
BUSINESS

OVERVIEW

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

According to the CIC Report, we experienced a high growth rate for the three years ended December 31, 2019, based on our increase in revenue from approximately RMB117.6 million in 2017 to approximately RMB177.6 million in 2019, representing a CAGR of approximately 22.9% which was higher than the growth of our main competitors during the same period. For the six months ended June 30, 2020, our revenue amounted to RMB58.9 million. For the year ended December 31, 2019, we ranked first among all automobile vertical media advertising platforms in China in terms of DUV of approximately 11.2 million, and ranked fifth in terms of media-related revenue, according to the CIC Report. Additionally, our websites were visited by our users with an industry-leading 10.6 times per month on average during the year ended December 31, 2019.

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

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

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

BUSINESS

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

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

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

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

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

BUSINESS

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

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

OUR COMPETITIVE STRENGTHS

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

A leading vertical media platform with brand recognition

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

Our “Cheshi (網上車市)” brand has contributed to our rapid revenue growth during the Track Record Period. As our “Cheshi (網上車市)” brand is well-recognized and popular, we are able to attract users to visit and browse, and automobile advertisers to display their advertisements on our platforms. According to the CIC Report, we experienced a high growth rate for the three years ended December 31, 2019, based on our increase in revenue from approximately RMB117.6 million in 2017 to approximately RMB177.6 million in 2019, representing a CAGR of approximately 22.9%, which was higher than the growth of our main competitors with an average growth rate at CAGR of approximately 0.3% during the same period. For the six months ended June 30, 2020, we generated a revenue of approximately RMB58.9 million. For the year ended December 31, 2019, we ranked first among all automobile vertical media advertising platforms in China in terms of DUV of approximately 11.2 million, and ranked fifth in terms of media-related revenue, according to the CIC Report. In terms of media-related revenue, we accounted for approximately 2.1% of the top one automobile vertical media platform in 2019.

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

Cross-platform collaboration network to distribute content widely in China

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

For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, DUV on our proprietary platform reached approximately 4.1 million, 4.8 million, 4.9 million and 5.2 million, respectively. For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, DUV on our third party platforms reached approximately 8.1 million, 8.4 million, 9.0 million and 9.1 million, respectively. Our brand name has also given us leverage to establish a cross-platform collaboration network with over 1,000 business partner platforms. For the year ended December 31, 2019, we ranked first among all automobile vertical media advertising platforms in China in terms of DUV of approximately 11.2 million, and ranked fifth in terms of media-related revenue, according to the CIC Report. Additionally, our websites were visited by our users with an industry-leading 10.6 times per month on average as of December 31, 2019. We began to develop our network with these business partners since November 2015. Our collaboration arrangements prove to be mutually beneficial to each other as our business partners can utilize our PGC to enrich content on their platforms thereby enhancing their user base and engagement, whereas we are able to disseminate our PGC on designated car channels of their platforms and gain access to their user browsing data.

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

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

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

Strong automobile content creation capability with quality and quantity

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

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

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

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

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

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

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

Advertising solutions to attract automobile advertisers

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

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

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

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

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

BUSINESS

Professional and Experienced Management Team

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

OUR BUSINESS STRATEGIES

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

Solidify our market position in the automobile vertical media advertising industry

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

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

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

BUSINESS

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

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

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

For the year ended December 31, 2019, we ranked first among all automobile vertical media advertising platforms in China in terms of DUV of approximately 11.2 million, and ranked fifth in terms of media-related revenue, according to the CIC Report. In terms of media-related revenue, we accounted for approximately 2.1% of the top one automobile vertical media platform in 2019. Additionally, our websites were visited by our users with an industry leading 10.6 times per month on average as of December 31, 2019. To increase our content exposure and potentially redirect more new user traffic to our platform, we plan to strengthen our collaborative relationships with our existing business partners as well as to attract new business partners with quality platforms and high user traffic. For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, we had 38, 35, 27 and 26 business partners that entered collaboration agreements with us and distributed our automobile contents on 628, 627, 1,019 and 1,043 business partner platforms for the corresponding periods. We plan to collaborate with more business partners who possess considerable user traffic on their platforms and have overall good quality contents and/or utilization functions displayed on their platforms, including (1) localized platforms in tier three and below cities; (2) financial institutions; and (3) mobile Internet platforms.

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

BUSINESS

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

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

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

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

We plan to increase our penetration in the selected regions in China, by opening and operating new sales offices in Chengdu and Beihai. According to CIC Report, both Chengdu and Beihai are

BUSINESS

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

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

Extend our customer base to include automobile aftermarket service companies. Based on the CIC Report, the market size by premium of the automobile insurance market in China increased from RMB620.1 billion in 2015 to RMB818.8 billion in 2019, representing a CAGR of 7.2%. The automobile insurance market is projected to reach approximately RMB978.4 billion by 2024, representing a CAGR of 3.6%. The market size of auto insurance marketing expenditures increased from RMB13.5 billion in 2015 to approximately RMB21.1 billion in 2019, with a CAGR of 11.9%, and is projected to reach RMB27.1 billion by 2024, representing a CAGR of 5.1% from 2019 to 2024. According to the CIC Report, the retail automobile finance market has increased significantly over the past five years. The market size of newly issued loans increased from approximately 7.1 million units in 2015 to approximately 10.9 million units in 2019, representing a CAGR of 11.3%. It is expected that the market will continue to expand robustly throughout the next five years to reach approximately 16.2 million units in 2024, representing a CAGR of 8.4%. We believe that the automobile aftermarket service industry in China, such as automobile insurance and finance, offer significant market opportunities and we are well-positioned to capitalize on such anticipated growth.

Although our Transaction Facilitation Service commenced in October 2018 and contributed approximately 0.1%, 1.4% and 0.3% of our total revenues for the years ended December 31, 2018 and 2019 and the six months ended June 30, 2020, respectively, we believe our Transaction Facilitation Service offers potential for expansion, and we have experienced a substantial increase on the monthly average basis from one event for the three months ended December 31, 2018 to 8.3 events for the year ended December 31, 2019. For the six months ended June 30, 2020, we only completed seven group-

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

We intend to apply approximately 39.8% of the net proceeds totaling HK\$78.1 million from the Global Offering to solidify our market position in the automobile online advertising industry. For details, please see “Future Plans and Use of Proceeds”.

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

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

We plan to optimize the Picker engine. The Company’s existing Picker engine is featured with simultaneous distribution function to disseminate automobile contents to its proprietary and business partners platforms. As of the Latest Practicable Date, the Company’s content to be distributed on its proprietary and its business partners’ platforms are substantially standardized, that is, the automobile contents to be distributed through the Picker engine are generally the same. By optimizing the data analytics in the Picker engine, the Company targets to enhance the technologies into Picker engine specifically to allow it to customize the automobile contents to be distributed in accordance with the platform designs and interface of its business partners. By doing so, the capability to distribute automobile contents to the users who are most receptive to such contents would be enhanced by making the dissemination more accurate and efficient and making the display of contents more appealing and user-friendly at business partners’ platform. To implement the optimization, we will hire computer personnels having experience in data analytics, system upgrade and R&D.

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

BUSINESS

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

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

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

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

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

BUSINESS

Our R&D expenses were approximately RMB4.8 million, RMB7.8 million, RMB12.5 million and RMB3.3 million for the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. In order to realize our business expansion plan, we intend to increase our R&D expenses and apply approximately 36.1% of the net proceeds totalling HK\$70.8 million from the Global Offering to strengthen our technology development capabilities, enhance our IT systems and develop innovative products. For details, please see “Future Plans and Use of Proceeds”.

Selectively pursue strategic alliance, investment and acquisition opportunities

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

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

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

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

We intend to apply approximately 14.1% of the net proceeds totalling HK\$27.7 million from the Global Offering.

OUR BUSINESS MODEL

We are a fast-growing online automobile vertical media platform⁽¹⁾ in China that creates comprehensive automobile content and distributes them across our proprietary and over 1,000 business

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

BUSINESS

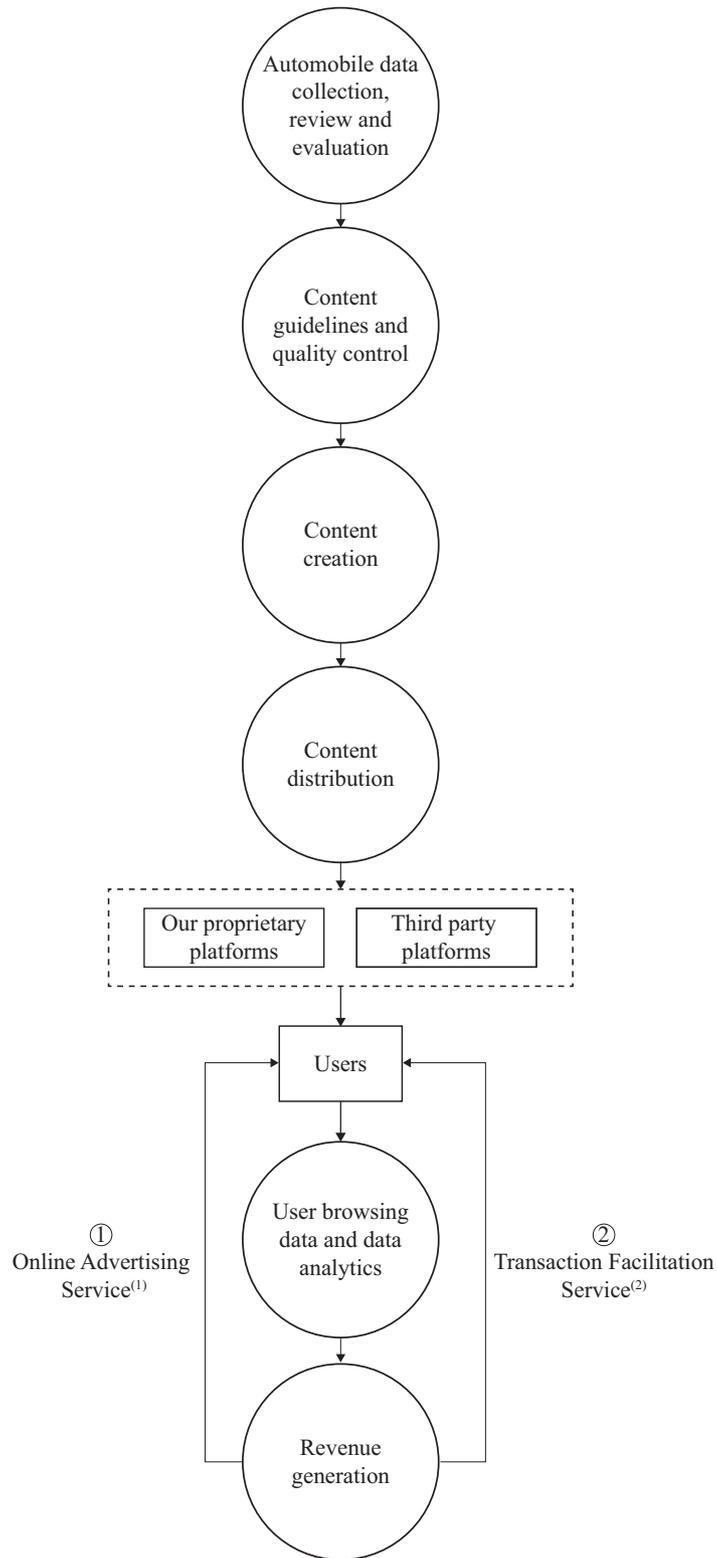
partner platforms to create user traffic which in turn attract automobile advertisers to use our advertising services.

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

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

BUSINESS

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



Notes:

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

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

CREATION OF AUTOMOBILE CONTENT

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

Automobile data collection review and evaluation

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

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

Content guidelines

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

Content creation

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

Our team

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

UGC

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

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

BUSINESS

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

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

Notes:

- (1) For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, we substantially increased our production of videos. According to the CIC Report, tech-based online media represented by online video platforms are attracting more audience to access updated information as digital media have become the major channel of news and entertainment for Internet users in China since 2016. The growing popularity of video and interactive content is due to their enhancement in user acquisition and increasing daily view time of users.
- (2) Generally, when our automobile contents, including articles, photos and videos, are published on our proprietary platforms, they are simultaneously displayed and updated on platforms operated by our business partners. In some instances where our business partner requests, we may enter into specific arrangements with certain business partners that only selected type of automobile contents from our proprietary platforms would be distributed to the platforms operated by our business partners. As of the Latest Practicable Date, we had 26 business partners in which 22 of them have full display of our automobile contents on their platforms while 4 of them have only partial display of our automobile contents on their platforms.

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



Automobile-related review articles

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



Automobile-related short videos⁽¹⁾ and live stream

The following are examples of video created by our content team for our customer that featured the performance and specifications of a newly launched vehicle model.



Automobile-related video clips

Notes:

- (1) “*Anding Che Ji 30 years (安定車記30年)*” is a 85-episode documentary series produced by us in collaboration with Mr. Li Anding, who is known as one of the prominent KOLs in the automobile industry in China.
- (2) Our content team produced these automobile video series, short videos, live stream and video clips with different KOLs and have them displayed on the KOL’s and our platforms after completion.

DISTRIBUTION OF AUTOMOBILE CONTENT

The foundation of our business is predicated on our ability to acquire user traffic. We have formulated strategies to effectively distribute our automobile content to as many users as possible which, in turn, leads to the broadest possible exposure and readership of our automobile content. We primarily distribute our automobile content through our proprietary platforms and third party business partner platforms.

Distribution through proprietary platforms

Our proprietary platforms consist of PC websites, mobile website and App. We operate and maintain our main “Cheshi (網上車市)” website, with two channels and their corresponding websites, namely, “Hao Che Shi (豪車事)” and “Pika Cheshi (皮卡車市)”. “Cheshi (網上車市)” was our first and main website and it was launched in 1999. As the number of our users continues to increase, we subsequently rolled out “Hao Che Shi (豪車事)” channel and its own website in July 2017 and “Pika Cheshi (皮卡車市)” channel and its own website in July 2018 where these platforms serve as an effective means for us to disseminate our automobile content to a diverse range of users who have unique needs and interests. For example, our “Hao Che Shi (豪車事)” channel was built to cater for high net worth users with specific interest in luxury vehicles. Our automobile contents distributed in “Hao Che Shi (豪車事)” website are customized for users who can afford a larger budget for their car purchase, whereas those in “Pika Cheshi (皮卡車市)” are catered for users with a specific interest in the niche vehicle category of pick-up trucks. To enhance our user experience and engagement, these platforms are equipped with platform tools for our users. For details of our platform tools, please see “Our Platform — Our proprietary platform” and “Our Platform — Our platform tools” in this section.

BUSINESS

Distribution through third party platforms

It is our distribution strategy to disseminate our automobile content through third party platforms in addition to our propriety platforms.

We have entered into collaboration agreements with our business partners, and developed a network of over 1,000 business partner platforms and 12 we-media and webcasting websites, including platforms operated by one of the largest telecommunication operators in China and numerous media operators. When selecting our business partner, one of the main criteria we consider is whether it possesses the ability to generate user traffic on which we can leverage to enhance the readership of our automobile content. Our network of business partners is characterized as follows:

Scale. Our business partners include one of the largest telecommunication companies, with platform whom we have established business relationship since 2017, and numerous major media operators with sizeable user traffic in China which contributed approximately 4.7 million, 5.0 million, 5.5 million and 5.6 million DUV to our Company for the years ended December 31, 2017, 2018 and 2019 and six months ended June 30, 2020, respectively. Their users are able to access our content through the automobile channels displayed on their platforms. Their users can also be redirected to our platforms through the business partners' website links thereby enlarging our user base.

Diversity. Our business partners platforms primarily comprise four types, namely (i) communications operator integrated website; (ii) financial institution websites; (iii) key local news integrated websites; and (iv) local newspaper websites. We believe they have diversified user base including those who are interested in high quality and up-to-date automobile related information.

Coverage. Our business partners have strong coverage spanning over different Internet channels in China.

For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, we had 38, 35, 27 and 26 business partners that entered into collaboration agreements with us and distributed our automobile contents on their platforms. The following table sets forth changes in the number of our business partners in the PRC during the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2017	2018	2019	2020
Number of business partners at the beginning of the period . . .	26	38	35	27
Number of business partners newly engaged	15	4	2	2
Number of business partners terminated	3	7	10	3
Number of business partners at the end of the period	38	35	27	26
Number of business partner platforms as at the end of the period	628	627	1,019	1,043

During the Track Record Period, we newly engaged 23 business partners and terminated 23 of the collaboration arrangements with our business partners in China. The additions of our new business partners during the Track Record Period were primarily due to our continuous efforts in expanding our collaborative network of business partners platforms, whereas the terminations of the collaborations with our business partners during the Track Record Period were primarily due to expiry of the relevant collaboration agreements or changes in the internal policies of those business partners in relation to publishing external content on their platforms. Three of our business agreements with our business partners will expire in 2020

BUSINESS

and we expect six and nine of our business agreements with our business partners to expire in 2021 and in 2022, respectively. The Company is currently in negotiating with those business partners with collaboration expiring in 2020 and will enter into new collaboration agreements with them if the terms are acceptable. Our Directors confirm that we did not have any dispute with any of the business partners that have been terminated, and we did not receive any formal written complaint from them during the Track Record Period. Notwithstanding the numbers of our business partners decreased from 38 in 2017 to 26 in 2020, we were able to increase the number of our business partners platforms from 628 in 2017 to 1,043 in 2020, because we paid particular attention to each business partner as to the number of platforms it operates and the level of user traffic it can bring to us, so as to ensure that the number of platforms operated by our new business partners and the expected level of user traffic exceed those operated by the terminated ones. In particular, we have established collaboration relationships with a prominent we-media platform and three leading financial institutions in China in 2019 and 2020, which have enhanced the exposure of our automobile-related content. It is our strategy to expand our network of business partner platforms with a focus on those with more quality platforms and high user traffic. As of the Latest Practicable Date, the majority of our business partners were consisted of media news platforms operator.

Our business partners primarily operate (i) communications operator integrated websites; (ii) financial institution websites; (iii) key local news integrated websites; (iv) local newspaper websites. We also work with 12 we-media and webcasting websites. We are able to negotiate on a relatively low costs to be paid to our business partners as one of the contributing factors to such cost-effectiveness is the benefit brought from us to such platforms via our automobile contents provided, which help enrich the content of such platforms. We also provide our business partners with access to our automobile database. Such benefits allowed us to engage in relatively competitive fees that are not generally offered to others. For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, the costs paid by us to our business partners in relation to distribution of content through third party platforms were approximately RMB1.4 million, RMB2.9 million, RMB2.4 million and RMB0.8 million, respectively. The increase in such costs from the year ended December 31, 2017 to the year ended December 31, 2018 was primarily due to the Company entering into a number of new major business partner agreements, namely, a state-owned video platform, one of the largest telecommunication operators and a provincial newspaper platform. The decrease in such costs by 17.6% to RMB2.4 million in the year in 2019 was primarily due to the termination with three major business partners with collaboration fees totaling approximately RMB245,000 and decrease of collaboration fees paid to a major business partner by approximately RMB95,000 due to change of our business strategy in 2019. For the six months ended June 30, 2020, our costs paid to our business partners was RMB0.8 million, as costs paid to Business Partner F decreased in the first half of 2020, in which a new collaboration agreement was entered into between Business Partner F and us, which is relatively more cost-effective. The consideration paid to such business partners under the collaboration agreements are determined at an arm's length negotiation, having taken into account of the following:

- (a) the reputation, influence and number of platforms operated by such business partner;
- (b) the level of user traffic of their platforms, such as page views and DUV that can be brought to our automobile-related contents. In particular, the user traffic on which we can leverage to enhance the extent of readership of our automobile content and our user base;
- (c) the coverage of the platform, whether it is of the level of province (省級別), provincial capital city (省會城市), prefecture-level city (地級市) or below such as local sites (地方站點). Where the business partner offers a high coverage level, higher charges would be incurred by us; and
- (d) the need for automobile-related content for the users of their platforms.

BUSINESS

Considering the above factors and based on the negotiated terms set forth in the collaboration agreements, we normally pay the consideration (which is typically calculated as a lump-sum figure instead of a percentage) to our business partners either monthly, quarterly or by a two-staged payment.

For the three years ended December 31, 2017, 2018, and 2019 and the six months ended June 30, 2020, the transaction amounts with our five largest business partners contributed approximately RMB0.7 million, RMB1.5 million, RMB1.5 million and RMB0.5 million, which accounted for approximately 4.0%, 7.1%, 5.0% and 5.5% of our cost of providing services, respectively. For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, the transaction amounts with our largest business partners accounted for approximately RMB0.4 million, RMB0.8 million, RMB0.7 million and RMB0.3 million, representing approximately 2.5%, 3.7%, 2.4% and 3.5% of our cost of providing services during those periods, respectively.

The following table sets forth the background information of our five largest business partners during the Track Record Period:

Year ended December 31, 2017

Business partner	Transaction amount	Business relationship since	Background	Ultimate beneficial ownership	Platforms operated
	RMB'000				
Business partner A . . .	425.6	2016	Individual ⁽¹⁾	Individual	Local web portals
Business partner B . . .	94.3	2016	Internet information service operator	State-owned organization	A national key news website in Henan province
Business partner C . . .	56.6	2017	Internet news and information service provider	State-owned organization	A national key local news website in Hunan province
Business partner D . . .	47.2	2016	Internet advertising and information service operator	State-owned organization	A key news website in Jiangsu province
Business partner E . . .	47.2	2017	Advertising design and internet information service operator	Broadcast organization	A provincial authoritative mainstream network news media in Shanxi province
	670.9				

Year ended December 31, 2018

Business partner	Transaction amount	Business relationship since	Background	Ultimate beneficial ownership	Platforms operated
	RMB'000				
Business partner F . . .	782.7	2017	Value-added telecommunication service operator	Radio and TV group organization	An Internet video platform in Zhejiang province
Business partner A . . .	319.2	2016	Individual ⁽¹⁾	Individual	Local web portals
Business partner G . . .	138.8	2018	Internet media service operator	Individual	Local web portals
Business partner H . . .	136.0	2017	Internet information publishing and service operator	Listed organization	A network platform in Hubei province
Business partner I . . .	133.2	2017	Technical service provider	Listed organization	A comprehensive portal operated by one of the largest telecommunication companies in China to provide value-added services to its users
	1,509.9				

BUSINESS

Year ended December 31, 2019

<u>Business partner</u>	<u>Transaction amount</u> RMB'000	<u>Business relationship since</u>	<u>Background</u>	<u>Ultimate beneficial ownership</u>	<u>Platforms operated</u>
Business partner F . . .	688.1	2017	Value-added telecommunication service operator	Radio and TV group organization	An Internet video platform in Zhejiang province
Business partner G . . .	471.5	2018	Internet media service operator	Individual	Local web portals
Business partner I . . .	113.2	2017	Technical service provider	Listed organization	A comprehensive portal operated by one of the largest telecommunication companies in China to provide value-added services to its users
Business partner B . . .	94.3	2016	Internet information service operator	State-owned organization	A national key news website in Henan province
Business partner J . . .	83.8	2018	Value-added telecommunication service operator	Tele communication organization	A value-added service platform and online app store operated by one of the largest telecommunication companies in China
	1,450.9				

Six months ended June 30, 2020

<u>Business partner</u>	<u>Transaction amount</u> RMB'000	<u>Business relationship since</u>	<u>Background</u>	<u>Ultimate beneficial ownership</u>	<u>Platforms operated</u>
Business partner G . . .	330.1	2018	Internet media service operator	Individual	Local web portals
Business partner I . . .	58.0	2017	Technical service provider	Listed organization	A comprehensive portal operated by one of the largest telecommunication companies in China to provide valued-added services to its users
Business partner B . . .	47.2	2016	Internet information service provider	State-owned organization	A national key news website in Henan province
Business partner C . . .	45.5	2017	Internet news and information service provider	State-owned organization	A national key local news website in Hunan province
Business partner K . . .	37.7	2018	Internet information publishing and service operator	State-owned organization	A news and variety show platform in Hunan province
	518.5				

Note:

(1) *Business partner A is an individual who was principally engaged in operating of web portals, websites, and online advertising services in China.*

To the best knowledge of our Directors, the scale of operation of these business partners ranged from approximately RMB0.1 million to RMB3,000.0 million in terms of registered capital.

Our five largest business partners during the Track Record Period are Independent Third Parties. Our Directors confirm that none of our Directors, their respective close associates or any Shareholder (which to the knowledge of the Directors owns more than 5.0% of our share capital as of the Latest Practicable Date) had any interest, directly or indirectly, in any of our five largest business partners during the Track Record Period. None of our five largest business partners were our customers

BUSINESS

or suppliers during the Track Record Period up to the Latest Practicable Date. During the Track Record Period, we did not have any material disputes with our business partners or encounter any major claims of defective services. To the best knowledge and belief of our Directors, save for the business collaboration agreement, our five largest business partners during the Track Record Period do not have any other past or present relationships (business, employment, family, financing or otherwise) with our Group, our Controlling Shareholders, Directors and senior management, or any of their respective associates.

While fees paid to our business partners accounted for approximately 8.5%, 13.9%, 8.4% and 8.6% of total cost of providing services for the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, our collaboration with business partners has greatly enhanced the extent of readership of our content at lower costs.

The following table sets out the approximate MUV, DUV and average daily PV on our automobile proprietary platforms and third party platforms during the Track Record Period and a breakdown thereof, where MUV represents monthly unique visitors (i.e. the number of unique visitors that access the platforms for a single month), DUV represents daily unique visitors (i.e. the number of unique visitors that access the website(s) for a single day) and average daily PV represents the average number of page views on the platforms by users on a single day.

	Year ended December 31,									Six months ended June 30,		
	2017			2018			2019			2020		
	MUV ⁽¹⁾	DUV ⁽¹⁾	Average daily PV ⁽¹⁾	MUV ⁽¹⁾	DUV ⁽¹⁾	Average daily PV ⁽¹⁾	MUV ⁽¹⁾	DUV ⁽¹⁾	Average daily PV ⁽¹⁾	MUV ⁽¹⁾	DUV ⁽¹⁾	Average daily PV ⁽¹⁾
	million	million	million	million	million	million	million	million	million	million	million	million
Proprietary Platforms	18.0⁽²⁾	4.1⁽³⁾	33.5	20.3	4.8⁽³⁾	49.8	29.0	4.9⁽³⁾	53.2	33.7	5.2⁽³⁾	55.8
PC websites ⁽⁴⁾	19.2	3.2	30.0	20.1	3.5	45.0	20.7	3.5	48.0	24.5	3.6	50.0
Mobile website	3.2	0.7	3.5	4.5	0.9	4.8	4.9	1.0	5.2	5.5	1.2	5.8
App	2.0	0.4	—	3.0	0.5	—	5.0	0.6	—	5.5	0.7	—
Third Party Platforms	38.9⁽²⁾	8.1⁽³⁾	39.3	39.1⁽²⁾	8.4⁽³⁾	41.5	43.9⁽²⁾	9.0⁽³⁾	44.8	44.7⁽²⁾	9.1⁽³⁾	49.8
Over 1,000 business partner platforms⁽⁵⁾	25.9	4.7	35.0	26.0	5.0	37.0	30.3	5.5	40.0	31.4	5.6	45.0
Top five platforms with highest user traffic in aggregate	5.0	1.0	8.6	5.0	1.1	7.6	4.8	1.2	8.5	4.7	1.1	8.1
Other business platforms	20.9	3.7	26.4	21.0	4.0	29.4	25.5	4.4	31.4	26.7	4.5	36.9
12 we-media platforms⁽⁶⁾	15.2	3.6	4.3	15.3	3.8	4.5	16.1	3.9	4.8	15.8	4.0	4.8
Top three platforms with highest user traffic in aggregate	7.3	1.6	1.9	7.2	1.6	1.9	7.8	1.7	2.1	7.0	1.6	1.9
Other we-media platforms	7.9	2.0	2.4	8.1	2.1	2.5	8.3	2.1	2.6	8.9	2.4	2.9
Total	54.5⁽²⁾	9.9⁽³⁾	72.8	56.9⁽²⁾	10.6⁽³⁾	91.3	57.2⁽²⁾	11.2⁽³⁾	98.0	61.3⁽²⁾	11.6⁽³⁾	105.6

Notes:

- (1) The calculation of DUV is based on the number of daily unique visitor visiting and browsing on our platforms. The calculation of MUV is based on the calculation of DUV accumulated on a monthly basis. The calculation of average daily PV is based on the average number of webpage on our platforms browsed and viewed by users on a daily basis.
- (2) According to the CIC Report, the total MUV deducts any duplicate in MUV in proprietary platforms and third party platforms.
- (3) According to the CIC Report, the total DUV deducts any duplicate in DUV in proprietary platforms and third party platforms.
- (4) The operating data of our PC websites are primarily attributed by our main “Cheshi (網上車市)” website, which is our proprietary platform. Our other proprietary platforms, namely, Haoche18.com and Pika18.com, which are our channels for niche vehicles market,

BUSINESS

their DUV and PV are still at early growth stage and hence did not make significant contributions to the DUV and average daily PV on our PC websites as a whole during the Track Record Period.

- (5) *Our business partners primarily include (i) communications operator integrated websites; (ii) financial institution websites; (iii) key local news integrated websites; (iv) local newspaper websites. For further details, see “Business – Distribution of automobile content – Distribution through third party platforms”.*
- (6) *Some of the prominent we-media platforms on which we deliver automobile content include Sohuhaio, Sina Aspect, Chejiahao and Toutiao.*
- (7) *According to the CIC Report, during the Track Record Period, the percentage of deducted total DUV of proprietary platforms to total DUV was 29.9%, 32.6%, 31.5% and 32.9%, and the percentage of deducted total DUV of third party platforms to total DUV was 70.1%, 67.4%, 68.5% and 67.1%, respectively.*

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

We measure the number of DUV and PV on our proprietary platform and business partners platform by assigning a unique device ID to each device that accesses such platforms, which enables us to track users. Such device IDs enable us to collect DUV and PV on a real time basis, and based on which our Picker engine is able to generate DUV and PV analysis reports. Our IT team summarizes and reviews all data analysis report on a regular basis. We generally use our internal data report as reference when evaluating the number of DUV and PV on our proprietary platform and business partners platform. Moreover, the Company is able to track the geographical location of the users through IP probing by identifying their IP addresses. According to the CIC Report, the proportion of traffic from tier three and below cities of the Company reached 41.6%, 40.7% and 42.1% in the three years ended December 31, 2017, 2018 and 2019, while the proportion of traffic from first and second tier cities accounted for 58.4%, 59.3% and 51.9% in the corresponding periods.

Notwithstanding that user traffic in terms of DUV on business partner platforms in aggregate was generally higher than that on our proprietary platform during the Track Record Period, we believe the main reasons our customers continued to engage us to provide Online Advertising Services instead of engaging our business partners to do so are as follows:

- ***Value-added solutions:*** Rather than simply placing advertisements over the Internet, we offer value-added solutions such as advising on the formulation of advertising strategies by leveraging our market insights in the online automobile industry and our understanding of the preferences of a customer’s target audience. Our advice in optimizing advertisement distribution strategies by controlling the display schedules of advertisements and the timing of marketing campaigns would also help in maximizing the effects of our customers’ advertisements. We also provide after-sales services such as providing evaluations and feedback on the effects of our customers advertisements. We believe that many of our business partners lack the capabilities and technologies to provide such value-added solutions.
- ***A wide distribution network:*** We are capable of distributing automobile content and advertisements across our proprietary platform and also over 1,000 business partner platforms, achieving a high penetration rate across the PRC, particularly in tier three and below cities. As each business partner platform usually has different marketing terms and requirements, should our customers opt for utilizing such business partners directly and individually, they will have to negotiate with different business partners as to satisfy their

BUSINESS

respective budget requirements for every single marketing campaign, which is inefficient and time consuming for customers.

- **Cost effectiveness:** Even if customers decide to engage various business partners directly and individually, our model would still have a higher cost-effectiveness in comparison. One of the contributing factors to such cost-effectiveness is the benefit brought from us to such platforms via our PGC and UGC (including advertisement content) provided (the responsibility of the accuracy and completeness of which will be assumed by us), which will enrich the content of such platforms. We also provide our business partners with access to our automobile database. Such benefits, in addition to the bargaining power on price by having engaged 1,000 platforms, i.e. their competitors, allowed us to engage in relatively competitive fees that are not generally offered to others.

According to the CIC Report, it is consistent with industry norm that Company's customers engage the Company to provide online advertising services through these business partners' platforms. These business partners primarily consist of leading local web portals and news websites, and their market segment is relatively fragmented. The coverage of our Company's proprietary platform, such as Cheshi.com, extends to a national level with deeper penetration by adopting a targeted and precise marketing strategy to provide more customized contents and attract more audience in the cities of different tiers. Approximately 42.1% of our user traffic was derived from tier three or below cities whilst approximately 57.9% of our user traffic was generated from tier one and tier two cities. According to the CIC Report, it is expected that the automobile marketing services market in local regions have a large growth potential in next five years. And as automobile sales market is expanding at the highest growth rate in tier three and other cities in China, marketing expenditures start to be allocated to these regions with more tailored media services for a specific range of target audience. Moreover, the coverage of traditional automobile media platforms in tier three and lower cities is still relatively insignificant compared to that of tier one and two cities in China, leaving a huge potential market for online automobile new media platforms like the Company which has a user base in these regions and is able to provide targeted and more customized contents to attract more user traffic. For such reasons, our Company's future strategies will cover both on the national level, but also with dedicated efforts in certain tiers of cities in order to increase both the depth and the breadth of our content coverage. Furthermore, according to the CIC Report, these business partners have strong regionality especially in tier three and below cities and customers who target automobile markets in tier three and below cities may consider to place advertisements on these platforms in order to attract a larger variety of local users. Particularly, automakers started allocating more advertising expenditure to portal websites and video websites due to their higher exposure rates when launching new models or planning promotional campaigns.

BUSINESS

We generally enter into collaboration agreements with our business partners. The salient terms of a typical collaboration agreement with our business partners are as follows:

<i>Term:</i>	Ranging from 12 to 36 months
<i>Collaboration:</i>	<p>The business partners provide:</p> <ul style="list-style-type: none">(a) the automobile channel on their platforms which include advertising space, and we manage and place advertisements, and(b) automobile related channels for their users to access or be redirected to our platforms. <p>In return, we provide:</p> <ul style="list-style-type: none">(a) our PGC and UGC (including any advertisement content) to enrich their platform content,(b) access to our automobile database via their platforms, and(c) technical, server and network support. <p>It is agreed that we would be responsible for the accuracy and completeness of the PGC and UGC.</p>
<i>Consideration:</i>	Pre-agreed fixed fees, ranging from approximately RMB10,000 to RMB780,000 per annum
<i>Display area:</i>	To be provided by a webpage or channel in which our automobile contents, including advertisements, are displayed.
<i>Payment:</i>	To be settled by bank transfer to accounts of business partners by either monthly, quarterly or two-staged payment, generally within 10 days from receipt of invoice.
<i>Termination:</i>	To be terminated upon mutual agreement. After termination, we have the first right of refusal to enter into a new collaboration agreement under the same terms and conditions.

Please see “Our Platform—Third party platform—Picker engine” for illustration on how our automobile contents are displayed on our business partner’s platform.

As part of the collaboration agreement, our business partners provide automobile related webpage or channel including designated advertising space on their platforms. We have the right to access, manage and control such webpage or channel to place our automobile contents and to display advertisements of our customers in the designated advertising space. We, in return, provide to our business partners with our PGC and UGC which are concurrently updated on their platforms for viewing by their users, thereby enriching the diversity and depth of the contents on their platforms. Generally, when our automobile contents are published on our proprietary platforms, they are simultaneously displayed and updated on platforms operated by our business partners. We may enter into specific arrangements with certain business partners that only selected type of automobile contents from our proprietary platforms would be distributed to their platforms. For instance, only contents in form of video from our proprietary platforms are distributed to platforms operated by one of our business partners as per the arrangements agreed by us in order to fit their business strategy. Our business partners are also given access to our automobile database through the designated channels on their platforms for their users. In addition, our business partners build automobile-related channels on their platforms that allow their users to access or to be redirected to our proprietary platforms. If their

users are interested in more automobile-related contents after viewing our PGC and UGC contents displayed on our business partner platforms, they can visit our proprietary platforms through those channels built by our business partners. As of the Latest Practicable Date, as the Company applies quality assurance measures in relation to publishing and distributing activities, including without limitation: (a) the “two-step” censorship system in that all photo publishing and content distributing activities must be reviewed by the editor in chief of content and his assistants, which are then approved by the intellectual property team (and by the head of legal department if involving complex or legal issues) to ensure that all activities must comply with relevant laws and regulations; (b) when the Group obtain photos from any third party for display or publication, it would require ownership proof of intellectual property rights, without which such photos would not be used or published; and (c) training on the regulatory requirements applicable to photo publishing and content distributing activities to our employees to ensure compliance with relevant regulatory requirements going forward. On this basis, our Company is of the view that it is not exposed to any material potential legal liability and claims for any inaccurate or misleading contents posted on our third party platforms.

Our automobile content is distributed to our business partners through our self-developed technology application—Picker engine. It enables us to disseminate our automobile content to over 1,000 business partner platforms and over 5.5 million users simultaneously and instantly. It also enables our business partners to access to our automobile content and automobile data and information. For other functions of the Picker engine, please see “Our Platform—Third party platforms—Picker engine” in this section.

Applets is another technology application that allows us to disseminate our automobile content to over 10 prominent we-media platforms in China. For functions of our Applets, please see “Our Platform—Third party platforms—Applets and Official Accounts” in this section.

The distribution of our automobile content across these third party platforms allows us to broaden our user reach and acquire user traffic in a cost-effective way, as we can leverage on the user base on our business partner platforms.

During the Track Record Period, we placed a stronger focus to distribute our automobile-related contents through platforms that are dedicated for tier three and lower cities in China. According to the CIC Report, tier three and lower cities in China are expected to experience a stronger growth in automobile retail market compared to tier one and two cities, as a result of: (i) less saturated car market, (ii) less stringent car purchasing policy⁽¹⁾, and (iii) continuously improving disposable income in tier three and below cities. Furthermore, compared with the saturated and competitive markets in tier one and two cities, tier three and lower cities are anticipated to become the main growing point of the automobile market in China. Automakers and auto dealers are expanding their offline sales networks in tier three and lower cities, where there are a large number of consumers who are willing to purchase their first vehicles or change their existing ones. As automobile sales market is expected to expand at the highest growth rate in tier three and lower cities in China, marketing expenditure will be allocated to these regions with more tailored media services for a specific range of target audience, according to the CIC Report. It is expected that automobile marketing services market in these local regions have a large growth potential from 2019 to 2024. Please see “Industry Overview—Sales volume of new

Note:

(1) Until 2019, eight tier one and two cities, namely Beijing, Shanghai, Guangzhou, Shenzhen, Tianjin, Hangzhou, Guiyang and Shijiazhuang, and the Hainan province in China have each announced policies to curb the purchase of new passenger automobiles through balloting and auctioning of a limited number of license plates. In contrast, there has not been any similar policies announced in approximately 94.4% of tier three and below cities in China according to the CIC Report.

BUSINESS

passenger automobiles by tier of cities in China” for details of market growth in tier three and lower cities.

Although we distribute our automobile contents online to attract viewership, the coverage of our Company’s proprietary platform, such as Cheshi.com, extends to a national level with deeper penetration by adopting a targeted and precise marketing strategy to provide more customized contents and attract more audience in the cities of different tiers. According to the CIC Report, it is expected that the automobile marketing services market in local regions have a large growth potential in next five years. And as automobile sales market is expanding at the highest growth rate in tier three and other cities in China, marketing expenditures start to be allocated to these regions with more tailored media services for a specific range of target audience. Moreover, the coverage of traditional automobile media platforms in tier three and lower cities is still relatively insignificant compared to that of tier one and two cities in China, leaving a huge potential market for online automobile new media platforms like the Company which has a user base in these regions and is able to provide targeted and more customized contents to attract more user traffic. For such reasons, our Company’s future strategies will cover both on the national level, but also with dedicated efforts in certain tiers of cities in order to increase both the depth and the breadth of our content coverage. We will target the distribution of our automobile contents in tier three and lower cities by collaborating with our business partners, which operate local platforms at these regions frequently visited by users residing in those cities. According to the CIC Report, our Company is one of the few leading automobile vertical media platforms that have foreseen the large market opportunity of emerging automobile marketing service market in tier three and below cities, and established sufficient and stable user base in these regions with targeted content. Contrary to users in tier one and two cities, those in tier three and lower cities tend to have (i) limited access to automobile information as there are fewer automobile dealers and offline automobile-related events in tier three and below cities, leading to unsatisfied demand of potential auto buyers for information on automobile selection and purchase; and (ii) higher willingness to research on automobile brands, specifications and reviews on automobile vertical media platforms before making a car purchase due to relatively lower disposable income and limited budget. They are also accustomed to browse local websites of their respective regions that can provide automobile contents and information customized to their local markets and preference. Moreover, more automakers and autodealers are willing to allocate their expenditures on automobile advertising services covering tier three and lower cities due to their expansion plans of offline sales network in tier three and lower cities. The coverage of traditional automobile media platforms in tier three and lower cities is still relatively insignificant compared to that of tier one and two cities in China, leaving a huge potential market for online automobile vertical media platforms like us which has a user base in these regions and is able to provide targeted and more customized contents to attract more user traffic. According to the CIC Report, the proportion of traffic from tier three and below cities of the Company reached 42.1% in the year ended December 31, 2019, while the industry average of the same was 30.0% for the same period.

REVENUE GENERATION BY PROVIDING ADVERTISING SERVICES

Our ability to reach a broad user base for our automobile content and generate large user traffic on our proprietary and business partner platforms has made us an increasingly prominent and preferred medium for automakers and autodealers to conduct their advertising campaigns. We generate revenue by providing advertising services and solutions to advertising agency, automaker and autodealer customers. These advertisements enjoy high viewership among our users who, we believe, are most receptive to automobile advertisements and routinely visit our proprietary and business partner

BUSINESS

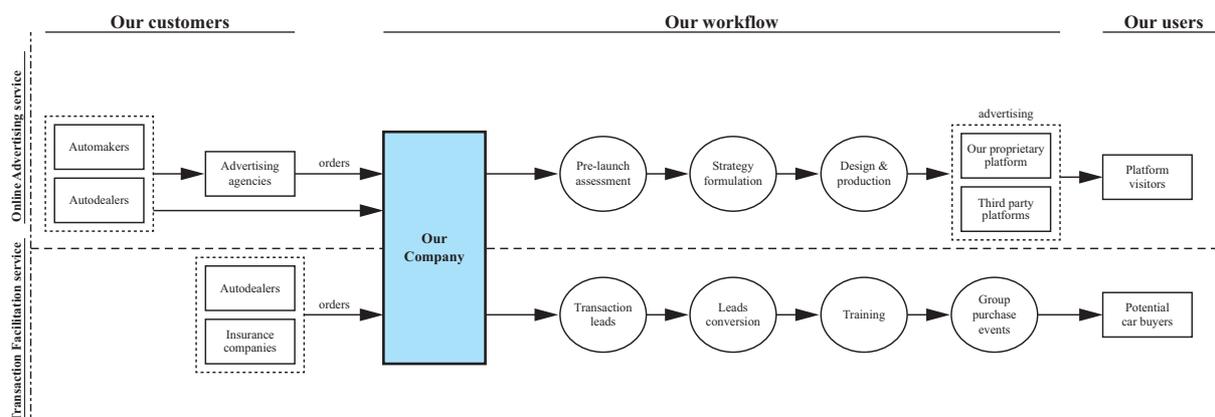
platforms for automobile-related content. Due to their frequent visits, this influx of users is believed to be interested in our automobile content and desire to obtain regular updates on latest vehicle launches, new vehicle models and specifications, the automotive market trend and so forth. These users are believed to represent existing car owners and potential car purchasers, who visit our proprietary and business partner platforms to browse our automobile content in order to make an informed decision in their search and selection to purchase process. Hence, we consider our users to represent a highly relevant audience that is receptive to automotive advertisements.

We provide our advertising services to our customers in two segments, the Online Advertising Service and the Transaction Facilitation Service. The Online Advertising Service is the backbone of our business that generate a substantial part of our revenue during the Track Record Period, while the Transaction Facilitation Service is our emerging business which commenced in October 2018.

The following table sets out the respective components of our revenue generated during the Track Record Period:

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

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



Our content team and sales teams are instrumental in facilitating our revenue generating services, namely Online Advertising Service and Transaction Facilitation Service, as illustrated by the abovementioned business process. In line with our business growth, we continue to expand our content team and sales team. As of December 31, 2017, 2018, and 2019 and June 30, 2020 our content team comprised 58, 63, 67 and 51 members, and our sales team comprised 57, 58, 76 and 63 members, respectively, for the same periods.

ONLINE ADVERTISING SERVICE

We provide Online Advertising Service to our customers, comprising: (i) advertising agencies, and (ii) automakers and autodealers.

Advertising agency customers

For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, we had 82, 80, 94 and 70 advertising agencies engaging our Online Advertising Service, respectively. During the Track Record Period, our five largest customers are advertising agencies, who accounted for approximately 37.6%, 38.3%, 41.3% and 50.4% of our total revenue for the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively.

We typically provide Online Advertising Service to advertising agencies on a project or annual basis. We liaise with the end customers of these advertising agencies in order to have a preliminary understanding of their advertising needs and yearly budgets. We are then directed to their advertising agencies who manage an assigned budget and coordinate the entire advertising campaigns for them. The advertising agencies enter into service agreements with us as principal and we do not owe any contractual obligations and liabilities to their end customers. We communicate with the advertising agencies in relation to the advertising needs, formulation and requirements in detail throughout the entire service process. Based on the content of the advertisements placed by the advertising agencies, there is no significant overlap of end customers among the advertising agencies, which is consistent with the market practice in China according to the CIC Report.

BUSINESS

The salient terms of a typical service arrangement with our advertising agency customers are as follows:

<i>Term:</i>	Within one year
<i>Services:</i>	Based on customer's budget, targeted audience requirements, we provide advertising services and solutions including strategy formulation, advertisement design and production and performance evaluation.
<i>Performance:</i>	Our services are performed based on any of the following KPIs as agreed in writing on the displayed advertisements, including, total clicks (i.e. number of users click on the advertisements), impression (i.e. number of page views), and duration of time spent by a viewer.
<i>Undertakings:</i>	The advertising agent undertakes that the advertisement contents are legal, accurate and not misleading, failing which we have the rights to cease our advertising services, terminate the service agreement and seek compensation.
<i>Payment:</i>	Settled by the advertising agency by bank transfer in RMB.
<i>Credit terms:</i>	A credit term up to 180 days from the date of invoice. Invoice is issued to customers after the entire project is completed and the pre-agreed performance data is verified by the customer.
<i>Termination:</i>	The agreement can be terminated by either party with prior notice between 14 and 30 days.

A typical online advertising service was delivered to customers with display duration of 7 to 14 days on our proprietary platforms with KPIs based on number of PV.

While a majority of our customers is comprised of advertising agencies, the business function of our Company are very different from them in that these advertising agencies generally serve automakers as end-customers where they help them identify and assess on various advertising conduits, such as through online advertising platforms like ours, to display automobile advertisements of the end-customers in a way best suitable to them. These advertising agencies also manage budget and coordinate the advertising campaigns for the end-customers. On the other hand, we provide online advertising services to the advertising agencies with our valued-added solutions, including advising on the formulation of advertising strategies, production and distribution for the entire marketing campaigns. We are also responsible for after-sales services, such as, providing evaluation and feedback on the effect of customers' advertising. In particular, our capability to create automobile contents to attract online users, and to disseminate automobile contents and advertisement to numerous users in a cost-efficient way differentiate us from the business function of these advertising agencies. Also, our brand "Cheshi (網上車市)" brand was established for over 20 years with reputation as one of the leading vertical media platforms in China, which contributes to our success in attracting users to visit and browse, and automobile advertisers to display their advertisements on our platforms. We believe that the provision of our valued-added solutions and our content creation and distribution capacities, together with our long-established brand, are difficult for others, including such advertising agencies, to replicate. As such, there is no overlapping of services between our Company and these advertising agencies.

BUSINESS

Automaker and autodealer customers

We provided Online Advertising Service to 15, 29, 13 and eight automaker and autodealer customers directly for the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. The terms of the service agreements entered into with these automaker and autodealer customers are substantially similar to the terms entered into with advertising agencies. The following table sets forth the revenue generated from automaker and autodealer customers for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019 (unaudited)	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue					
Automakers	9,440	7,105	9,076	3,000	1,763
Autodealers	3	5,174	3,328	1,042	3,487
	9,443	12,279	12,404	4,042	5,250

To the best knowledge of our Directors, all our customers are independent of our Group. During the Track Record Period, none of our Directors or Shareholders had any equity interest in any of these customers, and none of our customers or their beneficial owners had any relationship with our Group or our Directors or Shareholders.

Pricing policy

We believe it is crucial to provide the Online Advertising Service at competitive prices for the continued success of our Group. For our pricing policy of the Online Advertising Service, we first understand our customers' needs, requirements and budgets. For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, we have 344, 359, 406 and 168 advertising service contracts, respectively, and the average contract fee was approximately RMB430,000, RMB566,000, RMB561,000 and RMB447,000 during those periods, respectively. We generally charge a pre-agreed fee on a project by project basis, which varies depending on the following factors:

- (i) the scope of services and value-added solutions — the more complex the services are required, such as level of design and production and the type of KPIs chosen by our customers, such as total clicks (i.e. number of users click on the advertisement for further details) and impressions (i.e. number of page views), a higher service fee would be charged. Our Group needs to tailor the service based on the KPI requirements from our customers. We typically negotiate and agree with our customers on the KPI requirements that we need to accomplish in their advertising campaign. For a single advertisement to be displayed on our platform, such as our PC website, we normally need to achieve a minimum number of impressions (page views) ranging from 5 million to 8 million, and a minimum number of user clicks ranging from 15,000 to 70,000 per day. The CPM (cost per thousand impression) charged to customer ranges from approximately RMB3.0 to RMB30.0 while the CPC (cost per click) charged to customer ranges from approximately RMB1.0 to RMB4.0;
- (ii) the location of advertising space on the platform where the advertisement is displayed — for instance, if the advertisement is displayed at the top prominent banner space which generate more user view exposure, a higher service fee would be charged. Also, we

BUSINESS

normally set a limit of the size and number of advertising words (normally ranging from 10 to 20 words) that can be inserted in the customer's advertisements, exceeding which we may propose a higher fee to be charged;

- (iii) the duration of the advertising campaign (for example, by number of days the customer's advertisement is displayed on our platform) — the longer the advertisement is displayed, a higher service fee would be charged. The length of advertisement display in our advertising service contracts typically ranges from one day to two months in which it would normally cost RMB15,000 to RMB100,000 per day (depending on other factors, such as the advertisement size and location, KPI requirements, etc);
- (iv) the length of business relationships — if the customer has long term relationship with us, we would consider to charge a lower fee to maintain customer loyalty; and
- (v) We may offer more favorable terms to customers who engage our services on a large scale by reference to total service fees receivable.

The above represents the major factors when determining our pricing strategy and we have established a standardized pricing guideline for reference by our sales team. Sales team shall procure customer orders accordingly and provide the sale proposal to the regional sales head and the business integration department for internal approval. Once approved, the customer order would be entered into the monitoring system and executed according to the agreed schedule with the customers. If the customer order deviates from the standardized pricing guideline for any commercial reasons, it would be escalated to Mr. Liu Lei, our executive Director, for final approval.

As customary in the online automobile advertising industry, we may give rebates to certain advertising agencies upon completion of projects. Such rebates may be given to them on an annual aggregate or a project basis. A rebate is an amount paid by way of reduction or refund on the total advertising fees we charge. It is agreed with each customer at the time of entering into the respective service agreement and is expressly stated in the advertising service agreements. The amount of rebates is generally calculated by the total service fees paid to us in a financial year multiplied by an pre-agreed rebate rate. Such rebate rate is typically set on a progressive basis, that is, the more advertising fees are paid to us, the higher rebate rate would be given. We believe that a progressive rebate calculation would provide incentives for advertising agencies to engage our Online Advertising Services. The amount of rebates given to advertising agencies is presumed to be a reduction of the selling prices of the service, which is characterized as a reduction of revenue when recognized in the consolidated statements of comprehensive income. For the three years ended December 31, 2017, 2018, and 2019 and the six months ended June 30, 2020, the number of customers that are entitled to the rebate were 31, 40, 40 and 14, and the total amount of rebates was approximately RMB23.8 million, RMB35.5 million, RMB32.6 million and RMB11.3 million, and the rebate payable as of December 31, 2017, 2018 and 2019, and June 30, 2020 was RMB2.4 million, RMB2.8 million, RMB1.6 million and RMB2.4 million, respectively, for the same periods. During the Track Record Period, the rebate rate offered to the advertising agencies varied from 3% to 27%, which is primarily based on the following factors:

- (i) our historical business volume in the preceding year - the higher the business volume in terms of revenue contribution in the preceding year, the more favorable rebate rate would be offered;
- (ii) their estimated business scale for the current year - the higher the estimated business scale for the year, the more favorable rebate rate would be offered on a progressive scale;

BUSINESS

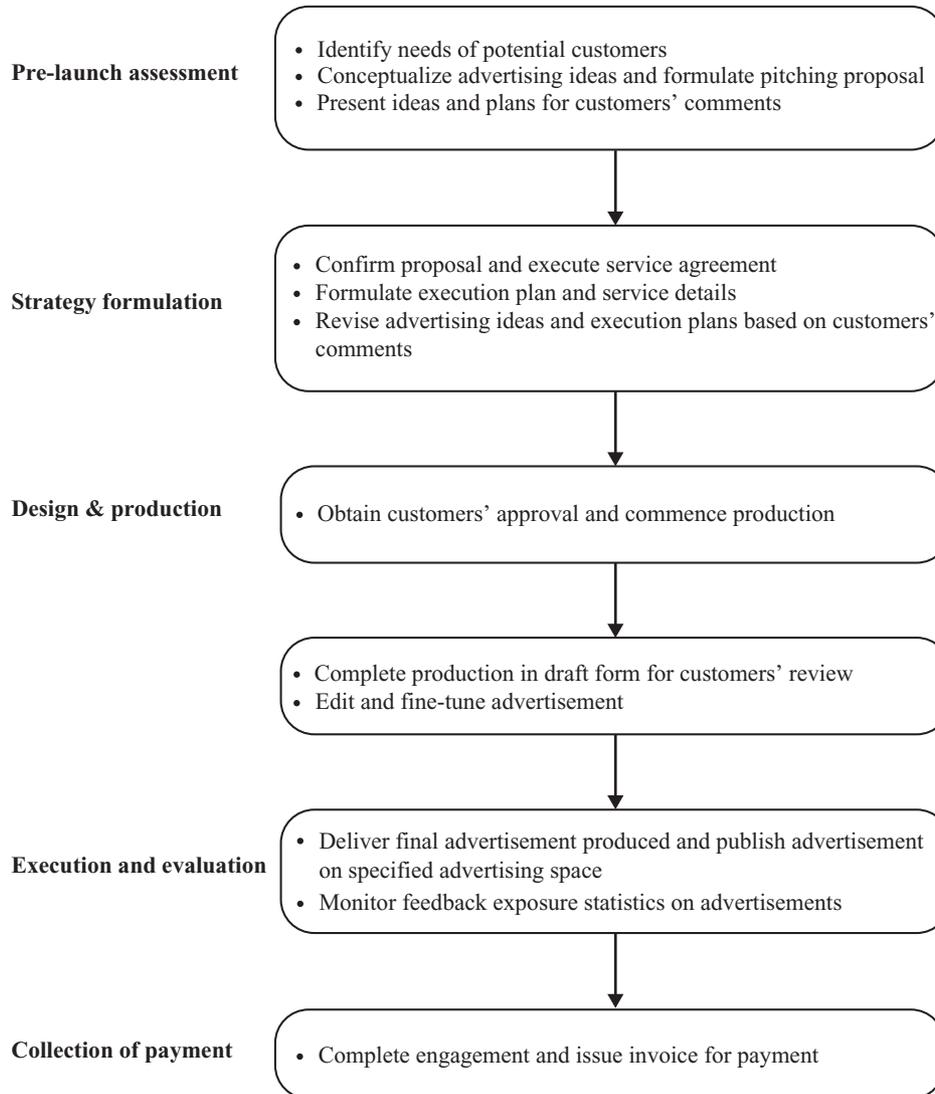
- (iii) the end customers represented by the advertising agencies - if the end customers represented by the advertising agencies are more reputable, the more favorable rebate rate would be offered;
- (iv) the types of services engaged; and
- (v) credit terms - the shorter the credit terms, the more favorable the rebate rate would be offered.

For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, the average rebate rate given to our customers was 16.8%, 18.3%, 15.5% and 16.1%, respectively.

We do not give rebates to individual employees of our advertising agency customers. According to the CIC Report, such rebate arrangement and its terms are in line with industry practice. Our Directors confirm that, after consulting with our PRC Legal Advisor on relevant laws and regulations regulating such rebate arrangement in the PRC, the abovementioned rebate arrangement does not violate any laws or regulations in the PRC.

Advertising services and solutions

The fundamental aspect of our Online Advertising Service is to place advertisements of our advertising agency, automaker and autodealer customers on our proprietary and business partner platforms. These customers generally engage our Online Advertising Service for promotion, new model releases and sales promotions. As part of our comprehensive Online Advertising Service, we also offer a wide range of value-added advertising solutions to assist our customers throughout the entire chain of their advertising campaigns, which typically takes up to eight months. These solutions are aimed to reinforce our relationship with our customers and to attract more automobile advertisers. The diagram below sets out our workflow in providing advertising services and solutions:



Pre-launch assessment. Before an advertisement is formally placed on our proprietary and business partner platforms, we generally conduct a pre-launch assessment with our customers. This involves an understanding of the advertisement budget, the class of targeted audience and other requirements set by our customers, identifying the preferred format of advertisement and distribution channels and having a preliminary projection of the response from targeted audience. We manage the advertising space on these platforms in the monitoring system and content management system in that: (i) the monitoring system displays the status of all advertising space as available, reserved or placed; (ii) our sales personnel would locate and

reserve in the content management system advertising space available according to the KPI requirements in terms of total clicks (i.e. number of users click on the advertisement for further details), impressions (i.e. number of page views) and time length as required by the customers in the project proposal; and (iii) upon cross-check and internal approval by the business integration department, it would update the content management system to confirm reservation for the advertising space selected by the sales team for the particular project proposal accordingly. As our project proposal is designed based on KPI requirements, our sales team can select advertising space to satisfy such KPI requirements based on the historical performance data of available advertising space at a given time. When our customers consider to proceed with such project proposal, the relevant advertising space would be used for placing and displaying advertisement.

Strategy formulation. We assist our customers to formulate their advertising strategies. Our self-developed technology systems are able to perform data analytics based on the user behavior data we have collected and to monitor the browsing pattern and preference when accessing our and our business partners platforms. For detailed functions of our Picker engine, see “— Our Platform — Third party platforms — Picker engine”. Our Picker engine enables us to advise our customers on targeted advertising strategy. We can help customers customize the theme of their advertisements in a way to best tailor for the preference of their targeted audience, thereby increasing the chance of such advertisement to be viewed. For instance, when our customer proposes to display advertisement to target audience who are interested in passenger vehicle for family use, we would recommend to our customers to adopt an advertisement theme featuring car safety and spacy interior, which are common factors mainly considered by family car purchasers. It leads to their advertisements being more likely to be viewed by their target audience. We can also identify which advertising space on our platforms has the most exposure rate for such targeted audience and suggest the time interval and frequency to place advertisements. For instance, our data analytics reveal particular advertising spaces that are frequently viewed by a large number of users at a certain time interval who have been browsing luxury vehicles with specific features. Based on such information, we are then able to recommend those advertising spaces to our customers targeting luxury car purchasers and propose ideal time and place to display their advertisements, in order to maximize their advertising effort. Sometimes, the customers may explicitly request their advertising contents to be distributed only through our certain business partners platforms, primarily because the targeted audience are situated at specific region or tier of cities. The business partner platforms designated by such customers for distribution of their advertising contents usually possess strong localized tie to and readership from the targeted audience, such as, platforms mainly accessed by users in and traffic derived from tier three or lower cities.

Design and production. Leveraging on our ability to create high quality automobile content, we assist our customers with advertisement design, including the theme, content, graphics and other aspects of the advertisement to enhance its appeal to the audience. We are also engaged by our customers for the video production of their advertisements, including filming, audio recording and post-production editing. Before we obtained the TCPB License on July 19, 2018, we outsourced all our video production process to our suppliers with TCPB License. After we obtained the TCPB License, we may choose to outsource part of our video production process to our suppliers to enhance cost-efficiencies and expedite production time. Our deliverables also include banner advertisements, links and logos and other media insertions. Our content team is responsible for the design and production. It consisted of 58, 63, 67 and 51 members as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively. The key members of

our content team have up to 14 years of work advertisement experience in media design and production.

Execution and evaluation. Once the design and production of the advertisements are completed to the satisfaction of our customers, we arrange such advertisements to go live on the advertising space of our proprietary and business partner platforms. Our editor-in-chief of our content team and his assistants, together with our intellectual property team, and in-house legal department when needed, would assist in reviewing and approving contents, pictures and videos and advertisements prior to their publication. After such advertisements have been reviewed and approved, we utilize our Picker engine to upload and distribute them on the designated advertising spaces in our and business partner platforms. For details in relation to how we manage and monitor the uploaded advertisement and advertising spaces on our proprietary and business partner platforms, see “Our Platform—Monitoring system” in this section. Our sales team is dedicated to providing follow-up services to our customers. We have assigned sales staff to each of our customers to manage customer relationships and their advertising activities, and to keep track of the provision of our services to customers. We report to our customers on the advertising progress, normally on a weekly basis, including among other things, page views on a customer’s advertisement for a specific period of its display on the advertising space on our proprietary and business partner platforms. Depending on the performance, we may adjust the placed advertisements in the content management system after consulting with the relevant customer and adjusting marketing strategy in order to achieve the KPI requirements from the customer. We also report on feedback gathered from our users and the overall market trend. In addition, our sales team is responsible for responding to customers’ enquiries and complaints on a timely basis. Upon the completion of a project, our sales personnel would request a complete project execution report from our technical team, and confirm the performance with the customers based on the agreed KPIs in terms of total impressions (i.e. number of page views), total clicks (i.e. number of users click on the advertisement for further details) and total leads (i.e. number of user contact information provided to the end customers arising from advertising campaign).

Collection of payment. We receive our service fees from our customers upon the completion of the entire project and fulfillment of the pre-agreed KPI requirements, for certain contracts where we agreed on the minimum number of page views on the customer’s advertisement, it would be verified by the customer against the terms set forth in our service contracts. In the event that the pre-agreed KPIs are not met, we would further negotiate with customers with a view to satisfying the unmet KPIs by other means, such as, extending the duration of displaying the advertisement on our proprietary and our business partner platforms until the KPIs are met, and this would not affect the fixed fees as agreed in the service contract. During the Track Record Period, we have not generally encountered any failure to meet the KPIs pre-agreed with our customers. For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, we have 344, 359, 406 and 168 advertising service contracts, respectively, and the average contract fee was approximately RMB430,000, RMB566,000, RMB561,000 and RMB447,000, during those periods, respectively. The increase in the number of advertising service contracts was in line with our business expansion.

For certain customers, we provided the Transaction Facilitation Service as part of the Online Advertising Service. Please see “—Transaction Facilitation Service” in this section.

BUSINESS

TRANSACTION FACILITATION SERVICE

To keep abreast of the increasing demand for transactional services in the automobile industry, we commenced our Transaction Facilitation Service in October 2018. Transaction Facilitation Service becomes one of the key features of our business model, as it optimizes the sales leads originated from our online platform into promoting group-purchase events to provide a new mean to generate revenue. We primarily offer such services to our autodealer customers. Since December 2018, we offered similar promotion services to an automobile insurance company, either as a standalone service or as part of the Online Advertising Service. For the three months ended December 31, 2018, the year ended December 31, 2019, we promoted three and 100 group-purchase events, respectively. As our Transaction Facilitation Service accounted for RMB90,000 and RMB2.6 million, which contributed approximately 0.1% and 1.4% of our total revenue for the year ended December 31, 2018 and 2019, respectively, this business segment was relatively immaterial to the Group during the Track Record Period. However, we believe it is a fast-growing business with potential. For the year ended December 31, 2019, we promoted an aggregate of 100 group-purchase events, which accounted for a substantial increase in the monthly average number of group-purchase events from 1 to 8.3 for the three months ended December 31, 2018 and the year ended December 31, 2019. For the six month ended June 30, 2020, our Transaction Facilitation Service accounted for approximately RMB177,000, which contributed approximately 0.3% of our total revenue. It was because we recorded no group-purchase event for the three months ended March 31, 2020 due to government measures to contain COVID-19. Our Transaction Facilitation Service was resumed gradually and we completed seven group-purchase events for the three months ended June 30, 2020. As of the Latest Practicable Date, the operation of the Transaction Facilitation Service had been in recovery as, according to the CIC Report, there had been an overall recovery to automobile-related transactions services within the months after June 30, 2020.

The following table sets out the number of group-purchase events and average number of vehicles sold for our Transaction Facilitation Service:

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

BUSINESS

For the year ended December 31, 2019 and six month ended June 30, 2020, we promoted group-purchase events in 17 cities in China. We focused on tier three and lower cities in China, such as Linyi (临沂), Langfang (廊坊), Xingtai (邢台) and Hengshui (衡水). The map below illustrates the geographic coverage of our Transaction Facilitation Service in China:



An integral part of our Transaction Facilitation Service is the value-added promotion solutions that we are able to offer to our autodealer customers. Details of our work process and promotion solutions which constitute our Transaction Facilitation Service are set out below:

Transaction leads. All potential transactions begin when a user browses our automobile content through our proprietary and business partner platforms. When a user is interested in a particular vehicle model shown on these platforms, the user can leave his or her contact information, such as a cell phone number on our platforms to indicate his/her interest. All of these can be referred to as “sales leads”. Our sales team will follow up by calling this user. After we learn about the user’s transaction objective and requirements through a preliminary conversation, we will assign this user as a targeted user and record his or her details. Based on the details of the targeted users, our transaction team compiles a list containing the details of the targeted users including their geographic location and preference on vehicle models and other requirements.

Group-purchase events. Our transaction team assists the autodealer customers to organize group-purchase events by calling and inviting the targeted users to a group-purchase event at the physical store of that autodealer customer. The group-purchase event provides the targeted users with an opportunity to learn more about the specific vehicle model they are interested in and to physically interact with our autodealer customers. We assist our autodealer customers to

BUSINESS

schedule the event dates, organize the event rundown and rehearsal, design the theme of the group-purchase event, decorate the event venue and host the entire event.

Training. Our sales team provides customized trainings to the sales personnel of autodealer customers to enhance their sales techniques, with the objective to improve the successful conversion rate of sales leads. Our training includes an event-based sales plan and personalized coaching for relevant sales staff. They also cover various topics including innovative promotion campaign and sales technique enhancement, such as customer communication training. Our sales team provides one week on-site training and event preparation, which generally covers one-on-one training for the key sales person and onsite solutions for ad hoc issues occurred during the group-purchase event.

Leads conversion. We invite targeted users to the group-purchase events hosted at venue stores. We guide the sales team of our autodealer customers in their promotion of cars to the targeted users, as well as ensuring that the group-purchase event is carried out in accordance with the agreed schedule. Upon completing the introduction and Q&A session, targeted users who have indicated an interest in purchasing automobiles would enter into a car purchase transaction with the autodealer customer. Those targeted users may also take on car insurance with the insurance company referred by us. We charge our autodealer customers a fixed service fee for provision of the Transaction Facilitation Service regardless of the number of vehicles sold.

Transaction evaluation. Our sales team assists our autodealer customers to monitor and evaluate the sales performance of group-purchase events.

Since December 2018, we offered Transaction Facilitation Service to an automobile insurance company. As vehicle purchases are often accompanied with aftermarket services, such as automobile insurance and finance, the group purchase events we organize also serve as a promotion opportunity to automobile insurance companies.

The salient terms of a typical Transaction Facilitation Service agreement with our customers are as follows:

<i>Term:</i>	Project-based — generally within one week
<i>Amount:</i>	Ranging from approximately RMB25,000 to RMB40,000 per event, which varies according to the scope of services
<i>Services:</i>	Based on customer's budget and requirements, we provide Transaction Facilitation Services and solutions, such as, provision of sales lead, trainings and organization of group-purchase events
<i>Payment:</i>	To be settled by bank transfer in RMB
<i>Credit terms:</i>	Up to 15 business days from the date of invoice
<i>Termination:</i>	To be terminated by either party with prior notice

Pricing Policy

For our Transaction Facilitation Service, our customers are autodealers and an automobile insurance company. As of the Latest Practicable Date, we charge a fixed fee for each project, after taking into account the scope of service and extent of work that is required for its execution regardless

the number of sales or insurance transactions completed by our autodealer customers or insurance company.

Our plan to expand the Transaction Facilitation Service

While the Transaction Facilitation Service has not yet generated profit during the Track Record Period, we believe there are good reasons for us to expand this business segment. According to the CIC Report, the market size by premium of the automobile insurance industry in China increased from RMB620.1 billion in 2015 to RMB818.8 billion in 2019, representing a CAGR of 7.2%. The automobile insurance market is projected to reach approximately RMB978.4 billion by 2024, representing a CAGR of 3.6%. The market size of auto insurance marketing expenditures increased from RMB13.5 billion in 2015 to approximately RMB21.1 billion in 2019, with a CAGR of 11.9%, and is projected to reach RMB27.1 billion by 2024, representing a CAGR of 5.1% from 2019 to 2024. Further, according to the CIC Report, the retail automobile finance industry has increased significantly over the past five years. The market size of newly issued loans increased from approximately 7.1 million units in 2015 to approximately 10.9 million units in 2019, representing a CAGR of 11.3%. It is expected that the market will continue to expand robustly throughout the next five years to reach approximately 16.2 million units in 2024, representing a CAGR of 8.4%. Please see “Industry Overview — China’s Automobile Aftermarket Service Industry” for further details.

This strategic business expansion will extend our coverage in the automobile value chain and diversify our customer base to include automobile aftermarket service companies, and allow us to explore business opportunities with different stakeholders of the automobile industry in China. Although our Transaction Facilitation Service is still at its early mature stage, we believe that we are in an advantageous position to further develop our Transaction Facilitation Service. As we are able to originate sales leads from our platforms, this provides us with enormous access to potential car purchasers to whom we are able to promote group-purchase events for autodealers and insurance companies.

As the pricing policy of our Transaction Facilitation Service is at fixed fees for each project regardless the number of sales or insurance transactions completed by our autodealer customers or insurance company, we intend to develop the Transaction Facilitation Service by increasing the number of group-purchase events we promote for our customers in order to take advantage of the economy of scale; and, as our brand is expected to become more well recognized after the Listing, by charging higher fees for each project to enhance our profit margin for this business segment.

For more details of our strategy, please see “Our Business Strategies—Solidify our market position in the automobile vertical media advertising industry”.

In view of the recent COVID-19 outbreak, the Transaction Facilitation Service has been adversely affected and we recorded no group-purchase event for the three months ended March 31, 2020. Our Transaction Facilitation Service was resumed gradually and we completed seven group-purchase events for the three months ended June 30, 2020. As of the Latest Practicable Date, the operation of our Transaction Facilitation Service was still in recovery. For details, please see “Business — Health, Work Safety, Social and Environmental Matters” and “Impact of the Outbreak of COVID-19 On Our Operation in the PRC”.

OUR PLATFORM

Platform Offering

The key factor that differentiates us from other participants in the online automobile advertising industry, we believe, is the platform through which users are engaged and where we can offer value to our users, business partners and customers.

The key value propositions our proprietary platform can offer to our users, business partners and advertising agency, automaker and autodealer customers are summarized as follows:

Value proposition to users

Driven by our content generation ability, we continue to enhance our user experience on our proprietary platform:

Abundant automobile information. Our content team created and published over 354,000 articles for the six months ended June 30, 2020. As of June 30, 2020, our online automobile database contains over 57,000 vehicle models specifications and 4.2 million photographs covering over 57,000 vehicle models.

Convenience. Our users can search, review and compare different vehicle models on our proprietary platforms at any time via the use of our platform tool—Cheshi App.

Trusted content. Our content team comprising professional writers with extensive automobile industry experience in general obtains first-hand vehicle data and information and conducts vehicle test driving and review them based upon our teams' expertise and experience from car users' perspective, so that we are able to deliver trusted content on latest automobiles to our users.

Informed decision-making. As of June 30, 2020, we have built a comprehensive PGC database containing over 3.2 million automobiles articles and a UGC user community containing over 4.0 million user articles and comments. They are easily accessible by our users on our proprietary platform, providing our users with detailed information that they desire. Utilizing our platform tool in our Cheshi App, our users can conduct customized searches and comparisons between vehicle models, allowing them to search from numerous vehicle types and make informed selection to purchase decision.

Value proposition to business partners

As acquiring user traffic is of paramount importance to the success of our business, we continue to develop a vast network of business partners to broaden the user reach of our automobile content.

Instantaneous distribution. Our platform tool — Picker engine allows our business partners to easily distribute PGC and UGC on their platforms instantaneously and concurrently with our platform.

Mutually-beneficial arrangement. Our business partners assist us to distribute PGC on their platforms via the use of our platform tool — Picker engine. In return, our automobile content serves to enrich and supplement the content of business partner platforms at minimal cost.

Value proposition to customers

Our advertising agency, automaker and autodealer customers are able to maintain an online presence through placing advertisements to our users via our platform. Our platform enables them to enhance the effectiveness of their advertising campaigns through our platform tools.

Effective advertising. Our advertising agency, automaker and autodealer customers and their products can easily be searched by our users on our platform or with a simple “click” in our Cheshi App on their mobile devices.

Targeted marketing. We enhance the effectiveness of the advertising campaigns of our advertising agency, automaker and autodealer customers through our platform tools, such as, Cheshi Bao (車市寶), where autodealers can maintain their product lists and monitor user behaviors and activities on our platform.

Our proprietary platform

Our proprietary platform consists of PC websites, mobile website and App, through which we engage our users and distribute our automobile content.

PC websites

We currently maintain three PC websites, namely “Cheshi (網上車市)”, “Hao Che Shi (豪車事)” and “Pika Cheshi (皮卡車市)”. We customize the automobile content in each of these websites to target for specific audience among our users. For the three years ended December 31, 2017, 2018, and 2019 and the six months ended June 30, 2020, our Cheshi websites have a DUV of approximately 3.2 million, 3.5 million, 3.5 million and 3.6 million, respectively, and a daily average PV of approximately 30.0 million, 45.0 million, 48.0 million and 50.0 million, respectively.

The details of our three PC websites are set out below:

Cheshi (網上車市)
(www.cheshi.com)

Our main “Cheshi (網上車市)” website was established in September 1999. It is our first website and it principally publishes passenger vehicle related content to our general users.

Hao Che Shi (豪車事)
(www.haoche18.com)

Our “Hao Che Shi (豪車事)” channel and its corresponding website was established in July 2017. It publishes luxury vehicle related content to tailor for high net worth users.

Pika Cheshi (皮卡車市)
(www.pika18.com)

Our “Pika Cheshi (皮卡車市)” channel and its corresponding website was established in July 2018. It publishes pick-up truck related content to target users who have a specific interest in this niche vehicle category.

BUSINESS

The following graphics illustrate the user interface of our “Cheshi” website, where our users can access our automobile content and platform tools as highlighted below:



Mobile website

We also operate a Cheshi mobile website that is easily assessable by our users via their mobile browser. Similar to our PC websites, our Cheshi mobile website features automobile content and platform tools in a user-friendly interface for our users on mobile devices. To keep abreast with the trend of increasing mobile usage, we upgraded and relaunched our Cheshi mobile website with a new interface in September 2016. It proved to be a success as our Cheshi mobile website has attracted substantial user traffic since the upgrade. For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our Cheshi mobile website has a daily average PV of approximately 3.5 million, 4.8 million, 5.2 million and 5.8 million, and an average DUV of approximately 0.7 million, 0.9 million, 1.0 million and 1.2 million, respectively.

BUSINESS

The following graphics illustrate the user interface of our “Cheshi” mobile website, which features automobile content and platform tools as highlighted below:



App

We introduced our iOS and Android-based mobile application (App) to allow our users to access our platform. Users can enjoy features that are available on our websites from their mobile devices, such as reading articles, checking vehicle prices and model parameters, viewing pictures, and participating in user community discussions via the Cheshi App installed on their mobile devices. Our mobile applications have generated significant user interest. For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our Cheshi mobile application has an average DUV of approximately 0.4 million, 0.5 million, 0.6 million and 0.7 million, respectively. Our iOS-based and Android-based mobile applications were downloaded approximately 435,000 times as of June 30, 2020.

The following graphs illustrate the user interface of our “Cheshi” App, where our users can utilize tools like selected vehicle comparison and calculator to assist their search and selection to purchase process:



Third party platforms

As we also distribute our automobile content via business partner platforms, the use of our in-house technology applications is of paramount importance to our success.

Picker engine

The Picker engine is our self-developed technology application dedicated to enhance our advertising efforts on over 1,000 business partner platforms. Through our Picker engine, we are able to conduct instantaneous and large-scale content distribution advertisement placements that significantly reduce our reliance on human efforts, and to continuously analyze advertisement performance and optimize our delivery of automobile contents and advertisements in a manner that they are delivered to the advertising spaces on platforms where they are most likely to be viewed. This, in turn, enables our originally produced automobile contents to be distributed efficiently to the broadest possible extent, thereby enabling us to acquire a large number of users in a cost-efficient manner.

BUSINESS



Since its launch in 2017, our Picker engine has gone through a series of upgrades and developments. The early version of our Picker engine in 2017 had basic functionalities, such as, the automated distribution of articles, video content and automobile data. By 2018, our Picker engine can distribute content based on time preference and popularity, provide an advertising feed, and also a video live stream. By 2019, our Picker engine can filter and recommend automobile choices in advertisements based on certain parameters, and a one-click function which directly brings a user from clicking an automobile advertisement straight to a car dealer's price quotation information page.

By being connected to our business partners with built-in mechanism and data analytics via cookies, IP probing and a designed device ID assigned to each platform, vital information (such as real-time DUV and PV, user traffic, user data, preference, actions on each platform, user behavior) can be transmitted from such platforms to be verified, examined and analyzed for advertisement optimization.

Not only does our Picker engine greatly enhance our ability to distribute our automobile content to our users in large scale with the broadest reach, it also functions as a centralized cloud management system for our automobile content and data. Our automobile content and data can be distributed to the platforms of our business partners once they are connected to our Picker engine. Our business partners are not required to incur any hardware, maintenance and construction costs for storage and management of our automobile content and data.

The application of our Picker engine enables us to perform targeted advertising through the following:

Data collection from user traffic

As we are connected to our business partner platforms, our Picker engine can gradually enhance its capability in guiding our content creation team and optimizing our advertisement production and design capabilities, by using the real-time user behavior data collected from both our

own platform and those of the business partner platforms. After collection of user data through APIs on our proprietary and business platforms, we can translate the user data obtained into more valid, meaningful and organized data through the AI of our Picker engine and machine learning algorithms, which can be applied to various aspects of our business and allow us to provide advertising strategies to our customers.

Data analytics on user interest and advertising strategies

As our Picker engine monitors users' browsing rate and time spent on advertisements at a particular advertising space, we are able to perform targeted marketing by delivering advertising content to the space of which such advertisements are most likely to be viewed on our proprietary and business partner platforms. When creating an advertisement, our machine learning models would help to analyze various advertisements, so as to automatically allocate more advertising budget to the more effective advertisements based on viewership or click-through rate, and then to provide recommendations on optimizing the delivery of these advertisements. These initial intelligent optimization settings enable advertisements to be delivered more efficiently and more accurately to users who meet such conditions. Based on the browsing patterns of users, we are able to automatically recommend customized advertisements during a user's browsing and search process. By doing so, we are able to formulate an effective strategy to place advertisements, such as, adjusting the display frequency and themes of automobile advertisements on our proprietary and business partner platforms according to prevailing browsing patterns.

Such capability also allows us to better analyze the data accumulated in a meaningful way and to form a comprehensive database, which will help our customers' advertising campaigns. Through data analytics, we can identify the needs of users and thus tailoring the advertisements to optimize the chances of being viewed by users, based on user preferences and interests.

The following graphics illustrate the auto webpage of our business partner platform, where our automobile contents and advertisements are displayed:



Interface of a business partner platform (website) and link to our proprietary platforms at the top left corner



Interface of our business partner platforms (mobile website)

According to the CIC Report, our Picker engine allows us to stand out from many of our competitors as we are able to choose the service content and flexibly integrate it into the publishing system, improving efficiency and broadening reach to more users through our “one-click distribution” system.

After Listing, we will continue to invest in Picker engine and its AI technologies, thereby optimizing its data analytics so that it can customize the automobile contents to be distributed in accordance with the platform designs and interface of our business partners’ platform.

Applets (小程序) and Official Accounts (公眾號)

We operate and maintain Applets and Official Accounts on over ten prominent we-media platforms in China, which are effective technological means that allow us to disseminate our automobile content and provide our tools to the users of those platforms. Through our Applets and Official Accounts, access to our platform is embedded into their mobile apps. Users of these we-media platforms can access our automobile content and tools through we-media websites and mobile apps operated by these third parties. This enables us to broaden our user reach by leveraging on the vast and high-frequency user base of these prominent we-media platforms.

We develop and operate such Applets and Official Accounts internally. As such, our costs of operating and maintaining the Applets and Official Accounts primarily comprise staff costs and certain marketing and promotion expenses. For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, such costs amounted to approximately RMB0.2 million, RMB0.3 million, RMB0.9 million and RMB0.4 million, representing approximately 1.2%, 1.4%, 3.2% and 4.2% of our total cost of providing services, respectively.

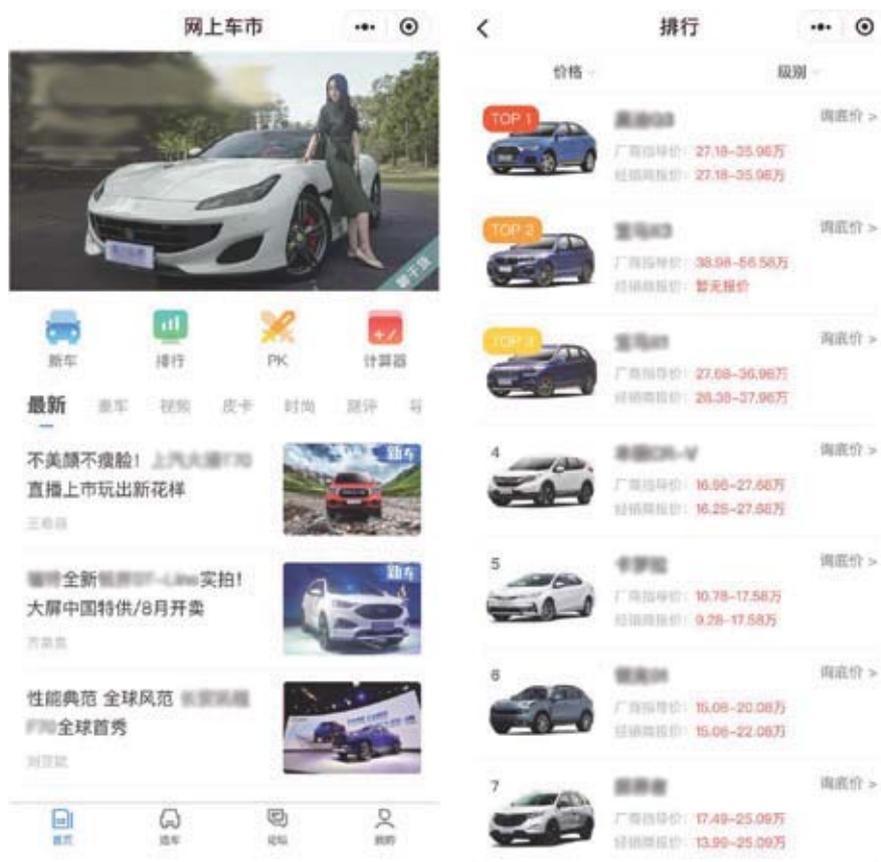
BUSINESS

Users of we-media platform that have followed our Official Accounts will receive news alerts and can access our automobile content as shown below:

The image displays two screenshots of the '网上车市AutoMarketOnline' WeChat official account. The left screenshot shows the account's profile page, and the right screenshot shows the news feed. Annotations with arrows point to various elements:

- Profile of our official account on a we-media platform:** Points to the account name and bio on the profile page.
- Number of original articles:** Points to the statistics '2386篇原创文章' and '2位朋友关注'.
- Featured article:** Points to the top article in the news feed, '11天提车上市... 置已提前流出'.
- News feed:** Points to the list of articles in the news feed.
- App download link:** Points to the 'APP下载' button in the bottom navigation bar.
- Price guide:** Points to the '报价大全' button in the bottom navigation bar.
- Cheshi lifestyle:** Points to the '车市生活' button in the bottom navigation bar.

Users of we-media platform can access our automobile tools via our Applets as shown below, and the user interface of which is similar to that of our App, where our users can utilize our tools to assist their search and selection to purchase process:



Our platform tools

Our platform tools have been instrumental to the rapid growth of our business. We believe that it is essential to our success to improve user experience, business partners collaboration and advertising solutions to our customers. Our platform tools are key to these improvements.

Automobile database (车型库)

We have one of the most comprehensive online automobile databases in China with over 1.9 million vehicle model configurations and over 4.2 million automobile photos with a coverage of over 57,000 car models, 3,300 series and 330 brands as of June 30, 2020. Our users are able to access this automobile database on our platform, and review vehicle models in relation to their suggested retail price, specifications, detailed photos and review articles. Our automobile database contains:

Model configurations. Information on vehicle brands, manufacturers, types, and specifications, such as, vehicle launch year, color, length and height, performance levels, dimensions, powertrains, vehicle bodies, safety and other attributes of vehicles;

Quotation. Information on vehicle retail prices suggested by automakers and promotions launched by autodealers;

Pictures. Vehicle pictures and photographs showing appearance, exteriors and interiors of vehicles and accessory components, such as entertainment systems; and

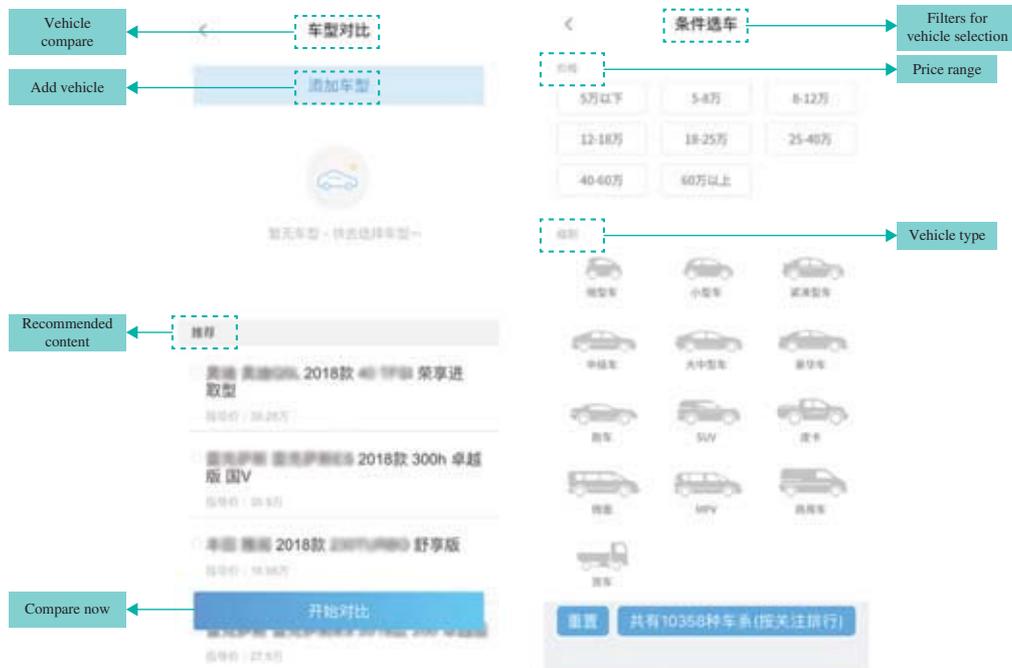
Rankings. Information on ranking of vehicles generated from our intelligent data management system based on our users' browsing behaviors, opinion and other data, such as, petrol consumption.

The data and information in our automobile database continue to expand rapidly, as data is collected by our content team and added to the database by our R&D team. The primary sources of up-to-date data and information for our automobile database are: (i) the official websites of automakers, and (ii) the vehicle brochures, specifications and manual provided by them. We have developed a data mining tool that enables our system to detect and keep track of the updates on the official websites of automakers; and such information would be compiled and verified by our content team for accuracy. Upon completing the verification, the data would be added to the database by our R&D team to ensure timeliness of vehicle information.

App and Applet tools

Our Cheshi App is designed with enhanced tools that enable our users not only to access automobile content and related information but also to utilize all relevant data from our automobile database to assist their search and selection to purchase process. The following are the highlights of our tools:

Vehicle comparison tool. Our users can compare the specifications of selected vehicle models and brands, which allows them to make informed purchase decisions.



Calculation tool. Our users can utilize the virtual calculators in our App to estimate their purchase against their budgets.



Video and live stream. Our users can view our videos and live stream on our App to review their selected vehicles.



Automobile aftermarket services. Our users can search and receive special deals for aftermarket services that are available near their city location on our App. For example, we have launched an interface to display discounts for petrol refuels, which our users can search based on the petrol brands and distance.



The functions of these tools are also available on our PC website and mobile website.

Our user community

We launched a user community function on our platform in February 2018. Since then, our platform hosts an open and vibrant community of automobile enthusiasts. Our user community provides a social ambience for our users to share a wide range of automotive experience, such as driving experiences, usage and maintenance tips. Users also provide reviews of automobiles or automotive products and services, post questions and receive answers from fellow users. It provides users with an easy and intuitive way to access various topics of interest and for users to interact with each other. Although development of our user forum is still at an early stage, our UGC is expected to expand along with our growing user base, which in turn attracts more users. Furthermore, the virtuous cycle of our growing user base has also enhanced the effectiveness of our advertisements, thereby allowing us to attract more customers and increase revenue from existing advertising agency, automaker and autodealer customers.

Cheshi Bao (車市寶)

Cheshi Bao is a technology gateway opened to all our autodealer customers to manage their advertising activities on our platform. It consists of the following major functions:

Product list management. It allows our autodealer customers to update the availabilities of vehicle models on our platform.

Communication portal. It is a communication portal for our autodealer customers to manage and reply to messages and queries left by our users. Once our autodealer customers have

responded to a message left by our user, it will automatically send a SMS text to inform that user.

Monitoring system. It is a data analysis system for our autodealer customers to review and monitor user behavior, such as, browsing data, user comments on their page and certain articles relating to their products.

Discount update. It provides an option for our autodealer customers to list their latest vehicle promotions, such as discounted prices and gifts, which allows our users to search for deals that best suit their needs based on the latest vehicle promotions.

Monitoring system

We operate and maintain a monitoring system which allows us to manage the advertising space on our proprietary and third party platforms and keep track of the performance of each advertising space. Our sales team is able to check the availability of any advertising space on any date and adjust their advertising proposals for potential projects. Further, the sales team monitors the performance of the advertisements that are placed by our customers on various platforms, including advertisement data exposure, to ensure the due completion of the service contracts. They can check the operational statistics of the advertisements in real time and produce a daily report on the total impressions (i.e. the number of page views), total clicks (i.e. the number of users click on the advertisement for further details) and total leads (i.e. the number of user contact information provided to the end customers arising from the advertising campaign) recorded for the day, which would be circulated to our customers. Our customers can then check against the relevant operational statistics recorded by an independent third party that they have engaged separately for independent monitoring purpose. This arrangement allows our customers to evaluate the effectiveness of their advertisements and adjust the strategy for their advertising campaigns, and allow us to cross-check the execution of our service contracts for settlement. The monitoring system also enables our content team and sales teams to obtain user behavior trend and market insights and to improve our automobile content and advertising solutions accordingly.

Content management system

Our content management system manages our automobile database and our automobile content and provides functions that allow our content team to edit, modify, format and publish our articles, photos and video clips and other automobile content on our platform in an efficient manner. It is an intermediary system linking our web servers and our back-end system and is able to process and manage influx of data. It is also connected to our monitoring system and integrates data of exposure advertisements placed by our customers, which allows our sales team to (i) locate and reserve available advertising space to meet KPI requirements of our customers during the pre-launch assessment stage; and (ii) keep informed of the current status of advertisements already placed by our customers and adjust such placed advertisements and marketing strategy to better serve them during the execution and evaluation stage.

Data protection system

Data protection is of paramount importance to our business, as we collect device-specific data, such as device IDs and IP addresses, and some limited amount of users' personal information, such as their legal names and personal ID numbers with their consents. Our data analytics are technically

device-based and are not associated with any real individual who can be an actual user of such device. We have data protection measures in place to ensure the data that we collect are not misappropriated or misused as follows:

Network protection. Our IT network is configured with two main layers of protection, consisting of the database layer and the data entry layer, to secure our databases and servers. The database layer provides for user identification and authentication and user access rights control while the data entry layer applies a web application firewall to prevent attacks, filter data and other data intrusion incidents.

Access restriction. We have implemented internal policy to safeguard against any unauthorized access to data which sets out, among others, the obligations and job duties of the system administrator and the implementation of passwords, back-up and security measures against hackers, viruses and network attacks to ensure data security. Only our key employees have access to the data we collected, and authorization from senior management is required if access to the data is requested from other employees.

Data encryption. Confidential data is encrypted into a format that cannot be directly identifiable (ciphertext) and the data is stored and transmitted in the form of ciphertext to prevent access of data through unauthorized channels.

Compliance policies. We have implemented measures to comply with laws and regulations on data protection and privacy in China. We have implemented internal user personal data usage and maintenance policy to safeguard against the misuse of personal information, requiring our employees to use authorized password and login to access our computer systems and use user data only for the specific purpose and scope permitted by relevant users and not to use such data for other purposes without prior written consent from relevant users.

Defense against computer virus and hacking of systems. We have implemented protection and security measures against computer virus and hacking of systems and continue to strengthen such measures, including firewall, data encryption, access restriction, data backup and other automatic software protection measures.

Privacy policies. We continuously update our user privacy policy on our official website to ensure our compliance with relevant laws and regulations. We generally include user data and privacy clauses in our contracts to require our contractual counterparties to comply with our privacy requirements and relevant laws and regulations on data protection and privacy.

We are in compliance with the applicable PRC laws and regulations in all material aspects relating to the collection, use, disclosure and security of personal information during the Track Record Period and as of the Latest Practicable Date.

Contingency measures for failure of IT systems and infrastructure

In addition to maintaining our IT systems in good working order through regular maintenance and repair checks, we have devised IT emergency and contingency plans in anticipation of any occurrence of malfunctions, which are as follows:

Damage to server hardware. In event of any damage to the server hardware, our back-up servers will automatically be activated to replace the operation of the faulty server. Based on our automatic data backup system, our systems can recover without manual assistance.

BUSINESS

Damage to server software. We have implemented automatic software protection measures, such that we will isolate any malfunctioning software to retain the integrity of our IT systems. Once we identify the malfunctioning software, we will rectify and restore operations.

Content delivery network (CDN). We maintain and utilize a content delivery network, which is a system of distributed servers that deliver web content to a user, depending on the geographic locations of the user, the origin of the webpage and the readiness of content delivery server. This provides a buffer that allows our users to continue visiting and browsing on our platforms without disruption caused by failure of IT system and infrastructure.

PLATFORM TECHNOLOGY AND TOOLS DEVELOPMENT

Our platform infrastructure, technology and tools are critical to our success. We are therefore committed to developing and investing in our in-house technology capabilities to maintain and strengthen our market position. We strive to develop a robust and scalable platform with sufficient flexibility to support our continuous growth. Please see “—Our Business Strategies—Strengthen our R&D, further enhance our IT systems and develop innovative products”.

We follow a user-centric strategy when designing our technology architecture. A key component of our user-centric platform development strategy is our user data analytics which we have developed and plan to enhance continually. Our user data analytics allows us to rapidly collate user intelligence by analyzing large amounts of data collected from our proprietary and business partner platforms. We can utilize such user intelligence to enhance user experience, facilitate interactions with our users and improve various aspects on our platform. Through our user data analytics, we can engage our users more closely by providing customized automobile content that are most receptive to them. We are also able to provide more precise marketing solutions to our customers so that we can generate more revenue and profit.

Our R&D team is comprised of research and development team, front-end development team and maintenance team. Our R&D team is led by Mr. Lin Yuqi who holds a college diploma in computer networking technology studies with approximately ten years experience in the technology industry and consisted of 16, 21, 18 and 19 employees as of December 31, 2017, 2018 and 2019 and June 30, 2020 who possess good information and technology experience. Our R&D expenses were approximately RMB4.8 million, RMB7.8 million, RMB12.5 million and RMB3.3 million for the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, accounting for approximately 6.0%, 7.9%, 9.8% and 8.0% of our expenses during the Track Record Period. Our R&D expenses primarily consist R&D staff expenses, depreciation and other office and utilities expenses, which were incurred for website maintenance, Internet improvement, optimization of software, tools, functions, and development of mini-programs and systems of our platform. In accordance with IAS 36—Intangible Assets, an intangible asset shall be recognized if, and only if: (a) it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and (b) the cost of the asset can be measured reliably. The Group’s R&D expenses were of ancillary nature to the main business of the Company. Management of the Group is not certain about the expected future economic benefits of such ancillary improvement and thus no intangible assets were recognized.

SALES AND MARKETING

Our sales team consists of 57, 58, 76 and 63 employees as of December 31, 2017, 2018, and 2019 and June 30, 2020 and is led by our executive Director, Mr. Liu Lei, who has more than 16 years

BUSINESS

of experience in the sales and marketing in automobile advertising industry. In addition to our Beijing headquarters, our sales offices are strategically located at Shanghai and Guangzhou in China to maintain business relations with the customers that are located in the same region. Our sales and marketing efforts focus on promoting our advertising services to advertising agencies, automakers and autodealers. Our sales team conducts marketing activities to promote our value-added advertising services and solutions as well as providing ongoing customer support to and maintaining customer relationships with advertising agency, automaker and autodealer customers.

The key members of our sales team are equipped with automotive industry knowledge and expertise to understand our customers' needs and are trained to help them develop their advertising strategies with our market insights and solutions. We provide regular education and training to our sales team to help them provide existing customers with better services and acquire new customers.

CUSTOMER COMPLAINT HANDLING

We value our customers' feedback on the advertising services provided by us and we have implemented measures to handle complaints effectively. Our sales team handles customers' complaints promptly upon receipt. If the complaint involves quality problems or defects found in advertisements placed by us, our sales team escalates such complaints to our management for investigation and rectification. We believe the above measures can reinforce our quality control standards to our customers and instill our customers' confidence in our advertising services.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any complaint from our customers or any regulatory bodies in respect of advertisements placed by us which had a material adverse effect on our business or results of operations.

SEASONALITY

We generally generate greater revenue from the second half than the first half of the year mainly due to slower and postponed spending or purchase by our customers as a result of holidays such as Chinese New Year in the first quarter. We expect our revenue to continue to fluctuate based on seasonal factors which may impact the online automobile advertising industry as a whole. Please see "Risk Factor—Risks relating to our business and industry—Our business is subject to seasonal fluctuations".

OUR CUSTOMERS

During the Track Record Period, our customers for the Online Advertising Service primarily comprise advertising agencies, automakers and autodealers, whereas our customers for the Transaction Facilitation Service comprise of autodealers and an automobile insurance company. According to the CIC Report, it is customary for online automobile advertising service providers in China to sell advertising services and solutions primarily through advertising agencies that represent automakers and autodealers who are their end customers.

Our customers primarily include advertising agencies, automakers and autodealers, for our services. For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, revenue from our five largest customers contributed approximately RMB44.2 million, RMB60.4 million, RMB73.2 million and RMB29.7 million, which accounted for approximately 37.6%, 38.3%, 41.3% and 50.4% of our total revenue during those periods. For the three years ended

BUSINESS

December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our largest customer accounted for RMB14.8 million, RMB25.4 million, RMB19.9 million and RMB10.5 million, representing approximately 12.6%, 16.1%, 11.2% and 17.7% of our total revenue during those periods. To the best knowledge of our Directors, the scale of operation of these customers ranges from a market capital size of approximately RMB1,750 to RMB10.0 million.

For the three years ended December 31, 2017, 2018 and 2019 and six months ended June 30, 2020, we had a total number of 97, 109, 107 and 78 customers, respectively, among which 87, 74, 71 and 48 customers only chose to display and distribute their advertisements through our proprietary platforms. There were 10, 35, 36 and 30 customers chose to display and distribute their advertisements through both of our proprietary and business partner platforms.

The details of our five largest customers during the Track Record Period are set out as follows:

Year ended December 31, 2017

<u>Customer</u>	<u>Transaction Amount</u> RMB in million	<u>% of our total revenue</u>	<u>Business relationship since</u>	<u>Credit terms and payment method</u>	<u>Background</u>
Customer A	14.8	12.6	2016	Up to 180 days by bank transfer	Advertising agency
Customer B ⁽²⁾	9.9	8.5	2016	Up to 180 days by bank transfer	Advertising agency
Customer C	7.1	6.0	2017	Up to 180 days by bank transfer	Automaker
Customer D	6.6	5.6	2017	Up to 180 days by bank transfer	Advertising agency
Customer E	5.8	4.9	2016	Up to 180 days by bank transfer	Advertising agency
Total	44.2	37.6			

Year ended December 31, 2018

<u>Customer</u>	<u>Transaction Amount</u> RMB in million	<u>% of our total revenue</u>	<u>Business relationship since</u>	<u>Credit terms and payment method</u>	<u>Background</u>
Customer A	25.4	16.1	2016	Up to 180 days by bank transfer	Advertising agency
Customer E	12.1	7.7	2016	Up to 180 days by bank transfer	Advertising agency
Customer F	8.4	5.3	2016	Up to 180 days by bank transfer	Advertising agency
Customer G ⁽¹⁾	7.4	4.7	2016	Up to 180 days by bank transfer	Advertising agency
Customer B	7.2	4.5	2016	Up to 180 days by bank transfer	Advertising agency
Total	60.4	38.3			

Year ended December 31, 2019

<u>Customer</u>	<u>Transaction Amount</u> RMB in million	<u>% of our total revenue</u>	<u>Business relationship since</u>	<u>Credit terms and payment method</u>	<u>Background</u>
Customer A	19.9	11.2	2016	Up to 180 days by bank transfer	Advertising agency
Customer Group B ⁽²⁾	14.9	8.4	2016	Up to 180 days by bank transfer	Advertising agency
Customer G ⁽¹⁾	13.5	7.6	2016	Up to 180 days by bank transfer	Advertising agency
Customer I ⁽¹⁾	12.7	7.2	2016	Up to 180 days by bank transfer	Advertising agency
Customer E	12.2	6.9	2016	Up to 180 days by bank transfer	Advertising agency
Total	73.2	41.3			

BUSINESS

Six months ended June 30, 2020

Customer	Transaction amount	% of our total revenue	Business relationship since	Credit terms and payment method	Background
	RMB in million				
Customer A	10.5	17.7	2016	Up to 180 days by bank transfer	Advertising agency
Customer G ⁽¹⁾	7.0	11.9	2016	Up to 180 days by bank transfer	Advertising agency
Customer Group B ⁽²⁾ ..	5.2	8.9	2016	Up to 180 days by bank transfer	Advertising agency
Customer E	4.6	7.9	2016	Up to 180 days by bank transfer	Advertising agency
Customer H	2.3	4.0	2017	Up to 180 days by bank transfer	Advertising agency
Total	29.7	50.4			

Notes:

(1) During the Track Record Period, we provided services to Customer G and Customer I. We understand that Customer G and Customer I share a common shareholder, but shall not be treated as one customer group because each Customer G and Customer I, as advertising agency: (a) represents non-overlapping end-customers; (b) negotiates and enters into contract separately with their end-customers; and (c) they have totally separated management making decision on its own.

(2) Customer B is one of the subsidiaries of Customer Group B, which comprises the holding company and a fellow subsidiary of Customer B.

Our five largest customers during the Track Record Period are Independent Third Parties. Our Directors confirm that none of our Directors, their respective close associates or any Shareholder (which to the knowledge of the Directors owns more than 5.0% of our share capital as of the Latest Practicable Date) had any interest, directly or indirectly, in any of our five largest customers during the Track Record Period. None of our five largest customers were our suppliers during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period, we did not have any material disputes with our customers or encounter any major claims of defective services.

Credit Policy and Payment

Our customers generally have a credit period up to 180 days. Our customers in the PRC generally settle our payment by bank transfer in Renminbi. We have large number of customers and there was no concentration of credit risk. We have credit control procedures to ensure that follow-up action is taken to recover overdue debts. The major terms relating to our credit period in our service agreements with our customers include: a credit term up to 180 days from the date of invoice. Invoice is issued to customers after the entire project is completed and the pre-agreed performance data is verified by the customer before the customer settles our payment through bank transfer. Where the customer fails to settle payment to us on the due date, we impose a daily penalty of 0.05% of the outstanding amount owed to us.

For details, please see “Financial Information—Description of Principal Items in the Consolidated Statements of Financial Position—Trade and bill receivables”.

OUR SUPPLIERS

Our suppliers primarily include brand promotion, information technology, exhibition promotion and offline event promotion service providers. The services provided by our suppliers generally include promoting our Company’s brand, promotion planning and set up of exhibitions participated by us, promotion planning of offline events organized by us and Internet and technical support. For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, purchases from our five largest suppliers contributed approximately RMB19.8 million, RMB8.7 million, RMB14.3 million and RMB4.6 million, which accounted for approximately 47.3%, 25.6%, 30.7% and

BUSINESS

31.1% of our cost of procurement, respectively. For the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our largest supplier accounted for approximately RMB8.3 million, RMB3.5 million, RMB6.1 million and RMB1.6 million, representing approximately 19.9%, 10.2%, 13.1% and 11.0% of our cost of procurement during those periods respectively.

The following table sets forth certain information of our major suppliers during the Track Record Period.

Year ended December 31, 2017

<u>Supplier</u>	<u>Transaction Amount</u> RMB in million	<u>% of our total cost of procurement</u>	<u>Business relationship since</u>	<u>Credit terms and payment method</u>	<u>Background</u>
Supplier A . . .	8.3	19.9	2015	up to 30 days by bank transfer	Brand promotion services provider
Supplier B . .	4.6	11.0	2016	no credit term granted	Brand promotion services provider
Supplier C . .	3.7	8.8	2016	up to 15 days by bank transfer	Exhibition promotion services provider
Supplier D . .	1.9	4.4	2016	up to 15 days by bank transfer	Exhibition promotion services provider
Supplier E . .	1.3	3.2	2016	up to 30 days by bank transfer	Data traffic promotion services provider
Total	19.8	47.3			

Year ended December 31, 2018

<u>Supplier</u>	<u>Transaction Amount</u> RMB in million	<u>% of our total cost of procurement</u>	<u>Business relationship since</u>	<u>Credit terms and payment method</u>	<u>Background</u>
Supplier C . . .	3.5	10.2	2016	Up to 73 days by bank transfer	Exhibition promotion services provider
Supplier F . .	1.6	4.7	2016	up to 73 days by bank transfer	Information technology services provider
Supplier G . .	1.6	4.6	2018	up to 15 days by bank transfer	Exhibition promotion services provider
Supplier H . .	1.1	3.3	2017	up to 90 days by bank transfer	Brand promotion services provider
Supplier I . . .	1.0	2.8	2018	up to 73 days by bank transfer	Information technology services provider
Total	8.7	25.6			

Year ended December 31, 2019

<u>Supplier</u>	<u>Transaction Amount</u> RMB in million	<u>% of our total cost of procurement</u>	<u>Business relationship since</u>	<u>Credit terms and payment method</u>	<u>Background</u>
Supplier C . . .	6.1	13.1	2016	up to 30 days by bank transfer	Exhibition promotion services provider
Supplier F . .	2.5	5.4	2016	up to 19 days by bank transfer	Information technology services provider
Supplier J . . .	2.5	5.3	2018	up to 20 days by bank transfer	Offline event promotion service provider
Supplier K . .	1.8	3.9	2019	up to 5 days by bank transfer	Offline event promotion services provider
Supplier L . .	1.4	3.0	2019	up to 19 days by bank transfer	Information technology services provider
Total	14.3	30.7			

BUSINESS

Six months ended June 30, 2020

Supplier	Transaction amount	% of our total cost of procurement	Business relationship since	Credit terms and payment method	Background
	RMB in million				
Supplier C . . .	1.6	11.0	2016	Up to 30 days by bank transfer	Exhibition promotion services provider
Supplier M . . .	0.8	5.5	2019	Up to 22 days by bank transfer	Information technology services provider
Supplier K . . .	0.8	5.4	2019	Up to 5 days by bank transfer	Offline event promotion services provider
Supplier L . . .	0.7	4.8	2019	Up to 19 days by bank transfer	Information technology services provider
Supplier N . . .	0.6	4.4	2020	Up to 101 days by bank transfer	Information technology services provider
Total	4.6	31.1			

The salient terms of a typical service agreement with our suppliers are as follows:

<i>Terms:</i>	Project-based, ranging from one week to three years
<i>Amount:</i>	Based on the scope of services, ranging from RMB3,000 to RMB0.8 million a year
<i>Services:</i>	The provision of advertisement or promotion service, event planning, or IT service
<i>Payment:</i>	To be settled by bank transfer in RMB
<i>Credit terms:</i>	Up to 180 days
<i>Termination:</i>	To be terminated by either party with prior notice

Our five largest suppliers during the Track Record Period are Independent Third Parties. Our Directors confirm that none of our Directors, their respective close associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of our share capital as of the Latest Practicable Date) had any interest, directly or indirectly in any of our five largest suppliers during the Track Record Period. None of our five largest suppliers were our customers during the Track Record Period. Given that there are numerous brand promotion, event promotion and IT service providers available in China, we do not see substantial difficulty in sourcing services from alternative suppliers with comparable quality and price.

Credit period and payment

We settle our purchases from suppliers in Renminbi. We generally settle our payments by bank transfer. Our suppliers generally grant us a credit period from 30 days to 180 days from the date of invoice. On some occasions, the credit terms granted by the same supplier varies according to our business relationship with them, for instance, the credit terms granted by Supplier C and Supplier F in 2018 may become shorter in 2019 because we revised our payment terms from project completion basis to monthly basis as a result of our good business relationship in 2018 and we intend to maintain the supply of their services in long term. We had not experienced any material disruption, dispute or delay in relation to the supply of services to us with our suppliers during the Track Record Period and up to the Latest Practicable Date.

INTELLECTUAL PROPERTY

We have obtained key intellectual property and proprietary rights in relation to the operation of our business. Our intellectual property includes trademarks and trademark applications related to our

BUSINESS

brands, services and software copyrights. We seek to protect our intellectual property assets and brands through a combination of trademark, patent, copyright and trade secret protection laws in the PRC and other jurisdictions, as well as through confidentiality agreements and other measures.

As of the Latest Practicable Date, we had registered six trademarks and hold one pending trademark applications and 19 registered software copyrights in China that are material to our business. As of the Latest Practicable Date, we had five registered domain names that are material to our business, including our main website domain name, *www.cheshi.com*. As of the Latest Practicable Date, we did not license any of our intellectual property rights to any third parties.

Our Directors confirm that we were not involved in any material disputes or legal proceedings in respect of any intellectual property rights that may be threatened or pending, in which we may be involved whether as claimant or respondent as of the Latest Practicable Date.

For further details, please see “Statutory and General Information—E. Further information about our business—2. Our intellectual property rights” in Appendix IV to this prospectus.

EMPLOYEES

We had 157, 174, 193 and 163 full-time employees as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively, all of whom were based in China. The following table sets forth the number of our employees by function as of the following dates:

<u>Function</u>	<u>December 31,</u>			<u>June 30,</u>
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Senior management	3	4	4	4
Sales and market	57	58	76	63
Product design, development and operation (including R&D)	28	32	26	27
Content creation	58	63	67	51
Administrative	11	17	20	18
Total	<u>157</u>	<u>174</u>	<u>193</u>	<u>163</u>

We recruit our employees from the open market. We have established effective employee performance evaluations system and employee incentive schemes to correlate the remuneration of our employees with their overall performance and contribution to the business operation results, and have established a merit-based remuneration awards system. Employees are promoted not only in terms of position and seniority, but also in terms of professional qualifications. Through a combination of short-term performance evaluations and long-term incentive arrangements, we intend to build a competent, committed and highly motivated workforce that strives for continuous success.

During the Track Record Period, we did not experience any work shortages, material labor disputes or strikes that may have a material and adverse effect on our business, financial condition or results of operations. Since June 30, 2020, we had undertaken efforts to continue our recruitment expansion strategy, trying to recruit more replacements as originally planned, before the COVID-19 outbreak.

PROPERTIES

Our headquarters is located in Beijing. As of the Latest Practicable Date, we did not have any owned properties and we leased four properties with an aggregate gross floor area of approximately

BUSINESS

3,399.8 square meters from Independent Third Parties in China. Our leased properties are primarily used as premises for our offices and the lease agreements of which have lease expiration dates ranging from January 31, 2022 to August 14, 2023. During the Track Record Period, we did not experience any dispute arising out of our leased properties, and we did not experience any difficulty in renewing our leases.

Pursuant to the applicable PRC laws and regulations, property lease contracts are required to be registered with the local branch of the competent construction (real estate) authority of the PRC. As of the Latest Practicable Date, we had not registered three of our lease agreements. Our PRC Legal Advisor has advised us that the non-registration of the lease agreements will not affect the validity of the lease agreements under PRC laws, and have also advised us that a maximum penalty of RMB10,000 may be imposed for non-registration of each lease. Accordingly, the estimated total maximum penalty is RMB30,000. During the Track Record Period and up to the Latest Practicable Date, we had not been ordered by any authorities to register any of the unregistered lease agreements. As at Latest Practicable Date, we are in the process of rectifying the above non-registration. See “Risk Factors—Risks relating to our business and industry—Our legal rights to certain leased properties may be challenged and we did not register our lease agreements” in this prospectus for details.

According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which require a valuation report with respect to all our Group’s interests in land or buildings, on the basis that, as of December 31, 2019, we had no single property with a carrying amount of 15% or more of our total assets. We are also not required by Rule 5.01B of the Listing Rules to include in this prospectus any valuation report.

INSURANCE

Our insurance packages, include commercial insurance, which covers liabilities and losses for death and disability caused by accidents. We review our insurance policies from time to time for adequacy in the scope of coverage. Our directors consider our insurance coverage to be customary for businesses of our size and type, and in line with the standard commercial practice in China. During the Track Record Period and up to the Latest Practicable Date, we had not made, neither had we been the subject of, any insurance claims which are of a material nature to our Group. There are certain risks for which we are not insured for, and we may not have sufficient insurance coverage for damages and liabilities that may arise during the course of our business operations. Please see “Risk Factors—Risks Relating to Our Business and Industry—We do not have any business liability, disruption or litigation issuance”.

HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

We are not subject to significant health, work safety, social or environmental risks as we do not operate any automobile manufacturing, warehousing, displaying and maintenance and repair facilities. To ensure compliance with applicable laws and regulations, from time to time, our human resources department would, if necessary and after consultation with our legal advisor, adjust our human resources policies to accommodate material changes to relevant labor and safety laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to our material non-compliance with health, work safety, social or environmental regulations.

LEGAL PROCEEDINGS AND COMPLIANCE

With the support of our PRC Legal Advisor, our Directors confirm that, save as disclosed below, our Group had conducted our operations and carried out our business in compliance with the relevant laws and regulations in the PRC during the Track Record Period and up to the Latest Practicable Date in all material aspects:

Non-compliance incident	Underlying cause(s)	Relevant laws and regulations	Potential impact on our Group	Internal control measures adopted
<p>1. Failure to make social insurance fund contributions and housing provident fund contributions in full in the PRC in full compliance with the Social Insurance Law and the Housing Provident Fund Regulations</p>	<p>The non-compliance in relation to the shortfall in payment was due to inadvertent administrative oversight by a former responsible administrative staff of the applicable PRC laws and regulations relating to social insurance fund and housing provident fund contributions.</p> <p>The Group engaged a third party payment agent to make contributions of social insurance and housing provident fund contributions on its behalf because Congshu Beijing was not able to open local deposit accounts for the purpose of social insurance fund and housing provident fund for certain of its employees who are stationed outside of Beijing or Hubei.</p>	<p>According to the Social Insurance Law, enterprises are obliged to apply for social insurance registration with local social insurance agencies and pay premiums on behalf of their employees by reference to their actual income. If an enterprise fails to pay the required premiums on time or in full, the authorities in charge will demand the enterprise to settle the overdue amount within a stipulated time period and impose a 0.05% overdue fine per day from the date on which the payment is overdue. If the overdue amount is still not settled within the stipulated time period, an additional fine in an amount of one to three times of the overdue amount will be imposed.</p> <p>According to the Housing Provident Fund Regulations, enterprises must register with the competent managing center for housing funds and open an</p>	<p>Beijing Chaoyang Human Resources and Social Insurance Bureau (北京市朝陽區人力資源和社會保障局) (the “Chaoyang Social Insurance Bureau”) and Tongshan Human Resources and Social Insurance Bureau (通山縣人力資源和社會保障局), being the competent authorities as confirmed by the PRC Legal Advisor, have issued the relevant confirmations confirming that during the Track Record Period after Congshu Beijing or Congshu Hubei was established, and up to June 2020 (in the case of Congshu Hubei) and April 2020 (in the case of Congshu Hubei), Congshu Beijing and Congshu Hubei had not been found to violate any laws, measures and regulations relating to labor protection, and there had been no administrative penalties levied on Congshu Beijing and Congshu Hubei as a result of non-compliance, respectively.</p> <p>Beijing Housing Provident Fund Management Center, Chaoyang Management Department (北京住房公積金管理中心朝陽管理部) (the “Chaoyang Housing Provident Fund Authority”), being the competent authority as confirmed by the PRC Legal Advisor, has issued the relevant confirmations confirming that during the Track Record Period and up to July 2020, Congshu Beijing had not been penalized for violating laws and regulations relating to failures to comply with payment of housing provident fund contributions, and had not been</p>	<p>We have adopted or will adopt the following on-going measures:</p> <ul style="list-style-type: none"> we have provided and will continue to provide regular trainings to our employees in relation to social insurance fund and housing provident fund contributions compliance requirements and the relevant laws and regulations; we have adopted a set of internal policies in relation to social insurance fund and housing provident fund contribution; the calculation of the social insurance fund and housing provident fund would be prepared by our human resources department and be reviewed by our management on a

Non-compliance incident	Underlying cause(s)	Relevant laws and regulations	Potential impact on our Group	Internal control measures adopted
<p>the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively.</p>	<p>account in a bank for the deposit of employees' housing funds. Employers are required to contribute, on behalf of their employees, to housing funds on time and in full. Any employer who fails to fully contribute may be ordered to make up the difference within a stipulated time limit, and the provident fund administration center may apply to the People's Court for mandatory enforcement against those who still fail to comply after the expiry of such period.</p>	<p>found to violate any laws and regulations relating to housing provident fund contributions.</p> <p>As of the Latest Practicable Date, we had not received any notice or demand from any competent authorities ordering us to make retrospective payments or any differences of the payments for the social insurance fund and housing provident fund contributions. We were also not aware of any employee's complaints or demands for payment of social insurance or housing provident fund considerations.</p> <p>We have been regularly communicating with the competent government authorities. The social insurance and housing provident fund contributions of all of the employees of Congshu Beijing have been fully paid since July 2019 and Congshu Beijing plans to rectify the payment of fund contributions through the third party payment agent to the extent feasible as soon as practicable, Congshu Hubei did not have any employee since May 2020. In addition, our Group has made a provision of approximately RMB6.1 million to cover the shortfall in social insurance fund and housing provident fund contributions during the Track Record Period as of June 30, 2020. Furthermore, Mr. Xu, our Controlling Shareholder, had undertaken to indemnify us for any losses that we may incur in relation to the social insurance fund and housing provident fund contribution non-compliances before the Listing.</p> <p>Based on the above, our Directors, as advised by our PRC Legal Advisor, are of the view that the non-compliance incidents of Congshu Beijing and Congshu Hubei in relation to social insurance fund</p>	<p>monthly basis in order to mitigate the risk of material non-compliances with relevant laws and regulations;</p> <ul style="list-style-type: none"> ● after the Listing, we will disclose in our annual reports on the outstanding amount of the social insurance fund and housing provident fund and state whether a provision has been made; and ● the Group intends to terminate the third party payment arrangement to make contributions of social insurance fund and housing provident fund contributions as and when the Group establishes local branch offices or subsidiaries at where the employees are located. 	

Non-compliance incident	Underlying cause(s)	Relevant laws and regulations	Potential impact on our Group	Internal control measures adopted
<p>2. <i>Failure to obtain the AVP License in the PRC in compliance with the Administrative Measures for the Internet Audio-Visual Program Service</i></p> <p>Before entering into a cooperation agreement with a third party video platform in the PRC that holds a valid license for publication of audio-visual program through information network (“信息網絡傳播視聽節目許可證”) (the “AVP License”) Congshu Beijing made publications of video clips on the Internet without obtaining the AVP License, which was discovered by the regulator during its routine inspection. As a result, Congshu Beijing received a warning on September 18, 2017 and was imposed a fine of RMB 3,000 for such breach during the period from January 1, 2017 to August 29, 2017, and Congshu Beijing has fully paid this fine on September 21, 2017. Our Directors confirm that Congshu Beijing did not charge for any of such services during the said period because the</p>	<p>Such failure was due to an oversight arising from insufficient understanding of the staff who was designated to manage media resources related to “cheshi.com” including the legal requirements for publishing video clips online in the PRC. Since discovering this non-compliance upon the receipt of the penalty dated September 18, 2017, Congshu Beijing has ceased to provide the video clips by itself. Instead, we cooperated with a third party video platform to allow the general public to view the video clips on the Internet by visiting third party platforms.</p> <p>Specifically, it has entered into a cooperation agreement with a third party video platform which has a AVP License to allow the general public to view the auto-</p>	<p>According to the Administrative Measures for the Internet Audio-Visual Program Service (互聯網視聽節目服務管理規定), or the Internet AVP Service Measures, an Internet audio-visual program service provider, which makes, edits, integrates audio-visual programs and provides them to the general public via Internet and provides service for others to upload and publish audio-visual programs, shall obtain the AVP License.</p> <p>According to the Internet AVP Service Measures, where an entity provides Internet audio-visual program related services without permit, the competent authority shall issue a warning, order it to rectify, and may also impose a fine of no more than RMB30,000.</p> <p>If the circumstances are serious, the competent authority shall impose penalties in accordance with Article 47 of the Administrative Regulations on Broadcasting and Television (廣播電視管理條例), which</p>	<p>and housing provident fund contributions will not have a material adverse impact on our Group’s operations and financial condition.</p> <p>No revenue was attributable to the publication of video clips on cheshi.com up to December 1, 2017.</p> <p>Congshu Beijing had already been issued a warning and imposed a fine of RMB3,000 for such breach on September 18, 2017, for which Congshu Beijing has fully paid on September 21, 2017. Based on the understanding of the PRC Legal Advisor of the PRC Administrative Penalty Law (中華人民共和國行政處罰法), an entity shall not be imposed the administrative penalty of fine for more than once for the same illegal act. Furthermore, the PRC Legal Advisor had consulted with the officer of the Policies and Regulations Division of the Beijing Municipal Radio and Television Bureau (“BRTB”) and obtained confirmation from the BRTB that Congshu Beijing would not be imposed with any additional penalties for the breach, and Congshu Beijing did not need to obtain the AVP license under the abovementioned arrangement with third party video platforms which have their own AVP Licenses. As advised by the PRC Legal Advisor, the Policies and Regulations Division of the BRTB, as the department mainly in charge of the interpretation of the relevant PRC laws and regulations governing the audio-visual related services in Beijing, is a competent PRC authority to provide the above confirmations, and the relevant officer consulted is competent to provide confirmations on behalf of the BRTB.</p>	<p>Congshu Beijing has not obtained and does not plan to apply for the AVP License as one of the pre-requisites for the application for an AVP License is that the applicant has to be either a State-owned enterprise or is controlled by the State according to the relevant PRC laws and regulations. After receiving the abovementioned penalty, Congshu Beijing ceased to publish audio-visual related contents on its own website, and instead has since cooperated with a third party video platform in publishing video clips. Please see “Licences and Permits” for further details of this arrangement.</p>

<u>Non-compliance incident</u>	<u>Underlying cause(s)</u>	<u>Relevant laws and regulations</u>	<u>Potential impact on our Group</u>	<u>Internal control measures adopted</u>
<p>advertisers mainly focused on static forms of PGC content and advertisements, namely, photographs and non-video based PGC content such as articles. At that time, the publication of video clips was not a paying service that Congshu Beijing offered, and therefore our Group did not seek to generate revenue from this medium.</p>	<p>mobile related video clips by visiting third party platforms instead of publishing the video clips on cheshi.com.</p>	<p>provides that unauthorized establishment of any radio or television station, educational television station, transmission network for cable radio and television coverage or radio and television station shall be banned by the competent authority, the equipment used in the illegal activities shall be confiscated and a fine between one time and twice the total investment shall be imposed simultaneously. In addition, unauthorized establishment of any radio or television transmitting station, relay station, micro-wave station or satellite uplink station shall be banned by the competent authority, and the equipment used in the illegal activities shall be confiscated and a fine between one time and twice the total investment shall be imposed simultaneously, or the act shall be punished by the radio administration authority according to the provisions on radio administration.</p>	<p>Based on the above, the PRC Legal Advisor is of the view that the chance of the authority imposing any additional penalty against Congshu Beijing with respect to the AVP License non-compliance is remote.</p>	
<p>3. Failure to obtain an ICP License in the PRC in compliance with the PRC Telecommunications Regulations</p>				
<p>Since October 19, 2015, being the date of acquisition of Cheshi.com by Congshu Beijing, and up to March 15, 2017, the Group did not</p>	<p>There was a provision in the acquisition agreement of cheshi.com that Congshu Beijing would be allowed to continue to</p>	<p>Under the PRC Telecommunications Regulations (《中華人民共和國電信條例》), any organization or individual without obtaining a</p>	<p>The PRC Legal Advisor has advised that there are no other laws or regulations which may result in any administrative penalty to be imposed on Congshu Beijing in relation to its operating the ICP service for the period up to March 15, 2017.</p>	<p>The Company has implemented its relevant internal controls to prevent further occurrence of similar incidents. In addition, the</p>

Non-compliance incident	Underlying cause(s)	Relevant laws and regulations	Potential impact on our Group	Internal control measures adopted
<p>possess an ICP License to operate “cheshi.com” website.</p>	<p>have the transferor of cheshi.com (the “Transferor”) to host (掛載) “Cheshi.com”, whereby the Transferor shall be responsible for storing pages and files of “Cheshi.com” and make them accessible and available for viewing online until the Transferor’s ICP License registration has been officially updated to remove the “Cheshi.com” domain name. As a result of this arrangement, the Directors misunderstood that the ICP License held by the Transferor could continue to be used by cheshi.com. However, the Directors did not receive any indications (and was not able to find out) when the ICP License was to expire.</p> <p>Despite communications and requests in late 2016, the Transferor provided no further assistance to Congshu Beijing to handle the ICP License. On September 20, 2016, the ICP License of the Transferor expired.</p>	<p>telecommunication business operating license shall not be engaged in telecommunication business. Any violator may be ordered by the competent telecommunication governmental authorities to rectify and the illegal gains may be confiscated, and a fine between three times and five times of the illegal gains may be imposed on the violator. If there is no illegal gain or the illegal gains are lower than RMB50,000, a fine between RMB100,000 to RMB1,000,000 may be imposed. In serious cases, the business of the violator may be suspended.</p> <p>Under the PRC Administrative Law (《中華人民共和國行政處罰法》), if an illegal act is not discovered within two years of its commission, the administrative penalty shall no longer be imposed, except as otherwise prescribed by laws. The prescribed period of time shall be counted from the date when the illegal act is committed, and if the act is of a continuous nature, it shall be counted from the date when the act is terminated.</p>	<p>In addition, the PRC Legal Advisor and the PRC legal advisor to the Sole Sponsor had also consulted with the division director of Information and Communication Management Division of the BCA. As confirmed verbally during such consultations, there had been no other laws or regulations that prescribe administrative penalty with respect to operating ICP service that were not discovered within two years after cessation of violation and Congshu Beijing would not be penalized in relation to its operation of ICP services for the period up to March 15, 2017. As advised by the PRC Legal Advisor, the Information and Communication Management Division of the BCA, as the department mainly in charge of the supervision and administration of telecommunication and Internet information services in Beijing, is a competent PRC authority to provide the above confirmations, and the relevant officer consulted is competent to provide confirmations on behalf of the BCA. The amount of revenue and loss arising from our operations during the period from January 1, 2017 to March 15, 2017 was approximately RMB10.2 million and RMB0.3 million, respectively.</p> <p>Based on the above, and also that more than two years have passed since Congshu Beijing has obtained its own ICP License, the PRC Legal Advisor is of the view that the chance of the authority imposing any penalty against Congshu Beijing with reference to its act of operating ICP service for the period up to March 15, 2017 is remote.</p>	<p>Company has put in place internal policies in preventing the re-occurrence of similar incidents. The internal policies primarily involve that the administrative department should: (1) ensure the Company has all necessary licenses at all time; (2) when starting new business operation, ensure necessary license is obtained; (3) check license renewal at least 3 months prior to its expiry.</p> <p>There has been no incident of re-occurrence of similar nature up to the Latest Practicable Date. The Company will also seek advice of relevant legal advisors in the PRC from time to time in order to adhere to the relevant laws and regulations in the PRC.</p>

BUSINESS

LICENSES AND PERMITS

Our PRC Legal Advisor has advised that as of the Latest Practicable Date, we had obtained all requisite licenses, permits, approvals and certificates from the relevant government authorities that are material for our business operations in China. We renew all such licenses, approvals, permits, registration and filing from time to time to comply with the relevant laws and regulations. The following table sets forth details of our material licenses and permits:

License	Holder	First Grant Date	Expiration Date	Renewal Requirements
ICP License (增值電信業務經營許可證)	Congshu Beijing	March 15, 2017 ⁽¹⁾	March 15, 2022	Submit renewal application 90 days prior to expiration
TCPB License (廣播電視節目製作經營許可證)	Congshu Beijing	July 19, 2018 ⁽²⁾	March 31, 2021	Submit renewal application 30 days prior to expiration
ICP License (增值電信業務經營許可證)	Congshu Hubei	March 28, 2019	March 28, 2024	Submit renewal application 90 days prior to expiration
High and New Technology Enterprise Certificate (高新技術企業證書)	Congshu Beijing	October 25, 2017	October 25, 2020 ⁽³⁾	Upon expiration
ICP License (增值電信業務經營許可證)	Beihai Media	August 24, 2020	August 24, 2025	Submit renewal application 90 days prior to expiration
ICP License (增值電信業務經營許可證)	Beihai April	October 29, 2020	October 29, 2025	Submit renewal application 90 days prior to expiration

Notes:

- (1) The ICP License granted by the Beijing Communications Administration to Congshu Beijing on March 15, 2017 was replaced with the ICP License granted on January 31, 2018, due to the change of the then registered capital of Congshu Beijing.
- (2) The TCPB License granted by the predecessor of the Beijing Municipal Radio and Television Bureau to Congshu Beijing on July 19, 2018 was replaced with the TCPB License granted by the Beijing Municipal Radio and Television Bureau on April 1, 2019, due to the name change of the issuing authority.
- (3) As of the Latest Practicable Date, the Company has applied for renewal in June 2020 and is currently going through the renewal process for the High and New Technology Enterprise Certificate. Our Directors believe that there will not be any material impediment in renewing such certificate.

In relation to the video and live stream content on our platforms, we have entered into a cooperation agreement effective from December 1, 2017 with a third party video platform in the PRC that holds a valid AVP License (信息網絡傳播視聽節目許可證).

The salient terms of such arrangement are as follows:

- *Nature.* The video channel of our platforms is redirected to the auto channel of their platforms, which displays our video and live stream content.
- *Term.* The initial term was from December 1, 2017 to April 27, 2020, which was renewed from April 28, 2020 and shall expire on April 27, 2021 with an automatic renewal provision for a further year.

BUSINESS

- *Fee arrangement and settlement.* A fixed annual fee of RMB200,000 was agreed, and shall be settled in four payments.
- *Termination.* The agreement may be terminated upon mutual negotiations or upon the occurrence of an event of breach of either party.

According to the confirmation obtained during the verbal consultation with the BRTB by our PRC Legal Advisor and the PRC legal advisor to the Sole Sponsor, such arrangement did not violate PRC laws and the Group did not need to obtain its own AVP License under such arrangement.

Our Directors confirm that the current third party video platform that carries the AVP License has been cooperating with Congshu Beijing for over two years and the relationship between the two entities have been cordial, our Directors do not foresee any major obstacles where the current arrangement cannot continue in the future. In the unlikely event that we are no longer able to cooperate with this partner, our Directors confirm that there is no material obstacles for us to cooperate with other platforms who hold an AVP License.

According to the Industry Consultant, there are over 500 entities in the PRC that has an AVP License which can potentially replace our Company's current third party video platform partner that possesses AVP License (in terms of licensing).

AWARDS

During the Track Record Period, we have received recognition for our innovation in China's online automobile transaction industry. Some of the significant awards and recognition we have received are set forth below:

<u>Award</u>	<u>Issuing organization</u>	<u>Issuing year</u>
Sina Auto 2018 Professional Creator (新浪汽車 2018年度專業創作者獎項)	Sina Auto* (新浪汽車)	2018
The Most Influential Creator (Institution Type) (最具影響力創作者(機構類))	Chejiahao (汽車之家車家號)	2019
The Content Contributing Creator for the year (年度內容貢獻創作者獎)	Sina Focus* (新浪看點)	2019
The Most Influential Institute for 2019 (2019最具影響力機構)	China Auto Influence Summit and Award-granting Ceremony (2019年中國汽車影響力峰會) jointly held by Baidu (百度), and chinaautonews.com.cn (中國汽車新聞網)	2019
Top 100 Authors in 2019 (2019年百強作者)	Yichehao (易車號)	2019

INTERNAL CONTROL

It is the responsibility of our Board to ensure that the Company maintains sound and effective internal controls to safeguard our Shareholders' investment and the Group's assets at all times. To manage risks and to ensure the smooth operation of our business, we have engaged an independent internal control consultant to assist us in reviewing our internal control, and provide recommendations for improving our internal control system. The internal control consultant has conducted agreed-upon review procedures on our internal control system and recommended improvements to strengthen our corporate governance. We have adopted a series of internal control policies and procedures designed to provide reasonable assurance for achieving objectives including effective and efficient operations,

BUSINESS

reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control system include the following:

Code of Conduct. Our code of conduct explicitly communicates to each employee our values, acceptable criteria for decision-making and our ground rules for behavior.

Internal Audit. Our internal audit function regularly monitors key controls and procedures in order to assure our management and Board that the internal control system is functioning as intended. The Audit Committee of our Board is responsible for supervising our internal audit function.

Licensing. In accordance with our internal measures, our administrative team is assigned to ensure we have all necessary licenses for our business operation and to keep track of the licensing update and renewal.

Publishing and distributing measures. Our quality assurance measures in relation to publishing and distributing activities, including, but not limited to:

- the “two-step” censorship system in that all photo publishing and content distributing activities must be reviewed by the editor in chief of content and his assistants, which are then approved by the intellectual property team (and by the head of legal department if involving complex or legal issues) to ensure that all activities must comply with relevant laws and regulations;
- when the Group obtain photos from any third party for display or publication, it would require ownership proof of intellectual property rights, without which such photos would not be used or published;
- training on the regulatory requirements applicable to photo publishing and content distributing activities to our employees to ensure compliance with relevant regulatory requirements going forward;
- engagement of external legal advisors after Listing to advise on the applicable laws and regulations and provide training to the Directors and employees on intellectual property rights when required; and
- periodical review by the independent non-executive Directors in relation to the implementation and effects of the measures adopted and any further actions to improve the Group’s compliance in this regard as necessary.

Compliance with Listing Rules and relevant laws and regulations. We will continue to monitor our compliance with relevant laws and regulations and our senior management team will work closely with our employees to implement actions required to ensure our compliance with relevant laws and regulations. We will also continue to arrange various trainings to be provided by Hong Kong legal advisors to our Directors, senior management and employees on the Listing Rules, including but not limited to aspects related to corporate governance and connected transactions, and by our PRC Legal Advisor on PRC laws and regulations. Our senior management, internal audit and the Audit Committee together monitor the implementation of our internal control system on an ongoing basis to ensure our policies and implementation are effective and sufficient.

BUSINESS

RISK MANAGEMENT

The ultimate goal of our risk management process is to bring focus and effort to the issues in our business operations that create impediments to our success. Our risk management process starts with identifying the major risks that are associated with our corporate strategy, goals and business operation. We adopted risk management policies to assess our risks in terms of their likelihood and potential impact, and then prioritize and pair each risk with a mitigation plan. We provide training to our employees and encourage an all-embracing culture of risk management ensuring that all employees are aware of and responsible for managing risks. Each of our operating departments is responsible for identifying and analyzing risks associated with its function.

Our audit personnel, the Audit Committee of, and ultimately our Board supervises the implementation of our risk management policy at the corporate level by bringing together each operating department, such as development, quality control, sales, to collaborate on risk issues among different functions. For details about the qualifications and experience of the members of the Audit Committee of and our Board, see the section headed “Directors and Senior Management—Board Committee”. The following table sets out some of the primary risks relating to our business and our existing risk management measures:

<u>Risk Identified</u>	<u>Our risk management measures and procedures</u>
External communication policies	<ul style="list-style-type: none">● We have introduced written policies on external communications and procedures for handling enquiries from regulatory authorities. We have also appointed a contact person who will be responsible for our external communications and ensure implementation of our external communication policies.
Conflict of interest reporting and policy	<ul style="list-style-type: none">● We require our new employees to undertake that they will not participate in or carry on any business which is in competition with our Group, and shall not be employed or engaged by any other third party while employed by us. We have also introduced a conflict of interest policy for directors and management to regulate and regularly report any existing and potential conflicts of interest.
Procedures and policies on anti-bribery and anti-corruption	<ul style="list-style-type: none">● Our staff from the technical department, content department, financial department and sales department are required to comply with anti-bribery and anti-corruption controls. We have introduced a reporting mechanism and regular declarations of conflicts of interests for all staff, as well as provide regular training on corruption and bribery prevention.
Procedures on connected transactions	<ul style="list-style-type: none">● We have introduced procedures for the approval of connected transactions, comprising connected transactions identification and testing, decision-making authority, information disclosure, auditing and financial reconciliation procedures. Under the procedures on connected transactions, approval from our Board is required prior to the entry into any connected transaction.

There are various other risks relating to our business and operations and market risks in the ordinary course of our business. For further details, see the sections headed “Risk Factors” and “Financial Information – Major Factors Affecting Our Results of Operations”.

IMPACT OF THE OUTBREAK OF COVID-19 ON OUR OPERATION IN THE PRC

Background

Starting in January 2020, the COVID-19 outbreak has spread around the world. As of the Latest Practicable Date, such outbreak has affected public health in the world and significantly disrupted travel and economy. In order to combat the COVID-19 outbreak, PRC Government authorities have imposed various controls and restrictions, which include quarantine order to restrict entry and exit and temporary suspension of work in various provinces and cities.

On February 17, 2020, the Guiding Opinion on Scientific Prevention and Control of Accurate Policy Division and Classification to prevent and control of the Novel Coronavirus Disease (《關於科學防治精準施策分區分級做好新冠肺炎疫情防控工作的指導意見》) (“**Guiding Opinion**”) was published by the Joint Prevention and Control Mechanism of the State Council (國務院聯防聯控機制). Under the Guiding Opinion, relevant government authorities at county level in the PRC are required to formulate specific measures to prevent and control the outbreak of COVID-19 in the respective regions.

Our offices are located in Beijing, Shanghai and Guangzhou, which are areas affected by the COVID-19 pandemic. On March 16, 2020, the General Office of the People’s Government of Beijing Municipality promulgated the Notice on Issuing Several Measures for Epidemic Prevention and Control to Safeguard Enterprises’ Orderly Resumption of Work and Production (《關於全力做好疫情防控工作保障企業有序復工復產的若干措施》), which urged enterprises to formulate epidemic prevention and control plans and emergency plans, and report abnormal circumstances to the disease control and prevention departments in a timely manner, and encouraged enterprises to adopt flexible working methods. On March 11, 2020, the COVID-19 Prevention and Control Headquarters in Hubei Province promulgated the Notice on Orderly Resumption of Work and Production for Enterprises and Safe Flow of Personnel within the Province (《關於有序推進企業復工復產和人員省內安全流動等事項的通告》), which provided that Hubei Province shall be divided in to low, medium and high risk areas and different prevention and control measures shall be implemented accordingly, and enterprises shall resume production according to their specific conditions. On February 8, 2020, Shanghai Municipal Commission of Economy and Informatization promulgated the Notice on Properly Handling the Resumption of Work and Production of Enterprises (《關於做好企業復工復產工作的通知》), which provides that the enterprises shall formulate their own work plans for resumption of work and production and epidemic prevention and control, including the leadership system, division of responsibilities, screening system, daily management, logistics support, emergency response and others, carry out environmental and preventive disinfection system, and set up temperature measurement spots and temporary isolation rooms. On February 6, 2020, the People’s Government of Guangdong Province promulgated Several Policies and Measures on Supporting Enterprises to Resume Work and Production in response to COVID-19 (《關於應對新型冠狀病毒感染的肺炎疫情支援企業復工復產的若干政策措施》), which provides that the provincial government will issue a unified series of guidelines for the prevention and control of COVID-19, and the relevant municipal governments shall strengthen the responsibility and designate personnel to guide enterprises to complete the preparation for resumption of work and production, so as to ensure that enterprises resume work and production on the premises with qualified epidemic prevention and control standards.

In compliance with relevant public announcements and notices issued by governmental authorities to contain the COVID-19 pandemic, we had temporarily suspended the opening of our offices and our staff was arranged to work remotely from home since February 3, 2020. With the

permission of relevant governmental authorities, the operation of our offices in Beijing, Shanghai and Guangzhou have been partially resumed on February 10, 2020. With the enhanced policies to contain the COVID-19 pandemic, it is anticipated that businesses and daily life of citizens will gradually resume to normal.

With the measures implemented by the PRC Government and information available to our Directors as of the Latest Practicable Date, our Directors believe that the COVID-19 pandemic would not have a permanent impact on our Group as our operation is substantially conducted on the Internet and may affect our Online Advertising Service and Transaction Facilitation Service temporarily. The potential impact of COVID-19 pandemic on our Group's operations in the PRC as discussed here is prepared according to the best estimate and belief of our Directors, based on latest information available to our Directors as at the Latest Practicable Date, subject to development of the COVID-19 outbreak in the PRC. For details of the relevant risks, see "Risk Factors—Any catastrophe, including outbreaks of health pandemics and other extraordinary events, could have a negative impact on our business operations".

Potential Impact on the Automobile and Automobile Advertising Industry

According to the CIC Report, the recent outbreak of COVID-19 has a significant impact on the business operation and social life in China. The PRC Government has taken measures such as lockdown of cities, travel restrictions, temporary work suspension and quarantine measures across the country in order to prevent and control the outbreak. The recent outbreak is likely to adversely impact the automobile industry in a short period of time due to temporary business suspension of the automobile dealers and consumers' quarantine behaviors.

According to the CIC Report, due to the outbreak of COVID-19, the total sales volume of new passenger automobiles experienced a sharp decrease. As COVID-19 spreads in 2020, car sales in China fell by 92% in February 2020. The sales volume of new passenger automobiles in six months ended June 30, 2020 was approximately 7.8 million units, representing a negative growth rate of approximately 22.5% compared to that for the corresponding period in 2019. This was caused by changes in consumer behaviors under the COVID-19 outbreak, leading to the postponement in the sales of new passenger automobiles. For the nine months ended September 30, 2020, the negative growth rate of new car sale accounted for approximately 12.4%, indicating a recovery in new car sales as a result of effective containment measures to combat the effects of COVID-19 outbreak. This is anticipated to help the automobile advertising industry (and thus the advertising expenditure in the automobile industry) to rebound. Moreover, the total sales volume of new passenger automobiles in China is expected to decrease to 19.7 million units in 2020. In terms of the advertising expenditure of the automobile industry, it is expected to decrease slightly to RMB40.9 billion in 2020 accounting for a drop by approximately 2.5% from 2019, due to the outbreak of COVID-19 resulting in reduced marketing expenditures from small and medium-sized automakers and many unexpectedly cancelled offline events. Furthermore, the demand for automobile advertising industry may also be hindered by the recent outbreak of COVID-19 due to the potential reduction of advertising expenditures by automakers and limited media resources of traditional media, such as, TVs and print media.

The total sales volume of new passenger automobiles were understood to be postponed as the outbreak of COVID-19 has led to several changes of consumers' behaviors including: (a) growing intention of non-car owners to acquire automobiles; (b) increasing awareness of health and safety-related features of the automobiles; and (c) preference for online sales and aftersales services. In March

BUSINESS

2020, the sales of new car in China has started to recover with the effective containment of epidemic. As for advertising expenditure of the automobile industry, the impact will be alleviated by the following factors: (a) online media such as automobile vertical media and social media are expected to compensate for the loss of traditional media and offline events to some extent; and (b) China is one of the largest automobile advertising markets where the containment of epidemic is proven to be effective and the sales of new car has started to recover in March 2020, which is anticipated to help automobile advertising industry to rebound. As such, after the epidemic is effectively controlled, it is expected that consumer confidence will be restored and demand for purchasing automobiles will recover gradually, resulting in a recovery in automobile and automobile advertising industry accordingly. Based on the steady growth of the overall automotive market and the emergence of online advertising, automobile advertising expenditure is forecasted to reach RMB49.4 billion by 2024, representing a CAGR of 3.3% from 2019, while the expenditure of the automobile online advertising market is expected to reach RMB28.9 billion by 2024, representing a CAGR of 8.6% from 2019.

Potential Impact on our Business

The COVID-19 outbreak has caused certain impact on our business for the six months ended June 30, 2020, and mainly affected the Transaction Facilitation Service. For the six month ended June 30, 2020, revenue generated from our Transaction Facilitation Service accounted for approximately RMB177,000, which only contributed approximately 0.3% of our total revenue. This was because no group-purchase events could be organized for the three months ended March 31, 2020 due to government measures in relation to COVID-19. In light of the lifting of various restrictions, our Transaction Facilitation Service had gradually resumed operations. As of the Latest Practicable Date, our Transaction Facilitation Service was still in recovery. For the six months ended June 30, 2020, we could not organize as many group-purchase events as expected, which led to a significant drop from 59 events (generating a revenue of approximately RMB2.4 million) for the six months ended June 30, 2019, to seven (generating a revenue of approximately RMB0.2 million) for the six months ended June 30, 2020. However, we expect our Transaction Facilitation Service to gradually recover, in light of the lifting of various restrictions due to the COVID-19 outbreak in the PRC. For the three months ended September 30, 2020, we organized one group-purchase event as compared to 22 group-purchase events in the corresponding period in 2019.

Our Online Advertising Service was also impacted by COVID-19 but to a lesser extent as compared to our Transaction Facilitation Service. We recorded a decrease in our revenue generated from our Online Advertising Service (from approximately RMB75.2 million to approximately RMB58.7 million), as we experienced an overall decrease of advertising expenditure sourced from our customers for the six months ended June 30, 2020, as compared to the corresponding period in 2019. Our Directors believe that this was likely caused by the dates of new car launches and automobile exhibitions (which were typically held in March and April of the year) were pushed back to the latter half of 2020 due to the COVID-19 outbreak, thus affecting the market appetite for automobile advertising services during the first half of 2020. As of the Latest Practicable Date, our Online Advertising Service had full resumed operations. For the three months ended September 30, 2020, we entered into 150 new service contracts for our Online Advertising Service as compared to 104 new service contracts entered in the corresponding period in 2019.

Throughout the months of February and March 2020 when the COVID-19 outbreak was regarded as the most severe in the PRC, we maintained our business operations for our Online Advertising Service by allowing our employees to work remotely from home. All of our business

BUSINESS

operations had resumed to normal in the second half of 2020 as COVID-19 is gradually brought under control in the PRC.

Accordingly, our Directors are of the view that the impact of the COVID-19 outbreak on our Online Advertising Service was relatively limited in the long run. Considering that the operation of Transaction Facilitation Service had been in gradual recovery and the majority of our revenue is generated from the Online Advertising Service which experienced less impact despite the outbreak of COVID-19, the Directors will remain alerted and will closely monitor and assess the market situation in light of any future development of COVID-19.

Resumption Plan of Operation of our offices

To facilitate prevention and control of COVID-19 and implementation of our epidemic preventive measures so as to minimize the risks of infection by staff, and considering the anticipated business flow, we arranged staggered shifts of our staff in early 2020. In June 2020, we have resumed operation in full capacity and were not aware of any employees who were unavailable to resume duties in offices due to quarantine restriction of COVID-19, related transportation issue or travel restrictions.

Considering (i) the limited number of staff with difficulties resuming duties as of February 10, 2020 due to the COVID-19 outbreak; (ii) the gradual resumption of logistics and transportation in Beijing, Shanghai and Guangzhou; and (iii) our resumption plan of operation of our offices, our Directors do not expect that our Group's business operation would be materially affected by the COVID-19 outbreak.

Supplies and Supply Chain

Our suppliers primarily include brand promotion, information technology, exhibition promotion and offline event promotion service providers. Considering that (i) to the best knowledge of our Directors, most of our suppliers have resumed operation since late February 2020; (ii) the gradual resumption of local logistics, our Directors did not expect our Group to experience any significant shortage of or delay in the delivery by suppliers in the first half of 2020 which may materially affect our operation. Up to the Latest Practicable Date, we did not experience any significant shortage of supplies which materially adversely affect our operation.

Potential Impact on our Client Flow and our Group's Business

Our Directors nevertheless are of the view that, for our Transaction Facilitation Service, users' willingness in attending group-purchase event at the physical store of autodealer customers and the general consumer spending sentiment would be deterred by the COVID-19 outbreak and may persist for a while even after we have resumed operation, and thus may reduce service demand and business flow to our Transaction Facilitation Service for a prolonged period of time after our resumption of operation, although the Transaction Facilitation Service only accounted for 1.4% of our total revenue for the year ended December 31, 2019 and 0.3% of that for the six months ended June 30, 2020. Despite the suspension of operation and the reduced business flow, we have to continue to incur fixed costs, such as staff costs and rental fees. Our operation in the PRC is subject to further development of the COVID-19 outbreak and government notices or restrictions. The Directors will remain alerted and closely monitor and assess the market situation in light of any future development of COVID-19.

Considering (i) our financial resources presently available to us; (ii) the historical monthly cash outflow for our operation; and (iii) other latest information available to our Directors as of the Latest

BUSINESS

Practicable Date, our Directors are of the view that we have sufficient working capital to maintain our present operation for at least the next 12 months from the date of the prospectus. Our Directors will continue to assess the impact of the COVID-19 outbreak on our Group's operation and financial performance and closely monitor our Group's exposure to the risks and uncertainties in connection with the outbreak. We will take appropriate measures as necessary and inform our Shareholders and potential investors as and when necessary.

Precautionary Measures and Contingency Plan in Response to COVID-19

Beside resumption of operation by phases as more specifically described in the paragraph headed "Resumption plan of operation of our offices" above, in compliance with relevant public announcements and notices issued by PRC governmental authorities to contain the COVID-19 pandemic, we adopted various additional precautionary measures to maintain a safe and hygienic environment of our offices. Such measures are in line with the policies issued by the local governments in China, and those we have implemented at our office premises include:

- postponing the re-opening schedule of our offices in line with the policies issued by the local governments in China;
- imposing work team segregation for our office staff with weekly rotational work arrangements between the office and home;
- temperature checks to be done and recorded by our staff every day;
- distributing the personal protective equipment to our staffs; and
- increased frequency of cleaning areas with high human contact, such as common spaces, meeting rooms, toilets and handrails.

Our Directors confirm that the postponement of re-opening schedules of our offices in Beijing, Shanghai and Guangzhou has no material adverse effects on our business, given that majority of our operations is substantially conducted online and only our Transaction Facilitation Service were affected temporarily. Our Directors confirm that as of the Latest Practicable Date, we have not received any positive case report from our employee nor any report that an employee cannot perform their duties as usual due to the COVID-19 outbreak. Our Directors expect that the annual expenses for the epidemic prevention are approximately RMB20,000.

In order to mitigate the impact of the COVID-19 outbreak and resume our customers' demands for our service, we intend to adopt the following measures:

- to seek and apply government grants regarding the relief of the COVID-19 outbreak when available;
- to enhance our online brand marketing to attract our customers and maintain effective communication with our customers through our sales team; and
- to gain customers' confidence in our hygienic environment when visiting and meeting at our offices by adopting additional precautionary measures.

COMPETITION

For the year ended December 31, 2019, we ranked first among all automobile vertical media advertising platforms in China in terms of DUV of approximately 11.2 million, and ranked fifth in

BUSINESS

terms of media-related revenue, according to the CIC Report. In terms of media-related revenue, we accounted for approximately 2.1% of the top one automobile vertical media platform in 2019. We compete with other online automobile platforms on our abilities to develop high quality and comprehensive content and content generation capabilities, and our extensive collaboration with a network of business partners leading to a wide user reach. We believe that we compete effectively on these factors, leveraging our in-depth understanding of the target markets, extensive industry experience and our integrated vertical media platform. See “Risk Factors – Risks Relating to Our Business and Industry – We face intense competition in the markets we operate in, and if we fail to compete effectively, we may lose market share and our business, prospects and results of operations may be adversely affected.” For further details relating to competition within our industry, see “Industry Overview.”