

---

## CONTRACTUAL ARRANGEMENTS

---

### BACKGROUND

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

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

### PRC LAWS RELATING TO FOREIGN INVESTMENT RESTRICTIONS

#### Restrictions on foreign ownership

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

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

---

## CONTRACTUAL ARRANGEMENTS

---

### Categories

### Our business/operation

Administration (湖北省通信管理局) (the “**HCA**”), respectively.

According to the 2020 Foreign Investment Negative List and other applicable PRC laws, foreign investors are not allowed to hold more than 50% of the equity interests in an enterprise holding an ICP License like us. Such restriction was confirmed during the verbal consultation with a division chief of the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) (the “**MIIT**”) by our PRC Legal Advisor and the PRC legal advisor to the Sole Sponsor on March 19, 2019 (the “**MIIT Interview**”). Our PRC Legal Advisor is of the view that (i) the MIIT is the competent authority to give interpretations on the foreign investment restriction on the industry requiring an ICP License and the officer who attended the MIIT Interview is of appropriate ranking to provide the confirmation on behalf of the MIIT; and (ii) to maintain the business operation of Congshu Beijing and Congshu Hubei in compliance with applicable PRC laws and local authorities’ requirement, the Company or any of its subsidiaries overseas may not directly invest in Congshu Beijing or Congshu Hubei if it cannot satisfy the Qualification Requirements (as defined below).

Production of video commercials

Congshu Beijing engages in the production of video commercials, and currently holds a television commercials production business license (the “**TCPB License**”) issued by the Beijing Municipal Radio and Television Bureau (北京市廣播電視局) (the “**BRTB**”). According to the 2020 Foreign Investment Negative List and other applicable PRC laws, foreign investors are prohibited from holding equity interest in any enterprise conducting such business. Such prohibition was confirmed during the verbal consultation with two division chiefs of the BRTB by our PRC Legal Advisor and the PRC legal advisor to the Sole Sponsor on March 29, 2019 (the “**BRTB Interview**”). Our PRC Legal Advisor is of the view that (i) the BRTB is the competent authority to give interpretations on the foreign investment restriction on the industry requiring a TCPB License and the officers who attended the BRTB Interview are of appropriate ranking to provide such confirmation on behalf of the BRTB; and (ii) to maintain the business operation of Congshu Beijing in compliance with applicable PRC laws and local governmental authorities’ requirement, Congshu Beijing must continue to hold the TCPB License.

---

## CONTRACTUAL ARRANGEMENTS

---

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

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

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

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

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

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

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

---

## CONTRACTUAL ARRANGEMENTS

---

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

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

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

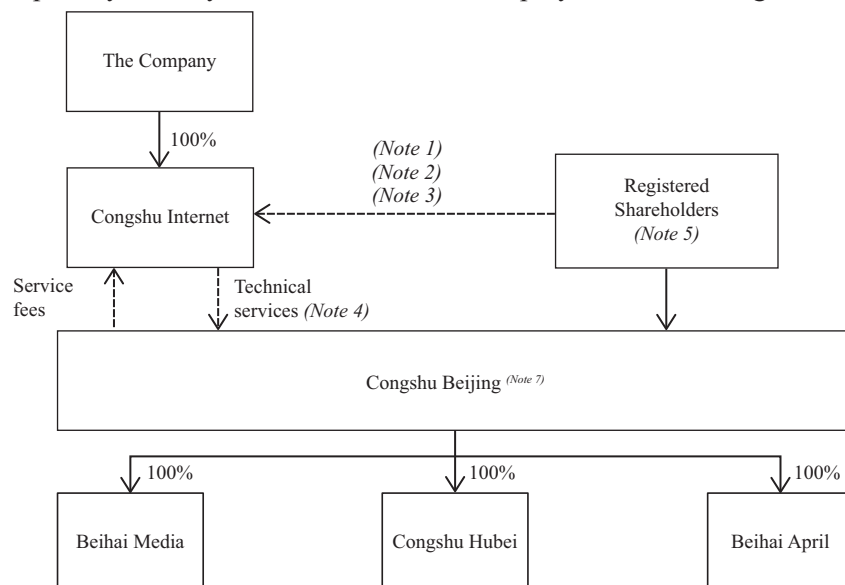
Subject to the discretion of the competent authority in determining whether our Group has fulfilled the Qualification Requirements, our PRC Legal Advisor is of the view that these steps are reasonable and appropriate to comply with the Qualification Requirements. We will make periodic enquiries with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

## CONTRACTUAL ARRANGEMENTS

### OPERATION OF THE CONTRACTUAL ARRANGEMENTS

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

- (1) Irrevocable appointment as attorney-in-fact to exercise all shareholders' rights in Congshu Beijing (*Note 1*)
- (2) Exclusive option to acquire all or part of the equity interest in and/or assets of Congshu Beijing (*Note 2*)
- (3) First priority security interest over the entire equity interest in Congshu Beijing (*Note 3*)



*Notes:*

- (1) Please see "Summary of Material Terms of the Contractual Arrangements—Shareholders' Rights Proxy Agreement" for details.
- (2) Please see "Summary of Material Terms of the Contractual Arrangements—Exclusive Option Agreement" for details.
- (3) Please see "Summary of Material Terms of the Contractual Arrangements—Equity Pledge Agreements" for details.
- (4) Please see "Summary of Material Terms of the Contractual Arrangements—Exclusive Technical Service Agreement" for details.
- (5) As of the Latest Practicable Date, the Registered Shareholders were Mr. Xu and Mr. Li who held 95.00% and 5.00% of Congshu Beijing, respectively.
- (6) "→" denotes direct legal and beneficial ownership in the equity interest and "--->" denotes contractual relationship.
- (7) Congshu Beijing also holds minority investment in Leikewo as to 15% of its registered capital. Leikewo has not commenced business operation as of the Latest Practicable Date, and it is intended that Leikewo will be engaged in the production of automobile PGC. Such minority investment is not controlled by our Group.

---

## CONTRACTUAL ARRANGEMENTS

---

### SUMMARY OF MATERIAL TERMS OF THE CONTRACTUAL ARRANGEMENTS

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

#### **Exclusive Technical Service Agreement**

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

- (1) authorizing the use of the relevant software legally owned by Congshu Internet that is required for Congshu Beijing’s business, as well as the provision of technology application and implementation services to Congshu Beijing, including but not limited to the overall design, installation, fine tuning and operation of its system(s);
- (2) providing research, development, maintenance and update of relevant technologies and software required for Congshu Beijing’s business, including the development, design and production of database software, user interface software and other related technologies, and licensing such software and technologies to Congshu Beijing;
- (3) consultation services in relation to the procurement of equipment, hardware and software of Congshu Beijing’s online advertising service, including but not limited to the selection of tools, application software and technology platforms, the installation and fine tuning of systems, and advising on complementary types and models of hardware that may be procured by Congshu Beijing;
- (4) daily management, maintenance, monitoring, fine tuning, troubleshooting and updating of Congshu Beijing’s computer network equipment, hardware and databases, including timely inputting user information into the databases, timely updating the databases based on business information provided by Congshu Beijing, regularly updating the user interface and providing other related technical services;
- (5) providing technical services in relation to Congshu Beijing’s online advertising service, including software design and webpage design, as well as business management consultation services;
- (6) providing technical training and support to relevant personnel of Congshu Beijing, including but not limited to providing customer service and technical trainings, sharing knowledge and experience in relation to the installation and operation of the system and hardware of Congshu Beijing, assisting Congshu Beijing in solving any matters arising from the installation and operation of its system and hardware, providing Congshu Beijing with advice and suggestions in respect of other online editing platforms and software application, and assisting Congshu Beijing in preparing and collecting relevant information;
- (7) assisting Congshu Beijing in the collection of, and analysis of, technical data in relation to the operation of Congshu Beijing’s website; and
- (8) other relevant services requested by Congshu Beijing (or as agreed between Congshu Internet and Congshu Beijing) from time to time.

---

## CONTRACTUAL ARRANGEMENTS

---

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

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

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

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

---

## CONTRACTUAL ARRANGEMENTS

---

### **Exclusive Option Agreement**

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

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

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

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

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

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

### **Equity Pledge Agreements**

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



---

## CONTRACTUAL ARRANGEMENTS

---

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

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

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

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

### **Shareholders’ Rights Proxy Agreement**

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

- (a) propose to convene, participate in and attend the general meetings of Congshu Beijing on behalf of the Registered Shareholders;
- (b) exercise voting rights on all matters that require discussion and resolution of the general meetings (including but not limited to the designation, appointment or replacement of directors, supervisors and senior management of Congshu Beijing and the amendment of the article of association of Congshu Beijing), and sign the minutes and resolutions of the meetings;
- (c) submit any documents for filing purposes to the company registration authority on behalf of the Registered Shareholders;
- (d) resolve on the disposal of assets of Congshu Beijing on behalf of the Registered Shareholders;
- (e) resolve on the dissolution and liquidation of Congshu Beijing on behalf of the Registered Shareholders, and form a liquidation group on behalf of the Registered Shareholders and exercise the authority of the liquidation group during the liquidation period according to law;
- (f) for the purposes of the foregoing, sign all required documents and perform all required procedures on behalf of the Registered Shareholders; and
- (g) exercise other shareholder’s rights as specified in other applicable PRC laws and regulations and the articles of association of Congshu Beijing (and its amendments from time to time).

---

## CONTRACTUAL ARRANGEMENTS

---

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

### **Spousal undertakings**

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

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

### **Dispute Resolution**

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

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

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

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

---

## CONTRACTUAL ARRANGEMENTS

---

### **Conflicts of interests**

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

### **Loss Sharing**

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

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

### **Liquidation**

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

---

## CONTRACTUAL ARRANGEMENTS

---

### **Confirmations from the Registered Shareholders**

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

### **Insurance**

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

### **DIRECTORS' VIEWS ON THE CONTRACTUAL ARRANGEMENTS**

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

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

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

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

---

## CONTRACTUAL ARRANGEMENTS

---

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

### *Online Advertising Service*

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

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

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

---

## CONTRACTUAL ARRANGEMENTS

---

### *Transaction Facilitation Service*

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

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

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

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

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

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

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

---

## CONTRACTUAL ARRANGEMENTS

---

### LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Our PRC Legal Advisor is of the opinion that:

- (1) Congshu Internet and Congshu Beijing are duly established and validly existing entities in the PRC, and each agreement under the Contractual Arrangements had been executed properly by the relevant parties;
- (2) Parties to each of the agreements are entitled to execute the agreements and perform their respective obligations thereunder, except for the provisions regarding dispute resolution;
- (3) each of the agreements is binding on the parties thereto and none of them would be deemed as “concealment of illegal intentions with a lawful form” and void under the PRC Contract Law (《中華人民共和國合同法》) (the “**PRC Contract Law**”); and none of the Contractual Arrangements violates any provisions of the articles of association of Congshu Beijing;
- (4) with respect to the Contractual Arrangements, as of the Latest Practicable Date, all the approvals, permits or consents from the PRC Government authorities necessary for the execution and performance of the agreements under the Contractual Arrangements have been obtained, except:
  - (a) the disposal of pledged equity interest pursuant to the Equity Pledge Agreements shall be subject to the approval and/or registration with the relevant government authorities;
  - (b) the transfer and license of intellectual property pursuant to the Exclusive Technical Service Agreement shall be subject to approval and/or registration with the relevant government authorities;
  - (c) the exercise of the purchase right in future pursuant to the Exclusive Option Agreement shall be subject to approval and/or registration with the relevant government authorities; and
- (5) each of the agreements under the Contractual Arrangements is valid, legal and binding under PRC laws, except in relation to the dispute resolution clause under these agreements. These agreements provide that any dispute shall be submitted to the China International Economic and Trade Arbitration Center for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing. They also provide that the arbitrator may award interim remedies over the shares or assets of Congshu Beijing or injunctive relief (e.g., for the conduct of business or to compel the transfer of assets) or order the winding up of Congshu Beijing; and the courts of Hong Kong, the Cayman Islands and the PRC also have jurisdiction for the grant and/or enforcement of the arbitral award and the interim remedies. However, our PRC Legal Advisor has advised that the tribunal normally would not grant such injunctive relief or order the winding up of Congshu Beijing pursuant to current PRC laws. In addition, interim remedies or enforcement orders granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognizable or enforceable under the current PRC laws.

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

---

## CONTRACTUAL ARRANGEMENTS

---

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

### **The MIIT Interview**

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

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

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



---

## CONTRACTUAL ARRANGEMENTS

---

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

- (1) revoking the business and operating licenses of Congshu Internet and our Consolidated Affiliated Entities;
- (2) restricting or prohibiting related party transactions between Congshu Internet and our Consolidated Affiliated Entities;
- (3) imposing fines or other requirements with which we, Congshu Internet and our Consolidated Affiliated Entities, may find difficult or impossible to comply;
- (4) requiring us, Congshu Internet and our Consolidated Affiliated Entities, to restructure the relevant ownership structure or operations; and
- (5) restricting or prohibiting the use of any funds raised from the Global Offering to finance our business and operation in the PRC.

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

### ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

#### **Consolidation of financial results of our Consolidated Affiliated Entities**

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

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

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

---

## CONTRACTUAL ARRANGEMENTS

---

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

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

### **DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT**

#### **Background of the Foreign Investment Law and the Implementing Rules**

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

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

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

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

---

## CONTRACTUAL ARRANGEMENTS

---

### COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

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

- (1) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (2) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (3) our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual and interim reports to update our Shareholders;
- (4) our Company will provide periodic updates in our annual and interim reports regarding our status of compliance with the Foreign Investment Law and the Implementing Rules, together with any applicable regulatory development to them; and
- (5) our Company will engage external legal advisors or other professional advisors, if necessary, to assist our Board to review the implementation of the Contractual Arrangements, review the legal compliance of Congshu Internet and the Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

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

- (a) the decision making mechanism of our Board as set out in our Articles includes provisions to avoid conflicts of interest by providing, among other things, that in the event of a conflict of interest that is material, a Director shall declare the nature of his or her interest at the earliest meeting of our Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having a material interest in any contract or arrangement, such Director shall abstain from voting and not be counted towards the quorum;
- (b) each of our Directors is aware of his or her fiduciary duties as a Director which requires, among other things, that he or she acts for the benefits and in the best interests of our Group; and
- (c) we have appointed three independent non-executive Directors, to provide a balance of executive and non-executive Directors representing interested and independent views to promote the interests of our Shareholders as a whole.