobile website

We also operate a Cheshi mobile website that is easily assessible by our users via their mobile browser. Similar to our PC websites, our Cheshi mobile website features automobile content and platform tools in a user-friendly interface for our users on mobile devices. To keep abreast with the trend of increasing mobile usage, we upgraded and relaunched our Cheshi mobile website with a new interface in September 2016. It proved to be a success as our Cheshi mobile website has attracted substantial user traffic since the upgrade. For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our Cheshi mobile website has a daily average PV of approximately 3.5 million, 4.8 million, 5.2 million and 5.8 million, and an average DUV of approximately 0.7 million, 0.9 million, 1.0 million and 1.2 million, respectively.

The following graphics illustrate the user interface of our "Cheshi" mobile website, which features automobile content and platform tools as highlighted below:

App

We introduced our iOS and Android-based mobile application (App) to allow our users to access our platform. Users can enjoy features that are available on our websites from their mobile devices, such as reading articles, checking vehicle prices and model parameters, viewing pictures, and participating in user community discussions via the Cheshi App installed on their mobile devices. Our mobile applications have generated significant user interest. For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our Cheshi mobile application has an average DUV of approximately 0.4 million, 0.5 million, 0.6 million and 0.7 million, respectively. Our iOS-based and Android-based mobile applications were downloaded approximately 435,000 times as of June 30, 2020.

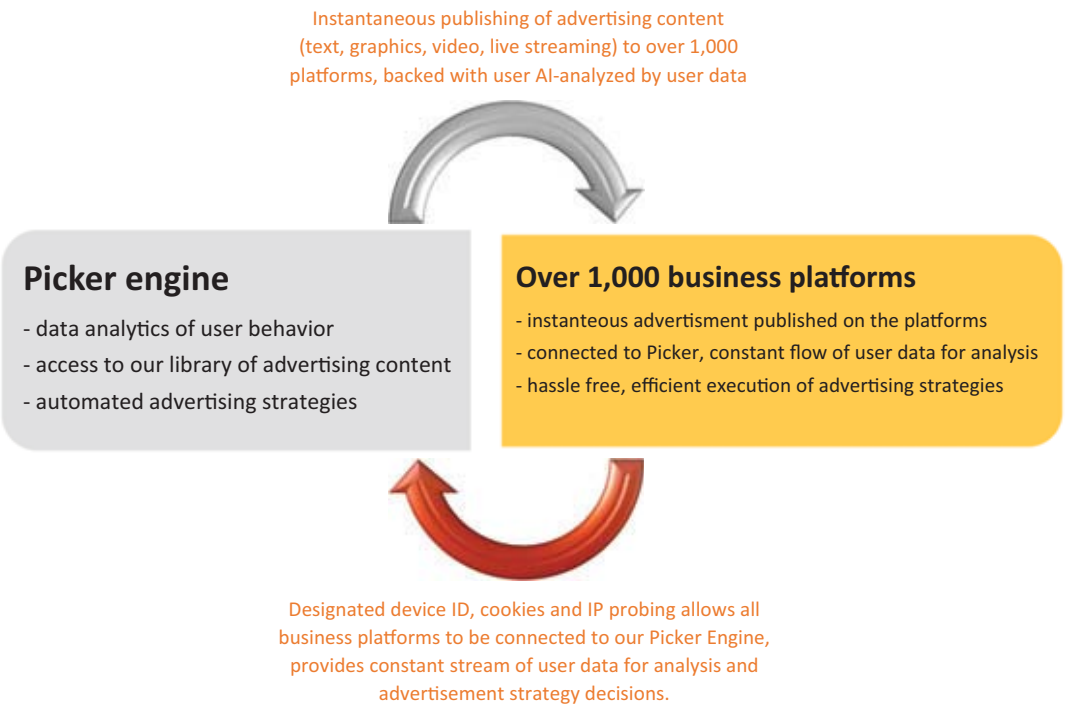
The following graphs illustrate the user interface of our "Cheshi" App, where our users can utilize tools like selected vehicle comparison and calculator to assist their search and selection to purchase process:

Third party platforms

As we also distribute our automobile content via business partner platforms, the use of our in-house technology applications is of paramount importance to our success.

Picker engine

The Picker engine is our self-developed technology application dedicated to enhance our advertising efforts on over 1,000 business partner platforms. Through our Picker engine, we are able to conduct instantaneous and large-scale content distribution advertisement placements that significantly reduce our reliance on human efforts, and to continuously analyze advertisement performance and optimize our delivery of automobile contents and advertisements in a manner that they are delivered to the advertising spaces on platforms where they are most likely to be viewed. This, in turn, enables our originally produced automobile contents to be distributed efficiently to the broadest possible extent, thereby enabling us to acquire a large number of users in a cost-efficient manner.



Since its launch in 2017, our Picker engine has gone through a series of upgrades and developments. The early version of our Picker engine in 2017 had basic functionalities, such as, the automated distribution of articles, video content and automobile data. By 2018, our Picker engine can distribute content based on time preference and popularity, provide an advertising feed, and also a video live stream. By 2019, our Picker engine can filter and recommend automobile choices in advertisements based on certain parameters, and a one-click function which directly brings a user from clicking an automobile advertisement straight to a car dealer's price quotation information page.

By being connected to our business partners with built-in mechanism and data analytics via cookies, IP probing and a designed device ID assigned to each platform, vital information (such as real-time DUV and PV, user traffic, user data, preference, actions on each platform, user behavior) can be transmitted from such platforms to be verified, examined and analyzed for advertisement optimization.

Not only does our Picker engine greatly enhance our ability to distribute our automobile content to our users in large scale with the broadest reach, it also functions as a centralized cloud management system for our automobile content and data. Our automobile content and data can be distributed to the platforms of our business partners once they are connected to our Picker engine. Our business partners are not required to incur any hardware, maintenance and construction costs for storage and management of our automobile content and data.

The application of our Picker engine enables us to perform targeted advertising through the following:

Data collection from user traffic

As we are connected to our business partner platforms, our Picker engine can gradually enhance its capability in guiding our content creation team and optimizing our advertisement production and design capabilities, by using the real-time user behavior data collected from both our

own platform and those of the business partner platforms. After collection of user data through APIs on our proprietary and business platforms, we can translate the user data obtained into more valid, meaningful and organized data through the AI of our Picker engine and machine learning algorithms, which can be applied to various aspects of our business and allow us to provide advertising strategies to our customers.

Data analytics on user interest and advertising strategies

As our Picker engine monitors users' browsing rate and time spent on advertisements at a particular advertising space, we are able to perform targeted marketing by delivering advertising content to the space of which such advertisements are most likely to be viewed on our proprietary and business partner platforms. When creating an advertisement, our machine learning models would help to analyze various advertisements, so as to automatically allocate more advertising budget to the more effective advertisements based on viewership or click-through rate, and then to provide recommendations on optimizing the delivery of these advertisements. These initial intelligent optimization settings enable advertisements to be delivered more efficiently and more accurately to users who meet such conditions. Based on the browsing patterns of users, we are able to automatically recommend customized advertisements during a user's browsing and search process. By doing so, we are able to formulate an effective strategy to place advertisements, such as, adjusting the display frequency and themes of automobile advertisements on our proprietary and business partner platforms according to prevailing browsing patterns.

Such capability also allows us to better analyze the data accumulated in a meaningful way and to form a comprehensive database, which will help our customers' advertising campaigns. Through data analytics, we can identify the needs of users and thus tailoring the advertisements to optimize the chances of being viewed by users, based on user preferences and interests.

The following graphics illustrate the auto webpage of our business partner platform, where our automobile contents and advertisements are displayed:

Interface of a business partner platform (website) and link to our proprietary platforms at the top left corner

Interface of our business partner platforms (mobile website)

According to the CIC Report, our Picker engine allows us to stand out from many of our competitors as we are able to choose the service content and flexibly integrate it into the publishing system, improving efficiency and broadening reach to more users through our "one-click distribution" system.

After **[REDACTED]**, we will continue to invest in Picker engine and its AI technologies, thereby optimizing its data analytics so that it can customize the automobile contents to be distributed in accordance with the platform designs and interface of our business partners' platform.

Applets (小程序) and Official Accounts (公眾號)

We operate and maintain Applets and Official Accounts on over ten prominent we-media platforms in China, which are effective technological means that allow us to disseminate our automobile content and provide our tools to the users of those platforms. Through our Applets and Official Accounts, access to our platform is embedded into their mobile apps. Users of these we-media platforms can access our automobile content and tools through we-media websites and mobile apps operated by these third parties. This enables us to broaden our user reach by leveraging on the vast and high-frequency user base of these prominent we-media platforms.

We develop and operate such Applets and Official Accounts internally. As such, our costs of operating and maintaining the Applets and Official Accounts primarily comprise staff costs and certain marketing and promotion expenses. For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, such costs amounted to approximately RMB0.2 million, RMB0.3 million, RMB0.9 million and RMB0.4 million, representing approximately 1.2%, 1.4%, 3.2% and 4.2% of our total cost of providing services, respectively.

Users of we-media platform that have followed our Official Accounts will receive news alerts and can access our automobile content as shown below:

Users of we-media platform can access our automobile tools via our Applets as shown below, and the user interface of which is similar to that of our App, where our users can utilize our tools to assist their search and selection to purchase process:

Our platform tools

Our platform tools have been instrumental to the rapid growth of our business. We believe that it is essential to our success to improve user experience, business partners collaboration and advertising solutions to our customers. Our platform tools are key to these improvements.

Automobile database (車型庫)

We have one of the most comprehensive online automobile databases in China with over 1.9 million vehicle model configurations and over 4.2 million automobile photos with a coverage of over 57,000 car models, 3,300 series and 330 brands as of June 30, 2020. Our users are able to access this automobile database on our platform, and review vehicle models in relation to their suggested retail price, specifications, detailed photos and review articles. Our automobile database contains:

Model configurations. Information on vehicle brands, manufacturers, types, and specifications, such as, vehicle launch year, color, length and height, performance levels, dimensions, powertrains, vehicle bodies, safety and other attributes of vehicles;

Quotation. Information on vehicle retail prices suggested by automakers and promotions launched by autodealers;

Pictures. Vehicle pictures and photographs showing appearance, exteriors and interiors of vehicles and accessary components, such as entertainment systems; and

Rankings. Information on ranking of vehicles generated from our intelligent data management system based on our users' browsing behaviors, opinion and other data, such as, petrol consumption.

The data and information in our automobile database continue to expand rapidly, as data is collected by our content team and added to the database by our R&D team. The primary sources of up-to-date data and information for our automobile database are: (i) the official websites of automakers, and (ii) the vehicle brochures, specifications and manual provided by them. We have developed a data mining tool that enables our system to detect and keep track of the updates on the official websites of automakers; and such information would be compiled and verified by our content team for accuracy. Upon completing the verification, the data would be added to the database by our R&D team to ensure timeliness of vehicle information.

App and Applet tools

Our Cheshi App is designed with enhanced tools that enable our users not only to access automobile content and related information but also to utilize all relevant data from our automobile database to assist their search and selection to purchase process. The following are the highlights of our tools:

Vehicle comparison tool. Our users can compare the specifications of selected vehicle models and brands, which allows them to make informed purchase decisions.

Calculation tool. Our users can utilize the virtual calculators in our App to estimate their purchase against their budgets.

Video and live stream. Our users can view our videos and live stream on our App to review their selected vehicles.

Automobile aftermarket services. Our users can search and receive special deals for aftermarket services that are available near their city location on our App. For example, we have launched an interface to display discounts for petrol refuels, which our users can search based on the petrol brands and distance.

The functions of these tools are also available on our PC website and mobile website.

Our user community

We launched a user community function on our platform in February 2018. Since then, our platform hosts an open and vibrant community of automobile enthusiasts. Our user community provides a social ambience for our users to share a wide range of automotive experience, such as driving experiences, usage and maintenance tips. Users also provide reviews of automobiles or automotive products and services, post questions and receive answers from fellow users. It provides users with an easy and intuitive way to access various topics of interest and for users to interact with each other. Although development of our user forum is still at an early stage, our UGC is expected to expand along with our growing user base, which in turn attracts more users. Furthermore, the virtuous cycle of our growing user base has also enhanced the effectiveness of our advertisements, thereby allowing us to attract more customers and increase revenue from existing advertising agency, automaker and autodealer customers.

Cheshi Bao (車市寶)

Cheshi Bao is a technology gateway opened to all our autodealer customers to manage their advertising activities on our platform. It consists of the following major functions:

Product list management. It allows our autodealer customers to update the availabilities of vehicle models on our platform.

Communication portal. It is a communication portal for our autodealer customers to manage and reply to messages and queries left by our users. Once our autodealer customers have

responded to a message left by our user, it will automatically send a SMS text to inform that user.

Monitoring system. It is a data analysis system for our autodealer customers to review and monitor user behavior, such as, browsing data, user comments on their page and certain articles relating to their products.

Discount update. It provides an option for our autodealer customers to list their latest vehicle promotions, such as discounted prices and gifts, which allows our users to search for deals that best suit their needs based on the latest vehicle promotions.

Monitoring system

We operate and maintain a monitoring system which allows us to manage the advertising space on our proprietary and third party platforms and keep track of the performance of each advertising space. Our sales team is able to check the availability of any advertising space on any date and adjust their advertising proposals for potential projects. Further, the sales team monitors the performance of the advertisements that are placed by our customers on various platforms, including advertisement data exposure, to ensure the due completion of the service contracts. They can check the operational statistics of the advertisements in real time and produce a daily report on the total impressions (i.e. the number of page views), total clicks (i.e. the number of users click on the advertisement for further details) and total leads (i.e. the number of user contact information provided to the end customers arising from the advertising campaign) recorded for the day, which would be circulated to our customers. Our customers can then check against the relevant operational statistics recorded by an independent third party that they have engaged separately for independent monitoring purpose. This arrangement allows our customers to evaluate the effectiveness of their advertisements and adjust the strategy for their advertising campaigns, and allow us to cross-check the execution of our service contracts for settlement. The monitoring system also enables our content team and sales teams to obtain user behavior trend and market insights and to improve our automobile content and advertising solutions accordingly.

Content management system

Our content management system manages our automobile database and our automobile content and provides functions that allow our content team to edit, modify, format and publish our articles, photos and video clips and other automobile content on our platform in an efficient manner. It is an intermediary system linking our web servers and our back-end system and is able to process and manage influx of data. It is also connected to our monitoring system and integrates data of exposure advertisements placed by our customers, which allows our sales team to (i) locate and reserve available advertising space to meet KPI requirements of our customers during the pre-launch assessment stage; and (ii) keep informed of the current status of advertisements already placed by our customers and adjust such placed advertisements and marketing strategy to better serve them during the execution and evaluation stage.

Data protection system

Data protection is of paramount importance to our business, as we collect device-specific data, such as device IDs and IP addresses, and some limited amount of users' personal information, such as their legal names and personal ID numbers with their consents. Our data analytics are technically

device-based and are not associated with any real individual who can be an actual user of such device. We have data protection measures in place to ensure the data that we collect are not misappropriated or misused as follows:

Network protection. Our IT network is configured with two main layers of protection, consisting of the database layer and the data entry layer, to secure our databases and servers. The database layer provides for user identification and authentication and user access rights control while the data entry layer applies a web application firewall to prevent attacks, filter data and other data intrusion incidents.

Access restriction. We have implemented internal policy to safeguard against any unauthorized access to data which sets out, among others, the obligations and job duties of the system administrator and the implementation of passwords, back-up and security measures against hackers, viruses and network attacks to ensure data security. Only our key employees have access to the data we collected, and authorization from senior management is required if access to the data is requested from other employees.

Data encryption. Confidential data is encrypted into a format that cannot be directly identifiable (ciphertext) and the data is stored and transmitted in the form of ciphertext to prevent access of data through unauthorized channels.

Compliance policies. We have implemented measures to comply with laws and regulations on data protection and privacy in China. We have implemented internal user personal data usage and maintenance policy to safeguard against the misuse of personal information, requiring our employees to use authorized password and login to access our computer systems and use user data only for the specific purpose and scope permitted by relevant users and not to use such data for other purposes without prior written consent from relevant users.

Defense against computer virus and hacking of systems. We have implemented protection and security measures against computer virus and hacking of systems and continue to strengthen such measures, including firewall, data encryption, access restriction, data backup and other automatic software protection measures.

Privacy policies. We continuously update our user privacy policy on our official website to ensure our compliance with relevant laws and regulations. We generally include user data and privacy clauses in our contracts to require our contractual counterparties to comply with our privacy requirements and relevant laws and regulations on data protection and privacy.

We are in compliance with the applicable PRC laws and regulations in all material aspects relating to the collection, use, disclosure and security of personal information during the Track Record Period and as of the Latest Practicable Date.

Contingency measures for failure of IT systems and infrastructure

In addition to maintaining our IT systems in good working order through regular maintenance and repair checks, we have devised IT emergency and contingency plans in anticipation of any occurrence of malfunctions, which are as follows:

Damage to server hardware. In event of any damage to the server hardware, our back-up servers will automatically be activated to replace the operation of the faulty server. Based on our automatic data backup system, our systems can recover without manual assistance.

Damage to server software. We have implemented automatic software protection measures, such that we will isolate any malfunctioning software to retain the integrity of our IT systems. Once we identify the malfunctioning software, we will rectify and restore operations.

Content delivery network (CDN). We maintain and utilize a content delivery network, which is a system of distributed servers that deliver web content to a user, depending on the geographic locations of the user, the origin of the webpage and the readiness of content delivery server. This provides a buffer that allows our users to continue visiting and browsing on our platforms without disruption caused by failure of IT system and infrastructure.

PLATFORM TECHNOLOGY AND TOOLS DEVELOPMENT

Our platform infrastructure, technology and tools are critical to our success. We are therefore committed to developing and investing in our in-house technology capabilities to maintain and strengthen our market position. We strive to develop a robust and scalable platform with sufficient flexibility to support our continuous growth. Please see "—Our Business Strategies—Strengthen our R&D, further enhance our IT systems and develop innovative products".

We follow a user-centric strategy when designing our technology architecture. A key component of our user-centric platform development strategy is our user data analytics which we have developed and plan to enhance continually. Our user data analytics allows us to rapidly collate user intelligence by analyzing large amounts of data collected from our proprietary and business partner platforms. We can utilize such user intelligence to enhance user experience, facilitate interactions with our users and improve various aspects on our platform. Through our user data analytics, we can engage our users more closely by providing customized automobile content that are most receptive to them. We are also able to provide more precise marketing solutions to our customers so that we can generate more revenue and profit.

Our R&D team is comprised of research and development team, front-end development team and maintenance team. Our R&D team is led by Mr. Lin Yuqi who holds a college diploma in computer networking technology studies with approximately ten years experience in the technology industry and consisted of 16, 21, 18 and 19 employees as of December 31, 2017, 2018 and 2019 and June 30, 2020 who possess good information and technology experience. Our R&D expenses were approximately RMB4.8 million, RMB7.8 million, RMB12.5 million and RMB3.3 million for the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, accounting for approximately 6.0%, 7.9%, 9.8% and 8.0% of our expenses during the Track Record Period. Our R&D expenses primarily consist R&D staff expenses, depreciation and other office and utilities expenses, which were incurred for website maintenance, Internet improvement, optimization of software, tools, functions, and development of mini-programs and systems of our platform. In accordance with IAS 36—Intangible Assets, an intangible asset shall be recognized if, and only if: (a) it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and (b) the cost of the asset can be measured reliably. The Group's R&D expenses were of ancillary nature to the main business of the Company. Management of the Group is not certain about the expected future economic benefits of such ancillary improvement and thus no intangible assets were recognized.

SALES AND MARKETING

Our sales team consists of 57, 58, 76 and 63 employees as of December 31, 2017, 2018, and 2019 and June 30, 2020 and is led by our executive Director, Mr. Liu Lei, who has more than 16 years

of experience in the sales and marketing in automobile advertising industry. In addition to our Beijing headquarters, our sales offices are strategically located at Shanghai and Guangzhou in China to maintain business relations with the customers that are located in the same region. Our sales and marketing efforts focus on promoting our advertising services to advertising agencies, automakers and autodealers. Our sales team conducts marketing activities to promote our value-added advertising services and solutions as well as providing ongoing customer support to and maintaining customer relationships with advertising agency, automaker and autodealer customers.

The key members of our sales team are equipped with automotive industry knowledge and expertise to understand our customers' needs and are trained to help them develop their advertising strategies with our market insights and solutions. We provide regular education and training to our sales team to help them provide existing customers with better services and acquire new customers.

CUSTOMER COMPLAINT HANDLING

We value our customers' feedback on the advertising services provided by us and we have implemented measures to handle complaints effectively. Our sales team handles customers' complaints promptly upon receipt. If the complaint involves quality problems or defects found in advertisements placed by us, our sales team escalates such complaints to our management for investigation and rectification. We believe the above measures can reinforce our quality control standards to our customers and instill our customers' confidence in our advertising services.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any complaint from our customers or any regulatory bodies in respect of advertisements placed by us which had a material adverse effect on our business or results of operations.

SEASONALITY

We generally generate greater revenue from the second half than the first half of the year mainly due to slower and postponed spending or purchase by our customers as a result of holidays such as Chinese New Year in the first quarter. We expect our revenue to continue to fluctuate based on seasonal factors which may impact the online automobile advertising industry as a whole. Please see "Risk Factor—Risks relating to our business and industry—Our business is subject to seasonal fluctuations".

OUR CUSTOMERS

During the Track Record Period, our customers for the Online Advertising Service primarily comprise advertising agencies, automakers and autodealers, whereas our customers for the Transaction Facilitation Service comprise of autodealers and an automobile insurance company. According to the CIC Report, it is customary for online automobile advertising service providers in China to sell advertising services and solutions primarily through advertising agencies that represent automakers and autodealers who are their end customers.

Our customers primarily include advertising agencies, automakers and autodealers, for our services. For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, revenue from our five largest customers contributed approximately RMB44.2 million, RMB60.4 million, RMB73.2 million and RMB29.7 million, which accounted for approximately 37.6%, 38.3%, 41.3% and 50.4% of our total revenue during those periods. For the three years ended

December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our largest customer accounted for RMB14.8 million, RMB25.4 million, RMB19.9 million and RMB10.5 million, representing approximately 12.6%, 16.1%, 11.2% and 17.7% of our total revenue during those periods. To the best knowledge of our Directors, the scale of operation of these customers ranges from a market capital size of approximately RMB1,750 to RMB10.0 million.

For the three years ended December 31, 2017, 2018 and 2019 and six months ended June 30, 2020, we had a total number of 97, 109, 107 and 78 customers, respectively, among which 87, 74, 71 and 48 customers only chose to display and distribute their advertisements through our proprietary platforms. There were 10, 35, 36 and 30 customers chose to display and distribute their advertisements through both of our proprietary and business partner platforms.

The details of our five largest customers during the Track Record Period are set out as follows:

Year ended December 31, 2017

Customer	Transaction Amount	% of our total revenue	Business relationship since	Credit terms and payment method	Background
	RMB in million				
Customer A	14.8	12.6	2016	Up to 180 days by bank transfer	Advertising agency
Customer B[2]	9.9	8.5	2016	Up to 180 days by bank transfer	Advertising agency
Customer C	7.1	6.0	2017	Up to 180 days by bank transfer	Automaker
Customer D	6.6	5.6	2017	Up to 180 days by bank transfer	Advertising agency
Customer E	5.8	4.9	2016	Up to 180 days by bank transfer	Advertising agency
Total	**44.2**	**37.6**			

Year ended December 31, 2018

Customer	Transaction Amount	% of our total revenue	Business relationship since	Credit terms and payment method	Background
	RMB in million				
Customer A	25.4	16.1	2016	Up to 180 days by bank transfer	Advertising agency
Customer E	12.1	7.7	2016	Up to 180 days by bank transfer	Advertising agency
Customer F	8.4	5.3	2016	Up to 180 days by bank transfer	Advertising agency
Customer G[1]	7.4	4.7	2016	Up to 180 days by bank transfer	Advertising agency
Customer B	7.2	4.5	2016	Up to 180 days by bank transfer	Advertising agency
Total	**60.4**	**38.3**			

Year ended December 31, 2019

Customer	Transaction Amount	% of our total revenue	Business relationship since	Credit terms and payment method	Background
	RMB in million				
Customer A	19.9	11.2	2016	Up to 180 days by bank transfer	Advertising agency
Customer Group B[2]	14.9	8.4	2016	Up to 180 days by bank transfer	Advertising agency
Customer G [1]	13.5	7.6	2016	Up to 180 days by bank transfer	Advertising agency
Customer I [1]	12.7	7.2	2016	Up to 180 days by bank transfer	Advertising agency
Customer E	12.2	6.9	2016	Up to 180 days by bank transfer	Advertising agency
Total	**73.2**	**41.3**			

Six months ended June 30, 2020

Customer	Transaction amount	% of our total revenue	Business relationship since	Credit terms and payment method	Background
	RMB in million				
Customer A	10.5	17.7	2016	Up to 180 days by bank transfer	Advertising agency
Customer G (1)	7.0	11.9	2016	Up to 180 days by bank transfer	Advertising agency
Customer Group B (2)	5.2	8.9	2016	Up to 180 days by bank transfer	Advertising agency
Customer E	4.6	7.9	2016	Up to 180 days by bank transfer	Advertising agency
Customer H	2.3	4.0	2017	Up to 180 days by bank transfer	Advertising agency
Total	**29.7**	**50.4**			

Notes:

(1) During the Track Record Period, we provided services to Customer G and Customer I. We understand that Customer G and Customer I share a common shareholder, but shall not be treated as one customer group because each Customer G and Customer I, as advertising agency: (a) represents non-overlapping end-customers; (b) negotiates and enters into contract separately with their end-customers; and (c) they have totally separated management making decision on its own.

(2) Customer B is one of the subsidiaries of Customer Group B, which comprises the holding company and a fellow subsidiary of Customer B.

Our five largest customers during the Track Record Period are Independent Third Parties. Our Directors confirm that none of our Directors, their respective close associates or any Shareholder (which to the knowledge of the Directors owns more than 5.0% of our share capital as of the Latest Practicable Date) had any interest, directly or indirectly, in any of our five largest customers during the Track Record Period. None of our five largest customers were our suppliers during the Track Record Period up to the Latest Practicable Date. During the Track Record Period, we did not have any material disputes with our customers or encounter any major claims of defective services.

Credit Policy and Payment

Our customers generally have a credit period up to 180 days. Our customers in the PRC generally settle our payment by bank transfer in Renminbi. We have large number of customers and there was no concentration of credit risk. We have credit control procedures to ensure that follow-up action is taken to recover overdue debts. The major terms relating to our credit period in our service agreements with our customers include: a credit term up to 180 days from the date of invoice. Invoice is issued to customers after the entire project is completed and the pre-agreed performance data is verified by the customer before the customer settles our payment through bank transfer. Where the customer fails to settle payment to us on the due date, we impose a daily penalty of 0.05% of the outstanding amount owed to us.

For details, please see "Financial Information—Description of Principal Items in the Consolidated Statements of Financial Position—Trade and bill receivables".

OUR SUPPLIERS

Our suppliers primarily include brand promotion, information technology, exhibition promotion and offline event promotion service providers. The services provided by our suppliers generally include promoting our Company's brand, promotion planning and set up of exhibitions participated by us, promotion planning of offline events organized by us and Internet and technical support. For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, purchases from our five largest suppliers contributed approximately RMB19.8 million, RMB8.7 million, RMB14.3 million and RMB4.6 million, which accounted for approximately 47.3%, 25.6%, 30.7% and

31.1% of our cost of procurement, respectively. For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our largest supplier accounted for approximately RMB8.3 million, RMB3.5 million, RMB6.1 million and RMB1.6 million, representing approximately 19.9%, 10.2%, 13.1% and 11.0% of our cost of procurement during those periods respectively.

The following table sets forth certain information of our major suppliers during the Track Record Period.

Year ended December 31, 2017

Supplier	Transaction Amount	% of our total cost of procurement	Business relationship since	Credit terms and payment method	Background
	RMB in million				
Supplier A	8.3	19.9	2015	up to 30 days by bank transfer	Brand promotion services provider
Supplier B	4.6	11.0	2016	no credit term granted	Brand promotion services provider
Supplier C	3.7	8.8	2016	up to 15 days by bank transfer	Exhibition promotion services provider
Supplier D	1.9	4.4	2016	up to 15 days by bank transfer	Exhibition promotion services provider
Supplier E	1.3	3.2	2016	up to 30 days by bank transfer	Data traffic promotion services provider
Total	**19.8**	**47.3**			

Year ended December 31, 2018

Supplier	Transaction Amount	% of our total cost of procurement	Business relationship since	Credit terms and payment method	Background
	RMB in million				
Supplier C	3.5	10.2	2016	Up to 73 days by bank transfer	Exhibition promotion services provider
Supplier F	1.6	4.7	2016	up to 73 days by bank transfer	Information technology services provider
Supplier G	1.6	4.6	2018	up to 15 days by bank transfer	Exhibition promotion services provider
Supplier H	1.1	3.3	2017	up to 90 days by bank transfer	Brand promotion services provider
Supplier I	1.0	2.8	2018	up to 73 days by bank transfer	Information technology services provider
Total	**8.7**	**25.6**			

Year ended December 31, 2019

Supplier	Transaction Amount	% of our total cost of procurement	Business relationship since	Credit terms and payment method	Background
	RMB in million				
Supplier C	6.1	13.1	2016	up to 30 days by bank transfer	Exhibition promotion services provider
Supplier F	2.5	5.4	2016	up to 19 days by bank transfer	Information technology services provider
Supplier J	2.5	5.3	2018	up to 20 days by bank transfer	Offline event promotion service provider
Supplier K	1.8	3.9	2019	up to 5 days by bank transfer	Offline event promotion services provider
Supplier L	1.4	3.0	2019	up to 19 days by bank transfer	Information technology services provider
Total	**14.3**	**30.7**			

Six months ended June 30, 2020

Supplier	Transaction amount	% of our total cost of procurement	Business relationship since	Credit terms and payment method	Background
	RMB in million				
Supplier C . . .	1.6	11.0	2016	Up to 30 days by bank transfer	Exhibition promotion services provider
Supplier M . .	0.8	5.5	2019	Up to 22 days by bank transfer	Information technology services provider
Supplier K . .	0.8	5.4	2019	Up to 5 days by bank transfer	Offline event promotion services provider
Supplier L . .	0.7	4.8	2019	Up to 19 days by bank transfer	Information technology services provider
Supplier N . .	0.6	4.4	2020	Up to 101 days by bank transfer	Information technology services provider
Total	**4.6**	**31.1**			

The salient terms of a typical service agreement with our suppliers are as follows:

Terms:	Project-based, ranging from one week to three years
Amount:	Based on the scope of services, ranging from RMB3,000 to RMB0.8 million a year
Services:	The provision of advertisement or promotion service, event planning, or IT service
Payment:	To be settled by bank transfer in RMB
Credit terms:	Up to 180 days
Termination:	To be terminated by either party with prior notice

Our five largest suppliers during the Track Record Period are Independent Third Parties. Our Directors confirm that none of our Directors, their respective close associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of our share capital as of the Latest Practicable Date) had any interest, directly or indirectly in any of our five largest suppliers during the Track Record Period. None of our five largest suppliers were our customers during the Track Record Period. Given that there are numerous brand promotion, event promotion and IT service providers available in China, we do not see substantial difficulty in sourcing services from alternative suppliers with comparable quality and price.

Credit period and payment

We settle our purchases from suppliers in Renminbi. We generally settle our payments by bank transfer. Our suppliers generally grant us a credit period from 30 days to 180 days from the date of invoice. On some occasions, the credit terms granted by the same supplier varies according to our business relationship with them, for instance, the credit terms granted by Supplier C and Supplier F in 2018 may become shorter in 2019 because we revised our payment terms from project completion basis to monthly basis as a result of our good business relationship in 2018 and we intend to maintain the supply of their services in long term. We had not experienced any material disruption, dispute or delay in relation to the supply of services to us with our suppliers during the Track Record Period and up to the Latest Practicable Date.

INTELLECTUAL PROPERTY

We have obtained key intellectual property and proprietary rights in relation to the operation of our business. Our intellectual property includes trademarks and trademark applications related to our brands, services and software copyrights. We seek to protect our intellectual property assets and brands

through a combination of trademark, patent, copyright and trade secret protection laws in the PRC and other jurisdictions, as well as through confidentiality agreements and other measures.

As of the Latest Practicable Date, we had registered six trademarks and hold one pending trademark applications and 19 registered software copyrights in China that are material to our business. As of the Latest Practicable Date, we had five registered domain names that are material to our business, including our main website domain name, ***www.cheshi.com***. As of the Latest Practicable Date, we did not license any of our intellectual property rights to any third parties.

Our Directors confirm that we were not involved in any material disputes or legal proceedings in respect of any intellectual property rights that may be threatened or pending, in which we may be involved whether as claimant or respondent as of the Latest Practicable Date.

For further details, please see "Statutory and General Information—E. Further information about our business—Our intellectual property rights" in Appendix IV to this document.

EMPLOYEES

We had 157, 174, 193 and 163 full-time employees as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively, all of whom were based in China. The following table sets forth the number of our employees by function as of the following dates:

	December 31,			June 30,
Function	**2017**	**2018**	**2019**	**2020**
Senior management	3	4	4	4
Sales and market	57	58	76	63
Product design, development and operation (including R&D)	28	32	26	27
Content creation	58	63	67	51
Administrative	11	17	20	18
Total	**157**	**174**	**193**	**163**

We recruit our employees from the open market. We have established effective employee performance evaluations system and employee incentive schemes to correlate the remuneration of our employees with their overall performance and contribution to the business operation results, and have established a merit-based remuneration awards system. Employees are promoted not only in terms of position and seniority, but also in terms of professional qualifications. Through a combination of short-term performance evaluations and long-term incentive arrangements, we intend to build a competent, committed and highly motivated workforce that strives for continuous success.

During the Track Record Period, we did not experience any work shortages, material labor disputes or strikes that may have a material and adverse effect on our business, financial condition or results of operations. Since June 30, 2020, we had undertaken efforts to continue our recruitment expansion strategy, trying to recruit more replacements as originally planned, before the COVID-19 outbreak.

PROPERTIES

Our headquarters is located in Beijing. As of the Latest Practicable Date, we did not have any owned properties and we leased four properties with an aggregate gross floor area of approximately

3,399.8 square meters from Independent Third Parties in China. Our leased properties are primarily used as premises for our offices and the lease agreements of which have lease expiration dates ranging from January 31, 2022 to August 14, 2023. During the Track Record Period, we did not experience any dispute arising out of our leased properties, and we did not experience any difficulty in renewing our leases.

Pursuant to the applicable PRC laws and regulations, property lease contracts are required to be registered with the local branch of the competent construction (real estate) authority of the PRC. As of the Latest Practicable Date, we had not registered three of our lease agreements. Our PRC Legal Advisor has advised us that the non-registration of the lease agreements will not affect the validity of the lease agreements under PRC laws, and have also advised us that a maximum penalty of RMB10,000 may be imposed for non-registration of each lease. Accordingly, the estimated total maximum penalty is RMB30,000. During the Track Record Period and up to the Latest Practicable Date, we had not been ordered by any authorities to register any of the unregistered lease agreements. As at Latest Practicable Date, we are in the process of rectifying the above non-registration. See "Risk Factors—Risks relating to our business and industry—Our legal rights to certain leased properties may be challenged lease agreements" in this document for details.

According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempted from compliance with the requirements of section 342(1)(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which require a valuation report with respect to all our Group's interests in land or buildings, on the basis that, as of December 31, 2019, we had no single property with a carrying amount of 15% or more of our total assets. We are also not required by Rule 5.01B of the Listing Rules to include in this document any valuation report.

INSURANCE

Our insurance packages, include commercial insurance, which covers liabilities and losses for death and disability caused by accidents. We review our insurance policies from time to time for adequacy in the scope of coverage. Our directors consider our insurance coverage to be customary for businesses of our size and type, and in line with the standard commercial practice in China. During the Track Record Period and up to the Latest Practicable Date, we had not made, neither had we been the subject of, any insurance claims which are of a material nature to our Group. There are certain risks for which we are not insured for, and we may not have sufficient insurance coverage for damages and liabilities that may arise during the course of our business operations. Please see "Risk Factors—Risks Relating to Our Business and Industry—We do not have any business liability, disruption or litigation issuance".

HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

We are not subject to significant health, work safety, social or environmental risks as we do not operate any automobile manufacturing, warehousing, displaying and maintenance and repair facilities. To ensure compliance with applicable laws and regulations, from time to time, our human resources department would, if necessary and after consultation with our legal advisor, adjust our human resources policies to accommodate material changes to relevant labor and safety laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to our material non-compliance with health, work safety, social or environmental regulations.

LEGAL PROCEEDINGS AND COMPLIANCE

With the support of our PRC Legal Advisor, our Directors confirm that, save as disclosed below, our Group had conducted our operations and carried out our business in compliance with the relevant laws and regulations in the PRC during the Track Record Period and up to the Latest Practicable Date in all material aspects:

Non-compliance incident	Underlying cause(s)	Relevant laws and regulations	Potential impact on our Group	Internal control measures adopted

1. Failure to make social insurance fund contributions and housing provident fund contributions in full in the PRC in full compliance with the Social Insurance Law and the Housing Provident Fund Regulations

During the Track Record Period, Congshu Beijing and Congshu Hubei did not pay the social insurance fund and housing provident fund contributions in full, and paid the contributions for certain employees through a third party payment agent, which did not fully comply with provisions of the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) (the "**Social Insurance Law**") and the Regulations on the Administration of Housing Provident Fund of the PRC (《住房公積金管理條例》) (the "**Housing Provident Fund Regulations**").

We estimate that the shortfall in social insurance fund and housing provident contributions amounted to approximately RMB2.4 million, RMB2.0 million,

The non-compliance in relation to the shortfall in payment was due to inadvertent administrative oversight by a former responsible administrative staff of the applicable PRC laws and regulations relating to social insurance fund and housing provident fund contributions.

The Group engaged a third party payment agent to make contributions of social insurance and housing provided fund contributions on its behalf because Congshu Beijing was not able to open local deposit accounts for the purpose of social insurance fund and housing provident fund for certain of its employees who are

According to the Social Insurance Law, enterprises are obliged to apply for social insurance registration with local social insurance agencies and pay premiums on behalf of their employees by reference to their actual income. If an enterprise fails to pay the required premiums on time or in full, the authorities in charge will demand the enterprise to settle the overdue amount within a stipulated time period and impose a 0.05% overdue fine per day from the date on which the payment is overdue. If the overdue amount is still not settled within the stipulated time period, an additional fine in an amount of one to three times of the overdue amount will be imposed.

According to the Housing Provident Fund Regulations, enterprises must register with the Beijing Chaoyang Human Resources and Social Insurance Bureau (北京市朝陽區人力資源和社會保障局) (the "**Chaoyang Social Insurance Bureau**") and Tongshan Human Resources and Social Insurance Bureau (通山縣人力資源和社會保障局), being the competent authorities as confirmed by the PRC Legal Advisor, have issued the relevant confirmations confirming that during the Track Record Period after Congshu Beijing or Congshu Hubei was established, and up to June 2020 (in the case of Congshu Beijing) and April 2020 (in the case of Congshu Hubei), Congshu Beijing and Congshu Hubei had not been found to violate any laws, measures and regulations relating to labor protection, and there had been no administrative penalties levied on Congshu Beijing and Congshu Hubei as a result of non-compliance, respectively.

Beijing Housing Provident Fund Management Center, Chaoyang Management Department (北京住房公積金管理中心朝陽管理部) (the "**Chaoyang Housing Provident Fund Authority**"), being the competent authority as confirmed by the PRC Legal Advisor, has issued the relevant confirmations confirming that during the Track Record Period and up to July 2020, Congshu Beijing had not been penalized for violating laws and regulations relating to failures to comply with payment of housing

We have adopted or will adopt the following on-going measures:

- we have provided and will continue to provide regular trainings to our employees in relation to social insurance fund and housing provident fund contributions compliance requirements and the relevant laws and regulations;
- we have adopted a set of internal policies in relation to social insurance fund and housing provident fund contribution;
- the calculation of the social insurance fund and housing provident fund would be prepared by our human resources department and be reviewed by our

Non-compliance incident	Underlying cause(s)	Relevant laws and regulations	Potential impact on our Group	Internal control measures adopted
RMB1.7 million and nil for the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively.	stationed outside of Beijing or Hubei.	competent managing center for housing funds and open an account in a bank for the deposit of employees' housing funds. Employers are required to contribute, on behalf of their employees, to housing funds on time and in full. Any employer who fails to fully contribute may be ordered to make up the difference within a stipulated time limit, and the provident fund administration center may apply to the People's Court for mandatory enforcement against those who still fail to comply after the expiry of such period.	provident fund contributions, and had not been found to violate any laws and regulations relating to housing provident fund contributions. As of the Latest Practicable Date, we had not received any notice or demand from any competent authorities ordering us to make retrospective payments or any differences of the payments for the social insurance fund and housing provident fund contributions. We were also not aware of any employee's complaints or demands for payment of social insurance or housing provident fund considerations. We have been regularly communicating with the competent government authorities. The social insurance and housing provident fund contributions of all of the employees of Congshu Beijing have been fully paid since July 2019 and Congshu Beijing plans to rectify the payment of fund contributions through the third party payment agent to the extent feasible as soon as practicable, Congshu Hubei did not have any employee since May 2020. In addition, our Group has made a provision of approximately RMB6.1 million to cover the shortfall in social insurance fund and housing provident fund contributions during the Track Record Period as of June 30, 2020. Furthermore, Mr. Xu, our Controlling Shareholder, had undertaken to indemnify us for any losses that we may incur in relation to the social insurance fund and housing provident fund contribution non-compliances before the **[REDACTED]**. Based on the above, our Directors, as advised by our PRC Legal Advisor, are of the view that the non-compliance incidents of Congshu Beijing and Congshu Hubei in relation to social insurance fund	management on a monthly basis in order to mitigate the risk of material non-compliances with relevant laws and regulations; • after the **[REDACTED]**, we will disclose in our annual reports on the outstanding amount of the social insurance fund and housing provident fund and state whether a provision has been made; and • the Group intends to terminate the third party payment arrangement to make contributions of social insurance fund and housing provided fund contributions as and when the Group establishes local branch offices or subsidiaries at where the employees are located.

Non-compliance incident	Underlying cause(s)	Relevant laws and regulations	Potential impact on our Group	Internal control measures adopted
			and housing provident fund contributions will not have a material adverse impact on our Group's operations and financial condition.	
2. Failure to obtain the AVP License in the PRC in compliance with the Administrative Measures for the Internet Audio-Visual Program Service				
Before entering into a cooperation agreement with a third party video platform in the PRC that holds a valid license for publication of audio-visual program through information network ("信息網絡傳播視聽節目許可證") (the "**AVP License**") Congshu Beijing made publications of video clips on the Internet without obtaining the AVP License, which was discovered by the regulator during its routine inspection. As a result, Congshu Beijing received a warning on September 18, 2017 and was imposed a fine of RMB 3,000 for such breach during the period from January 1, 2017 to August 29, 2017, and Congshu Beijing has fully paid this fine on September 21, 2017. Our Directors confirm that Congshu Beijing did not charge for any of such services during the said period because the	Such failure was due to an oversight arising from insufficient understanding of the staff who was designated to manage media resources related to "cheshi.com" including the legal requirements for publishing video clips online in the PRC. Since discovering this non-compliance upon the receipt of the penalty dated September 18, 2017, Congshu Beijing has ceased to provide the video clips by itself. Instead, we cooperated with a third party video platform to allow the general public to view the video clips on the Internet by visiting third party platforms. Specifically, it has entered into a cooperation agreement with a third party video platform which has a AVP License to allow the general public to view the auto-	According to the Administrative Measures for the Internet Audio-Visual Program Service (互聯網視聽節目服務管理規定), or the Internet AVP Service Measures, an Internet audio-visual program service provider, which makes, edits, integrates audio-visual programs and provides them to the general public via Internet and provides service for others to upload and publish audio-visual programs, shall obtain the AVP License. According to the Internet AVP Service Measures, where an entity provides Internet audio-visual program related services without permit, the competent authority shall issue a warning, order it to rectify, and may also impose a fine of no more than RMB30,000. If the circumstances are serious, the competent authority shall impose penalties in accordance with Article 47 of the Administrative Regulations on Broadcasting and Television (廣播電視管理條例), which	No revenue was attributable to the publication of video clips on cheshi.com up to December 1, 2017. Congshu Beijing had already been issued a warning and imposed a fine of RMB3,000 for such breach on September 18, 2017, for which Congshu Beijing has fully paid on September 21, 2017. Based on the understanding of the PRC Legal Advisor of the PRC Administrative Penalty Law (中華人民共和國行政處罰法), an entity shall not be imposed the administrative penalty of fine for more than once for the same illegal act. Furthermore, the PRC Legal Advisor had consulted with the officer of the Policies and Regulations Division of the Beijing Municipal Radio and Television Bureau ("**BRTB**") and obtained confirmation from the BRTB that Congshu Beijing would not be imposed with any additional penalties for the breach, and Congshu Beijing did not need to obtain the AVP license under the abovementioned arrangement with third party video platforms which have their own AVP Licenses. As advised by the PRC Legal Advisor, the Policies and Regulations Division of the BRTB, as the department mainly in charge of the interpretation of the relevant PRC laws and regulations governing the audio-visual related services in Beijing, is a competent PRC authority to provide the above confirmations, and the relevant officer consulted is competent to provide confirmations on behalf of the BRTB.	Congshu Beijing has not obtained and does not plan to apply for the AVP License as one of the pre-requisites for the application for an AVP License is that the applicant has to be either a State-owned enterprise or is controlled by the State according to the relevant PRC laws and regulations. After receiving the abovementioned penalty, Congshu Beijing ceased to publish audio-visual related contents on its own website, and instead has since cooperated with a third party video platform in publishing video clips. Please see "Licences and Permits" for further details of this arrangement.

Non-compliance incident	Underlying cause(s)	Relevant laws and regulations	Potential impact on our Group	Internal control measures adopted
advertisers mainly focused on static forms of PGC content and advertisements, namely, photographs and non-video based PGC content such as articles. At that time, the publication of video clips was not a paying service that Congshu Beijing offered, and therefore our Group did not seek to generate revenue from this medium.	mobile related video clips by visiting third party platforms instead of publishing the video clips on cheshi.com.	provides that unauthorized establishment of any radio or television station, educational television station, transmission network for cable radio and television coverage or radio and television station shall be banned by the competent authority, the equipment used in the illegal activities shall be confiscated and a fine between one time and twice the total investment shall be imposed simultaneously. In addition, unauthorized establishment of any radio or television transmitting station, relay station, micro-wave station or satellite uplink station shall be banned by the competent authority, and the equipment used in the illegal activities shall be confiscated and a fine between one time and twice the total investment shall be imposed simultaneously, or the act shall be punished by the radio administration authority according to the provisions on radio administration.	Based on the above, the PRC Legal Advisor is of the view that the chance of the authority imposing any additional penalty against Congshu Beijing with respect to the AVP License non-compliance is remote.	

3. Failure to obtain an ICP License in the PRC in compliance with the PRC Telecommunications Regulations

Since October 19, 2015, being the date of acquisition of Cheshi.com by Congshu Beijing, and up to March 15, 2017, the Group did not	There was a provision in the acquisition agreement of cheshi.com that Congshu Beijing would be allowed to continue to	Under the PRC Telecommunications Regulations（《中華人民共和國電信條例》）, any organization or individual without obtaining a	The PRC Legal Advisor has advised that there are no other laws or regulations which may result in any administrative penalty to be imposed on Congshu Beijing in relation to its operating the ICP service for the period up to March 15, 2017.	The Company has implemented its relevant internal controls to prevent further occurrence of similar incidents. In addition, the

Non-compliance incident	Underlying cause(s)	Relevant laws and regulations	Potential impact on our Group	Internal control measures adopted
possess an ICP License to operate "cheshi.com" website.	have the transferor of cheshi.com (the "**Transferor**") to host (掛載) "Cheshi.com", whereby the Transferor shall be responsible for storing pages and files of "Cheshi.com" and make them accessible and available for viewing online until the Transferor's ICP License registration has been officially updated to remove the "Cheshi.com" domain name. As a result of this arrangement, the Directors misunderstood that the ICP License held by the Transferor could continue to be used by cheshi.com. However, the Directors did not receive any indications (and was not able to find out) when the ICP License was to expire. Despite communications and requests in late 2016, the Transferor provided no further assistance to Congshu Beijing to handle the ICP License. On September 20, 2016, the ICP License of the Transferor expired.	telecommunication business operating license shall not be engaged in telecommunication business. Any violator may be ordered by the competent telecommunication governmental authorities to rectify and the illegal gains may be confiscated, and a fine between three times and five times of the illegal gains may be imposed on the violator. If there is no illegal gain or the illegal gains are lower than RMB50,000, a fine between RMB100,000 to RMB1,000,000 may be imposed. In serious cases, the business of the violator may be suspended. Under the PRC Administrative Law (《中華人民共和國行政處罰法》), if an illegal act is not discovered within two years of its commission, the administrative penalty shall no longer be imposed, except as otherwise prescribed by laws. The prescribed period of time shall be counted from the date when the illegal act is committed, and if the act is of a continuous nature, it shall be counted from the date when the act is terminated.	In addition, the PRC Legal Advisor and the PRC legal advisor to the Sole Sponsor had also consulted with the division director of Information and Communication Management Division of the BCA. As confirmed verbally during such consultation, there had been no other laws or regulations that prescribe administrative penalty with respect to operating ICP service that were not discovered within two years after cessation of violation and Congshu Beijing would not be penalized in relation to its operation of ICP services for the period up to March 15, 2017. As advised by the PRC Legal Advisor, the Information and Communication Management Division of the BCA, as the department mainly in charge of the supervision and administration of telecommunication and Internet information services in Beijing, is a competent PRC authority to provide the above confirmations, and the relevant officer consulted is competent to provide confirmations on behalf of the BCA. The amount of revenue and loss arising from our operations during the period from January 1, 2017 to March 15, 2017 was approximately RMB10.2 million and RMB0.3 million, respectively. Based on the above, and also that more than two years have passed since Congshu Beijing has obtained its own ICP License, the PRC Legal Advisor is of the view that the chance of the authority imposing any penalty against Congshu Beijing with reference to its act of operating ICP service for the period up to March 15, 2017 is remote.	Company has put in place internal policies in preventing the re-occurrence of similar incidents. The internal policies primarily involve that the administrative department should: (1) ensure the Company has all necessary licenses at all time; (2) when starting new business operation, ensure necessary license is obtained; (3) check license renewal at least 3 months prior to its expiry. There has been no incident of re-occurrence of similar nature up to the Latest Practicable Date. The Company will also seek advice of relevant legal advisors in the PRC from time to time in order to adhere to the relevant laws and regulations in the PRC.

Non-compliance incident	Underlying cause(s)	Relevant laws and regulations	Potential impact on our Group	Internal control measures adopted
	Congshu Beijing, realizing that it was unable to obtain further assistance from the Transferor and in light of the expiry of the ICP License of the Transferor, decided to made necessary preparations by itself in December 2016 to apply for its own ICP License. During the application process, as our Directors genuinely believed Congshu Beijing could continue to host "Cheshi.com" with the Transferor at that time, Congshu Beijing did not voluntarily notify, nor was it required to explain by the relevant authority on the reasons for not applying for an ICP License at an earlier stage, and Congshu Beijing accordingly obtained the ICP License on March 15, 2017.			

During the Track Record Period, neither we nor any of our Directors were involved in any litigation, arbitration or administrative proceedings which could have a material adverse impact on our business, financial condition or results of operations. As of the Latest Practicable Date, we were not aware of any pending or threatened litigation, arbitration or administrative proceedings against us or our Directors which may have a material and adverse impact on our business, financial condition or results of operations.

LICENSES AND PERMITS

Our PRC Legal Advisor has advised that as of the Latest Practicable Date, we had obtained all requisite licenses, permits, approvals and certificates from the relevant government authorities that are material for our business operations in China. We renew all such licenses, approvals, permits, registration and filing from time to time to comply with the relevant laws and regulations. The following table sets forth details of our material licenses and permits:

License	Holder	First Grant Date	Expiration Date	Renewal Requirements
ICP License (增值電信業務經營許可證)	Congshu Beijing	March 15, 2017[1]	March 15, 2022	Submit renewal application 90 days prior to expiration
TCPB License (廣播電視節目製作經營許可證)	Congshu Beijing	July 19, 2018[2]	March 31, 2021	Submit renewal application 30 days prior to expiration
ICP License (增值電信業務經營許可證)	Congshu Hubei	March 28, 2019	March 28, 2024	Submit renewal application 90 days prior to expiration
High and New Technology Enterprise Certificate (高新技術企業證書)	Congshu Beijing	October 25, 2017	October 25, 2020[3]	Upon expiration
ICP License (增值電信業務經營許可證)	Beihai Media	August 24, 2020	August 24, 2025	Submit renewal application 90 days prior to expiration
ICP License (增值電信業務經營許可證)	Beihai April	October 29, 2020	October 29, 2025	Submit renewal application 90 days prior to expiration

Notes:

(1) The ICP License granted by the Beijing Communications Administration to Congshu Beijing on March 15, 2017 was replaced with the ICP License granted on January 31, 2018, due to the change of the then registered capital of Congshu Beijing.

(2) The TCPB License granted by the predecessor of the Beijing Municipal Radio and Television Bureau to Congshu Beijing on July 19, 2018 was replaced with the TCPB License granted by the Beijing Municipal Radio and Television Bureau on April 1, 2019, due to the name change of the issuing authority.

(3) As of the Latest Practicable Date, the Company has applied for renewal in June 2020 and is currently going through the renewal process for the High and New Technology Enterprise Certificate. Our Directors believe that there will not be any material impediment in renewing such certificate.

In relation to the video and live stream content on our platforms, we have entered into a cooperation agreement effective from December 1, 2017 with a third party video platform in the PRC that holds a valid AVP License (信息網絡傳播視聽節目許可證).

The salient terms of such arrangement are as follows:

- *Nature*. The video channel of our platforms is redirected to the auto channel of their platforms, which displays our video and live stream content.
- *Term*. The initial term was from December 1, 2017 to April 27, 2020, which was renewed from April 28, 2020 and shall expire on April 27, 2021 with an automatic renewal provision for a further year.

- *Fee arrangement and settlement*. A fixed annual fee of RMB200,000 was agreed, and shall be settled in four payments.
- *Termination*. The agreement may be terminated upon mutual negotiations or upon the occurrence of an event of breach of either party.

According to the confirmation obtained during the verbal consultation with the BRTB by our PRC Legal Advisor and the PRC legal advisor to the Sole Sponsor, such arrangement did not violate PRC laws and the Group did not need to obtain its own AVP License under such arrangement.

Our Directors confirm that the current third party video platform that carries the AVP License has been cooperating with Congshu Beijing for over two years and the relationship between the two entities have been cordial, our Directors do not foresee any major obstacles where the current arrangement cannot continue in the future. In the unlikely event that we are no longer able to cooperate with this partner, our Directors confirm that there is no material obstacles for us to cooperate with other platforms who hold an AVP License.

According to the Industry Consultant, there are over 500 entities in the PRC that has an AVP License which can potentially replace our Company's current third party video platform partner that possesses AVP License (in terms of licensing).

AWARDS

During the Track Record Period, we have received recognition for our innovation in China's online automobile transaction industry. Some of the significant awards and recognition we have received are set forth below:

Award	Issuing organization	Issuing year
Sina Auto 2018 Professional Creator (新浪汽車2018年度專業創作者獎項)	Sina Auto* (新浪汽車)	2018
The Most Influential Creator (Institution Type) (最具影響力創作者(機構類))	Chejiahao (汽車之家車家號)	2019
The Content Contributing Creator for the year (年度內容貢獻創作者獎)	Sina Focus* (新浪看點)	2019
The Most Influential Institute for 2019 (2019最具影響力機構)	China Auto Influence Summit and Award-granting Ceremony (2019年中國汽車影響力峰會) jointly held by Baidu (百度), and chinaautonews.com.cn (中國汽車新聞網主辦)	2019
Top 100 Authors in 2019 (2019年百強作者)	Yichehao (易車號)	2019

INTERNAL CONTROL

It is the responsibility of our Board to ensure that the Company maintains sound and effective internal controls to safeguard our Shareholders' **[REDACTED]** and the Group's assets at all times. To manage risks and to ensure the smooth operation of our business, we have engaged an independent internal control consultant to assist us in reviewing our internal control, and provide recommendations for improving our internal control system. The internal control consultant has conducted agreed-upon review procedures on our internal control system and recommended improvements to strengthen our corporate governance. We have adopted a series of internal control policies and procedures designed to provide reasonable assurance for achieving objectives including effective and efficient operations,

reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control system include the following:

Code of Conduct. Our code of conduct explicitly communicates to each employee our values, acceptable criteria for decision-making and our ground rules for behavior.

Internal Audit. Our internal audit function regularly monitors key controls and procedures in order to assure our management and Board that the internal control system is functioning as intended. The Audit Committee of our Board is responsible for supervising our internal audit function.

Licensing. In accordance with our internal measures, our administrative team is assigned to ensure we have all necessary licenses for our business operation and to keep track of the licensing update and renewal.

Publishing and distributing measures. Our quality assurance measures in relation to publishing and distributing activities, including, but not limited to:

- the "two-step" censorship system in that all photo publishing and content distributing activities must be reviewed by the editor in chief of content and his assistants, which are then approved by the intellectual property team (and by the head of legal department if involving complex or legal issues) to ensure that all activities must comply with relevant laws and regulations;

- when the Group obtain photos from any third party for display or publication, it would require ownership proof of intellectual property rights, without which such photos would not be used or published;

- training on the regulatory requirements applicable to photo publishing and content distributing activities to our employees to ensure compliance with relevant regulatory requirements going forward;

- engagement of external legal advisors after **[REDACTED]** to advise on the applicable laws and regulations and provide training to the Directors and employees on intellectual property rights when required; and

- periodical review by the independent non-executive Directors in relation to the implementation and effects of the measures adopted and any further actions to improve the Group's compliance in this regard as necessary.

Compliance with Listing Rules and relevant laws and regulations. We will continue to monitor our compliance with relevant laws and regulations and our senior management team will work closely with our employees to implement actions required to ensure our compliance with relevant laws and regulations. We will also continue to arrange various trainings to be provided by Hong Kong legal advisors to our Directors, senior management and employees on the Listing Rules, including but not limited to aspects related to corporate governance and connected transactions, and by our PRC Legal Advisor on PRC laws and regulations. Our senior management, internal audit and the Audit Committee together monitor the implementation of our internal control system on an ongoing basis to ensure our policies and implementation are effective and sufficient.

RISK MANAGEMENT

The ultimate goal of our risk management process is to bring focus and effort to the issues in our business operations that create impediments to our success. Our risk management process starts with identifying the major risks that are associated with our corporate strategy, goals and business operation. We adopted risk management policies to access our risks in terms of their likelihood and potential impact, and then prioritize and pair each risk with a mitigation plan. We provide training to our employees and encourage an all-embracing culture of risk management ensuring that all employees are aware of and responsible for managing risks. Each of our operating departments is responsible for identifying and analyzing risks associated with its function.

Our audit personnel, the Audit Committee of, and ultimately our Board supervises the implementation of our risk management policy at the corporate level by bringing together each operating department, such as development, quality control, sales, to collaborate on risk issues among different functions. For details about the qualifications and experience of the members of the Audit Committee of and our Board, see the section headed "Directors and Senior Management—Board Committee". The following table sets out some of the primary risks relating to our business and our existing risk management measures:

Risk Identified	Our risk management measures and procedures
External communication policies	● We have introduced written policies on external communications and procedures for handling enquiries from regulatory authorities. We have also appointed a contact person who will be responsible for our external communications and ensure implementation of our external communication policies.
Conflict of interest reporting and policy	● We require our new employees to undertake that they will not participate in or carry on any business which is in competition with our Group, and shall not be employed or engaged by any other third party while employed by us. We have also introduced a conflict of interest policy for directors and management to regulate and regularly report any existing and potential conflicts of interest.
Procedures and policies on anti-bribery and anti-corruption	● Our staff from the technical department, content department, financial department and sales department are required to comply with anti-bribery and anti-corruption controls. We have introduced a reporting mechanism and regular declarations of conflicts of interests for all staff, as well as provide regular training on corruption and bribery prevention.
Procedures on connected transactions	● We have introduced procedures for the approval of connected transactions, comprising connected transactions identification and testing, decision-making authority, information disclosure, auditing and financial reconciliation procedures. Under the procedures on connected transactions, approval from our Board is required prior to the entry into any connected transaction.

There are various other risks relating to our business and operations and market risks in the ordinary course of our business. For further details, see the sections headed "Risk Factors" and "Financial Information – Major Factors Affecting Our Results of Operations".

IMPACT OF THE OUTBREAK OF COVID-19 ON OUR OPERATION IN THE PRC

Background

Starting in January 2020, the COVID-19 outbreak has spread across China and around the world. As of the Latest Practicable Date, such outbreak has affected public health in the PRC and around the world and significantly disrupted travel and economy. In order to combat the COVID-19 outbreak, PRC Government authorities have imposed various controls and restrictions, which include quarantine order to restrict entry and exit of Wuhan in Hubei Province and temporary suspension of work in various provinces and cities.

On February 17, 2020, the Guiding Opinion on Scientific Prevention and Control of Accurate Policy Division and Classification to prevent and control of the Novel Coronavirus Disease (《關於科學防治精準施策分區分級做好新冠肺炎疫情防控工作的指導意見》) ("**Guiding Opinion**") was published by the Joint Prevention and Control Mechanism of the State Council (國務院聯防聯控機制). Under the Guiding Opinion, relevant government authorities at county level in the PRC are required to formulate specific measures to prevent and control the outbreak of COVID-19 in the respective regions.

Our offices are located in Beijing, Shanghai and Guangzhou, which are areas affected by the COVID-19 pandemic. On March 16, 2020, the General Office of the People's Government of Beijing Municipality promulgated the Notice on Issuing Several Measures for Epidemic Prevention and Control to Safeguard Enterprises' Orderly Resumption of Work and Production (《關於全力做好疫情防控工作保障企業有序復工復產的若干措施》), which urged enterprises to formulate epidemic prevention and control plans and emergency plans, and report abnormal circumstances to the disease control and prevention departments in a timely manner, and encouraged enterprises to adopt flexible working methods. On March 11, 2020, the COVID-19 Prevention and Control Headquarters in Hubei Province promulgated the Notice on Orderly Resumption of Work and Production for Enterprises and Safe Flow of Personnel within the Province (《關於有序推進企業復工復產和人員省內安全流動等事項的通告》), which provided that Hubei Province shall be divided in to low, medium and high risk areas and different prevention and control measures shall be implemented accordingly, and enterprises shall resume production according to their specific conditions. On February 8, 2020, Shanghai Municipal Commission of Economy and Informatization promulgated the Notice on Properly Handling the Resumption of Work and Production of Enterprises (《關於做好企業復工復產工作的通知》), which provides that the enterprises shall formulate their own work plans for resumption of work and production and epidemic prevention and control, including the leadership system, division of responsibilities, screening system, daily management, logistics support, emergency response and others, carry out environmental and preventive disinfection system, and set up temperature measurement spots and temporary isolation rooms. On February 6, 2020, the People's Government of Guangdong Province promulgated Several Policies and Measures on Supporting Enterprises to Resume Work and Production in response to COVID-19 (《關於應對新型冠狀病毒感染的肺炎疫情支援企業復工復產的若干政策措施》), which provides that the provincial government will issue a unified series of guidelines for the prevention and control of COVID-19, and the relevant municipal governments shall strengthen the responsibility and designate personnel to guide enterprises to complete the preparation for resumption of work and production, so as to ensure that enterprises resume work and production on the premises with qualified epidemic prevention and control standards.

In compliance with relevant public announcements and notices issued by governmental authorities to contain the COVID-19 pandemic, we had temporarily suspended the opening of our offices and our staff was arranged to work remotely from home since February 3, 2020. With the

permission of relevant governmental authorities, the operation of our offices in Beijing, Shanghai and Guangzhou have been partially resumed on February 10, 2020. With the enhanced policies to contain the COVID-19 pandemic, it is anticipated that businesses and daily life of citizens will gradually resume to normal.

With the measures implemented by the PRC Government and information available to our Directors as of the Latest Practicable Date, our Directors believe that the COVID-19 pandemic would not have a permanent impact on our Group as our operation is substantially conducted on the Internet and may affect our Online Advertising Service and Transaction Facilitation Service temporarily. The potential impact of COVID-19 pandemic on our Group's operations in the PRC as discussed here is prepared according to the best estimate and belief of our Directors, based on latest information available to our Directors as at the Latest Practicable Date, subject to development of the COVID-19 outbreak in the PRC. For details of the relevant risks, see "Risk Factors—Any catastrophe, including outbreaks of health pandemics and other extraordinary events, could have a negative impact on our business operations".

Potential Impact on the Automobile and Automobile Advertising Industry

According to the CIC Report, the recent outbreak of COVID-19 has a significant impact on the business operation and social life in China. The PRC Government has taken measures such as lockdown of cities, travel restrictions, temporary work suspension and quarantine measures across the country in order to prevent and control the outbreak. The recent outbreak is likely to adversely impact the automobile industry in a short period of time due to temporary business suspension of the automobile dealers and consumers' quarantine behaviors.

According to the CIC Report, due to the outbreak of COVID-19, the total sales volume of new passenger automobiles experienced a sharp decrease. As COVID-19 spreads in 2020, car sales in China fell by 92% in February 2020. The sales volume of new passenger automobiles in six months ended June 30, 2020 was approximately 7.8 million units, representing a negative growth rate of approximately 22.5% compared to that for the corresponding period in 2019. This was caused by changes in consumer behaviors under the COVID-19 outbreak, leading to the postponement in the sales of new passenger automobiles. For the nine months ended September 30, 2020, the negative growth rate of new car sale accounted for approximately 12.4%, indicating a recovery in new car sales as a result of effective containment measures to combat the effects of COVID-19 outbreak. This is anticipated to help the automobile advertising industry (and thus the advertising expenditure in the automobile industry) to rebound. Moreover, the total sales volume of new passenger automobiles in China is expected to decrease to 19.7 million units in 2020. In terms of the advertising expenditure of the automobile industry, it is expected to decrease slightly to RMB40.9 billion in 2020 accounting for a drop by approximately 2.5% from 2019, due to the outbreak of 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 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.

The total sales volume of new passenger automobiles were understood to be postponed as the outbreak of COVID-19 has led to several changes of consumers' behaviors including: (a) growing intention of non-car owners to acquire automobiles; (b) increasing awareness of health and safety-related features of the automobiles; and (c) preference for online sales and aftersales services. In March

2020, the sales of new car in China has started to recover with the effective containment of epidemic. As for advertising expenditure of the automobile industry, the impact will be alleviated by the following factors: (a) online media such as automobile vertical media and social media are expected to compensate for the loss of traditional media and offline events to some extent; and (b) China is one of the largest automobile advertising markets 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. As such, 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. Based on the steady growth of the overall automotive market and the emergence of online advertising, automobile advertising expenditure is forecasted to reach RMB49.4 billion by 2024, representing a CAGR of 3.3% from 2019, while the expenditure of the automobile online advertising market is expected to reach RMB28.9 billion by 2024, representing a CAGR of 8.6% from 2019.

Potential Impact on our Business

The COVID-19 outbreak has caused certain impact on our business for the six months ended June 30, 2020, and mainly affected the Transaction Facilitation Service. For the six month ended June 30, 2020, revenue generated from our Transaction Facilitation Service accounted for approximately RMB177,000, which only contributed approximately 0.3% of our total revenue. This was because no group-purchase events could be organized for the three months ended March 31, 2020 due to government measures in relation to COVID-19. In light of the lifting of various restrictions, our Transaction Facilitation Service had gradually resumed operations. As of the Latest Practicable Date, our Transaction Facilitation Service was still in recovery. For the six months ended June 30, 2020, we could not organize as many group-purchase events as expected, which led to a significant drop from 59 events (generating a revenue of approximately RMB2.4 million) for the six months ended June 30, 2019, to seven (generating a revenue of approximately RMB0.2 million) for the six months ended June 30, 2020. However, we expect our Transaction Facilitation Service to gradually recover, in light of the lifting of various restrictions due to the COVID-19 outbreak in the PRC. For the three months ended September 30, 2020, we organized one group-purchase event as compared to 22 group-purchase events in the corresponding period in 2019.

Our Online Advertising Service was also impacted by COVID-19 but to a lesser extent as compared to our Transaction Facilitation Service. We recorded a decrease in our revenue generated from our Online Advertising Service (from approximately RMB75.2 million to approximately RMB58.7 million), as we experienced an overall decrease of advertising expenditure sourced from our customers for the six months ended June 30, 2020, as compared to the corresponding period in 2019. Our Directors believe that this was likely caused by the dates of new car launches and automobile exhibitions (which were typically held in March and April of the year) were pushed back to the latter half of 2020 due to the COVID-19 outbreak, thus affecting the market appetite for automobile advertising services during the first half of 2020. As of the Latest Practicable Date, our Online Advertising Service had full resumed operations. For the three months ended September 30, 2020, we entered into 150 new service contracts for our Online Advertising Service as compared to 104 new service contracts entered in the corresponding period in 2019.

Throughout the months of February and March 2020 when the COVID-19 outbreak was regarded as the most severe in the PRC, we maintained our business operations for our Online Advertising Service by allowing our employees to work remotely from home. All of our business

operations had resumed to normal in the second half of 2020 as COVID-19 is gradually brought under control in the PRC.

Accordingly, our Directors are of the view that the impact of the COVID-19 outbreak on our Online Advertising Service was relatively limited in the long run. Considering that the operation of Transaction Facilitation Service had been in gradual recovery and the majority of our revenue is generated from the Online Advertising Service which experienced less impact despite the outbreak of COVID-19, the Directors will remain alerted and will closely monitor and assess the market situation in light of any future development of COVID-19.

Resumption Plan of Operation of our offices

To facilitate prevention and control of COVID-19 and implementation of our epidemic preventive measures so as to minimize the risks of infection by staff, and considering the anticipated business flow, we arranged staggered shifts of our staff in early 2020. In June 2020, we have resumed operation in full capacity and were not aware of any employees who were unavailable to resume duties in offices due to quarantine restriction of COVID-19, related transportation issue or travel restrictions.

Considering (i) the limited number of staff with difficulties resuming duties as of February 10, 2020 due to the COVID-19 outbreak; (ii) the gradual resumption of logistics and transportation in Beijing, Shanghai and Guangzhou; and (iii) our resumption plan of operation of our offices, our Directors do not expect that our Group's business operation would be materially affected by the COVID-19 outbreak.

Supplies and Supply Chain

Our suppliers primarily include brand promotion, information technology, exhibition promotion and offline event promotion service providers. Considering that (i) to the best knowledge of our Directors, most of our suppliers have resumed operation since late February 2020; (ii) the gradual resumption of local logistics, our Directors did not expect our Group to experience any significant shortage of or delay in the delivery by suppliers in the first half of 2020 which may materially affect our operation. Up to the Latest Practicable Date, we did not experience any significant shortage of supplies which materially adversely affect our operation.

Potential Impact on our Client Flow and our Group's Business

Our Directors nevertheless are of the view that, for our Transaction Facilitation Service, users' willingness in attending group-purchase event at the physical store of autodealer customers and the general consumer spending sentiment would be deterred by the COVID-19 outbreak and may persist for a while even after we have resumed operation, and thus may reduce service demand and business flow to our Transaction Facilitation Service for a prolonged period of time after our resumption of operation, although the Transaction Facilitation Service only accounted for 1.4% of our total revenue for the year ended December 31, 2019 and 0.3% of that for the six months ended June 30, 2020. Despite the suspension of operation and the reduced business flow, we have to continue to incur fixed costs, such as staff costs and rental fees. Our operation in the PRC is subject to further development of the COVID-19 outbreak and government notices or restrictions. The Directors will remain alerted and closely monitor and assess the market situation in light of any future development of COVID-19.

Considering (i) our financial resources presently available to us; (ii) the historical monthly cash outflow for our operation; and (iii) other latest information available to our Directors as of the Latest

Practicable Date, our Directors are of the view that we have sufficient working capital to maintain our present operation for at least the next 12 months from the date of this document. Our Directors will continue to assess the impact of the COVID-19 outbreak on our Group's operation and financial performance and closely monitor our Group's exposure to the risks and uncertainties in connection with the outbreak. We will take appropriate measures as necessary and inform our Shareholders and potential **[REDACTED]** as and when necessary.

Precautionary Measures and Contingency Plan in Response to COVID-19

Beside resumption of operation by phases as more specifically described in the paragraph headed "Resumption plan of operation of our offices" above, in compliance with relevant public announcements and notices issued by PRC governmental authorities to contain the COVID-19 pandemic, we adopted various additional precautionary measures to maintain a safe and hygienic environment of our offices. Such measures are in line with the policies issued by the local governments in China, and those we have implemented at our office premises include:

- postponing the re-opening schedule of our offices in line with the policies issued by the local governments in China;
- imposing work team segregation for our office staff with weekly rotational work arrangements between the office and home;
- temperature checks to be done and recorded by our staff every day;
- distributing the personal protective equipment to our staffs; and
- increased frequency of cleaning areas with high human contact, such as common spaces, meeting rooms, toilets and handrails.

Our Directors confirm that the postponement of re-opening schedules of our offices in Beijing, Shanghai and Guangzhou has no material adverse effects on our business, given that majority of our operations is substantially conducted online and only our Transaction Facilitation Service were affected temporarily. Our Directors confirm that as of the Latest Practicable Date, we have not received any positive case report from our employee nor any report that an employee cannot perform their duties as usual due to the COVID-19 outbreak. Our Directors expect that the annual expenses for the epidemic prevention are approximately RMB20,000.

In order to mitigate the impact of the COVID-19 outbreak and resume our customers' demands for our service, we intend to adopt the following measures:

- to seek and apply government grants regarding the relief of the COVID-19 outbreak when available;
- to enhance our online brand marketing to attract our customers and maintain effective communication with our customers through our sales team; and
- to gain customers' confidence in our hygienic environment when visiting and meeting at our offices by adopting additional precautionary measures.

COMPETITION

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, according to the CIC Report.

In terms of media-related revenue, we accounted for approximately 2.1% of the top one automobile vertical media platform in 2019. We compete with other online automobile platforms on our abilities to develop high quality and comprehensive content and content generation capabilities, and our extensive collaboration with a network of business partners leading to a wide user reach. We believe that we compete effectively on these factors, leveraging our in-depth understanding of the target markets, extensive industry experience and our integrated vertical media platform. See "Risk Factors – Risks Relating to Our Business and Industry – We face intense competition in the markets we operate in, and if we fail to compete effectively, we may lose market share and our business, prospects and results of operations may be adversely affected." For further details relating to competition within our industry, see "Industry Overview."

BOARD OF DIRECTORS

The Board currently consists of seven Directors, including four executive Directors and three independent non-executive Directors. The following table sets forth certain information of our Directors.

Name	Age	Position	Date of Appointment as a Director	Date of Joining our Group	Responsibilities	Relationships with other Directors and Senior Management
Executive Directors						
Mr. Xu Chong (徐翀)	38	Executive Director, chairman of the Board and chief executive officer	November 22, 2018	September 28, 2015	Formulating strategy, planning, business development and supervising the overall management of our Group. He is the chairman of the Nomination Committee.	N/A
Mr. Liu Lei (劉磊)	46	Executive Director and chief operating officer	May 27, 2019	October 30, 2015	Responsible for formulating marketing strategy, business development and supervising the daily business operations of our Group.	N/A
Mr. Zhu Boyang (朱博揚)	35	Executive Director, chief financial officer and joint company secretary	May 27, 2019	September 13, 2018	Responsible for the financial management, investors relations and capital operations of our Group.	N/A
Ms. Suo Yan (索研)	49	Executive Director and senior vice president	May 27, 2019	June 1, 2016	Responsible for the legal, compliance and human resources aspects of our Group as well as supervising the overall daily management and operation of our Group. She is a member of the Remuneration Committee.	N/A

Name	Age	Position	Date of Appointment as a Director	Date of Joining our Group	Responsibilities	Relationships with other Directors and Senior Management
Independent non-executive Directors						
Mr. Xu Xiangyang (徐向陽)	55	Independent non-executive Director	December 8 2020	December 8 2020	Providing independent advice to our Board. The chairman of the Remuneration Committee, and a member of the Audit Committee and the Nomination Committee.	N/A
Mr. Li Ming (李明)	37	Independent non-executive Director	December 8 2020	December 8 2020	Providing independent advice to our Board. A member of the Audit Committee and the Nomination Committee.	N/A
Mr. Ng Jack Ho Wan (吳浩雲)	44	Independent non-executive Director	December 8 2020	December 8 2020	Providing independent advice to our Board. The chairman of the Audit Committee and a member of the Remuneration Committee.	N/A

Executive Directors

Mr. Xu Chong (徐翀), aged 38, was appointed as a Director on November 22, 2018 and was re-designated as our executive Director and was appointed as our chairman of the Board and our chief executive officer on June 15, 2019. Mr. Xu co-founded our Group on September 28, 2015. He is a director, chief executive officer and general manager of Congshu Beijing, and a director and general manager of certain of our subsidiaries. He is also the chairman of our Nomination Committee. Mr. Xu is primarily responsible for formulating strategy, planning, business development and supervising the overall management of our Group.

Mr. Xu has over 16 years of experience in the online automobile advertising industry. Prior to joining our Group, he worked at various companies that operated Cheshi.com, including Beijing Tianxindao Technology Development Co., Ltd. (北京天信道科技發展有限公司) ("**Beijing Tianxindao**"), the initial operator of Cheshi.com, as its editor-in-chief between July 2003 and June 2006, Beijing Tianxinyi Technology Development Co., Ltd. (北京天信易科技發展有限公司) ("**Beijing Tianxinyi**") as its editor-in-chief between July 2006 and January 2008, Beijing Zhide Diankang Electronic Commerce Co., Ltd. (北京智德典康電子商務有限公司) ("**Zhide Diankang**") as editor-in-chief between February 2008 and January 2009 and CNet (Beijing) Information Technology Co., Ltd. (塞納德（北京）信息技術有限公司) as editor-in-chief from February 2009 to January 2012. To the knowledge of Mr. Xu, while Beijing Tianxindao has common shareholders with Beijing Tianxinyi, the majority shareholder of Beijing Tianxindao was different from Beijing Tianxinyi and the change of the owner of Cheshi.com from Beijing Tianxindao and Beijing Tianxinyi was primarily due to an exit of

the investment by the majority shareholder of Beijing Tianxindao. Mr. Xu founded Netcom Agency in January 2012 and served as its executive director from January 2012 to October 2017.

Mr. Xu completed a three years program in urban public transportation of the Advanced Technical Institute of the Northern Jiaotong University (北方交通大學) (currently known as Beijing Jiaotong University (北京交通大學)) in the PRC in July 2003 and he completed a part-time program and obtained a postgraduate diploma in integrated marketing communications in October 2007 from the School of Professional and Continuing Education of The University of Hong Kong in Hong Kong.

Mr. Liu Lei (劉磊), aged 46, was appointed as our Director on May 27, 2019 and was re-designated as an executive Director and appointed as our chief operating officer on June 15, 2019. He joined our Group as the chief operating officer of Congshu Beijing on October 30, 2015. He is primarily responsible for formulating marketing strategy and business development of our Group, and he currently supervises the daily business operations of our Group.

Mr. Liu has over 16 years of experience in the sales and marketing in the Internet industry. Prior to joining our Group, Mr. Liu served as a sales representative of Taiwan Supao Beverage Co., Ltd. (台灣舒跑飲料有限公司) between July 1995 and July 1998. He then served as a deputy general manager of Hong Kong Communications Co., Ltd. (香港通訊有限公司) between August 1998 and September 2002 where he was responsible for project management. Mr. Liu was the automotive channel director of Guangzhou Interactive Information Network Co., Ltd. (廣州市交互式信息網絡有限公司) between September 2002 and September 2005. He served as the sales director of Century Dragon Information Technology Co., Ltd. (世紀龍信息技術有限公司) between October 2005 and May 2009. Mr. Liu served as the senior director of Shanghai Tudou Network Technology Co., Ltd. (上海全土豆網絡科技有限公司) between May 2009 and September 2012 where he was responsible for formulating sales and marketing strategies as well as implementing promotion activities. He later served as the vice president of sales of Netcom Agency between October 2012 and October 2015.

Mr. Liu completed a three years program in chemical industry at Anda Technical Institute (安達技工學校) in the PRC in July 1995.

Mr. Zhu Boyang (朱博揚), aged 35, was appointed as our Director on May 27, 2019 and was re-designated as an executive Director and appointed as our chief financial officer on June 15, 2019. He joined our Group as the chief financial officer of Congshu Beijing on September 13, 2018, where he is responsible for the financial management, investors relations and capital operations of our Group.

Prior to joining our Group, Mr. Zhu served as an analyst of China International Capital Corporation Limited between August 2008 and August 2012 where he was primarily responsible for securities trading. He worked in Hony Capital Limited between April 2014 and September 2018 and his last position was vice president of Hony Capital Limited.

Mr. Zhu obtained a double bachelor's degree in economics and arts from Beijing Foreign Studies University (北京外國語大學) in the PRC in July 2008. He obtained a master's degree in business administration from The Hong Kong University of Science and Technology in Hong Kong in June 2014.

Ms. Suo Yan (索研), aged 49, was appointed as our Director on May 27, 2019 and was re-designated as an executive Director and appointed as our senior vice president on June 15, 2019. She joined our Group as a senior vice president of Congshu Beijing on June 1, 2016. She is primarily

responsible for legal, compliance and human resources aspects of our Group as well as supervising the overall daily management and operation of our Group. She is a supervisor of Congshu Internet, and a director and general manager of Beihai April. She is a member of our Remuneration Committee.

Ms. Suo has over 24 years of experience in the automobile and media industries. Prior to joining our Group, Ms. Suo was a journalist of Xinhua News Agency (新華通訊社) between July 1994 and February 2001 where she was primarily responsible for reporting domestic economic news. She served as the head of public relations of Shanghai Shenhua Holdings Co., Ltd. (上海申華控股股份有限公司) (previously known as Shanghai Huachen Group Co., Ltd. (上海華晨集團股份有限公司)), a company listed on the Shanghai Stock Exchange (stock code: 600653) between March 2001 and March 2004. Ms. Suo was a deputy general manager of Beijing Hanlun International Consultancy Management Co., Ltd. (北京漢侖國際顧問管理有限公司) between March 2006 and July 2010. Ms. Suo was the deputy director of the marketing department of China Automobile Trading Co., Ltd. (中國進口汽車貿易有限公司) between August 2010 and February 2012 and she served as the deputy director of the board of directors' office of Sinomach Automobile Co., Ltd. (國機汽車股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600335) between February 2012 and February 2016. Ms. Suo served as the vice president of Netcom Agency between March 2016 and May 2016 where she was responsible for the overall daily management of the legal, compliance and human resources aspects of Netcom Agency. She has also been the legal representative and a director of Beijing Hange International Culture Media Co., Ltd. (北京漢格國際文化傳媒有限公司) since January 2006.

One of Ms. Suo's articles was awarded the "Outstanding News Works Award" (優秀新聞作品獎) by the Beijing Female Journalist Association (首都女新聞工作者協會) in January 1999 and one of her articles was awarded Second Class Award of the 10th China News Award (第十屆中國新聞獎) by the All-China Journalists Association (中華全國新聞工作者協會) in July 2000.

Ms. Suo obtained a bachelor's degree in journalism from the department of journalism and communication of Lanzhou University (蘭州大學) in the PRC in June 1994. She completed her part time postgraduate course in political economics at the Graduate School of Renmin University of China (中國人民大學研究生院) in the PRC in September 2001.

Independent non-executive Directors

Mr. Xu Xiangyang (徐向陽), aged 55, was appointed as an independent non-executive Director on December 8, 2020. Mr. Xu Xiangyang is responsible for providing independent advice to our Board. He is the chairman of our Remuneration Committee and a member of our Audit Committee and our Nomination Committee.

Mr. Xu Xiangyang has over 29 years of experience in the automotive engineering industry. He worked at Harbin Institute of Technology (哈爾濱工業大學) between June 1990 and September 2002, and his last position was a professor and the head of the science and technology department of Harbin Institute of Technology (Weihai) (哈爾濱工業大學(威海)). Mr. Xu Xiangyang has been a professor of Beihang University (北京航空航天大學) since September 2002, and is currently the professor of its automotive engineering department of the school of transportation science and engineering. In April 2013, Mr. Xu Xiangyang was appointed as an executive deputy director of the National Automatic Transmission Engineering Technology Research Center for Passenger Vehicles (國家乘用車自動變速器工程技術研究中心) and in September 2013, Mr. Xu Xiangyang was named as a "Taishan

Scholars Distinguished Expert" (泰山學者特聘專家) by the People's Government of Shandong Province (山東省人民政府). One of Mr. Xu's projects was awarded "First Class National Science and Technology Progress Award" (國家科學技術進步一等獎) in December 2016 by the State Council of the PRC (中華人民共和國國務院). Mr. Xu Xiangyang was also awarded the "National Innovative Progress Award" (全國創新爭先獎狀) in May 2017 granted jointly by the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部), the PRC Science and Technology Association (中國科技技術協會), the Ministry of Science and Technology of the PRC (中華人民共和國科學技術部) and the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會). In April 2018, he was awarded the "2017 Beijing Higher Education Teaching Achievement Award (Second Class)" (2017年北京市高等教育教學成果獎二等獎) granted by the People's Government of Beijing Municipality (北京市人民政府). Since December 2019, Mr. Xu has been appointed as an independent director of Shanghai Sinotec Co., Ltd. (上海華培動力科技股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603121).

Mr. Xu Xiangyang obtained his bachelor's degree and master's degree in engineering majoring in vehicle engineering from Beijing Institute of Technology (北京理工大學) (formerly known as Beijing Industrial Institute (北京工業學院)) in the PRC in July 1987 and March 1990, respectively. He obtained his doctorate degree in mechanical electronic engineering from Harbin Institute of Technology (哈爾濱工業大學) in the PRC in December 1999.

Mr. Li Ming (李明), aged 37, was appointed as an independent non-executive Director on December 8, 2020. Mr. Li is responsible for providing independent advice to our Board. He is a member of our Audit Committee and Nomination Committee.

Mr. Li has over 14 years of experience in the technology, media and telecommunications industry. Mr. Li worked at Baidu Online Network Technology (Beijing) Co., Ltd. (百度在線網絡技術(北京)有限公司) between March 2006 and July 2008. He worked at Beijing Unlimited Xunqi Information Technology Co., Ltd. (北京無限訊奇信息技術有限公司) between November 2008 and December 2011. Mr. Li was a joint founder of Beijing Rainbow Century Information Technology Co., Ltd. (北京彩虹世紀信息技術有限公司), a PRC company established in October 2011 and has been its executive director, manager and legal person until it was voluntarily wound up in November 2016. Mr. Li worked in Beijing Legend Star Investment Management Co., Ltd. (北京聯想之星投資管理有限公司) between June 2012 and October 2018, and his last position was a partner of Beijing Legend Star Investment Management Co., Ltd.. Mr. Li has served as an executive director of CAS Capital Management Co., Ltd. (中科院資本管理有限公司) since April 2019.

Mr. Li obtained a bachelor's degree in engineering majoring in computer science and technology from Northeastern University (東北大學) in China in July 2006.

Mr. Ng Jack Ho Wan (吳浩雲) (alias Ng Jacky) (formerly known as Ng Ho Wan), aged 44, was appointed as an independent non-executive Director on December 8, 2020. Mr. Ng is responsible for providing independent advice to our Board. He is the chairman of our Audit Committee and a member of our Remuneration Committee.

Mr. Ng has over 22 years of experience in accounting, auditing, asset management and fund management. He worked in PricewaterhouseCoopers LLP in Canada as senior associate from September 1997 to February 2001. Mr. Ng then worked in KPMG in Hong Kong from March 2001 to October 2012 and was a partner in KPMG in Hong Kong from July 2008 to October 2012. Mr. Ng has

been the managing director of Jack H.W. Ng CPA Limited since June 2013. Mr. Ng has been appointed as an independent non-executive director of HM International Holdings Limited, a company listed on the GEM Board of the Hong Kong Stock Exchange (stock code: 08416) with effect from December 15, 2016 and Zhejiang Cangnan Instrument Group Company Limited, a company listed on the Hong Kong Stock Exchange (stock code: 01743) with effect from June 21, 2018.

Mr. Ng graduated from Simon Fraser University in Canada with a bachelor's degree in business administration in May 2000. Mr. Ng has been a fellow of the Hong Kong Institute of Certified Public Accountants since May 2010 and also a chartered accountant in British Columbia, Canada since February 2001. Mr. Ng was granted the designation of financial risk manager by the Global Association of Risk Professionals and certified as an information systems auditor by ISACA in November 2004 and January 2007, respectively. In September 2007, Mr. Ng was certified as chartered financial analyst by the Chartered Financial Analyst Institute. Mr. Ng was awarded with a specialist certificate in asset management by the Hong Kong Securities and Investment Institute (previously known as the Hong Kong Securities Institute) in February 2005.

SENIOR MANAGEMENT

Our senior management consists of four members, namely, Mr. Xu, Mr. Liu Lei, Mr. Zhu Boyang, Ms. Suo Yan, all of whom are executive Directors. For details of their biographies, see "Board of Directors—Executive Directors" above in this section.

GENERAL

Save as disclosed above and in "Statutory and General Information—F. Further Information about Directors and Substantial Shareholders" in Appendix IV to this document, each of our Directors confirms with respect to him/her that: (i) he/she has not held any directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he/she does not hold any other position in our Company or any of our subsidiaries; (iii) he/she does not have any interests in the Shares within the meaning of Part XV of the SFO; (iv) there is no other information that should be disclosed for him/her pursuant to Rule 13.51(2) of or paragraph 47 of Appendix 1A to the Listing Rules; and (v) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders.

JOINT COMPANY SECRETARIES

Mr. Zhu Boyang (朱博揚) has been appointed as our joint company secretary on June 15, 2019. Please see "Executive Directors" in this section for details of his biography.

Ms. Leung Shui Bing (梁瑞冰), aged 43, is a joint company secretary of our Company. Ms. Leung is a manager of the Listing Services Department of TMF Hong Kong Limited (a global corporate services provider). She has over 15 years of experience in the company secretarial field. Ms. Leung obtained a bachelor's degree in Business and Management Studies (Accounting and Finance) from University of Bradford in July 2008, and a master's degree in Corporate Governance from The Open University of Hong Kong in August 2017. She was admitted as an associate member of The Hong Kong Institute of Chartered Secretaries in December 2017 and The Chartered Governance Institute (previously known as the Institute of Chartered Secretaries and Administrators) in the United

Kingdom in December 2017. She is currently the joint company secretary of Lianhua Supermarket Holdings Co., Ltd. (stock code: 00980), Shanghai Kindly Medical Instruments Co., Ltd. (stock code: 01501), IntelliCentrics Global Holdings Ltd. (stock code: 06819), Immunotech Biopharm Ltd (stock code: 06978) and Kangji Medical Holdings Limited (stock code: 09997), companies whose shares are listed on the Hong Kong Stock Exchange. Ms. Leung is not an employee of our Company but will coordinate with Mr. Zhu, the other joint company secretary, in discharging her duties as one of the joint company secretaries of our Company.

BOARD COMMITTEES

Audit Committee

The Company has established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of three independent non-executive Directors, being Mr. Ng Jack Ho Wan, Mr. Xu Xiangyang and Mr. Li Ming. The chairman of the Audit Committee is Mr. Ng Jack Ho Wan, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process, internal control and risk management system of our Group, oversee the audit process and perform other duties and responsibilities as assigned by our Board.

Nomination Committee

The Company has established a Nomination Committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The Nomination Committee consists of two independent non-executive Directors, being Mr. Xu Xiangyang and Mr. Li Ming, and one executive Director, being Mr. Xu. The chairman of the Nomination Committee is Mr. Xu. The primary duties of the Nomination Committee are to review the structure, size and composition of our Board, assess the independence of independent non-executive Directors and make recommendations to our Board on the appointment and removal of our Directors and senior management, and the implementation of the Board diversity policy (the "**Board Diversity Policy**") of our Company. The Nomination Committee is also responsible for the implementation of our nomination policy.

Remuneration Committee

The Company has established a Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The Remuneration Committee consists of two independent non-executive Directors, being Mr. Xu Xiangyang and Mr. Ng Jack Ho Wan, and one executive Director, being Ms. Suo Yan. The chairman of the Remuneration Committee is Mr. Xu Xiangyang. The primary duties of the Remuneration Committee are to make recommendations to our Board on the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to our Board of the remuneration of independent non-executive Directors.

BOARD DIVERSITY POLICY

We have adopted the Board Diversity Policy which sets out the objective and approach to achieve and maintain diversity on our Board. The Board Diversity Policy provides that our Company should endeavor to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of our Group's business strategy. Pursuant to the Board Diversity Policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. Our Nomination Committee is delegated by our Board to be responsible for compliance with relevant Listing Rules and the code provision(s) governing board diversity under the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. After **[REDACTED]**, our Nomination Committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the Board Diversity Policy on an annual basis.

REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of fees, salaries, discretionary bonuses, defined contribution pension costs, other allowances and benefits in kind and share-based compensation expense (if applicable) with reference to those paid by comparable companies, time commitment and the performance of our Company. Our Company also reimburses our Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to our Company or executing their functions in relation to the operations of our Company. We regularly review and determine the remuneration and compensation packages (including incentive plans) of our Directors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of our Directors and senior management and the performance of our Company.

COMPENSATION OF THE DIRECTORS AND SENIOR MANAGEMENT

For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, the aggregate amount of fees, salaries, allowances discretionary bonuses, defined contribution pension costs and other allowances and benefits in kind paid by our Company to our Directors (who are also our senior management) were approximately RMB2.5 million, RMB3.3 million, RMB5.1 million and RMB1.5 million, respectively. Our Directors' remuneration is determined with reference to salaries paid by comparable companies, their experience, their responsibilities, their performance and the performance of our Group.

The wages, salaries and bonuses, defined contribution pension costs, other social security costs, housing benefits and other employee benefits payable by our Company to the top five highest paid individuals (including fees, salaries, discretionary bonuses, defined contribution pension costs and other allowances and benefits in kind payable by our Company to Directors) for the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, were approximately RMB4.6 million, RMB10.0 million, RMB9.1 million and RMB2.2 million, respectively.

During the Track Record Period, no remuneration was paid by our Company to, or receivable by, our Directors or the five highest-paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors, past Directors or the

five highest-paid individuals for the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

None of our Directors had waived any remuneration during the Track Record Period. Save as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors or the five highest-paid individuals during the Track Record Period.

It is estimated that under the arrangements currently in force, the aggregate amount of compensation (including fees, salaries, discretionary bonuses, defined contribution pension costs, other allowances, benefits in kind and share-based compensation expense (if applicable)) payable to our Directors for the year ending December 31, 2020 will be approximately RMB[6.0] million.

COMPLIANCE ADVISOR

The Company has appointed Somerley Capital Limited as our compliance advisor upon **[REDACTED]** pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise our Company in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated including but not limited to share issues and share repurchases;

(c) where our Company proposes to use the **[REDACTED]** of the **[REDACTED]** in a manner different from that detailed in this document or where the business activities, developments or results of operation of our Group deviate from any forecast, estimate, or other information in this document; and

(d) where the Hong Kong Stock Exchange makes an inquiry of our Company regarding unusual movements in the **[REDACTED]** of our Company's **[REDACTED]** securities, the possible development of a false market in our Company's securities, or any other matters.

The term of the appointment will commence on the **[REDACTED]** and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the **[REDACTED]**.

CORPORATE GOVERNANCE CODE

Pursuant to code provision A.2.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual, and the division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. However, Mr. Xu currently serves as both the chairman of the Board and our chief executive officer. Given that Mr. Xu is one of our founders who had provided strategic guidance and leadership throughout our Track Record Period, our Board believes that vesting the roles of both chairman and chief executive officer in Mr. Xu has the benefit of ensuring consistent leadership within our Group, and providing more effective and efficient overall strategic planning and management oversight for our Group. Our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Our Board will continue to review and consider splitting the roles of chairman of our Board and chief executive officer of our Company at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

Save as disclosed above, our Company expects to comply with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the "comply or explain" principle in our corporate governance report which will be included in our annual reports upon the **[REDACTED]**.

OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the **[REDACTED]** (without taking into account the exercise of the **[REDACTED]**), XC Group, which is wholly-owned by Mr. Xu, our founder, our executive Director, our chairman of the Board and chief executive officer, will hold approximately **[REDACTED]**% of the issued share capital of our Company. XC Group is an investment holding company. As a result, each of Mr. Xu and XC Group are considered as our Controlling Shareholders within the meaning of the Listing Rules. For details of our Controlling Shareholders' background, see ''History, Reorganization and Corporate Structure'' and ''Directors and Senior Management'' in this document.

COMPETING INTEREST

Save for their respective interests in our Company and our subsidiaries, as of the Latest Practicable Date, none of our Controlling Shareholders, our Directors or any of their respective close associates had any interest in any other business apart from the business operated by our Group, which competes, or is likely to compete, either directly or indirectly, with the business of our Group and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHARHEOLDERS

In the opinion of our Directors, our Group is capable of carrying on our business independently of, and does not place undue reliance on, our Controlling Shareholders or their respective associates or any other parties, taking into account the following factors:

Financial Independence

Our finance department is independent from our Controlling Shareholders with finance staff who are independent from our Controlling Shareholders. Its responsibilities include, among other things, financial control, accounting, financial reporting, group credit and internal control. None of our finance staff works for our Controlling Shareholders and/or their respective associates.

We are capable of making financial decisions independently, and our Controlling Shareholders will not interfere with our use of funds. We have established an independent audit system and a financial and accounting system. In addition, we manage our bank accounts independently, and do not share any bank accounts with our Controlling Shareholders and/or their respective associates.

In addition, our Group does not rely on our Controlling Shareholders and/or their respective associates for the provision of financial resources. As of the Latest Practicable Date, we had certain amounts due from our Controlling Shareholders, which will be settled before the **[REDACTED]**. Save for the foregoing, as of the Latest Practicable Date, we had no outstanding loans and advances due to or from our Controlling Shareholders or their associates and had not provided any outstanding securities, loans or any other forms of financial assistance to our Controlling Shareholders or their associates.

Operational Independence

Our Company is capable of making independent operational decisions. Although our Controlling Shareholders retain a controlling interest in our Company after **[REDACTED]** and Mr. Xu, being one of our Controlling Shareholders, is one of our executive Directors, our Directors believe that such would not prevent our Company from exercising its rights to make and implement our own decisions in our business operations.

In addition, our organizational structure is well established to align with the day-to-day operation of the business with the organizational aims. Each department in our organizational structure is empowered to deal with specific areas of responsibilities and performs independently, subject to the final confirmation and approval of our Board.

In addition, our Group generates our own content, and also owns the necessary intellectual property rights and is not reliant on any intellectual property rights that are owned by our Controlling Shareholders or their associates.

Accordingly, our Directors are satisfied that during the Track Record Period, we have been and will continue to operate independently from our Controlling Shareholders and their associates after the **[REDACTED]**.

Management Independence

Our management and operational decision are made by our Board and senior management. Our Board comprises four executive Directors and three independent non-executive Directors. Mr. Xu, being one of our Controlling Shareholders, also holds directorships in our Company and certain of our subsidiaries.

Since all of our executive Directors have substantial experience in their respective expertise areas and/or in the industry in which our Group is engaged, we believe that they will be able to make business decisions that are in the best interest of the our Group. In addition, the business of our Group has been operated under substantially the same management throughout the Track Record Period and up to the Latest Practicable Date. Further, our Board acts collectively by majority decisions in accordance with the Articles and applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorized by our Board.

Our Company is committed to the view that our Board should include a balanced composition of executive and independent non-executive Directors so that there is a strong independent element on our Board which can effectively exercise independent judgment. Our independent non-executive Directors, details of whom are set out in "Directors and Senior Management" in this document, individually and together possess the requisite knowledge and experience to be a member of our Board. All of our independent non-executive Directors are sufficiently experienced and we believe that they will provide impartial and professional advice to protect the interests of our minority Shareholders.

Our Directors and senior management are familiar with the fundamentals of our Company's business, its operations and are informed about our Company's activities. Our Group has established (i) the Audit Committee, (ii) the Remuneration Committee, and (iii) the Nomination Committee. Each committee comprises a majority of independent non-executive Directors so as to monitor the operations of our Group.

Each Director understands that he/she owes primary duties to our Company and is aware of his/her fiduciary duties as a Director which requires, among others things, that he/she must act for the benefit of and in the best interests of our Company and shall avoid any conflict between his/her personal interests and those of our Company. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) and their respective associate(s) shall abstain from

voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

Our Company has also established internal control mechanisms to identify connected transactions to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions. Save as disclosed in "Connected Transactions", our Directors do not expect that there will be any significant transactions between our Group and our Controlling Shareholders upon or shortly after the **[REDACTED]**.

Having considered the above factors, our Directors are satisfied that our Board as a whole together with our senior management team are able to make independent operational decisions having regard to their own knowledge of our Group and their experience and skills.

CORPORATE GOVERNANCE MEASURES

Our Company has adopted the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "**Code**") and will comply with the code provisions in the Code. The Code sets out principles of good corporate governance in relation to, among other matters, directors, the chairman and chief executive officer, board composition, the appointment, re-election and removal of directors, their responsibilities and remuneration and communications with shareholders. To strengthen our corporate governance practice and to safeguard the interests of our Shareholders, the Articles provide that a Director shall not vote (nor shall he/she be counted in the quorum) on any resolution of our Board in respect of any contract or arrangement or proposal in which he/she or any of his/her close associate(s) has/have a material interest, and if he/she should do so his/her vote shall not be counted (nor shall he/she be counted in the quorum for that resolution).

Our Directors are therefore satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders, and to protect minority Shareholders' rights after the **[REDACTED]**.

OVERVIEW

We have entered into certain agreements with parties that will be our connected persons (as defined under Chapter 14A of the Listing Rules) upon the **[REDACTED]**, and the transactions contemplated under such agreements will constitute continuing connected transactions under the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

Background

As disclosed in the "Contractual Arrangements" section in this document, due to foreign investment restrictions and licenses requirements in the PRC, we conduct a substantial portion of our business through the Consolidated Affiliated Entities in the PRC. We do not directly own any equity interest in the Consolidated Affiliated Entities. As a result, we have entered into a series of agreements narrowly tailored to provide our Group with control over the Consolidated Affiliated Entities and grant our Group the right to acquire the equity interests of the Consolidated Affiliated Entities when and to the extent permitted by the PRC laws and regulations. Under the Contractual Arrangements, we operate certain businesses in China that are subject to foreign investment restrictions and licenses requirements through, and derive economic benefits from, the Consolidated Affiliated Entities.

The Contractual Arrangements were entered into among Congshu Internet, Congshu Beijing and the Registered Shareholders (namely Mr. Xu and Mr. Li) and their respective spouses (where applicable). See the section headed "Contractual Arrangements" for details.

Listing Rules implications

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon the **[REDACTED]** as Mr. Xu and Congshu Beijing are connected persons of our Company. Mr. Xu is an executive Director, chairman of our Board, chief executive officer of our Company and a Controlling Shareholder, and therefore a connected person of our Company under Rule 14A.07 of the Listing Rules. Congshu Beijing is held as to 95.00% by Mr. Xu and is therefore an associate of Mr. Xu and a connected person of our Company under Rule 14A.07(4) of the Listing Rules.

Our Directors (including our independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to our Group's organizational structure and business, that these transactions have been and will be entered into in our Group's ordinary and usual course of business, are on normal commercial terms or better and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into, among others, by any of the Consolidated Affiliated Entities and any member of our Group that is owned by us through equity interest ("**New Intragroup Agreements**" and each of them, a "**New Intragroup Agreement**") technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that we are placed in a special situation in relation to relying on the Contractual Arrangements to operate a substantial portion of our business, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to us if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among other things, the announcement, circular and independent shareholders' approval requirements.

Application for waiver

In view of the transactions contemplated under the Contractual Arrangements and any New Intragroup Agreements, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted], a waiver from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules; (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules; and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Shares are **[REDACTED]** and the Consolidated Affiliated Entities continue to be treated as our Company's subsidiaries subject to the following conditions:

(a) No change without independent non-executive Directors' approval

No change to the Contractual Arrangements (including with respect to any fees payable to Congshu Internet thereunder) will be made without the approval of our independent non-executive Directors.

(b) No change without independent Shareholders' approval

Save as described in paragraph (d) below, no change to the agreements governing the Contractual Arrangements will be made without the approval of the independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The ongoing reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will however continue to be applicable.

(c) Economic benefits flexibility

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entities through (i) Congshu Internet's options (if and when so allowed under the applicable PRC laws) to acquire, all or part of the equity interests or assets of the Consolidated Affiliated Entities for the minimum amount of consideration permitted by applicable PRC laws and regulations, (ii) the business structure under which the profit generated by the Consolidated Affiliated Entities is substantially retained by us, such that no annual cap shall be set on the amount of service fees payable to Congshu Internet by the Consolidated Affiliated Entities under the Exclusive Technical Service Agreement, and (iii) Congshu Internet's right to control the management and operation of, as well as, in substance, all of the voting rights of the Consolidated Affiliated Entities.

(d) Renewal and replication

On the basis that the Contractual Arrangements provide a framework that governs the relationship between our Company and our subsidiaries in which our Company has direct shareholding, on the one hand, and the Consolidated Affiliated Entities, on the other hand, that framework may be renewed and/or replicated upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group (which our Group might wish to

establish when justified by business expediency), without obtaining the approval of our Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. Such renewal or replication would be on the condition that the new framework would have substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executive or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as ours which we may establish will, upon renewal and/or replication of the Contractual Arrangements, be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. This renewal/ replication is subject to relevant PRC laws, regulations and approvals.

In addition, we have also applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted], a waiver pursuant to Rule 14A.102 of the Listing Rules from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under any New Intragroup Agreement; (ii) the requirement of setting an annual cap for the transaction amounts by/to any member of our Group to/from any Consolidated Affiliated Entity under any New Intragroup Agreement; and (iii) the requirement of limiting the term of any New Intragroup Agreement to three years or less, for so long as Shares are **[REDACTED]** on the Hong Kong Stock Exchange, subject however to the condition that the Contractual Arrangements subsist and that the Consolidated Affiliated Entities will continue to be treated as our Company's subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of the Consolidated Affiliated Entities and their associates will be treated as connected persons of our Company, and transactions between these connected persons and our Group, other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.

We will comply with the applicable requirements under the Listing Rules, and will immediately inform the Hong Kong Stock Exchange if there are any change in relation to the arrangements mentioned above.

(e) Ongoing reporting

We will disclose details relating to the Contractual Arrangements on an on-going basis as follows:

- the Contractual Arrangements in place during each financial period will be disclosed in the annual report and accounts in accordance with the relevant provisions of the Listing Rules;
- our independent non-executive Directors will review the Contractual Arrangements annually and confirm in the annual report and accounts for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements and that the profit generated by the Consolidated Affiliated Entities has been substantially retained by Congshu Internet, (ii) no dividends or other distributions for the relevant financial year have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to us, and (iii) any new contracts entered into, renewed or replicated between us and the Consolidated Affiliated Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous to our Shareholders, so far as we are concerned and in the interests of our Shareholders as a whole;

- our Company's auditor will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Hong Kong Stock Exchange confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the Contractual Arrangements and that no dividends or other distributions for the relevant financial year have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to us;
- for the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", the Consolidated Affiliated Entities will be treated as our Company's subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of the Consolidated Affiliated Entities and their associates will be treated as connected persons of our Company (excluding for this purpose, the Consolidated Affiliated Entities), and transactions between these connected persons and our Group (including for this purpose, the Consolidated Affiliated Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules; and
- our Consolidated Affiliated Entities will undertake that, for so long as the Shares are **[REDACTED]** on the Hong Kong Stock Exchange, the Consolidated Affiliated Entities will provide the management of our Company and our Company's auditor full access to its relevant records for the purpose of our Company's auditor's review of the continuing connected transactions.

CONFIRMATION FROM OUR DIRECTORS

Our Directors, including our independent non-executive Directors, consider that the continuing connected transactions as disclosed in "Contractual Arrangements" have been and will be entered into (i) in the ordinary and usual course of the business of our Group; (ii) on normal commercial terms or better; and (iii) in accordance with the respective agreement governing them on terms that are fair and reasonable and in the interest of the Shareholders as a whole.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor has reviewed the relevant documents and information provided by our Group, has obtained necessary representations and confirmations from our Company and our Directors and has participated in the due diligence and discussions with the management and our PRC Legal Advisor. Based on the above, the Sole Sponsor is of the view that the transactions contemplated under the Contractual Arrangements have been and will be entered into in the ordinary and usual course of business of our Group, are fundamental to our Group's legal structure and business operations, and on normal commercial terms or better that are fair and reasonable and in the interests of our Company and the Shareholders as a whole. Based on the above, the Sole Sponsor is also of the view that with respect to the term of the relevant agreements underlying the Contractual Arrangements which is of a duration longer than three years, it is a justifiable and normal business practice to ensure that (i) the financial and operational policies of the Consolidated Affiliated Entities can be effectively controlled by Congshu Internet; (ii) Congshu Internet can obtain the economic benefits derived from the Consolidated Affiliated Entities; and (iii) any possible leakages of assets and values of the Consolidated Affiliated Entities can be prevented, on an uninterrupted basis.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the **[REDACTED]**, but without taking into account the exercise of the **[REDACTED]**, the following persons will have or be deemed or taken to have an interest or a short position in Shares or underlying Shares of our Company which will be required to be disclosed to our Company and the Hong Kong Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries:

Name of substantial Shareholder	Nature of interest and capacity	Number of Shares held / interested at the date of this document(Note 5)	Percentage of interest in the Shares of our Company immediately following the [REDACTED]	
			Number of Shares held interested(Note 1)	Approximate percentage of shareholding
XC Group(Note 2)	Beneficial owner	802,500,000	**[REDACTED]**(L)	**[REDACTED]**%
Mr. Xu(Note 2)	Interest of a controlled corporation	802,500,000	**[REDACTED]**(L)	**[REDACTED]**%
Ms. Ma Yuanyuan(Note 3)	Interest of spouse	802,500,000	**[REDACTED]**(L)	**[REDACTED]**%
Scheme Custodian(Note 4)	Trustee of a trust	100,000,000	**[REDACTED]**(L)	**[REDACTED]**%
SA Nominee(Note 4)	Nominee for another person	80,000,000	**[REDACTED]**(L)	**[REDACTED]**%

Notes:

(1) The letter "L" denotes the person's long position in our Shares.

(2) Mr. Xu beneficially owns 100% of the issued shares of XC Group. Mr. Xu is deemed, or taken to be, interested in **[REDACTED]** *Shares held by XC Group for the purpose of the SFO.*

(3) Ms. Ma Yuanyuan is spouse of Mr. Xu. Ms. Ma Yuanyuan is deemed to be interested in all the Shares that Mr. Xu is interested in pursuant to the SFO.

(4) The Scheme Custodian through the Scheme Nominees namely, the SA Nominee and the RSU Nominee, holds 80,000,000 Shares underlying the Share Awards granted and/or to be granted under the SA Scheme and 20,000,000 Shares underlying the RSUs granted and/or to be granted under the RSU Scheme. As of the Latest Practicable Date, no Share Awards or RSUs had been granted.

(5) Same as the number of Shares held as of the date of the **[REDACTED]** *application.*

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the **[REDACTED]**, have an interest or short position in the Shares or underlying Shares which would be required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately prior to and following the completion of the **[REDACTED]**:

	US$
Authorized share capital:	
10,000,000,000 Shares of US$0.0001 each	1,000,000
Issued and to be issued, fully paid or credited as fully paid:	
1,000,000,000 Shares in issue as of the date of this document	100,000
[REDACTED] Shares to be issued pursuant to the **[REDACTED]**	**[REDACTED]**
[REDACTED] Shares in total	**[REDACTED]**

ASSUMPTIONS

The above table assumes that the **[REDACTED]** becomes unconditional and is completed in accordance with the relevant terms and conditions and that the Shares are issued pursuant to the **[REDACTED]**. The above does not take into account any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below, or any Shares that may be issued pursuant to the **[REDACTED]**.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08 of the Listing Rules, at the time of **[REDACTED]** and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the issued share capital of our Company in the hands of the public (as defined in the Listing Rules).

RANKING

The Shares are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this document.

RSU SCHEME AND SA SCHEME

We adopted the RSU Scheme and the SA Scheme on June 25, 2019 and the principal terms of the aforementioned schemes are set out in "Statutory and General Information—G. RSU Scheme and SA Scheme" in Appendix IV to this document.

GENERAL MANDATES GRANTED TO OUR DIRECTORS

Subject to the **[REDACTED]** becoming unconditional, general mandates have been granted to our Directors to allot and issue Shares and to repurchase Shares.

For details of these general mandates, please refer to "Statutory and General Information—A. Further Information about our Company—3. Written Resolutions of our Shareholders passed on December 8, 2020" in Appendix IV to this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS AND CLASS MEETINGS ARE REQUIRED

Our Company currently only has one class of Shares, namely ordinary shares, each of which shall carry the same rights as the other Shares.

As a matter of Cayman Islands company law, a Cayman Islands exempted company is not required by law to convene an annual general meeting unless the articles of association otherwise provide. The holding of general meetings or class meetings is prescribed for under the articles of association of a Cayman Islands exempted company and the Cayman Companies Law. Accordingly, our Company will hold general meetings as prescribed for under the Articles and the Cayman Companies Law. A summary of the circumstances under which general meetings and class meetings are required to be held is set out in "Summary of the Constitution of the Company and Cayman Companies Law" in Appendix III to this document.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, included in the Accountant's Report in Appendix I to this document. Our consolidated financial information has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. You should read the entire Accountant's Report and not merely rely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. In evaluating our business, you should carefully consider the information provided in this document, including the sections headed "Risk Factors" and "Business."

For the purpose of this section, unless the context otherwise requires, references to 2017, 2018 and 2019 refer to our financial years ended December 31 of such years and references to 2020 refer to the six months ended June 30. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

According to the CIC Report, we experienced a high growth rate for the three years ended December 31, 2017, 2018 and 2019, based on an increase in our 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 our main competitors during the same period. For the six months ended June 30, 2020, our revenue amounted to approximately RMB58.9 million. 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, according to the CIC Report. In terms of media-related revenue, we accounted for approximately 2.1% of the top one automobile vertical media platform in 2019. Additionally, our websites were visited by our users with an industry-leading 10.6 times per month on average as of December 31, 2019. We generate our revenue by providing the following services:

(a) Online Advertising Service, where we provide advertising services and solutions to our advertising agency, automaker and autodealer customers.

(b) Transaction Facilitation Service, where we offer services and solutions to promote group-purchase events for our autodealers and an insurance company.

Our customers consist of advertising agencies, automakers and autodealers. According to the CIC Report, it is customary for online automobile advertising service providers in China to sell advertising services and solutions primarily through advertising agencies that represent the automakers and autodealers as their end customers.

We have experienced significant growth for the three years ended December 31, 2017, 2018 and 2019. Our total revenue increased from approximately RMB117.6 million for the year ended

December 31, 2017 to approximately RMB157.8 million and approximately RMB177.6 million for the years ended December 31, 2018 and December 31, 2019, respectively. For the six months ended June 30, 2019, our revenue amounted to approximately RMB77.5 million, as compared with revenue of approximately RMB58.9 million for the six months ended June 30, 2020.

For the year ended December 31, 2019, the revenue of our Online Advertising Service and Transaction Facilitation Service were approximately RMB175.0 million and approximately RMB2.6 million, respectively. Our profit attributable to owners of our Company increased from approximately RMB27.5 million for the year ended December 31, 2017 to approximately RMB47.6 million and approximately RMB51.7 million for the years ended December 31, 2018 and 2019, respectively. For the six months ended June 30, 2019, the revenue of our Online Advertising Service and Transaction Facilitation Service were approximately RMB75.2 million and RMB2.4 million, respectively, as compared to RMB58.7 million and RMB0.2 million for the corresponding period in 2020. Our profit attributable to owners of our Company increased from approximately RMB21.8 million for the six months ended June 30, 2019 to approximately RMB24.7 million for the six months ended June 30, 2020.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, many of which are outside of our control, including the following:

Spending of advertising agencies

Our customers for the Online Advertising Service primarily comprise advertising agencies, automakers and autodealers. According to the CIC Report, it is customary for online automobile advertising service providers in China to sell advertising services and solutions primarily through advertising agencies that represent automakers and autodealers as their end customers. Our results of operations are affected by the advertising budget of advertising agencies and our relationships with the end customers of the advertising agencies. Spending by advertising agencies depend primarily on the advertising budgets of automakers and autodealers. Hence, the growth of our revenue depends on our ability to attract existing and potential customers to use a larger proportion of their advertising budget on us. For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, we had 344, 359, 406 and 168 advertising service contracts, respectively, and the average contract fee was approximately RMB430,000, RMB566,000, RMB561,000 and RMB447,000 during those periods, respectively. The increase in both of our service contracts and fees per contract was mainly attributable to our marketing efforts and brand recognition among our customers. As a result, our revenue increased from approximately RMB117.6 million in 2017, to approximately RMB157.8 million in 2018 and to approximately RMB177.6 million in 2019. Our revenue amounted to approximately RMB58.9 million for the six months ended June 30, 2020.

Relationship with our business partners

We operate an online automobile vertical media platform that distributes our in-house produced content across our proprietary and over 1,000 business partner platforms, including platforms operated by one of the largest telecommunication operators in China. For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, we had approximately 38, 35, 27 and 26 business partners who entered into collaboration agreements with us. We enter into cross-collaboration

agreements with our business partners where we provide our PGC in return for space on our business partner platforms and access to their user browsing data. Our collaboration with our business partners is mutually beneficial and allows our content to achieve a high viewership among their users. For details of collaboration arrangements, movement and our relationship with the business partners during the Track Record Period, please see "Business—Distribution through third party platform". For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, the approximate DUV on our automobile contents on the platforms operated by our business partners and prominent we-media platforms amounted to 8.1 million, 8.4 million, 9.0 million and 9.1 million, respectively, and the approximate average daily PV on our automobile contents were 39.3 million, 41.5 million, 44.8 million and 49.8 million, respectively, during the same periods. The increase on the DUV and average daily PV was mainly attributable to the increase of number of users in our proprietary and our business partner platforms. Therefore, our ability to distribute our content widely, generate high user traffic and access user browsing data to enhance the user experience on our platform largely depends on our ability to maintain our collaboration with our existing business partners, and develop new collaborations with potential business partners.

Employee benefit expenses

Our business operation is service-oriented and our success, to a considerable extent, depends upon our ability to attract, motivate and retain a sufficient number of qualified employees. We believe high-quality advertising service is a key attribute of our success. We had a total of 157, 174, 193 and 163 employees as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively. Our employee benefit expenses include all salaries and benefits payable to all our employees and staff, including our Directors, which amounted to approximately RMB29.7 million, RMB48.9 million, RMB53.8 million and RMB19.5 million, representing approximately 25.3%, 31.0%, 30.3% and 33.1% of our total revenue for the three years ended December 31, 2017, 2018 and 2019 and six months ended June 30, 2020, respectively. Our ability to effectively control our employee benefit expenses has affected and will continue to affect our profitability significantly. According to the CIC Report, due to the increasing challenge in acquiring skilled labor in the online advertising industry and the general increase in labor costs in China, the salary level of employees in online advertising industry in China has generally increased in the recent years and was estimated to keep increasing in the coming years. We expect our employee benefit expenses will continue to increase as inflationary pressures in China continue to drive up salary levels and our business further expands.

High user traffic driven by high quality PGC

Maintaining our high user traffic is of paramount importance to our continued success. 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, according to the CIC Report. Additionally, our websites were visited by our users with an industry-leading 10.6 times per month on average as of December 31, 2019. For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, the total DUV on our proprietary and third party platforms amounted to 9.9 million, 10.6 million, 11.2 million and 11.6 million, respectively, and the total average daily PV on our automobile contents were 72.8 million, 91.3 million, 98.0 million and 105.6 million, respectively, during the same periods. The increase in user traffic in terms of DUV and average daily PV during the Track Record Period was attributable to the increase of number of our

business partners platforms and the increasing user recognition of our Cheshi brand. Please see "Business—Distribution through third party platforms" for details.

We believe one of our key factors for attracting high user traffic is our high quality PGC created by our in-house content team, its content production capability, and our automobile database with over 1.8 million vehicle model configurations and over 4.2 million automobile photos as of June 30, 2020. Together with our platform tools, such as our proprietary Picker engine, we enhance the effectiveness of the advertising efforts to our advertising agency, automaker and autodealer customers. Our enhanced value proposition to our customers has allowed us to expand our business and increase our revenue during the Track Record Period.

Preferential tax treatment

During the Track Record Period, we have benefited from preferential tax treatment, which had contributed to our results of operations. Congshu Beijing, one of our Consolidated Affiliated Entities, has obtained the High and New Technology Enterprise certificate in October 2017 with an effective period of three years, and therefore was entitled to a preferential EIT rate of 15% in 2018 and 2019. In order to qualify for the preferential EIT rate of 15%, Congshu Beijing must satisfy the requirements in accordance with the relevant laws and regulations and be approved as a High and New Technology Enterprise by the relevant governmental authorities and subject to the further determination of the PRC tax authority to enjoy such preferential tax treatment. Such requirements include, inter alia: (a) an enterprise being registered in China for at least one year before the application is submitted; (b) having IP rights of the key technologies which show core support to the enterprise's main products (services); (c) the technologies which show core support to the enterprise's main products (services) shall belong to one of the areas outlined in the catalog of High-and New-Technology Areas Specifically Supported by the State; and (d) there are no material safety and quality defects or environmental non-compliance in the year proceeding to the application. The Directors believe the Company will continue to satisfy all applicable requirements and expect the preferential tax to be recurring. The preferential tax treatment has lowered our income tax expenses. As a result, our effective income tax rate, calculated by dividing total income tax expenses by profit before income tax expense, was 27.0%, 20.2%, 10.3% and 12.0% for the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. During the Track Record Period, the preferential tax treatment amounted to a saving of nil, RMB6.1 million, RMB5.4 million and RMB1.9 million, respectively. However, there is no assurance that no further change will be made to the PRC tax policies or industry promoting policies that could adversely affect our results of operations. If there is any further change to the preferential tax treatment that we had been enjoying during the Track Record Period, our income tax expenses may increase significantly, which would adversely affect our financial condition and profitability. See "Risk Factors—Risks Relating to Our Business and Industry—We may cease to enjoy preferential tax treatments, the loss of which, or a reduction in which, could adversely affect our business and prospects" for more information.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on November 22, 2018 as an exempted company with limited liability. Our Company is an investment holding company and its subsidiaries are principally engaged in the provision of Online Advertising Service and Transaction Facilitation Service through our vertical media platform ("**[REDACTED] Business**").

Prior to the incorporation of our Company and completion of the Reorganization, our **[REDACTED]** Business was carried out by the PRC Consolidated Affiliated Entities. Pursuant to the Reorganization, the **[REDACTED]** Business is effectively controlled by our Company through direct equity holding and the Contractual Arrangements. Our Company and those companies newly incorporated/established during the Reorganization have not been involved in any other business prior to the Reorganization and their operations do not meet the definition of a business. The Reorganization is merely a reorganization of our **[REDACTED]** Business and does not result in any changes in business substantively nor in any management of our **[REDACTED]** Business. Accordingly, the Financial Information of the companies now comprising our Group is presented using the carrying value of our **[REDACTED]** Business for all periods presented. Inter-company transactions, balances and unrealized gains or losses on transactions between companies within our Group are eliminated on consolidation.

Details regarding the basis of presentation and preparation of our consolidated financial statements are set out in Note 1.3 and Note 2.1 to the Accountant's Report in Appendix I to this document.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ESTIMATES, JUDGMENTS AND ASSUMPTIONS

We have identified certain accounting policies that are most significant to the preparation of our consolidated financial statements. We have also made certain accounting judgments and assumptions in the process of applying our accounting policies. When reviewing our consolidated financial statements, you should consider (i) our selection of significant accounting policies; (ii) the judgment and assumptions affecting the application of such policies; and (iii) the sensitivity or reported results to change in conditions and assumptions. Our significant accounting policies, judgments and estimates, which are important for an understanding of our results of operations and financial position, are set out in more detail in Note 2 and Note 4 to the Accountant's Report in Appendix I to this document.

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions we use and the judgments that we make in applying our accounting policies have a significant impact on our financial position and operating results. Our management continually evaluates such estimates, judgments and assumptions based on past experience and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Revenue is recognized when or as the services are rendered to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the services may be transferred over time or at a point in time.

Control of the services is transferred over time if our performance provides all of the benefits received and consumed simultaneously by the customer.

If control of the services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. We use the output methods to measure the progress towards, recognizing revenue based on direct measurements of the value transferred to the customer. Otherwise, revenue is recognized at a point in time when the customer obtains control of the services.

Contracts with customers may include multiple performance obligations. For such arrangements, we allocate revenue to each performance obligation based on its relative standalone selling price. We generally determine standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgments on these assumptions and estimates may impact the revenue recognition.

When either party to a contract has performed its obligation, we present the contract in the consolidated statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is our right to consideration in exchange for services that we have transferred to a customer. A receivable is recorded when we have an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of the consideration is due.

If a customer pays consideration or we have a right to an amount of consideration that is unconditional, before we transfer service to the customer, we present the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is our obligation to transfer services to a customer for which we have received consideration (or an amount of consideration is due from the customer).

We principally derive revenue from Online Advertising Service and Transaction Facilitation Service.

Online Advertising Service income

During the Track Record Period, we principally provided advertising services to advertising agencies in the automobile industry. A majority of our Online Advertising Service arrangements involve multiple deliverables such as banner advertisements, links and logos, and other media insertions that are delivered over different periods of time.

Online Advertising Service income is recognized in each of the reporting periods during the Track Record Period in which the advertisements are published over the stated display period on its own online platform, other linked online portals, or mobile applications.

Since we have the ability to determine the pricing of the Online Advertising Service and to take responsibility for monitoring the quality of advertising services provided and to negotiate the service terms, we are regarded as the primary obligor and recognize revenue from advertising on a gross basis.

Advertising agencies usually pay the advertisement after the whole contract is completed. We record contract assets when we have delivered the relevant services to the customers, while accounts

receivables are recorded when we have unconditional rights to payments of online advertising services which are due according to the contract terms.

The Online Advertising Service is often sold with volume discounts based on aggregate sales over a 12 months period. Revenue from these sales is recognized based on the price specified in the contract, net of the actual volume discounts. A refund liability (included in other payables) is recognized for volume discounts payable to customers in relation to sales made until the end of each of the reporting periods during the Track Record Period.

Certain customers prepay for the Online Advertising Service, we recognize the contract liabilities until we transfer the relevant service to the customers.

Transaction Facilitation Service income

We are engaged in the provision of Transaction Facilitation Service for autodealers by promoting automobile purchase transactions by our targeted users offered by our autodealer customers, and by promoting automobile insurance transactions for an automobile insurance company.

Since we have the ability to determine the pricing of the Transaction Facilitation Service and to take responsibility for monitoring the quality of the services provided and to negotiate the service terms, we are regarded as the primary obligor and recognize revenue from the Transaction Facilitation Service on a gross basis.

Autodealers and insurance company usually pay for the service when the group-purchase events are completed. We record accounts receivables when the revenue is recognized since we have unconditional rights to payments of the services which are due according to the contract terms.

Impairment of financial assets

We have three types of financial assets that are subject to the expected credit loss model:

(i) trade receivables;

(ii) contract assets; and

(iii) deposits, bill and other receivables.

Trade receivables and contract assets

We apply the simplified approach to provide for the expected credit loss prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade and bills receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past recognition. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade and bill receivables for the same types of contracts. We have therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect

current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. We have identified the gross domestic product index ("GDP") of the PRC in which it provides its services to be the most relevant factors, and accordingly adjust the historical loss rate based on expected changes in these factors.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery includes, amongst other, the failure of a debtor to engage in a repayment plan within the Group.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating expenses. Subsequent recoveries of amounts previously written off are credited against the same line item.

Deposits, bill and other receivables

Deposits, bill and other receivables at the end of each reporting periods were mainly rental and other deposits. Our Directors consider the probability of default upon initial recognition of the asset and whether there has been significant increase in credit risk on an ongoing basis during the Track Record Period. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as of the reporting date with the risk of default as of the date of initial recognition.

Management makes periodic collective assessments as well as individual assessment on the recoverability of deposits, bill and other receivables based on historical settlement records and past experience. A significant increase in credit risk is presumed if a debtor is more than 180 days past due in making a contractual payment/repayable demanded.

Our Directors believe that there was no material credit risk inherent in the Group's outstanding balance of deposits and other receivables.

Estimation of the fair value of certain financial assets and convertible redeemable preference shares

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. We use our judgment to select a variety of methods and make assumptions that are mainly based on market conditions at the end of each reporting periods. Please see Note 3.3 to the Accountant's Report in Appendix I for details of the key assumptions used and the impact of changes to these assumptions.

Estimation of goodwill impairment

We test whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash-generating unit is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Cash flows beyond the five-year period are extrapolated using the estimated growth rates. These growth rates are consistent with forecasts specific to the industry in which the cash generating unit operates. Please see Note 17 of the Accountant's Report in Appendix I for details of impairment charge, key assumptions and impact of possible changes in key assumptions.

Impairment of receivables

The loss allowances for receivables are based on assumptions about risk of default and expected loss rates. We use judgment in making these assumptions and selecting the inputs to the impairment calculation, based on our past history, existing market conditions as well as forward looking estimates at the end of each reporting.

Income taxes and deferred taxations

We are subject to income taxes in the PRC and other jurisdictions. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management consider it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

ADOPTION OF IFRS 9, IFRS 15 AND IFRS 16

To make our consolidated financial statements comparable on a period-to-period basis and allow the **[REDACTED]** to better understand our financial performance and position, IFRS 9 - Financial instruments ("IFRS 9"), IFRS 15 - Revenue from Contracts with Customers ("IFRS 15"), and IFRS 16 – Leases ("IFRS 16") have been adopted and applied consistently in our consolidated financial statements since the beginning of, and throughout, the Track Record Period, in lieu of IAS 39 -Financial instruments: Recognition and measurement ("IAS 39"), IAS 18 – Revenue ("IAS 18"), and IAS 17 - Leases ("IAS 17"), respectively. Accordingly, we have prepared and maintained only one set of consolidated financial statements adopting IFRS 9, IFRS 15 and IFRS 16 for the Track Record Period. Neither had we prepared, nor the reporting accountant had audited or reviewed, a consolidated financial statements for the Track Record Period based on IAS 39, IAS 18 and IAS 17.

In order to provide additional information to the **[REDACTED]**, we have used our best efforts to assess the respective impact on our financial results of the application of the principles set out in IAS 39, IAS 18 and IAS 17, compared to our adoption of IFRS 9, IFRS 15 and IFRS 16, respectively.

Adoption of IFRS 9 and IFRS 15

Based on our internal assessments, the adoption of IFRS 9 and IFRS 15, as compared to the requirements of IAS 39 and IAS 18, has no significant impact on our financial position and performance, except that (i) contract liabilities amounting to approximately RMB0.8 million, RMB0.8 million, RMB3.8 million and RMB3.6 million as at December 31, 2017, 2018 and 2019 and June 30, 2020, respectively, would have been reclassified as advance from customers; and (ii) contract assets amounting to approximately RMB2.9 million, RMB6.2 million, RMB8.1 million and RMB2.8 million as at December 31, 2017, 2018 and 2019 and June 30, 2020, respectively, would have been reclassified as trade receivables if IAS 18 had been applied throughout the Track Record Period.

Adoption of IFRS 16

Under IAS 17, operating lease payments are charged to the consolidated income statements on a straight-line basis over the period of the lease, and operating lease commitments are disclosed separately in a note to the consolidated financial statements and are not recognised in the consolidated statements of financial position. Under IFRS 16, all leases (except for those with lease term of less than 12 months or of low value) are recognised in the form of assets (being the right-of-use assets classified in our financial statements) and financial liabilities (being the lease liabilities in our financial statements) on our consolidated statements of financial position at the commencement of respective leases.

Based on our internal assessments, the impact on profit for the year or period and total net assets or liabilities would not have been significant if IAS 17 had been adopted.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The following table presents our consolidated income statement items as well as their percentage to the total revenue for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019 (Unaudited)		2020	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	RMB'000		RMB'000		RMB'000		RMB'000		RMB'000	
Revenue	117,578	100.0	157,847	100.0	177,615	100.0	77,504	100	58,897	100
Cost of providing services	(16,836)	14.3	(21,263)	13.5	(28,852)	16.2	(15,213)	19.6	(9,472)	16.1
Gross profit	100,742	85.7	136,584	86.5	148,763	83.8	62,291	80.4	49,425	83.9
Other income	443	0.4	131	0.1	3,056	1.7	659	0.9	1,664	2.8
Other gains, net	607	0.5	1,035	0.7	3,932	2.2	574	0.7	8,366	14.2
(Net impairment loss)/reversal of net impairment loss on financial assets	(1,386)	1.2	(6,837)	4.3	(3,703)	2.1	6,681	8.6	1,873	3.2
Selling and distribution expenses	(45,009)	38.3	(43,791)	27.7	(47,757)	26.9	(21,723)	28.0	(16,794)	28.5
Administrative expenses	(12,606)	10.7	(19,463)	12.3	(34,426)	19.4	(17,340)	22.4	(13,057)	22.2
Research and development expenses	(4,843)	4.1	(7,823)	5.0	(12,507)	7.0	(4,243)	5.5	(3,275)	5.6
Operating income	37,948	32.3	59,836	37.9	57,358	32.3	26,899	34.7	28,202	47.9
Finance income	5	—	23	—	383	0.2	25	0.0	161	0.3
Finance costs	(299)	0.3	(187)	0.1	(84)	0.0	(57)	0.0	(223)	0.4
Finance (costs)/income, net	(294)	0.3	(164)	0.1	299	0.2	(32)	0.0	(62)	0.1
Share of loss of an associate	—	—	—	—	—	—	—	—	(56)	0.1
Profit before income tax	37,654	32.0	59,672	37.8	57,657	32.5	26,867	34.7	28,084	47.7
Income tax expense	(10,179)	8.7	(12,069)	7.6	(5,947)	3.4	(5,072)	6.5	(3,377)	5.7
Profit and total comprehensive income for the year/period attributable to owners of the Company	**27,475**	**23.4**	**47,603**	**30.2**	**51,710**	**29.1**	**21,795**	**28.1**	**24,707**	**42.0**

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULT OF OPERATIONS

Revenue

We derive our revenue from two business segments, namely, the Online Advertising Service and Transaction Facilitation Service. During the Track Record Period, we derived substantially all of

our revenue from the Online Advertising Service, as the Transaction Facilitation Service commenced in October 2018. For the three years ended December 31, 2017, 2018 and 2019, we generated total revenue of approximately RMB117.6 million, RMB157.8 million, RMB177.6 million, respectively. We generated a total revenue of approximately RMB77.5 million and RMB58.9 million for the six months ended June 30, 2019 and 2020, respectively.

Our revenue is recognized when or as the services are rendered to our customers, net of returns, trade allowances, rebates and amount collected for third parties. As we have the ability to determine the pricing of the Online Advertising Service and the Transaction Facilitation Service, and take responsibility for monitoring the quality of services provided and to negotiate the service terms, we are regarded as the primary obligor and recognizes revenue on a gross basis. For further details, see "— Significant Accounting Policies, and Critical Estimates, Judgments and Assumptions—Revenue recognition."

The following table sets forth a breakdown of our revenue by business segments for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019 (Unaudited)		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Revenue										
Online Advertising Service	117,578	100.0	157,757	99.9	175,055	98.6	75,151	97.0	58,720	99.7
Transaction Facilitation Service	—	—	90	0.1	2,560	1.4	2,353	3.0	177	0.3
	117,578	**100.0**	**157,847**	**100.0**	**177,615**	**100.0**	**77,504**	**100**	**58,897**	**100**

Our customers for our two business segments primarily consist of advertising agencies, automakers, autodealers and automobile insurance company. The following table sets forth a breakdown of our revenue by customer types for the periods indicated:

	Year ended December 31						Six months ended June 30,			
	2017		2018		2019		2019 (unaudited)		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Revenue										
Advertising agencies	108,135	91.9	145,568	92.2	162,728	91.6	71,128	91.8	53,470	90.8
Automakers	9,440	8.0	7,105	4.5	9,076	5.1	3,000	3.9	1,763	3.0
Autodealers	3	0.1	5,174	3.3	3,328	1.9	1,042	1.3	3,487	5.9
Insurance company	—	—	—	—	2,483	1.4	2,334	3.0	177	0.3
	117,578	**100.0**	**157,847**	**100.0**	**177,615**	**100.0**	**77,504**	**100.0**	**58,897**	**100.0**

During the Track Record Period, the majority of our revenue was received from advertising agencies, accounting for approximately RMB108.1 million, RMB145.6 million, RMB162.7 million and RMB53.5 million, representing approximately 91.9%, 92.2%, 91.6% and 90.8% for the corresponding periods. Since we commenced the Transaction Facilitation Service in October 2018, a significant part of the revenue from the Transaction Facilitation Service was received from an

automobile insurance company in 2019 as a certain portion of Transaction Facilitation Services was provided to autodealer customers as part of the Online Advertising Services.

The following table sets forth a breakdown of revenue contribution and gross profit margin for online advertising services provided by the Group through the proprietary platforms and third-party platforms.

	For the year ended December 31									For the six months ended June 30, 2020		
	2017			2018			2019					
	Revenue	% of total Revenue	Gross profit (loss) margin	Revenue	% of total Revenue	Gross profit margin	Revenue	% of total Revenue	Gross profit margin	Revenue	% of total Revenue	Gross profit margin
	RMB'000	(%)	(%)	RMB'000	(%)	(%)	RMB'000	(%)	(%)	RMB'000	(%)	(%)
Proprietary Platforms	116,583	99.2	86.8	150,405	95.3	87.8	162,219	92.7	83.7	43,188	73.5	80.0
Third-party platforms	995	0.8	(43.1)	7,352	4.7	59.9	12,836	7.3	81.1	15,532	26.5	94.8
Total	117,578			157,757			175,055			58,720		

The revenue generated from the Online Advertising Service through proprietary platforms was approximately RMB116.6 million, RMB150.4 million and RMB162.2 million, representing approximately 99.2%, 95.3% and 92.7% of the total revenue for the three years ended December 31, 2019, respectively, with the gross profit margin being approximately 86.8%, 87.8% and 83.7% for the corresponding period. For the six months ended June 30, 2020, the revenue generated from the Online Advertising Service through proprietary platforms was approximately RMB43.2 million, with the gross profit margin accounted for approximately 80.0%.

On the other hand, the revenue generated from the Online Advertising Service through third-party platforms was approximately RMB1.0 million, RMB7.4 million and RMB12.8 million, representing approximately 0.8%, 4.7% and 7.2% of the total revenue for the three years ended December 31, 2017, 2018 and 2019, respectively, with the gross profit margin being approximately (43.1)%, 59.9% and 81.1% for the corresponding period. For the six months ended June 30, 2020, the revenue generated from the Online Advertising Service through third-party platforms was approximately RMB15.5 million, with the gross profit margin being approximately 94.8%.

Notwithstanding of the relatively higher volume of DUV from the business partner platforms in aggregate for the three years ended December 31, 2017, 2018 and 2019, the significant increase in revenue generated from the Online Advertising Service through the third-party platforms throughout the Track Record Period was primarily due to the increase of customers to display advertisements through our business partners platforms. For the three years ended December 31, 2017, 2018 and 2019 and six months ended June 30, 2020, we had a total number of 97, 109, 107 and 78 customers, among which 87, 74, 71 and 48 customers chose to display and distribute their advertisements only through our proprietary platforms, and there were 10, 35, 36 and 30 customers displaying their advertisements through both of our proprietary and business partner platforms. The increasing trend of customers displaying their advertisement through business partner platforms was due to: (i) the Picker engine was at its development stage in 2017. The early version of Picker engine in 2017 had basic functionalities, such as, automated distribution of articles, video content and automobile data. As such, the majority of the revenue generated from Online Advertising Service remained to be through proprietary platforms at that time, such as the Cheshi (網上車市) website, which has over 20 years of brand history and strong awareness and recognition among customers; and (ii) the Picker engine continues to improve. In

2018, the Picker engine could distribute content based on time preference and popularity, and provided an advertising feed and also a video live stream. Leveraging on these new functions, we enhanced our sales and promotion efforts to promote advertisement distribution via Picker engine to our perspective customers in 2018. As a result, customers are willing to distribute their online advertisement on our business partners platforms in addition to the proprietary platform. As such, the number of customers who displayed advertisements through our business partner platforms increased from 10 in 2017 to 35 in 2018, and a larger proportion of the revenue generated from Online Advertising Service was through business partner platforms in 2018; (iii) in 2019, the Picker engine was further optimized to filter and recommend automobile choices in advertisements based on certain parameters. It reached a relatively mature stage with strong awareness and recognition among our customers, thereby resulted in a further increase to the proportion of revenue generated from the Online Advertising Service through third-party platforms. For the year ended December 31, 2019, there was an increase in advertising expenditure by our customers to display advertisements through our business partners platforms, which was in line with the market trend that more automakers and autodealers were willing to allocate their expenditures on automobile advertising services covering tier three and lower cities due to their expansion plans of offline sales network in tier three and lower cities. We had 30 customers who displayed advertisements through our business partners platforms and revenue generated from the Online Advertising Service through third-party platforms continued to increase for the six months ended June 30, 2020 for the aforesaid reasons. The increase of the gross profit margin of the Online Advertising Service through third-party platforms was because the costs of service for the business partner platforms remained relatively low at approximately RMB1.4 million, RMB2.9 million and RMB2.4 million for the three years ended December 31, 2017, 2018 and 2019, respectively as we were able to negotiate on better terms with our business partners to achieve costs effectiveness. For details, please see "Business—Distribution of Automobile Contents—Distribution through third party platforms". The revenue generated from Online Advertising Service through third-party platforms accounted for approximately RMB1.0 million, RMB7.4 million and RMB12.8 million for the corresponding period due to the foregoing reasons. For the six months ended June 30, 2020, the costs of service for the business partner platforms accounted for approximately RMB0.8 million, while the revenue generated from Online Advertising Service through third-party platforms accounted for approximately RMB15.5 million.

Cost of providing services

Our cost of providing services consists primarily of: (i) amortization of intangible assets; (ii) employee benefit expenses; and (iii) advertisement production and other direct expenses. Our cost of providing services amounted to approximately RMB16.8 million, RMB21.3 million, RMB28.9 million for the three years ended December 31, 2017, 2018 and 2019, respectively. For the six months ended June 30, 2019 and 2020, our cost of providing services amounted to approximately RMB15.2 million and RMB9.5 million, respectively. The following table sets forth a breakdown of our costs of providing services for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019 (unaudited)		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Amortization of intangible assets	935	5.6	935	4.4	935	3.2	467	3.0	468	4.9
Depreciation of property, plant and equipment	—	—	54	0.3	100	0.4	46	0.3	61	0.6
Employee benefit expenses	6,761	40.2	8,583	40.4	9,252	32.1	4,378	28.8	3,758	39.7
Advertisement production and other direct expenses	7,679	45.6	11,331	53.2	17,809	61.7	9,884	65.0	4,817	50.9
Expense of website maintenance and internet improvement	844	5.0	274	1.3	609	2.1	368	2.4	368	3.9
Miscellaneous	617	3.6	86	0.4	147	0.5	70	0.5	—	—
Total	**16,836**	**100.0**	**21,263**	**100.0**	**28,852**	**100.0**	**15,213**	**100.0**	**9,472**	**100.0**

Intangible assets being amortized include the goodwill, computer software, trademarks, and domain names. Trademarks and domain names are amortized on the straight-line basis over the period of 10 years. Based on the valuation performed by an independent professional valuer and the assessment of the Group, all of the economic benefits of the trademarks and domain names will be substantially consumed in 10 years. In addition, the Group and the valuer performed research on comparable companies in the industry showing trademarks and domain names of comparable range of 10 years useful lives. Accordingly, trademarks and domain names are carried at cost less accumulated amortization on the straight-line basis over the period of 10 years and impairment losses. Depreciation of property, plant and equipment include the depreciation of office equipment generally used by our content team. Employee benefit expenses include salary paid to employees involved in our provision of services, including content editors, photographers and video producers. It was primarily affected by the number of employees engaged as well as the general level of salaries and benefits for our provision of services. Advertisement production and other direct expenses refer to fees paid to certain of our business partners under our content distribution collaboration arrangements and fees paid to third parties for advertisement production relating to videography and venue rentals.

We expect our cost of providing services to continue increasing as our business continues to grow.

Gross profit and gross profit margin

For the three years ended December 31, 2017, 2018 and 2019, our gross profit was approximately RMB100.7 million, RMB136.6 million RMB148.8 million, respectively, and our gross profit margin was approximately 85.7%, 86.5%, 83.8% respectively. Our gross profit was approximately RMB62.3 million for the six months ended June 30, 2019, as compared to approximately RMB49.4 million for the six months ended June 30, 2020. Our gross profit margin was at approximately 80.4% and 83.9% for the six months ended June 30, 2019 and 2020, respectively.

Selling and distribution expenses

Our selling and distribution expenses are primarily comprised of: (i) marketing and promotion expenses; (ii) depreciation of property, plant and equipment; (iii) employee benefit expenses; and (iv) miscellaneous expenses. For the three years ended December 31, 2017, 2018 and 2019, our selling and distribution expenses were approximately RMB45.0 million, RMB43.8 million, RMB47.8 million, respectively. Our selling and distribution expenses were approximately RMB21.7 million and RMB16.8 million for the six months ended June 30, 2019 and 2020, respectively. The following table sets forth a table of our selling and distribution expenses for the period indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019 (unaudited)		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Marketing and promotion expenses	23,485	52.2	8,400	19.2	13,749	28.8	4,355	20.0	5,277	31.4
Amortization of intangible assets	424	0.9	354	0.8	-	-	-	-	-	-
Depreciation of property, plant and equipment	1,165	2.6	1,199	2.7	745	1.6	437	2.0	504	3.0
Employee benefit expenses	14,988	33.3	28,450	65.0	29,219	61.2	14,686	67.6	10,203	60.8
Legal and professional fees	-	-	-	-	-	-	-	-	5	0.0
Miscellaneous	4,947	11.0	5,388	12.3	4,044	8.4	2,245	10.4	805	4.8
Total	**45,009**	**100.0**	**43,791**	**100.0**	**47,757**	**100.0**	**21,723**	**100.0**	**16,794**	**100.0**

Employee benefit expenses had formed the largest component of our selling and distribution expenses since 2018. As we continue to expand our sales network in the PRC, we have recruited additional sales and marketing personnel to increase our sales and marketing efforts and more employee benefit were paid to our sales and marketing personnel due to the increase of their sales of our services. Marketing and promotion expenses include expenses paid to third party suppliers for advertisement and promotion of our own brands and platforms which include exhibition promotion covering auto shows and events planning and venue decoration and set up, and information technology services covering online advertisement display and brand exposure on the internet. Amortization of intangible assets include the amortization of value of customer relationship. Depreciation of property, plant and equipment include the depreciation of our sales offices. Miscellaneous expenses include business travel and entertainment costs which increased in line with our business development and expansion.

We expect our selling and distribution expenses to continue to increase as we continue to acquire new customers and expand our business.

R&D expenses

Our R&D expenses are primarily comprised of: (i) employee benefit expenses; and (ii) expense of website maintenance and internet improvement. For the three years ended December 31, 2017, 2018 and 2019, our R&D expenses amounted to approximately RMB4.8 million, RMB7.8 million, RMB12.5 million, respectively. Our R&D expenses were approximately RMB4.2 million and RMB3.3 million for the six months ended June 30, 2019 and 2020, respectively. The following table sets forth a table of our R&D expenses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019 (unaudited)		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Depreciation of property, plant and equipment	563	11.6	651	8.3	471	3.8	251	5.9	255	7.8
Employee benefit expenses	2,794	57.7	4,862	62.2	5,621	44.9	2,885	68.0	2,085	63.7
Expense of website maintenance and internet improvement	1,303	26.9	2,299	29.4	6,370	50.9	1,065	25.1	864	26.4
Miscellaneous	183	3.8	11	0.1	45	0.4	42	1.0	71	2.1
Total	**4,843**	**100.0**	**7,823**	**100.0**	**12,507**	**100.0**	**4,243**	**100.0**	**3,275**	**100.0**

Employee benefit expenses was the largest component of our R&D expenses in 2020. We expect our R&D expenses to increase as we continue to strengthen our R&D capacity, and to recruit more talents in the future.

Administrative expenses

Our administrative expenses primarily consist of: (i) depreciation of property, plant and equipment used for administrative purposes; (ii) employee benefit expenses; (iii) other taxes; (iv) **[REDACTED]** expense; and (v) miscellaneous expenses. For the three years ended December 31, 2017, 2018 and 2019, our administrative expenses amounted to approximately RMB12.6 million, RMB19.5 million, RMB34.4 million respectively. Our administrative expenses were approximately RMB17.3 million and RMB13.1 million for the six months ended June 30, 2019 and 2020, respectively. The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019 (unaudited)		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Amortization of intangible assets	—	—	13	0.1	25	0.1	7	0.1	8	0.1
Depreciation of property, plant and equipment	1,684	13.4	2,799	14.4	2,894	8.4	1,429	8.2	2,258	17.3
Employee benefit expenses	5,184	41.1	7,004	36.0	9,709	28.2	3,675	21.2	3,461	26.5
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other taxes	2,897	23.0	3,409	17.5	2,212	6.4	1,131	6.5	1,204	9.2
Legal and professional fees	835	6.6	677	3.5	1,293	3.8	259	1.5	1,219	9.0
Miscellaneous	2,006	15.9	2,635	13.5	2,634	7.6	1,334	7.7	1,241	9.8
Total	**12,606**	**100.0**	**19,463**	**100.0**	**34,426**	**100.0**	**17,340**	**100.0**	**13,057**	**100.0**

[REDACTED] expenses represented the largest component of our administrative expenses in 2019, whereas employee expenses represented the a significant component of our administrative expenses throughout the Track Record Period. Depreciation expenses represent depreciation of property, plant and equipment used for administrative purposes, whereas miscellaneous expenses include general project disbursements and fees paid to third party service providers for data related services. Other taxes include the urban maintenance and construction tax, education tax, education surtax and culture construction tax.

Other income

The following table sets forth a breakdown of our other income for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019 (Unaudited)	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Income from the provision of IT service	425	—	—	—	—
Government grant	15	25	800	—	402
Confiscation of deposits received	—	13	—	—	—
Value added tax super credit	—	—	1,372	346	750
Others	3	93	884	313	512
	443	**131**	**3,056**	**659**	**1,664**

The provision of IT service in 2017 was one-off service and the service agreements were entered into on normal commercial terms and at an arm length's basis. The value added tax super credit was our entitlement to the reduction of valued added tax as a result of government policy in 2019 and in 2020, and government grant in 2019 and 2020 represented the grant of RMB0.8 million and RMB0.4 million received from the government relating to support of cultural media platform development in 2019 and 2020.

Other gains, net

The following table sets forth a breakdown of our other gains for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019 (Unaudited)	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Fair value gain on financial assets at FVTPL	591	1,017	1,885	841	1,662
Fair value gain on convertible redeemable preference shares	—	—	1,623	—	5,932
Gain from termination of lease	16	16	3	—	—
Loss on disposal of subsidiaries, net	—	—	(30)	(30)	—
Exchange gain/(loss)	—	2	451	(237)	772
	607	**1,035**	**3,932**	**574**	**8,366**

Financial assets at FVTPL represented wealth management products. The principal or returns on the wealth management products are not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore, it is classified as financial assets at FVTPL. The increase in the fair value gain on financial assets at FVTPL from RMB0.6 million to RMB1.0 million and then to approximately RMB1.9 million for the three years ended December 31,

2017, 2018 and 2019. We recorded an increase from approximately RMB0.8 million for the six months ended June 30, 2019 to approximately RMB1.7 million for the six months ended June 30, 2020. It was due to an increase in our investment in wealth management products and increase in the return of such wealth management products. The fair value gain on convertible redeemable preference shares of approximately RMB1.6 million and RMB5.9 million represented the gain from the latest valuation of the convertible redeemable preference shares. The Group applied market approach in the valuation of the convertible redeemable preference shares. The increase of fair value gain from approximately RMB1.6 million in 2019 to RMB5.9 million in 2020 is mainly due to the decrease in market multiples of the comparable companies, factored into a lower expected growth rate in the Group's projection of its future performance than that as at December 31, 2019. Accordingly, the liabilities under convertible redeemable preference shares decreased from approximately RMB48.4 million in 2019 to RMB42.4 million in 2020, in that the difference of approximately RMB5.9 million was recognized as other gains, net in 2020. For details, please see "Indebtedness—Convertible redeemable preference shares". For further information regarding our financial assets at FVTPL, please see "—Financial assets at FVTPL" in this section. We recorded an exchange gain of approximately RMB772,000 for the six months ended June 30, 2020 as compared to an exchange loss of approximately RMB237,000 for the six months ended June 30, 2019, which was attributable to changes in the foreign exchange market.

Finance income

Finance income is primarily comprised of interest income from our bank deposits. For the three years ended December 31, 2017, 2018 and 2019, our finance income was approximately RMB5,000, RMB23,000, RMB0.4 million, respectively. Our finance income was approximately RMB25,000 and RMB0.2 million for the six months ended June 30, 2019 and 2020, respectively.

Finance costs

Finance costs are primarily comprised of interest expenses arising from loans due to a director and interest expense on lease liabilities. For the three years ended December 31, 2017, 2018 and 2019, our finance expenses were approximately RMB0.3 million, RMB0.2 million, RMB84,000, respectively. Our finance costs were approximately RMB57,000 and RMB0.2 million for the six months ended June 30, 2019 and 2020, respectively.

Income tax expense

Income tax consists of current income tax and deferred income tax by our Group. Current income tax primarily comprises PRC corporate income tax payable by our PRC subsidiaries. Our income tax expenses for the three years ended December 31, 2017, 2018 and 2019 were approximately RMB10.2 million, RMB12.1 million, RMB5.9 million, respectively. Our income tax expense were approximately RMB5.1 million and RMB3.4 million for the six months ended June 30, 2019 and 2020, respectively. Under the relevant rules and regulations of the Cayman Islands, we are not subject to any income tax in the Cayman Islands. Our entities incorporated in BVI are not subject to tax on income or capital gains. Under the Hong Kong law, Cheshi HK is subject to Hong Kong income tax at the statutory Hong Kong profit tax rate of 16.5%.

Under the PRC Enterprise Income Tax Law effective from January 1, 2008, our PRC subsidiaries are subject to corporate income tax (the "**CIT**") at the statutory rate of 25%, absent preferential tax treatments available to qualified enterprises in certain encouraged sectors of the

economy. Congshu Beijing was approved as a High and New Technology Enterprise on October 25, 2017, and it was subject to a reduced preferential CIT rate of 15% for the year ended December 31, 2018 and 2019 according to the applicable CIT Law.

The following table sets forth a breakdown of our income tax expenses for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019 (Unaudited)	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current income tax	9,929	12,885	11,326	4,018	5,166
Over-provision in respect of prior year	—	—	(5,431)	—	—
Deferred income tax	250	(816)	52	1,054	(1,789)
Income tax expense	**10,179**	**12,069**	**5,947**	**5,072**	**(3,377)**

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to loss of the consolidated entities as follows:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit before income tax	37,654	59,672	57,657	26,867	28,084
Tax calculated at PRC statutory income tax rate of 25%	9,414	14,918	14,414	6,717	7,021
Tax effects of:					
Preferential tax rate of a subsidiary	—	(6,095)	(5,402)	(2,757)	(1,944)
Different jurisdiction	—	—	(236)	150	(1,515)
Income not subject to tax	(25)	(23)	(152)	(47)	(612)
Expenses not deductible for tax#	790	4,005	3,930	1,009	637
Tax incentives for research and development expenses*	—	(736)	(1,176)	—	(240)
Over-provision in respect of prior year	—	—	(5,431)	—	—
Unrecognised temporary differences	—	—	—	—	30
Income tax expense	10,179	12,069	5,947	5,072	3,377

The amounts represented expenses not allowable to be deducted under the PRC CIT regulations. Such expenses are mainly (i) entertainment expenses claimed over the threshold of the PRC CIT regulations; (ii) accrued expenses in social security costs and housing benefits; and (iii) expected credit loss allowances.

* *Pursuant to Caishui 2018 circular No. 99, enterprises engaging in research and development activities are entitled to claim 175% of their qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the year ("Super Deduction"). The additional deduction of 75% of qualified research and development expenses is subject to the approval from the relevant tax authorities in the annual CIT filling. The Group has made its best estimate for the Super Deduction to be claimed in ascertaining the assessable profits for the years ended December 31, 2018 and 2019 ad for the six months ended June 30, 2019 and 2020.*

As of the Latest Practicable Date, we did not have any disputes with any tax authority.

See Note 13 to our consolidated financial statements included in the Accountant's Report in Appendix I to this document for detailed information on our income tax expense.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2020

Revenue

Our revenue decreased by approximately 24.0% or RMB18.6 million, from approximately RMB77.5 million for the six months ended June 30, 2019, to approximately RMB58.9 million for the six months ended June 30, 2020.

The contributing factors for such a decrease include, primarily, (i) we experienced an overall decrease of advertising expenditure sourced from our customers for the six months ended June 30, 2020, which, our Directors believe was likely caused by the dates of new car launches and automobile exhibitions (which were typically held in March and April of the year) being pushed back to the latter half of 2020 due to the COVID-19 outbreak, thus affecting the market appetite for automobile advertising services during the first half of 2020; and, partially, (ii) our inability to organize group-purchase events for our Transaction Facilitation Service as a result of the government restrictions on gathering and movement due to the COVID-19 outbreak, which led to the number of such group-purchase events dropped from 59 (generating a revenue of approximately RMB2.4 million) for the six months ended June 30, 2019, to seven (generating a revenue of approximately RMB0.2 million) for the six months ended June 30, 2020.

Such a decrease in our revenue was partially offset by an increase in our revenue generated from autodealer customers from approximately RMB1.0 million for the six months ended June 30, 2019, to approximately RMB3.5 million for the six months ended June 30, 2020.

Cost of providing services

Our cost of providing services decreased by approximately 37.7% from approximately RMB15.2 million for the six months ended June 30, 2019 to approximately RMB9.5 million for the six months ended June 30, 2020, due to, primarily, (i) a decrease of advertisement production and other direct expenses (from approximately RMB9.9 million to approximately RMB4.8 million), which was in line with the decrease in revenue, and also due to the suspension of offline events being organized and executed as a result of the COVID-19 outbreak; and (ii) a decrease in employee benefit expenses (in the form of bonus reductions which were in line with the decrease in revenue, and also due to the decrease of content creation staff from 67 to 51) from approximately RMB4.4 million to approximately RMB3.8 million.

Gross profit and gross profit margin

Our gross profit decreased by 20.7% from approximately RMB62.3 million for the six months ended June 30, 2019 to approximately RMB49.4 million for the six months ended June 30, 2020, primarily due to the decrease in our revenue generated. Our gross profit margin, however, increased slightly from approximately 80.4% for the six months ended June 30, 2019 to approximately 83.9% for the six months ended June 30, 2020. This slight increase was mainly attributable to the decrease in costs (such as employee benefit expenses and advertisement production expenses) was relatively greater than the decrease in our revenue generated.

Other income and other gains, net

Our other income increased from approximately RMB0.7 million for the six months ended June 30, 2019 to approximately RMB1.7 million for the six months ended June 30, 2020, which was

attributable to (i) our increase in entitlement of value added tax super credit from approximately RMB346,000 in 2019 to RMB750,000 in 2020 as we were entitled to additional value-added tax credit for the first half of 2020, as compared to a three-month additional value-added tax credit for the first half of 2019 based on the preferential policy for value-added tax credit which was implemented by the government since April 2019; (ii) our entitlement of government grant of approximately RMB402,000; and (iii) an increase of other income attributable to an increase of tax benefit entitlement for Congshu Hubei in relation to the technology innovation scheme entered into by our Company in 2019.

Our other gains, net increased from approximately RMB0.6 million for the six months ended June 30, 2019 to approximately RMB8.4 million for the six months ended June 30, 2020, primarily due to an increase in our fair value gain on convertible redeemable preference shares from nil to approximately RMB5.9 million from the latest valuation of the convertible redeemable preference shares. It was also partially attributable to our exchange gain of approximately RMB772,000 for the six months ended June 30, 2020 from an exchange loss of approximately RMB237,000 for the six months ended June 30, 2019.

Selling and distribution expenses

Our selling and distribution expenses decreased by approximately 22.7% from approximately RMB21.7 million for the six months ended June 30, 2019 to approximately RMB16.8 million for the six months ended June 30, 2020. The decrease was primarily due to a decrease in employee benefit expenses (in the form of bonus reductions which were in line with the decrease in revenue, and also due to the decrease of sales and market employees from 76 to 63) from approximately RMB14.7 million for the six months ended June 30, 2019 to approximately RMB10.2 million for the six months ended June 30, 2020. This was partially offset by an increase of marketing and promotion expenses primarily due to the increase in marketing and related publicity expenses in order to promote business development. Such expenses were budgeted despite the impacts of the COVID-19 outbreak.

R&D expenses

Our R&D expenses decreased by 22.8% from approximately RMB4.2 million for the six months ended June 30, 2019 to approximately RMB3.3 million for the six months ended June 30, 2020, primarily due to a decrease in employee benefit expenses (mostly in the form of a bonus reduction) for our R&D staff from approximately RMB2.9 million for the six months ended June 30, 2019 to RMB2.1 million for the six months ended June 30, 2020.

Administrative expenses

Our administrative expenses decreased by 24.7% from approximately RMB17.3 million for the six months ended June 30, 2019 to approximately RMB13.1 million for the six months ended June 30, 2020, primarily due to and a decrease in our **[REDACTED]** expense from approximately RMB9.5 million in 2019 to RMB3.7 million for the six months ended June 30, 2020, and partially due to a decrease in employee benefit expenses (mostly in the form of a bonus reduction) for our administrative staff from approximately RMB3.7 million for the six months ended June 30, 2019 to RMB3.5 million for the six months ended June 30, 2020.

Profit before income tax

Our profit before tax slightly increased by 4.5% from approximately RMB26.9 million for the six months ended June 30, 2019 to approximately RMB28.1 million for the six months ended June 30,

2020, which was primarily due to the increase in other gain from approximately RMB0.6 million for the six months ended June 30, 2019 to approximately RMB8.4 million for the six months ended June 30, 2020, as a result of the latest valuation of our convertible redeemable preference shares.

Income tax expenses

Our income tax expenses decreased by 33.4% from approximately RMB5.1 million for the six months ended June 30, 2019 to approximately RMB3.4 million for the six months ended June 30, 2020, which was in line with the decrease in our revenue generated.

Profit for the period

As a result of the foregoing, our profit for the period increased by approximately 13.4% from approximately RMB21.8 million for the six months ended June 30, 2019 to approximately RMB24.7 million for the six months ended June 30, 2020. Our net profit margin also increased from 28.1% for the six months ended June 30, 2019 to 42.0% for the six months ended June 30, 2020.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2019

Revenue

Our total revenue increased by 12.5% from approximately RMB157.8 million in 2018 to approximately RMB177.6 million in 2019, primarily due to (i) the increase in revenue from our Online Advertising Service from approximately RMB157.8 million in 2018 to RMB175.1 million in 2019, attributable to (i) we received more advertising service fees for providing the Online Advertising Service, in particular, we received from Customer G, our third largest customer in 2019, approximately RMB13.4 million in 2019, as compared to RMB7.4 million in 2018; and we received from Customer I, our fourth largest customer in 2019, approximately RMB12.7 million in 2019, as compared to RMB2.6 million in 2018, primarily as a result of good customer relationship and their satisfaction to our services and hence continuous engagement of more of our Online Advertising Service in 2019; (ii) the improvement in diversity and quality of our contents, including an increase in video-production from approximately 1,600 videos in 2018 to approximately 2,400 videos in 2019; (iii) the continuous increase in market recognition and brand awareness through our continuous efforts in providing value-added advertising solutions to our customers and increase in the number of our business partner platforms from 627 in 2018 to 1,019 in 2019; and (iv) the continuing growth of advertising expenditure of the PRC automobile industry in which the expenditure of the automobile online advertising market increased from approximately RMB18.2 billion in 2018 to RMB19.1 billion in 2019 according to the CIC Report.

Cost of providing services

Our cost of providing services increased by 35.7% from approximately RMB21.3 million in the year ended December 31, 2018 to approximately RMB28.9 million in the year ended December 31, 2019, primarily due to our business expansion, including (i) the substantial increase in advertisement production expenses from approximately RMB11.3 million in 2018 to approximately RMB17.8 million in 2019 resulting from making more advertisement production in line with the increase of service contracts from 359 in 2018 to 406 in 2019. Such increase in advertisement production expenses was also attributable to the increase of video production in the advertisements engaged by our customers which required higher costs for production filming and planning paid to our suppliers.

Moreover, we incurred more costs to conduct the group purchase events for our Transaction Facilitation Service which was in line with our growing number of group purchase event from 3 events in 2018 to 100 events in 2019. We paid approximately RMB2.5 million to engage Supplier J for providing group purchase event related services, such as, promotion and venue set up; and (ii) the expansion of our content team from 63 staff in 2018 to 67 staff in 2019, leading to an increase in employee benefit expenses from approximately RMB8.6 million in 2018 to approximately RMB9.3 million in 2019. It was partly offset by the slight decrease of business partner collaboration fees from approximately RMB2.9 million in 2018 to RMB2.4 million in 2019 due to the termination of three major business partners with collaboration fees of approximately RMB245,000 in total and a reduction of collaboration fees paid to a major business platform by approximately RMB95,000 due to a change of business strategy in 2019.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 8.9% from approximately RMB136.6 million in 2018 to approximately RMB148.8 million in 2019, primarily due to increase in gross profit resulting from our enhanced business operation by an increase in the number of service contracts for the Online Advertising Service for the aforesaid reasons. We had a slight decrease in our gross profit margin from 86.5% in the year ended December 31, 2018 to 83.8% in the year ended December 31, 2019, mainly attributable to the increase in advertisement production expenses for the aforesaid reasons.

Other income and other gains, net

Our other income increased from approximately RMB0.1 million in 2018 to approximately RMB3.1 million in 2019, which was attributable to (i) our entitlement to value added tax super credit of approximately RMB1.4 million due to the reduction of valued added tax as a result of government policy in 2019; (ii) an increase in government grant due to the grant of RMB0.8 million received from the government relating to support of cultured media platform development; and (iii) an increase in other incomes of approximately RMB0.9 million in 2019 attributable to a tax benefit entitlement for Congshu Hubei by entering into an technology innovation scheme in 2019.

Our other gains, net increased from approximately RMB1.0 million in 2018 to approximately RMB3.9 million in 2019, primarily due to an increase in the fair value gain on financial assets at FVTPL from approximately RMB1.0 million in 2018 to RMB1.9 million in 2019, and the fair value gain on convertible redeemable preference shares of approximately RMB1.6 million in 2019. The increase in fair value gain on financial assets at FVTPL was resulted from our increased investment in wealth management products in 2019, while the fair value gain on convertible redeemable preference shares was due to a valuation on the convertible redeemable preference share as of December 31, 2019.

Selling and distribution expenses

Our selling and distribution expenses increased by 9.1% from approximately RMB43.8 million in 2018 to approximately RMB47.8 million in 2019. The increase was primarily due to an increase in marketing and promotion expenses from approximately RMB8.4 million in 2018 to RMB13.7 million because we incurred more advertising expenses in that we paid approximately RMB1.8 million and RMB1.4 million to Supplier K and Supplier L, respectively for brand promotion services in 2019, and our staff costs from approximately RMB28.5 million in 2018 to RMB29.2 million in 2019 as a result of our 18 new sales and marketing staff recruited in 2019.

R&D expenses

Our R&D expenses increased by 59.9% from approximately RMB7.8 million in 2018 to approximately RMB12.5 million in 2019, primarily due to an increase of internet improvement expenses from approximately RMB2.3 million in 2018 to RMB6.4 million in 2019, which covered the development and launch of our new functions on our platforms, which included our engagement of other suppliers for IT projects, including improvement on online management system and development of user commentary function (人人評車).

Administrative expenses

Our administrative expenses increased by 76.9% from approximately RMB19.5 million in 2018 to approximately RMB34.4 million in 2019, primarily due to an increase in professional fees in connection with the preparation for the **[REDACTED]** totaling approximately RMB15.7 million incurred in 2019, and increase of our staff expenses from approximately RMB7.0 million in 2018 to RMB9.7 million in 2019 with our new recruitment of three administrative staff in line with our business expansion.

Profit before income tax

Our profit before tax decreased by 3.4% from approximately RMB59.7 million in 2018 to approximately RMB57.7 million in 2019 primarily due to the increase in administrative expenses and R&D expenses for the aforesaid reasons, while our corporate tax rate remains at 15% in both 2018 and 2019.

Income tax expenses

Our income tax expenses decreased by 50.7% from approximately RMB12.1 million in 2018 to approximately RMB5.9 million in 2019, as the decrease was due to the tax payment offset from the concession of tax credit of the High and New Technology Enterprise of approximately RMB5.4 million in respect of assessable income in 2017 which we applied in 2019 and was granted to us by the government in the same year.

Profit for the year

As a result of the foregoing and, in particular, the over-provision of tax in respect of prior year regarding the High and New Technology Enterprise preferred tax rate of approximately RMB5.4 million in 2019, our profit for the year increased by 8.6% from approximately RMB47.6 million in 2018 to approximately RMB51.7 million in 2019. Our net profit margin remained relatively stable with a slight decrease from 30.2% in 2018 to 29.1% in 2019.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Revenue

Our total revenue increased by 34.2% from approximately RMB117.6 million in 2017 to approximately RMB157.8 million in 2018, primarily due to the increase in revenue from our Online Advertising Service from approximately RMB117.6 million in 2017 to RMB157.8 million in 2018 attributable to that we were able to source new customers with higher advertising service fees spent on the Online Advertising Service, and also we received more advertising service fees from a number of

existing customers of the Online Advertising Service, in that, we received more advertising service fees from Customer A, our largest customer in 2017, of approximately RMB25.4 million in 2018, as compared to RMB14.8 million in 2017; and we received more advertising service fees from Customer E, our fifth largest customer in 2017, of approximately RMB12.1 million in 2018, as compared to RMB5.8 million in 2017, as result of our continuous marketing efforts by our sales and marketing team and these customers' satisfaction on results of our Online Advertising Service. Other contributing factors include: (i) the improvement in diversity and quality of our automobile content, including a significant increase in video-production from approximately 300 videos in 2017 to approximately 1,600 videos in 2018; (ii) the increase in market recognition and brand awareness through our continuous efforts in providing value-added solutions and our collaboration with our business partner platforms; and (iii) the continuing growth of the online automobile advertising industry, in which the expenditure of the automobile online advertising market increased from approximately RMB17.0 billion in 2017 to RMB18.2 billion in 2018 according to the CIC Report. We also launched Transaction Facilitation Service in October 2018 to keep abreast of increasing demand for transactional services in the automobile industry.

Cost of providing services

Our cost of providing services increased by 26.3% from approximately RMB16.8 million in 2017 to approximately RMB21.3 million in 2018, primarily due to our business expansion, including (i) the increase in advertisement production and other direct expenses from approximately RMB7.7 million in 2017 to approximately RMB11.3 million in 2018, resulting from making more advertisement production in line with the increase of our customer service contracts from 344 in 2017 to 359 in 2018 and a shift in certain form of our advertisement media from use of pictures to that of videos in 2018 which required higher fees in relation to production filming and planning; (ii) the increase in fees in relation to our business partner platforms from approximately RMB1.4 million in 2017 to approximately RMB2.9 million in 2018 due to the Company entering into a number of new major business partner agreements in 2018, namely, with a stated-owned video platform, one of the largest telecommunication operators and a provincial newspaper platform, in relation to that the Company paid to a new major business partner collaboration fees of approximately RMB0.7 million, and these two new business partners collaboration fees of approximately RMB0.3 million in total in 2018; and (iii) the expansion of our content team from a total of 58 employees in 2017 to 63 employees in 2018, leading to an increase in employee benefit expenses from approximately RMB6.8 million in 2017 to approximately RMB8.6 million in 2018.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 35.6% from approximately RMB100.7 million in 2017 to approximately RMB136.6 million in 2018, primarily due to the increase in gross profit resulting the sharp increase in revenue from our Online Advertising Service from approximately RMB117.6 million in 2017 to RMB157.8 million in 2018 from our business expansion and the aforesaid reasons. Our gross profit margin remained relatively stable at 85.7% in 2017 and 86.5% in 2018.

Other income and other gains

Other income primarily includes income from the provision of one-off IT service to an independent third party customer. Our other income decreased from approximately RMB0.4 million in

2017 to approximately RMB0.1 million in 2018, as we did not provide any IT service to any third party in 2018.

Our other gains increased from approximately RMB0.6 million in 2017 to approximately RMB1.0 million in 2018, primarily due to the increased gains from our investment in financial products issued by financial institutions in the PRC. Such increase was in line with the increase of our investment in wealth management product in 2018.

Selling and distribution expenses

Our selling and distribution expenses decreased by 2.7% from approximately RMB45.0 million in 2017 to RMB43.8 million in 2018, primarily due to the significant decrease in marketing and promotion expenses from approximately RMB23.5 million in 2017 to approximately RMB8.4 million in 2018 as we incurred less advertising expenses for our own brand promotion after the engagement of Supplier A in 2018 was completed, which was our largest supplier in 2017, as a result of our change of business strategy. Our Directors believe there were sufficient market recognition and brand awareness leading to a lower need for our own brand promotion expenditure in 2018. It was partially offset by an increase in employee benefit expenses resulting from the increased salaries and benefits paid to our sales employees from approximately RMB15.0 million in 2017 to RMB28.5 million in 2018. Other selling and distribution expenses, such as, traveling expenses and entertainment expenses, increased from approximately RMB4.9 million in 2017 to RMB5.4 million in 2018, which was in line with our business expansion.

R&D expenses

Our R&D expenses increased by 61.5% from approximately RMB4.8 million in 2017 to approximately RMB7.8 million in 2018, primarily due to (i) the increase in number of employees from 16 in 2017 to 21 in 2018 and salary of R&D employees increased from approximately RMB2.8 million in 2017 to RMB4.9 million in 2018; and (ii) increased expense for R&D of our new online products and internet improvement from approximately RMB1.3 million in 2017 to RMB2.3 million in 2018, which was primarily attributable to that we incurred more expenses for data development and maintenance services from our IT service providers. As a result of our investments in R&D efforts, we rolled out "Pika Cheshi (皮卡車市)" website in 2018.

Administrative expenses

Our administrative expenses increased by 54.4% from approximately RMB12.6 million in 2017 to approximately RMB19.5 million in 2018, primarily due to (i) the increase in depreciation of approximately RMB1.1 million of our headquarter office in Beijing; (ii) hiring of more management and administrative employees from 11 employees in 2017 to 17 employees in 2018 leading to increased employee benefit expenses from approximately RMB5.2 million in 2017 to approximately RMB7.0 million in 2018; (iii) the increase in other taxes from approximately RMB2.9 million in 2017 to approximately RMB3.4 million in 2018 as a result of our increased revenue in 2018; and (iv) incurring **[REDACTED]** expenses of approximately RMB**[REDACTED]** in 2018 in relation to the **[REDACTED]**.

Profit before tax

As a result of the foregoing, and in particular, the significant increase in revenue from our Online Advertising Service from approximately RMB117.6 million in 2017 to RMB157.8 million in

2018, our profit before tax increased by 58.5% from approximately RMB37.7 million in 2017 to approximately RMB59.7 million in 2018.

Income tax expenses

Our income tax expenses increased by 18.6% from approximately RMB10.2 million in 2017 to approximately RMB12.1 million in 2018 as our profit before tax increased from approximately RMB37.7 million in 2017 to approximately RMB59.7 million in 2018. It was partly offset by the decrease of our effective tax rate of 27.0% in 2017 to 20.2% in 2018, which was due to our entitlement to the preferential tax treatment as a High and New Technology Enterprise.

Profit for the year

As a result of the foregoing, our profit for 2018 increased by 73.3% from approximately RMB27.5 million in 2017 to approximately RMB47.6 million in 2018. Our net profit margin increased from 23.4% in 2017 to 30.2% in 2018. The major reasons for the increase were (i) the significant increase in revenue from our Online Advertising Service from approximately RMB117.6 million in 2017 to RMB157.8 million in 2018 for the aforesaid reasons; (ii) our significant decrease of our marketing and promotion expenses paid to third party advertisers from approximately RMB23.5 million in 2017 to RMB8.4 million in 2018 for the aforesaid reasons; and (iii) the preferential tax treatment enjoyed by Congshu Beijing in 2018 as a High and New Technology Enterprise.

NET CURRENT ASSETS

We recorded net current assets of approximately RMB58.7 million, RMB57.0 million, RMB161.1 million, RMB171.3 million and RMB199.5 million as of December 31, 2017, 2018, 2019, June 30, 2020 and October 31, 2020, respectively. The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of June 30,	As of October 31,
	2017	2018	2019	2020	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Current assets					
Prepayments, deposits and other receivables	1,869	5,470	13,715	17,091	17,230
Amounts due from shareholders	—	—	331	336	318
Contract assets	2,883	6,244	8,056	2,825	8,050
Trade and bill receivables	81,534	102,348	114,563	91,511	105,683
Financial assets at FVTPL	7,148	20,300	41,656	92,391	118,034
Income tax recoverable	—	32	186	—	—
Cash and cash equivalents	14,459	36,130	76,670	55,331	31,524
Total current assets	107,893	170,524	255,177	259,485	280,839
Current liabilities					
Trade payables	4,822	4,898	5,519	5,136	4,439
Contract liabilities	750	846	3,765	3,600	3,149
Accruals and other payables	24,508	42,657	60,676	51,356	45,826
Lease liabilities	3,311	3,371	555	4,922	4,823
Dividend payable	—	50,000	13,600	13,600	13,600
Amount due to a director	2	—	—	—	—
Income tax payable	15,824	11,796	9,992	9,566	9,529
Total current liabilities	**49,217**	**113,568**	**94,107**	**88,180**	**81,366**
Net current assets	**58,676**	**56,956**	**161,070**	**171,305**	**199,473**

Our net current assets decreased from approximately RMB58.7 million as of December 31, 2017, to approximately RMB57.0 million as of December 31, 2018. The decrease was primarily due to the dividend payable of approximately RMB50.0 million. Such decrease was partially offset by an increase in trade and bill receivables and cash and cash equivalents.

As of December 31, 2019, the net current assets of our Group were approximately RMB161.1 million. The increase as compared to December 31, 2018 was principally as a result of the (i) an increase of trade and bill receivables, (ii) an increase in financial assets at FVTPL, (iii) increase of cash and cash equivalents, and (iv) a decrease of dividend payable attributable to dividend payout of RMB5.0 million, RMB30.0 million and RMB1.4 million on January 30, 2019, May 23, 2019 and October 30, 2019, respectively. It was partially offset by the increase in accruals and other payables in 2019.

As of June 30, 2020, the net current assets of our Group were approximately RMB171.3 million. The increase as compared to December 31, 2019 was primarily due to: (i) a decrease in accruals and other payables; and (ii) an increase in financial assets at FVTPL, which was partially offset by (i) a decrease in cash and cash equivalents; (ii) a decrease in trade and bill receivables; and (iii) a decrease in contract assets. As of October 31, 2020, based on the unaudited consolidated management accounts, the net current assets of our Group were approximately RMB199.5 million.

For details regarding the major items affecting our net current assets during the Track Record Period, see "—Description of principal items in the consolidated statements of financial position".

DESCRIPTION OF PRINCIPAL ITEMS IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Prepayments, deposits and other receivables

Prepayments, deposits and other receivables primarily consist of prepayments to suppliers, prepaid **[REDACTED]** expense, staff advances, rental deposit and other receivables. The following table sets forth the breakdown of our deposits, prepayments and other receivables included in non-current portion and current portion as of the dates indicated:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current portion				
Rental deposits	615	471	—	1,541
Prepayments for property, plant and equipment	—	—	—	164
	615	471	—	1,705
Current portion				
Prepayments				
Prepayments to suppliers	719	1,813	1,012	2,799
Prepaid **[REDACTED]** expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Staff advances	530	1,463	1,233	1,131
	1,249	4,703	5,944	8,516
Deposits and other receivables				
Rental deposits	855	766	1,269	953
Other tax receivables	—	—	6,387	7,519
Others	4	1	115	103
Gross deposits and other receivables	859	767	7,771	8,575
Less: write-off of deposits and other receivables	(239)	—	—	—
Net deposits and other receivables	620	767	7,771	8,575
	1,869	5,470	13,715	17,091
Total	**2,484**	**5,941**	**13,715**	**18,796**

Our non-current portion of rental deposits primarily relate to the deposits paid for lease agreements, which amounted to approximately RMB0.6 million, RMB0.5 million, nil and RMB1.5 million as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively.

Our prepayment to suppliers increased to RMB1.8 million as of December 31, 2018, attributable to our increasing demand on third party supplier services which was in line with our business growth. We had a decrease of prepayments to suppliers of approximately RMB0.8 million as of December 31, 2019, which was mainly due to that a substantial prepayment of approximately RMB0.6 million to one of our suppliers was made at the end of 2018 to cover for that supplier's services in 2019. Our prepayment to suppliers increased to approximately RMB2.8 million as of June 30, 2020, which was consistent with our business expansion plans to engage more suppliers in order to provide online advertisement services, before our business was affected by the COVID-19 outbreak.

As of December 31, 2018 and 2019, we made a prepayment of **[REDACTED]** expenses of approximately RMB**[REDACTED]** and RMB**[REDACTED]**, respectively. As of June 30, 2020, we recorded a prepayment of **[REDACTED]** expense of approximately RMB**[REDACTED]**.

The increase in staff advances from approximately RMB0.5 million in 2017 to approximately RMB1.5 million in 2018 was due to the increase in reimbursements and prepayments to employees for expenses incurred during the advertising production and offsite events. The staff advances in 2019 and 2020 remained relatively stable at approximately RMB1.2 million and RMB1.1 million, respectively.

Our current portion of deposits and other receivables primarily relate to other tax receivables and the current portion of rental deposits relating to our offices lease. Our gross deposits and other receivables were approximately RMB0.9 million, RMB0.8 million, RMB7.8 million and RMB8.6 million as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively, the substantial increase in 2019 was attributable to an increase of other tax receivables of approximately RMB6.4 million since Congshu Hubei was entitled to a VAT receivable in respect of expenses incurred for 2019 but Congshu Hubei can only utilize the receivable upon receipt of relevant VAT invoice subsequent to December 31, 2019. As of June 30, 2020, we had other tax receivables of approximately RMB7.5 million.

Contract assets

Our contract assets represent our right to payment in exchange for the services rendered to customers, but such right to payment remains conditional on the completion of full service in our service contracts. The following table sets forth a breakdown of our contract assets as of the date indicated.

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets	2,920	6,445	8,165	2,915
Loss allowance	(37)	(201)	(109)	(90)
Total contract assets	**2,883**	**6,244**	**8,056**	**2,825**

Our gross contract assets increased from approximately RMB2.9 million as of December 31, 2017 to approximately RMB6.4 million as of December 31, 2018 and further to approximately RMB8.2 million as of December 31, 2019, which represented our fulfilled performance obligations in our service contracts at the given time. As of June 30, 2020, our gross contract assets were approximately RMB2.8 million, the decrease of which was in line with our decrease in revenue generated during the corresponding period.

As of November 30, 2020, approximately RMB2.6 million, or 89.3%, of our contract assets as of June 30, 2020 were subsequently recognized as trade receivable.

We applied the approach to provide for expected credit losses as prescribed by IFRS9, which permits the use of the lifetime expected loss provision for contract assets. Impairment of approximately RMB37,000, RMB201,000, RMB109,000 and RMB90,000 were made as of December 31, 2017, 2018 and 2019 and June 30, 2020.

Trade and bill receivables

Our trade and bill receivables represent the amounts due from customers for services performed in the ordinary course of business. Details of our revenue recognition policy are set out in Note 2.18 to the Accountant's Report in Appendix I to this document. During the Track Record Period, our trade and bill receivables were dominated in RMB. Our customers generally settled payments through bank transfers or bank bills.

The following table sets forth our trade and bill receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Bill receivables	1,600	300	13,920	14,859
Trade receivables	81,828	110,615	102,863	80,745
	83,428	110,915	116,783	95,604
Less: allowance for impairment	(1,894)	(8,567)	(2,220)	(4,093)
Total trade and bill receivables—net	**81,534**	**102,348**	**114,563**	**91,511**

Our net trade and bill receivables increased from approximately RMB81.5 million as of December 31, 2017 to approximately RMB102.3 million as of December 31, 2018 and to approximately RMB114.6 million as of December 31, 2019, which was at large in line with the increase in our revenue of our Online Advertising Service. The increase of bill receivables from approximately RMB0.3 million to RMB13.9 million was due to more customers adopting a settlement method of payment by bank bills due to the market conditions in 2019. As of June 30, 2020, our net trade and bill receivables decreased to approximately RMB92.0 million, primarily attributable to: (i) the decrease in revenue generated by approximately 24.0% or RMB18.6 million from approximately RMB77.5 million for the six months ended June 30, 2019 to approximately RMB58.9 million for the six months ended June 30, 2020; and (ii) our continuous payment collection efforts of outstanding service fees from our customers during the first half of 2020 as approximately RMB71.4 million of trade receivables were collected for the six months ended June 30, 2020.

During the Track Record Period, we generally granted a credit period up to 180 days to our customers. Details of our credit control procedures are set out below.

We apply the simplified approach to provide for the expected credit loss prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade and bills receivables. For details, please see Note 3.1 to the Accountant's Report in Appendix I to this document. Our management closely reviews the trade receivables balances and any overdue balances on an ongoing basis, and assessments are made by our management on the collectability of overdue balances. Any impairment allowance for trade and bill receivables are subject to our Directors' approval. We recorded an amount of impairment allowance of approximately RMB1.9 million, RMB8.6 million, RMB2.2 million as of December 31, 2017, 2018 and 2019. As of December 31, 2019, we recorded an amount of impairment allowance of approximately RMB2.2 million. The substantial increase of impairment allowance in 2018 was due to the increase of our trade receivable aging over 365 days from approximately RMB1.1 million as of December 31, 2017 to approximately RMB7.7 million as of December 31, 2018, mainly attributable to one particular overdue service payment of approximately RMB7.5 million (with a loss allowance made of approximately RMB4.6 million) from one of the independent customers in 2018 which is Customer C, one of our top five customers in 2017 and still maintain business relationship with the

Company through advertising agencies with revenue contribution of approximately RMB0.1 million and RMB1.0 million for the year ended December 31, 2019 and the six months ended June 30, 2020. To the best knowledge of our Directors and based on our communication with that independent third party customer, the amount of its trade receivable was overdue because that customer experienced a temporary delay in their internal payment approval process at that time. Our senior management and our finance team have closely monitored the aging condition and collectability of this payment and our sales team has communicated with such customer to obtain update of its financial status and anticipated settlement. This overdue service payment was fully collected by us on May 8, 2019 which was a reversal of impairment allowance of approximately RMB4.6 million. We consider that the increase of our impairment allowance as of December 31, 2018 was mainly due to the one-off incident as mentioned above. Furthermore, the major reason for impairment allowance decreased to approximately RMB2.2 million as of December 31, 2019 is because approximately RMB10.0 million was written off as one of the Company's customers was not able to be reached for our invoice settlement despite numerous attempts, and to the best knowledge of our Directors, there are three customers Customer J, Customer D, and Customer K who are in financial difficulty and unable to settle our invoices despite numerous requests under which approximately RMB4.9 million, RMB4.4 million and RMB1.2 million were written off against Customer J, Customer D and Customer K, with Customer K having no subsequent receipts, respectively. As of June 30, 2020, there had been a reversal of bad debt written off at approximately RMB3.7 million, as we were able to recover approximately RMB3.7 million from them. We are taking debt recovery measures to recover all outstanding payments from these three customers. Among these customers, one of them is Customer D, which contributed approximately RMB6.6 million, accounting for 5.6% of total revenue of our Group for the year ended December 31, 2017.

The following table sets forth the details and status on the outstanding payments from the aforesaid customers, Customer J, Customer D and Customer K, as at the Latest Practicable Date:

Customer	Outstanding balance before loss allowances and net of rebates RMB'000	Due date for payment of contract sum	Debt recovery measures undertaken	Debt collection status as at the Latest Practicable Date RMB'000
Customer J	4,911	September 7, 2019 being the earliest payment due date and April 6, 2020, being the latest payment due date among the 11 contracts	Served payment demand requests and in the process of preparing an application to the PRC court for debt recovery for the remaining outstanding amount	Recovered RMB757
Customer D	4,361	March 24, 2019 being the earliest payment due date and March 30, 2020, being the latest payment due date among the five contracts	Served payment demand requests and filed an application to the PRC court for debt recovery	Recovered RMB4,120

Customer	Outstanding balance before loss allowances and net of rebates RMB'000	Due date for payment of contract sum	Debt recovery measures undertaken	Debt collection status as at the Latest Practicable Date RMB'000
Customer K	1,200	November 30, 2018 being the earliest payment due date and June 30, 2019, being the latest payment due date among the two contracts	Served payment demand requests and filed an application to the PRC court for debt recovery The PRC court has issued a legal judgment to order Customer K to pay our Group the outstanding sum together with interest of approximately RMB862,000 for one service contract value of RMB800,000	Nil

As of December 31, 2019, we wrote off a bad debt for outstanding balances from Customer J, Customer D and Customer K of approximately RMB10.5 million, the amount of which accounted for estimated rebate to be paid to Customer J, Customer D and Customer K, respectively. As at June 30, 2020, the Company recovered a total of approximately RMB757,000 from Customer J and approximately RMB3.0 million from Customer D, which resulted in a reversal of bad debt written off at approximately RMB3.7 million. As at the Latest Practicable Date, a sum of approximately RMB4.1 million was recovered from Customer D. As of the Latest Practicable Date, the Company did not maintain business relationship with Customer J, D and K.

Our Directors confirm that this would not have material impact on financial condition of the Group, as our Company was able to source new customers as shown by the increase in the number of our service contracts of 359 in 2018 and 406 in 2019 when compared to 344 in 2017. For the six months ended June 30, 2020, we had 168 advertising service contracts. Also, our Group had not experienced any major disruption of business due to material delay or default of payment by our customers as a result of their financial difficulties during the Track Record Period. Save for such impairment allowances, we had no other impairment allowance made during the Track Record Period. We did not hold any collateral as security or other credit enhancement over the trade and bill receivables. Aging of bill receivables was within six months as of December 31, 2017, 2018 and 2019 and as of June 30, 2020.

The following table sets forth an aging analysis (based on recognition date) of the gross trade receivables at the respective reporting dates indicated:

	As of December 31,			As of June 30,	Subsequent settlement up to November 30, 2020	Percentage of subsequent settlement up to November 30, 2020
	2017	2018	2019	2020		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	(%)
Within 90 days	50,123	62,343	48,703	34,432	13,148	38.2
91 to 180 days	18,013	24,969	22,441	15,882	7,605	47.9
181 days to 365 days	12,570	15,602	28,303	22,486	16,934	75.3
Over 365 days	1,122	7,701	3,416	7,945	6,056	76.2
	81,828	**110,615**	**102,863**	**80,745**	**43,743**	**54.2**

As of December 31, 2017, 2018 and 2019, our gross trade receivables amounted to approximately RMB81.8 million, RMB110.6 million, RMB102.9 million, respectively. As of June 30, 2020, our gross trade receivables were approximately RMB80.7 million.

As of November 30, 2020, approximately RMB43.7 million, representing approximately 54.2% of our Group's trade receivables outstanding as at June 30, 2020, were subsequently settled.

The following table sets forth an aging analysis (based on due date) of the net trade receivables at the respective reporting dates included:

	As of December 31,			As of June 30,	Loss allowance	Net trade receivables balance as at June 30, 2020	Subsequent settlement up to November 30, 2020	Percentage of subsequent settlement up to November 30, 2020
	2017	2018	2019	2020				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	(%)
Within 90 days	60,800	89,861	68,545	39,523	(1,313)	38,210	14,876	37.6
91 to 180 days	14,427	7,973	21,370	24,529	(1,018)	23,511	15,125	61.7
181 days to 365 days	5,342	11,371	12,433	12,049	(1,233)	10,816	10,949	90.9
Over 365 days	1,259	1,410	515	4,644	(529)	4,115	2,793	60.1
	81,828	110,615	102,863	80,745	(4,093)	76,652	43,743	54.1

Save as disclosed above, there was no material disagreement or dispute between our Group and our customers, which could adversely affect our financial condition, in respect of the trade receivables that remained to be collected as of the Latest Practicable Date.

The following table sets forth our average trade receivables turnover days for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,
	2017	2018	2019	2020
Trade receivables turnover days[(1)]	180	213	223	318

Note:

(1) Trade receivables turnover days were calculated based on the average of the opening and closing balance of our trade receivables divided by revenue for the relevant year/period multiplied by 365/182 days.

The turnover days of trade receivables increased from 180 days as of December 31, 2017 to 213 days as of December 31, 2018 and further to 223 days as of December 31, 2019, primarily because

we allowed a longer credit period to certain customers with a view to developing long term business relationships with them. To the best knowledge of our sales team, these customers have stable business operations and are financially sound. Additionally, it was our intention to grow our business and build up our customer base rapidly in 2017, 2018 and 2019 by allowing a longer credit period. As a result, we experienced a significant increase in our revenue of approximately RMB117.6 million, RMB157.8 million and RMB177.6 million for the years ended December 31, 2017, 2018 and 2019, respectively, and gross trade receivables of approximately RMB81.8 million as of December 31, 2017, approximately RMB110.6 million as of December 31, 2018 and approximately RMB102.9 million as of December 31, 2019.

According to the CIC Report, as a matter of industry practice, the credit period of an automobile vertical media platform is generally 180 days and the turnover days of trade receivables generally range from 180 days to 270 days. Advertising agencies engaged in online advertising in China generally have relatively long payment cycles, and thus their service providers usually have relatively long average trade receivables turnover days ranging from 180 to 270 days. Although automakers and autodealers are considered as the end customers of automobile vertical media platforms, these platforms generally sell their advertising services and solutions primarily to third-party advertising agencies who represent the automakers and autodealers. Hence, it is customary for automobile vertical media platforms to extend credit terms to their customers in China as they rely on third-party advertising agencies for the collection of payment from automobile advertisers. On this basis, our Directors are of the view that our credit terms to our customers is in line with the industry practice. We generally granted a credit period up to 180 days to our advertising agency customers following that (i) within 10 days from the date of revenue recognition, we provide our advertising agency a completion confirmation for their verification, (ii) within five days from receiving the completion confirmation, our advertising agency is required to agree or object such confirmation, (iii) in the absence of any objection, we would confirm with the advertising agency to issue a formal invoice to be settled within 180 days. For trade receivables which were past due for over 180 days, we generally decide to extend their credit period. In making such decision, we take into account whether (i) such customer has a proven record of credibility of settling the outstanding amounts due to us, and (ii) such customer maintains stable business operations and is financially sound, to the best knowledge of our sales team. Such decision is reached after careful consideration and assessment by our senior management, finance team and sales team in accordance with our internal credit control procedures. If we decide to extend their credit period, we issue payment reminders to these customers. For trade receivables which were past due for over 365 days from the date of receiving our formal invoice, we normally proceed with debt recovery actions unless there is commercial justification not to do so.

Furthermore, we adopt prudent credit control procedures, including (i) our finance team meet regularly with senior management and sales team for an update of the trade receivables, such as, aging condition and collectability analysis; and (ii) our senior management and sales team would decide on the credit period to be extended to such customer or proceed with debt recovery action depending on a number of factors, such as credit history and our historical business relationship with such customer. Our senior management closely monitors the settlement status of our trade and bill receivables. These internal credit control procedures have been adopted to minimize our credit risk. We believe the industry-wise long trade receivable turnover days do not have material adverse effect on our liquidity and cash management. Please see "Risk Factors—We are subject to credit risk in collecting the accounts receivables due from the customers".

Trade receivables aging over 180 days

There were 51 customers having trade receivables aging over 180 days as of June 30, 2020. Based on revenue recognition date, the trade receivables aging over 180 days as of June 30, 2020 amounted to approximately RMB30.4 million, and approximately RMB21.2 million, or 69.7%, of which were settled as of September 30, 2020. Based on due date, such trade receivables aging over 180 days as of June 30, 2020 amounted to approximately RMB16.7 million, approximately RMB12.5 million, or 75.1%, of which were settled as of September 30, 2020.

The following tables set forth an analysis of the trade receivables of such customers aging over 180 days:

Based on revenue recognition date					Based on due date		
Trade receivables as of June 30, 2020	Subsequent settlement up to September 30, 2020	Percentage of subsequent settlement up to September 30, 2020	Loss allowance recognised	Trade receivables net of loss allowance and subsequent settlement, as of June 30, 2020	Trade receivables as of June 30, 2020	Subsequent settlement up to September 30, 2020	Percentage of subsequent settlement up to September 30, 2020
(RMB'000)	(RMB'000)	(%)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(%)
30,431	21,207	69.7	1,056	8,168	16,693	12,543	75.1

The following table sets forth a summary of such customers and their trade receivables aging over 180 days:

		Based on revenue recognition date					Based on due date			
Customer	Description of customer	Trade receivables as of June 30, 2020	Subsequent settlement up to September 30, 2020	Percentage of subsequent settlement up to September 30, 2020	Loss allowance recognized	Trade receivables net of loss allowance and subsequent settlement, as of June 30, 2020	Trade receivables as of June 30, 2020	Respective due dates ranged from	Subsequent settlement up to September 30, 2020	Percentage of subsequent settlement up to September 30, 2020
		(RMB'000)	(RMB'000)	(%)	(RMB'000)	(RMB'000)	(RMB'000)		(RMB'000)	(%)
Customer E . . .	One of our five largest customers during the Track Record Period	4,756	4,403	92.6	120	233	875	91 - 365 days	875	100.0
Customer A . . .	One of our five largest customers during the Track Record Period	3,132	3,132	100.0	—	—	2,247	91 - 180 days to over a year	2,247	100.0
Customer I . . .	One of our five largest customers during the Track Record Period	2,384	785	32.9	117	1,482	1,357	91 - 365 days	785	57.8
Customer L . . .	A subsidiary of a company formerly listed on NEEQ	2,164	1,696	78.4	106	362	750	91 - 365 days	750	100.0
Customer G . . .	One of our five largest customers during the Track Record Period	2,094	2,094	100.0	—	—	1,356	91 - 180 days to over a year	1,356	100.0
Others	—	15,901	9,097	57.2	713	6,091	10,108	91 - 180 days to over a year	6,530	64.6
Total		**30,431**	**21,207**	**69.7**	**1,056**	**8,168**	**16,693**		**12,543**	**75.1**

Such customers with credit periods extended can be categorized into the following customer types: (i) our largest five customers during the Track Record Period; (ii) customers as or affiliated to

car manufacturers; (iii) ongoing customers which had previously made payments for our services and (iv) others. The following table sets forth the trade receivables aging over 180 days of June 30, 2020, categorized by customer type:

	Based on revenue recognition date					Based on due date		
Type of customer	Trade receivables as of June 30, 2020	Subsequent settlement up to September 30, 2020	Percentage of subsequent settlement up to September 30, 2020	Loss allowance recognized	Trade receivables net of loss allowance and subsequent settlement, as of June 30, 2020	Trade receivables as of June 30, 2020	Subsequent settlement up to September 30, 2020	Percentage of subsequent settlement up to September 30, 2020
	(RMB'000)	(RMB'000)	(%)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(%)
Our five largest customers during the Track Record Period	12,785	10,603	82.9	276	1,906	6,014	5,264	87.5
Ongoing customers which had previously made payments for our services	11,655	8,523	73.1	414	2,718	7,501	5,898	78.6
Customers as or affiliated to car manufacturers	3,114	1,039	33.4	144	1,931	827	339	41.0
Others	2,877	1,042	36.2	222	1,613	2,351	1,042	44.3
Total	**30,431**	**21,207**	**69.7**	**1,056**	**8,168**	**16,693**	**12,543**	**75.1**

Our Directors believe that, for the reasons stated below, to allow a longer credit period and thus the gradual recovery of such trade receivables (leading to an increased trade receivable turnover days) would be in the commercial interests of our Company:

(i) our largest five customers during the Track Record Period are mostly advertising agencies that have stable relationships with our company, which also maintained a reliable payment history (for example, two of such five largest customers had their trade receivables aging over 180 days fully settled as of September 30, 2020). We also take into account of their status as or association with companies listed or formerly listed on a recognized stock exchange;

(ii) our ongoing customers which had previously made payments had been vital to our operations for the six months ended June 30, 2020;

(iii) there is a strategic benefit in maintaining a healthy business relationship with customers as or affiliated to car manufacturers;

(iv) almost all customers with trade receivables aging over 180 days are currently still in operations, according to public information available to the Company; and

(v) as communicated to our Company, such long outstanding trade receivables balance as of June 30, 2020 was partly due to temporary cash flow issues experienced by some customers during the COVID-19 outbreak months.

Our Company has been regularly monitoring the financial conditions of such customers and we will be closely communicating with them in order to settle their trade receivables. We have also been monitoring the financial conditions of such customers, to ensure that the payment will be made eventually.

Trade receivables with credit period extended due to COVID-19

As of June 30, 2020, our turnover days of trade receivables were 318 days. The increase in turnover days for the six months ended June 30, 2020 was mainly due to a credit period extension (thus prolonging a customer's credit period to nine months) to 12 customers with the aim of maintaining healthy business relationships. The trade receivables of these 12 customers, aging over 180 days, based on revenue recognition date, amounted to approximately RMB20.1 million. As of November 30, 2020, approximately RMB15.0 million, representing approximately 74.9% of such trade receivables as of June 30, 2020 were settled. The following table sets forth a summary of such customers and their trade receivables aging over 180 days:

	Description of customer	As of June 30, 2020	Subsequent settlement up to November 30, 2020	Percentage of subsequent settlement up to November 30, 2020
		RMB'000	RMB'000	(%)
Customer E	One of our five largest customers during the Track Record Period. It is a company listed on the Shanghai Stock Exchange, and has been in a business relationship with our Group since 2016.	4,756	4,403	92.6
Customer A	One of our five largest customers during the Track Record Period. It is an indirect subsidiary of a company listed on the New York Stock Exchange, and has been in a business relationship with our Group since 2016.	3,132	3,132	100.0
Customer I	One of our five largest customers during the Track Record Period. It is a directly wholly-owned subsidiary of a company listed on the Shanghai Stock Exchange, and has been in a business relationship with our Group since 2016.	2,384	785	32.9
Customer L	A subsidiary of a company formerly listed on NEEQ	2,164	2,164	100.0
Customer G	One of our five largest customers during the Track Record Period. It is an indirect subsidiary of a company listed on the Shanghai Stock Exchange, and has been in a business relationship with our Group since 2016.	2,094	2,094	100.0
Others	—	5,537	2,445	44.2
Total		**20,067**	**15,023**	**74.9**

The trade receivables aging over 180 days as of June 30, 2020 for Customers E, A, I, L and G amounted to approximately RMB14.5 million or 72.4% of the total trade receivables aging over 180 days of all customers that were being granted a credit period extension for the six months ended June 30, 2020. Approximately RMB12.6 million of such trade receivables aging over 180 days as of June 30, 2020 for these five customers had been settled as of November 30, 2020.

Such customers with credit periods extended can be categorized as (i) our largest five customers during the Track Record Period; (ii) customers as or affiliated to car manufacturer; (iii) ongoing customers which had made payments for our services for the six months ended June 30,

2020; and (iv) others. The following table sets forth the trade receivables aging over 180 days of June 30, 2020, of such customers categorized by customer type:

Customer Type	As of June 30, 2020	Subsequent settlement up to November 30, 2020	Percentage of subsequent settlement up to November 30, 2020
	RMB'000	RMB'000	(%)
Largest five customers during the Track Record Period	12,366	10,414	84.2
Customers as or affiliated to car manufacturer	2,575	1,600	62.1
Ongoing customer which had previously made payments	4,301	3,009	70.0
Others	825	—	—
Total	**20,067**	**15,023**	**74.9**

As communicated to the Company from such customers, most of them had experienced temporary delays with their cash flow during the months of the COVID-19 outbreak. Whilst the subsequent settlement from these customers with a credit period extension accounted for 74.9% of the total trade receivables as of June 30, 2020, our Directors believe that, considering (i) the business relationships with our ongoing customers and the settlements previously received from such ongoing customers; (ii) our relationship with our five largest customers during the Track Record Period and considering their status as or association with companies listed or formerly listed on recognized stock exchange; and (iii) the strategic benefits of working closely with customers as or affiliated to car manufacturer, to grant such a credit period extension to such customers would be in the interest of the Company. On this basis, our Directors believe that collection of trade receivables from these customers is expectable and there is no significant increase in credit loss of the trade receivables arising from them. We have already adjusted the historical loss rates to reflect current and forward-looking information on macroeconomic factors, including the COVID-19 outbreak, which will affect the settlement of the Group's trade receivables as of June 30, 2020. For details, please refer to Note 3.1 to the Accountant's Report in Appendix I to this document. We have also been monitoring and checking the financial conditions of such customers, to ensure that the payment will be made eventually. Hence, by taking into account (i) the business rationale in providing such credit period extensions to the 12 customers as a result of the COVID-19 outbreak, which would not be a recurring practice of our Company; (ii) the financial conditions and repayment records of such customers; and (iii) that the majority of the long outstanding receivables were those from our largest five customers during the Track Record Period, 84.2% of which had been settled as of November 30, 2020, our Directors believe that sufficient provision has been made.

Financial assets at FVTPL

Financial assets at FVTPL represented our investment in wealth management products. Changes in fair value (realized and unrealized) of this financial assets had been recognized in "Other gains, net" in the consolidated statement of comprehensive income. As of December 31, 2017, 2018 and 2019 and June 30, 2020, the financial assets at FVTPL were RMB7.1 million, RMB20.3 million, RMB41.7 million and RMB92.4 million. For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our gain from wealth management products amounted to approximately RMB0.6 million, RMB1.0 million, RMB1.9 million and RMB1.7 million, respectively. Please see Note 3.3 and Note 10 to the Accountant's Report in Appendix I for details of fair value estimation and gain of the financial assets at FVTPL.

As the principal or returns on the wealth management products are not guaranteed, and their contractual cash flows do not qualify for solely payments of principal and interest, the Group has thus classified their wealth management products as financial assets at FVTPL. The valuation technique used to value the wealth management products include the benchmarking of the expected cash inflows at the maturity of the instruments. The main level 3 inputs used by the Group are derived and evaluated as the return rates, which are estimated based on the terms of the contract and the Group's knowledge of the financial assets and how the current economic environment is likely to impact it. Please see Note 3.3 and Note 10 to the Accountant's Report in Appendix I for details of fair value estimation and gain of the financial assets at FVTPL.

In relation to the valuation of the financial assets at FVTPL, our Directors, adopted the following procedures: (i) reviewed the general terms of the product catalogue for the wealth management products; (ii) engaged in discussions of valuation process and results between our Group's internal valuation team that performs the valuation of financial assets carried at FVTPL required for financial reporting purposes in relation to wealth management products; (iii) carefully considered all information and its related inputs including the expected cash inflows and return rates at the maturity of the wealth management products; and (iv) considered factors such as the financial status of the wealth management products, the asset under management of the relevant product, the historical performance of similar wealth management products in the past, and risks associated with the underlying investments that the relevant wealth management product invests in. Based on the above procedures, our Directors are of the view that the valuation analysis of the financial assets at FVTPL is fair and reasonable.

Details of the fair value measurement of the financial assets at FVTPL, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs and the relationship of valuation inputs to fair value are disclosed in Note 3.3 to the Historical Financial Information of Group for the Track Record Period as set out in the Accountant's Report issued by the Reporting Accountant in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants in Appendix I. The Reporting Accountant's opinion on the Historical Financial Information of the Group for the Track Record Period as a whole is set out on I-2 of Appendix I.

In relation to the valuation analysis performed by the Company on the financial assets at FVTPL, the Sole Sponsor has conducted relevant due diligence work, including but not limited to, (i) review of relevant notes in the Accountant's Report as contained in Appendix I and the relevant documents provided by the Company with respect to the wealth management products; and (ii) discussed with the Company about the key basis and assumptions for the valuation of the financial assets at FVTPL. Having considered the work done by the Directors and Reporting Accountants and the relevant due diligence done as stated above, nothing has come to the Sole Sponsor's attention that would cause the Sole Sponsor to question the valuation analysis performed by the Company on the financial assets at FVTPL.

Convertible redeemable preference shares

On May 27, 2019 and pursuant to the **[REDACTED]** Investment Agreement, the Company has allotted and issued 25,000,000 Series A Preferred Shares to the **[REDACTED]** Investor, LYL Weihui Limited, credited as fully paid, for a total consideration of RMB50,000,000. Despite the Series A

Preferred Shares were converted to ordinary shares on June 21, 2019 pursuant to the **[REDACTED]** Investment Agreement, the ordinary shares can be converted back to Series A Preferred Shares when the **[REDACTED]** event has been denied, rejected or dismissed according to the **[REDACTED]** Investment Agreement. Hence, the abovesaid ordinary shares continued being recognized as Series A Preferred Shares according to the substance. For further information regarding the convertible redeemable preference shares, please refer to Note 32 to the Accountant's Report set out in Appendix I to this document.

We classified the convertible redeemable preference shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. The Group has used the market approach to determine the underlying share value of the Company and adopted equity allocation model to determine the fair value of the Series A Preferred Shares as at the date of issuance and at the end of each reporting periods. Valuation techniques are certified by an independent and recognized international business valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by the valuer make the maximum use of market inputs and rely as little as possible on our own specific data. However, it should be noted that some inputs, such as fair value of the ordinary shares of our Company, possibilities under different scenarios such as **[REDACTED]** and liquidation, time to liquidation and discount for lack of marketability, require management estimates. Management estimates and assumptions are reviewed periodically and are adjusted if necessary. Should any of the estimates and assumptions changed, it may lead to a change in the fair value of the financial liabilities at FVTPL. The fair values of the conversion and redemption features of the convertible redeemable preference shares are set out in Note 32 to the Accountant's Report in Appendix I.

In relation to the valuation of the convertible redeemable preference shares, our Directors, based on the professional advice received, adopted the following procedures: (i) reviewed the terms of the **[REDACTED]** Investment Agreement and the **[REDACTED]** Shareholders Agreement; (ii) engaged an independent suitably qualified valuer, provided material information that is likely to affect the valuation as part of the instructions to the valuer, so as to enable the valuer to perform valuation procedures and discussed with the valuer on relevant assumptions and valuation methodologies; (iii) carefully considered all information which require management assessments and estimates, including fair value of the ordinary shares of our Company, possibilities under different scenarios, time to liquidation and discount for lack of marketability; and (iv) reviewed the valuation working papers and valuation report prepared by the valuer and carefully considered, the reasonableness of key input data and major assumptions adopted, such as risk-free interest rate, lack of marketability discount and historical volatility of the comparable companies. Based on the above procedures, our Directors are of the view that the valuation analysis performed by the valuer is fair and reasonable.

Details of the fair value measurement of the financial instruments, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs and the relationship of valuation inputs to fair value are disclosed in note 3.3 to the Historical Financial Information of Group for the Track Record Period as set out in the Accountant's Report issued by the Reporting Accountant in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants in Appendix I. The Reporting Accountant's opinion on the Historical Financial Information of the Group for the Track Record Period as a whole is set out on I-2 of Appendix I.

In relation to the valuation analysis performed by valuer on the convertible redeemable preference share, the Sole Sponsor conducted relevant due diligence work, including but not limited to, (i) review of relevant notes in the Accountant's Report as contained in Appendix I and relevant documents provided by valuer; and (ii) discussed with the Company about the key basis and assumptions for the valuation of the financial liabilities. Having considered the procedures by the Directors and Reporting Accountant and the relevant due diligence done as stated above, nothing has come to the Sole Sponsor's attention that would cause the Sole Sponsor to question the valuation analysis performed by the valuer on the financial liabilities.

Trade receivables and contract assets turnover days

The following table sets forth our average trade receivables and contract assets turnover days for the period indicated:

	For the year ended December 31,			For the six months ended June 30,
	2017	2018	2019	2020
Trade receivable and contract assets turnover days[(1)]	192	223	238	335

Note:

(1) Trade receivables and contract assets days were calculated based on the average of the opening and closing balance of our trade receivables and average of the opening and closing balance of our contract assets divided by revenue for the relevant year/period multiplied by 365/182 days.

Our trade receivables and contract assets turnover days increased from 192 in 2017 to 223 in 2018, and further to 238 in 2019. For the six months ended June 30, 2020, we recorded our trade receivables and contract asset turnover days at 335. The increase throughout this period was primarily in line with the increase of the trade receivable turnover days in the corresponding period.

As of November 30, 2020, approximately RMB2.6 million, or 89.3%, of contract assets as of June 30, 2020 were subsequently recognized as trade receivable.

The following table sets forth the details of our wealth management products we have invested during the Track Record Period:

Year	Name of issuing bank	Nature of wealth management product	Amount RMB'000	Risk tolerance level	Estimated annual return rates	Maturity dates
2017	China Merchants Bank	Investment Plan (No. 91180)	4,000	Balanced	4.8%	January 22, 2018
	China Merchants Bank	Investment Plan (No. 91180)	3,000	Balanced	4.8%	January 22, 2018
2018	China Merchants Bank	Investment Plan (No. 98182)	4,000	Cautious	4.8%	January 15, 2019
	China Merchants Bank	Investment Plan (No. 98182)	6,000	Cautious	4.7%	February 11, 2019
	China Merchants Bank	Investment Plan (No. 98364)	5,000	Cautious	4.7%	August 14, 2019
	China Merchants Bank	Investment Plan (No. 98063)	5,000	Cautious	3.9%	February 11, 2019
2019	China Merchants Bank	Investment Plan (No. 98091)	5,000	Cautious	3.7%	February 12, 2020
	China Merchants Bank	Investment Plan (No. 98182)	6,000	Cautious	3.9%	January 9, 2020
	China Merchants Bank	Investment Plan (No. 98182)	5,000	Cautious	3.8%	February 25, 2020
	China Merchants Bank	Investment Plan (No. 98364)	10,000	Cautious	4.2%	April 10, 2020
	China Merchants Bank	Investment Plan (No. 98364)	5,000	Cautious	3.9%	October 9, 2020
	China Merchants Bank	Ding Ding Investment Plan (No. 65114)	10,000	Cautious	5.8%	April 8, 2021
2020	China Merchant Bank	Investment Plan (No. 7007)	6,000	Cautious	2.5%	N/A[(1)]
	China Merchant Bank	Investment Plan (No. 80008)	1,400	Cautious	3.0%	N/A[(1)]
	China Merchant Bank	Investment Plan (No. 7007)	2,000	Cautious	2.5%	N/A[(1)]

Year	Name of issuing bank	Nature of wealth management product	Amount RMB'000	Risk tolerance level	Estimated annual return rates	Maturity dates
	China Merchant Bank	Investment Plan (No. 80008)	6,000	Cautious	3.0%	N/A(1)
	China Merchant Bank	Investment Plan (No. 98182)	6,000	Cautious	3.6%	October 20, 2021
	China Merchant Bank	Investment Plan (No. 7007)	3,000	Cautious	2.5%	N/A(1)
	China Merchant Bank	Investment Plan (No. 99035)	17,000	Cautious	3.2%	July 9, 2020
	China Merchant Bank	Investment Plan (No. 99035)	6,000	Cautious	3.2%	July 16, 2020
	Bank of NingBo	Investment Plan (No. 6)	490	Cautious	3.7%	N/A(1)
	Bank of NingBo	Investment Plan (No. 6)	3,410	Cautious	3.7%	N/A(1)
	China Merchant Bank	Investment Plan (No. 80008)	5,000	Cautious	3.0%	N/A(1)
	Bank of NingBo	Investment Plan (No. 6)	700	Cautious	3.7%	N/A(1)
	Bank of NingBo	Investment Plan (No. 6)	7,000	Cautious	3.7%	N/A(1)
	Bank of NingBo	Investment Plan (No. 6)	1,100	Cautious	3.7%	N/A(1)
	Bank of NingBo	Investment Plan (No. 6)	4,400	Cautious	3.7%	N/A(1)
	Bank of NingBo	Investment Plan (No. 6)	7,000	Cautious	3.7%	N/A(1)
	China Merchant Bank	Investment Plan (No. 98364)	5,000	Cautious	3.9%	October 7, 2020
	China Merchant Bank	Ding Ding Investment Plan (No. 65144)	10,000	Cautious	4.7%	April 8, 2021

Note:

(1) These wealth management products do not have a maturity date and are redeemable on demand.

We invested with our surplus cash on hand in wealth management products issued by financial institutions in the PRC for our short-term cash flows and treasury management purposes. These wealth management products are generally of nature similar to term deposit and include short-term financial products issued by reputable and sizeable financial institutions in China with a maturity term generally ranging from 30 days to 180 days. As of December 31, 2017, 2018 and 2019 and June 30, 2020, our investment in wealth management products increased from approximately RMB7.1 million in 2017 to RMB20.3 million in 2018, and further to RMB41.7 million in 2019 and RMB92.4 million in the first half of 2020 for treasury management purpose in order to maximize the utilization of surplus cash received from our business operations, with a view to achieving balanced yields whilst maintaining liquidity and a low to moderate level of risk. Taking into account of, among others, (i) the low to moderate level of risks; (ii) the expected rate of return; and (iii) the shorter terms to maturity generally within one year, the Directors consider that the wealth management products provided the Group with better return than deposits generally offered by commercial banks and increase the Group's overall earnings in the long run. The wealth management products have been closely and effectively monitored and managed by the Company. As of the Latest Practicable Date, the Group did not experience any losses on the wealth management products. Further, the wealth management products were funded by the surplus cash of the Group and would not affect the working capital or the operation of the Group. As such, the Directors are of the view that the wealth management products are fair and reasonable and in the interests of the Company and the shareholders as a whole.

According to our internal treasury policies, our investment processes include (i) our finance team would identify and recommend wealth management products from different reputable financial institutions in China; (ii) our senior management would make decision on a case-by-case basis and after due and careful consideration of a number of factors, including market conditions, potential investment risk, investment costs and duration of investment; and (iii) once a decision is made to invest in the wealth management product, our finance team is responsible for managing activities and monitoring the investment status up to its maturity. See "Risk Factors—We are subject to risks relating to our investments in wealth management products".

Trade payables

Our trade payables primarily represent amounts payable to suppliers relating to our Online Advertising Service, including fees payable to advertisement filming and production and IT service providers. During the Track Record Period, our trade payables were denominated in RMB. We generally settled payments to our suppliers by bank transfer or bank bills. As of December 31, 2017, 2018 and 2019, our trade payable balance were approximately RMB4.8 million, RMB4.9 million, RMB5.5 million. As of June 30, 2020, our trade payable balance was approximately RMB5.1 million. Our trade payable balance increased from approximately RMB4.8 million as of December 31, 2017 to RMB4.9 million as of December 31, 2018, to RMB5.5 million as of December 31, 2019, primarily due to the increase in fees payable to suppliers for services rendered to us. Our trade payable balance as of June 30, 2020 remained relatively stable as compared to that as of June 30, 2019. The trade payables for over two years of approximately RMB1.2 million as of December 31, 2017, 2018 and 2019, respectively, was due to us being unable to locate two suppliers prior to our acquisition of the business and assets of "Cheshi.com", therefore, we were unable to pay out this sum of trade payables.

Our suppliers generally grant us a credit period from 30 days up to 90 days from the date of the invoices. The following table sets forth an aging analysis of our trade payables based on recognition date as of the dates indicated:

	Year ended December 31,			Six months ended June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	2,458	3,045	1,984	1,328
3 to 6 months	1,122	415	1,199	753
6 to 12 months	—	196	1,094	811
12 to 24 months	—	—	—	1,002
Over 2 years	1,242	1,242	1,242	1,242
	4,822	**4,898**	**5,519**	**5,136**

The following table sets forth our average trade payables turnover days for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,
	2017	2018	2019	2020
Trade payables turnover days[(1)]	67	83	66	102

Note:

(1) Trade payables turnover days were calculated based on the average of the opening and closing trade payables divided by cost of providing services for the relevant year/period multiplied by 365/182 days.

The increase in trade payables turnover days from 67 days as of December 31, 2017 to 83 days as of December 31, 2018 was primarily due to longer credit terms granted to us by our five largest suppliers in 2018. The decrease of turnover days to 66 as of December 31, 2019 was because we accelerated payments to some of our suppliers in 2019 in order to maintain good relationships with them, considering the level of cash available for our business operations. Our trade payables were generally made within the credit period granted by our suppliers during the Track Record Period. For the six months ended June 30, 2020, the increase of our turnover days to 102 was primarily due to the longer credit period being allowed to us in settling their invoices because of the general office closures as a result of the COVID-19 outbreak in the PRC in March and April 2020.

As of November 30, 2020, approximately RMB2.7 million, representing approximately 53.3% of our Group's trade payables outstanding as of June 30, 2020, were subsequently settled.

Our Directors confirm that our Group did not have any material default in payment of trade payables during the Track Record Period.

Accruals and other payables

Our accruals and other payables mainly comprise payroll and welfare payable, other taxes payable and others. The following table sets forth the breakdown of accruals and other payables for the periods indicated:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current portion				
Other payables	67	71	—	—
Current portion				
Payroll and welfare payable	7,771	18,266	24,219	17,161
Other taxes payable	7,472	13,412	16,401	11,694
Trading deposits received	637	487	519	519
Rebate payables	2,366	2,814	1,607	2,382
[REDACTED] expenses payables	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Payable to advertising service providers	5,367	2,436	7,847	7,512
Others	895	2,166	2,851	2,867
Total	**24,575**	**42,728**	**60,676**	**51,356**

Our accrual and other payables increased from approximately RMB24.6 million as of December 31, 2017 to approximately RMB42.7 million as of December 31, 2018, and approximately RMB60.7 million as of December 31, 2019, primarily as a result of an increase of payroll and welfare payable, other taxes payable and other payables. Payroll and welfare payable primarily relate to the salaries and benefits, including social and commercial insurance premium and housing provident fund contributions payable by us. It increased from approximately RMB7.8 million as of December 31, 2017 to approximately RMB18.3 million as of December 31, 2018, and approximately RMB24.2 million as of December 31, 2019, the increases of which were in line with the increase of our number of staff due to our business expansion. The number of our total employees increased from 157 as of December 31, 2017 to 174 as of December 31, 2018, and increased further to 193 as of December 31, 2019. As of June 30, 2020, our accrual and other payables were approximately RMB51.4 million, the decrease of which was primarily due to decrease in our payroll and welfare payable to approximately RMB17.2 million, as our number of employees decreased from 193 in 2019 to 163 in 2020.

The other taxes payable primarily represents urban maintenance and construction tax, education tax, education surtax and culture construction tax payable, which increased from approximately RMB7.5 million as of December 31, 2017 to approximately RMB13.4 million as of December 31, 2018 and further to approximately RMB16.4 million as of December 31, 2019, which is in line with our revenue increase. As of June 30, 2020, the other taxes payable decreased to approximately RMB11.7 million, which was in line with our revenue decrease.

Payable to advertising service providers refers to fees payable to advertisers for our own brand promotion. Fees payable to brand promotion service providers are generally in line with the movement

of our advertisement fees spent for our own brand promotion during the Track Record Period. **[REDACTED]** expenses payables represent the fees payable to professional consultancy in relation to the **[REDACTED]**, which increases from approximately RMB**[REDACTED]** in 2018 to approximately RMB**[REDACTED]** in 2019 and further to approximately RMB**[REDACTED]** as of June 30, 2020.

Amount due to director and from shareholders

We recorded (i) amount due to a director of approximately RMB2,000 as of December 31, 2017, (ii) amounts due from shareholders of approximately RMB331,000 as of December 31, 2019 and (iii) amount due from an associate of approximately RMB351,000 as of June 30, 2020. The amount due to the director was unsecured at an interest of 4.35% per annum and repayable on demand as of December 31, 2017, whereas the amount due to the former shareholder was unsecured, interest-free and repayable on demand.

The amount due to a director has been settled in 2018 whereas the amounts due from shareholders of approximately RMB331,000 represents the unpaid sum derived from increase of authorized share capital on June 21, 2019. The shareholders confirm that such amount would be settled prior to the **[REDACTED]**.

Income Tax Payable

Our income tax payable decreased from approximately RMB15.8 million as of December 31, 2017 to RMB11.8 million as of December 31, 2018 and further to approximately RMB10.0 million as of December 31, 2019, which was primarily due to our payment of income tax of approximately RMB16.9 million in 2018 and approximately RMB7.9 million in 2019, respectively. As of June 30, 2020, our income tax payable was approximately RMB9.6 million.

Goodwill

In October 2015, Congshu Beijing completed the acquisition of the online advertising platform which the Group is now operating at, from an Independent Third Party. In accordance with IFRS 3 (Revised), "Business Combinations", the Group is required to recognize the identifiable assets acquired, liabilities assumed and contingent liabilities that satisfy the recognition criteria at their fair value at the acquisition date. Accordingly, the Group has undertaken a purchase price allocation to allocate the purchase consideration to the identifiable assets acquired and liabilities assumed at the acquisition date.

The recoverable amount of the cash-generating unit is determined based on value-in-use calculation. Impairment test of goodwill is performed annually at period end at December 31, or whenever there is impairment indicator, by management.

These calculations use cash flow projections based on financial budgets approved by management covering a five-year period with the following key assumptions:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
Revenue growth rate	10.0% to 31.5%	10.0% to 34.0%	10.0% to 20.6%	8.1% to 30.9%
Gross profit margin	85.9% to 86.1%	82.7% to 85.6%	83.0% to 83.9%	80.9% to 83.2%
Discount rate (pre-tax)	21.4%	21.0%	20.6%	21.0%

The management assumptions used in revenue growth rate and gross profit margin are based on historical records and synergy arose from the business combination. The management assumption used in the pre-tax discount rate is based on the industry data and the cash-generating unit's debt and equity structure.

As of December 31, 2017, the recoverable amount of the cash-generating unit of RMB319,044,000, which was calculated based on the value-in-use calculation, exceeded its carrying amount of RMB19,301,000 (including goodwill of RMB6,153,000) by RMB299,743,000.

As of December 31, 2018, the recoverable amount of the cash-generating unit of RMB553,757,000, which was calculated based on the value-in-use calculation, exceeded its carrying amount of RMB15,938,000 (including goodwill of RMB6,153,000) by RMB537,819,000.

As of December 31, 2019, the recoverable amount of the cash-generating unit of RMB574,610,000, which was calculated based on the value-in-use calculation, exceeded its carrying amount of RMB12,724,000 (including goodwill of RMB6,153,000) by RMB561,886,000.

As of June 30, 2020, the recoverable amount of the cash-generating unit of RMB 505,202,000, which was calculated based on value-in-use calculation, exceeded its carrying amount of RMB 25,189,000 (including goodwill of RMB 6,153,000) by RMB 480,013,000.

Sensitivity analysis

If the revenue growth rate had been 5.0% higher or lower than management estimate as of December 31, 2017, 2018 and 2019 and June 30, 2020 with all other variables held constant, the recoverable amount of cash-generating unit will be impacted by approximately RMB58.0 million, RMB88.0 million, RMB71.0 million and RMB75.0 million, respectively.

If the gross profit margin had been 2.0% higher or lower than management estimate as of December 31, 2017, 2018, 2019 and June 30, 2020 with all other variables held constant, the recoverable amount of cash-generating unit will be impacted by approximately RMB27.0 million, RMB41.0 million, RMB34.0 million and RMB36.0 million, respectively.

If the discount rate (pre tax) had been 1.0% higher than management estimate as of December 31, 2017, 2018, 2019 and June 30, 2020 with all other variables held constant, the recoverable amount of cash-generating unit will be impacted by approximately RMB30.0 million, RMB46.0 million, RMB38.0 million and RMB33.0 million, respectively.

If the discount rate (pre tax) had been 1.0% lower than management estimate as of December 31, 2017, 2018, 2019 and June 30, 2020 with all other variables held constant, the recoverable amount of cash-generating unit will be impacted by approximately RMB35.0 million, RMB53.0 million, RMB48.0 million and RMB37.0 million, respectively.

After taking into consideration of the above sensitivity analysis, there is no shortfall of the recoverable amount comparing with the carrying amount of the cash-generating unit.

The Directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the cash-generating unit to exceed its recoverable amount.

KEY FINANCIAL RATIOS

	As of and for the year / six months ended			
	December 31,			June 30,
	2017	2018	2019	2020
Profitability ratios				
Gross profit margin[1]	85.7%	86.5%	83.8%	83.9%
Net profit margin[2]	23.4%	30.2%	29.1%	42.0%
Return on equity[3]	35.3%	63.0%	40.5%	35.3%
Return on total assets[4]	21.3%	25.2%	19.1%	17.6%
Liquidity ratios				
Current ratio[5]	2.2	1.5	2.7	2.9

Notes:

(1) The calculation of gross profit margin is based on gross profit for the year or period divided by revenue for the respective year or period and multiplied by 100%.

(2) The calculation of net profit margin is based on the net profit divided by revenue for the respective year or period and multiplied by 100%.

(3) Calculated as profit for the year/period divided by average balance of total equity at the beginning and the end of that year/period, then multiplied by 100%. Return on equity for the six months ended June 30, 2020 is annualized by dividing profit for this period by 180 and multiplied by 360, then divided by average equity.

(4) Calculated as profit for the year/period divided by average balance of total assets at the beginning and the end of that year/period, then multiplied by 100%. Return on asset for the six months ended June 30, 2020 is annualized by dividing profit for this period by 180 and multiplied by 360, then divided by average assets.

(5) The calculation of current ratio is based on our current assets divided by our current liabilities at the end of each financial period.

Analysis of Key Financial Ratios

Gross profit margin and net profit margin

See "—Period to Period Comparison of Results of Operations" for a discussion of the factors affecting our gross profit margin and net profit margin during the Track Record Period. The substantial increase in the net profit margin from 23.4% in 2017 to 30.2% in 2018 is mainly attributable to our substantial decrease in marketing and promotion expenses for promotion of our own brand and platform from approximately RMB23.5 million in 2017 to approximately RMB8.4 million in 2018; and (ii) the preferential tax treatment Congshu Beijing enjoyed in 2018 as High and New Technology Enterprise.

The decrease in the net profit margin from 30.2% in 2018 to 29.1% in 2019 was primarily due to an increase of administrative expenses in 2019 as a result of a substantial increase in **[REDACTED]** expenses.

Our gross profit margin remained relatively stable at 83.8% for the year ended December 31, 2019 and at 83.9% as for the six months ended June 30, 2020. Our net profit margin increased from 29.1% as of December 31, 2019 to 42.0% for the six months ended June 30, 2020, which was primarily due to the increase in other gain from approximately RMB0.6 million for the six months ended June 30, 2019 to approximately RMB8.4 million for the six months ended June 30, 2020, as a result of the latest valuation of our convertible redeemable preference shares, as well as a decrease in our overall expenditure for the six months ended June 30, 2020.

Return on equity

Our return on equity increased from 35.3% in 2017 to 63.0% in 2018, primarily due to our increase of profit attributable to shareholders from approximately RMB27.5 million in 2017 to approximately RMB47.6 million in 2018 as a result of our improved profitability. Our return on equity

decreased from 63.0% in 2018 to 40.5% in 2019 primarily due to an substantial increase in the total equity contributed by the increase of retained earning.

Our return of equity decreased to 35.3% as of June 30, 2020 mainly attributable to our decreased profit attributable to shareholders and increase of total equity in our retained earnings.

Return on total assets

Our return on total assets increased from 21.3% for 2017 to 25.2% for 2018 was primarily because of our increased profit attributable to shareholders of approximately RMB27.5 million in 2017 and approximately RMB47.6 million in 2018 as a result of our business expansion, whereas our total assets increased from approximately RMB129.3 million in 2017 to approximately RMB189.2 million in 2018. The decrease on our return on total assets to 19.1% was due to the increase of total asset from approximately RMB189.2 million in 2018 to approximately RMB270.1 million in 2019 attributable to the increase of cash and cash equivalents.

Our return on total assets decreased to 17.6% as of June 30, 2020 mainly attributable to increase of our total asset in 2020 in our property, plant and equipment.

Current ratio

Our current ratio subsequently decreased from 2.2 as of December 31, 2017 to 1.5 as of December 31, 2018 due to the increase of trade and bill receivables from approximately RMB81.5 million as of December 31, 2017 to approximately RMB102.3 million as of December 31, 2018, as well as our increase in cash and cash equivalents from approximately RMB14.5 million as of December 31, 2017 to approximately RMB36.1 million as of December 31, 2018 while our current liabilities had a larger increase due to dividend payable as of December 31, 2018.

Our current ratio increased from 1.5 as of December 31, 2018 to 2.7 as of December 31, 2019, which is attributable to the increase of current asset from approximately RMB170.5 million in 2018 to approximately RMB255.2 million in 2019 whereas our current liabilities decreased from approximately RMB113.6 million in 2018 to RMB94.1 million in 2019.

Our current ratio increased from 2.7 for the year ended December 31, 2019 to 2.9 for the six months ended June 30, 2020, which was primarily due to the decrease in current liabilities from approximately RMB94.1 million in 2019 to RMB88.2 million in 2020 being mainly attributable to the decrease in accruals and other payables in 2020.

SENSITIVITY ANALYSIS

During the Track Record Period, the revenue was approximately RMB117.6 million, RMB157.8 million, RMB177.6 million and RMB58.9 million, respectively. Fluctuation in the revenue would affect our Group's profit margin. In such event, our revenue may decrease unexpectedly due to a number of factors, such as, overall decline of economy in China and market condition, and the financial performance and profitability of our Group may be adversely affected. The following table sets forth the sensitivity analysis on our revenue, based on the hypothetical fluctuations of 10%, 20% and 30%, respectively, and their effects on our Group's profit before income tax for each of the three

years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 with all other variables held constant.

		Year ended December 31,			Six months ended June 30,
		2017	2018	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000
	Percentage decrease	Change in profit/(loss) before tax			
Revenue	10%	(11,758)	(15,785)	(17,762)	(5,890)
	20%	23,516	(31,569)	(35,523)	(11,779)
	30%	(35,273)	(47,354)	(53,285)	(17,669)

During the Track Record Period, our largest operating expense components included employee benefit expenses. Employee benefit expenses amounted to approximately RMB29.7 million, RMB48.9 million, RMB53.8 million and RMB19.5 million for the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, representing approximately 25.3%, 31.0%, 30.3% and 33.1% of our revenue of approximately RMB117.6 million, RMB157.8 million, RMB177.6 million and RMB58.9 million for the corresponding periods, respectively. Any material fluctuation in employee benefit expenses may affect the results of our operations. The following table sets forth the sensitivity analysis on our employee benefit expenses, based on the hypothetical fluctuations of 10%, 20% and 30%, respectively, and their effects on our Group's profit before income tax for each of the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 with all other variables held constant.

		Year ended December 31,			Six months ended June 30,
		2017	2018	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000
	Percentage increase	Change in profit/(loss) before tax			
Employee benefit expenses	10%	(2,973)	(4,890)	(5,380)	1,951
	20%	(5,946)	(9,780)	(10,760)	3,901
	30%	(8,918)	(14,670)	(16,140)	5,852

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we have funded our cash requirements principally from cash generated from our operating activities and **[REDACTED]** investments from our shareholders. As of the Latest Practicable Date, we did not have any loan facilities and loan covenants. We consider it would be difficult for our Group to obtain bank borrowings on favorable terms without personal guarantees and/or other collateral provided by our Controlling Shareholders. As of December 31, 2017, 2018 and 2019, we had cash and cash equivalent of RMB 14.5 million, RMB36.1 million, RMB76.7 million, respectively. As of June 30, 2020 and October 31, 2020, we had cash and cash equivalents of approximately RMB55.3 million and RMB31.5 million (unaudited).

Liquidity Management Measures

Our Directors consider it necessary to maintain sufficient working capital as we generally rely on cash inflow from our customers to meet our payment obligations to our suppliers from time to time and there is a mismatch in the cash inflow from customers and cash outflow to our suppliers. Our cash

inflow is dependent on the prompt settlement of our invoices by our customers. Our trade receivable turnover days were approximately 180 days, 213 days and 223 days, for each of the three years ended December 31, 2017, 2018 and 2019, respectively, which were considerably longer than our trade payable turnover days during the corresponding periods, being approximately 67 days, 83 days and 66 days, respectively. For the six months ended June 30, 2020, our trade receivable turnover days were 318 days and our trade payable turnover days were 102 days, the increase of which were as a result of delayed payment settlements allowed as a response to the general office closures in March and April 2020 due to the COVID-19 outbreak in the PRC, which according to the CIC Report, was consistent with the market behavior at the material time. Accordingly, our Directors consider it is necessary to take measures to carefully manage our cash resources and to maintain our existing cash on hand to support the working capital requirements of our daily operation. In order to manage our liquidity position in view of such potential cash flow mismatch, we have adopted the following measures to mitigate the risk of cash flow mismatch:

(i) we grant credit terms to counterparties in accordance with our internal credit control procedures. The credit terms granted to our customers have been assessed, taking into consideration of their creditworthy in the industry, trading and payment history with us, business, financial and ownership background and other factors. Our finance team meet regularly with senior management and sales team for an update of the trade receivables, such as, aging condition and collectability analysis. Also, our senior management and sales team would decide on the credit period to be extended to such customer or proceed with debt recovery action depending on a number of factors, such as credit history and our historical business relationship with such customer. Our senior management also established and executed debt collection procedures, including monitoring the aging of trade receivables on an ongoing basis, sending out payment reminders on timely basis to debtors that have been overdue, and seeking legal advice if any action needs to be taken against the debtors with long outstanding balances.

(ii) after we issue invoices to our customers, a record of the invoice is entered onto the invoice register maintained by our finance team. Our finance team will then closely monitor the settlement of invoices by our customers to ensure that payment is made by our customers within the credit periods granted to them and update the trade receivables aging report monthly. Our finance staff check the aging of trade debts on a regular basis, and overdue trade debts are passed to our sales team to follow up with the respective customers.

(iii) our finance team is also responsible for the overall monitoring of our current and expected liquidity requirements by preparing a monthly cash flow report which is submitted to our senior management to ensure that we maintain sufficient financial resources to meet our liquidity requirements.

Going forward, we believe that our liquidity requirements will be satisfied by using a combination of cash flow generated from our operating activities and the **[REDACTED]** from the **[REDACTED]**. Please see "Risk Factor—The timing of our payment to suppliers may not match our receipt from customers".

Cash flow

The following table sets forth a summary of our cash flows for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019 (Unaudited)	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net cash generated from operating activities	19,720	38,778	53,021	27,212	31,969
Net cash generated from/(used in) investing activities	5,634	(12,563)	(19,791)	(16,410)	(50,615)
Net cash (used in)/generated from financing activities	(12,821)	(4,544)	6,862	11,341	(3,460)
Net increase/(decrease) in cash and cash equivalents	12,533	21,671	40,092	22,143	(22,106)
Cash and cash equivalents at the beginning of the year/period	1,926	14,459	36,130	36,130	76,670
Effect on exchange rate difference	—	—	448	(232)	767
Cash and cash equivalents at end of the year/period	**14,459**	**36,130**	**76,670**	**58,041**	**55,331**

Net cash generated from operating activities

Our cash inflow from operating activities was principally derived from the receipt of payments for the provision of the Online Advertising Service. Our cash used in operating activities was principally for payment of staff costs, income tax, selling and distribution expenses and administrative and other operating expenses.

The increase in our net cash inflow from operating activities for the year ended December 31, 2018 as compared to the year ended December 31, 2017 was mainly attributable to an increase of profit before taxation from approximately RMB37.7 million to RMB59.7 million as a result of our continuing expansion of Online Advertising Service during such period and an increase of accruals and other payable in 2018. It was partially offset by (a) the payment of income tax paid of approximately RMB16.9 million, (b) the increase of trade and bill receivables, and (c) increase of administrative and R&D expenses in 2018.

The increase in our net cash inflow from operating activities for the year ended December 31, 2019 as compared to the year ended December 31, 2018 was mainly attributable to decrease in the payment of income tax of approximately RMB7.9 million in 2019 as compared to approximately RMB16.9 million in 2018 and an increase of accrual and other payable in 2019. It was partially offset by (a) the increase of trade and bill receivables, and (b) increase of selling and distribution, administrative and R&D expenses in 2019.

The increase in our net cash inflow from operating activities for the six months ended June 30, 2020 as compared to the six months ended June 30, 2019 was mainly attributable to the decrease in the payment of income tax of approximately RMB5.4 million for the six months ended June 30, 2020 as compared to approximately RMB8.9 million for the six months ended June 30, 2019 and decrease of trade and bill receivables. It was partially offset by a decrease in profit before income tax.

Net cash (used in)/generated from investing activities

Our net cash in investing activities primarily reflect (i) cash used in payments for purchases of property, plant and equipment, and (ii) cash generated from proceeds from disposal of financial assets at FVTPL.

The decrease in our net cash from investing activities for the year ended December 31, 2018 as compared to the year ended December 31, 2017 was mainly due to increase of purchase of financial assets at FVTPL. It was partially offset by the increase of proceeds from disposal of financial assets at FVTPL.

The increase in our net cash used in investing activities for the year ended December 31, 2019 as compared to the year ended December 31, 2018 was mainly due to increase of purchase of financial assets at FVTPL. It was partially offset by the increase of proceeds from disposal of financial assets at FVTPL.

The increase in our net cash used in investing activities for the six months ended June 30, 2020 as compared to the six months ended June 30, 2019 was mainly due to the increase of purchase of financial assets at FVTPL. It was partially offset by the increase of proceeds from disposal of financial assets at FVTPL.

Net cash (used in)/generated from financing activities

During the Track Record Period, our cash flows in financing activities primarily consisted of (i) cash used in return of capital to a former shareholder, repayments of loan from a director, repayment of borrowing and payment of lease liabilities, and (ii) cash generated from capital injection from shareholders and proceeds on issuance of convertible redeemable preferred shares.

The decrease of our net cash used in financing activities for the year ended December 31, 2018 as compared to the year ended December 31, 2017 was mainly due to the absence of return of capital to a former shareholder, repayments of loan from a director and repayment of borrowing.

The increase in our net cash generated from financing activities for the year ended December 31, 2019 as compared to the year ended December 31, 2018 was mainly due to the receipt of proceeds on issuance of convertible redeemable preferred shares, which was partially offset by the dividend paid in 2019.

The increase of our net cash used in financing activities for the six months ended June 30, 2020 as compared to the six months ended June 30, 2019 was mainly due to the absence of proceeds from the issuance of convertible redeemable preference shares.

WORKING CAPITAL SUFFICIENCY STATEMENT

We intend to finance our working capital needs with cash generated from our operations, the **[REDACTED]** from the **[REDACTED]** and other funds raised from capital markets from time to time.

During the Track Record Period and up to the Latest Practicable Date, we financed our working capital requirements principally from cash generated from our operating activities and capital injection from our shareholders. Our Directors are of the view that, taking into account the **[REDACTED]** of the **[REDACTED]**, our current cash and cash equivalents and our anticipated cash flows from operations,

we believe, and the Sole Sponsor concurs, that we have sufficient working capital for our present requirements and at least for the next 12 months following the date of this document.

CAPITAL COMMITMENTS

Capital commitments

As of December 31, 2017 and 2018 and 2019 and June 30, 2020 and October 31, 2020 (being the latest practicable date for the indebtedness statement in this document), our Group has no significant capital commitments.

INDEBTEDNESS

Our indebtedness as at December 31, 2017, 2018 and 2019 and June 30, 2020 and October 31, 2020 comprises the amount due to a director, lease liabilities and convertible redeemable preference shares, details of which are summarized in the following table:

	December 31, 2017	December 31, 2018	December 31, 2019	June 30, 2020	October 31, 2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Amount due to a director	2	—	—	—	—
Convertible redeemable preference shares	—	—	48,377	42,445	43,182
Lease liabilities	5,365	3,407	555	12,786	11,193
	5,367	**3,407**	**48,932**	**55,231**	**54,375**

Amount due to a director

As of December 31, 2017, we had an amount due to a director of RMB2,000, which was unsecured and unguaranteed. In 2018, the amount was settled.

Lease liabilities

The Group has adopted IFRS 16 throughout the Track Record Period as stated in Note 2 to Accountant's Report. As such, we recognized right-of-use assets and the corresponding liabilities in respect of all leases, except for short-term and low value leases, in the Group's consolidated statements of financial position. As of December 31, 2017, 2018 and 2019 and June 30, 2020 and October 31, 2020, the Group had lease liabilities amounted to approximately RMB5.4 million, RMB3.4 million, RMB0.6 million and RMB12.8 million and RMB11.2 million, respectively.

Convertible redeemable preference shares

As of June 30, 2020 and October 31, 2020, we had liabilities in relation to convertible redeemable preference shares amounted to approximately RMB43.2 million. Pursuant to the **[REDACTED]** Investment Agreement signed between us and the **[REDACTED]** investor, the convertible redeemable preference shares were converted to ordinary shares on June 21, 2019. However, according to the **[REDACTED]** Investment Agreement, the aforesaid ordinary shares can be converted back to the convertible redeemable preference shares when the **[REDACTED]** event has been denied, rejected or dismissed. Hence, the aforesaid ordinary shares continued to be recognized as convertible redeemable preference shares according to the substance.

For further information regarding the convertible redeemable preference shares, please refer to Note 32 to the Accountant's Report set out in Appendix I to this document.

As of October 31, 2020, our Company did not have any banking facilities.

CONTINGENT LIABILITIES

As of December 31, 2017 and 2018, and 2019, June 30, 2020 and October 31, 2020, being the latest practicable date for the purpose of the indebtedness statement in this document, we did not have any significant contingent liabilities or guarantees.

Save for trade payables incurred in our ordinary course of business and those disclosed in the above paragraphs, our Group did not have any (i) debt securities issued and outstanding, or agreed to be issued, term loans, whether guaranteed, unguaranteed, secured and unsecured; (ii) borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances or acceptance credits or hire purchase commitments, whether guaranteed, unguaranteed, secured and unsecured; (iii) mortgages and charges; and (iv) other material contingent liabilities, as at October 31, 2020, being the latest practicable date for the purpose of the indebtedness statement in this document.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period consisted primarily of: (i) purchases of computer and electronic equipment; (ii) purchases of office furniture and equipment; (iii) right-of-use assets; (iv) asset retirement obligation and (v) leasehold improvement. For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, we incurred capital expenditures of approximately RMB5.3 million, RMB2.6 million, RMB2.2 million and RMB16.0 million, respectively. The following table sets forth a breakdown of our capital expenditure for the periods indicated.

	Year ended December 31,			Six months ended June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Computer and electronic equipment	55	355	317	185
Office furniture and equipment	—	4	3	29
Right-of-use assets	5,145	2,232	1,901	14,791
Asset retirement obligation	67	—	—	—
Leasehold improvement	—	—	—	1,014
Total	**5,267**	**2,591**	**2,221**	**16,019**

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, we had not entered into any off-balance sheet commitments or arrangements.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we received advertising services from Netcom Agency, our former related party and a shareholder of Congshu Beijing prior to October 11, 2017. The revenue

generated from the transactions with Netcom Agency was approximately RMB0.4 million, nil and nil in 2017, 2018 and 2019, respectively. The provision of advertising services from Netcom Agency to us were made at prices and terms mutually agreed by the respective parties.

In addition, we recorded amount due to a director with a total amount of approximately RMB2,000, nil and nil in 2017, 2018 and 2019, respectively. The amount due to a director amounted to approximately RMB2,000 and was unsecured, at an interest of 4.35% per annum and repayable on demand as of December 31, 2017. We recorded amounts due from shareholders with a total amount of nil, nil and approximately RMB0.3 million in 2017, 2018 and 2019, respectively. The amounts due from shareholders amounted to approximately to RMB0.3 million and was unsecured, interest-free and repayable on demand during as at December 31, 2019. We also recorded an amount due from an associate with a total amount of approximately RMB0.4 million as of June 30, 2020. The amount due from an associate represented the unpaid loan sum lent by us to Leikewo in May 2020 totalling at RMB350,000. This amount was unsecured and, as confirmed by our Directors, repayable prior to the **[REDACTED]**. The amounts due to a director has been fully settled in 2018 whereas the amounts due from a shareholders remain outstanding.

For further details of our related party transactions, see Note 30 to the Accountant's Report in Appendix I to this document. Our Directors confirm that these related party transactions were conducted on arm's length basis and on normal commercial terms or such terms that were no less favorable to our Group than those available to Independent Third Parties, were considered fair and reasonable and in the interest of our Shareholders as a whole, and would not distort our results of operations during the Track Record Period or make our historical results not reflective of our future performance.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to a variety of financial risks, including market risk, credit risk and liquidity risk, which are set forth in detail in Note 3 to the Accountant's Report in Appendix I to this document.

DIVIDENDS

We are a holding company incorporated in the Cayman Islands. The payment and amount of our future dividends will depend on the availability of dividends received from our subsidiaries. Distributions from us and our subsidiaries may also be subject to any restrictive covenants in bank credit facilities or loan agreements or other agreements that we or they may enter into in the future. In addition, PRC laws and regulations require that dividends of a PRC enterprise be paid only out of accumulated profits, if any, as determined in accordance with PRC accounting standards, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws and regulations also require a PRC enterprise to set aside at least 10% of its after-tax profits calculated based on PRC accounting standards each year, if any, to fund certain statutory reserves, which may not be distributed as cash dividends.

It is the dividend policy of our Board, in considering the payment of dividends, to allow shareholders of our Company to participate in our Group's profits whilst retaining adequate reserves for our Group's future growth. The declaration, payment and amount of dividends will be subject to our Directors' discretion. Our Group shall consider the factors before declaring or recommending dividends, including without limitation (a) our Company's actual and expected financial performance;

(b) retained earnings and distributable reserves of our Company and each of the members of our Group; (c) our Group's working capital requirements, capital expenditure requirements and future expansion plans; (d) our Group's liquidity position; (e) general economic conditions, business cycle of our Group's business and other internal or external factors that may have an impact on the business or financial performance and position of our Company; and (f) our Board may also consider other applicable factors to determine the declaration, payment and amount of dividends. The payment of dividend is also subject to compliance with applicable laws and regulations including the laws of the Cayman Islands and our Company's constitutional documents. Our Group will continually review our dividend policy from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period.

During the year ended December 31, 2018, dividend amounting to RMB21.0 million in relation to the year ended December 31, 2017 and RMB29.0 million in relation to the year ended December 31, 2018 was declared by Congshu Beijing to its then shareholders. RMB5.0 million, RMB30.0 million and RMB1.4 million had been paid on January 30, 2019, May 23, 2019 and October 30, 2019, respectively. All such dividends were settled in cash. The remaining balance of the dividend payable will be paid before the **[REDACTED]**. Our business growth and financial conditions have substantially improved during the Track Record Period. The Directors believe that as a result of the development of our Group due to Mr. Xu's (who is our founder, executive Director and the chairman of our Board) dedicated service, time commitment and leadership, for the years ended December 31, 2017, 2018 and 2019, we had profit attributable to shareholders of approximately RMB27.5 million, RMB47.6 million and RMB51.7 million, respectively. Our Directors consider that the retained earnings of our Group accumulated over the past years are attributable to the support of our existing Shareholders, in particular, our executive Director, Mr. Xu, on the development of our Group. Therefore, our Directors consider it fair and justifiable to reward our existing Shareholders through dividend distribution. The Directors consider that the purpose of the **[REDACTED]** is to raise funds for future business expansion, enlarging the shareholder base of the Company and to provide a platform to carry out future expansion. After taking into account the working capital needs of the Group, the Directors are of the view that the declaration and payment of dividends do not undermine the existing Shareholders' long-term commitment to our Group as it serves as a means to reward our Shareholders for their prior years' efforts in the development of the Group enlarging shareholder base and future business expansion. Our Directors confirm that our Group had sufficient resources to make distribution and that it would not have any material adverse impact on our Group's financial position, considering our current healthy financial conditions.

No dividends had been paid or declared by our Company since our incorporation and up to the Latest Practicable Date. Congshu Beijing declared dividends in the aggregate amount of RMB50.0 million for the two years ended December 31, 2018. Any future declarations and payments of dividends may or may not reflect the historical declarations and payments of dividends and will be at the absolute discretion of our Directors. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. See the section headed "Risk Factors—We may not pay any dividends on our Shares" for details.

DISTRIBUTABLE RESERVES

Our Company was incorporated on November 22, 2018 and is an investment holding company. As of June 30, 2020, we had reserves of approximately RMB100.7 million available for distribution to our Shareholders.

[REDACTED] EXPENSES

We expect the total estimated amount of **[REDACTED]** expenses (including **[REDACTED]**) would be approximately RMB**[REDACTED]** (based on mid-point of our indicative **[REDACTED]** range of HK$**[REDACTED]** for the **[REDACTED]** and assuming that the **[REDACTED]** is not exercised) by the completion of the **[REDACTED]**. For the Track Record Period, we incurred **[REDACTED]** expenses of approximately RMB**[REDACTED]** which was charged to our consolidated statements of comprehensive income as **[REDACTED]** expenses. We will incur approximately RMB**[REDACTED]**, of which an estimated amount of approximately RMB**[REDACTED]** will be charged to our consolidated statements of comprehensive income and an estimated amount of approximately RMB**[REDACTED]** will be charged to equity for the year ending December 31, 2020. The total estimated amount of **[REDACTED]** expenses (including **[REDACTED]**) accounted for approximately **[REDACTED]**% of our **[REDACTED]** from the **[REDACTED]** assuming the **[REDACTED]** is fixed at HK$**[REDACTED]** per Share (being the mid-point of the indicative range of the **[REDACTED]** range stated in this document and assuming that the **[REDACTED]** is not exercised).

UNAUDITED [REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

See the section headed "Unaudited **[REDACTED]** Financial Information" set out in Appendix II to this document for our unaudited **[REDACTED]** adjusted consolidated net tangible assets.

NO MATERIAL ADVERSE CHANGE

On June 25, 2019, in recognition of the contributions of our Directors, senior management and key employees and to further incentivize them to promote our development, we have adopted the SA Scheme and the RSU Scheme, pursuant to which 100,000,000 underlying Shares (representing 10.00% of our issued share capital immediately after the allotment and issue of such Shares) were allotted and issued to the RSU Nominee and the SA Nominee for the purpose of the RSU Scheme and the SA Scheme, respectively. On December [*], 2020, the Board has resolved to grant Share Awards to certain of our executive Directors and selected employees of the Group, and to grant RSUs to selected employees of the Group. As at the date of grant, all Shares underlying the Share Awards and the RSUs are held by the SA Nominee and the RSU Nominee, respectively, and the grants will not cause any dilution of shareholding of our Shareholders immediately upon the **[REDACTED]**. However, such grants are expected to have a non-cash financial effect on our Company and will be recorded as share-based payments of our Company. See the section headed "Statutory and General Information" in Appendix IV to this document for further details.

An outbreak of respiratory illness caused by COVID-19 first emerged in January 2020 and continues to expand globally. Since the outbreak of COVID-19, the PRC Government has imposed measures such as extended suspension of business operations, travel restrictions and school closures in China, in an effort to contain the spread of COVID-19. As of the Latest Practicable Date, COVID-19 had spread to over 140 countries and territories around the world with the death toll from the outbreak and the number of infected cases continuing to rise. The outbreak is likely to have an adverse impact on the livelihood of the people in and the economy of the PRC.

For the six months ended June 30, 2020, the COVID-19 outbreak had impacted certain aspects of our business. In particular, we had been unable to organize group-purchase events for our Transaction Facilitation Service as a result of the government restrictions on gathering and movement

due to the COVID-19 outbreak, which led to the number of such group-purchase events to drop from 59 (generating a revenue of approximately RMB2.4 million) for the six months ended June 30, 2019, to seven (generating a revenue of approximately RMB0.2 million) for the six months ended June 30, 2020. Moreover our revenue generated from our Online Advertising Service decreased from approximately RMB75.2 million to approximately RMB58.7 million, as we experienced an overall decrease of advertising expenditure sourced from our customers for the six months ended June 30, 2020. Our Directors believe that this was likely caused by the dates of new car launches and automobile exhibitions (which were typically held in March and April of the year) were pushed back to the latter half of 2020 due to the COVID-19 outbreak, thus affecting the market appetite for automobile advertising services during the first half of 2020.

As of the Latest Practicable Date, all of our business operations of our Online Advertising Service had resumed to normal levels and the Transaction Facilitation Service business had been in gradual recovery. Considering that the revenue generated from our Online Advertising Service experienced a relatively lesser impact than that by the Transaction Facilitation Service, and that the majority of our revenue had been generated by our Online Advertising Service, our Directors are of the view that, in the long run, the impact of the COVID-19 outbreak on our revenue would be relatively limited. Our Directors will remain on alert and will closely monitor the market situation and any future developments in relation to the COVID-19 outbreak.

Please see the section ended "Business—Impact of the Outbreak of COVID-19 on our operation in the PRC" in this document for details.

Our Directors confirmed that save as disclosed above and for the expenses incurred and accrued in connection with the **[REDACTED]**, there have not been any material adverse changes in our financial or trading position or prospects subsequent to the Track Record Period and up to the date of this document. As far as we are aware, there was no material change in the general market conditions that had affected or would affect our business operations or financial condition materially and adversely.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure required under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

See ''Business—Our Business Strategies'' in this document for a detailed description of our future plans.

REASONS FOR THE [REDACTED]

Our Directors believe that the **[REDACTED]** from the **[REDACTED]** will strengthen our financial position and will enable us to implement our business strategies as set out in "Business—Our Business Strategies". More importantly, we believe that the **[REDACTED]** and **[REDACTED]** are beneficial to our Group and our Shareholders as a whole based on the following reasons:

(1) **A public [REDACTED] status will enhance our corporate profile, market position and provide access to the capital market**

We have historically been relying on internally generated funds and cash injection from our shareholders to support our operations and business development. While our cash and cash equivalents amounted to approximately RMB76.7 million as of December 31, 2019, and approximately RMB55.3 million as of June 30, 2020, we will gain independent and efficient access to the capital market, providing us with flexibility and additional avenues for future fund raising, including equity or debt financing, for business development in the long run. With the improved financial strength after the **[REDACTED]**, we intend to expand our current business segments and our network of business partners. Our Directors would like to emphasize that our Company did not pursue the **[REDACTED]** solely for the **[REDACTED]** from the **[REDACTED]**. Instead, the **[REDACTED]** provides a spring board that enables us to achieve long-term benefits for our continuing development. The enhancement of our corporate position with a public **[REDACTED]** status will certainly increase the confidence of our business partners and existing customers as well as giving us a reputation advantage in competing for new customers, which will in turn facilitate the furtherance of our business and better differentiate ourselves with the unlisted competitors. Therefore, our Directors consider the **[REDACTED]** exercise as a whole to be cost-effective and commercially justifiable.

(2) **A public [REDACTED] status will help us recruit and retain high caliber personnel**

A strong and stable team of professional staff equipped with appropriate industry knowledge and the ability to cultivate good client relationships are crucial to the continuing success of our business. The **[REDACTED]** status will help raise staff confidence. It will improve our ability to recruit, motivate and retain our key management personnel and employees so as to expediently and effectively capture any business opportunities that may arise. The **[REDACTED]** will enable us to offer equity-based incentive programs, such as the RSU Scheme, to our management and employees that more directly correlates to their performance with our business. We would therefore be in a better position to motivate our management and employees with such incentive programs that are closely aligned with the objective of creating value for our Shareholders. At the same time, the **[REDACTED]** status and the ability to offer equity-based incentive programs will increase our attractiveness to potential talents and effectively increase our advantage over our competitors in competing for the recruitment of the best quality staff, which we consider to be a key factor for the growth of our business.

(3) **Our Group has genuine funding needs for expansion of our business**

It is necessary for us to raise funds through the **[REDACTED]** for the following reasons:

(a) Business opportunities and growth drivers in view of the industry outlook:

Our Group's business is expected to expand steadily taking into account the continuous growth in the online automobile advertising industry. According to the CIC Report, it is expected that China's automobile vertical media advertising industry will grow to RMB21.5 billion by 2024. Our Directors envisage that there would be considerable business opportunities and growth drivers which justify our Group's expansion plan to compete for more automobile online advertising projects. These business opportunities and drivers include an increase of total marketing spending expenses and an increase of spending in online channels over offline channels, and spending on other advertising channels such as online portals has become less attractive for automakers and autodealers, which are expected to increase total online automobile advertising activities. As a result, there are more business opportunities for our Online Advertising Service, and the corresponding growth of the automobile online advertising industry in the near future. See the paragraph headed "Industry Overview—China's Automobile Advertising Industry" of this document for further details.

(b) We consider it would be difficult for our Group to obtain bank borrowings without personal guarantees and/or other collateral provided by our Controlling Shareholders:

Our Directors consider that it would not be in the interest of our Group to rely on debt financing that involve personal guarantee or any collateral provided by the Controlling Shareholders and their associates for the following reasons:

(i) it is our long-term strategy to minimize connected transactions and related party transactions in order to carry out our business independently from our Controlling Shareholders, Directors and their associates; and

(ii) a reliance on our Controlling Shareholders, Directors and their associates for provision of personal guarantee and other form of financial assistance is a hindrance to our Group in achieving financial independence.

Our Directors genuinely believe that it is necessary to (a) maintain a disciplined financial strategy in order to achieve sustainable growth in the long run; and (b) maintain a cash level sufficiency to support our Group's existing operations. In view of our Group's business expansion plan, our Directors believe that our Group does not have sufficient internal generated funds to finance our expansion plan while maintaining sufficient working capital for our Group's operations. Our Directors consider that it is in the interest of our Group to proceed with the equity financing by way of the **[REDACTED]** for the purpose of our business expansion as the Group experienced difficulties in obtaining debt financing. Our Directors consider that as part of a group of private companies, our Company, without a **[REDACTED]** status, would be difficult to obtain bank borrowings at more commercially favorable terms without personal guarantees or other forms of collateral provided by our Controlling Shareholders.

Furthermore, whilst our operation had not relied on funding from bank borrowings during the Track Record Period, our Group's financial performance and liquidity may be negatively affected if market uncertainty suddenly occurred, such as increase in interest rate in the PRC and any unexpected deterioration in the prevailing market condition in the online automobile advertising industry resulting in the imposition of further stringent requirements on debt financing. As such, our Directors consider that it is in the interest of our Group to proceed with the equity financing by way of the **[REDACTED]** for the purpose of our business expansion as opposed to debt financing in the long run.

Therefore, our Directors are of the view that there is a genuine need to pursue the **[REDACTED]** in order to have better funding platforms for future fundraising for business development in the long run and to raise funds through the **[REDACTED]** to finance our business plans.

[REDACTED]

We estimate that the **[REDACTED]** of the **[REDACTED]**, after deducting the estimated **[REDACTED]** and expenses payable by us in connection with the **[REDACTED]**, will be in the amounts set out below:

- approximately HK$**[REDACTED]**, if the **[REDACTED]** is not exercised, or approximately HK$**[REDACTED]**, if the **[REDACTED]** is exercised in full, assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, being the low-end of the proposed **[REDACTED]** range;
- approximately HK$**[REDACTED]**, if the **[REDACTED]** is not exercised, or approximately HK$**[REDACTED]**, if the **[REDACTED]** is exercised in full, assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, being the mid-point of the proposed **[REDACTED]** range; or
- approximately HK$**[REDACTED]**, if the **[REDACTED]** is not exercised, or approximately HK$**[REDACTED]**, if the **[REDACTED]** is exercised in full, assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, being the high-end of the proposed **[REDACTED]** range.

We intend to use the **[REDACTED]** from the **[REDACTED]** for the purposes and in the amounts set out below, assuming the **[REDACTED]** is not exercised and assuming the **[REDACTED]** is fixed at HK$**[REDACTED]** per Share (being the mid-point of the indicative range of the **[REDACTED]** of HK$**[REDACTED]** to HK$**[REDACTED]** per Share):

Major Categories	Percentage of Total [REDACTED]	Amount of [REDACTED] (HK$ in millions)		Sub-categories	Percentage of Total [REDACTED]	Specific Plans	Percentage of Total [REDACTED] for 36 months	Total amount of [REDACTED] for 36 months (HK$ in millions)	Amount to be used in 2021 (HK$ in millions)	Amount to be used in 2022 (HK$ in millions)	Amount to be used in 2023 (HK$ in millions)	Total amount to be used for 36 months (HK$ in million)
Solidify our market position and quantity of our PGC	**[REDACTED]**	**[REDACTED]**	(i)	Enhance quality and quantity of our PGC	**[REDACTED]**	(a) To collaborate with and engage KOLs for access to quality content.	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
						(b) To expand our content team by recruiting more experienced staff members in the content team and video production team.	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
			(ii)	Strengthen collaboration with business partners with content distribution focus and coverage in tier three and below cities and enhance our brand awareness in first tier cities	**[REDACTED]**	(a) To strengthen the collaboration with our existing business partners and attract potential business partners	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
						(b) To promote our brand and platform by placing outdoor advertisement first tier cities.	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
						(c) To promote our brand by participating in automobile shows, conventions and forums in regional and overseas cities.	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Major Categories	Percentage of Total [REDACTED]	Amount of [REDACTED] (HK$ in millions)	Sub-categories	Percentage of Total [REDACTED]	Specific Plans	Percentage of Total [REDACTED] for 36 months	Total amount of [REDACTED] for 36 months (HK$ in millions)	Amount to be used in 2021 (HK$ in millions)	Amount to be used in 2022 (HK$ in millions)	Amount to be used in 2023 (HK$ in millions)	Total amount to be used for 36 months (HK$ in million)
			(iii) Capture new customers and business opportunities	[REDACTED]	(a) To expand our Online Advertising Service, by recruiting new sales staffand to establish new regional offices in Chengdu and Beihai.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
					(b) To expand our Transaction Facilitation Service business, by recruiting new transaction service staff to cover for subtier one and two cities in the PRC and to establish 25 to 30 local representative offices across such cities.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
					(c) To explore new business opportunities by recruiting a business development team to expand our network of business partners and promote brand awareness through marketing efforts.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Strengthen R&D and IT system and develop new products	[REDACTED]	[REDACTED]	(i) Optimize Picker engine	[REDACTED]	To optimize our Picker engine.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
			(ii) Enhance existing IT systems and infrastructure	[REDACTED]	To maintain and upgrade existing IT systems and servers for our growing user base and increasing video distribution;	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
			(iii) Develop new products	[REDACTED]	(a) To develop products that provides new function and tools to users and customers and to hire program developers.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
					(b) Maintenance of products developed by incurring relevant maintenance cost.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
					(c) To promote our platform by placing advertisements on platforms with high user traffic.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Future investments and acquisitions	[REDACTED]	[REDACTED]	Invest in companies that have demonstrated adequate capabilities that we believe can generate synergy with our current business[1]	[REDACTED]	To invest in companies according to search criteria set for suitable investment targets.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Major Categories	Percentage of Total [REDACTED]	Amount of [REDACTED] (HK$ in millions)	Sub-categories	Percentage of Total [REDACTED]	Specific Plans	Percentage of Total [REDACTED] for 36 months	Total amount of [REDACTED] for 36 months (HK$ in millions)	Amount to be used in 2021 (HK$ in millions)	Amount to be used in 2022 (HK$ in millions)	Amount to be used in 2023 (HK$ in millions)	Total amount to be used for 36 months (HK$ in million)
Working capital	[REDACTED]	[REDACTED]	Working capital and other general corporate purposes	[REDACTED]	—	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
					Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Solidify our market position and quantity of our PGC

We intend to use approximately **[REDACTED]**% of our total estimated **[REDACTED]**, or HK$**[REDACTED]** to solidify our market position and quantity of our PGC with the following specific plans and allocation:

- Approximately **[REDACTED]** of our total estimated **[REDACTED]** will be used to enhance quality and quantity of our PGC, with:
  - Approximately **[REDACTED]** of our total estimated **[REDACTED]** will be used to collaborate with and engage KOLs for access to quality content based on a selection criterion consisting of: (i) the quality of content produced by the KOL; and (ii) the influence of the KOLs on we-media, including the number of online followers. The Company plans to collaborate with KOLs for access to premium content and their followers. It intends to work with ten KOLs in 2021 and another ten in 2022 and the Company estimates that the average collaboration fees payable to each KOL will be about RMB**[REDACTED]** (HK$**[REDACTED]**) per annum. The collaboration arrangements will primarily include using KOLs' platform to distribute automobile contents and to provide supporting services, such as, arranging KOL guests hosting, and filming as per our requirement. The arrangement also includes distributing KOL's produced content on the Company's platforms. Through such collaborations, the Company aims to further attract KOLs' followers to its platform, thereby enhancing more viewer and user traffic.
  - Approximately **[REDACTED]** of our total estimated **[REDACTED]** will be used to expand our content team by recruiting experienced staff members in the content team and video production teams, including editors, presenters, videographers, postproduction officers and software developers and to provide professional training to our staff. The Company plans to enhance its content creation capability by expanding the content team and recruiting experienced editors and talented personnel by increasing 15 in 2021 and 25 in 2022. The need for the Company to hire more staff in the content team is vital, because the current workforce cannot sustain the expected increase in workload in that the average number of articles produced by each of the Company's editor per year was approximately 10.4 thousand in 2019, which is at least 3.3 times more than those of its major competitors. Among the new hires, 17 of them will work as the content team members who shall possess experience in the PRC automobile market, such as, automobile advertising contents creation, design and automobile data analysis, with each average salaries is estimated at RMB**[REDACTED]** (HK$**[REDACTED]**) per annum. They intend to assist in creating contents in new listing of automobile brands and models, testing and comparison of automobile specifications and creating articles for automobile car users in relation to automobile products covering insurance, loans, petrol and other daily automobile usage related contents. Three of them will work in for developing new software on the online platform in support of content team function, with each average salary estimated at RMB**[REDACTED]** (HK$**[REDACTED]**) per annum. The remaining 20 employees will work in the video production team as 10 video hosts, five back stage support staff, two video planners and two video recorders and one producer. The function is to produce more videos to enrich the PGC, covering automobile video shows on new automobile listing and comparison, automobile usage and maintenance and video editing. The average

salary for each of the new video production staff is estimated at RMB**[REDACTED]** (HK$**[REDACTED]**) per annum.

- Approximately **[REDACTED]** of our total estimated **[REDACTED]** will be used to strengthen collaboration with business partners with content distribution focus and coverage in tier three and below cities and to solidify the Company's existing brand awareness, recognition and market position. In this regard, the Company plans to solidify brand awareness and recognition in tier-one cities with the primary objective to keep the "Cheshi" brand alive and appealing, against other competitors' brands in these cities, so that the Company can maintain its market position in these cities. Additionally, by leveraging on the brand and market position established, the Company is able to attract more customers and expand into other geographical areas. This strategy to solidify brand and market position will have an offline focus including placing outdoor advertisement, which the Company believes would be more receptive in tier one cities than in tier three and below cities considering the critical mass than can be achieved by advertising to customers commuting via road traffic, and that the difference in purchasing power between the tiers. In addition, the Company plans to expand into tier three and below cities to attract new users by collaborating with more business partners that have strong regionality and network in these cities which the local audience are familiar with. This expansion has an online focus as the Company wishes to penetrate such cities further by busines partner collaboration and via their online coverage in these regions. The Companies believes that these two strategies are complementary to each other, as one is to retain market position, while the latter one is to acquire new market shares in areas with potential. The details of these strategies are set out as follows:

  - Approximately **[REDACTED]** of our total estimated **[REDACTED]** will be used to strengthen the collaboration with our existing business partners and attract potential business partners based on the selection criteria consisting of (i) number of active users of the business partner; and (ii) quality of content produced or published by the business partner, by entering into collaboration agreements with them. The Company will focus on collaborating with (1) business partners with considerable coverage in tier three and below cities; (2) financial institutions; and (3) mobile Internet platforms, with considerable user traffic as follows:

- Continue to establish collaboration with localized platforms[1] in tier three or below cities[2]. The Company targets the distribution of automobile contents in tier three and below cities by collaborating with business partners, which operate local platforms at these regions frequently visited by users residing in those cities. It is expected that automobile marketing services market in these local regions has a large growth potential in next five years. According to the CIC Report, tier three and below cities in China are expected to experience a stronger growth in automobile retail market compared to tier one and two cities, as a result of: (i) less saturated car market, (ii) less stringent car purchasing policies, and (iii) continuously improving disposable income in tier three and below cities. As automobile sales market is expanding at the highest growth rate in tier three and other cities in China, marketing expenditure start to allocate to these regions with more tailored media services for a specific range of target audience. 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 1 and 2 are increasing purchasing power along with increasing household income, wider sales network, advantage of demographic dividend in tier three and other cities, stronger willingness of car purchase and awareness of improving life quality, and less restrictions on the number of automobiles. The sales volume of new passenger automobiles in tier three and other cities increased from approximately 12.0 million units in 2015 to 12.2 million units in 2019 (accounting for approximately 57.0% of the total sales volume of new passenger

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1 *These local platforms primarily comprise of local web portals and news websites, which the Company sees the benefit of collaborating over renowned regional platforms in tier three and below cities as the cooperation relationship with business partners is more customer-oriented, cost-effective and flexible for the Company when compared to the cooperation with renowned platforms. As business partners are regional local web portals, news websites and online forums, the collaboration can precisely target those users in the tier three and below cities and meet the Company's demand for expansion in these cities. Besides, the cooperation with business partners is less time-consuming and can save more labor cost for the Company as this expansion strategy of the Company is still at its initial stage. It is also of necessity for the Company to have more flexibility in their collaboration with business partners.*

2 *These three and below cities mainly include Taiyuan, Shijiazhuang, Liaoyang, Anshan, Zhongshan, Zhuhai and Shantou. These cities are targeted by the Company as, according to CIC Report: (a) The sales volume of new passenger automobile in Taiyuan accounted for 14.0% of that of Shanxi province in 2019 and is expected to reach 15.4% in 2024, with a CAGR of 2.0% between 2019 and 2024. Taiyuan is favorable for the development of our expansion plan due to: (i) hydrogen fuel cell vehicle related industries and renowned automakers with high productivity, (ii) relatively low labor cost, and (iii) supportive governmental policies including preferential taxation and subsidies to development of new energy vehicles, local government subsidies for fossil fuel vehicles, especially vehicles with the China VI emission standard, as well as sending vehicles to rural areas, etc. (b) The sales volume of new passenger automobile in Shijiazhuang accounted for 20.7% of that of the province in 2019 and is expected to reach 20.9% in 2024, with a CAGR of 0.1% between 2019 and 2024. Shijiazhuang is favorable for the development of our expansion plan due to: (i) traditional automobile industrial clusters, renowned automakers with high productivity, (ii) relatively low labor cost, and (iii) supportive governmental policies including preferential taxation and subsidies to development of new energy vehicles, local government subsidies for fossil fuel vehicles, especially vehicles with the China VI emission standard, as well as sending vehicles to rural areas, etc. (c) The sales volume of new passenger automobile in Liaoyang accounted for 3.0% of that of the province in 2019 and is expected to reach 3.3% in 2024, with a CAGR of 1.8% between 2019 and 2024. The sales volume of new passenger automobile in Anshan accounted for 6.3% of that of the province in 2019 and is expected to reach 6.9% in 2024, with a CAGR of 1.7% between 2019 and 2024. These two cities are favorable for the development of our expansion plan due to: (i) advantageous geographical position that is close to emerging automobile industrial clusters in Shenyang, (ii) relatively low labor cost, and (iii) supportive governmental policies including preferential taxation and subsidies to development of new energy vehicles, local government subsidies for fossil fuel vehicles, especially vehicles with the China VI emission standard, as well as sending vehicles to rural areas, etc. (d) The sales volume of new passenger automobile in Zhongshan accounted for 4.9% of that of the province in 2019 and is expected to reach 5.1% in 2024, with a CAGR of 0.7% between 2019 and 2024. (e) The sales volume of new passenger automobile in Zhuhai accounted for 2.6% of that of the province in 2019 and is expected to reach 2.7% in 2024, with a CAGR of 0.8% between 2019 and 2024. (f) The sales volume of new passenger automobile in Shantou accounted for 2.3% of that of the province in 2019 and is expected to reach 2.3% in 2024, with a CAGR of 0.5% between 2019 and 2024. Three cities including Zhongshan, Zhuhai and Shantou in Guangdong are favorable for the development of our expansion plan due to: (i) traditional automobile industrial clusters, renowned automakers with high productivity, (ii) relatively low labor cost, and (iii) supportive governmental policies including preferential taxation and subsidies to development of new energy vehicles, local government subsidies for fossil fuel vehicles, especially vehicles with the China VI emission standard, as well as sending vehicles to rural areas, etc.*

automobiles in China in 2019). The total sales volume of new passenger automobiles in tier one cities and tier two cities accounted for approximately 1.4 million units and 7.8 million units in 2019, respectively. 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 cites 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. According to the CIC Report, the tier three and below cities accounted for approximately 42.1% of the total user traffic of the Company in 2019 (as compared to industry average of 30%), the Company is one of the few leading automobile vertical media platforms that have foreseen the large market opportunity of emerging automobile marketing service market in tier three and below cities, and established sufficient and stable user base in these regions with targeted content. Moreover, the coverage of traditional automobile advertising platforms in tier three and below cities is still relatively insignificant compared to that of tier one and two cities in China, leaving a huge potential market for online automobile vertical media platforms like the Company which has an established user base in these regions and is able to provide targeted and more customized contents to attract more user traffic. Furthermore, although the Group's proprietary platforms' coverage is on a national level, it is not contrary to its cooperation with business partners in order to reach out to more users in tier three and below cities. While the coverage of the Company's proprietary platform, such as Cheshi.com, extends to a national level, our Company would adopt a targeted and precise marketing strategy to provide more customized contents and attract more audience in cities of different tiers. Through win-win cooperation relationship with business partners, the Company can achieve more cost-effective customer acquisition in three and lower cities instead of allocating extra marketing expenditures on promoting its proprietary platforms in the three and lower cities. Furthermore, the Company can approach their customers in the three and lower cities with more convenient access as theses customers are accustomed to view local web portals, news websites and online forums. These business partner platforms are recognized by strong regionality and focus on certain group of local users. For the above reasons, the Company considers tier three and below cities are the main driver of its business and plan to focus in these cities by collaboration with business partners to distribute its contents in the future.

- Financial institutions, which possesses considerable user traffic and have overall good quality contents and/or utilization functions displayed on their platforms.
- Mobile Internet platforms (移動互聯網平台), that are organizations with massive traffic platform while accessible via mobile Internet, such as, news feed, web browsers, search engine, and tool Apps.

  To this end, the Company targets to increase the number of business partners by 20 in 2021, 20 in 2022 and 30 in 2023, with average annual costs of RMB**[REDACTED]** (HK$**[REDACTED]**) payable to each business partner.

- Approximately **[REDACTED]** of our total estimated **[REDACTED]** will be used to to promote our brand and platform by placing outdoor advertisement first tier cities. For promotion of the Company's own brand awareness, it will primarily include advertisements on a number of residential and commercial districts in first tier cities. During the peak season (such as July to December of each year) and holiday season (such as the Chinese New Year), the promotion will be conducted by advertising the Cheshi brand on signage and billboards in medium to high-end district office building and residential apartment where people tend to have more purchasing power in automobiles. When identifying the locations, the Company takes into account factors including advertisement space availability, mass traffic, spending power of target audience and other related costs to be required. It is estimated that each advertisement display will cost approximately RMB**[REDACTED]** (HK$**[REDACTED]**) and the Company targets to have between 1000-1500 advertisement displays each year in 2021 and 2022.

- Approximately **[REDACTED]** of our total estimated **[REDACTED]** will be used to promote our brand by participating in automobile shows, conventions and forums in regional and overseas cities, which include setting up booths. The Company will increase its participation in automobile shows, conventions and forum events in regional and overseas cities. The Company typically participated in four automobile shows and one forum event each year during the Track Record Period. It aims to participate in two automobile shows in 2021, two show and forum events in 2022 and one automobile show in 2023 in addition to the number of such events participated by the Company annually. These additional event participations will relate to regional or overseas automobile shows in 2021, 2022 and 2023. The estimated costs for participating in one event, including venue fees, booth set up and staff costs, are approximately RMB**[REDACTED]** (HK$**[REDACTED]**). By doing so, the Company expects that the aforesaid promotion allows the Company to build its brand image and enhance its market profile more quickly and easily.

- Approximately **[REDACTED]** of our total estimated **[REDACTED]** will be used to capture new customers and business opportunities, of which:

  - Approximately **[REDACTED]** of our total estimated **[REDACTED]** will be used to expand our Online Advertising Service, by recruiting new sales staff and to establish new regional offices in Chengdu and Beihai. The Company plans to expand sales and marketing team through the recruitment of additional five in 2021, five in 2022 and five staff in 2023. The average salary for each of the new sales staff is estimated at RMB**[REDACTED]** (HK$**[REDACTED]**) per annum. Our Company plans to assign two sales team staff in Beijing, two sales team staff in Shanghai, one sales team staff in Guangdong, five sales team staff in Chengdu and five sales team staff in Beihai office. The new hires of the sales team will be primarily responsible for reinforcing sales efforts by sourcing new customers and advertising business, maintaining customer relationships, and understanding the needs of customers, which will be crucial to increase the Company's revenue generation. They will also conduct market research, monitor market trends and customer preferences and answering customer feedback. The two new offices in Chengdu and Beihai would allow the Company to expand its coverage in south-western and southern regions in the PRC. Both Chengdu and Beihai are favorable for development of expansion plan due to: (i) traditional automobile industrial clusters in both Sichuan and Guangxi, including renowned

automakers with high productivity, (ii) relatively low labor cost, and (iii) supportive governmental policies to boost automobile consumption, including preferential taxation and subsidies to the development of new energy vehicles, local government subsidies for fossil fuel vehicles, especially vehicles that meet the China VI emission standard, as well as sending vehicles to rural areas, etc. Opening new sales offices in Chengdu and Beihai is expected to broaden the sales network with regional automakers, their advertising agencies and autodealers and enhance cooperation relationship with them, primarily in relation to Online Advertising Services and Transaction Facilitation Services. The Directors believe that the proximity to the local customers allows the Company to serve customers more closely and to build up trust and loyalty more effectively among customers. Such offices will be principally responsible for sourcing service orders and promoting services to customers based in such regions, closely liaising with direct customers and end customers to understand the preference and formulating advertisement services to meet the demands, arranging events to facilitate sales and transactions for autodealers and insurance companies, and attracting and hiring local talented personnel. Our Company plans to build up a team of 5 sales team staff working in each of the Chengdu and Beihai new offices with average salary of RMB**[REDACTED]** (HK$**[REDACTED]**) for each staff as abovementioned. The size of these offices will be approximately 200 - 300 square meters. The estimated costs of setting up the new offices in Chengdu and Beihai, including the fees for offices rental, renovation, utilities and other related costs are approximately RMB**[REDACTED]** (HK$**[REDACTED]**) in 2021 and RMB**[REDACTED]** (HK$**[REDACTED]**) in 2022 taking into consideration of set up costs for other sales offices.

- Approximately **[REDACTED]** of our total estimated **[REDACTED]** will be used to expand our Transaction Facilitation Service business, by recruiting new transaction service staff to cover for major subtier one and two cities[1] in the PRC and to estabilish 25 to 30 local representative offices across such cities. The Company aims to hire 30 in 2021 and 30 in 2022 and 20 in 2023 transaction service employees additional to our existing transaction facilitation service team of five staff to promote and conduct the Transaction Facilitation Services in 25-30 major sub-tier one and two cities in the PRC. We will replicate the existing model of the Transaction Facilitation Service to apply into the targeted cities where the new hires of the transaction team staff will be assigned to carry out the Transaction Facilitation Service. The reason for expanding the Transaction Facilitation Services by setting up new local representative offices in different cities and hiring more personnel is to extend customer base to better serve our autodealer customers directly. By having local representative offices, identification and communication with our autodealer customers locally would become more effective and efficient. Such expansion requires more manpower, and together with the existing transaction service team, who will be responsible for directly liaising with customers and sourcing business for aforesaid aftermarket services. The expected average salary of each transaction service staff are estimated at RMB**[REDACTED]** (HK$**[REDACTED]**) per annum. The Company plans to setup local

[1] *Major sub-tier one cities include Chengdu, Hangzhou, Chongqing, Wuhan, Xi'an, Suzhou, Tianjin, Nanjing, Changsha, Zhengzhou, Dongguan, Qingdao, Shenyang, Ningbo, Kunming, and tier two cities include Wuxi, Foshan, Dalian, Fuzhou, Xiamen, Hefei, Nanchang, Guiyang, Nanning and Taizhou. According to CIC Report, in 2019, the sales volumes of new passenger automobile in major sub-tier one cities and major tier two cities that the Group targets accounted for approximately 21.0% and 7.0% of the total market, respectively, and they are expected to grow with a CAGR of 0.7% and 0.6%, respectively, from 2019 to 2024.*

representative offices in major cities nationwide to further expand their Transaction Facilitation Service, and it is planned to allocate two to three transaction service team staff in each local representative office. It was estimated that that approximately around 25-30 local representative offices will be setup in sub-tier one and tier two cities by 2023.

- Approximately **[REDACTED]** of our total estimated **[REDACTED]** will be used to explore new business opportunities by recruiting a business development team to expand our network of business partners and promote brand awareness through marketing efforts. Business development team is primarily responsible for marketing function, such as, promoting the Cheshi brand, identifying and sourcing new business partners for Business collaboration by promoting services and technology functions offered by the platforms, and is distinctive from sales function of the sales team and transaction service team as the business development team's function is more focused on business partner platform sourcing and selection and the promotion of Cheshi brand to potential customers; whereas the sales team is primarily responsible for sourcing business of Online Advertising Service which develops and improves business relationship with automakers and advertising agents; and transaction service team is primarily responsible for sourcing business of Transaction Facilitation Services which develops and improves business relationship with autodealers and aftersales service providers. The Company plans to hire additional five in 2021, two in 2022, business development staff, with each average salary accounting for approximately RMB**[REDACTED]** (HKD**[REDACTED]**) per annum.

Strengthen R&D and IT system and develop new products

We intend to use approximately **[REDACTED]** of our total estimated **[REDACTED]**, or HK$**[REDACTED]** to strengthen R&D and IT system and develop new products with the following specific plans and allocation:

- Approximately **[REDACTED]** of our total estimated **[REDACTED]** will be used to optimize our Picker engine, so as to customize our automobile contents to tailor to the platform design and interface of our business partners and to hire of computer personnel. The Company's existing Picker engine is featured with simultaneous distribution function to disseminate automobile contents to its proprietary and business partners platforms. As of the Latest Practicable Date, the Company's content to be distributed on its proprietary and its business partners' platforms are substantially standardized, that is, the automobile contents to be distributed through the Picker engine are generally the same. By optimizing the data analytics in the Picker engine, the Company targets to enhance the technologies in the Picker engine specifically to allow it to customize the automobile contents to be distributed in accordance with the platform designs and interface of its business partners. By doing so, the capability to distribute automobile contents to the users who are most receptive to such contents would be enhanced by making the dissemination more accurate and efficient and making the display of contents more appealing and user-friendly at business partners' platform. To implement the optimization, the Company will hire five data engineers in 2021 and 10 such staffs in 2022 having experience in data analytics, with each average salary accounting for approximately RMB**[REDACTED]** (HK$**[REDACTED]**) per annum; hire five computing technician responsible for system upgrading in 2021 and five such staff in 2022, with each average salary accounting for approximately RMB**[REDACTED]**

(HK$**[REDACTED]**) per annum; moreover, hire five other system technician responsible for back office R&D in 2022, with each average salary accounting for approximately RMB**[REDACTED]** (HK$**[REDACTED]**) per annum.

- Approximately **[REDACTED]** of our total estimated **[REDACTED]** will be used to maintain and upgrade existing IT systems and servers for our growing user base and increasing video distribution; to enhance data storage and broadband capacities; and to hire server technicians. To cater for increasing user traffic and time volume spent on its proprietary platforms, the Company plans to upgrade IT systems infrastructure. As of the Latest Practicable Date, the Company owned and was operating with a total of 65 computer servers. The Company intends to purchase 70 in 2021, 130 in 2022 and 50 new computer servers in 2023 respectively, which will be used to replace a number of less advanced servers being used over a considerable period of time, and to maintain user traffic, improve data storage and broadband capacities, support data processing in monitoring and content management system, and to cater for increasing use of video for its automobile contents and advertisements in the future. Each of the computer servers is estimated to cost approximately RMB**[REDACTED]** (HK$**[REDACTED]**); and average server maintenance fees is estimated to be approximately RMB**[REDACTED]** (HK$**[REDACTED]**) per annum for 2021 and 2022, and average server storage fees is estimated to be approximately RMB**[REDACTED]** (HK$**[REDACTED]**) per annum for 2021 and 2022.

- Approximately **[REDACTED]** of our total estimated **[REDACTED]** will be used to develop new products, of which:

  - Approximately **[REDACTED]** of our total estimated **[REDACTED]** will be used to develop products that provides new function and tools to users and customers and to hire program developers. The Company's R&D team is dedicated to developing new technologies, websites, Apps and tools on the platforms in order to provide users and customers with new experience and interaction. For instance, the Company launched "Hao Che Shi (豪車事)" and "Pika Cheshi (皮卡車市)" channels in July 2017 and July 2018, respectively; it relaunched Cheshi App in September 2016; it launched Cheshi Bao (車市寶) in January 2017. It is the Company's plan to launch the following major functions and tools by 2022:

    - Vehicle Owner Service (車主服務): New function for users interested in vehicles replacement. It provides information to such users to facilitate their vehicles replacements, such as specification and functions of the new vehicles and other information, such as records on fueling & charging piles, historical contraventions, annual fee payment, car maintenance, car wash, car repair, car insurance, second-car evaluation.

    - Cheshi Mall (車市商城): Membership system primarily providing services for the vehicle users. Members are rewarded with points by contributing good quality and quantity of UGC, comments and "like" clicks on others' UGC. Members can redeem the rewarded points (with cash) for vehicles services and gift products, such as, fuel cards.

    - Cheshi VR (車市Virtual Reality): A new function on platform for users to browse vehicle models by use of virtual reality.

The Company plans to hire computer programmers with prior work experience in computer programming, with two in 2021 and three in 2022 and one in 2023 to manage the research and development for the above products, tool and system, including program coding and development, interface design and testing and ongoing maintenance. It is estimated that salary payable to each computing programmer accounts for appropriately RMB**[REDACTED]** (HK$**[REDACTED]**) per annum.

- Approximately **[REDACTED]** of our total estimated **[REDACTED]** will be used for the maintenance of products developed by incurring relevant maintenance cost. The maintenance costs for the new functions and costs are estimated to be approximately RMB**[REDACTED]** (HK$**[REDACTED]**) in 2021 and RMB**[REDACTED]** (HK$**[REDACTED]**) in 2022.

- Approximately **[REDACTED]** of our total estimated **[REDACTED]** will be used to promote our platform by placing advertisements on platforms with high user traffic, in particular, the launching of our newly developed applications to attract their users to download and register as our users. The Company intends to promote new products, systems and tools by using advertising services, such as, click-per-cost and so forth, from third party service providers such as, renowned platform operators with massive user traffic, which accounts for approximately RMB**[REDACTED]** (HK$**[REDACTED]**) in each 2021 and 2022 and RMB**[REDACTED]** (HK$**[REDACTED]**) in 2023.

Future investments and acquisitions

We intend to use approximately **[REDACTED]** of our total estimated **[REDACTED]**, or HK$**[REDACTED]** on future investments and acquisitions. We will invest in companies according to search criteria set for suitable investment targets including PGC producers and we-media advertising companies with (i) capability to produce content with good quality and quantity that can supplement and enrich PGC, such as daily vehicle usage and maintenance, new energy vehicles and used vehicles; (ii) have good user traffic; and (iii) in sound and stable financial condition. The Company also considers to invest in companies which provide technology and service solutions that the Company believes can generate synergy with the Transaction Facilitation Service business.

The Company believes that its relationships with many industry participants and knowledge of and experience in the online automobile advertising industry in China will assist in making sound investment and acquisition decisions. The Company has recently completed the subscription of a 15% equity interest in Leikewo in March 2020, which has not commenced business operations as of the Latest Practicable Date. It is intended that its primary business relates to the production of automobile PGC. Save as the abovementioned, the Company does not currently have any confirmed investment or acquisition plans or targets as of the Latest Practicable Date. However, the Company will closely monitor the future development of investment targets for potential investments. The total investment amount is estimated to be within RMB**[REDACTED]** (HK$**[REDACTED]**). According to CIC Report, there are at least 20 potential targets that satisfy the above investment criteria and are within the investment scale as of the Latest Practicable Date. No specific investment target has been identified by us as of the Latest Practicable Date.

Working capital

We intend to use approximately **[REDACTED]** of our total estimated **[REDACTED]**, or HK$**[REDACTED]** on general working capital of the Company.

In preparation of the implementation plan up to 2023, the following principal assumptions have been adopted:

- there will be no material changes in the existing legislation or regulations, political, legal, fiscal or economic conditions in Hong Kong, the PRC and any other places in which any member of our Group carries on or will carry on our business;
- there will be no material changes in the bases or rates of taxation in Hong Kong or the PRC in any other places in which any member of our Group operates or will operate or is incorporated;
- the **[REDACTED]** will be completed in accordance with and as described in the section headed ''Structure of the **[REDACTED]**" in this document
- there will be no significant changes in our business relationship with our major customers and suppliers;
- our Group will be able to retain key staff in the management and the main operational departments;
- our Group will not be materially affected by any risk factors set out in the section headed ''Risk Factors'' in this document;
- there will be no material changes in the funding required for each of the scheduled achievement; and
- our Group will be able to continue its operations in substantially the same manner as our Group has been operating during the Track Record Period and our Group will be able to carry out the development plans without disruptions adversely affecting its operations or business objectives in any way.

The total amount of the implementation plan to be used from 2021 to 2023 accounted for approximately HK$**[REDACTED]**, in which the Company will use approximately HK$**[REDACTED]** from the **[REDACTED]** and use its own funding of approximately HK$**[REDACTED]**.

The above allocation of the **[REDACTED]** will be adjusted on a pro rata basis in the event that the **[REDACTED]** is fixed below or above the midpoint of the indicative **[REDACTED]** range. Any additional **[REDACTED]** received from the exercise of the **[REDACTED]** will also be allocated to the above purposes on a pro rata basis. In the event that the **[REDACTED]** is exercised in full, we will receive **[REDACTED]** of HK$**[REDACTED]** (assuming an **[REDACTED]** of HK$**[REDACTED]** per Share, the midpoint of our indicative **[REDACTED]** range).

Our Directors consider that the **[REDACTED]** from the **[REDACTED]** together with our internal resources will be sufficient to finance the implementation of our business plans as set out above. **[REDACTED]** should be aware that any part of our business plans may not proceed according to the time frame as described above due to various factors. Under such circumstances, our Directors will evaluate carefully the situation and will hold the funds as short-term deposits until the relevant business plan(s) materialize.

[REDACTED]

[REDACTED]

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HOW TO APPLY FOR [REDACTED]

[REDACTED]

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

[*Letterhead of PricewaterhouseCoopers*]

[Draft]

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHESHI HOLDINGS LIMITED AND ABCI CAPITAL LIMITED

Introduction

We report on the historical financial information of Cheshi Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-78, which comprises the consolidated statements of financial position as at 31 December 2017, 2018 and 2019 and 30 June 2020, the company statements of financial position as at 31 December 2018 and 2019 and 30 June 2020, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-78 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "Document") in connection with the **[REDACTED]** of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting

accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2018 and 2019 and 30 June 2020, and the consolidated financial position of the Group as at 31 December 2017, 2018 and 2019 and 30 June 2020 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statements of comprehensive income, changes in equity and cash flows for the six months ended 30 June 2019 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 1.3 and Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the International Auditing and Assurance Standards Board ("IAASB"). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Note 1.3 and Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 15 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong
[Date]

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("IAASB") ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Consolidated statements of comprehensive income

		Year ended 31 December			Six months ended 30 June	
	Note	2017	2018	2019	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	6	117,578	157,847	177,615	77,504	58,897
Cost of providing services	7	(16,836)	(21,263)	(28,852)	(15,213)	(9,472)
Gross profit		100,742	136,584	148,763	62,291	49,425
Other income	9	443	131	3,056	659	1,664
Other gains, net	10	607	1,035	3,932	574	8,366
(Net impairment loss)/ reversal of net impairment loss on financial assets	7	(1,386)	(6,837)	(3,703)	6,681	1,873
Selling and distribution expenses	7	(45,009)	(43,791)	(47,757)	(21,723)	(16,794)
Administrative expenses	7	(12,606)	(19,463)	(34,426)	(17,340)	(13,057)
Research and development expenses	7	(4,843)	(7,823)	(12,507)	(4,243)	(3,275)
Operating income		37,948	59,836	57,358	26,899	28,202
Finance income		5	23	383	25	161
Finance costs		(299)	(187)	(84)	(57)	(223)
Finance (costs)/income, net	11	(294)	(164)	299	(32)	(62)
Share of loss of an associate	12	—	—	—	—	(56)
Profit before income tax		37,654	59,672	57,657	26,867	28,084
Income tax expense	13	(10,179)	(12,069)	(5,947)	(5,072)	(3,377)
Profit and total comprehensive income for the year/period attributable to owners of the Company		27,475	47,603	51,710	21,795	24,707
Earnings per share for profit attributable to owners of the Company during the year/period (expressed in RMB per share)						
Basic	14	0.03	0.06	0.06	0.03	0.03
Diluted	14	0.03	0.06	0.06	0.03	0.02

Consolidated statements of financial position

	Note	As at 31 December 2017	As at 31 December 2018	As at 31 December 2019	As at 30 June 2020
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment and right-of-use assets	16	5,475	3,345	1,091	14,032
Intangible assets	17	13,826	12,593	11,633	11,157
Long-term deposits	20	615	471	—	1,705
Deferred tax assets	27	1,443	2,259	2,207	3,996
Interest in an associate	12	—	—	—	94
Amount due from an associate	30	—	—	—	351
		21,359	18,668	14,931	31,335
Current assets					
Prepayments, deposits and other receivables	20	1,869	5,470	13,715	17,091
Amounts due from shareholders	30	—	—	331	336
Contract assets	6(c)	2,883	6,244	8,056	2,825
Trade and bill receivables	19	81,534	102,348	114,563	91,511
Financial assets at fair value through profit or loss	21	7,148	20,300	41,656	92,391
Income tax recoverable		—	32	186	—
Cash and cash equivalents	22	14,459	36,130	76,670	55,331
		107,893	170,524	255,177	259,485
Total assets		129,252	189,192	270,108	290,820
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	23(a)	—	—	655	655
Treasury shares	23(b)	—	—	(69)	(69)
Reserves	23(c)	44,467	49,234	55,426	56,541
Retained earnings		33,447	26,283	71,612	95,204
Total equity		77,914	75,517	127,624	152,331
LIABILITIES					
Non-current liabilities					
Other payables	25	67	71	—	—
Lease liabilities	26	2,054	36	—	7,864
Convertible redeemable preference shares	32	—	—	48,377	42,445
		2,121	107	48,377	50,309
Current liabilities					
Trade payables	24	4,822	4,898	5,519	5,136
Contract liabilities	6(c)	750	846	3,765	3,600
Accruals and other payables	25	24,508	42,657	60,676	51,356
Lease liabilities	26	3,311	3,371	555	4,922
Dividend payable	15	—	50,000	13,600	13,600
Amount due to a director	30	2	—	—	—
Income tax payable		15,824	11,796	9,992	9,566
		49,217	113,568	94,107	88,180
Total liabilities		51,338	113,675	142,484	138,489
Total equity and liabilities		129,252	189,192	270,108	290,820

Statements of financial position of the Company

	Note	As at 31 December 2018	As at 31 December 2019	As at 30 June 2020
		RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Investments in subsidiaries	23(d)	—*	93,879	93,879
Current assets				
Amounts due from shareholders	23(e)	—	331	336
Amounts due from subsidiaries	23(e)	—	46,814	47,886
Cash and cash equivalents	22	—	2,576	1,718
		—	49,721	49,940
Total assets		—*	143,600	143,819
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital	23(a)	—*	655	655
Treasury shares	23(b)	—	(69)	(69)
Reserves	23(c)	—	93,690	93,690
Retained earnings	23(c)	—*	947	7,006
Total equity		—*	95,223	101,282
LIABILITIES				
Non-current liability				
Convertible redeemable preference shares	32	—	48,377	42,445
Current liabilities				
Accruals and other payables		—*	—	92
Total liabilities		—*	48,377	42,537
Total equity and liabilities		—*	143,600	143,819

* Amount less than RMB1,000.

Consolidated statements of changes in equity

	Attributable to the owners of the Company				
	Share capital	Treasury shares	Reserves	Retained earnings	Total equity
	RMB'000 (Note 23(a))	RMB'000 (Note 23(b))	RMB'000 (Note 23(c))	RMB'000	RMB'000
Balances at 1 January 2017	—	—	40,219	8,720	48,939
Comprehensive income					
Profit for the year	—	—	—	27,475	27,475
Transaction with owners					
Return of capital to a former shareholder of a subsidiary now comprising the Group (Note 23(c)(1)(ii))	—	—	(29,250)	—	(29,250)
Capital injection from shareholders of a subsidiary now comprising the Group (Note 23(c)(1)(ii) and (iii))	—	—	30,750	—	30,750
Profit appropriations to statutory reserves	—	—	2,748	(2,748)	—
	—	—	4,248	(2,748)	1,500
Balances at 31 December 2017 and 1 January 2018	—	—	44,467	33,447	77,914
Comprehensive income					
Profit for the year	—	—	—	47,603	47,603
Transaction with owners					
Ordinary share issued upon incorporation	—*	—	—	—	—*
Profit appropriations to statutory reserves	—	—	4,767	(4,767)	—
Dividends declared and payable by a company comprising the Group (Note 15)	—	—	—	(50,000)	(50,000)
	—	—	4,767	(54,767)	(50,000)
Balances at 31 December 2018 and 1 January 2019	—	—	49,234	26,283	75,517
Comprehensive income					
Profit for the year	—	—	—	51,710	51,710
Transaction with owners					
Issuance of ordinary shares (Note 23(a)(ii) and (iv))	586	—	(189)	—	397
Effect of adoption of restricted share unit scheme ("RSU Scheme") and share award scheme ("SA Scheme") (together the "Incentive Schemes") (Note 23(b))	69	(69)	—	—	—
Profit appropriations to statutory reserves	—	—	6,381	(6,381)	—
	655	(69)	6,192	(6,381)	397
Balances at 31 December 2019	655	(69)	55,426	71,612	127,624

* 1,000 shares at US$0.0001 were issued on 22 November 2018.

	Attributable to the owners of the Company				
	Share capital	Treasury shares	Reserves	Retained earnings	Total equity
	RMB'000 (Note 23(a))	RMB'000 (Note 23(b))	RMB'000 (Note 23(c))	RMB'000	RMB'000
Balance at 1 January 2020	655	(69)	55,426	71,612	127,624
Comprehensive income					
Profit for the period	—	—	—	24,707	24,707
Transaction with owners					
Profit appropriations to statutory reserves	—	—	1,115	(1,115)	—
Balance at 30 June 2020	655	(69)	56,541	95,204	152,331
(Unaudited)					
Balance at 1 January 2019	—	—	49,234	26,283	75,517
Comprehensive income					
Profit for the period	—	—	—	21,795	21,795
Transaction with owners					
Issuance of ordinary shares (Note 23(a)(ii) and (iv))	586	—	(189)	—	397
Effect of adoption of restricted share unit scheme ("RSU Scheme") and share award scheme ("SA Scheme") (together the "Incentive Schemes") (Note 23(b))	69	(69)	—	—	—
Profit appropriations to statutory reserves	—	—	2,742	(2,742)	—
	655	(69)	2,553	(2,742)	397
Balance at 30 June 2019	655	(69)	51,787	45,336	97,709

Consolidated statements of cash flows

	Note	Year ended 31 December			Six months ended 30 June	
		2017	2018	2019	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cash flows from operating activities						
Cash generated from operations	28(a)	19,715	55,700	60,602	36,102	37,214
Interest received		5	23	272	25	161
Income tax paid		—	(16,945)	(7,853)	(8,915)	(5,406)
Net cash generated from operating activities		19,720	38,778	53,021	27,212	31,969
Cash flows from investing activities						
Purchase of property, plant and equipment		(55)	(359)	(320)	(129)	(1,228)
Purchase of intangible assets		—	(69)	—	—	(164)
Purchase of financial assets at fair value through profit or loss		(74,500)	(150,000)	(168,700)	(108,500)	(126,350)
Proceeds from disposal of financial assets at fair value through profit or loss		79,989	137,865	149,229	92,219	77,277
Repayment from a former shareholder		200	—	—	—	—
Investment in an associate		—	—	—	—	(150)
Net cash generated from/(used in) investing activities		5,634	(12,563)	(19,791)	(16,410)	(50,615)
Cash flows from financing activities						
Return of capital to a former shareholder	23(c)(ii)	(29,250)	—	—	—	—
Capital injection to the Company	23(b)	—	—	69	—	—
Capital injection to a subsidiary of the Group from its shareholders	23(c)(ii)&(iii)	30,750	—	—	—	—
Proceeds from issuance of convertible redeemable preference shares	32	—	—	50,000	50,000	—
Repayment of loan from a director		(5,750)	—	—	—	—
Repayment of borrowing		(5,000)	—	—	—	—
Professional expenses paid in connection with the issuance of new shares during the **[REDACTED]** process		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Payments of lease liabilities	28(b)	(3,196)	(4,337)	(4,569)	(2,332)	(2,783)
Interest paid		(375)	—	—	—	—
Dividend paid	15	—	—	(36,400)	(35,000)	—
Net cash (used in)/generated from financing activities		(12,821)	(4,544)	6,862	11,341	(3,460)
Net increase/(decrease) in cash and cash equivalents		12,533	21,671	40,092	22,143	(22,106)
Effect on exchange rate difference		—	—	448	(232)	767
Cash and cash equivalents at the beginning of the year		1,926	14,459	36,130	36,130	76,670
Cash and cash equivalents at the end of the year/period	22	14,459	36,130	76,670	58,041	55,331

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information, reorganisation and basis of presentation

1.1 General information

The Company was incorporated in the Cayman Islands on 22 November 2018 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Sertus Chambers, Governors Square, Suite # 5-204, 23 Lime Tree Bay Avenue, P.O. Box 2547, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the automobile advertising service in the People's Republic of China (the "PRC") (the "**[REDACTED]** Business"). The ultimate holding company of the Company is XC Group Limited ("XC Group"). The ultimate controlling party of the Group is Mr. Xu Chong ("Mr. Xu").

1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation (the "Reorganisation") as described below, the **[REDACTED]** Business was carried out by Congshu Beijing Technology Limited ("樅樹(北京)科技有限公司") ("Congshu Beijing") and its subsidiaries (collectively, the "Operating Companies") in the PRC. The Operating Companies were controlled by Mr. Xu throughout the Track Record Period.

In preparation for the **[REDACTED]** of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**[REDACTED]**"), the Group underwent the Reorganisation which primarily involved the following steps:

(a) On 22 November 2018, XC Group and ADYM Investments Limited ("ADYM Investments") were incorporated in the British Virgin Islands (the "BVI") and 100% and 100% held by Mr. Xu and Mr. Li Anding ("Mr. Li") respectively.

(b) On 22 November 2018, the Company was incorporated in the Cayman Islands, 950 and 50 shares of the Company were allotted and issued to XC Group and ADYM Investments, respectively.

(c) On 6 December 2018, Cheshi Investments Limited ("Cheshi BVI") was incorporated in the BVI and held by the Company.

(d) On 19 December 2018, Cheshi Hong Kong Limited ("Cheshi HK") was incorporated in Hong Kong and held by Cheshi BVI.

(e) Beijing Congshu Internet Technology Limited ("北京樅樹互聯科技有限公司" or "Congshu Internet") was incorporated as a wholly foreign-owned enterprise in the PRC on 30 January 2019 and held by Cheshi HK.

(f) On 15 May 2019, Congshu Internet entered into a series of contractual arrangements (collectively, the "Contractual Arrangements") with Congshu Beijing and its registered equity holders. Pursuant to the Contractual Arrangements, Congshu Internet is able to effectively control, recognise and receive substantially all the economic benefits of the business and operations of the Operating Companies. Consequently, the Company regards Congshu Beijing and its subsidiaries as controlled structured entities and consolidated the

financial position and results of operations of these entities in the consolidated financial statements of the Group during the Track Record Period.

Upon completion of the Reorganisation and as at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Company name	Place and date of establishment/ incorporation	Particulars of issued and paid up capital	Effective interest held as at 31 December 2017	31 December 2018	31 December 2019	30 June 2020	the date of this report	Principal activities and place of operation	Notes
Directly owned:									
Cheshi BVI	The BVI, 6 December 2018	United states dollars ("US$") 1	—	100%	100%	100%	100%	Investment holding	(2)
Indirectly owned:									
Cheshi HK	Hong Kong, 19 December 2018	US$1,000	—	100%	100%	100%	100%	Investment holding	(3)
Congshu Beijing [1]	The PRC, 28 September 2015	Renminbi ("RMB") 35,750,000	100%	100%	100%	100%	100%	Automobile advertising service, the PRC	(2)
Congshu Hubei Technology Company Limited (樅樹（湖北）科技有限公司) ("Congshu Hubei") [1]	The PRC, 1 June 2018	RMB5,000	—	100%	100%	100%	100%	Automobile advertising service, the PRC	(2)
Beihai Congshu Technology Co., Ltd (北海樅樹科技有限公司) ("Beihai Congshu") [1]	The PRC, 6 November 2018	Note 7	—	100%	— (Note 7)	—	— (Note 7)	Dormant, the PRC	(2)
Huo'er Guosi Congshu Network Technology Co., Ltd (霍爾果斯樅樹網絡科技有限公司) ("Congshu Huo'er Guosi") [1]	The PRC, 15 September 2017	RMB5,000	100%	100%	— (Note 6)	—	— (Note 6)	Dormant, the PRC	(2)
Huo'er Guosi Online Cheshi Technology Co., Ltd (霍爾果斯網上車市科技有限公司) ("HG Technology") [1]	The PRC, 30 March 2018	RMB5,000	—	100%	— (Note 8)	—	— (Note 8)	Automobile advertising service, the PRC	(2)
Huo'er Guosi April Travel Technology Co., Ltd (霍爾果斯四月出行科技有限公司) ("April Travel") [1]	The PRC, 2 April 2018	Note 5	—	100%	— (Note 6)	—	— (Note 6)	Dormant, the PRC	(2)
Congshu Internet	The PRC, 30 January 2019	Note 9	—	—	100%	100%	100%	Dormant, the PRC	(2)
Beihai April Digits Technology Co., Ltd (北海四月行數字科技有限公司) [1]	The PRC, 26 December 2019	Note 9	—	—	100%	100%	100%	Dormant, the PRC	(2)
Beihai Congshu Advertising Media Co., Ltd (北海樅樹廣告傳媒有限公司) [1]	The PRC, 18 December 2019	Note 9	—	—	100%	100%	100%	Dormant, the PRC	(2)
Glory Tower Investment Limited ("Glory Tower")	The BVI, 30 May 2019	US$100	—	—	100%	100%	100%	Investment holding, Hong Kong	(10)
Colourful Sky International Limited ("Colourful Sky")	The BVI, 29 May 2019	US$100	—	—	100%	100%	100%	Investment holding, Hong Kong	(10)

Company name	Place and date of establishment/ incorporation	Particulars of issued and paid up capital	Effective interest held as at 31 December 2017	2018	2019	30 June 2020	the date of this report	Principal activities and place of operation	Notes
Beijing Union Vehicle Technology Co., Ltd (北京聯車科技有限司) [1]	The PRC, 29 May 2020	Note 11	—	—	—	100%	100%	Dormant, the PRC	(2)
Congshu Internet (Guangzhou) Technology Co., Ltd (樅樹互聯（廣州）科技有限公司) [1]	The PRC, 4 June 2020	Note 11	—	—	—	100%	100%	Dormant, the PRC	(2)
Shanghai Vehicle Color Technology Co., Ltd (上海車彩科技有限公司) [1]	The PRC, 16 June 2020	Note 11	—	—	—	100%	100%	Dormant, the PRC	(2)
Chengdu Congshu Technology Co., Ltd (成都樅樹科技有限公司) [1]	The PRC, 16 June 2020	Note 11	—	—	—	100%	100%	Dormant, the PRC	(2)

Notes:

(1) The official names of these entities are in Chinese. The English names are for identification purpose only.

(2) No statutory financial statements have been prepared for these companies for the Track Record Period, as they are not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

(3) The company was newly established in late 2018 and its first statutory financial statements have been issued on 18 November 2020 which were audited by Tandem (HK) CPA Limited.

(4) All companies comprising the Group have adopted 31 December as their financial year end date.

(5) No capital has been injected to April Travel up to the date of its deregistration.

(6) April Travel and Congshu Huo'er Guosi were deregistered on 2 January 2019 and 28 March 2019, respectively.

(7) Beihai Congshu was disposed of to an independent third party for a consideration of RMB2,000 on 26 April 2019. No capital has been injected to Beihai Congshu up to the date of the disposal.

(8) HG Technology was disposed of to an independent third party for a consideration of RMB1 on 27 May 2019.

(9) No capital has been injected to these companies up to the date of this report, and the companies were newly established in 2019.

(10) On 21 June 2019, Glory Tower and Colourful Sky were incorporated in the BVI as special purpose vehicles to hold shares and benefit derived from shares to be granted eligible grantees under Incentive Schemes to be adopted. As the Company has the power to govern the relevant activities of Glory Tower and Colourful Sky and can derive benefits from the contributions of the eligible management and employees, the directors of the Company consider that it is appropriate to consolidate Glory Tower and Colourful Sky.

(11) No capital has been injected to these companies up to the date of this report, and the companies were newly established in 2020.

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the **[REDACTED]** Business was carried out by the Operating Companies. Pursuant to the Reorganisation, the Operating Companies are under the effective control of Congshu Internet and ultimately the Company through the Contractual Arrangements. The Company and Congshu Internet newly set up during the Reorganisation have not been involved in any other business prior to the Reorganisation and their operations do not meet the definition of a business. The Reorganisation is merely a reorganisation of the **[REDACTED]** Business and does not result in any changes in business substance, nor in any management or the controlling shareholder of the **[REDACTED]** Business. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the **[REDACTED]** Business under Congshu Beijing and, for the purpose of this

report, the Historical Financial Information has been prepared and presented as a continuation of the consolidated financial statements of Congshu Beijing and its subsidiaries, with the assets and liabilities of the Group recognised and measured at the carrying amounts of the **[REDACTED]** Business under the consolidated financial statements of Congshu Beijing for all periods presented.

Inter-company transactions, balances and unrealised gains/losses on transactions between companies now comprising the Group are eliminated.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years/period presented.

In particular, the Group applied IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases*, which are effective during the Track Record Period, consistently throughout the Track Record Period.

2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB").

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss ("FVTPL") and convertible redeemable preference shares, which are measured at fair value.

The preparation of the Historical Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4 below.

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2 (1)
Amendments to IAS 1	Classification of Liabilities as Current or Non-current (3)
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use (2)
Amendments to IAS 37	Onerous Contract (2)
Amendments to IFRS 3	Reference to the Conceptual Framework (2)
Amendments to IFRS 10 and IFRS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Venture (4)
IFRS 17	Insurance Contracts (3)
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018-2020 (2)

(1) effective for accounting periods beginning on or after 1 January 2021

(2) effective for accounting periods beginning on or after 1 January 2022

(3) effective for accounting periods beginning on or after 1 January 2023

(4) no mandatory effective date is determined yet but early application is permitted

There are no standards that are not yet effective and that would be expected to have a material impact on the Group's financial performance and position.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Subsidiaries controlled through contractual arrangements

As described in Note 1.2, during the Track Record Period, the wholly-owned subsidiary of the Company, Congshu Internet, has entered into a series of contractual arrangements with Congshu Beijing and its registered equity holders, which enable Congshu Internet and the Group to:

- govern the financial and operating policies of the Operating Companies;
- exercise registered equity holders' voting rights of the Operating Companies;
- be entitled to receive substantially all of the economic interest returns generated by the Operating Companies in consideration for the technology consulting and services provided by Congshu Internet;
- obtain an irrevocable and exclusive right to purchase all or part of the equity interests in Congshu Beijing from the respective equity holders at a minimum purchase price permitted under PRC laws and regulations. Congshu Internet may exercise such options at any time until it has acquired all equity interests of Congshu Beijing; and
- obtain a pledge over the entire equity interests of Congshu Beijing from its respective equity holders as collateral security for all of Congshu Beijing's payments due to Congshu Internet and to secure performance of Congshu Beijing's obligation under the Contractual Arrangements.

As a result of the Contractual Arrangements, the Group has right to exercise power over the Operating Companies, receive variable returns from its involvement with the Operating Companies, has the ability to affect those returns through its power over the Operating Companies, and thus is considered to control the Operating Companies, Consequently, the Company regards Congshu Beijing and its subsidiaries as controlled structured entities and consolidated the financial position and results of operations of these entities in the consolidated financial statements of the Group during the Track Record Period (refer to Note 1.3 for details of the related presentation basis).

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over Congshu Beijing and its subsidiaries.

Uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of Congshu Beijing and its subsidiaries. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements among Congshu Internet, Congshu Beijing and its registered equity holders are in compliance with the relevant PRC laws and regulations and are legally binding and enforceable.

(b) Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

(c) Associate

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in consolidated statements of comprehensive income. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as executive directors of the Company.

2.5 Foreign currency translation

2.5.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company's functional currency is RMB. The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. As the major operations of the Group during the Track Record Period are within the PRC, the Group determined to present its Historical Financial Information in RMB.

2.5.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statements of comprehensive income within "other gains, net". Foreign exchange gains and losses that relate to financing related activities are presented in the consolidated statements of comprehensive income within "finance costs, net".

2.5.3 Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that statements of financial position;

(b) income and expenses for each statements of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting currency translation differences are recognised in other comprehensive income.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statements of comprehensive income during the period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

Computer and electric equipment	3 years
Office furniture and equipment	3 years
Asset retirement obligation	Over the remaining lease term
Leasehold improvement	Over the shorter of the lease terms or 3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statements of financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statements of comprehensive income.

Right-of-use assets included the rights to use certain properties under leases which are measured at cost. The initial costs of right-of-use assets include the following:

- the amount of the initial measurement of lease liability
- lease payments made at or before the commencement date
- initial direct costs, and
- restoration costs.

Right-of-use assets are depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis.

2.7 Intangible assets

2.7.1 Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

2.7.2 Trademarks and domain names

Separately acquired trademarks and domain names are shown at historical cost. Trademarks and domain names acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and domain names have a finite useful life and are carried at cost less accumulated amortisation on the straight-line basis over the period of 10 years and impairment losses.

2.7.3 Customer relationships

Customer relationship acquired in a business combination is recognised at fair value at the acquisition date. The customer relationship has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line basis over the period of 3 years.

2.7.4 Computer software

Computer software is stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives of 3 years.

2.7.5 Research and development expenditure

Research expenditure and development expenditure that do not meet the below criteria are recognised as an expense as incurred:

- it is technically feasible to complete the intangible asset so that it will be available for use
- management intends to complete the intangible asset and use or sell it
- there is an ability to use or sell the intangible asset
- it can be demonstrated how the intangible asset will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available, and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Development costs that meet the above criteria are recognised as intangible assets. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2.8 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each of the reporting periods.

2.9 Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss, and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in profit or loss. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through profit or loss.

(ii) Recognition and derecognition

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains, net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statements of comprehensive income.
- FVTPL: Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains, net in the period in which it arises.

(iv) Impairment

The Group has four types of financial assets subject to IFRS 9's expected credit loss model:

- trade receivables for provision of services;
- other receivables;
- contract assets; and
- cash and cash equivalents.

For trade receivables and contract assets, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group uses practical expedients when estimating life time expected credit losses on trade receivables, which is calculated using a provision matrix where a fixed provision rate applies depending on the number of days that a trade receivable is outstanding. For details, please refer to Note 3.1.2.

For impairment methodology of other receivables, please refer to 3.1.2(ii)(c).

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

2.10 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

The Group gives volume-based rebates to certain customers. Under the terms of the master agreements, certain amounts payable by the Group are offset against receivables from the customers and only the net amounts are settled. The relevant amounts have therefore been presented net in the consolidated statements of financial position. On the contrary, the rest of the amounts will not be paid by the Group unless the receivables from the customers are collected. The relevant amounts have therefore been presented separately in the consolidated statements of financial position.

2.11 Trade, bill and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. They are generally due for settlement within 180 days and therefore are all classified as current.

Trade, bill and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after each of the reporting periods.

They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each of the reporting periods in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of each of the reporting periods and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.16 Employee benefits

2.16.1 Pension obligations

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in an independent fund managed by the PRC Government. The Group's contributions to these plans are expensed as incurred.

2.16.2 Housing funds, medical insurance and other social insurance

The PRC employees of the Group are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period.

2.16.3 Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the each of the reporting periods and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statements of financial position.

2.16.4 Bonus plan

The expected cost of bonuses is recognised as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

2.17 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of each of the reporting periods. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.18 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Revenue is recognised when or as the services are rendered to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the services may be transferred over time or at a point in time.

Control of the services is transferred over time if the Group's performance provides all of the benefits received and consumed simultaneously by the customer.

If control of the services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The Group uses the output methods to measure the progress towards, recognising revenue based on direct measurements of the value transferred to the customer. Otherwise, revenue is recognised at a point in time when the customer obtains control of the services.

Contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates revenue to each performance obligation based on its relative standalone selling price. The Group generally determines standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgements on these assumptions and estimates may impact the revenue recognition.

When either party to a contract has performed its obligation, the Group presents the contract in the consolidated statements of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for services that the Group has transferred to a customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of the consideration is due.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers service to the customer, the Group presents the contract

liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due from the customer).

The Group principally derives revenue from online advertising income and transaction facilitation service income.

Online advertising income

During the Track Record Period, the Group principally provided advertising service to marketing agents in the automobile industry. Majority of the Group's online advertising service arrangements involve various deliverables such as banner advertisements, links and logos, and other media insertions that are delivered over different periods of time.

Online advertising income is recognised in each of the reporting periods during the Track Record Period in which the advertisements are published over the stated display period on its own online platform, other linked online portals, or mobile applications. The Group uses the output methods to measure the progress towards, recognising revenue based on direct measurements of the value transferred to the customers.

Since the Group has the ability to determine the pricing of the online advertising service and to take responsibility for monitoring the quality of advertising service provided and to negotiate the service terms, the Group is regarded as the primary obligor and recognises revenue from advertising on a gross basis.

Marketing agents usually pay the advertisement after the whole contract is completed. The Group records contract assets when it has delivered the relevant services to the customers, while accounts receivables are recorded when the Group has unconditional rights to payments of online advertising service which are due according to the contract terms.

The online advertising service is often sold with volume discounts based on aggregate sales over a 12 months period. Revenue from these sales is recognised based on the price specified in the contract, net of the actual volume discounts. A refund liability (included in other payables) is recognised for volume discounts payable to customers in relation to sales made until the end of each of the reporting periods during the Track Record Period. While certain volume discounts payable by the Group are offset against receivables from the customers and only the net amounts are settled (Note 2.10).

Certain customers prepay for the online advertising service, the Group recognises these receipt in advance as contract liabilities until the Group transfers the relevant services to the customers.

Transaction facilitation service income

The Group is engaged in the provision of transaction facilitation service under which the Group assists car dealers or market agents in hosting exhibitions and advertising campaigns, facilitating the target customers in purchasing automobiles. Transaction facilitation service income is recognised in each of the reporting periods during the Track Record Period in which the exhibitions and advertising campaigns are carried out over-time.

Since the Group has the ability to determine the pricing of the transaction facilitation service and to take responsibility for monitoring the quality of the services provided and to negotiate the service terms, the Group is regarded as the primary obligor and recognises revenue from the transaction facilitation service on a gross basis.

Customers usually pay the service when the exhibitions or roadshows are completed. The Group records accounts receivables when the revenue is recognised since the Group has unconditional rights to payments of the services which are due according to the contract terms.

Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

2.19 Leases

The Group leases various properties to operate its business. Property leases are typically made for fixed periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain different terms and conditions.

Property leases are recognised as right-of-use assets (included in property, plant and equipment) and the corresponding liabilities at the date of which the respective leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to provide a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed lease payments, less any lease incentives receivable.

The lease payments are discounted using the entity specific incremental borrowing rate.

2.20 Interest income

Interest income from financial assets at FVTPL is included in "other gains, net".

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

2.21 Borrowing and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated statements of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.22 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding shares held for employee share scheme.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.23 Convertible redeemable preference shares

The Group designated the convertible redeemable preference shares as financial liabilities at fair value through profit or loss. They are initially recognised at fair value. Any directly attributable transaction costs are recognised as finance costs in the consolidated statements of comprehensive income.

Subsequent to initial recognition, the convertible redeemable preference shares are carried at fair value with changes in fair value recognised as "other gains, net" in the consolidated statements of comprehensive income.

The component of fair value changes relating to the Company's own credit risk is recognised in other comprehensive income. Amounts recorded in other comprehensive income related to credit risk

are not subject to recycling in the statement of comprehensive income, but are transferred to retained earnings when realised.

2.24 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

3 Financial risk management

3.1 Financial risk factor

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

3.1.1 Market risk

(a) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The Company's functional currency is RMB. The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency.

The Group operates mainly in the PRC with most of the transactions settled in RMB, management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of the Group are denominated in the currencies other than the respective functional currencies of the Group's entities.

As at 31 December 2019 and 30 June 2020, if RMB has strengthened/weakened by 5% against US$ with all other variables held constant, the post-tax profit and total equity would have been approximately RMB2,383,000 and RMB2,384,000 lower/higher, respectively, mainly as a result of foreign exchange losses/gains on translation of US$ denominated cash and cash equivalents.

(b) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for cash and cash equivalents, details of which have been disclosed in Note 22.

The fixed rate amount due to a director, convertible redeemable preference shares and borrowing are subject to fair value interest rate risk, which are monitored through contractual terms, and the Group does not use derivatives to hedge the interest rate risk.

3.1.2 Credit risk

Credit risk arises from cash and cash equivalents, financial assets carried at FVTPL, trade and bill receivables, contract assets and deposits and other receivables.

(i) Risk management

As at the end of each of the Track Record Period, all cash and cash equivalents and financial assets carried at FVTPL were deposited in high quality financial institutions without significant credit risk. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Group has concentrations of credit risk which arise from trade receivables from its customers. Trade receivables from the Group's five largest customers in aggregate account for 42%, 43% and 46% and 52% of the Group's total trade receivables at 31 December 2017, 2018 and 2019 and 30 June 2020 respectively. The credit quality of the debtors is assessed based on their financial positions, past experience, expected loss rates based on the payment profiles of sales over the Track Record Period, and other factors. The Group has policies in place to ensure credit terms are granted to reliable debtors. The Group's historical experience in collection of receivables falls within recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivable has been made.

For deposits, bill and other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of deposits, bill and other receivables based on historical settlement records, past experience, expected loss rates based on the payment profiles of sales over the Track Record Period, and other factors. The directors believe that there is no material credit risk inherent in the Group's outstanding balance of deposits, bill and other receivables. For the provision made to the deposits and other receivables balance, please refer to Note 20.

(ii) Impairment of financial assets

The Group has three types of financial assets that are subject to the expected credit loss model:

a. Trade receivables;

b. Contract assets;

c. Deposits, bill and other receivables;

Trade receivables and contract assets

The Group applies the simplified approach to provide for the expected credit loss prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past recognition. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Expected credit losses are also estimated by grouping the remaining receivables based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customer, its geographical location and its ageing category, and applying the expected credit loss rates to the respective gross carrying amounts of the receivables.

The expected loss rates are based on the payment profiles of sales and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the gross domestic product index ("GDP") of the PRC in which it provides its services to be the most relevant factors, and accordingly adjust the historical loss rate based on expected changes in these factors.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery includes, amongst other, the failure of a debtor to engage in a repayment plan within the Group.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating expenses. Subsequent recoveries of amounts previously written off are credited against the same line item.

	By recognition date of gross trade receivables and contract assets						
31 December 2017	**Within 30 days**	**31 to 60 days**	**61 to 90 days**	**91 to 180 days**	**181 to 365 days**	**Over 365 days**	**Total**
Expected loss rate	1.26%	1.47%	1.52%	1.58%	2.33%	56.00%	
Gross carrying amount—trade receivables (in RMB'000)	26,909	7,639	15,575	18,013	12,570	1,122	81,828
Gross carrying amount—contract assets (in RMB'000)	2,920	—	—	—	—	—	2,920
Loss allowance (RMB'000)	376	112	237	285	293	628	1,931

	By recognition date of gross trade receivables and contract assets						
31 December 2018	**Within 30 days**	**31 to 60 days**	**61 to 90 days**	**91 to 180 days**	**181 to 365 days**	**Over 365 days**	**Total**
Expected loss rate	3.13%	3.43%	3.56%	3.74%	5.65%	61.08%	
Gross carrying amount—trade receivables (in RMB'000)	35,355	14,335	12,653	24,969	15,602	7,701	110,615
Gross carrying amount—contract assets (in RMB'000)	6,445	—	—	—	—	—	6,445
Loss allowance (RMB'000)	1,307	491	450	934	882	4,704	8,768

	By recognition date of gross trade receivables and contract assets						
31 December 2019	**Within 30 days**	**31 to 60 days**	**61 to 90 days**	**91 to 180 days**	**181 to 365 days**	**Over 365 days**	**Total**
Expected loss rate	1.33%	1.41%	1.45%	1.55%	2.66%	13.14%	
Gross carrying amount—trade receivables (in RMB'000)	25,879	13,731	9,093	22,441	28,303	3,416	102,863

	By recognition date of gross trade receivables and contract assets						
31 December 2019	**Within 30 days**	**31 to 60 days**	**61 to 90 days**	**91 to 180 days**	**181 to 365 days**	**Over 365 days**	**Total**
Gross carrying amount—contract assets (in RMB'000)	8,165	—	—	—	—	—	8,165
Loss allowance (RMB'000)	454	193	132	348	753	449	2,329

	By recognition date of gross trade receivables and contract assets						
30 June 2020	**Within 30 days**	**31 to 60 days**	**61 to 90 days**	**91 to 180 days**	**181 to 365 days**	**Over 365 days**	**Total**
Expected loss rate	3.09%	3.24%	3.31%	3.40%	4.90%	16.90%	
Gross carrying amount—trade receivables (in RMB'000)	9,475	16,337	8,620	15,882	22,486	7,945	80,745
Gross carrying amount—contract assets (in RMB'000)	2,915	—	—	—	—	—	2,915
Loss allowance (RMB'000)	383	530	285	540	1,102	1,343	4,183

The closing loss allowances for trade receivables and contract assets as at 31 December 2017, 2018 and 2019 and 30 June 2020 reconcile to the opening loss allowances as follows:

	Contract assets				Trade receivables			
	31 December			30 June	31 December			30 June
	2017	2018	2019	2020	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Opening loss allowance	82	37	201	109	1,391	1,894	8,567	2,220
Increase in loss allowance recognised in profit or loss during the year/period	37	201	287	90	2,564	8,389	11,946	162
Collection of bad debt written off/(written off) of contract assets and receivables during the year/period as uncollectible, net	—	—	(178)	—	(689)	—	(9,964)	3,727
Unused amount reversed	(82)	(37)	(201)	(109)	(1,372)	(1,716)	(8,329)	(2,016)
At 31 December	37	201	109	90	1,894	8,567	2,220	4,093

Deposits, bill and other receivables

Deposits, bill and other receivables at the end of each reporting periods were mainly rental and other deposits and bill receivables. The directors of the Company consider the probability of default upon initial recognition of the asset and whether there has been significant increase in credit risk on an ongoing basis during the Track Record Period. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition.

Management makes periodic collective assessments as well as individual assessment on the recoverability of deposits, bill and other receivables based on historical settlement records and past experience. A significant increase in credit risk is presumed if a debtor is more than 180 days past due in making a contractual payment/repayable demanded.

The directors of the Company believe that there was no material credit risk inherent in the Group's outstanding balance of deposits and other receivables.

3.1.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents to meet the Group's liquidity requirements.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on their contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total contractual cash flows	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2017						
Trade payables	4,822	—	—	—	4,822	4,822
Accruals and other payables *	9,267	—	74	—	9,341	9,332
Lease liabilities	3,519	2,195	38	—	5,752	5,365
Amount due to a director	2	—	—	—	2	2
	17,610	2,195	112	—	19,917	19,521

	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total contractual cash flows	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2018						
Trade payables	4,898	—	—	—	4,898	4,898
Accruals and other payables *	10,979	74	—	—	11,053	11,050
Lease liabilities	3,427	38	—	—	3,465	3,407
Dividend payable	50,000	—	—	—	50,000	50,000
	69,304	112	—	—	69,416	69,355

	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total contractual cash flows	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2019						
Trade payables	5,519	—	—	—	5,519	5,519
Accruals and other payables *	20,056	—	—	—	20,056	20,056

	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total contractual cash flows	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Lease liabilities	562	—	—	—	562	555
Dividend payable	13,600	—	—	—	13,600	13,600
Convertible redeemable preference shares	—	53,164	—	—	53,164	48,377
	39,737	53,164	—	—	92,901	88,107

	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total contractual cash flows	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 30 June 2020						
Trade payables	5,136	—	—	—	5,136	5,136
Accruals and other payables *	22,501	—	—	—	22,501	22,501
Lease liabilities	5,311	4,457	3,820	—	13,588	12,786
Dividend payable	13,600	—	—	—	13,600	13,600
Convertible redeemable preference shares	—	53,164	—	—	53,164	42,445
	46,548	57,621	3,820	—	107,989	96,468

* Excluding other taxes payables and accrued payroll and welfare.

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital by regularly reviewing the capital structure. As a part of this review, the Company considers the cost of capital and the risks associated with the issued share capital. In the opinion of the directors of the Company, the Group's capital risk is low.

3.3 Fair value estimation

3.3.1 Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2017				
Financial assets at FVTPL	—	—	7,148	7,148
As at 31 December 2018				
Financial assets at FVTPL	—	—	20,300	20,300
As at 31 December 2019				
Financial assets at FVTPL	—	—	41,656	41,656
As at 30 June 2020				
Financial assets at FVTPL	—	—	92,391	92,391

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2019				
Convertible redeemable preference shares	—	—	48,377	48,377
As at 30 June 2020				
Convertible redeemable preference shares	—	—	42,445	42,445

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the Track Record Period.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of each of the reporting periods.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of each of the reporting periods. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

3.3.2 Valuation technique and process used to determine fair value

The finance department of the Group includes a team that performs the valuation of financial assets or liabilities carried at FVTPL required for financial reporting purposes, including level 3 fair

values. This team reports directly to the board of directors. Discussions of valuation processes and results are held between the board of directors and the valuation team.

Financial assets at FVTPL

The valuation technique used to value financial instruments include the benchmarking of the expected cash inflows at the maturity of the instruments.

The main level 3 inputs used by the Group are derived and evaluated as the return rates, which are estimated based on the terms of the contract and the Group's knowledge of the financial assets and how the current economic environment is likely to impact it.

Convertible redeemable preference shares

The Group has used the market approach to determine the underlying share value of the Company and adopted equity allocation model to determine the fair value of the Series A Preferred Shares as at the date of issuance and at the end of each reporting periods.

There were no changes in valuation techniques during the Track Record Period.

3.3.3 Fair value measurements using significant unobservable inputs (level 3)

(a) The following table presents the changes in level 3 item financial assets at FVTPL for the Track Record Period:

	Wealth management products at fair value through profit and loss
	RMB'000
Opening balance 1 January 2017	**12,046**
Acquisitions	74,500
Redemption	(79,989)
Gains recognised in other gains *	591
Closing balance 31 December 2017	**7,148**
Acquisitions	150,000
Redemption	(137,865)
Gains recognised in other gains *	1,017
Closing balance 31 December 2018	**20,300**
Acquisitions	168,700
Redemption	(149,229)
Gains recognised in other gains *	1,885
Closing balance 31 December 2019	**41,656**
Acquisitions	126,350
Redemption	(77,277)
Gains recognised in other gains *	1,662
Closing balance 30 June 2020	**92,391**

* includes unrealised gains recognised in profit or loss attributable to balances held at the end of each of the reporting periods

	RMB'000
Year ended 31 December 2017	148
Year ended 31 December 2018	300
Year ended 31 December 2019	656
Six months ended 30 June 2019	292
Six months ended 30 June 2020	891

(b) For changes in level 3 item convertible redeemable preference shares for the Track Record Period, please refer to Note 32(c).

3.3.4 Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements. See 3.3.2 above for the valuation techniques adopted.

	Fair value at 31 December			30 June	Un-observable	Range of inputs 31 December			30 June	Relationship of unobservable inputs to fair
Description	2017	2018	2019	2020	inputs	2017	2018	2019	2020	value
	RMB'000	RMB'000	RMB'000	RMB'000						
Wealth management products	7,148	20,300	41,656	92,391	Return rates	4.9%	4.9%	4.4%	3.7%	A shift of the return rate by +/-5% results in a change in fair value of RMB7,400, RMB15,003, RMB 32,801 and RMB44,530 for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020
Convertible redeemable preference shares	N/A	N/A	48,377	42,445	Equity value	N/A	N/A	RMB 1,221,632,000	RMB 1,024,970,000	A shift of the equity value by +/-5% results in a change in fair value of RMB2.1 million and RMB 1.9 million for the year ended 31 December 2019 and six months ended 30 June 2020

Description	Fair value at 31 December			30 June	Un-observable	Range of inputs 31 December			30 June	Relationship of unobservable inputs to fair value
	2017	2018	2019	2020	inputs	2017	2018	2019	2020	
	RMB'000	RMB'000	RMB'000	RMB'000						
					Discounts for lack of marketability ("DLOM")	N/A	N/A	25.0%	20%	A shift of the DLOM by +/-1% results in a change in fair value of RMB0.6 million and RMB0.5 million for the year ended 31 December 2019 and six months ended 30 June 2020
					Volatility	N/A	N/A	42.25%	46.43%	A shift of the volatility by +/-5% results in a change in fair value of RMB0.3 million and RMB0.1 million for the year ended 31 December 2019 and six months ended 30 June 2020

3.4 Offsetting financial assets and financial liabilities

The following table presents the recognised financial instruments that are offset, or subject to agreements but not offset, as at each of the reporting periods during the Track Record Period. The column "net amounts" shows the impact on the Group's consolidated statements of financial position if all set-off rights were exercised.

	Effects of offsetting on the consolidated statement of financial position			Related amount not offset	
	Gross amounts	Gross amounts set off in the consolidated statement of financial position	Net amounts presented in the consolidated statement of financial position	Amounts subject to sales contracts	Net amounts
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2017					
Financial assets					
Trade and bill receivables (a) (b)	95,694	(14,160)	81,534	(1,880)	79,654
Financial liabilities					
Accruals and other payables (a) (b) ..	38,668	(14,160)	24,508	(1,880)	22,628
31 December 2018					
Financial assets					
Trade and bill receivables (a) (b)	131,654	(29,306)	102,348	(2,481)	99,867
Financial liabilities					
Accruals and other payables (a) (b) ..	71,963	(29,306)	42,657	(2,481)	40,176
31 December 2019					
Financial assets					
Trade and bill receivables (a) (b)	145,094	(30,531)	114,563	(524)	114,039
Financial liabilities					
Accruals and other payables (a) (b) ..	91,207	(30,531)	60,676	(524)	60,152
30 June 2020					
Financial assets					
Trade and bill receivables (a) (b)	118,168	(26,657)	91,511	(272)	91,239
Financial liabilities					
Accruals and other payables (a) (b) ..	78,013	(26,657)	51,356	(272)	51,084

(a) Trade receivables and payables offsetting arrangements

The Group gives volume-based rebates to certain customers. Under the terms of the master agreements, certain amounts payable by the Group are offset against receivables from the customers and only the net amounts are settled. The relevant amounts have therefore been presented net in the consolidated statements of financial position. On the contrary, the rest of the amounts will not be paid by the Group unless the receivables from the customers are collected. The relevant amounts have therefore been presented separately in the table above.

(b) Sale contracts—not currently enforceable

Under the terms of certain sale contracts, only where certain credit events occur (such as default), the net position owing/receivable to a single counterparty will be taken as owing and all the relevant arrangements will be terminated. As the Group does not presently have a legally enforceable

right of set-off, these amounts have not been offset in the consolidated statements of financial position, but have been presented separately in the table above.

4 Critical estimates, judgements and assumptions

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Estimation of the fair value of financial assets at FVTPL and convertible redeemable preference shares

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting periods. For details of the key assumptions used and the impact of changes to these assumptions see Note 3.3.

(b) Estimation of goodwill impairment

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash-generating unit is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Cash flows beyond the five-year period are extrapolated using the estimated growth rates. These growth rates are consistent with forecasts specific to the industry in which the cash-generating unit operates. Details of impairment charge, key assumptions and impact of possible changes in key assumptions are disclosed in Note 17.

(c) Impairment of receivables

The loss allowances for receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting periods.

(d) Income taxes and deferred taxations

The Group is subject to income taxes in the PRC and other jurisdictions. Judgement is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management consider it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

(e) Contractual arrangements

The Group conducts its business through the Operating Companies in the PRC. Due to the regulatory restrictions on the foreign ownership of the **[REDACTED]** Business in the PRC, the Group does not have any equity interest in Congshu Beijing. The Directors assessed whether or not the Group has control over the Operating Companies by assessing whether it has the rights to variable returns from its involvement with the Operating Companies. After assessment, the Directors concluded that the Group has control over the Operating Companies as a result of the Contractual Arrangements and accordingly the financial position and the operating results of the Operating Companies are included in the Group's consolidated financial statements throughout the Track Record Period or since the respective dates of incorporation/establishment, whichever is the shorter period. Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over the Operating Companies and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Operating Companies. The Directors, based on the advice of its legal counsel, consider that the Contractual Arrangements with Congshu Beijing and its registered equity holders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

5 Segment information

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the chief operating decision maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company who make strategic decisions. The CODM considers that the Group has two operating and reporting segments and assesses the performance of these segments based on revenue. No information of segment results, segment assets and liabilities are presented since the resources allocation and performance assessment does not include the segment results, assets and liabilities.

As a result of this evaluation, the Group determined that it has operating segments as follows:

- the provision of automobile-related advertising service and publication of automobile-related articles and videos, both of which are published on the Group's online platform ("Online advertising service");
- the provision of transaction facilitation service, which the Group assists car dealers or marketing agents in hosting exhibitions and advertising campaigns, facilitating the target customers in purchasing automobiles ("Transaction facilitation service").

Geographical information

All the revenue of the Group was generated in the PRC during the Track Record Period. All non-current assets were kept in the PRC during the Track Record Period.

The revenue geographical information above is based on where the Company and the subsidiaries are located. The non-current asset information above is based on the locations of the assets.

6 Revenue

(a) An analysis of the Group's revenue during Track Record Period is as follows:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue from contracts with customers:					
Recognised over time					
Online advertising service	117,578	157,757	175,055	75,151	58,720
Transaction facilitation service	—	90	2,560	2,353	177
	117,578	157,847	177,615	77,504	58,897

(b) Information about the major customer

Revenue from transactions with the external customer accounting for 10% or more of Group's total revenue is as follows:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Customer A	14,839	25,435	19,927	13,445	10,450

(c) Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

		As at 31 December			As at 30 June
	Note	2017	2018	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000
Contract assets	(i)	2,920	6,445	8,165	2,915
Loss allowance		(37)	(201)	(109)	(90)
Total contract assets		2,883	6,244	8,056	2,825
Contract liabilities		750	846	3,765	3,600

(i) Significant changes in contract assets and liabilities

Contract assets have increased as the Group has provided more services ahead of the right to payment as at 31 December 2018 compared to 31 December 2017, and as at 31 December 2019 compared to 31 December 2018. There are significant changes in contract assets as at 30 June 2020 compared to 31 December 2019 as the Group has provided less services ahead of the right to payment.

The Group applied the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for contract assets. Impairment of RMB37,000, RMB201,000, RMB109,000 and RMB90,000 were made as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively.

There are no significant changes in contract liabilities as at 31 December 2017 and 2018. Contract liabilities increased as at 31 December 2019 as the Group fulfilled less services regarding to contracts which require customers to prepay ahead as at 31 December 2019 as compared to 31 December 2018. There are no significant changes in contract liabilities as 30 June 2020 compared to 31 December 2019.

(ii) The movement of contract liabilities is as follows:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
As at the beginning of the year	733	750	846	846	3,765
Additions	3,836	3,686	4,750	1,227	761
Revenue recognised	(3,819)	(3,590)	(1,831)	(746)	(926)
As at the end of the year	750	846	3,765	1,327	3,600

(iii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised during the Track Record Period relates to carried-forward contract liabilities.

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	733	750	846	641	926

(iv) Unsatisfied long-term online advertising contracts

The following table shows unsatisfied performance obligations resulting from fixed-price long-term online advertising contracts:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Aggregate amount of the transaction price allocated to long-term online advertising contracts that are partially or fully unsatisfied as at 31 December	5,112	1,696	4,679	912	8,870

Management expects that 96%, 94% and 100% of the transaction price allocated to unsatisfied performance obligations as of 31 December 2017, 2018 and 2019 will be recognised as revenue during the next reporting period amounted to RMB4,908,000, RMB1,594,000 and RMB4,679,000 respectively. The remaining 4% and 6% of the unsatisfied performance obligations as at 31 December 2017 and 2018 amounted to RMB204,000 and RMB102,000 have been recognised in the 2019 and 2020 respectively.

Management expects that 100% and 95% of the transaction price allocated to unsatisfied performance obligations as of 30 June 2019 and 2020 will be recognised as revenue within one year from 30 June 2019 and 30 June 2020 amounted to RMB912,000 and RMB8,427,000 respectively. The remaining 5% of the unsatisfied performance obligations as at 30 June 2020 amounted to RMB443,000 will be recognised within one year from 30 June 2021.

7 Expenses by nature

Expenses included in (net impairment loss)/reversal of net impairment loss on financial assets, cost of providing services, selling and distribution expenses, administrative expenses and research & development expenses are analysed as follows:

		Year ended 31 December			Six months ended 30 June	
	Note	2017	2018	2019	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Marketing and promotion expenses		23,485	8,400	13,749	4,355	5,277
Amortisation of intangible assets(1)	17	1,359	1,302	960	474	476
Depreciation of property, plant and equipment(2)	16	243	282	221	101	190
Depreciation of right-of-use assets(2)	16	3,169	4,421	3,989	2,062	2,888
Employee benefit expenses	8	29,728	48,899	53,801	25,624	19,507
Expense of website maintenance and internet improvement		2,147	2,573	6,979	1,433	1,232
Advertisement production and other direct expenses		7,679	11,331	17,809	9,884	4,817
[REDACTED] expenses		**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Other taxes		2,897	3,409	2,212	1,131	1,204
Legal and professional fee		835	677	1,293	259	1,224
Provision for impairment/ (reversal of provision for impairment) of trade receivables and contract assets		1,147	6,837	4,211	(6,221)	1,854
Reversal of bad debt previously written off		—	—	(508)	(460)	(3,727)
Write-off of deposits and other receivables		239	—	—	—	—
Miscellaneous		7,752	8,120	6,870	3,691	2,117
		80,680	99,177	127,245	51,838	40,725

(1) Amortisation expenses were charged to the following categories of expenses:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cost of providing services	935	935	935	467	468
Selling and distribution expenses	424	354	—	—	—
Administrative expenses	—	13	25	7	8
	1,359	1,302	960	474	476

(2) Depreciation expenses were charged to the following categories of expenses:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cost of providing services	—	54	100	46	61
Selling and distribution expenses	1,165	1,199	745	437	504
Administrative expenses	1,684	2,799	2,894	1,429	2,258
Research and development expenses	563	651	471	251	255
	3,412	4,703	4,210	2,163	3,078

(3) Research and development expenses are analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Depreciation of property, plant and equipment	563	651	471	251	255
Employee benefit expenses	2,794	4,862	5,621	2,885	2,085
Expense of website maintenance and internet improvement	1,303	2,299	6,370	1,065	864
Miscellaneous	183	11	45	42	71
	4,843	7,823	12,507	4,243	3,275

8 Employee benefit expenses (including directors' emoluments)

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Wages, salaries and bonuses	22,843	40,935	45,332	21,206	17,274
Pension costs—defined contribution plans	2,931	3,153	3,155	1,768	270
Other social security costs, housing benefits and other employee benefits	3,954	4,811	5,314	2,650	1,963
	29,728	48,899	53,801	25,624	19,507

(a) Pension cost—defined contribution plans

Employees of the Group companies in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes funds which are calculated on fixed percentage of the employees' salary (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefits of the employees.

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, the Group and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the Group's and the employees' contributions were subject to a monthly cap of HK$1,500 and thereafter contributions are voluntary.

(b) Directors' and chief executives' emoluments

The remuneration of directors and chief executive officer for the year ended 31 December 2017 is set out below:

	Emoluments paid or receivable in respect of a person's service as a director, whether of the Company or its subsidiary undertakings	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs, whether of the Company or its subsidiary undertaking				
	Fee	Salaries	Discretionary bonuses	Defined contribution pension costs	Other allowances and benefits in kind	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Mr. Xu	—	361	30	51	64	506
Mr. Liu Lei	—	996	420	51	64	1,531
Ms. Suo Yan	—	359	30	51	64	504
	—	1,716	480	153	192	2,541

The remuneration of directors and chief executive officer for the year ended 31 December 2018 is set out below:

	Emoluments paid or receivable in respect of a person's service as a director, whether of the Company or its subsidiary undertakings	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs, whether of the Company or its subsidiary undertaking				
	Fee	Salaries	Discretionary bonuses	Defined contribution pension costs	Other allowances and benefits in kind	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Mr. Xu	—	366	300	55	70	791
Mr. Liu Lei	—	726	660	55	70	1,511
Ms. Suo Yan	—	366	144	55	70	635
Mr. Zhu Boyang	—	102	198	8	16	324
	—	1,560	1,302	173	226	3,261

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The remuneration of directors and chief executive officer for the year ended 31 December 2019 is set out below:

	Emoluments paid or receivable in respect of a person's service as a director, whether of the Company or its subsidiary undertakings	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs, whether of the Company or its subsidiary undertaking				
	Fee	Salaries	Discretionary bonuses	Defined contribution pension costs	Other allowances and benefits in kind	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Mr. Xu	—	366	300	52	76	794
Mr. Liu Lei	—	926	1,300	52	76	2,354
Ms. Suo Yan	—	366	144	52	76	638
Mr. Zhu Boyang	—	919	300	43	36	1,298
	—	2,577	2,044	199	264	5,084

The remuneration of directors and chief executive officer for the six months ended 30 June 2020 is set out below:

	Emoluments paid or receivable in respect of a person's service as a director, whether of the Company or its subsidiary undertakings	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs, whether of the Company or its subsidiary undertaking				
	Fee	Salaries	Discretionary bonuses	Defined contribution pension costs	Other allowances and benefits in kind	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Mr. Xu	—	182	—	4	31	217
Mr. Liu Lei	—	482	—	5	16	503
Ms. Suo Yan	—	182	—	4	31	217
Mr. Zhu Boyang	—	513	—	8	—	521
	—	1,359	—	21	78	1,458

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The remuneration of directors and chief executive officer for the six months ended 30 June 2019 (unaudited) is set out below:

	Emoluments paid or receivable in respect of a person's service as a director, whether of the Company or its subsidiary undertakings	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs, whether of the Company or its subsidiary undertaking				
	Fee	Salaries	Discretionary bonuses	Defined contribution pension costs	Other allowances and benefits in kind	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Mr. Xu	—	183	15	29	37	264
Mr. Liu Lei	—	443	—	29	37	509
Ms. Suo Yan	—	183	15	29	37	264
Mr. Zhu Boyang	—	500	8	29	36	573
	—	1,309	38	116	147	1,610

(i) Mr. Xu is the Chief Executive Officer of the Company.

(ii) There was no arrangement under which a director waived or agreed to waive any emoluments during the Track Record Period.

(iii) The remuneration shown above represents remuneration received from the Group by these directors in their capacity as employees to the Operating Subsidiaries and no directors waived any emolument during each of the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020.

(iv) No director fees were paid to these directors in their capacity as directors of the Company or the Operating Subsidiaries and no emoluments were paid by the Company or the Operating Subsidiaries to the directors as an inducement to join the Company or the Operating Subsidiaries, or as compensation for loss of office during each of the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020.

(v) Mr. Xu was appointed as the Company's executive director on 22 November 2018. Mr.Liu Lei, Mr. Zhu Boyang and Ms. Suo Yan were appointed as the Company's executive directors on 27 May 2019. Mr. Xu Xiangyang, Mr. Li Ming and Mr. Ng Jack Ho Wan were appointed as the Company's independent non-executive directors on 8 December 2020. During the Track Record Period, the independent non-executive directors had not yet been appointed and did not receive any remuneration in their capacity as the Company's directors.

(c) Benefits and interests of directors

Except for benefits disclosed above, there were no other benefits offered to the directors of the Company.

(d) Directors' retirement and termination benefits

None of the directors of the Company received or will receive any retirement benefits or termination benefits in respect of their services to the Group for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020.

(e) Consideration provided to third parties for making available directors' services

During the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, the Group had not paid any consideration to any third parties for making available director' services to the Group.

(f) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There were no loans, quasi-loans and other dealings entered into by the Group in favour of the directors of the Company, or body corporate controlled by or entities connected with any of the directors of the Company at the end of each of the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 or at any time during the Track Record Period.

(g) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of each of the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 or at any time during the Track Record Period.

(h) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for each of the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 include 2, Nil, 2, 2 and 2 directors whose emoluments are reflected in the analysis presented above, respectively. The aggregate amounts of emoluments for the remaining 3, 5, 3, 3 and 3 individuals for each of the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, respectively are as follows:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Wages, salaries and bonuses	2,207	9,485	5,040	1,513	1,063
Pension costs—defined contribution plans	142	230	156	87	13
Other social security costs, housing benefits and other employee benefits	179	293	228	111	72
	2,528	10,008	5,424	1,711	1,148

The emoluments of those individuals fell within the following bands:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
				(Unaudited)	
Emolument bands					
Nil—HK$1,000,000	2	—	—	3	3
HK$1,000,001—HK$1,500,000	1	—	—	—	—
HK$1,500,001—HK$2,000,000	—	2	2	—	—
HK$2,000,001—HK$2,500,000	—	—	1	—	—
HK$2,500,001—HK$3,000,000	—	3	—	—	—
	3	5	3	3	3

9 Other income

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Income from the provision of IT service	425	—	—	—	—
Government grant (Note a)	15	25	800	—	402
Confiscation of deposits received	—	13	—	—	—
Value added tax super credit	—	—	1,372	346	750
Others	3	93	884	313	512
	443	131	3,056	659	1,664

Note a: There are no unfulfilled conditions and other contingencies attached to the government grant.

10 Other gains, net

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Fair value gain on financial assets at FVTPL	591	1,017	1,885	841	1,662
Fair value gain on convertible redeemable preference shares	—	—	1,623	—	5,932
Gain from termination of lease	16	16	3	—	—
Loss on disposal of subsidiaries, net (Note 31)	—	—	(30)	(30)	—
Exchange gain/(loss)	—	2	451	(237)	772
	607	1,035	3,932	574	8,366

11 Finance (costs)/income, net

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Finance income:					
Interest income on bank deposits	5	23	383	25	161
Finance expense:					
Interest expense on amount due to a director	(125)	—	—	—	—
Interest expense on lease liabilities	(174)	(187)	(84)	(57)	(223)
	(299)	(187)	(84)	(57)	(223)
	(294)	(164)	299	(32)	(62)

12 Interest in an associate

On 6 March 2020, the Group subscribed for 15% of the registered capital of Leikewo (Beijing) Technology Limited (雷柯沃 (北京) 科技有限公司) ("Leikewo") at a cash consideration of RMB150,000. Leikewo is principally engaged in automobile advertising service in the PRC.

The entity listed below has share capital consisting solely of ordinary shares, which are held directly by the Group. The proportion of ownership interest is the same as the proportion of voting rights held.

Company name	Place and date of establishment/ incorporation	Particulars of issued paid up capital	Effective interest held as at 30 June 2020	Effective interest held as at The date of this report	Principal activities and place of operation	Note
Leikewo (Beijing) Technology Limited	The PRC, 6 March 2020	RMB 1,000,000	15%	15%	Automobile advertising service, the PRC	(1)

(1) Private entity — no quoted price available.

The carrying amount of the interest in an associate has changed as follows for the six months ended 30 June 2020:

	2020
	RMB'000
Opening balance 1 January	—
Additions	150
Share of loss for the period	(56)
Closing balance 30 June	94

Financial information of Leikewo as at 30 June 2020 and for the six months ended 30 June 2020:

	2020
	RMB'000
Net assets of Leikewo	628
Loss for the period	372

There are no commitments and contingent liabilities relating to the Group's interest in the associate, and no commitments and contingent liabilities of the associate itself.

Management has assessed the level of influence that the Group has on Leikewo and determined that it has significant influence even though the shareholding is below 20% because of the representation in meetings which govern the financial and operating decisions of Leikewo. Therefore, Leikewo has been classified as an associated company.

13 Income tax expense

The Group's principal applicable taxes and tax rates are as follows:

(a) Cayman Islands

Under the current laws of Cayman Islands, the Company is not subject to tax on income or capital gain. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed.

(b) British Virgin Islands

The Group's entities incorporated in British Virgin Islands are not subject to tax on income or capital gains.

(c) Hong Kong

The Group's entities incorporated in Hong Kong are subject to Hong Kong profits tax of 8.25% for the first HK$2 million of the estimated assessables profits for one of the Group's Hong Kong subsidiaries for the year and 16.5% on the remaining estimated assessables profits during the Track Record Period.

(d) PRC corporate income tax ("CIT")

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The statutory PRC CIT rate is 25% for the Track Record Period.

One subsidiary of the Group in the PRC was approved as High and New Technology Enterprise on 25 October 2017, and accordingly, it was subject to a reduced preferential CIT rate of 15% for the years ended 31 December 2018 and 2019, and for the six months ended 30 June 2020, according to the applicable CIT Law.

During the year ended 31 December 2019, one of the subsidiaries of the Group has re-submitted its tax filing report for the year ended 31 December 2017. As a result of the reassessment performed by the PRC tax authority, tax refund amounted to RMB5,431,000 was received by the subsidiary, representing the difference between the statutory PRC CIT rate and the preferential CIT tax rate.

(e) Withholding tax on undistributed profits

According to CIT law, distribution of profits earned by PRC companies since 2008 is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas—incorporated immediate holding companies. During the Track Record Period, the Group does not have any profit distribution plan. Deferred income tax liabilities have not been recognised for the withholding tax that would be payable on the distributable retained profits amounting to RMB3,345,000, RMB2,628,000 and RMB7,034,000, RMB4,593,000 and RMB8,766,000 as at 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 respectively of the Group's subsidiaries in Mainland China earned after 1 January 2008 because the Group does not have a plan to distribute these earnings from its PRC subsidiaries. The Group has the discretion to do so and it will re-invest in those PRC subsidiaries in the future.

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current income tax	9,929	12,885	11,326	4,018	5,166
Over-provision in respect of prior year	—	—	(5,431)	—	—
Deferred income tax (Note 27)	250	(816)	52	1,054	(1,789)
Income tax expense	10,179	12,069	5,947	5,072	3,377

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to loss of the consolidated entities as follows:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit before income tax	37,654	59,672	57,657	26,867	28,084
Tax calculated at PRC statutory income tax rate of 25%	9,414	14,918	14,414	6,717	7,021
Tax effects of:					
Preferential tax rate of a subsidiary	—	(6,095)	(5,402)	(2,757)	(1,944)
Different jurisdiction	—	—	(236)	150	(1,515)
Income not subject to tax	(25)	(23)	(152)	(47)	(612)
Expenses not deductible for tax	790	4,005	3,930	1,009	637
Tax incentives for research and development expenses*	—	(736)	(1,176)	—	(240)
Over-provision in respect of prior year	—	—	(5,431)	—	—
Unrecognised temporary differences	—	—	—	—	30
Income tax expense	10,179	12,069	5,947	5,072	3,377

* Pursuant to Caishui [2018] circular No. 99, enterprises engaging in research and development activities are entitled to claim 175% of their qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the year ("Super Deduction"). The additional deduction of 75% of qualified research and development expenses is subject to the approval from the relevant tax authorities in the annual CIT filling. The Group has made its best estimate for the Super Deduction to be claimed in ascertaining the assessable profits for the years ended 31 December 2018 and 2019 and for the six months ended 30 June 2019 and 2020.

14 Earnings per share

In determining the weighted average number of ordinary shares deemed to be in issue during the Track Record Period, 850,000,000 ordinary shares being the number of issued ordinary shares of the Company as at 30 June 2020, were deemed to have been issued and allocated on 1 January 2017 as if the Company has been incorporated by then. In addition, the aforementioned 850,000,000 ordinary shares have been adjusted and applied retrospectively for the proportional changes in the number of ordinary shares with corresponding change in resources as a result of the issuance of ordinary shares by the Company as part of the Group reorganisation described in Note 1.2 when computing the basic and diluted earnings per share for each year of the Track Record Period.

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the Group's profit attributable to equity owners of the Company by the weighted average number of outstanding ordinary shares in issue during the Track Record Period.

Pursuant to clause 4.6.3 of the **[REDACTED]** Shareholder's Agreement signed between the Company and the **[REDACTED]** investor, the Series A Preferred Shares were converted to ordinary shares on 21 June 2019. However, according to clause 4.6.2 of the **[REDACTED]** Shareholder's Agreement, the ordinary share can be converted back to Series A Preferred Shares when the **[REDACTED]** event has been denied, rejected or dismissed. Hence, the above said ordinary shares continued being recognised as Series A Preferred Shares according to the substance. Accordingly, the aforesaid ordinary shares and the 25,000,000 bonus shares as further detailed in Note 23(a)(iv) were not included in the calculation of basic earnings per share.

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
				(Unaudited)	
Profit attributable to equity owners of the Company (RMB'000)	27,475	47,603	51,710	21,795	24,707
Weighted average number of ordinary shares in issue	850,000,000	850,000,000	850,000,000	850,000,000	850,000,000
Basic earnings per share (in RMB/share)	0.03	0.06	0.06	0.03	0.03

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the year ended 31 December 2019 and six months ended 30 June 2019 and 2020, the diluted earnings per share was calculated by considering the impact of the aforesaid 25,000,000 Series A Preferred Shares and 25,000,000 bonus shares, in which the related redemption feature of the **[REDACTED]** Shareholder's Agreement is in the money and has dilutive impact on the earnings per share calculation. The Series A Preferred Shares and bonus shares are further detailed in Note 23(a)(iv).

	Year ended 31 December			Six months ended 30 June	
Diluted earnings per share	2017	2018	2019	2019	2020
				(Unaudited)	
Profit attributable to equity owners of the Company (RMB'000) (i)	27,475	47,603	50,087	21,795	18,775
Weighted average number of ordinary shares in issue (ii)	850,000,000	850,000,000	880,000,000	859,668,508	900,000,000
Diluted earnings per share (in RMB/share)	0.03	0.06	0.06	0.03	0.02

(i) Reconciliations of earnings used in calculating diluted earnings per share

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit attributable to the ordinary equity owners of the Company:					
Used in calculating basic earnings per share	27,475	47,603	51,710	21,795	24,707
Less: fair value gain on convertible redeemable preference shares	—	—	(1,623)	—	(5,932)
Used in calculating diluted earnings per share	27,475	47,603	50,087	21,795	18,775

(ii) Weighted average number of shares used as the denominator

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
				(Unaudited)	
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	850,000,000	850,000,000	850,000,000	850,000,000	850,000,000
Adjustments for calculation of diluted earnings per share: Convertible redeemable preference share	—	—	30,000,000	9,668,508	50,000,000
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	850,000,000	850,000,000	880,000,000	859,668,508	900,000,000

15 Dividend

No dividend has been paid or declared by the Company since its incorporation.

During the year ended 31 December 2018, dividend amounting to RMB21,000,000 in relation to the year ended 31 December 2017 and RMB29,000,000 in relation to the year ended 31 December 2018 was declared and payable by a company now comprising the Group to its then shareholders. RMB5,000,000, RMB30,000,000 and RMB1,400,000 were subsequently paid on 30 January 2019, 23 May 2019 and 30 October 2019 respectively.

16 Property, plant and equipment and right-of-use assets

	Computer and electronic equipment	Office furniture and equipment	Asset retirement obligation	Leasehold improvement	Property, plant and equipment Total	Right-of-use assets (Note 1)	Property, plant and equipment and right-of-use assets Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017							
Cost	555	6	98	—	659	4,835	5,494
Accumulated depreciation	(210)	(1)	(25)	—	(236)	(1,420)	(1,656)
Net book amount	345	5	73	—	423	3,415	3,838
Year ended 31 December 2017							
Opening net book amount	345	5	73	—	423	3,415	3,838
Additions	55	—	67	—	122	5,145	5,267
Termination of lease	—	—	—	—	—	(218)	(218)
Depreciation	(191)	(2)	(50)	—	(243)	(3,169)	(3,412)
Closing net book amount	209	3	90	—	302	5,173	5,475
At 31 December 2017							
Cost	610	6	165	—	781	9,980	10,761
Accumulated depreciation	(401)	(3)	(75)	—	(479)	(4,807)	(5,286)
Net book amount	209	3	90	—	302	5,173	5,475
Year ended 31 December 2018							
Opening net book amount	209	3	90	—	302	5,173	5,475
Additions	355	4	—	—	359	2,232	2,591
Termination of lease	—	—	—	—	—	(18)	(18)
Depreciation	(222)	(2)	(58)	—	(282)	(4,421)	(4,703)
Closing net book amount	342	5	32	—	379	2,966	3,345
At 31 December 2018							
Cost	965	10	165	—	1,140	12,212	13,352
Accumulated depreciation	(623)	(5)	(133)	—	(761)	(9,246)	(10,007)
Net book amount	342	5	32	—	379	2,966	3,345
Year ended 31 December 2019							
Opening net book amount	342	5	32	—	379	2,966	3,345
Additions	317	3	—	—	320	1,901	2,221
Termination of lease	—	—	—	—	—	(265)	(265)
Depreciation	(188)	(3)	(30)	—	(221)	(3,989)	(4,210)
Closing net book amount	471	5	2	—	478	613	1,091
At 31 December 2019							
Cost	1,282	13	165	—	1,460	12,433	13,893
Accumulated depreciation	(811)	(8)	(163)	—	(982)	(11,820)	(12,802)
Net book amount	471	5	2	—	478	613	1,091

	Computer and electronic equipment	Office furniture and equipment	Asset retirement obligation	Leasehold improvement	Property, plant and equipment Total	Right-of-use assets (Note 1)	Property, plant and equipment and right-of-use assets Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended 30 June 2020							
Opening net book amount	471	5	2	—	478	613	1,091
Additions	185	29	—	1,014	1,228	14,791	16,019
Depreciation	(131)	(1)	(2)	(56)	(190)	(2,888)	(3,078)
Closing net book amount	525	33	—	958	1,516	12,516	14,032
At 30 June 2020							
Cost	1,467	42	—	1,014	2,523	28,904	31,427
Accumulated depreciation	(942)	(9)	—	(56)	(1,007)	(16,388)	(17,395)
Net book amount	525	33	—	958	1,516	12,516	14,032

Note 1: As at 31 December 2017, 2018, and 2019 and 30 June 2020, the right-of-use assets relate to the leased premises of the Group.

17 Intangible assets

	Goodwill (Note a)	Trademarks and domain names (Note b)	Customer relationships (Note c)	Computer software	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017					
Cost	6,153	9,345	1,273	—	16,771
Accumulated amortisation	—	(1,091)	(495)	—	(1,586)
Net book amount	6,153	8,254	778	—	15,185
Year ended 31 December 2017					
Opening net book amount	6,153	8,254	778	—	15,185
Amortisation	—	(935)	(424)	—	(1,359)
Closing net book amount	6,153	7,319	354	—	13,826
At 31 December 2017					
Cost	6,153	9,345	1,273	—	16,771
Accumulated amortisation	—	(2,026)	(919)	—	(2,945)
Net book amount	6,153	7,319	354	—	13,826
Year ended 31 December 2018					
Opening net book amount	6,153	7,319	354	—	13,826
Addition	—	—	—	69	69
Amortisation	—	(935)	(354)	(13)	(1,302)
Closing net book amount	6,153	6,384	—	56	12,593
At 31 December 2018					
Cost	6,153	9,345	1,273	69	16,840
Accumulated amortisation	—	(2,961)	(1,273)	(13)	(4,247)
Net book amount	6,153	6,384	—	56	12,593
Year ended 31 December 2019					
Opening net book amount	6,153	6,384	—	56	12,593
Amortisation	—	(935)	—	(25)	(960)
Closing net book amount	6,153	5,449	—	31	11,633
At 31 December 2019					
Cost	6,153	9,345	1,273	69	16,840
Accumulated amortisation	—	(3,896)	(1,273)	(38)	(5,207)
Net book amount	6,153	5,449	—	31	11,633
Six months ended 30 June 2020					
Opening net book amount	6,153	5,449	—	31	11,633
Amortisation	—	(468)	—	(8)	(476)
Closing net book amount	6,153	4,981	—	23	11,157
At 30 June 2020					
Cost	6,153	9,345	1,273	69	16,840
Accumulated amortisation	—	(4,364)	(1,273)	(46)	(5,683)
Net book amount	6,153	4,981	—	23	11,157

(a) Goodwill

On 31 October 2015, Congshu Beijing completed the acquisition of the online advertising platform which the Group is now operating at, from an independent third party at a cash consideration of RMB20 million. In accordance with IFRS 3 (Revised), "Business Combinations", the Group is required to recognise the identifiable assets acquired, liabilities assumed and contingent liabilities that satisfy the recognition criteria at their fair value at the acquisition date. Accordingly, the Group has undertaken a purchase price allocation to allocate the purchase consideration to the identifiable assets acquired and liabilities assumed at the acquisition date.

The recoverable amount of the cash-generating unit is determined based on value-in-use calculation. Impairment test of goodwill is performed at period end at 31 December and 30 June, or whenever there is impairment indicator, by management.

These calculations use cash flow projections based on financial budgets approved by management covering a five-year period with the following key assumptions:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
Revenue growth rate	10.0% to 31.5%	10.0% to 34.0%	10.0% to 20.6%	8.1% to 30.9%
Gross profit margin	85.9% to 86.1%	82.7% to 85.6%	83.0% to 83.9%	80.9% to 83.2%
Discount rate (pre-tax)	21.4%	21.0%	20.6%	21.0%

The management assumptions used in revenue growth rate and gross profit margin are based on historical records and synergy arose from the business combination. The management assumption used in the pre-tax discount rate is based on the industry data and the cash-generating unit's debt and equity structure.

As at 31 December 2017, the recoverable amount of the cash-generating unit of RMB319,044,000, which was calculated based on the value-in-use calculation, exceeded its carrying amount of RMB19,301,000 (including goodwill of RMB6,153,000) by RMB299,743,000.

As at 31 December 2018, the recoverable amount of the cash-generating unit of RMB553,757,000, which was calculated based on the value-in-use calculation, exceeded its carrying amount of RMB15,938,000 (including goodwill of RMB6,153,000) by RMB537,819,000.

As at 31 December 2019, the recoverable amount of the cash-generating unit of RMB574,610,000, which was calculated based on the value-in-use calculation, exceeded its carrying amount of RMB12,724,000 (including goodwill of RMB6,153,000) by RMB561,886,000.

As at 30 June 2020, the recoverable amount of the cash-generating unit of RMB505,202,000, which was calculated based on value-in-use calculation, exceeded its carrying amount of RMB25,189,000 (including goodwill of RMB6,153,000) by RMB480,013,000.

Sensitivity analysis

If the revenue had been 5% higher or lower than management estimate as at 31 December 2017, 2018 and 2019 and 30 June 2020 with all other variables held constant, the recoverable amount of cash-generating unit will be impacted by approximately RMB58 million, RMB88 million, RMB71 million and RMB75 million respectively.

If the gross profit margin had been 2% higher or lower than management estimate as at 31 December 2017, 2018 and 2019 and 30 June 2020 with all other variables held constant, the recoverable amount of cash-generating unit will be impacted by approximately RMB27 million, RMB41 million, RMB34 million and RMB36 million respectively.

If the discount rate (pre tax) had been 1% higher than management estimate as at 31 December 2017, 2018 and 2019 and 30 June 2020 with all other variables held constant, the recoverable amount of cash-generating unit will be impacted by approximately RMB30 million, RMB46 million, RMB38 million and RMB33 million respectively.

If the discount rate (pre tax) had been 1% lower than management estimate as at 31 December 2017, 2018 and 2019 and 30 June 2020 with all other variables held constant, the recoverable amount of cash-generating unit will be impacted by approximately RMB35 million, RMB53 million, RMB48 million and RMB37 million respectively.

After taking into consideration of the above sensitivity analysis, there is no shortfall of the recoverable amount comparing with the carrying amount of the cash-generating unit.

The Directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the cash-generating unit to exceed its recoverable amount.

(b) Trademarks and domain names

Trademarks and domain names represent the Group's business operation name and online platform acquired in the business acquisition described in (a) above, which was recognised initially at fair value at the acquisition date.

(c) Customer relationship

Customer relationship was acquired in the business acquisition described in (a) above which was recognised initially at fair value at the acquisition date.

18 Financial instruments by category

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Financial assets at amortised cost:				
Trade and bill receivables	81,534	102,348	114,563	91,511
Deposits and other receivables	1,235	1,238	1,384	2,761
Cash and cash equivalents	14,459	36,130	76,670	55,331
Amounts due from shareholders	—	—	331	336
Amounts due from an associate	—	—	—	351
Financial assets at FVTPL	7,148	20,300	41,656	92,391
	104,376	160,016	234,604	242,681
Financial liabilities				
Financial liabilities at amortised cost:				
Trade payables	4,822	4,898	5,519	5,136
Accruals and other payables	9,332	11,050	20,056	22,501
Lease liabilities	5,365	3,407	555	12,786
Dividend payable	—	50,000	13,600	13,600
Amount due to a director	2	—	—	—
Financial liability at FVTPL:				
Convertible redeemable preference shares	—	—	48,377	42,445
	19,521	69,355	88,107	96,468

19 Trade and bill receivables

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets				
Bill receivables	1,600	300	13,920	14,859
Trade receivables	81,828	110,615	102,863	80,745
	83,428	110,915	116,783	95,604
Less: allowance for impairment (Note 3.1.2(ii))	(1,894)	(8,567)	(2,220)	(4,093)
Total trade and bill receivables, net	81,534	102,348	114,563	91,511

(a) The credit terms of trade receivables granted by the Group is generally 180 days. Ageing analysis based on recognition date of the gross trade receivables at the respective reporting dates are as follows:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days	50,123	62,343	48,703	34,432
91 to 180 days	18,013	24,969	22,441	15,882
181 days to 365 days	12,570	15,602	28,303	22,486
Over 365 days	1,122	7,701	3,416	7,945
	81,828	110,615	102,863	80,745

Ageing of bill receivables was within 6 months as at 31 December 2017, 2018 and 2019 and 30 June 2020.

(b) The carrying amounts of the Group's trade and bill receivables were denominated in RMB and approximated to their fair values as at 31 December 2017, 2018 and 2019 and 30 June 2020.

20 Prepayments, deposits and other receivables

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current portion				
Rental deposits	615	471	—	1,541
Prepayments for property, plant and equipment	—	—	—	164
	615	471	—	1,705
Current portion				
Prepayments				
Prepayments to suppliers	719	1,813	1,012	2,799
Prepaid **[REDACTED]** expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Staff advances	530	1,463	1,233	1,131
Prepayments	1,249	4,703	5,944	8,516
Deposits and other receivables				
Rental deposits	855	766	1,269	953
Other tax receivables	—	—	6,387	7,519
Others	4	1	115	103
Gross deposits and other receivables	859	767	7,771	8,575
Less: write-off of deposits and other receivables	(239)	—	—	—
Net deposits and other receivables	620	767	7,771	8,575
	1,869	5,470	13,715	17,091
Total	2,484	5,941	13,715	18,796

The carrying amounts of the Group's prepayments, deposits and other receivables approximated to their fair values as at 31 December 2017, 2018 and 2019 and 30 June 2020 and are denominated in the following currencies:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	2,484	5,941	13,603	18,796
US$	—	—	112	—
	2,484	5,941	13,715	18,796

21 Financial assets at FVTPL

Financial assets at FVTPL represented wealth management products. The principal or returns on the wealth management products are not guaranteed, hence their contractual cash flows do not

qualify for solely payments of principal and interest. Therefore the Group classified them as financial assets at FVTPL. Changes in fair value (realised and unrealised) of this financial assets had been recognised in "Other gains, net" in the consolidated statements of comprehensive income.

The financial assets at FVTPL were denominated in RMB as at 31 December 2017, 2018 and 2019 and 30 June 2020.

22 Cash and cash equivalents

Group

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank	14,455	36,130	31,411	34,075
Cash on hand	4	—	—	7
Short-term bank deposit with maturity less than three months	—	—	45,259	21,249
	14,459	36,130	76,670	55,331

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	14,459	36,130	28,615	7,079
US$	—	—	47,653	47,687
HKD	—	—	402	565
	14,459	36,130	76,670	55,331

Company

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank	—	—	2,576	1,718

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
US$	—	—	2,174	1,153
HKD	—	—	402	565
	—	—	2,576	1,718

Cash and cash equivalents of approximately RMB14,455,000, RMB36,130,000 and RMB28,615,000 and RMB7,072,000 as at 31 December 2017, 2018 and 2019 and 30 June 2020

respectively of the Group were deposited with banks in the PRC and denominated in RMB. Cash and cash equivalents of approximately RMB2,176,000 and RMB21,249,000 as at 31 December 2019 and 30 June 2020 of the Group were deposited with banks in the PRC and denominated in US$. These bank balances are subject to the rules and regulations of foreign exchange control promulgated by The State Administration for Exchange Control.

As at 31 December 2019 and 30 June 2020, the effective interest rate on the Group's short-term bank deposit was 1.85% and 1.40% respectively per annum and the deposit will mature on 13 March 2020 and 22 July 2020, respectively.

The maximum exposure to credit risk was the carrying value of cash at bank as at 31 December 2017, 2018 and 2019 and 30 June 2020 and short-term bank deposit as at 31 December 2019 and 30 June 2020.

The carrying amount of the Group's cash and cash equivalents approximated to its fair value as at 31 December 2017, 2018 and 2019 and 30 June 2020.

23 Share capital and reserves

(a) Share capital

Authorised share capital	Number of ordinary shares	Nominal value of ordinary shares
		US$'000
Ordinary shares upon incorporation (Note (i))	500,000,000	50
As at 31 December 2018	500,000,000	50
Creation of Series A Preferred Shares by re-designation of authorised but unissued shares on 27 May 2019 (Note (ii))	(25,000,000)	(3)
Creation of authorised but unissued shares (Note (iii))	9,525,000,000	953
As at 31 December 2019 and 30 June 2020	10,000,000,000	1,000

Issued share capital	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares
		US$'000	RMB'000
Ordinary shares upon incorporation (Note (i))	1,000	—*	—*
As at 31 December 2018	1,000	—*	—*
Newly issued ordinary shares on 27 May 2019 (Note (ii))	474,999,000	47	328
Issue of bonus shares on 21 June 2019 (Note (iv))	375,000,000	38	258
Newly issued ordinary shares on 21 June 2019 (Note 23(b))	100,000,000	10	69
As at 31 December 2019 and 30 June 2020	950,000,000	95	655

* 1,000 shares at US$0.0001 each has been issued on 22 November 2018.

(i) As at the date of incorporation of the Company, the Company had an authorised share capital of US$50,000 divided into 500,000,000 Shares of par value US$0.0001. One share of par value US$0.0001 was allotted and issued to the initial subscriber who is an Independent Third Party, which

was subsequently transferred to XC Group on the same date. The Company further allotted and issued 949 Shares to XC Group and 50 Shares to ADYM Investments on the same date.

(ii) On 27 May 2019, 25,000,000 Series A Preferred Shares was created by redesigning the authorised but unissued shares. After the re-designation, the authorised share capital of the Company became 475,000,000 Shares and 25,000,000 Series A Preferred Shares (Note 32). On the same day, pursuant to the **[REDACTED]** Investment Agreement, the Company allotted and issued 451,249,050 and 23,749,950 ordinary shares, credited as fully paid at par, to XC Group and ADYM Investments, respectively and 25,000,000 Series A Preferred Shares to the **[REDACTED]** investor, credited as fully paid, for a total consideration of RMB50,000,000 (Note 32). As a result, the total number of issued shares of the Company increased from 1,000 shares to 500,000,000 shares, comprising 475,000,000 Shares and 25,000,000 Series A Preferred Shares. On 21 June 2019, by way of repurchased by the Company from the **[REDACTED]** Investor for cancellation, and in return 25,000,000 ordinary shares, credited as fully paid, were allotted and issued to the **[REDACTED]** Investor, 25,000,000 Series A Preferred Shares were automatically converted to ordinary shares. Since the **[REDACTED]** Shareholder's Agreement contains a clause that allow the equity holders of the aforesaid ordinary shares to convert these shares back to Series A Preferred Shares when the **[REDACTED]** event is denied, rejected or dismissed (as detailed further in Note 32), the aforesaid ordinary shares continued to be recognised as a liability in the consolidated financial statements.

(iii) On 21 June 2019, the authorised share capital of the Company was increased to US$1 million divided into 10,000,000,000 ordinary shares of par value US$0.0001 each, by (i) cancelling 25,000,000 authorised but unissued Series A Preferred Shares; and (ii) creating 9,525,000,000 authorised but unissued ordinary shares.

(iv) On 21 June 2019, for the purpose of implementing the Incentive Schemes, the Company capitalised an aggregate amount of US$40,000 standing in the debit of its share premium account and applied such sum to pay up an aggregate of 400,000,000 unissued ordinary shares, credited as fully paid at par, for allotment and issue as fully paid bonus shares of 351,250,000 Shares, 23,750,000 Shares and 25,000,000 Shares to XC Group, ADYM Investments and the **[REDACTED]** Investor, being the shareholders at the time of issuance, respectively. As disclosed in (ii) above, since the **[REDACTED]** Shareholder's Agreement contains a clause that allow the equity holders of the aforesaid ordinary shares to convert those shares back to Series A Preferred Shares when the **[REDACTED]** event is denied, rejected or dismissed (as detailed further in Note 32), the bonus issues of 25,000,000 Shares to the **[REDACTED]** Investor will be simultaneously returned to the Company.

(b) Treasury shares

On 25 June 2019, the Company's shareholders approved and adopted the Incentive Schemes. The Company has appointed Core Trust Company Limited as the custodian (the "Scheme Custodian") to assist with the administration of the Incentive Schemes, and Glory Tower Investments Limited, an indirectly wholly-owned subsidiary of the Scheme Custodian, as nominee of the RSU Scheme (the "RSU Nominee"), and Colourful Sky International Limited, an indirectly wholly-owned subsidiary of the Scheme Custodian, as nominee of the SA Scheme (the "SA Nominee"). Accordingly, 100,000,000 ordinary shares subscribed by the Scheme Custodian at par value which amounted to RMB69,000 on 21 June 2019 and was accounted for as treasury shares as at 31 December 2019 and 30 June 2020. No restricted share unit nor share award were granted as at the date of this report.

(c) Reserves

(1) Reserves of the Group

	Statutory reserves	Other reserves	Total
	RMB'000	RMB'000	RMB'000
Balances at 1 January 2017	969	39,250	40,219
Return of capital to a former shareholder of a subsidiary now comprising the Group (Note (ii))	—	(29,250)	(29,250)
Capital injection from shareholders of a subsidiary now comprising the Group (Note (ii) & Note (iii))	—	30,750	30,750
Appropriation to statutory reserves (Note (i))	2,748	—	2,748
Balances at 31 December 2017 and 1 January 2018	3,717	40,750	44,467
Appropriation to statutory reserves (Note (i))	4,767	—	4,767
Balances at 31 December 2018 and 1 January 2019	8,484	40,750	49,234
Appropriation to statutory reserves (Note (i))	6,381	—	6,381
Bonus issue (Note 23(a)(iv))	—	(189)	(189)
Balances at 31 December 2019 and 1 January 2020	14,865	40,561	55,426
Appropriation to statutory reserves (Note (i))	1,115	—	1,115
Balance at 30 June 2020	15,980	40,561	56,541
(Unaudited)			
Balance at 1 January 2019	8,484	40,750	49,234
Appropriation to statutory reserves (Note (i))	2,742	—	2,742
Bonus issue (Note 23(a)(iv))	—	(189)	(189)
Balance at 30 June 2019	11,226	40,561	51,787

(i) In accordance with relevant regulations prevailing in the PRC, the Company's subsidiaries established and operating in the PRC are required to appropriate 10% of their profit after income tax calculated under the accounting principles generally applicable to the PRC enterprises to the statutory reserve until the fund aggregates 50% of their respective registered capital. The s1atutory reserve can be utilised to offset prior years' losses or to increase capital. However, the balance of the statutory reserve must be maintained at a minimum of 25% of capital after these usages.

(ii) Prior to 11 October 2017, Juzhong Netcom (Beijing) Technology Co., Ltd. (聚眾網通（北京) 科技有限公司) ("Netcom Agency") held 45% of the equity interest in Congshu Beijing, amounting to RMB29,250,000. On 11 October 2017, the registered capital of Congshu Beijing reduced from RMB65,000,000 to RMB35,750,000 through a reduction of capital amounting to RMB29,250,000, in which this amount was then returned to Netcom Agency. Since then, Netcom Agency ceased to be the shareholder of Congshu Beijing.

Mr. Xu has become the sole shareholder of Congshu Beijing, with paid-in capital of RMB10,000,000. On the same date, RMB25,750,000 was injected by Mr. Xu to Congshu Beijing, the paid-in capital increased to RMB35,750,000.

(iii) On 28 December 2017, Mr. Li injected a sum of RMB5,000,000 to Congshu Beijing for the purpose of subscribing its registered capital of Congshu Beijing.

(2) Reserves of the Company

	Reserves	Accumulated loss/retained earnings
	RMB'000	RMB'000
As at 22 November 2018		
Loss for the period	—	—*
As at 31 December 2018 and 1 January 2019	—	—
Profit for the year	—	947
Bonus issue	(189)	—
Shareholders' contribution arising from the reorganisation	93,879	—
As at 31 December 2019	93,690	947
Profit for the period	—	6,059
As at 30 June 2020	93,690	7,006
(Unaudited)		
As at 1 January 2019	—	—*
Loss for the period	—	(597)
Bonus issue	(189)	—
Shareholders' contribution arising from the reorganisation	93,879	—
As at 30 June 2019	93,690	(597)

* Amount less than RMB1,000.

(d) Investments in subsidiaries

Investments in subsidiaries are carried at cost on the date when Congshu Internet, a wholly owned subsidiary of the Company, entered into the Contractual Arrangements with Congshu Beijing as disclosed in Note 1.2.

(e) Balances with shareholders and subsidiaries—non-trade

Amount due from shareholders and subsidiaries were unsecured, interest-free and repayable on demand as at 31 December 2019 and 30 June 2020.

The carrying amounts of amounts due from shareholders and subsidiaries were approximated to their fair values and were denominated in US$.

24 Trade payables

Trade payables are non-interest-bearing.

The ageing analysis of trade payables based on recognition date is as follows:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	2,458	3,045	1,984	1,328
3 to 6 months	1,122	415	1,199	753
6 to 12 months	—	196	1,094	811
1 to 2 years	—	—	—	1,002
Over 2 years	1,242	1,242	1,242	1,242
	4,822	4,898	5,519	5,136

The carrying amounts of the Group's trade payables were denominated in RMB and approximated to their fair values as at 31 December 2017, 2018 and 2019 and 30 June 2020.

25 Accruals and other payables

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current portion				
Other payables	67	71	—	—
Current portion				
Payroll and welfare payable	7,771	18,266	24,219	17,161
Other taxes payable	7,472	13,412	16,401	11,694
Trading deposits received	637	487	519	519
Rebate payables	2,366	2,814	1,607	2,382
[REDACTED] expense payables	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Payable to advertising service providers	5,367	2,436	7,847	7,512
Others	895	2,166	2,851	2,867
	24,508	42,657	60,676	51,356
Total	24,575	42,728	60,676	51,356

The carrying amounts of the Group's accruals and other payables approximated to their fair values and are denominated in the following currencies:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	24,575	42,728	60,668	51,256
HKD	—	—	8	100
	24,575	42,728	60,676	51,356

26 Lease liabilities

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Minimum lease payments due				
—Within 1 year	3,519	3,427	562	5,311
—Between 1 and 2 years	2,195	38	—	4,457
—Between 2 and 5 years	38	—	—	3,820
	5,752	3,465	562	13,588
Less: future finance charges	(387)	(58)	(7)	(802)
Present value of lease liabilities	5,365	3,407	555	12,786

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	3,311	3,371	555	4,922
Between 1 and 2 years	2,018	36	—	4,152
Between 2 and 5 years	36	—	—	3,712
	5,365	3,407	555	12,786

The total cash outflows for leases including payments of lease liabilities and payments of interest expenses on leases for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 were RMB3,196,000, RMB4,337,000 and RMB4,569,000, RMB2,332,000 and RMB2,783,000 respectively.

27 Deferred tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes related to the same fiscal authority.

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income tax assets				
—to be recovered within 12 months	614	2,073	2,111	3,897
—to be recovered after more than 12 months	829	186	96	99
	1,443	2,259	2,207	3,996

The movements in the net deferred income tax assets are as follows.

Movements	Employee benefits	Intangible assets	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	615	92	986	1,693
(Charged)/credited to consolidated statement of comprehensive income (Note 13)	(7)	74	(317)	(250)
At 31 December 2017	608	166	669	1,443

Movements	Employee benefits	Intangible assets	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	608	166	669	1,443
Credited/(charged) to consolidated statement of comprehensive income (Note 13)	1,517	(32)	(669)	816
At 31 December 2018	2,125	134	—	2,259

Movements	Employee benefits	Intangible assets	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	2,125	134	—	2,259
Charged to consolidated statement of comprehensive income (Note 13)	(33)	(19)	—	(52)
At 31 December 2019	2,092	115	—	2,207

Movements	Employee benefits	Intangible assets	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	2,092	115	—	2,207
(Charged)/credited to consolidated statement of comprehensive income (Note 13)	(85)	(8)	1,882	1,789
At 30 June 2020	2,007	107	1,882	3,996

28 Cash generated from operations

(a) Reconciliation of profit before income tax to cash generated from operations:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit before income tax	37,654	59,672	57,657	26,867	28,084
Adjustments for:					
—finance cost/(income), net	294	164	(299)	32	62
—depreciation of property, plant and equipment	243	282	221	101	190
—depreciation of right-of-use assets	3,169	4,421	3,989	2,062	2,888
—amortisation of intangible assets	1,359	1,302	960	474	476
—net impairment loss on financial assets	1,386	6,837	4,211	(6,221)	1,854
—share of losses of an associate	—	—	—	—	56
—fair value gain on financial assets at fair value through profit or loss	(591)	(1,017)	(1,885)	(841)	(1,662)
—fair value gain on convertible redeemable preference shares	—	—	(1,623)	—	(5,932)
—gain on early termination of lease contract	(16)	(16)	(3)	—	—
—loss on disposal of subsidiaries	—	—	30	30	—
—foreign exchange (gain)/loss	—	(2)	(451)	237	(772)
Operating profit before working capital changes	43,498	71,643	62,807	22,741	25,244
Changes in working capital:					
—trade and bill receivables	(48,465)	(27,450)	(16,319)	4,168	21,288
—contract assets	2,481	(3,562)	(1,923)	3,645	5,141
—prepayments and other receivables	7,516	(3,248)	(5,471)	(1,919)	(4,240)
—amount due from a shareholder	(407)	—	—	—	—
—trade payables	3,435	76	621	879	(383)
—contract liabilities	17	96	2,919	481	(165)
—accruals and other payables	11,638	18,147	17,968	6,107	(9,320)
—amount due to a director	2	(2)	—	—	—
—amount due from an associate	—	—	—	—	(351)
	19,715	55,700	60,602	36,102	37,214

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the years presented.

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents (Note 22)	14,459	36,130	76,670	55,331
Lease liabilities	(5,365)	(3,407)	(555)	(12,786)
Convertible redeemable preference shares	—	—	(48,377)	(42,445)
	9,094	32,723	27,738	100

	Other assets	Liabilities from financing activities			
	Cash and cash equivalents	Amount due to a director	Lease liabilities	Borrowing	Convertible redeemable preference shares
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2017	1,926	(6,000)	(3,481)	(5,000)	—
Net cash flows	12,533	6,125	3,196	5,000	—
Addition of lease liabilities	—	—	(5,145)	—	—
Other non-cash activities	—	(125)	65	—	—
As at 31 December 2017	14,459	—	(5,365)	—	—
As at 1 January 2018	14,459	—	(5,365)	—	—
Net cash flows	21,671	—	4,337	—	—
Addition of lease liabilities	—	—	(2,232)	—	—
Other non-cash activities	—	—	(147)	—	—
As at 31 December 2018	36,130	—	(3,407)	—	—
As at 1 January 2019	36,130	—	(3,407)	—	—
Net cash flows	40,092	—	4,569	—	(50,000)
Addition of lease liabilities	—	—	(1,901)	—	—
Exchange difference	448	—	—	—	—
Other non-cash activities	—	—	184	—	1,623
As at 31 December 2019	76,670	—	(555)	—	(48,377)
As at 1 January 2020	76,670	—	(555)	—	(48,377)
Net cash flows	(22,106)	—	2,783	—	—
Addition of lease liabilities	—	—	(14,791)	—	—
Exchange difference	767	—	—	—	—
Other non-cash activities	—	—	(223)	—	5,932
As at 30 June 2020	55,331	—	(12,786)	—	(42,445)

29 Contingencies

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the Group did not have any material contingent liabilities.

30 Related party transactions

(a) Names and relationships with related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, to joint control over the party or exercise significant influence over the other party in making financial and operation decisions, or vice versa. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

The directors of the Group are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the Track Record Period:

Name of related party	Relationship with the Group
Mr. Xu	Controlling Shareholder
Netcom Agency	Shareholder of Congshu Beijing prior to 11 October 2017

(b) Transactions with related parties

The Group has the following related transactions during the Track Record Period.

	Year ended 31 December			Six months ended 30 June	
Discontinued	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Provision of advertising service from a related company:					
Netcom Agency	384	—	—	—	—

Provision of advertising service were made at prices and terms mutually agreed by the respective parties.

(c) Balances with a director, shareholders and an associate—non-trade

Amount due to a director was unsecured, at interest rate of 4.35% per annum and repayable on demand as at 31 December 2017. During the year ended 31 December 2018, the balance was fully settled.

The carrying amount of amount due to a director was approximated to its fair values and was denominated in RMB.

Amounts due from shareholders were unsecured, interest-free and repayable on demand as at 31 December 2019 and 30 June 2020. The balance as at 30 June 2020 is expected to be settled by the shareholders in full before the proposed **[REDACTED]** of shares of our Company.

The carrying amounts of amounts due from shareholders are approximated to their fair values and were denominated in US$.

Amount due from an associate was unsecured, at interest rate of 4% and will be repayable on 12 May 2022. The balance as at 30 June 2020 was settled in full in September 2020.

The carrying amount of amount due from an associate was approximated to its fair value and was denominated in RMB.

(d) Key management compensation

Key management includes Executive Directors and senior management of the Group.

Compensation of the key management personnel of the Group, including directors' remuneration as disclosed in Note 8 to the Historical Financial Information, was as follows:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Wages, salaries and bonuses	2,592	3,215	5,226	1,675	1,641
Pension costs—defined contribution plans	204	228	251	145	25
Other social security costs, housing benefits and other employee benefits	256	296	340	184	109
	3,052	3,739	5,817	2,004	1,775

31 Disposal of subsidiaries

(a) During the year ended 31 December 2019, the Group had disposed of two subsidiaries at a consideration of RMB2,000 and RMB1 respectively.

(b) The disposal of 100% equity interest in Beihai Congshu was completed on 26 April 2019. Net liabilities of Beihai Congshu at the date of disposal were as follows:

	RMB'000
Net liabilities disposed of:	
Other payables	(2)
Gain on disposal of Beihai Congshu	4
Total consideration	2

(c) The disposal of 100% equity interest in HG Technology was completed on 27 May 2019. Net assets of HG Technology at the date of disposal were as follows:

	RMB'000
Net assets disposed of:	
Trade and other receivables and other payables	34
Loss on disposal of HG Technology	(34)
Total consideration	—*

*The total consideration is RMB1.

32 Convertible redeemable preference shares

On 27 May 2019, 25,000,000 Series A Preferred Shares was created by redesigning the authorised but unissued ordinary shares. After the re-designation, the authorised share capital of the

Company became 475,000,000 Ordinary Shares and 25,000,000 Series A Preferred Shares. On the same day, pursuant to the **[REDACTED]** Investment Agreement, the Company allotted and issued 25,000,000 Series A Preferred Shares to the **[REDACTED]** investor, LYL Weihui Limited, credited as fully paid, for a total consideration of RMB50,000,000.

Pursuant to clause 4.6.3 of the **[REDACTED]** Shareholder's Agreement signed between the Company and the **[REDACTED]** investor, the Series A Preferred Shares were converted to ordinary shares on 21 June 2019. However, according to clause 4.6.2 of the **[REDACTED]** Shareholder's Agreement, the ordinary share can be converted back to Series A Preferred Shares when the **[REDACTED]** event has been denied, rejected or dismissed. Hence, the abovesaid ordinary shares continued to be recognised as Series A Preferred Shares according to the substance.

(a) Conversion feature

Each Series A Preferred Share may, at the option of the holder, be converted at any time after the original issue date into fully-paid ordinary shares at an initial conversion ratio of 1:1 subject to adjustment for share split, ordinary share dividends and distributions, reorganisation and other similar capitalisation events.

(b) Redemption feature

The shareholders of preferred shares may give a written notice to the Company at any time or from time to time requesting redemption of all or part of their preferred shares under specific conditions as provided in the **[REDACTED]** Shareholder's Agreement.

The Company shall redeem the preferred shares if (i) the Company has failed to apply for the **[REDACTED]** on or before the 31 December 2020, or the Company has failed to obtain **[REDACTED]** status by 31 December 2021; or (ii) the Group or the founding shareholder maliciously violate the clauses or fail to perform their obligations as stated in the **[REDACTED]** Shareholder's Agreement; or (iii) the Group has failed its profit guarantee to a) obtain accumulated net profit of 2019 and 2020 by RMB80,000,000 after exclusion of non-operating income and expenses; or b) obtain net profit by RMB40,000,000 after exclusion of non-operating income and expenses; or (iv) the founding shareholder or its related party misappropriate the Group's funds or other assets.

In addition, each Series A Preferred share shall automatically be converted into fully-paid ordinary shares based on the then-effective applicable conversion price upon the **[REDACTED]** documents submission date. The ordinary share can be converted back to Series A Preferred Shares when the **[REDACTED]** event has been denied, rejected or dismissed.

The redemption price shall be paid by the Company to the Preferred Shares holder by the amount equal to the issue price of the Series A Preferred Shares, plus a ten percent (10%) per annum single interest of the issue price on each Series A Preferred Shares accrued during the period from the issue date of each Series A Preferred Shares until the date stated on redemption notice on which the Preferred Shares are to be redeemed, net with any paid dividends.

(c) The movement of the convertible redeemable preferred shares is set out as below:

	RMB'000
Issuance of Series A Preferred Shares on 27 May 2019	50,000
Changes in fair value	(1,623)
As at 31 December 2019	48,377
Changes in fair value	(5,932)
As at 30 June 2020	42,445

(d) The Group has used the market approach to determine the underlying share value of the Company and adopted equity allocation model to determine the fair value of the Series A Preferred Shares as at the date of issuance and at the end of each reporting period.

Key valuation assumptions used to determine the fair value of Series A Preferred Shares as follows:

	31 December 2019	30 June 2020
Risk-free interest rate	2.56%	2.21%
DLOM	25%	20%
Volatility	42.25%	46.63%

The Group estimated the risk-free interest rate based on the CNY China Sovereign Bond. The DLOM was estimated based on the option-pricing method. Volatility was estimated based on historical volatility of comparable companies for a period from the respective valuation date and with similar span as time to expiration. Probability weight under each of the conversion feature and redemption feature was based on the Group's best estimates. In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair value of Series A Preferred Shares on each valuation date.

33 Subsequent events

[ ]

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2020.

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on November 22, 2018 under the Cayman Companies Law. The Company's constitutional documents consist of the Memorandum and the Articles.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on December 8, 2020 with effect from the **[REDACTED]**. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a member being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) **Alteration of capital**

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so canceled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

(iv) **Transfer of shares**

Subject to the Cayman Companies Law and the requirements of the Hong Kong Stock Exchange, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued

under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognize any instrument of transfer unless a certain fee, up to such maximum sum as the Hong Kong Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Hong Kong Stock Exchange) and shall also be free from all liens.

(v) **Power of the Company to purchase its own shares**

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Hong Kong Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) **Power of any subsidiary of the Company to own shares in the Company**

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) **Calls on shares and forfeiture of shares**

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member

willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or installments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or installment of a call on the day appointed for payment, the Board may, for so long as any part of the call or installment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) **Directors**

(i) **Appointment, retirement and removal**

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in

office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after dispatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(aa) resign;

(bb) dies;

(cc) is declared to be of unsound mind and the Board resolves that his office be vacated;

(dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) he is prohibited from being or ceases to be a director by operation of law;

(ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time

to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) **Power to allot and issue shares and warrants**

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) **Power to dispose of the assets of the Company or any of its subsidiaries**

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the

Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) **Borrowing powers**

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) **Remuneration**

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) **Compensation or payments for loss of office**

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) **Loans and provision of security for loans to Directors**

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) **Disclosure of interest in contracts with the Company or any of its subsidiaries**

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realized by any such contract or arrangement by reason only of such

Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the **[REDACTED]** or **[REDACTED]** of the offer;

(dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) **Proceedings of the Board**

The Board may meet anywhere in the world for the dispatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any

meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) **Alterations to the constitutional documents and the Company's name**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) **Meetings of member**

(i) **Special and ordinary resolutions**

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) **Voting rights and right to demand a poll**

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorized corporate representative):

(A) at least two members;

(B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorized as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized in accordance with this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) **Annual general meetings**

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorized by the Hong Kong Stock Exchange at such time and place as may be determined by the Board.

(iv) **Extraordinary General Meeting**

The Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If

within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

(v) **Notices of meetings and business to be conducted**

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(vi) **Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the

necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vii) **Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorized officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favor of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) **Accounts and audit**

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorized by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual

general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to members who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those members that have consented and elected to receive the summarized financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The members may, at a general meeting remove the auditor(s) by a special resolution at any time before the expiration of the term of office of the auditor(s) and shall, by an ordinary resolution, at that meeting appoint new auditor(s) in place of the removed auditor(s) for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Hong Kong Stock Exchange.

(f) **Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, installments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such

dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by check or warrant sent through the post. Every such check or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the check or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or installments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending checks for dividend entitlements or dividend warrants by post if such checks or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a check or warrant is returned undelivered.

(g) **Inspection of corporate records**

For so long as any part of the share capital of the Company is **[REDACTED]** on the Hong Kong Stock Exchange, any member may inspect any register of members of the Company

maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) **Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(i) **Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) **Subscription rights reserve**

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on November 22, 2018 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancelation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) any manner provided in section 37 of the Cayman Companies Law;

(iv) writing-off the preliminary expenses of the company; and

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) **Financial assistance to purchase shares of a company or its holding company**

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) **Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorize the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as canceled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either canceled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) **Dividends and distributions**

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon

English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) **Protection of minorities and shareholders' suits**

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss v. Harbottle and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) **Disposal of assets**

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) **Accounting and auditing requirements**

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by

the Tax Information Authority pursuant to the Tax Information Authority Law (2017 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) **Exchange control**

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) **Taxation**

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Financial Secretary that:

(i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciations shall apply to the Company or its operations; and

(ii) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(aa) on or in respect of the shares, debentures or other obligations of the Company; or

(bb) by way of withholding in whole or in part of any relevant payment as defined in the Tax Concessions Law (2018 Revision).

The undertaking for the Company is for a period of 20 years from March 26, 2019.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) **Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) **Loans to directors**

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) **Inspection of corporate records**

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) **Register of members**

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2017 Revision) of the Cayman Islands.

(o) **Register of Directors and officers**

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) **Winding up**

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the

winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) **Reconstructions**

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) **Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) **Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such

provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal advisor on Cayman Islands law, has sent to the Company a letter of advice which summarizes certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated on November 22, 2018 in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law. Our Company has established a principal place of business in Hong Kong at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong and our Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on March 18, 2019. Mr. Zhu Boyang has been appointed as the authorized representative of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong. Our address for acceptance of service of process and notices on our Company in Hong Kong is the same as our registered place of business in Hong Kong.

As our Company is incorporated in the Cayman Islands, its operations are subject to the relevant laws and regulations of Cayman Islands and its constitution, comprising its Memorandum of Association and Articles of Association. A summary of the Cayman Companies Law and of the Memorandum of Association and Articles of Association is set out in "Summary of the Constitution of the Company and Cayman Companies Law" in Appendix III to this document.

2. Changes in Share Capital of our Company

As of the date of incorporation of our Company, our Company had an authorized share capital of US$50,000 divided into 500,000,000 Shares of par value US$0.0001 each. On May 27, 2019, a new class of shares, being Series A Preferred Shares, was created by re-designating 25,000,000 authorized but unissued Shares as 25,000,000 authorized but unissued Series A Preferred Shares, such that after the re-designation, the authorized share capital of the Company has been changed from US$50,000 divided into 500,000,000 Shares to US$50,000 divided into 475,000,000 Shares and 25,000,000 Series A Preferred Shares. On June 21, 2019, the authorized share capital of the Company was increased to US$1,000,000.00 divided into 10,000,000,000 Shares of par value US$0.0001 each, by (i) canceling 25,000,000 authorized but unissued Series A Preferred Shares; and (ii) creating 9,525,000,000 authorized but unissued Shares. The following alterations in the issued and paid up share capital of our Company have taken place since its date of incorporation up to the date of this document:

(a) on November 22, 2018, one Share was allotted and issued fully-paid as the subscriber share to an initial independent subscriber, which was transferred to XC Group on the same date. On the same date, 949 Shares and 50 Shares were allotted and issued fully-paid to XC Group and ADYM Investments, respectively;

(b) on May 27, 2019, pursuant to the **[REDACTED]** Investment Agreement dated May 14, 2019 entered into among LYL Weihui, our Company, Cheshi Investments Limited, Cheshi Hong Kong Limited, Congshu Internet, Congshu Beijing, Huo'er Guosi Online Cheshi Technology Co., Ltd. (霍爾果斯網上車市科技有限公司), Congshu Hubei, XC Group, ADYM Investments, Mr. Xu and Mr. Li, our Company allotted and issued an aggregate of 451,249,050 and 23,749,950 Shares, credited as fully paid, to XC Group and ADYM Investments respectively, and 25,000,000 Series A Preferred Shares, credited as fully paid, for a total consideration of RMB50.0 million (or a subscription price of RMB2.0 per Share) to the **[REDACTED]** Investor;

(c) on June 21, 2019, 25,000,000 Series A Preferred Shares were repurchased by the Company from the **[REDACTED]** Investor for cancelation, and in return 25,000,000 Shares, credited as fully paid, were allotted and issued to the **[REDACTED]** Investor; and

(d) on June 21, 2019, for the purpose of implementing the RSU Scheme and the SA Scheme, the Company capitalized an aggregate amount of US$40,000 standing in the credit of its share premium account and applied such sum to pay up an aggregate of 400,000,000 unissued Shares, credited as fully paid at par, for allotment and issue as fully paid bonus shares of 351,250,000 Shares, 23,750,000 Shares and 25,000,000 Shares to XC Group, ADYM Investments and the **[REDACTED]** Investor, being the Shareholders at the time of issue, respectively, and the Scheme Custodian (through the RSU Nominee and the SA Nominee) subscribed for, and the Company allotted and issued at par, an aggregate of 100,000,000 Shares credited as fully paid.

See "Share Capital" in this document for a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately prior to and following the completion of the **[REDACTED]**.

Save as disclosed above and in "3. Written Resolutions of our Shareholders passed on December 8, 2020" below in this Appendix, there has been no alteration in the share capital of our Company since our incorporation.

3. Written Resolutions of our Shareholders passed on December 8, 2020

Pursuant to the written resolutions of our then Shareholders that were passed, among other things:

(a) our Company approved and conditionally adopted the Memorandum of Association and the Articles of Association, upon the fulfillment of the Conditions (as defined below) and with effect from the **[REDACTED]**;

(b) conditional upon (i) the Listing Committee granting the **[REDACTED]** of, and **[REDACTED]**, the Shares in issue and to be issued pursuant to the **[REDACTED]**; (ii) the **[REDACTED]** being fixed on or around the **[REDACTED]**; (iii) the execution and delivery of the **[REDACTED]**; and (iv) the obligations of the **[REDACTED]** under the **[REDACTED]** becoming unconditional and the **[REDACTED]** not being terminated in accordance with their respective terms or otherwise, in each case on or before such dates as may be specified in the **[REDACTED]** (the "**Conditions**"):

(1) the **[REDACTED]** was approved and our Directors were authorized to effect the same and to allot and issue the new Shares pursuant to the **[REDACTED]** to rank *pari passu* with the then existing Shares in all respects;

(2) the **[REDACTED]** was approved and our Directors were authorized to implement the **[REDACTED]**;

(3) the granting of the **[REDACTED]** by our Company to the **[REDACTED]** (exercisable by the **[REDACTED]** on behalf of the **[REDACTED]**), pursuant to which our Company is required to, upon exercise of the **[REDACTED]**, allot and issue additional Shares not exceeding 15% of the number of initial Shares under the **[REDACTED]** at the **[REDACTED]** (the "**[REDACTED] Shares**") to cover **[REDACTED]** in the **[REDACTED]** was approved, and our Directors were authorized to effect the same and to allot and issue

the **[REDACTED]** Shares, credited as fully paid upon full payment of the same and such **[REDACTED]** Shares to rank *pari passu* with the then existing Shares in all respects, upon the exercise of the **[REDACTED]** (either in full or in part);

(4) a general unconditional mandate was granted to our Directors to allot, issue and deal with the Shares or to grant any offers, agreements or options which would or might require Shares to be allotted, issued or dealt with, provided that the aggregate number of the Shares allotted or agreed to be allotted by our Directors other than pursuant to (A) a rights issue, (B) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association, or (C) a specific authority granted by our Shareholders in general meeting, shall not exceed the aggregate of:

(i) 20% of the total number of the Shares in issue immediately following the completion of the **[REDACTED]** (but excluding any Shares which may be issued pursuant to the exercise of the **[REDACTED]**; and

(ii) the total number of Shares of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in sub-paragraph (6) below,

such mandate to remain in effect during the period from the passing of the resolution until the earliest of (A) the conclusion of our next annual general meeting, (B) the expiration of the period within which we are required by any applicable law or the Articles of Association to hold our next annual general meeting; or (C) the date on which the resolution is varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting (the "**Relevant Period**") (the "**Issue Mandate**");

(5) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to repurchase Shares on the Hong Kong Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose), and which are made in accordance with all applicable laws and the requirements of the Listing Rules with the total number of not more than 10% of the total number of the Shares of our Company's in issue immediately following the completion of the **[REDACTED]** (but excluding any Shares which may be issued pursuant to the exercise of the **[REDACTED]**), such mandate to remain in effect during the Relevant Period (the "**Repurchase Mandate**"); and

(6) the Issue Mandate as referred to in sub-paragraph (4) above was extended by an addition representing the total number of the Shares repurchased by our Company pursuant to the Repurchase Mandate as referred to in sub-paragraph (5) above.

B. OUR SUBSIDIARIES

Our Company's subsidiaries are referred to in the Accountant's Report, the text of which is set out in Appendix I to this document.

Save as disclosed in "History, Reorganization and Corporate Structure", there has been no alteration in the share capital to any of our subsidiaries within the two years preceding the date of this document.

C. REPURCHASE BY OUR COMPANY OF OUR OWN SECURITIES

This section set out information required by the Hong Kong Stock Exchange to be included in this document concerning the repurchase by our Company of our own securities.

1. Relevant Legal and Regulatory Requirements

The Listing Rules permit a company whose primary **[REDACTED]** is on the Hong Kong Stock Exchange to repurchase its securities on the Hong Kong Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(a) Shareholders' Approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) on the Hong Kong Stock Exchange by a company with a primary **[REDACTED]** on the Hong Kong Stock Exchange must be approved in advance by an ordinary resolution of our Shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the written resolutions of our Shareholders passed on December 8, 2020, the Repurchase Mandate was given to our Directors to exercise all powers of our Company to repurchase up to 10% of the aggregate number of the Shares in issue immediately following completion of the **[REDACTED]** on the Hong Kong Stock Exchange or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose). The Repurchase Mandate will remain in effect during the Relevant Period.

(b) Source of Funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange as amended from time to time. Subject to the foregoing, under the Cayman Companies Law, any repurchases by our Company may be made out of our Company's profits, out of our Company's share premium account, out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase, or, if authorized by the Articles of Association and subject to the provisions of the Cayman Companies Law, out of capital. Any amount of premium payable on a repurchase over the par value of the Shares to be repurchased must be out of either or both our Company's profits or our Company's share premium account, before or at the time the Shares are repurchased, or, if authorized by the Articles of Association and subject to the provisions of the Cayman Companies Law, out of capital.

(c) Trading Restrictions

A listed company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Hong Kong Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Hong Kong Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Hong Kong Stock Exchange.

The Listing Rules also prohibit a listed company from repurchasing its securities on the Hong Kong Stock Exchange if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Hong Kong Stock Exchange.

A listed company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Hong Kong Stock Exchange such information with respect to the repurchase as the Hong Kong Stock Exchange may require.

(d) Suspension of Repurchase

Pursuant to the Listing Rules, a listed company may not make any repurchases of shares after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Hong Kong Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarter-year or any other interim period (whether or not required by the Listing Rules); and (ii) the deadline for a listed company to publish an announcement of its results for any year, half-year or quarter-year period under the Listing Rules, or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, the listed company may not repurchase its shares on the Hong Kong Stock Exchange unless the circumstances are exceptional.

(e) Reporting Requirements

Certain information relating to repurchases of securities on the Hong Kong Stock Exchange or otherwise must be reported to the Hong Kong Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(f) Core Connected Persons

A listed company is prohibited from knowingly repurchasing securities on the Hong Kong Stock Exchange from a "core connected person" (as defined in the Listing Rules) and a core connected person is prohibited from knowingly selling his securities to the company on the Hong Kong Stock Exchange.

2. Reasons for Repurchases

Our Directors believe that it is in our Company's and our Shareholders' best interests for our Directors to have general authority from our Shareholders to enable our Company to execute repurchases of the Shares **[REDACTED]**. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or its earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and our Shareholders.

3. Funding of Repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of our Company's current financial position as disclosed in this document and taking into account our Company's current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, there might be a material adverse effect on our working capital and/or our gearing position as compared with the position disclosed in this document. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our Company's working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

4. General

The exercise in full of the Repurchase Mandate, on the basis of **[REDACTED]** Shares in issue immediately following the completion of the **[REDACTED]** (without taking into account any Shares which may be issued pursuant to the exercise of the **[REDACTED]**) could accordingly result in up to approximately **[REDACTED]** Shares being repurchased by our Company during the Relevant Period.

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates currently intends to sell any Shares to us or our subsidiaries.

Our Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase of our Shareholders' interests, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of a repurchase of Shares made immediately after the **[REDACTED]** of Shares on the Hong Kong Stock Exchange. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Hong Kong Stock Exchange agrees to waive the Listing Rules requirements regarding the public shareholding referred to above. A waiver of this provision is not normally granted other than in exceptional circumstances.

No core connected person (as defined in the Listing Rules) of our Company has notified us that he or she or it has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

D. CORPORATE REORGANIZATION

The companies comprising our Group underwent the Reorganization in preparation for **[REDACTED]** of the Shares on the Hong Kong Stock Exchange. Please see "History, Reorganization and Corporate Structure—Reorganization" in this document for further details.

E. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or our subsidiaries within the two years preceding the date of this document and are material:

(a) a share transfer agreement dated April 26, 2019 entered into between Congshu Beijing and an independent third party for the transfer of 100% of the issued share capital in Beihai Congshu Technology Co., Ltd. (北海樅樹科技有限公司) at a consideration of RMB2,000.0;

(b) an exclusive technical service agreement dated May 15, 2019 entered into by Congshu Internet and Congshu Beijing whereby Congshu Internet has the exclusive right to provide, or designate any third party to provide Congshu Beijing with technical and management consulting services;

(c) an exclusive option agreement dated May 15, 2019 entered into by and among Congshu Internet, our Registered Shareholders and Congshu Beijing whereby our Registered Shareholders unconditionally and irrevocably agree to grant Congshu Internet an exclusive option to purchase all or part of the equity interests in and/or assets of Congshu Beijing;

(d) an equity pledge agreement dated May 15, 2019 entered into among Congshu Internet, Congshu Beijing and Mr. Xu, whereby Mr. Xu unconditionally and irrevocably pledged all of the equity interests in Congshu Beijing to Congshu Internet in order to guarantee the performance of obligations of Congshu Beijing and the Registered Shareholders under the Contractual Arrangements;

(e) an equity pledge agreement dated May 15, 2019 entered into among Congshu Internet, Congshu Beijing and Mr. Li Anding, whereby Mr. Li Anding unconditionally and irrevocably pledged all of the equity interests in Congshu Beijing to Congshu Internet in order to guarantee the performance of obligations of Congshu Beijing and the Registered Shareholders under the Contractual Arrangements;

(f) a shareholders' rights proxy agreement dated May 15, 2019 entered into by and among Congshu Internet, Congshu Beijing and the Registered Shareholders, whereby the Registered Shareholders irrevocably appointed Congshu Internet or its designated person, as their attorney-in-fact, to exercise their shareholders' rights in Congshu Beijing;

(g) a letter of spousal undertaking dated May 15, 2019 from Ms. Ma Yuanyuan, spouse of Mr. Xu, whereby Ms. Ma Yuanyuan irrevocably and unconditionally consented to the entering into of, among others, the equity pledge agreement, the exclusive option agreement and the shareholders' rights proxy agreement by Mr. Xu and the disposal of Mr. Xu's equity interests in Congshu Beijing according to the terms of the agreements;

(h) a letter of spousal undertaking dated May 15, 2019 from Ms. Gu Yuan, spouse of Mr. Li Anding, whereby Ms. Gu Yuan irrevocably and unconditionally consented to the entering

into of, among others, the equity pledge agreement, the exclusive option agreement and the shareholders' rights proxy agreement by Mr. Li Anding and the disposal of Mr. Li Anding's equity interests in Congshu Beijing according to the terms of the agreements;

(i) the subscription agreement dated May 14, 2019 entered into among our Company, Cheshi Investments Limited, Cheshi Hong Kong Limited, Congshu Internet, Congshu Beijing, Huo'er Guosi Online Cheshi Technology Co., Ltd. (霍爾果斯網上車市科技有限公司), Congshu Hubei, XC Group, ADYM Investments Limited, Mr. Xu, Mr. Li Anding and the **[REDACTED]** Investor in relation to the subscription of 25,000,000 Series A Preferred Shares by the **[REDACTED]** Investor;

(j) the shareholders agreement dated May 14, 2019 entered into among our Company, Cheshi Investments Limited, Cheshi Hong Kong Limited, Congshu Internet, Congshu Beijing, Huo'er Guosi Online Cheshi Technology Co., Ltd. (霍爾果斯網上車市科技有限公司), Congshu Hubei, XC Group, ADYM Investments Limited, Mr. Xu, Mr. Li Anding and the **[REDACTED]** Investor in relation to the rights of the **[REDACTED]** Investor;

(k) a share transfer agreement dated May 27, 2019 entered into between Congshu Beijing and an independent third party for the transfer of 100% of the issued share capital in Huo'er Guosi Online Cheshi Technology Co., Ltd. (霍爾果斯網上車市科技有限公司) at a consideration of RMB1.0;

(l) a trust deed for certain equity incentive schemes of the Company dated June 21, 2019 entered into among the Company, the Scheme Custodian, the RSU Nominee and the SA Nominee;

(m) the deed of indemnity dated December 22, 2020 entered into by our Controlling Shareholders in favor of our Company (for itself and as trustee of each of its subsidiaries) in respect of certain indemnities as provided therein;

(n) the deed of non-competition dated December 22, 2020 entered into by our Controlling Shareholders in favor of our Company (for itself and as trustee for each of its subsidiaries) regarding, among other things, undertakings and covenants given by our Controlling Shareholders to not carry on any activity or business which our Group may conduct or carry on business from time to time;

[REDACTED]

[REDACTED]

(t) **[REDACTED]**

2. Our intellectual property rights

As of the Latest Practicable Date, we have registered the following intellectual property rights which are material to our business:

(a) Domain names

As of the Latest Practicable Date, our Group has registered the following domain names which are material to our business:

Domain name	Registrant	Expiry Date
cheshi.com	Congshu Beijing	October 16, 2028
cheshi-img.com	Congshu Beijing	December 30, 2023
pika18.com	Congshu Beijing	July 3, 2023
haoche18.com	Congshu Beijing	November 23, 2022
cheshi18.com	Congshu Hubei	February 11, 2022

(b) Trademarks

As of the Latest Practicable Date, our Group has registered the following trademarks which are material to our business:

Trademark	Place of registration	Registered owner	Class(es)	Registration number	Validity Period up to
CHESHI.COM	PRC	Congshu Beijing	35	10086595	January 6, 2023
	PRC	Congshu Beijing	38	10086593	September 20, 2023
	PRC	Congshu Beijing	41	10086591	January 6, 2023
	PRC	Congshu Beijing	42	10086589	January 6, 2023
cheshi.com	PRC	Congshu Beijing	35	10086594	January 6, 2023
	PRC	Congshu Beijing	38	10086592	September 20, 2023
	PRC	Congshu Beijing	41	10086590	January 6, 2023
	PRC	Congshu Beijing	42	10086588	January 6, 2023
四月行	PRC	Congshu Beijing	39	30161236	April 20, 2029
CHESHI.COM AUTO MARKET ONLINE	Hong Kong	Cheshi Hong Kong Limited	35,42	304831966	February 17, 2029
CHESHI.COM	Hong Kong	Cheshi Hong Kong Limited	35,42	304832028	February 17, 2029

Trademark	Place of registration	Registered owner	Class(es)	Registration number	Validity Period up to
	Hong Kong	Cheshi Hong Kong Limited	35,42	304831885	February 17, 2029

As of the Latest Practicable Date, our Group has no trademarks in application for registration in the PRC.

(c) Software copyrights

As of the Latest Practicable Date, our Group has registered the following software copyrights in the PRC which are material to our business:

Name of software	Registered owner	Registration number	First publication date
Cheshi.com APP software V4.0.0 (網上車市APP 軟體V4.0.0)	Congshu Beijing	2018SR853649	April 20, 2016
Congshu CMS advertisement distribution system V1.0 (樅樹CMS廣告發佈系統V1.0)	Congshu Beijing	2017SR193121	February 20, 2017
Cheshi Wei promotion system V1.0 (車市惠優惠活動系統V1.0)	Congshu Beijing	2017SR193108	March 4, 2017
Cheshi maintenance database system V1.0 (車市保養庫系統V1.0)	Congshu Beijing	2017SR193913	February 13, 2017
Cooperative website content distribution system V1.0 (合作站內容分發系統V1.0)	Congshu Beijing	2017SR214531	December 29, 2016
Cheshi Bao distributor system V1.0 (車市寶經銷商系統V1.0)	Congshu Beijing	2017SR214388	January 12, 2017
Congshu CMS content distribution platform (樅樹CMS內容發佈平台) V1.0	Congshu Beijing	2017SR214382	December 28, 2016
Cheshi.com vehicle violation inquiry system (網上車市汽車違章查詢系統) V1.0.0	Congshu Beijing	209SR1099965	May 20, 2018
Cheshi.com online car rental system (網上車市線上租車系統) V1.0.0	Congshu Beijing	2019SR1098759	January 20, 2017
Cheshi.com fast application system(網上車市快應用系統) V1.0.0	Congshu Beijing	2019SR1092268	April 20, 2019
Cheshi.com Cheshihao platform (網上車市車市號平台) V1.0.0	Congshu Beijing	2019SR1082160	July 1, 2019
Cheshi.com car owner verification system (網上車市認證車主系統)V1.0.0	Congshu Beijing	2019SR1086015	January 20, 2018
Cheshi.com applets application system (網上車市小程式應用系統) V1.0	Congshu Beijing	2019SR1086013	February 18, 2019
Cheshi.com model library management system (網上車市車型庫管理系統) V1.0.0	Congshu Beijing	2019SR1088288	January 20, 2016
Chechi.com car maintenance system (網上車市汽車保養系統) V1.0.0	Congshu Beijing	2019SR1088308	January 20, 2016
Cheshi.com vehicle inspection system (網上車市車檢系統) V1.0.0	Congshu Beijing	2019SR1088301	March 20, 2019

Name of software	Registered owner	Registration number	First publication date
Cheshi.com community platform system (網上車市社區平台系統) V1.0.0	Congshu Beijing	2019SR1101241	December 20, 2017
Cheshi.com online fueling system (網上車市線上加油系統) V1.0.0	Congshu Beijing	2019SR1101169	May 20, 2019
Cheshi.com business process system (網上車市商配流程系統) V1.0.0	Congshu Beijing	2019SR1101220	January 20, 2017

Save as aforesaid, there are no other trade or service marks, patents, software copyrights or other intellectual or industrial property rights of our Group, which are or may be material to our Group's business as of the Latest Practicable Date.

F. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests and short positions of our Directors and chief executives of our Company in the shares, underlying shares or debentures of our Company and our associated corporations

Immediately following the completion of the **[REDACTED]** (without taking into account the exercise of the **[REDACTED]**), the interests or short positions of our Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered into in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Hong Kong Stock Exchange, once the Shares are **[REDACTED]**, are as follows:

(1) Interests in Shares of our Company

Name of Director	Nature of interest and capacity	Number of Shares held/interested(Note 1)	Approximate percentage of shareholding
Mr. Xu (Note 2)	Interest in controlled corporation	**[REDACTED]** (L)	**[REDACTED]**%
Mr. Liu Lei	Beneficial interest(3)	**[REDACTED]** (L)	**[REDACTED]**%
Mr. Zhu Boyang	Beneficial interest(3)	**[REDACTED]** (L)	**[REDACTED]**%
Ms. Suo Yan	Beneficial interest(3)	**[REDACTED]** (L)	**[REDACTED]**%

Notes:

(1) The letter "L" denotes the person's long position in our Shares.

(2) Mr. Xu beneficially owns 100% of the issued shares of XC Group. Mr. Xu is deemed, or taken to be, interested in **[REDACTED]** *Shares held by XC Group for the purpose of the SFO.*

(3) Mr. Liu Lei, Mr. Zhu Boyang and Ms. Suo Yan will be granted Share Awards under the SA Scheme immediately prior to the completion of the **[REDACTED]**. *They are deemed to be interested in the issued share capital of our Company for the Share Awards that have been granted to them pursuant to Part XV of the SFO.*

(2) Associated Corporations

Name of Director	Nature of Interest	Associated corporation	Approximate percentage of shareholding in associated corporation
Mr. Xu	Beneficial owner	XC Group	100%

The following table lists out our directors' and chief executives' interests in the other associated corporations:

Name of Director	Nature of Interest	Associated corporation	Approximate amount of contribution to registered capital	Approximate percentage of shareholding in associated corporation
Mr. Xu	Nominee shareholder whose shareholders' rights are subject to contractual arrangements	Congshu Beijing	RMB35,750,000	95.00%

(b) Interests and short positions of substantial shareholders in the Shares or underlying Shares of our Company

Save as disclosed in "Substantial Shareholders" in this document, our Directors are not aware of any other person who will, immediately following the **[REDACTED]** (without taking into account the exercise of the **[REDACTED]**), have an interest or a short position in the Shares or underlying Shares which will be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of any class of share capital carrying the rights to vote in all circumstances at the general meetings of our Company.

As of the Latest Practicable Date, so far as is known to our Directors, other than our Company, no other persons were interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any of our subsidiaries.

2. Directors' Service Contracts and Appointment Letter

Our executive Directors have entered into service contracts with our Company for a fixed term of three years commencing from the **[REDACTED]** which can be terminated before the expiration of the term by not less than three months' notice in writing served by either party on the other. Under their respective service agreements, the executive Directors will not receive additional annual salaries in their capacities as executive Directors.

Our independent non-executive Directors have signed appointment letters with our Company for a term of three years commencing from The **[REDACTED]**. Under their respective appointment letters, each of the independent non-executive Directors is entitled to a fixed Directors fee of HK$120,000 per annum with effect from the **[REDACTED]**.

The Directors' appointments are subject to the requirements of the Listing Rules and the provisions relating to the retirement and rotation of the Directors under the Articles of Association.

Save as disclosed above, none of our Directors has entered into a service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Directors' Remuneration

The aggregate remuneration (including salaries, allowances and benefits in kind, and pension scheme contributions) paid to our Directors for the three financial years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 were approximately RMB2.5 million, RMB3.3 million, RMB5.1 million and RMB1.5 million, respectively.

There was no arrangement under which a Director waived or agreed to waive any remuneration for any of the three financial years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020.

Save as disclosed above, no other payments have been made or are payable in respect of the three financial years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 by any member of our Group to any of our Directors.

Under the arrangements currently in force, our Company estimates the aggregate remuneration payable to, and benefits in kind receivable by (excluding any discretionary bonuses), our Directors in respect of the year ending December 31, 2020 to be approximately RMB4.1 million.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors, former Directors, or the five highest-paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

4. Personal Guarantees

As of the Latest Practicable Date, our Directors have not provided personal guarantees in favor of lenders in connection with banking facilities granted to our Group.

5. Agency Fees or Commission Received

Save as disclosed in this document, no commissions, discounts, brokerages or other special terms have been granted by our Group to any person in connection with the issue or sale of any capital or security of our Company or any of member of our Group within the two years preceding the date of this document.

6. Related-Party Transactions

Details of the related-party transactions are set out under Note 30 to the Accountant's Report set out in Appendix I to this document.

7. Disclaimers

Save as disclosed in this document:

(a) none of our Directors or chief executives of our Company has any interest and/or short position in the shares, underlying shares and debentures of our Company or any of its

associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules, to be notified to our Company and the Hong Kong Stock Exchange, in each case once the Shares are **[REDACTED]** on the Hong Kong Stock Exchange;

(b) so far as is known to any Director or chief executive of our Company, and taking no account of any Shares which may be taken up under the **[REDACTED]**, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group, in each case once the Shares are **[REDACTED]** on the Hong Kong Stock Exchange;

(c) none of our Directors nor any of the persons listed in "H. Other Information—6. Qualifications of experts" below in this Appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this document, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(d) none of our Directors is materially interested in any contract or arrangement with our Group subsisting at the date of this document which is unusual in its nature or conditions or which is significant in relation to the business of our Group taken as a whole;

(e) save in connection with **[REDACTED]**, none of the persons listed in "H. Other Information—6. Qualifications of experts" below in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;

(f) save for the **[REDACTED]**, none of the persons listed in "H. Other Information—6. Qualifications of experts" below in this Appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;

(g) within the two years preceding the date of this document, no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

(h) so far as is known to our Directors, none of our Directors or their close associates or any Shareholder (which to the knowledge of our Directors owns 5% or more of the issued share capital of our Company) has any interest in any of the five largest suppliers or customers of our Group.

G. RSU SCHEME AND SA SCHEME

1. RSU Scheme

The following is a summary of the principal terms of the RSU Scheme approved and adopted by a resolution of our Shareholders on June 25, 2019. The RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules.

On December [*], 2020, the Board has resolved to grant to [17] selected participants under the RSU Scheme **[REDACTED]** RSUs (representing **[REDACTED]** underlying Shares). This grant will be made immediately prior to the completion of the **[REDACTED]**. For further details, please refer to the paragraphs "(v) RSUs to be granted" below. The Shares underlying RSUs to be granted will represent approximately **[REDACTED]**% of the issued Shares immediately following the completion of the **[REDACTED]**, assuming the **[REDACTED]** is not exercised.

As of the Latest Practicable Date, the Shares underlying the RSUs that will be granted were held by the RSU Nominee. These RSUs to be granted will not cause any dilution of shareholding of our Shareholders.

(a) Purpose of the RSU Scheme

The purpose of the RSU Scheme is to incentivise Directors, senior management and employees for their contribution to our Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of our Group by providing them with the opportunity to own equity interests in our Company.

(b) RSUs

A RSU gives a person who is eligible to participate in the RSU Scheme and selected by the Board a conditional right when the RSU vests to obtain Shares, less any tax, stamp duty and other charges applicable, as determined by our Board in its absolute discretion. Each RSU represents one underlying Share. A RSU may include, if so specified by our Board in its entire discretion, cash and non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares.

(c) Participants in the RSU Scheme

Persons eligible to receive RSUs under the RSU Scheme are existing employees, Directors (whether executive or non-executive), officers, consultants and service providers of our Company or any member of our Group (the "**RSU Eligible Persons**"). Our Board selects the RSU Eligible Persons to receive RSUs under the RSU Scheme on the basis of their contribution to their development and growth of our Group or such other factors as our Board may deem appropriate at its discretion.

(d) Term of the RSU Scheme

The RSU Scheme will be valid and effective for a period of ten (10) years, commencing from its adoption date, being June 25, 2019 (unless it is terminated earlier in accordance with its terms) (the "**RSU Scheme Period**").

(e) Grant and Acceptance

(a) Making an offer

An offer to grant a RSU will be made to a RSU Eligible Person selected by our Board (the "**RSU Selected Participant**") by a letter, in such form as our Board may determine (the "**RSU Grant Letter**"). The RSU Grant Letter will specify the RSU Selected Participant's name, the manner of acceptance of the RSU, the number of RSUs granted and the number of underlying Shares represented by the RSUs, the vesting criteria and conditions, the vesting schedule, the exercise price of the RSUs (where applicable) and such other details as our Board considers necessary and are not inconsistent with the RSU Scheme, and will require the RSU Selected Participant to undertake to hold the RSU on the terms on which it is granted and to be bound by the provisions of the RSU Scheme.

(b) Acceptance of an offer

A RSU Selected Participant may accept an offer of the grant of RSUs in such manner as set out in the RSU Grant Letter. Once accepted, the RSUs are deemed granted from the date of the RSU Grant Letter (the "**RSU Grant Date**").

(c) Restrictions on Grants

Our Board may not grant any RSUs to any RSU Selected Participant in any of the following circumstances:

- the requisite approvals for such grant from any applicable regulatory authorities (including in particular foreign exchange registration requirements) have not been obtained;
- the securities laws or regulations require that a prospectus or other offering documents be issued in respect of the grant of the RSUs or in respect of the RSU Scheme, unless our Board determines otherwise;
- where granting the RSUs would result in a breach by our Company, any member of our Group or any of their directors of any applicable laws, rules or regulations; or
- where such grant of any RSUs would result in a breach of the limits of the RSU Scheme (as set out in paragraph (f) below).

(f) Maximum number of Shares that may be granted under the RSU Scheme

The maximum number of RSUs that may be granted under the RSU Scheme in aggregate (excluding RSUs that have lapsed or been canceled in accordance with the rules of the RSU Scheme) shall be such number of Shares held or to be held by the Scheme Custodian for the purpose of the RSU Scheme from time to time, but provided that the total number of Shares that may be allotted or issued to the Scheme Custodian by our Company under the RSU Scheme shall be no more than 20,000,000 Shares, representing approximately 2.00% of the share capital of our Company as of the date of adoption of the RSU Scheme. The total number of Shares subject to the RSU Scheme may be adjusted upon the occurrence of any alteration in the capital structure of our Company.

(g) Rights attached to RSUs

Save as described in the rules of the RSU Scheme (the **"RSU Scheme Rules"**), a RSU Selected Participant does not have any contingent interest in any Shares underlying the RSUs

unless and until such Shares are actually transferred to the RSU Selected Participant. Further, a RSU Selected Participant may not exercise voting rights in respect of the Shares underlying the RSUs until they are transferred to him/her and, unless otherwise specified by our Board in its entire discretion in the RSU Grant Letter to the RSU Selected Participant, nor does he/she have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying the RSUs.

(h) Rights attached to Shares

The Scheme Custodian shall be entitled to, as the holder of the Shares underlying the RSUs before their transfer to the relevant RSU Grantee(s), vote, or abstain from voting, or appoint one or more proxies to vote any or all of the Shares that may be held by it from time to time in a manner as it in its discretion sees fit.

Any Shares transferred to a RSU Selected Participant in respect of any RSUs will be subject to all the provisions of the Articles. Subject to the preceding paragraph and if so specified in the RSU Grant Letter, the Scheme Custodian shall hold for the RSU Selected Participants' benefit the dividends and other distributions generated from such Shares before they are transferred to the RSU Selected Participant. Such Shares will rank *pari passu* with the fully paid Shares in issue on the date of the transfer or, if that date falls on a day when the register of members of our Company is closed, the first day of the reopening of the register of members, and accordingly will entitle the holders to participate in all dividends and other distributions paid or made on or after the date of transfer or, if that date falls on a day when the register of members of our Company is closed, the first day of the reopening of the register of members.

(i) Assignment of RSUs

The RSUs granted pursuant to the RSU Scheme are personal to each RSU Selected Participant, and are not assignable. RSU Selected Participant(s) are prohibited from selling, transferring, assigning, charging, mortgaging, encumbering, hedging or creating any interest in favor of any other person over or in relation to any property held by the Scheme Custodian (as defined in paragraph (k) below) on trust for the RSU Scheme, the RSUs, or any interest or benefits therein.

(j) Vesting of RSUs

Our Board can determine the vesting criteria, conditions and the time schedule when the RSUs will vest and such criteria, conditions and time schedule shall be stated in the RSU Grant Letter.

Within a reasonable time after the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, our Board will send a vesting notice (the "**Vesting Notice**") to each of the relevant RSU Selected Participants. The Vesting Notice will confirm the extent to which the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, and the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) involved.

(k) Appointment of the Scheme Custodian

Our Board has appointed the Scheme Custodian as the trustee to assist with, among others, the administration and vesting of RSUs granted pursuant to of the RSU Scheme. Our Board may (i) allot and issue Shares to the Scheme Custodian to be held by it, which will be used to satisfy the Shares underlying the RSUs upon exercise and/or (ii) direct and procure the Scheme Custodian to receive existing Shares from any Shareholder or purchase existing Shares (either on-market or off-market) to satisfy the Shares underlying the RSUs upon exercise. The Scheme Custodian shall timely inform our Board on the Shares and funds (if any) held by it, and our Board shall procure that sufficient Shares and/or funds are provided to the Scheme Custodian by whatever means as our Board may in its absolute discretion determine to enable the Scheme Custodian to satisfy its obligations in connection with the administration of the RSU Scheme. All the Shares underlying the RSUs granted and to be granted under the RSU Scheme will be transferred, allotted or issued to the Scheme Custodian.

(l) Exercise of RSUs

RSUs held by a RSU Selected Participant that are vested as evidenced by the Vesting Notice may be exercised (in whole or in part) by the RSU Selected Participant serving an exercise notice in writing on the Scheme Custodian and copied to our Company. Any exercise of RSUs must be in respect of board lots of **[REDACTED]** Shares each or an integral multiple thereof (except where the number of RSUs which remains unexercised is less than one board lot).

In an exercise notice, the RSU Selected Participant shall request the Scheme Custodian to, and our Board shall direct and procure the Scheme Custodian to, within five business days (being a day other than a Saturday or Sunday or days on which a tropical cyclone warning number 8 or above or a "black" rain warning signal is hoisted in Hong Kong at any time between 9 am and 5 pm) on which the Hong Kong Stock Exchange is open for trading and clearing banks in Hong Kong and the PRC are open for transactions of normal banking business), transfer the Shares underlying the RSUs exercised (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) to the RSU Selected Participant which our Company has allotted and issued to the Scheme Custodian as fully paid up Shares or which the Scheme Custodian has either acquired by purchasing existing Shares or by receiving existing Shares from any Shareholder, subject to the RSU Selected Participant paying the exercise price (where applicable) and all tax, stamp duty, levies and charges applicable to such transfer to the Scheme Custodian or as the Scheme Custodian directs.

At the sole discretion of our Board, our Board may direct the Scheme Custodian to pay market value of the Shares in lieu of the transfer of the Shares (together with, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) but less all tax, stamp duty, levies and charges applicable to such payment as may be reasonably determined by our Board.

The RSU Selected Participant shall serve the exercise notice within three months after receiving the Vesting Notice. The Scheme Custodian will not be bound to hold the Shares underlying the RSUs vested for the RSU Participant after this three (3) months period. If the exercise notice is not served during this three (3) months period or the Shares underlying the RSUs exercised cannot be transferred to the RSU Selected Participant pursuant to the preceding

paragraph due to the RSU Selected Participant not being able to provide sufficient information to effect the transfer (the "**Unclaimed Shares**"), the RSUs vested or exercised (as the case may be) shall lapse unless otherwise agreed by our Board at its absolute discretion and in this case, our Board shall at its sole discretion either direct the Scheme Custodian to continue to hold the all of part of the Unclaimed Shares or to dispose of any of all of such Unclaimed Shares in a manner as our Board sees fit.

(m) Rights on a takeover

If a general offer to acquire the Shares (whether by takeover offer, merger, or otherwise in a like manner) is made to all of our Shareholders (or Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and the general offer to acquire the Shares is approved and the offer becomes or is declared unconditional in all respects, a RSU Selected Participant's outstanding RSUs will vest immediately, even if the vesting period has not yet commenced.

(n) Rights on a compromise or arrangement

If a compromise or arrangement between our Company and our Shareholders or creditors is proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies and a notice is given by our Company to our Shareholders to convene a general meeting to consider and if thought fit, approve such compromise or arrangement and such Shareholders' approval is obtained, a RSU Selected Participant's outstanding RSUs will vest immediately, even if the vesting period has not yet commenced.

(o) Rights on voluntary winding-up

If an effective resolution is passed during the RSU Scheme Period for the voluntary winding-up of our Company (other than for the purposes of a reconstruction, amalgamation or scheme of arrangement), all outstanding RSUs shall be treated as having vested immediately. No Shares will be transferred, and no cash alternative will be paid, to the RSU Selected Participant , but the RSU Selected Participant Grantee will be entitled to receive out of the assets available in liquidation on an equal basis with our Shareholders such sum as they would have received in respect of the number of Shares that they would have held after the RSUs are vested.

(p) Lapse of RSUs

(a) Full lapse of RSU

Any unvested RSU will automatically lapse immediately where:

(i) the RSU Selected Participant's employment or service terminates for any reason; or

(ii) the RSU Selected Participant makes any attempt or takes any action to sell, transfer, assign, charge, mortgage, encumber, hedge or create any interest in favor of any other person over or in relation to any RSUs or any interests or benefits pursuant to the RSUs.

(b) If at any time, a RSU Selected Participant:

(i) ceases to be an employee;

(ii) fails, during the course of his/her employment, to devote the whole of his/her time and attention to the business of our Group or to use his best endeavors to develop the business and interests of our Group;

(iii) is concerned during the course of his/her employment with our Group (without the prior written consent of our Company) with any business other than that of our Group;

(iv) is in breach of his/her contract of employment with or any other obligation to our Group and any restrictive covenants; and/or undertakings set out in the RSU Scheme; and/or

(v) has become insolvent or has been adjudged to be a bankrupt, or has made any arrangement or composition with his/her creditors generally, or has been convicted of any criminal offense involving his/her integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his/her employment at law or pursuant to any applicable laws or under the RSU Participant's service contract with our Company or the relevant member of our Group, then all vested and unvested RSUs shall automatically lapse and such RSU Selected Participant shall have no claim whatsoever in respect of the RSUs or the underlying Shares. For the avoidance of doubt, the matters that are set out in (b)(ii) to (v) above are matters to be solely and finally determined by our Board in its sole and absolute discretion.

(q) Cancellation of RSUs

Our Board may at its discretion cancel any RSU that has not vested or lapsed, provided that:

(a) our Company or our subsidiaries pay to the RSU Selected Participant an amount equal to the fair value of the RSU at the date of the cancelation as determined by our Board, after consultation with our auditors or an independent financial advisor appointed by our Board;

(b) our Company or our relevant subsidiary provides to the RSU Selected Participant a replacement award (or a grant or option under any other restricted share unit scheme, share option scheme or share-related incentive scheme) of equivalent value to the RSUs to be canceled; or

(c) our Board makes any arrangement as the RSU Selected Participant may agree in order to compensate him/her for the cancelation of the RSUs.

(r) Reorganization of capital structure

In the event of any **[REDACTED]**, rights issue, consolidation, sub-division or reduction of the share capital of our Company, our Board may make such equitable adjustments, designed to protect the RSU Selected Participants' interests, to the number of Shares underlying the outstanding RSUs or to the amount of the equivalent value, as it may deem appropriate at its absolute discretion.

(s) Amendment of the RSU Scheme

Save as provided in the RSU Scheme Rules, our Board may alter any of the RSU Scheme Rules at any time. Written notice of any amendment to the RSU Scheme Rules shall be given to all RSU Selected Participants.

Any alterations to the RSU Scheme Rules which are of a material nature or any changes to the terms of the RSUs granted which shall operate to affect materially adversely any subsisting rights of any RSU Selected Participant shall be subject to the consent of the RSU Selected Participants amounting to not less than three-fourths in nominal value of all underlying RSUs so held by the RSU Selected Participants on the date of the relevant resolution being passed by our Board in approving the amendment of the RSU Scheme Rules or the terms of the RSUs granted (as the case may be), except where the alterations or changes take effect automatically under the existing terms of the RSU Scheme Rules. Our Board's determination as to whether any proposed alteration to the RSU Scheme Rules or the terms of the RSUs granted (as the case may be) is material shall be conclusive.

(t) Termination of the RSU Scheme

Our Board may terminate the RSU Scheme at any time before the expiry of the RSU Scheme Period. The provisions of the RSU Scheme shall remain in full force and effect in respect of RSUs which are granted pursuant to the rules of the RSU Scheme prior to the termination of the operation of the RSU Scheme. Our Company or our relevant subsidiary shall notify the Scheme Custodian and all RSU Selected Participants of such termination and of how any property held by the Scheme Custodian on trust for the RSU Selected Participants (including, but not limited to, any Shares held) and the outstanding RSUs shall be dealt with.

(u) Administration of the RSU Scheme

Our Board has the power to administer the RSU Scheme, including the power to construe and interpret the rules of the RSU Scheme and the terms of the RSUs granted under it. Our Board may delegate the authority to administer the RSU Scheme to a committee of our Board. Our Board may also appoint one or more independent third party service providers to assist in the administration of the RSU Scheme and delegate such powers and/or functions relating to the administration of the RSU Scheme as our Board in its absolute discretion thinks fit.

Our Board has appointed the Scheme Custodian to administer the RSU Scheme.

Our Board's determinations under the RSU Scheme need not be uniform and may be made by it selectively with respect to persons who are granted, or are eligible to be granted, RSUs under it. If a Director is a RSU Selected Participant he/she may, notwithstanding his/her own interest and subject to our Articles, vote on any Board resolution concerning the RSU Scheme (other than in respect of his/her own participation in it), and may retain RSUs under it.

By accepting any RSUs under the RSU Scheme, each RSU Selected Participant waives any right to contest, amongst other things, the value and number of RSUs or Shares or equivalent value of cash underlying the RSUs or Shares and our Board's administration of the RSU Scheme.

(v) RSUs to be granted

On December [*], 2020, our Board has resolved to grant to 17 selected participants under the RSU Scheme **[REDACTED]** RSUs (representing **[REDACTED]** underlying Shares). This grant will be made immediately prior to the completion of the **[REDACTED]**. The Shares underlying RSUs to be granted will represent approximately **[REDACTED]**% of the issued Shares immediately following the completion of the **[REDACTED]**, assuming the **[REDACTED]** is not exercised.

All of the selected participants are employees of our Group, and none of them is a connected person of our Company. The selected participants of the RSUs [are not required to pay our Company] for the grant of any of the RSUs under the RSU Scheme, nor [are they required to pay] our Company upon the vesting or exercise of the RSUs.

As of the Latest Practicable Date, all RSUs that will be granted were held by the RSU Nominee. These RSUs to be granted will not cause any dilution of shareholding of our Shareholders.

The RSUs granted to each of the RSU Selected Participants shall be vested in accordance with the following vesting schedule and conditions:

(i) 25% of the RSUs will vest on April 1, 2022, subject to certain conditions on the market capitalization of our Company or the audited annual revenue or the audit profits after tax of our Group for the year ending December 31, 2021 having been fulfilled;

(ii) 25% of the RSUs will vest on April 1, 2023, subject to certain conditions on the market capitalization of our Company or the audited annual revenue or the audit profits after tax of our Group for the year ending December 31, 2022 having been fulfilled;

(iii) 25% of the RSUs will vest on April 1, 2024, subject to certain conditions on the market capitalization of our Company or the audited annual revenue or the audit profits after tax of our Group for the year ending December 31, 2023 having been fulfilled; and

(iv) 25% of the RSUs will vest on April 1, 2025, subject to certain conditions on the market capitalization of our Company or the audited annual revenue or the audit profits after tax of our Group for the year ending December 31, 2024 having been fulfilled.

Our Company shall comply with such provisions of the Listing Rules as may be applicable in relation to the grant to Directors or connected persons, including any reporting, announcement and/or shareholders' approval requirements, unless otherwise exempted under the Listing Rules.

2. SA Scheme

The following is a summary of the principal terms of the rules of the SA Scheme (the "**SA Scheme Rules**") adopted by a resolution of our Shareholders on June 25, 2019. The SA Scheme is not subject to the provisions of Chapter 17 of the Listing Rules.

On December [*], 2020, our Board has resolved to grant to [five] selected participants under the Share Award Scheme **[REDACTED]** Share Awards (representing **[REDACTED]** underlying Shares). This grant will be made immediately prior to the completion of the **[REDACTED]**. For further details, please refer to the paragraphs "(m) Share Awards granted" below. The Shares underlying Share Awards to be granted will represent approximately **[REDACTED]**% of the issued Shares immediately following the completion of the **[REDACTED]**, assuming the **[REDACTED]** is not exercised.

As of the Latest Practicable Date, all Shares underlying the Shares Awards that will be granted were held by the SA Nominee. These Share Awards to be granted will not cause any dilution of shareholding of our Shareholders.

(a) Purpose of the SA Scheme

The purpose of the SA Scheme is to (i) to recognize and motivate the contribution of key management personnel and core employees of the Group, (ii) to help the Group retain and attract the grantees of the Share Awards (the "**SA Selected Participants**"), who are directors (whether executive or non-executive), senior managers or consultants of the Company or any member of the Group (the "**SA Eligible Participants**"), in attaining the long term business objectives of the Company, and (iii) to further align the interests of the SA Selected Participants directly to the shareholders of the Company through ownership of Shares.

The Board selects the SA Eligible Participants to receive Share Awards under the SA Scheme.

(b) Terms of the SA Scheme

The SA Scheme shall be valid and effective for a period of ten years, commencing on June 25, 2019 (the "**SA Scheme Period**"), after which no further Share Awards will be granted, and thereafter for so long as there are any non-vested Share Awards granted under the SA Scheme prior to the expiration of the SA Scheme, in order to give effect to the unlocking of the Share Awards or otherwise as may be required in accordance with the SA Scheme Rules.

(c) Grant of Share Awards

(a) Making an offer

The Company shall issue a letter or notice to each SA Selected Participant in such form as our Board may determine (the "**SA Grant Letter**"). The SA Grant Letter will specify the SA Selected Participant's name, the manner of acceptance of the Share Award(s), the last day for acceptance by the SA Selected Participant, the number of Shares underlying the Share Award, the grant price for acceptance for the Shares in acceptance of the Share Award(s), and the date on which the Share Award is unlocked (the "**Unlock Date**"). The Board will also determine in the SA Grant Letter any time-based, performance-based or any other restrictions and other criteria and conditions (collectively, the "**SA Unlock Restrictions**") and the time period and scheme (the "**SA Restricted Period**") that will need to be satisfied before the Share Award unlocks, and the SA Unlock Restrictions and the SA Restricted Period shall be stated in the letter for the SA Grant Letter. Please also see "(i) Further Restrictions on Share Awards" below.

(b) Acceptance of an offer

A SA Selected Participant may accept an offer of the grant of Share Award(s) in such manner as set out in the SA Grant Letter. Once accepted, the Share Award(s) are deemed granted from the date of the SA Grant Letter (the "**SA Grant Date**").

(d) Return of the Share Awards

To the extent that any of the Share Awards or not unlocked, lapsed and/or otherwise repurchased in accordance with the terms of the SA Scheme Rules (the "**SA Returned Shares**"), the Scheme Custodian shall hold them in accordance with the SA Scheme Rules for the purpose of the SA Scheme.

(e) Maximum number of Share Awards

The Company shall not make any grant of Share Award which would result in the aggregate number of the Shares underlying all grants made pursuant to the SA Scheme to exceed 80,000,000 Shares without approval by a Board resolution.

(f) Assignment of Share Awards

The Share Awards granted pursuant to the SA Scheme but not yet unlocked shall be personal to the SA Selected Participant to whom it is made and shall not be assignable or transferable, and no SA Selected Participant shall in any way sell, transfer, charge, pledge, hypothecate, mortgage, encumber, dispose of or create any interest in favor of any other person over or in relation to any Share Award, or enter in any agreement to do so.

(g) Interest in the assets of the Scheme Trust

A SA Selected Participant shall have only a contingent interest in the Share Award subject to the such Share Award being unlocked in accordance with the terms of the SA Scheme and no instruction may be given by a SA Selected Participant to the Scheme Custodian in respect of the Share Award and any other property of the Scheme Trust, and the Scheme Custodian shall not follow any instructions given by a SA Selected Participant given by him/her in respect of his/her Share Award or any other property of the Scheme Trust.

(h) Administration of the SA Scheme

The SA Scheme shall be subject to the administration of our Board, and the decision of our Board shall be final and binding on all parties affected thereby. Our Board may delegate the authority to administer the SA Scheme to a committee of the Board or any person(s) as deemed appropriate at the sole discretion of the Board or the committee of the Board. The Board has delegated the authority to administer the Share Award Scheme (the "**Authorized Administrator**"). The powers of our Board and/or the Authorized Administrator include but are not limited to:

(i) construe and interpret the SA Scheme Rules and the terms of the Share Awards granted under the SA Scheme;

(ii) decide how the unlocked Share Awards will be settled;

(iii) grant Share Awards to those SA Eligible Participants who it shall select from time to time;

(iv) determine the terms and conditions of the Share Awards; and

(v) take such other steps or actions to give effect to the terms and intent of the SA Scheme Rules.

(i) Further Restrictions on Share Awards

In addition to the Restricted Period, each Share Award shall be subject to a further restricted period starting from the date of grant of such Share Award and ending upon the date when the Shares first become **[REDACTED]** on the Hong Kong Stock Exchange and the date upon which the relevant SA Selected Participant completes the relevant approval and filing procedures in respect of his/her Share Awards/Shares in accordance with the Huifa [2012] No. 7 Circular of the State Administration of Foreign Exchange on Relevant Issues Concerning the Domestic Individuals' Participation in the Exchange Administration of Equity Incentive Plans of Overseas Listed Companies (if applicable) and other applicable laws and regulations (whichever is later) (the "**Lockup Restricted Period**").

The Share Awards and any interest therein may not be enjoyed, sold, assigned, transferred, pledged, hypothecated or otherwise disposed of by the SA Selected Participants, except by will or the laws of descent and distribution, during the Restricted Period (including the Lockup Restricted Period).

(j) Obtaining of Share Awards

The Company will issue an unlock notice (the "**Unlock Notice**") to the relevant SA Selected Participant in respect of the relevant share awards after the restriction criteria, conditions and time schedule have been reached, fulfilled or waived in accordance with the terms of the SA Scheme. Prior to receipt of the Unlock Notice, a SA Selected Participant may not exercise any voting rights nor have any rights in respect of the Shares underlying the Share Awards, including but not limited to, any cash or non-cash income, dividends or distributions, all of which shall be retained by the Scheme Custodian in accordance with the term of the SA Scheme.

Share Awards held by a SA Selected Participant that are unlocked as evidenced by the SA Unlock Notice may be obtained (in whole or in part) by the SA Selected Participants upon the expiry of SA Restricted Period and the lapse of all SA Unlock Restrictions (if any). Our Board and/or the Authorized Administrator may decide at its absolute discretion to direct and procure the Scheme Custodian to, within a reasonable time, transfer the Shares underlying the Share Awards (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) to the SA Selected Participant which our Company has allotted and issued to the Scheme Custodian or which the Scheme Custodian has either acquired by purchasing existing Share Awards or by receiving existing Shares from any shareholder of our Company, as the case may be, subject to the SA Selected Participant paying all tax, stamp duty, levies and charges applicable to such transfer.

(k) Lapse of Share Awards

Any Share Award will automatically lapse under the scenarios set out below:

(i) the SA Selected Participant's employment with or service for our Group terminates for any reason (except for circumstances set out in (ii) below), in which case any Share Awards that are still within the SA Restricted Period will not unlock, but any unlocked Share Awards may still be transferred to the SA Selected Participant subject to a first right of refusal by the Scheme Custodian (if so instructed by the Board) to repurchase the unlocked Share Awards at price that is determined by the Board by reference to the fair market value of the Shares; or

(ii) the SA Selected Participant has ceased employment with the Group for cause (including without limitation, consistently poor performance, violates rules under his/her respective local labor laws, refuses to comply with a lawful request from the Company, and breach of the staff rules and regulations), in which case all Share Awards that are not yet transferred to the SA Selected Participant will no longer be available. For the avoidance of doubt, the Board and/or the Authorized Administrator shall have sole discretion in determining whether an employee has ceased employment with the Group for cause under this provision.

In the case where the Share Awards have lapsed, the Shares underlying such Share Awards shall become SA Returned Shares. See "(d) Return of the Share Awards" above.

(l) Appointment of the Scheme Custodian

The Scheme Custodian is the trustee appointed to assist with the administration of the SA Scheme and are holding and will hold the Shares underlying the Share Awards.

(m) Share Awards granted

On December [*], 2020, our Board has resolved to grant to five selected participants under the Share Award Scheme **[REDACTED]** Share Awards (representing **[REDACTED]** underlying Shares). This grant will be made immediately prior to the completion of the **[REDACTED]**. The Shares underlying Share Awards to be granted will represent approximately **[REDACTED]**% of the issued Shares immediately following the completion of the **[REDACTED]**, assuming the **[REDACTED]** is not exercised.

Three of the selected participants are our executive Directors, namely Mr. Liu Lei, Mr. Zhu Boyang and Ms. Suo Yan, who will be granted **[REDACTED]** Share Awards in the aggregate, representing approximately **[REDACTED]**% of the issued Shares immediately following the completion of the **[REDACTED]**, assuming the **[REDACTED]** is not exercised. Two of the remaining selected participants are employees of our Group, and none of them are connected persons of our Company, and they together will be granted **[REDACTED]** Share Awards in the aggregate, representing approximately **[REDACTED]**% of the issued Shares immediately following the completion of the **[REDACTED]**, assuming the **[REDACTED]** is not exercised. The selected participants of the Share Awards [are not required to pay our Company] for the grant of any of the Share Awards under the Share Award Scheme, nor [are they required to pay] our Company upon the unlocking of the Share Awards.

As of the Latest Practicable Date, all Shares underlying the Share Awards that will be granted were held by the SA Nominee. These Share Awards to be granted will not cause any dilution of shareholding of our Shareholders.

The Share Awards granted to Mr. Zhu Boyang will unlock on the business day following the day on which **[REDACTED]** in the Shares on the Hong Kong Stock Exchange commences. The remaining Share Awards granted shall be unlocked in accordance with the following schedule and conditions:

(i) 25% of the Share Awards will vest on April 1, 2022, subject to certain conditions on the market capitalization of our Company or the audited annual revenue or the audited profits after tax of our Group for the year ending December 31, 2021 having been fulfilled;

(ii) 25% of the Share Awards will vest on April 1, 2023, subject to certain conditions on the market capitalization of our Company or the audited annual revenue or the audited profits after tax of our Group for the year ending December 31, 2022 having been fulfilled;

(iii) 25% of the Share Awards will vest on April 1, 2024, subject to certain conditions on the market capitalization of our Company or the audited annual revenue or the audited profits after tax of our Group for the year ending December 31, 2023 having been fulfilled; and

(iv) 25% of the Share Awards will vest on April 1, 2025, subject to certain conditions on the market capitalization of our Company or the audited annual revenue or the audited profits after tax of our Group for the year ending December 31, 2024 having been fulfilled.

Details of the Share Awards that will be granted to our executive Directors under the SA Scheme are set out in the table below:

Name of grantees of Share Awards	Position held with our Group	Address	Number of Shares represented by the Share Awards	Approximate percentage shareholding*(Note 1)*
Mr. Liu Lei	Executive Director and chief operating officer	Room 1305, Block G Xiang Jing Garden No. 11, Yongcui Road Baiyun District Guangzhou China	**[REDACTED]**	**[REDACTED]**%
Mr. Zhu Boyang	Executive Director, chief financial officer and joint company secretary	Flat B, 29/F, Block 5 The Visionary 1 Yin Hong Street Tung Chung New Territories Hong Kong	**[REDACTED]**	**[REDACTED]**%
Ms. Suo Yan . . .	Executive Director and senior vice president	Room 605, Building 2 15 Bei Feng Wo Lu Haidian District Beijing China	**[REDACTED]**	**[REDACTED]**%

Note:

(1) The percentages shown are for illustrative purpose only and are calculated based on the number of Shares in issue immediately following completion of the **[REDACTED]***, and assuming that all the Share Awards are fully unlocked upon completion of the* **[REDACTED]** *and that the* **[REDACTED]** *is not exercised.*

H. OTHER INFORMATION

1. Litigation

As of the Latest Practicable Date, save as disclosed in this document, no member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance was known to our Directors to be pending or threatened against our Group, that would have a material adverse effect on its business, financial condition or results of operations.

2. Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The Sole Sponsor's fees payable by us in respect of the Sole Sponsor's services as sponsor for the **[REDACTED]** is HK$**[REDACTED]**.

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for the **[REDACTED]** of, and **[REDACTED]**, the Shares in issue and to be issued pursuant to the **[REDACTED]** (including any Shares which may be issued pursuant to the exercise of the **[REDACTED]**). All necessary arrangements have been made to enable such Shares to be admitted into **[REDACTED]**.

3. No Material Adverse Change

Save as disclosed in the section headed "Summary—Recent Developments" in this document and save for the expenses incurred and accrued in connection with the **[REDACTED]**, our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since June 30, 2020 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

4. Tax and other indemnities

(a) Tax on Dividend

No tax is payable in Hong Kong in respect of dividend paid by us.

(b) Profits Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the Shares. Trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profit tax, which is currently imposed at the rate of 16.5% on corporations and at a rate of 15.0% on unincorporated businesses. Gains from sales of the Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of the Shares realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

(c) Stamp Duty

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale of the Shares. The duty is charged at the current rate of 0.2% of the consideration or, if higher, the fair value of the Shares being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK$5.0 is currently payable on any instrument of transfer of shares.

(d) Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall upon any member of our Group.

(e) Deed of Indemnity

Our Controlling Shareholders and our Company entered into the deed of indemnity on December 22, 2020 (the "**Deed of Indemnity**"). Pursuant to the Deed of Indemnity given by our Controlling Shareholders in favor of our Company (for itself and as trustee for each of its subsidiaries) and conditional on the fulfillment of all conditions set out in "Structure of the **[REDACTED]**—Conditions of the **[REDACTED]**" in this document, each of our Controlling Shareholders has unconditionally and irrevocably, jointly and severally covenanted, agreed and undertaken to indemnify and keep each of the members of our Company (for itself and as trustee for each of the subsidiaries) indemnified at all times on demand from and against any taxation falling on any members of our Group resulting from or by reference to any revenue (including any form of government financial assistance, subsidy or rebate), income, profits or gains granted, earned, accrued, received or made (or

deemed to have been granted, earned, accrued, received or made) on or before the **[REDACTED]** or any event, transaction, act or omission occurring or deemed to occur on or before the **[REDACTED]** whether alone or in conjunction with any other event, act or omission occurring or deemed to occur on or before the **[REDACTED]** and whether or not such taxation is chargeable against or attributable to any other person, firm or company. For the avoidance of doubt, the aforesaid provision shall require each of our Controlling Shareholders to indemnify and at all times keep each of the members of our Group indemnified, in each case, in respect of any additional taxation which may fall on our Company or any other members of our Group in respect of a taxation claim resulting from a reassessment or similar action by a taxation authority against any member of our Group of taxation due and whether or not such reassessment is effected in respect of taxation which our Company or any other members of our Group had previously reached agreement with a taxation authority.

Under the Deed of Indemnity, our Controlling Shareholders have also unconditionally and irrevocably, jointly and severally agreed and undertaken to indemnify and at all times keep indemnified our Company and each of the relevant members of our Group on demand from and against all sums, outgoings, fees, demands, claims, damages, losses, costs, charges, liabilities, fines, penalties, orders and expenses incurred or suffered or loss of profits, benefits or other commercial advantages suffered by our Company and/or other relevant members of our Group resulting from (i) any and all of the non-compliances with the applicable laws, rules or regulations, by our Company and/or any members of our Group in their respective places of incorporations or operation which has occurred at any time on or before the **[REDACTED]**; (ii) any litigation, arbitration, claims (including counter-claims), complaints, demands and/or legal proceedings, whether of criminal, administrative, contractual, tortuous or otherwise nature instituted by or against our Company and/or any members of our Group in relation to events occurred on or before the **[REDACTED]**; (iii) the Reorganization; and (iv) any losses that our Group may incur in relation to the social insurance fund and housing provident fund contribution non-compliances before the **[REDACTED]**.

However, the indemnities given by our Controlling Shareholders under the Deed of Indemnity do not cover, and our Controlling Shareholders shall be under no liability in respect of, any liability on taxation and taxation claim:

(i) to the extent that provision has been made for such taxation or taxation claim in the audited consolidated financial statements of our Group or the audited financial statements of any of the members of our Group for an accounting period ended on or before June 30, 2020;

(ii) to the extent that such liability arises or is incurred as a consequence of any change in the law, rules or regulations, or the interpretation or practice thereof by any statutory or governmental authority (in Hong Kong, the PRC or elsewhere), including without limitation the Inland Revenue Department and the tax bureaus of the PRC, having retrospective effect coming into force after the **[REDACTED]** or to the extent that such liability arises or is increased by an increase in rates of taxation or other penalties after the **[REDACTED]** with retrospective effect;

(iii) falling on any members of our Group in respect of any accounting period commencing on or after June 30, 2020 unless such liability would not have arisen but for some act or omission of, or transaction entered into by, any of our Controlling Shareholders or any members of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring), otherwise than:

(1) in the ordinary course of business, or in the ordinary course of acquiring or disposing of capital assets, on or before the **[REDACTED]**; or

(2) pursuant to a legally binding commitment created on or before the date of the Deed of Indemnity or pursuant to any statement of intention made in this document;

(iv) to the extent that such liability is discharged by another person who is not a member of our Group and that no member of our Group is required to reimburse such person in respect of the discharge of such liability; or

(v) to the extent of any provision or reserve made for such liability in the audited financial statements referred to in paragraph (i) above which is finally established to be an overprovision or an excessive reserve provided that the amount of any such provision or reserve applied to reduce our Controlling Shareholders' liability in respect of such liability shall not be available in respect of any such liability arising thereafter.

(f) Consultation with professional advisors

[REDACTED] in the **[REDACTED]** are recommended to consult their professional advisors if they are in any doubt as to the tax implications of subscribing for, purchasing, holding or disposing of or **[REDACTED]** in the Shares. None of our Company, the Sole Sponsor, the **[REDACTED]**, any of their respective directors, or any other person or party involved in the **[REDACTED]** accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding or disposal of, or **[REDACTED]** in, the Shares.

5. Miscellaneous

(a) Save as disclosed in this document, within the two years immediately preceding the date of this document:

(i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;

(iv) no commission has been paid or payable (except commissions to the **[REDACTED]**) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of any member of our Group; and

(v) no founders, management or deferred shares of our Company or any of our subsidiaries has been issued or agreed to be issued;

(b) save as disclosed in this document, none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any **[REDACTED]** or **[REDACTED]** being or proposed to be sought;

(c) our Company has no outstanding convertible debt securities or debentures;

(d) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document;

(e) there is no arrangement under which future dividend are waived or agreed to be waived;

(f) no company within our Group is presently listed on any stock exchange or traded on any trading system; and

(g) our Cayman Islands principal share register will be maintained by our principal share registrar, **[REDACTED]** in the Cayman Islands and our Hong Kong branch share register will be maintained by **[REDACTED]**. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands.

6. Qualifications of experts

The following are the qualifications of experts who have opined or advised on information contained in this document:

Name	Qualification
ABCI Capital Limited	A licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
Fangda Partners	Legal advisors of our Company as to the laws of the PRC
Appleby	Legal advisors of our Company as to the laws of the Cayman Islands
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Cap. 50) Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Cap. 588)
China Insights Industry Consultancy Limited	Industry consultant

7. Consent of Experts

Each of ABCI Capital Limited, Fangda Partners, Appleby, PricewaterhouseCoopers and China Insights Industry Consultancy Limited has given and has not withdrawn its consent to the issue of this document with the inclusion of its report and/or letter and/or legal opinion and/or legal memorandum (as the case may be) and references to its name included in the form and context in which it respectively appears. None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

8. Promoters

Our Company has no promoter for purposes of the Listing Rules. Save as disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given, nor are any proposed to be paid, allotted or given to any promoters in connection with the **[REDACTED]** and the related transactions described in this document.

9. Preliminary Expenses

The preliminary expenses of our Company are approximately US$2,750.0 and have been paid by our Company.

10. Binding Effect

This document shall have the effect, if an application is made in pursuance of this document, of binding all persons concerned by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

11. Bilingual Document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the **[REDACTED]**;

(b) a copy of each of the material contracts referred to in "Statutory and General Information—E. Further Information about our Business—1. Summary of Material Contracts" in Appendix IV to this document; and

(c) the written consents referred to in "Statutory and General Information—H. Other Information—6. Qualifications of experts" in Appendix IV to this document.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Fangda Partners at 26/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document:

(a) the Memorandum of Association and the Articles of Association;

(b) the Accountant's Report and the report on the unaudited **[REDACTED]** financial information prepared by PricewaterhouseCoopers, the texts of which are set out in "Accountant's Report" in Appendix I and "Unaudited **[REDACTED]** Financial Information" in Appendix II to this document, respectively;

(c) the audited consolidated financial statements of our Group for the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020;

(d) the letter of advice prepared by Appleby, our legal advisor as to the laws of the Cayman Islands, summarizing certain aspects of the Cayman Companies law referred to in "Summary of the Constitution of the Company and Cayman Companies Law" in Appendix III to this document;

(e) the PRC legal opinions issued by Fangda Partners, our PRC Legal Advisor, in respect of certain aspects of our Group and our property interests;

(f) the industry report prepared by China Insights Industry Consultancy Limited;

(g) the rules of the SA Scheme;

(h) the rules of the RSU Scheme;

(i) the material contracts referred to in "Statutory and General Information—E. Further Information about our Business—1. Summary of Material Contracts" in Appendix IV to this document;

(j) the written consents referred to in "Statutory and General Information—H. Other Information—6. Qualifications of Experts" in Appendix IV to this document;

(k) the service contracts and appointment letters referred to in "Statutory and General Information—F. Further Information about Directors and Substantial Shareholders—

2. Directors' Service Contracts and Appointment Letter" in Appendix IV to this document; and

(l) the Cayman Companies Law.