
RISK FACTORS

An investment in our Shares involves significant risks. You should carefully consider all of the information in this prospectus, 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 Global Offering.

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,

RISK FACTORS

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.

RISK FACTORS

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 Use of Proceeds” and “Business—Our Business Strategies”.

Our plans to use the net proceeds of this Global Offering 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 net proceeds from the Global Offering to further optimize the functionality of our Picker engine, we cannot

RISK FACTORS

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.

RISK FACTORS

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.

RISK FACTORS

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

RISK FACTORS

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 us 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 of 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

RISK FACTORS

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 to 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

RISK FACTORS

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

RISK FACTORS

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

RISK FACTORS

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. 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

RISK FACTORS

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 prospectus.

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—Pre-IPO 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 prospectus.

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

RISK FACTORS

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 fund 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". 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

RISK FACTORS

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.

RISK FACTORS

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

RISK FACTORS

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.

RISK FACTORS

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

RISK FACTORS

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 and we did not register our 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.

RISK FACTORS

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 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 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

RISK FACTORS

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 use of proceeds from the Global Offering 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

RISK FACTORS

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 their 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 their 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

RISK FACTORS

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

RISK FACTORS

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.

RISK FACTORS

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 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 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

RISK FACTORS

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.

RISK FACTORS

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 or 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.

RISK FACTORS

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 investment

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 net proceeds from the Global Offering 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 proceeds from the Global Offering. 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

RISK FACTORS

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 net proceeds from the Global Offering 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 proceeds into onshore Renminbi. If the net proceeds cannot be converted into onshore Renminbi in a timely manner or at all, our ability to deploy these proceeds efficiently may be affected, as we will not be able to invest these proceeds 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 by the State Council (《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

RISK FACTORS

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 net proceeds from the Global Offering or any offering 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 latest amended 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

RISK FACTORS

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 (《國家稅務總局關於稅收協定中“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稅法》) (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

RISK FACTORS

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 (《關於境外註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 investment 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強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

RISK FACTORS

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 (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (“**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 (《國家稅務總局關於非居民企業所得稅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

RISK FACTORS

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.

RISK FACTORS

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 investors 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 GLOBAL OFFERING

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

Prior to the Global Offering, there has been no public market for our Shares. The initial issue price range for our Shares resulted from negotiations between us and the Sole Representative (for itself and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for the listing of, and permission to deal in, our Shares on the Hong Kong Stock Exchange. A listing 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 Global Offering or that the market price of our Shares will not decline following the Global Offering. Furthermore, the price and trading volume 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 volume and price at which the Shares will be traded.

RISK FACTORS

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 pricing 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 trading our Shares begin

The Offer Price of our Shares is expected to be determined on the Price Determination Date but our shares will only commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be five Hong Kong business days after the Price Determination Date. As a result, investors may not be able to sell or deal in our Shares during that period and accordingly they are subject to the risk that the price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse development, that could occur between the time of sale and the time trading 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 market price of our Shares and our ability to raise additional capital in the future

The market price 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 market price 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 initial public offering price of our Shares is higher than the consolidated net tangible book value per share, purchasers of our Shares in the Global Offering may experience immediate dilution upon such purchases

As the Offer Price of our Shares is higher than the consolidated net tangible assets per share immediately prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution in pro forma adjusted consolidated net tangible assets. Our existing Shareholders will receive an increase in the pro forma 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 Underwriters exercise the Over-allotment Option or if we issue 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 market price and trading volume of our Shares may decline

The trading market 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 stock price or trading volume to decline.

RISK FACTORS

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 Global Offering 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 Global Offering. Therefore, you should not rely on an investment 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 investment 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 Global Offering or even maintain the price at which you purchased the Shares. You may not realize a return on your investment in our Shares and you may even lose your entire investment 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 prospectus may not be reliable

We have derived certain facts and other statistics in this prospectus, 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 underwriters 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.

RISK FACTORS

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 Global Offering

There may be, subsequent to the date of this document but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering, which may contain, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. 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 investors are cautioned to make their investment 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 Global Offering and any formal announcements made by us in Hong Kong in making your investment 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 Global Offering or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in our Global Offering. By applying to purchase our Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this document and the Global Offering.

Some facts, forecasts and statistics contained in this prospectus 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 prospectus 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 prospectus 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 prospectus are subject to risks and uncertainties

This prospectus 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 prospectus, 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,

RISK FACTORS

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 prospectus. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Investors should not place undue reliance on such forward-looking statements and information.